



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

**TUESDAY 16 JUNE 2020
VIA SKYPE**

1

Committee Members Present:

Councillor J Henderson (Convener)
Councillor S Currie
Councillor F Dugdale
Councillor C Hoy
Councillor G Mackett
Councillor K Mackie
Councillor K McLeod
Councillor J Williamson

Other Elected Members Present:

Councillor P McLennan

Council Officials Present:

Ms M Patterson, Chief Executive
Mr A McCrorie, Depute Chief Executive (Resources & People Services)
Ms S Saunders, Head of Communities & Partnerships
Mr J Lamond, Head of Council Resources
Mr D Proudfoot, Head of Development
Mr T Reid, Head of Infrastructure
Ms L Brown, Chief Operating Officer - Education
Ms S Fortune, Chief Operating Officer - Finance
Ms J Tait, Chief Operating Officer - Children's Services
Mr P Vestri, Service Manager – Corporate Policy & Improvement
Mr D Stainbank, Service Manager – Internal Audit
Ms S Smith, Team Manager – Economic Development
Ms K Duff, Treasury & Banking Officer
Ms D Pringle, Corporate Accountant

Clerk:

Miss F Currie

Visitors Present:

Ms E Scoburgh, Audit Scotland

Apologies:

None

Declarations of Interest:

None

The Convener welcomed everyone and briefly outlined the procedures for managing the meeting via Skype.

1. MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING ON 18 FEBRUARY 2020

The minutes of the Audit and Governance Committee meeting held on 18th February 2020 were approved as a true record.

2. INTERNAL AUDIT REPORT – JUNE 2020

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.

Duncan Stainbank, Service Manager – Internal Audit, 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 given on Direct Payments and Musselburgh Grammar School; and ‘reasonable assurance’ on Treasury Management and Fostering & Kinship Care Payments. He summarised the main findings of each audit, highlighting areas where controls were met and those with scope for improvement.

Mr Stainbank also drew attention to the Internal Audit progress report for 2019/20 which included details of the audits that had been suspended as a result of the COVID-19 pandemic. He reported that a revised 2020/21 Audit Plan would be presented to the Committee’s September meeting to reflect the revised risk and assurance environment. Officers responded to questions from Members.

Musselburgh Grammar School

Lesley Brown, Chief Operating Officer – Education, confirmed that the good practice identified in report would be shared across the wider school estate, and that work was underway to address the specific actions required within Musselburgh Grammar School.

Direct Payments

Mr Stainbank advised that Adult Services had an intention to formalise a draft policy covering the management and administration of Direct Payments by May 2020, however full policy cover including Children’s Services is not scheduled until November 2020.

Judith Tait, Chief Operating Officer – Children’s Services, explained that issues such as staff absence, and the diversion of staff resource to deal with the impact of COVID-19 and the Scottish Government fostering inquiry had all contributed to the delays. However, they were now actively addressing all of the recommendations contained in the audit report and working on a schedule for reviewing their policies. In the meantime, the practice was working well.

Ms Tait advised that, within Children’s Services, the purpose of Direct Payments was to support children to stay within their families and that the vast majority of children were maintained with smaller care packages than those provided for adults.

Responding to further questions, Mr Stainbank explained that there was no formal policy for financial assessment of children's care packages. For adults, the need for a financial assessment would depend on the package of care required and whether an individual opted to pay for the care themselves. He also confirmed that most of those who were not currently using prepayment cards had joined the Direct Payments scheme before such cards were available.

Ms Tait said that the system was about supporting children to remain within their families and it was important that this was flexible enough to meet individual needs. She agreed to provide figures for the percentage of those who receive social care support and are in receipt of Direct Payments.

Decision

The Committee agreed to note:

- (i) the main findings and recommendations from Internal Audit reports issued during the period from February to June 2020;
- (ii) the findings from Internal Audit's follow-up work;
- (iii) Internal Audit's progress against the annual audit plan for 2019/20.

3. COVID-19 CHANGE CONTROL ASSURANCE

A report was submitted by the Service Manager – Internal Audit informing the Committee of Internal Audit Assurance exercises completed since the last meeting of the Committee in relation to processes that had had significant changes in the control environment implemented as a result of the COVID-19 pandemic.

Mr Stainbank presented the report outlining the main objective of the assurance exercises and summarising the key findings of the work completed on Grant Products and Creditors.

In relation to Grant Products, the sampling had shown that all grants had been processed in line with guidance and assessment criteria set out by the Scottish Government. Controls were operating in an appropriate manner and offered some assurance against the residual risk of fraud.

The work on Creditors, involved sampling of invoices and an analysis of payments. It identified 5 duplicate payments: in 3 cases a refund had been received; and in 2 the refund was still to be sought. The exercise also included a review of the implementation of recommendations made following the audit carried out as part of the 2018/19 audit plan. It found that 8 of the 11 recommendations had been implemented and progress was being made on the remaining 3.

The Convener thanked Mr Stainbank and his team for their efficient production of very useful reports.

Decision

The Committee agreed to note the findings and recommendations from the reported exercises.

4. ANNUAL INTERNAL AUDIT REPORT 2019/20

A report was submitted by the Service Manager – Internal Audit, in line with the Public Sector Internal Audit Standards (PSIAS), providing a summary of the work undertaken by East Lothian Council's Internal Audit Unit in 2019/20 and supporting both the Council's Annual Governance Statement and the Internal Audit Controls Assurance Statement.

Mr Stainbank presented the report outlining the background to the Internal Audit service and summarising its performance during 2019/20. He drew Members' attention to the completed audits and levels of assurance provided, and to the impact of COVID-19 which had resulted in the suspension of some audit work. He stated that this work would resume as soon as it was appropriate to do so and a revised 2020/21 Audit Plan would be presented to the Committee's September meeting.

Decision

The Committee agreed to note the contents of the Annual Internal Audit Report 2019/20.

5. CONTROLS ASSURANCE STATEMENT 2019/20

A report was submitted by the Service Manager – Internal Audit informing the Committee of Internal Audit's responsibility to independently review the internal control systems within East Lothian Council, make an assessment of the control environment and report annually on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

Mr Stainbank presented the report highlighting the key findings: the work of the Internal Audit Unit; the sources which inform its evaluation of the control environment; and the assessment of controls and governance. It was Internal Audit's view that reasonable assurance could be placed on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control during 2019/20.

Mr Stainbank replied to a question from Councillor McLeod regarding the recovery of duplicate payments. He referred to his earlier report outlining the work on COVID-19 Control Assurance which had identified 5 duplicate payments; 2 of which had since been recovered. Those 3 payments constituted over 90% of the total monies paid out and he was confident that the remaining 2 payments would also be recovered.

Councillor Currie asked about the controls in place to identify businesses who had received grants under the COVID-19 support scheme but who had previously failed to pay Council rents or business rates; and whether any assurance could be provided against the likelihood of the Council having to absorb any future debt write-off should these businesses cease trading.

Mr Stainbank said that the assessments took into account information from other parts of the Council, as well as how COVID-19 had impacted on the business.

Sarah Fortune, Chief Operating Officer – Finance, confirmed that there were controls in place to mitigate the potential risk of fraud and that these included other services within the Council, such as economic development and revenues. While it was not

possible to eliminate the risk entirely, she hoped that the report provided some assurance to Members.

Jim Lamond, Head of Council Resources, added that in administering the business grants scheme the Council was acting as an agent for the Government and was required to abide by the guidelines for the scheme. These did not permit the Council to take into consideration any debts owed by businesses seeking support from the scheme and no conditions could be placed on businesses regarding the use of grant monies. He acknowledged that the scenario outlined by Councillor Currie could come to pass but reiterated that the Council had no means to prevent this.

Decision

The Committee agreed to note that the Controls Assurance Statement was a formal confirmation of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2020.

6. EAST LoTHIAN COUNCIL MANAGEMENT LETTER 2019/20

A letter was submitted by Audit Scotland outlining the results of their review of internal controls in the Council's financial systems for 2019/20.

Esther Scoburgh from Audit Scotland presented the letter. She summarised the systems covered by the review and the areas where it had not been possible to test due to the current circumstances. She also outlined the key findings and the overall conclusion.

In response to questions from Councillor McLeod and Councillor Hoy, Ms Scoburgh clarified the term 'trade receivables' and offered to provide data from other Councils on the percentage of NDR quality checks carried out.

Mr Lamond said the key point was that the control measure should be improved by testing at a stipulated level and that clarity had been sought from the auditors as to what would be considered appropriate. He highlighted that any improvement in checks would have resource implications but that this would be addressed as part of the Revenue & Benefits Service review.

Decision

The Committee agreed to note the contents of the management letter.

7. ANNUAL TREASURY MANAGEMENT REVIEW 2019/20

A report was submitted by the Depute Chief Executive (Resources & People Services) updating the Committee on Treasury Management Activity during 2019-20.

Ms Fortune presented the report. She informed Members that the figures quoted should be considered as draft until the completion of the annual accounts and that they would be notified of any changes. She summarised the key points of the report and advised that the Council had borrowed less than anticipated, ending the year in an under-borrowed position. She also drew attention to the investment strategy, the borrowing and investment activity and the impact of COVID-19 on the 2019-20 figures.

Responding to a question from Councillor Currie, Ms Fortune acknowledged that the impact of COVID-19 was unprecedented and that it would be important to keep Members updated on the further impacts and any necessary changes to the Council's financial management strategies as these developed over the coming year.

Mr Lamond echoed these remarks emphasising the need to ensure that the treasury management strategy remained fit for purpose going forward and that it had the scope and flexibility to adapt if a different approach was required. He added that any such changes would also be reflected as part of the formal mid-year review.

Replying to a query from Councillor Dugdale regarding the increase in the PWLB rate last year, Ms Fortune agreed that this rise and the ongoing impact on borrowing had been significant. While the Council's capital and investment strategy took a longer term approach which built in assumptions around future rate rises, it also needed to ensure that plans remained sustainable. The position would continue to be monitored to ensure that borrowing operated at a prudent and affordable level.

Mr Lamond observed that the added tariff of 1% placed on the PWLB had been unforeseen and unwelcome and he hoped to see it removed in future.

In response to a question from the Convener, Ms Fortune stated that the Council's under borrowed position resulted from its use of working capital and cash reserves to support ongoing requirements, rather than seeking additional loans, and this ensured that borrowing remained within affordable limits.

Councillor Currie considered that the strategy would have to be looked at in advance of the budget next year, particularly areas of risk such as the investment strategy, interest rates and the potential impact of developers seeking to revisit Section 75 agreements previously put in place. He also pointed to concerns over the future impact of increased rent debt and reduced income on the HRA and the need to review the investment and borrowing strategy to support the capital plan. Reviewing the treasury management strategy would be a crucial part of the Council's response, especially as it was likely that the full impact of the pandemic had yet to be felt. In the meantime, he thanked officers for their comprehensive report.

The Convener said she was confident that the Committee would have opportunities to look at these aspects over the coming months.

Decision

The Committee agreed to note the report.

8. CORPORATE GOVERNANCE SELF-EVALUATION AND ANNUAL GOVERNANCE STATEMENT 2020

A report was submitted by the Chief Executive advising the Committee of the revised Framework on Delivering Good Governance, the results of the Corporate Governance Self-evaluation 2020 and the proposed Annual Governance Statement to be included in the 2019/20 Annual Accounts.

Paulo Vestri, Service Manager – Corporate Policy & Improvement, presented the report outlining the background to the Good Governance framework, its core principles and the key findings from the self-evaluation exercise. He also drew Members'

attention to the proposed Annual Governance Statement for inclusion in the 2019/20 annual accounts.

Mr Vestri responded to a question from Councillor Dugdale regarding the completion date for work on a Community Charter. He explained that the Resilient Communities Groups had been redirected to work with volunteers in supporting vulnerable people during the pandemic. These groups would also be involved in long-term recovery planning and some of this work would feed into the Community Charter. It was hoped that further progress on the Charter would be made before the end of 2020.

The Convener drew Members' attention to the recommendations contained in the report, in particular the need to consider whether any additional improvement actions were required and to approve the Annual Governance Statement for inclusion in the accounts.

Mr Vestri highlighted some of the actions related to COVID-19 which would form part of the new improvement plan for agreement later in the year and invited Members to consider whether they wished to make any amendments to the proposed Governance Statement.

The Members indicated that they had nothing to add to the improvement actions or the Governance Statement.

Decision

The Committee agreed to:

- i. note the results of the self-evaluation carried out using the Framework and considered whether any additional improvement actions should be added;
- ii. note the progress made with the actions included in the Council Improvement Plan 2018-200; and
- iii. the Annual Governance Statement being included in the 2019/20 Annual Accounts.

9. CORPORATE RISK REGISTER

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

Sharon Saunders, Head of Communities and Partnerships, outlined the salient points in the report and that the Register included 1 Very High risk, 9 High risks, 9 Medium risks and 1 Low risk. She advised that the document was different from previous years as it now held an independent Register of risks related to COVID-19 which had been prepared and would be continually reviewed by the COVID Oversight Group and Council Management Team. Over time, it was expected that many of these risks would be absorbed into individual Service Risk Registers. Ms Saunders also highlighted the other key corporate risk which related to Brexit.

Councillor Currie asked about impact of Brexit on farming and other local industries and the impact of COVID-19 on the workforce.

Ms Saunders advised that the Council's Brexit Working Group was focussing on the impacts across the breadth of Council services, as well as on issues such as the local economy, environmental protection, equalities and workforce planning. She reported that at a recent CoSLA meeting it had been acknowledged that there needed to be an increased national focus and pace between now and December and the Council's Working Group was responding to this.

Regarding COVID-19, Ms Saunders accepted the importance of managing the risks related to the workforce and the impact these had on the Council's capacity to deliver services. As well as capacity, the Council was looking at the impact of working from home on staff mental health and wellbeing and was already providing additional guidance, support and online learning activities to help equip staff and managers for the changes resulting from working from home.

Councillor Dugdale asked about plans for additional control measures in relation to the increased risk of domestic abuse as a result of COVID-19.

Ms Saunders acknowledged that domestic violence was very much an increased area of risk going forward. Services across the Council, along with public protection partner agencies, were working together to identify the scale of the problem, some of which may have been previously hidden, and to identify potential cases and provide appropriate help and support.

Decision

The Committee agreed to note the Corporate 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 Corporate 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 Corporate and were likely to be a feature of the risk register over a number of years
- iv. the Council Management Team would review all risks in the Corporate Risk register on a regular basis.

Signed

Councillor Jane Henderson
Convener of the Audit and Governance Committee

REPORT TO: Audit and Governance Committee
MEETING DATE: 22 September 2020
BY: Depute Chief Executive (Resources & People Services)
SUBJECT: Internal Audit Report – September 2020

2

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued, and follow-up work completed, since the last meeting of the Committee and to provide an update on progress made against the 2019/20 annual audit plan.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note:
- i. the main findings and recommendations from the Internal Audit report issued during the period from June 2020 to September 2020 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, a final report have been issued in respect of the Transformation Programme.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audit is contained in Appendix 1.
- 3.3 For the Transformation Audit review undertaken, Internal Audit has provided management with Moderate Assurance.
- 3.4 Internal Audit follows-up on recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. Detailed spreadsheets are maintained to monitor progress being made. More detailed follow-ups have not been completed in the June 2020 to September 2020 period to allow assurance reviews to be completed in high priority areas and to avoid excessive assurance stress on East Lothian Council Management. A programme of follow-up reviews has now recommenced.

Progress Report 2019/20

- 3.5 The final progress report attached as Appendix 2 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan for 2019/20.
- 3.6 A revised 2020/21 Internal Audit Plan has been included as part of the papers for this meeting of the Audit & Governance Committee.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Duncan Stainbank
DESIGNATION	Service Manager – Internal Audit
CONTACT INFO	01620 827353
DATE	11 September 2020

1 Executive Summary: Transformation Programme

Conclusion: Moderate Assurance

The Council has appropriate processes and procedures in place to ensure that the Transformation Programme highlights areas within the Council where efficiencies can be achieved, however these procedures are not being consistently applied to all projects. Benefits arising from projects are not always communicated via Business Cases and are not being tracked or reported against individual project implementations.

Background

East Lothian Council's Transformation Programme was created in 2016 to support the Council to deliver one of the Strategic Goals included in the Council Plan: to *'Deliver transformational change and harness the opportunities technology offers in the provision of services.'* Since the start of the Programme it has delivered new digital solutions, increased income generation and a range of service improvements along with financial benefits of over £1.3M. An Executive Team: Transformation has been established to oversee all projects that form part of the Transformation programme and this group meets on a regular basis. The Transformation programme team has responsibility for overseeing the ongoing development of projects.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager - Corporate Policy**:

- Transformation programme objectives had not been clearly defined at the start of the audit, however 6 priorities have now been agreed going forward.
- Additional information is required for the project register to contain a complete record of all projects, which will be completed **by September 2020**.
- The Executive transformation team prioritise all transformation projects. A procedure for prioritising projects was drafted to assist with prioritisation, but was not being routinely used. A process for presenting projects consistently against the agreed 6 priorities will be developed **by January 2021**.
- Business Cases had not always been developed as part of all projects, and did not include sensitivity analysis of assumptions, these will now be completed **from September 2020**.
- Management should ensure that segregation of duties is maintained across project and executive governance bodies, which has already been rectified for the one case identified.
- Benefits arising from the Transformation Programme will now be clearly recorded by individual project and achievement reported through service provided information to ensure continuous improvement in presentation of achievable benefits **from September 2020**.

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	10	1	11
Prior report	N/A	N/A	N/A	N/A*

* This control review is new and no prior report exists for comparison

Materiality

For the financial year 2019/20 the Transformation programme had a target of achieving savings of £600,000. Over the 4 years of the Transformation programme savings of in excess of £1.3 million have been achieved, in addition to delivery of successful process transformations.

2 Headlines

Objectives	Conclusion	Comment
1. Clear, accessible, relevant, and appropriate Council transformation policies and procedures are in place.	Moderate	The Council has appropriate procedures in place for the Transformation Programme, however these are not being followed on a consistent basis and through a consistently segregated governance structure.
2. A complete and accurate register is maintained of all suggested projects, with a clear methodology consistently applied to prioritise which projects are taken forward on the basis of financial savings for the Council.	Moderate	A project register is in place but this does not contain a full record of all projects undertaken. A project methodology has been established but this is not being applied across all projects being undertaken within the Transformation Programme.
3. A clear and consistent methodology for the production and approval of project business cases is in place and operating effectively.	Limited	Business plans are not produced for all transformation projects and whilst benefits of all projects reviewed have been identified these are not being presented in a consistent format. No evidence of the sensitivity analysis of assumed benefits was found to be in place.
4. Adequate processes are in place to monitor the progress of projects against business case timescales and savings identified.	Moderate	Where changes to a project are identified these are reported in reports submitted to the Project Board but the other project documentation is not regularly updated to reflect these changes.
5. Management have adequate controls in place to ensure projected savings are tracked, realised and reported accurately and completely.	Moderate	Benefits to be derived from a project are set out within the Project Initiation Document at a high level and further detail is provided in business cases and via benefits tracking and handover reports. The potential benefits from the project are reported to the ETT. Actual results from the project, once it has been implemented, are not routinely being reported to the ETT, there are reports to the CMT and the Council.
6. Management have adequate controls in place to maintain monitoring and reporting of the ongoing efficiency savings following the completion of a project.	Moderate	We were informed that reports are submitted monthly to CMT and quarterly to Council to highlight efficiency savings. We reviewed the reports submitted to the Council during 2019/20 and found that while the reports contained details of efficiency savings achieved they did not identify savings achieved by individual projects undertaken as part of the Transformation Programme.

3 Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	The Council has put a transformation programme in place and resourced with a Programme Manager, to facilitate changes to the way services are provided and identify additional sources of income generation.
2.	The Council has adopted Prince 2 as it's preferred project methodology with clearly defined roles and responsibilities established for Project Board members to provide appropriate governance for each project.
3.	Terms of Reference have been agreed for the Executive Team: Transformation (ETT) and progress of projects and the programme is reported on a regular basis to both CMT and the ETT.
4.	In addition to delivering in excess of £1.3million of savings for the Council the transformation programme has facilitated movement towards more digital processes for the Council including the implementation of new HR & Payroll systems and EDRMS project.
5.	Significant work has started on many projects that will lead to future efficiency savings and potential additional income for the Council including projects reviewing the efficient use of Council buildings and renewable energy projects supporting the key priorities of the Council.
6.	Through the transformation programme the Council has launched an affordable energy tariff for East Lothian residents.

A Recommendation Grading/Overall opinion definitions

Recommendation	Definition
High	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

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

INTERNAL AUDIT PROGRESS REPORT 2019/20

APPENDIX 2

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
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
Home Care Services	We will review the in-house delivery of Home Care services to Adult Services clients.	February 2020	Completed
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.	June 2020	Suspended, Included in 2020/21 Plan
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.	June 2020	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Records Management	We will review the arrangements operating within service areas for records management including the storage, retention and disposal of records.	February 2020	Completed
Roads Contracts	We will examine the arrangements in place for the procurement, tendering and monitoring of work awarded by Road Services.	February 2020	Completed
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	Completed
Property Maintenance Stores	We will review the arrangements operating at the Property Maintenance stores.	June 2020	Suspended, To be included in 2021/22 Plan
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	February 2020	Completed
National Fraud Initiative	Time has been allocated for reviewing data matches identified by the 2018/19 National Fraud Initiative (NFI) exercise.	February 2020	Completed
Online Payments	We will review the internal controls surrounding the online payments system (SchoolPay), which was recently introduced in East Lothian schools.	June 2020	Suspended, To be included in 2021/22 Plan

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Schools	We will review the financial arrangements operating within one secondary school to ensure compliance with the financial procedures in place.	June 2020	Completed
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	Suspended, Included in 2020/21 Plan
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	Completed
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	Completed
Fostering and Kinship Care Payments	We will review payments made to foster and kinship carers to ensure compliance with Council policies and procedures.	June 2020	Completed
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	Suspended, To be included in 2021/22 Plan
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	Suspended, Included in 2020/21 Plan

REPORT TO: Audit and Governance Committee
MEETING DATE: 22 September 2020
BY: Service Manager – Internal Audit
SUBJECT: COVID-19 Change Control Assurance – September 2020

3

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit Assurance exercises completed since the last meeting of the Committee in relation to processes that have had significant changes in the control environment implemented as a result of the COVID 19 Pandemic.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the findings and recommendations from the reported exercises attached as Appendix 1.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee Internal Audit Assurance exercises have been finalised for:
- Supplier Relief;
 - Rent Deferment;
 - Non-Domestic Rates – Retail, Hospitality and Leisure 100% Relief;
 - Residential Care – Financial Reassessments.
- 3.2 The main objective of the Assurance exercises was to establish if the internal controls in place provide an appropriate control environment. A summary of the main findings and recommendations from the Assurance exercises is contained in Appendix 1.
- 3.3 As the Assurance exercises are not a complete audit of these processes they have not been assessed with an assurance level. However a conclusion on how appropriate the internal control processes are has been provided.

4 POLICY IMPLICATIONS

4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Duncan Stainbank
DESIGNATION	Service Manager – Internal Audit
CONTACT INFO	01620 827353
DATE	11 September 2020



Appendix 1

East Lothian Council Internal Audit Memo

From:	Duncan Stainbank, Service Manager – Internal Audit Stuart Allan, Senior Auditor
To:	Jim Lamond, Head of Council Resources Tom Reid, Head of Infrastructure Agnes Eperjesy, Commercial Programme Manager Bruce Moffat, Service Manager – Transport and Waste
Date:	9 September 2020

Supplier Relief – COVID-19

1. Background

The Council's COVID-19 Support for Business Briefing Note for Services (19 March 2020) stated that:

“Existing contracted Suppliers/Providers:

- The Council has in place a number of contracts with key suppliers/providers which work in partnership to support the provision of essential local services and contractual costs are reflected within existing service budgets. The examples will be varied across service areas but include areas such as supported bus contracts including home to school transport etc.
- The ability to work flexibly with these suppliers/providers to support either on-going resilience during this prolonged period of uncertainty, or to protect, retain and support resilience within these service provisions remain essential to ensure that the Council continue to deliver service obligations both during and once the recovery phase of COVID-19 is implemented.
- Given the above, the following support is provided:
 - Services should identify relevant key suppliers/providers where existing contractual arrangements will now not be able to be fulfilled due to the ongoing COVID-19 outbreak.
 - Services should enter into constructive discussion with these relevant suppliers/providers with the object to agree to consider any flexibility in the existing contract arrangements which are deemed relevant and consider an appropriate level of on-going financial support to reflect an appropriate net operating level by the Council, which takes into consideration the following factors:
 - Understanding of the key fixed and variable costs within the supplier/provider which will require to be supported during this time – this will include staff and wages.
 - Evidence that the supplier/provider is doing all that it can to mitigate the impact arising from COVID-19 including review of insurance provision and any reduced costs/savings during this period of uncertainty e.g. reduction in fuel if buses are not operating.

- Taking the above into consideration, an appropriate net operating level should be agreed and authorised by the respective Head of Service in conjunction with relevant service management, working on advice and guidance with Legal, Procurement and Finance.
- It remains important that services maintain a clear and accurate record of any changes to contract payments during this time, and the impact of this is communicated clearly with Finance, Legal and Procurement.”

The Scottish Government has published a range of Scottish Procurement Policy Notes (SPPNs) to support public bodies in their response to COVID-19. These include SPPN 5/2020 – Supplier Relief due to COVID-19 (dated 26 March 2020) and SPPN 8/2020 – Recovery and Transition from COVID-19 (dated 12 June 2020). In addition, the Scottish Government published responses to Frequently Asked Questions (FAQs) on SPPNs 5/2020 and 8/2020.

SPPN 5/2020 – Supplier Relief due to COVID-19 states that:

- The purpose of the SPPN is to set out guidance for public bodies on options for payment to their suppliers to ensure service continuity during the current COVID-19 outbreak.
- Many suppliers to public bodies will struggle to meet their contractual obligations. This will put their financial viability, ability to retain staff and their supply chains at risk. Public bodies should act now to support their suppliers so they are better able to cope with the current crisis and to resume normal service delivery and fulfil their contractual obligations when the outbreak is over.

Annex A to SPPN 5/2020 provides a template of Model Interim Payment Terms that public bodies may wish to use when providing contractual relief. Key points from Annex A are:

- It will be for the supplier to set out proposals to vary an existing contract and/or request interim/advance payment.
- Both parties will be required to explore if other changes to the contract (for example, rescheduled delivery dates) would work better.
- The supplier will not be entitled to combine a claim under the contract with any other COVID-19 related relief, grant, intervention or other measure which results in the supplier receiving more than one benefit/relief for the same underlying cash flow issue.
- On request, the supplier will have to evidence that any monies paid out have been used as intended.
- A condition of payment will be that the supplier must also promptly pay its staff and supply chain under the contract.
- Suppliers will not be able to claim where there is no contractual volume commitment to deliver nor will be able to claim for profit on undelivered elements of the contract.
- Monies paid can be recovered by public bodies in specified circumstances.

The FAQs further state that “if the supplier is unable to deliver part or all of their contract due to the COVID-19 outbreak and the supplier relief measure agreed means that a public body are in effect paying for an element of contingency/retention to protect future delivery, the payment should not include a contribution to profit or variable costs for the elements of the contract not delivered. Parties should agree the process for reconciling payments made against costs as set out in the model interim payment terms accompanying SPPN 5/2020, as part of an agreed plan to transition to restart the contract”.

2. Findings

Internal Audit sought to review the processes by which supplier relief was provided by the Council in response to COVID-19. We note that Procurement maintain two spreadsheets, which contain details of requests received for supplier relief, the decision made in each case on whether or not to provide supplier relief and the type and amount of any relief provided. One of the spreadsheets relates to supplier relief/sustainability payments to social care providers, which is subject to separate COSLA guidance and our audit work in this area will be reported separately to the East Lothian IJB Audit and Risk Committee.

Our review of supplier relief provided in other service areas highlighted that the majority of supplier relief payments were being made to transport operators, in respect of transport provision including Home to School transport (Mainstream and ASN) and Social Work routes, which were not being delivered. Our audit work has focused on the supplier relief provided to transport operators.

Supplier Relief to Transport Operators

On 24 March 2020 a joint Scottish Government/COSLA letter advised all local authorities that “Following engagement with SOLACE and ADES on Friday 20th March COSLA Group Leaders agreed that, in the interest of supporting local businesses and ensuring available capacity when schools return, local authorities will continue to pay home to school transport providers through to the end of the summer term. Whilst the key aim is to ensure that staff get paid and that businesses remain solvent, more detail will be required on costs which can and cannot be met by local authorities in light of the changing policy landscape at the Scottish and UK Government level in relation to national reliefs and support, such as the 80% pay guarantee”.

We are advised that an initial decision was taken for all the Council’s transport operators to be paid 100% of their contract value up to the end of April 2020, by which time more would be known about future requirements. We are further advised that future payments were to be worked out through the transport operators completing a Confirmation Statement to ensure procurement transparency and fair treatment. This was to be a monthly decision moving forward based upon information provided by operators.

We sought to review the Confirmation Statement that all transport operators were required to complete, sign and submit to the Council on a monthly basis, along with their invoices. We note that the purpose of the Confirmation Statement is to ensure that payments made to providers, alongside other government COVID-19 business support, does not result in financial gain for the provider. In the Confirmation Statement, transport operators are required to confirm that:

- they are aware of and are claiming all COVID-19 related relief, grant or intervention and operators are required to provide details of all support received;
- payment from the Council is being used as intended i.e.
 - to employ and pay staff/drivers in full (including those on zero hours, self-employed and sub-contracted);
 - to pay suppliers;
 - to maintain the solvency and capacity of the business;
- they will remain flexible to continue to deliver essential services to the Council equal to the value of the contract price being invoiced;
- they will permit access to accounts (open book accounting) if requested, to demonstrate that no financial gain has been made from the payments and that payments have been used as intended, and to audit and reconciliation processes.

In addition, transport operators are required to:

- provide a summary of their normal and revised income and expenditure for the period that the schools will be closed (assume from 23 March 2020 to the end of term);
- provide details on their driver position (split between employed and self-employed drivers).

We are advised that the information submitted by each operator in their Confirmation Statement was assessed by a working group consisting of members of staff from Transport, Finance and Procurement and we note that a spreadsheet is maintained, which records the decision made and the reason for the decision. In all cases, we note that the decision made was to continue to pay the operators 100% of their contract value.

We examined a sample of transport operators and note that information provided by operators indicated that due to COVID-19, in most cases the operators were receiving very limited income other than that being received from the Council. The working group decisions were based on an assessment that the operators would struggle to survive without full payment of Council contracts and that the Council was very reliant on the operators being in place to provide services during the recovery phase.

The Confirmation Statements submitted by operators also highlighted that:

- bus operators were continuing to run their supported bus routes;
- where taxi operators had not been providing their contracted services, in a number of cases they had been providing other services at no additional cost (e.g. transport of school meals, key workers, children to Children's Hubs, ASN children to respite).

The information provided by transport operators in their Confirmation Statements indicated significant cost savings to operators through the non-delivery of services in respect of both fuel and staffing costs. In particular the information provided indicated savings in:

- fuel cost reductions for the routes that were not running;
- staffing cost savings due to drivers either being furloughed or leaving voluntarily.

We are advised that the current situation, as at September 2020, is that contracted services are back up and running, with the exception of social work routes, where only approximately 40% to 50% of routes are being delivered, although operators are continuing to receive payment for 100% of their contracted routes.

3. Conclusions

In paying 100% of the value of contracted routes, the Council may be contributing to a profit element and funding variable costs that are not being incurred for some operators. In addition, no adjustments have been made for other Government funding received by operators (in particular furlough) or where drivers may have left voluntarily and are not continuing to be paid as per SPPN 5/2020.

Many of the transport providers have been assisting with transport for key workers, community provision to shielding and vulnerable people, delivery of school meals and transport to School Hubs and respite care, which were being provided free of charge. This demonstrates the flexibility these operators have offered when contracted services cannot be provided.

We note that the supplier relief arrangements required to be put in place at very short notice, however the processes for assessing payments to be made to operators have not included entering into a formal agreement with operators, as recommended by SPPN 5/2020. Operators have however agreed to open book accounting and to an audit and reconciliation process. There is scope therefore, for the Council to assess the overall payments made to operators to ensure cashflow through the COVID-19 crisis and to reach an agreement with operators on the level and type of costs that should have been paid by the Council.

4. Recommendation

Recommendation 1: Management from Transport, Procurement and relevant service areas should work together to create formal agreements with transport operators outlining the process for reconciling payments made against costs incurred. As part of these agreements open book accounting requirements already agreed, should be enacted to confirm the funding that the Council should have provided. Payment or recovery of funds as required should then be agreed with the operator.

Management Response and Timescale:

Agreed – A formal agreement will be put in place with each transport operator, outlining the process for reconciling payments made against costs incurred and ensuring a clear understanding of what the Council is paying for. The agreements will be signed by both the transport operator and the Council and will be in place by 31 October 2020.



East Lothian Council Internal Audit Memo

From:	Duncan Stainbank, Service Manager – Internal Audit Stuart Allan, Senior Auditor
To:	Tom Reid, Head of Infrastructure Eddie Reid, Service Manager – Strategic Asset & Capital Plan Management Janet Placido, Team Manager – Estates
Date:	4 September 2020

Rent Deferment – COVID-19

1. Background

The Council's COVID-19 Support for Business Briefing Note for Services (19 March 2020) stated that "flexibility will be provided to commercial property, where East Lothian Council is the landlord, to offer payment holidays of up to 6 months with the option of repaying the rent in full over a maximum 18 month period". This information was made available on the Council's website and requests for a payment holiday (rent relief) were to be made directly to the Council's Estates section.

On 6 May 2020, the Head of Infrastructure asked Internal Audit to work with the Council's Estates section to review the COVID-19 response and ensure that appropriate governance and control is in place for the rent relief process.

2. Findings

Internal Audit sought to review the rent deferment process in place. We note that the Estates section maintain a spreadsheet detailing the rent holiday arrangements that have been put in place. The spreadsheet records details of all commercial tenants requesting rent relief, including the rent deferment period and the date by which Estates will notify the tenant of their new rental figure (comprising their existing rent and the rent due for the payback period). Internal Audit were provided with a copy of the spreadsheet, together with an example of the control form completed and sent to Finance for each tenant requesting a rent deferment period.

We note that the rent deferment process required to be put in place at very short notice and we are advised that a clear audit trail is in place with each tenant in receipt of rent relief, however we found that formal agreements were not in place between the Council and the tenants clearly outlining the terms of the rent deferment.

Internal Audit noted that most tenants seeking rent deferment had requested a six month payment holiday (from 1 April 2020 to 30 September 2020), however in some cases tenants had requested a shorter payment holiday period (for example, two months from 1 May 2020 to 30 June 2020 or three months from 1 April 2020 to 30 June 2020 or from 1 May 2020 to 31 July 2020). As part of our review we sought to confirm that appropriate processes had been followed for those tenants whose rent holiday period ended on 30 June 2020 (rent due from 1 July 2020) or 31 July 2020 (rent due from 1

August 2020). We reviewed a sample of five tenants in receipt of a two or three month rent deferment period and found that:

- In all cases, tenants were sent notification of their new rental figure by email, stating for example “rent payments including payback of rent for the Covid-19 rent holiday period are now required to start. You requested a 3 month rent payment holiday from 1st April 2020, so ‘normal’ rent payments should restart, along with the arrears over an 18 month period, from 1st July 2020”.
- Tenants were sent two standing order mandates, one to restart their original rent payment and one for the rent holiday period. However Estates are in the process of moving from standing order mandates to direct debits and from September 2020 tenants are being asked to set up two direct debits instead, one for their normal monthly rent payments and one for the rent holiday payments over an 18 month period.
- In three of the five cases reviewed, we found that the tenants were paying their full rental payments due following the end of the rent deferment period, comprising their normal rent due and the rent due for the payback period (in one case the tenant had chosen to pay this back over six months rather than 18 months); in one case the tenant was paying their normal rent due, but had requested a two month delay in their rent holiday repayments, which they would then pay back over 16 months rather than 18 months and in the final case the tenant had not commenced their normal rent payments or their rent holiday repayments and we are advised that this is currently being followed up by Estates in accordance with normal procedures.

3. Conclusions

Based on our review of the processes in place, and further to the one recommendation detailed in section 4 below, we are content with the control aspects of the approach being adopted. Further review of processes will be considered at a later date, particularly in respect of tenants who have requested a six month payment holiday.

4. Recommendation

Recommendation 1: To further enhance the arrangements in place, a formal legally binding side agreement should be put in place for each tenant in receipt of a rent deferment period. This should be drawn up in consultation with Legal and should be signed by both the Council and the tenant.

Management Response and Timescale:

Agreed – this is now in place. A COVID-19 Rental Payment Agreement has been put in place with each tenant requesting a rent deferment period: The agreement in place:

- details the rent holiday period;
- clearly outlines that the rent deferred for the rent payment holiday should be paid back to the Council in equal monthly instalments over an 18 month period (commencing immediately after the end of the rent holiday period);
- confirms that, notwithstanding the above, the terms and conditions contained in the Minute of Lease remain in full force and effect, and that the letter does not constitute a formal variation of the Minute of Lease;
- requires to be signed and dated by both the tenant and on behalf of the Council.



East Lothian Council Internal Audit Memo

From:	Duncan Stainbank, Service Manager – Internal Audit Andrew Steven, Senior Auditor
To:	Chris Hall, Systems Development & Business Support Team Leader Sharon Peel, Acting Senior Business Rates and Sundry Accounts Officer
Date:	25 th August 2020

Non-Domestic Rates – Retail, Hospitality and Leisure 100% Relief

1. Background

The Scottish Government introduced a number of reliefs in response to the Coronavirus pandemic for 2020/21 including a 1.6% relief for all Non-Domestic properties and 100% relief for properties in the retail, hospitality and leisure sectors.

We were informed that the Council are currently awaiting a software update from Capita which will reduce the annual rate poundage by 1.6% and introduce the intermediate rate poundage for properties with a rateable value between £51,001 and £95,000 (the Capita system currently only has 2 rates and has been unable to facilitate the 3 rates for 2020/21 – the basic property rate, the intermediate property rate and the higher property rate).

The update will ensure that the gross charges are correct on the Non-Domestic Rates bills issued for 2020/21 and the 100% relief for properties in the retail, hospitality and leisure sectors will subsequently be applied where applicable using Capita's local relief functionality. It is anticipated that the revised Non-Domestic Rates bills for 2020/21 will be issued in October 2020.

Internal Audit were asked to review the approach adopted by the Business Rates Team for the award of Retail, Hospitality and Leisure 100% Relief in 2020/21.

2. Findings

We note that a number of measures have already been implemented by the Scottish Government to support businesses during the pandemic including £10,000 grants for small businesses and £25,000 grants for retail, hospitality and leisure properties with a rateable value of between £18,001 and £51,000.

The guidance states that eligibility for the Retail, Hospitality and Leisure Relief is based on the property being wholly or mainly used for the purposes set out in Schedule 1 of The Non-Domestic Rates (Coronavirus Reliefs) (Scotland) Regulations 2020.

The Business Rates Team highlighted a number of scenarios where the decision on eligibility may not be straightforward, including where a business has a mixture of retail sales and sales to trade organisations or has a combination of different types of business. Following discussions with the Business Rates Team we are of the joint view that the term wholly or mainly should be interpreted as at least 50% of turnover being directly related to the purposes set out in Schedule 1 of the Regulations.

The approach being suggested by the Business Rates Team is to run a report of all the live accounts on the Capita system to identify and eliminate properties that already receive 100% relief or an exemption from other schemes e.g. Small Business Bonus Scheme (SBBS) Relief.

The remaining properties will be sorted by property description and a coding system of Red, Amber or Green will be applied. The Business Rates Team will then identify the properties that do not qualify (Red), properties that do qualify (Green) and properties that may qualify (Amber).

We note that further information may be required from the properties that are classed as Amber and an online form is currently being designed for this purpose, which will include questions on the use of the property and the percentage of turnover that relates to retail, hospitality and leisure.

An online form is considered the most efficient and safe way to gather information in the current climate. However we found that there is currently no information on the Council's website in respect of the Coronavirus rates relief available to businesses in 2020/21. We were informed that the website will be updated when the online form becomes available.

3. Conclusions

Based on our review, the approach adopted for the award of Retail, Hospitality and Leisure Relief is considered reasonable subject to our recommendations being implemented, including the introduction of documented procedures for the award of Retail, Hospitality and Leisure Relief, the Council contacting ratepayers in the Amber category to make them aware of the process for providing more information and updating the Council's website with details of the Coronavirus rates relief available to businesses in 2020/21.

4. Recommendations

Recommendation 1: Management should ensure that clear, written procedures are developed for the award of Retail, Hospitality and Leisure Relief.

Management Response

Agreed – procedures will be created once the method of business application is in place (an online form will be developed later this week) and the method of applying the relief on the Capita system is known (the Retail, Hospitality and Leisure Relief will be configured, tested and set up in our live system over the next few days).

Responsible Officer and Target Date

Systems Development & Business Support Team Leader

September 2020

Recommendation 2: Management should ensure that checks are carried out for NDR properties classed as Amber to establish if they received any Coronavirus grants and what information has already been provided to the Council.

Management Response

Agreed – any properties identified as Amber can easily be checked by searching previously received Business Support Grant applications, which will provide additional evidence to support any online Retail, Hospitality and Leisure Relief applications received. However, we need to bear in mind that the Scottish Government has already advised that receiving a Retail, Hospitality and Leisure Business

Support Grant doesn't necessarily mean that a Business is entitled to Retail, Hospitality and Leisure Relief (or vice versa).

Responsible Officer and Target Date

Systems Development & Business Support Team Leader

September 2020

Recommendation 3: Management should ensure that all ratepayers that remain in the Amber category are contacted by the Council and made aware of the process for providing more information in respect of the Retail, Hospitality and Leisure Relief.

Management Response

Agreed – once we have carried out a review, we can signpost businesses in the Amber category to complete our online form, if we are unsure of the property use. A batch email will be sent inviting businesses that may potentially qualify to apply online.

Responsible Officer and Target Date

Systems Development & Business Support Team Leader

September 2020

Recommendation 4: Management should ensure that the Council's website is updated as soon as possible with information on the Coronavirus rates relief available to businesses in 2020/21 and with details on how to provide more information relating to eligibility.

Management Response

Agreed – we already have a plan in place to update the Business Rates pages on the website with information on Coronavirus rates relief and a link to the online form. This will be in place once the online form exists and we have a working relief in the Capita system.

Responsible Officer and Target Date

Systems Development & Business Support Team Leader

September 2020



East Lothian Council Internal Audit Memo

From:	Duncan Stainbank, Service Manager – Internal Audit Andrew Steven, Senior Auditor
To:	John Cunningham, Service Manager – Benefits Dawna McPherson, Benefits Performance Officer
Date:	06 th July 2020

Residential Care – Financial Reassessments

1. Background

A form was previously issued to clients in Residential Care on an annual basis to gather updated evidence of their income and capital, and revised financial assessments were subsequently carried out following receipt of the new information.

The Financial Assessments Team are proposing a new approach for 2020/21 which would reduce the amount of paper evidence coming into the Council during the current Coronavirus pandemic and should shorten the timescales for processing.

Internal Audit were asked to review the new approach proposed for the financial reassessment of clients in Residential Care during 2020/21.

2. Findings

We were informed that the new approach being considered for the financial reassessment of clients in Residential Care has been successfully adopted for Care at Home clients over the last two years.

The approach requires clients to sign a customer consent form agreeing to the sharing of information between East Lothian Council and the Department for Work and Pensions (DWP). The majority of clients will not be contacted annually, the Financial Assessments Team will use their access to Searchlight, the new updated DWP Customer Information System to gain information on the clients' DWP Benefits including the State Retirement Pension.

For clients with private pensions the figure(s) from the previous year will be updated using the annual Consumer Price Index (CPI) and for 2020/21, the private pensions will be updated by 1.7% using the CPI from the DWP Housing Benefit Adjudication Circular A1/2020 (2nd Revision). We note that the Financial Assessments Team also do a spot check on some of the major private pension funds.

As part of the expected procedures to mitigate the risk, the Financial Assessments Team will send out a form to clients requesting evidence of their income and capital on a three year rolling basis and for a small number of more complex cases where there is a higher risk of misstatement, a form will be sent out on an annual basis.

The documentation clearly states that the onus is on the client to notify the Council of any changes that would impact on the financial assessment – there is a paragraph on the request form which

notifies the client of the requirement to inform the Council of any significant changes in income, capital or other circumstances. The notification letter also invites the client to inform the Council of any relevant changes in the same manner.

We note that documented procedures are currently not in place to assist staff with operational responsibility for implementing the new process and to provide guidance on how to identify clients that are considered to be a higher risk.

3. Conclusions

Based on our review, the approach proposed for the financial reassessment of clients in Residential Care is considered to provide a reasonable control environment with the risk of material errors in client contributions considered low. The onus is on the clients to notify the Council of any changes in circumstances that would impact on the outcome of the financial assessment. However to further minimise the risk, the majority of clients will be issued with a request form on a three year rolling basis and for more complex cases a form will be issued on an annual basis.

4. Recommendation

Recommendation 1: Management should ensure that clear, written procedures are developed for the financial reassessment of clients in Residential Care, which includes the criteria for identifying higher risk clients that will be fully assessed on an annual basis and the methodology for selecting clients that are to be assessed on a three year rolling basis.

Management Response

Agreed – the procedures are in the process of being developed.

Responsible Officer and Target Date

Benefits Performance Officer

July 2020

REPORT TO: Audit and Governance Committee
MEETING DATE: 22 September 2020
BY: Depute Chief Executive (Resources & People Services)
SUBJECT: Revised Internal Audit Plan 2020/21

4

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit's revised operational plan for 2020/21.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to approve the revised Audit Plan for 2020/21.

3 BACKGROUND

- 3.1 As advised to the Audit and Governance Committee a revised Internal Audit Plan for 2020/21 is being presented to take account of the impact of COVID-19. This plan will operate from September 2020 to June 2021.
- 3.2 The annual audit plan has been prepared in accordance with Public Sector Internal Audit Standards (PSIAS).
- 3.3 In preparing the annual audit plan a range of factors have been taken into account, including:
- the Council Plan 2017-22 and the key actions that the Council will pursue in order to meet its objectives;
 - areas highlighted by Senior Officers;
 - corporate and service area risk registers;
 - the Council's performance and financial statements;
 - changes in service delivery;

- the findings from previous years' audit work; and
 - the need to incorporate flexibility for reactive/investigatory work.
- 3.4 Internal Audit's primary role is to independently review internal control systems within the Council. Internal Audit will evaluate the adequacy and effectiveness of controls in responding to risks within the Council's governance, operations and information systems, regarding the:
- Achievement of the Council's strategic objectives.
 - Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations and programmes.
 - Safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.5 Internal Audit are required to give an opinion on the Council's control environment in the annual Controls Assurance Statement and the audit work carried out will contribute to this opinion.
- 3.6 The provision of the Internal Audit service is on an in-house basis by the Council's Internal Audit Unit. The resources available have been applied to individual audits and a detailed operational plan has been produced for 2020/21 (see Appendix A).
- 3.7 Internal Audit will adopt a risk based approach to audit assignments as the principal means of providing assurance on the adequacy, reliability and effectiveness of internal controls. Testing of controls will be carried out on a sample basis. Samples are selected according to an agreed sampling methodology.
- 3.8 For each individual audit, a detailed audit report is prepared for the relevant member(s) of the Council Management Team (CMT). Copies of the audit report are provided to the Chief Executive, External Audit and to members of the Audit and Governance Committee.
- 3.9 Follow-up audits will be carried out to review the implementation of the recommendations made.

AUDIT COVERAGE

- 3.10 Core Financial Systems, Risk Assessed Service and Corporate Audits – Internal Audit will review the Council's systems to provide assurance on the adequacy and effectiveness of internal controls. The audit plan includes a range of risk assessed core financial systems and non-financial audits.
- 3.11 Statutory Audits – Internal Audit undertake audit work in respect of specific grant awards made to the Council by the Scottish Government, to ensure

compliance with grant conditions. In addition work to provide assurances required by the Scottish Housing Regulator will also be completed.

- 3.12 Best Value Audit – Internal Audit will review the systems in place for the preparation and reporting of Performance Indicators.
- 3.13 Investigations – Time has been allocated to carry out work on the National Fraud Initiative 2020/21, and provide a reactive service to investigate fraud and irregularity when appropriate.
- 3.14 Integration Joint Board (IJB) – The Committee is asked to note that in 2020/21 internal audit services to the East Lothian IJB will be provided by East Lothian Council's Internal Audit Unit and time has been allocated to carry out audit work for the IJB.

INTERNAL AUDIT PERFORMANCE INDICATORS

- 3.15 Internal Audit will report on the completion of the annual audit plan, the percentage of audit recommendations accepted by Management and the percentage of audit staff with CCAB accounting qualifications.

OTHER FACTORS

- 3.16 The Committee should note that reactive work may impact heavily on the Internal Audit Unit's ability to complete the audit plan. Contingency days are built in for 2020/21 in the investigations section, but by its nature reactive work is difficult to predict, particularly as COVID-19 controls changes continue to develop.
- 3.17 The plan and its completion have added importance, given its contribution to the annual Controls Assurance Statement to be prepared at the end of 2020/21.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

6.1 Financial – None

6.2 Personnel – None

6.3 Other – None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Duncan Stainbank
DESIGNATION	Service Manager – Internal Audit
CONTACT INFO	01620 827353
DATE	11 September 2020

APPENDIX A – REVISED INTERNAL AUDIT PLAN 2020/21

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
CORE FINANCIAL SYSTEMS AUDITS			
Housing Rents	We will examine the processes and controls in place for the billing and reconciliation of housing rents.	Medium	5
Payroll Systems	We will review the procedures in place for ensuring the accuracy and completeness of payroll information and overall payments being made to staff following the implementation of the new payroll system in 2019/20. This review will be subject to discussion with Audit Scotland to prevent duplication of assurance resources.	Medium	5
Council Tax	We will now focus Council Tax audit work on granting of reliefs and recovery processes.	Medium	5
Non-Domestic Rates	We will now focus our audit work on granting of new Non-Domestic Rates reliefs and recovery processes.	Medium	5
RISK ASSESSED SERVICE AND CORPORATE AUDITS			
EU Exit	We will review the actions identified to mitigate the risks of EU exit and examine the reported progress on implementation of these actions.	High	6
Section 75 (Developer Contributions)	Section 75 payments (developer contributions) bring significant funds to the Council for infrastructure projects. We will examine all control aspects of the Section 75 process.	High	5

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Homelessness Assessment & Housing Allocation	We will review the processes in place for the assessment of homelessness, provision of preventative advice and allocation of temporary accommodation and housing rents following recent changes.	High	5
Cyber Security	We will examine the evidence of compliance with appropriate cyber security standards including ISO27001, International Standard for Information Security and the Scottish Government Cyber Resilience Strategy for Scotland, Public Sector Action Plan.	High	5
School Excursions	Review the control processes in place to ensure security of funding and reduction of risk for the arrangements of School Excursions.	High	5
COVID Lessons Learned	Internal Audit will review progress on implementation of mitigation actions as part of a lessons learned exercise for the COVID-19 pandemic.	High	5
Residential & Non Residential Care Charges	We will review the controls in place for charging for residential & non-residential care to ensure that all charges are being made and collected in accordance with policy.	Medium	5
Fleet Management	We will review the arrangements in place for the replacement, purchase, disposal and maintenance scheduling of vehicles through the new fleet management system.	Medium	5
Following the Public Pound	This audit rolled over from the 2019/20 audit plan and will review controls around a selection of organisations receiving Community Partnership Funding.	Medium	4

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
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.	Medium	2
STATUTORY AUDITS			
Miscellaneous Grants	For grants awarded to the Council by the Scottish Government, Internal Audit is required to provide a statement of compliance with grant conditions on an annual basis.	Medium	2
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance of the regulatory requirements set out in the Scottish Housing Regulators Chapter 3 of the Regulatory Framework.	Medium	2
BEST VALUE AUDIT			
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	Medium	4
INVESTIGATIONS			
Fraud & Irregularity	Internal Audit will investigate all instances of suspected fraud or irregularity.	High	10
Whistleblowing	We will investigate concerns raised under the Council's Whistleblowing Policy.	High	5

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
National Fraud Initiative	Time has been allocated for coordinating and submitting data for the 2020/21 National Fraud Initiative (NFI) exercise, including additional requirements for COVID 19 Grants.	Medium	10
OTHER AUDIT WORK			
Integration Joint Board	Time has been allocated for work that will be undertaken by Internal Audit for the East Lothian Integration Joint Board (IJB). A separate audit plan will be prepared which will be presented to the IJB Audit and Risk Committee for approval.	Medium	15
Review of Previous Year's Work	Internal Audit will review the outcome of our previous year's work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.	Medium	8
Attendance at Stocktakes	Internal Audit will attend the year-end stocktakes at Property Maintenance, Road Services and Waste Services. We will review the final stock sheets. Additional attendance at interim stock takes is also planned for 2020/21 due to stock takes not taking place at the 2019/20 year end.	Medium	2
Community Councils and Management Committees	Community Councils – Internal Audit provide advice and support to Community Councils. Management Committees – Internal Audit will independently examine the annual accounts of Management Committees where applicable.	Medium	2

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Advice and Consultancy	<p>Consultation on New Systems – for new systems implemented, Internal Audit will provide advice on internal control matters.</p> <p>Returned Cheques – investigating and recording the reasons for returned cheques.</p> <p>Financial Reports – providing service areas with financial information about companies and offering advice where applicable.</p> <p>Consultancy – providing advice and consultancy on internal control issues.</p>	Medium	4
TRAINING			
Training	An adequate allocation of budget resources and time will be given to maintaining and improving the knowledge base and quality of the staff resource. This includes time to attend the Scottish Local Authority Chief Internal Auditor Group (SLACIAG) and Computer Audit Sub Group, also for staff to undertake continuous professional development (CPD).	–	5
Annual Self-Assessment	Time has been allocated for internal assessment of the internal audit function against the Public Sector Internal Audit Standards (PSIAS).	–	2

REPORT TO: Audit and Governance Committee

MEETING DATE: 22 September 2020

BY: Chief Executive

SUBJECT: Development Risk Register

6

1 PURPOSE

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

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Development 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 Development 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 Development 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 Development 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 Development Risk Register includes 2 Very High, 5 High risks, 17 Medium risks and 16 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 Development 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 – Development Risk Register 2020

7.2 Appendix 2 – Risk Matrix 2020

AUTHOR'S NAME	Scott Kennedy	
DESIGNATION	Emergency Planning, Risk and Resilience Officer	
CONTACT INFO	skennedy@eastlothian.gov.uk	01620 827900
DATE	10 September 2020	

Development Risk Register 2020

Date reviewed: 10th September 2020

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			
D 1	<p>Homelessness</p> <p>New policy approach rapid rehousing requires the Council to transform homelessness services, place people quickly into permanent accommodation, negating the use of temporary accommodation and requiring a significant reduction in temporary accommodation stock. Resource allocation is likely to be insufficient for service transformation and the approach could result in an inability to accommodate those in need, forcing use of non-contracted B&Bs / B&Bs out-with county.</p> <p>The Scottish Government require the implementation of a Housing First approach in 2020 as a key priority, although no funding is available for ongoing revenue costs.</p> <p>Legislative change regarding local connection will require the Council to accept rehousing responsibility for additional homeless cases and changes to discretion around intentionality and forthcoming change in focus to deliberate manipulation of the system will place additional pressure on the Council in respect of accepting intentionally homeless cases and associated accommodation duties.</p> <p>Continued levels of low turnover results in limited lets available and longer average time spent in temporary accommodation. The Scottish Housing Regulator has noted this.</p> <p>There is a higher financial cost burden for the general services budget due to additional demand for temporary accommodation, which is likely to increase further in light of anticipated legislative change.</p> <p>High risk of breach of Unsuitable Accommodation Order due to a shortage of 'suitable' temporary accommodation, with extension of the Order to all households brought forward with immediate effect (with Covid-19 caveat until 01 October 2020).</p> <p>Proposed change to Homelessness Code of Guidance / new prevention duty pose risk to existing practice / Homelessness Operations Policy.</p> <p>Reduced supply of private lets due to landlords' ongoing concerns re new Private Residential Tenancy, legislative change (energy efficiency and repairing standard) and welfare reform impacts.</p>	<p>Housing Options preventative approach to provision of advice.</p> <p>Continued monitoring of RSL nomination process (new build and routine turnover).</p> <p>Allocation Policy reduced number of offers for each Homeless applicant to 1, to encourage quicker throughput in temporary accommodation.</p> <p>Cabinet approved recommended actions to address pressures relating to a lack of affordable housing supply and address homelessness pressures through delivery of an agreed action plan. Regular progress review meetings for action plan / rapid rehousing delivery ongoing with further engagement and iteration of RRTP to Scottish Government.</p> <p>Cabinet approval of allocations targets to general needs / homeless applicants. Performance to targets kept under ongoing review. Cabinet approval of Allocations Policy Review.</p> <p>Open Market Acquisitions increase supply prioritising the western part of the county, where demand is highest.</p> <p>Refreshed performance monitoring framework in place to enable improved ongoing monitoring of key aspects of service.</p>	5	4	20	<p>Further iteration of Rapid Rehousing Transition Plan (RRTP) to be submitted to the Scottish Government, with a clear plan to transform homelessness services by 2024 kept under regular review in context of resource allocation and changing legislation.</p> <p>Continue new build activity to increase housing stock, exploring potential to further increase supply within context of the growth agenda.</p> <p>Significant growth in mid-market rent properties coming forward.</p> <p>Housing Options Training Toolkit to be rolled out during 2020/21, to improve homelessness prevention and complement new Prevention Duty anticipated 2021.</p> <p>Significant work ongoing re processes, policy and with PRS landlords to increase flow through the rent deposit scheme.</p> <p>Exploration of flat share / hosting models and shared tenancies ongoing, which could potentially make better use of existing stock.</p> <p>Revised Homelessness Operations Policy to be put in place, alongside comprehensive review of existing policies and procedures, to ensure service is operating efficiently and effectively.</p> <p>Improved partnership working with existing partners and neighbouring authorities could potentially result in new ways of working and economies of scale.</p> <p>New approach to spend to save, utilising RRTP resource allocation could result in cost savings re B&B spend.</p> <p>Significant work to improve void timescales could assist with improved flow through temporary / permanent accommodation.</p> <p>Consideration of business case/options appraisal in respect of alternative forms of accommodation</p>	4	4	16	Service Manager – Community Housing	<p>September 2020</p> <p>March 2024</p> <p>March 2024</p> <p>December 2020</p> <p>December 2020</p> <p>September 2020</p> <p>October 2020</p> <p>December 2020</p> <p>September 2020</p> <p>December 2020</p> <p>December 2024</p>	<p>Risk considered July 2020 by Team Manager Housing Options, Head of Service and Service Manager with no change to assessment of risk scores.</p> <p>Risk refreshed February 2016 - current risk score increased from 16 to 20 and residual score increased from 12 to 16.</p> <p>Risk refreshed February 2015 to combine risks together - current risk score reduced from 20 to 16.</p>

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			L	I	L x I		L	I	L x I			
	<p>Requirement to prioritise sisted eviction cases upon opening of Sheriff Court.</p> <p>Potential increase in service demand due to poverty, relationship breakdown and domestic abuse, associated with Covid-19 / lockdown restrictions.</p> <p>Uncertainty over future funding of supported housing (DWP) and proposed changes in respect of restructuring the financing of temporary accommodation.</p> <p>A focus is required on migrant homelessness and destitution in 2020, an area of complexity subject to limited Scottish Government flexibility.</p> <p>The Scottish Government aim to pursue a right to adequate housing through a Human Rights Bill, which will pose additional homelessness / supply pressures.</p> <p>Legislative change is likely to increase demand on homelessness services and corresponding duties to accommodate, meaning increased spend.</p>				<p>in response to forthcoming legislative change.</p> <p>Audit of existing accommodation in preparation in advance of extension to unsuitable accommodation order.</p> <p>Plan underway to convert tenancies to enable RRTP targets re reduction in temporary accommodation to be met.</p>					<p>October 2020</p> <p>December 2020</p>		
D2	<p>Businesses and their Resilience during COVID19</p> <p>The closure of businesses and the guidance to stay at home has meant that most businesses have been heavily impacted and will continue to do post-COVID as social distancing and other measures are put in place.</p> <p>The risk will have a direct impact and substantial indirect impact on the council. Council staff across many departments have been and will continue to be specifically called on for intervention support and advice (Economic Development, Protective Services, Licencing, Transportation, Revenues & Benefits and East Lothian Works have been materially impacted upon).</p> <p>Indirect impacts will include loss of revenue income through business rent and non-domestic rates, increased unemployment and personal and business debt leading to further impacts on council tax and housing rental income.</p> <p>Increased pressure on housing affordability for those suffering loss or detriment will lead to increased pressure on homelessness services and other intervention services within social care.</p>	<p>The Council has stood up its Recovery and Renewal Working Group through the multi-agency Connected Economy Group (CEG) with 4 sub-groups established – Tourism and Hospitality, Town Centres, Employability, & Rural to further develop and implement the Economy Action Card with partners.</p> <p>Council services and partner agencies are providing in-depth advice and support to businesses affected signposting to sources of funding and identifying approaches and training.</p> <p>Financial support: The council have awarded 1,563 business support grants totalling around £17.5m, 107 newly self-employed grants awarded and a small number of B & B hardship grants. Further financial support interventions are being offered through EL Investments and our wider partners like Scottish Enterprise. Rent and rates payment holidays have been made available. Identification of intervention support gaps and lobbying to address.</p> <p>Additional staff resource has been deployed to help support reopening and recovery and coordinating of actions and cross-council joint working (town & villages SPoCs). Additional staffing has also been deployed to service Tourism & Hospitality actions.</p>	5	4	20	<p>Continued development of and delivery of the Economy Key Area action card within the Recovery and Renewal Framework. Moving forward through phases from initial re-start and re-opening through the Scottish Government routemap towards response & recovery.</p> <p>Additional funding secured for place marketing and business support from the SG Towns and BIDs recovery and resilience fund (£24K).</p> <p>Support and engagement around growing and enhancing business support infrastructure including new traders associations and connections.</p> <p>Communications strategy established: "Love East Lothian" umbrella messaging with campaigns for "Stay Safe, Support Local, Love East Lothian" and "Love East Lothian – We're open for business and doing things differently to help keep you safe"</p>	5	3	15	Head of Development	<p>Ongoing throughout COVID19 Response phase and throughout Recovery & Renewal phase in line with the Economy Key Area Action Card.</p> <p>August 2020</p> <p>September 2020 and beyond.</p> <p>July 2020 and beyond.</p>	<p>New risk created during the response to COVID19 during April 2020 and updated by Head of Development August 2020.</p>

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	<p>Uncertainty and a wide range of variables and fluctuations of these mean that the severity and duration of economic recession and increased poverty is difficult to predict but in any event recession and poverty increases will adversely impact on all council services and wider partnership service delivery.</p> <p>The risk will be ongoing and change in response to progression through route map phases – subsequent returns to local restrictions or any lockdowns will present additional challenges for businesses on a sector by sector or area by area basis. Uncertainty will continue to be high for some time while public confidence in returning to visiting businesses is likely to fluctuate.</p> <p>The end of the job retention scheme will potentially see significant job losses and increased unemployment.</p> <p>It is important that council services provide a joined-up approach to supporting businesses post-COVID to ensure compliance and also ensure that they can open and generate income as quickly as possible.</p>	<p>Focusing information and guidance on the council website with point of contact being Econ Development with a revised update created at the end of June.</p> <p>Information packs and in-depth support to individual businesses to support reopening by Protective Services (based on SG guidance). This, in conjunction with the Spaces For People interventions that are aimed at supporting safe use of public space. It is hoped that this will mitigate future restrictions to movement etc. as a result of increases in cases.</p> <p>Continue to monitor changes to national guidance and policy and share this via web and partner networks.</p>				Actively engage with businesses preparing for job matching / re-skilling support. Focus on college training programmes and continued positive destinations for younger people.					Ongoing from July 2020	
D 3	<p>Affordable Housing Supply</p> <p>Supply of affordable housing is outstripped by need and demand influencing rising numbers on the Councils Housing Register and increased risk of arising Homeless applications.</p> <p>Covid-19 restrictions - Programme delays to construction sites resulting in delayed handovers and possible increase in project costs.</p> <p>Insufficient land in control of affordable housing providers due to limited amount of Council owned land and difficulty in competing on the open market to purchase land due to high land prices. Much of the land in East Lothian is tied up in options to private housing developers, leading to an inability to control provision of new affordable housing and reliance on planning policy for affordable housing to deliver land.</p> <p>Government Resource Planning Assumptions (RPAs) for East Lothian have been provided for the period 2018/19 to 2020/21 as follows:</p> <p>2018/19 - £9.540m 2019/20 - £10.007m 2020/21 - £10.751m</p>	<p>The adopted LDP and significant land use allocations therein, providing land through planning policy to deliver an increase supply of affordable homes.</p> <p>Supplementary planning guidance for affordable housing has been approved and adopted.</p> <p>Section 75 Co-ordinator recruited to project manage delivery of strategic sites, including affordable housing contribution.</p> <p>Now entering phase 4 of Construction and programmes are being revised to ascertain impact on time and cost.</p> <p>The Council continues to pursue opportunities to acquire land and units /bring forward private projects for affordable housing. The Scottish Government are supportive of off the shelf opportunities where possible</p> <p>Regional Housing Programme proposed through South East Scotland City Region Deal.</p> <p>Contribute to and influence review of planning system.</p> <p>Contribute to Housing beyond 2021 agenda</p>	5	3	15	<p>New Local Housing Strategy in place for 2018-23 with associated actions in relation to delivery of affordable housing (this year's update will look at the impact of Covid).</p> <p>Strategic Housing Investment Plan for 2020/21 to 2024/25 is being updated.</p> <p>Scottish Government to issue further guidance regarding payments to contractors resulting from Covid restrictions.</p> <p>Supporting Local Investment Framework being developed.</p> <p>Ensure site investigations are carried out prior to entering into an agreement to purchase land.</p> <p>Programme for Governance key messages are to complete the delivery of 50,000 affordable homes as quickly as it is safe to do so, and set out a 20 year vision for energy efficient zero carbon housing with access to outdoor space, transport links, digital connectivity and community services.</p>	3	3	9	<p>Head of Development</p> <p>Service Manager – Strategy & Development</p> <p>Service Manager - Planning</p>	<p>Review by October 2020</p> <p>December 2020</p> <p>March 2021</p> <p>March 2020</p> <p>March 2021</p>	Risk refreshed by Service Manager July 2020 with no changes to scores.

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
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	<p>However resources are unknown beyond 2021.</p> <p>Scottish Government have announced they will not meet their target of 50,000 affordable homes in the lifetime of this Parliament due to the impact of Covid, however they would still like to maximise the delivery of as many units as possible. This is accompanied by support to fund more off the shelf purchases. An increase in funding at a national level allocated to support this and is reflected in increased RPAs at a local level.</p> <p>There is a need to deliver Carbon Neutral Housing by 2045.</p> <p>Unknown subsidy levels beyond 2021.</p> <p>Prevalence of mine workings to the west of the County impacts cost of developments.</p>	<p>Accessed Scottish Government Infrastructure Fund.</p> <p>The Council continues to deliver and to discuss with RSLs and other organisations unsubsidised affordable housing models. HRA Programme Board in place.</p> <p>The Council ensures site investigations are carried out prior to entering into an agreement to purchase land.</p> <p>The Council has an LLP East Lothian Mid-Market Homes to deliver mid-market rent units.</p>										
D 4	<p>Fuel Poverty</p> <p>Increase in fuel poverty due to a variety of factors:</p> <ul style="list-style-type: none"> - Increase in fuel prices - Impact of welfare reform - Changing householder economic / financial situation - COVID likely to impact. <p>Scottish Government is planning to introduce a Warm Homes Bill to Parliament, which will enshrine the Scottish Government's ambition to eradicate fuel poverty. The Scottish Government are currently consulting detailed proposals for a Fuel Poverty Strategy for Scotland and the targets, which will be enshrined in legislation. This consultation includes a revised definition of fuel poverty.</p> <p>Energy Efficiency is a national infrastructure priority (SG's Infrastructure Investment Plan 2015). During 2017, the Scottish Government consulted on a range of related issues as part of the draft Climate Change Plan and draft Scottish Energy Strategy. Energy Efficiency Scotland Programme (EES) is currently under development and will be a co-ordinated programme to improve energy efficiency of homes alongside commercial, public and industrial sectors.</p> <p>The impact of living in fuel poverty can place additional pressure on existing services – health, social care, advice, rent income.</p> <p>Scottish Government have ring fenced £800,000 for East Lothian's HEEPS/ABS programme. Fund guidance states this must be spent, or contractually allocated by the end of the financial year. Due to lockdown</p>	<p>Home Energy Efficiency Programme for Scotland: Area Based Scheme (HEEPS:ABS) in place, offering targeted energy efficiency measures and fuel poverty advice to private sector stock.</p> <p>Review impact of Covid and continue to liaise with contractor and Scottish Government to implement HEEPS: ABS programme.</p> <p>Energy advice and fuel debt support in place. Capital Programmes in place for council housing and Registered Social Landlords to increase energy efficiency measures. Social rented tenure must meet EESSH by December 2020.</p> <p>£3.255M was invested in energy efficiency measures to ELC owned stock in 2019/20 raising EESSH compliance to 82% of all stock.</p> <p>New Local Housing Strategy is now in place with associated actions in relation to energy efficiency of existing housing stock, fuel poverty and climate change.</p> <p>Continuing to identify areas of fuel poverty and stock that is eligible and suitable for measures. Will need to review an update impact of Covid.</p> <p>Improving knowledge of the levels, extent and nature of fuel poverty and target resources to the worst affected areas.</p>	4	3	12	<p>Commence preparation for transition to EES Programme (programme to deliver energy efficiency measures across public, commercial and private sector stock as part of National Infrastructure Priority for Energy Efficiency.</p> <p>Local Heat and Energy Efficiency Strategy (LHEES) pilot complete. Survey works ongoing to identify suitable areas re-East Lothian's HEEPS/ABS programme. Contractor to be appointed by the end of September.</p> <p>Energy Transformation Programme – establish PV / re-roofing pilot together with partnership energy supply company arrangement to test concept of PV / battery and feed in arrangements together with energy supply. East Lothian Energy affordable tariff (powered by People's Energy in partnership with East Lothian Council) being launched August 2020.</p>	3	3	9	<p>Head of Development</p> <p>Service Manager – Strategy & Development</p> <p>Service Manager – Property Maintenance</p>	<p>EES 20/21 programme starting in September 2020</p> <p>September 2020</p> <p>October 2020</p>	<p>Risk refreshed by Service Manager July 2020 with no change to assessment of current scores.</p> <p>Risk refreshed by Service Manager February 2017 with current score reduced from 15 to 12 and residual score from 12 to 9.</p>

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			L	I	L x I		L	I	L x I			
	and site closures, there is a risk that East Lothian's 19/20 programme will not maximise this fund. There is also a risk that the new 20/21 allocation of £937,000 will not be maximised.											
D 5	<p>Housing Quality</p> <p>Our houses are required to meet the Scottish Housing Quality Standard (SHQS) and will be required to meet the Energy Efficiency Standard in Social Housing (EESH) by December 2020. Delivery of these Standards is a significant contributor to the achievement of several of the National Outcomes the Scottish Government aims to achieve.</p> <p>The Scottish Housing Regulator (SHR) is monitoring progress towards achieving these Standards and failure to clearly demonstrate compliance may involve intervention by the SHR on the management of stock quality. It could also lead to loss of reputation to the Council as a service provider and the largest landlord in East Lothian.</p> <p>While a rolling stock condition survey programme is in place, the data is incomplete.</p> <p>Procurement rules negate our ability to enter into building contracts on s75 obligations which involve the transfer of completed units. This also prevents the ability to influence the specification which can result in poor quality products and increased resources in relation to resolving defects. This can in turn result in an impact on future repairs and maintenance costs.</p> <p>New technical guidance issued May 2020 bring new smoke, fire and heat detection programmes into SHQS compliance by February 2021.</p> <p>The new guidance also confirms the requirement to undertake electrical condition checks on a maximum 5-year cycle.</p> <p>COVID-19 restrictions will significantly inhibit delivery of smoke/fire and electrical compliance programmes.</p>	<p>Annual monitoring and reporting to SHR (via Social Housing Charter) and Audit Scotland.</p> <p>Annual Housing Capital Investment Programme review. The Capital Programme funds planned programmes of work has been targeted at continued compliance with the requirements of the SHQS.</p> <p>Keystone domestic asset management software system in place ensuring robust information held on the condition of Council housing stock. Data validation checks of information held on Keystone.</p> <p>Dedicated asset surveyors in place and rolling programme of stock condition surveys has commenced to keep data up to date.</p> <p>Housing Asset Management Team established to oversee delivery of HRA Capital modernisation programme.</p> <p>Regular monitoring and reporting as part of Balanced Scorecard.</p> <p>Detailed 5-year investment programme now developed on basis of stock condition intelligence and aligned to regulatory standards.</p> <p>Team Manager (Housing Assets) recruited to oversee collection and recording of housing stock intelligence including energy performance and delivery of key aspects of the capital modernisation programme.</p> <p>In-house asset surveyors are now in place, with a 5-year rolling stock condition survey regime implemented.</p> <p>Keeping SHR regularly updated on progress towards meeting the Standards. Keystone housing asset management system informs future planning of annual programme of modernisation work.</p> <p>Closer alignment of development of modernisation programme and delivery.</p> <p>The Council ensures Quality Assurance is carried out at all stages of development.</p>			12			8	<p>Service Manager – Property Maintenance</p> <p>Service Manager – Strategic Investment</p>	<p>December 2020</p> <p>February 2021</p> <p>March 2021</p> <p>March 2021</p>	<p>Risk refreshed July 2020 by both Service Managers with no change to assessment of risk scores.</p>	

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D 6	Mobile Working Current mobile working hardware, within Property Maintenance, is dated and does not meet PSN requirements. This has resulted in a switch-off of existing hardware, and reverting to paper-based job ticketing, placing increased pressure on administrative resources. A project to implement Windows 8 tablet technology was terminated due to the supplier failing to meet expectations.	A new iOS-based mobile working platform has been procured. A paper-based contingency has been implemented to cover the intervening period between PSN 'switch-off' and go-live of the new platform. Security vulnerabilities identified in penetration testing of replacement solution (2018), representing a considerable obstacle to implementation.	4	3	12	Software upgraded by supplier August 2019 to overcome security vulnerabilities. User acceptance testing ongoing. Implementation of phase 2 mobile working, encompassing iOS Smartphone technology has commenced. ELC IT included in project planning to ensure resources and supporting system architecture is in place.	2	3	6	Service Manager – Property Maintenance	September 2020 September 2020	Risk refreshed by Service Manager – Property Maintenance July 2020 with no change to risk scores. Risk refreshed March 2019 with residual score increased from 3 to 6.
D 7	Solid Fuel Installations and Safety Failure to Manage Solid Fuel safety on all Solid Fuel Installations in ELC Housing Properties leading to potential CO poisoning of tenants, increased risk of house fires and potential risk of prosecution. Chimneys are generally in poor condition while the Council are unable to control fuels burnt in solid fuel appliances.	Programme for Solid Fuel Servicing terminated end of 2018. New servicing contractor in place from April 2019. Heating replacements to energy efficient, low carbon alternative fuels are available and being installed but implementation is difficult due to customer refusals. Contractor in place for removal and replacement of solid fuel systems.	2	5	10	Programme for removal and replacement of solid fuel systems ongoing in remaining 37 properties. Gas supplies have been installed to all Council houses in gas areas to enable rapid replacement when consent received. Clear policy to be developed on solid fuel systems replacement process.	1	5	5	Service Manager - Engineering Services & Building Standards (ESBS) Service Manager - Property Maintenance	March 2021 to review numbers installed. March 2020	Risk refreshed July 2020 - no change to risk scores. Refreshed Aug'19 by Head of Service. Residual Score reduced 10 to 5. Refreshed May'19 by Head of Service. Current Risk Score reduced 15 to 10. Also INF14

Original date produced (V1)	6 th May 2014		Overall Rating
File Name	Development Risk Register		Very High
Original Author(s)	Scott Kennedy, Risk Officer		High
Current Revision Author(s)	Scott Kennedy, Risk Officer		Medium
			Low
Version	Date	Author(s)	
1	06/05/2014	S Kennedy	Former Housing & Environment Risk Register altered to become the Development Risk Register following realignment.
2	28/10/2014	S Kennedy	Testing & Regulation Risks updated
3	November and December 2014	S Kennedy	Economic Development & Strategic Investment Risk Updated along with Planning Risks and Engineering Services & Building Standards Risks
4	January-February 2015	S Kennedy	Trading Standards and Environmental Health Partnership risks refreshed along with Strategic Asset & Capital Plan Management risks. Further refresh of Engineering Services & Building Standards and Economic Development & Strategic Investment Risk Risks.
5	December 2015 – January 2016	S Kennedy	Environmental Health, Economic Development & Strategic Investment, Engineering Standards & Building Services and Planning risks refreshed.

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			
6	February 2016	S Kennedy				Review and refresh by Head of Development.						
7	January – February 2017	S Kennedy				All risks reviewed and refreshed by Service Managers and further reviewed by Head of Development and CMT.						
8	November 2017	S Kennedy				Community Housing & Homelessness Risks moved from Communities & Partnerships Risk Register, Property Maintenance Risks moved from Infrastructure Risks Register and Protective Services & Trading Standards risks moved to Communities and Partnerships Risk Register. Engineering Services & Building Standards and Strategic Asset & Capital Plan Management moved to Infrastructure Risk Register following Council Service Review.						
9	January 2018	S Kennedy				All risks reviewed and refreshed by Service Managers and further reviewed by Head of Development and CMT.						
10	April - May 2019	S Kennedy				All risks reviewed and refreshed by Service Managers for Planning, Community Housing, Property Maintenance and Economic Development. LDP Risks added.						
11	May 2019	S Kennedy				Risk Register updated following review by Head of Service with Brexit Risk combined onto Corporate Risk						
12	July - August 2019	S Kennedy				Further updates made by Risk Owners and then reviewed and updated at Development Team Management Meeting.						
13	July 2020	S Kennedy				Risks reviewed and updated by Service Managers from Property Maintenance, Economic Development, Growth Delivery						
14	July 2020	S Kennedy				Risks reviewed and updated by Service Managers from Housing, Planning and Strategic Investment						
15	August 2020	S Kennedy				Risk to Businesses in relation to COVID added to Risk Register						
16	August 2020	S Kennedy				Full review carried out by Head of Service (Development).						
17	September 2020	S Kennedy				Final review prior to submission to Audit & Governance Committee						

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				
Likelihood	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: 22 September 2020

BY: Chief Executive

SUBJECT: Infrastructure Risk Register

7

1 PURPOSE

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

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Infrastructure 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 Infrastructure 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 Infrastructure 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 Infrastructure 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 Infrastructure Risk Register includes 1 Very High, 13 High risks, 44 Medium risks and 14 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 Infrastructure 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 – Infrastructure Risk Register 2020

7.2 Appendix 2 – Risk Matrix 2020

AUTHOR’S NAME	Scott Kennedy	
DESIGNATION	Emergency Planning, Risk and Resilience Officer	
CONTACT INFO	skennedy@eastlothian.gov.uk	01620 827900
DATE	10 September 2020	

Infrastructure Risk Register 2020

Date reviewed: 10th September 2020

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			
INF 1	<p>Roads Budget/Expenditure</p> <p>An increase in the cost of raw materials, resources and commodities is impacting on the budget/expenditure of the service resulting in a reduction in the extent of all works carried out.</p> <p>As Roads Authority we have responsibility for maintenance of the Road Network within East Lothian Council. Given current restrictions due to COVID19 and uncertainty of how long these will extend there is a real risk that we can't properly maintain and renew the road network. If we are unable to do so the condition will deteriorate. This will then result in increased costs to repair/maintain and renew the road network as we move forward.</p> <p>There is a potential impact on the supply chain from above and of a Brexit No Deal.</p>	<p>Best value/procurement exercise.</p> <p>Use of Scotland Excel and local purchasing contracts when appropriate. Working closely with ELC Procurement on this. Whole-life costing in place.</p> <p>Continue to maintain an adequate Asset management regime.</p> <p>Report annually to PPRC in relation to</p> <p>Road condition and recommendation of spend for following year.</p> <p>This risk will be constantly reviewed over the next few months and amended accordingly.</p>	5	4	20	<p>Review capital programme, prioritise repairs based on needs assessment.</p> <p>Consider delaying non-essential capital works to allow backlog of works to be reduced.</p> <p>Continuous review of Procurement and cost escalation.</p> <p>Develop as COVID19 restrictions are lifted and Brexit impact becomes known.</p>	4	4	16	Service Manager - Roads	October for PPRC then feed in with budget process through to March 2021	Risk refreshed July 2020 risk scores increase from 9 and 6 to 20 and 16
INF 2	<p>Waste and recycling targets and legislation.</p> <p>The Waste (Scotland) Regulations 2012 set out a number of provisions which help Scotland move toward the objectives and targets set out in the Scotland's Zero Waste Plan and help transition toward a circular economy. These provisions include a ban on biodegradable municipal waste going to landfill from the 1 January 2021 – ban has been delayed until 2024. Meeting the ban will have a negative impact on the revenue budget due to increases in gate fees.</p> <p>Modelled Household Waste Charter aligned single pass weekly collection system may not now be viable depending on the scope of DRS Uncertainty over future kerbside collection model means we will be unlikely to achieve the recycling target of 60% by 2020.</p> <p>The Scottish Government intends to introduce legislation towards the end of 2019 in relation to Scotland's deposit return scheme for glass, steel, aluminium and PET drinks containers. Once this is passed by the Scottish Parliament, there will then be a minimum 12-month implementation period before the scheme is operational.</p> <p>The scheme is likely to result in a significant loss of high value materials to the Waste Service therefore impacting on the cost</p>	<p>Waste Strategy was implemented April 2015 with a view to achieving a minimum 50% recycling & composting target.</p> <p>Recycling and residual collections to all domestic and commercial properties covering mixed waste, DMR, food and garden.</p> <p>Bring site provision including 4 Community Recycling Centres. Monitoring of national and local indicators.</p> <p>Waste Data Flow reporting to Waste Regulatory body.</p> <p>Monitoring of kerbside collection systems and targeted intervention to offer support to residents using these services.</p> <p>Extension of kerbside collection service beyond the original contracted period via VEAT notice to 2020.</p> <p>Long term treatment contract started November 2019 which will allow for additional recovery and enables East Lothian to be compliant with the ban on biodegradable municipal waste going to landfill in Scotland and will not have to seek alternative arrangements outwith the region.</p>	4	4	16	<p>Procurement of new kerbside collection Contract initiated.</p> <p>Review of service provision and charges for services.</p>	3	4	12	Service Manager - Transport & Waste Head of Infrastructure	April 2021	<p>Risk updated July 2020, no change to risk score due to marketplace uncertainty and likelihood of further additional statutory service provision.</p> <p>Risk refreshed October 2019 with residual risk score reduced from 16 to 12.</p> <p>Risk refreshed by Senior Waste Services Officer - Strategy May 2019 with current and residual scores increased from 6 to 16 due to new legislation.</p> <p>Risk refreshed November 2015 – Current score reduced from 12 to 6 and residual score reduced from 8 to 6 due to implemented measures.</p>

		<p>Toolbox talks for staff completed to cover safety aspects of working in and around headstones and to ensure consistent approach towards consolidation works.</p> <p>New burial sites being developed will include Pre-formed reinforced strip foundations that should prevent this risk from presenting with headstones installed thereafter.</p>										
INF 4	<p>Burial Service</p> <p>Inability to provide an efficient burial service and sufficient land for burial purposes would mean that the Council is unable to undertake its statutory duties, and create distress to family and mourners.</p> <p>An audit highlighted there is less available burial space than indicated previously.</p> <p>The service experiences increased demand for burial services in certain clusters while the remaining clusters activity continues. This can produce waiting times of up to 20 working days during winter as opposed to our acceptable target of 4-5 working days. Staff efficiencies and long-term medical absence place further risk on our ability to maintain an acceptable standard of service delivery.</p>	<p>Burial Administration now centralised in single office and revised procedures from service review now operating. Risk Assessments and SOPs are in place, regularly updated and employees are aware of them.</p> <p>Training programme in place to ensure employees are qualified and induction session delivered for all burial staff on current procedures and updated regularly by programme of Toolbox Talks.</p> <p>Burial Strategy now adopted by ELC. Communication procedure with the Registration Service in place and monthly liaison meetings take place. New procedures for management of burials are now operational.</p> <p>Planning Application secured for Dunbar and now under construction during 2020/21.</p> <p>Representation made to MIR consultation regarding all cluster needs for new space</p> <p>Recruitment exercise complete meaning staffing filled to budget.</p> <p>Available resources are being rotated around clusters as fully as possible to reduce waiting times but this is only having limited benefit. Media release in February highlighted the position to the community reaching out for understanding and trying to give comfort.</p>	4	4	16	<p>In Prestonpans we are awaiting neighbouring housebuilding to complete, which is anticipated late 2020, prior to commencement of cemetery construction.</p> <p>Potential site identified for Tranent Cluster and desktop study concludes that land is suitable for development. Estates instructed to commence negotiation to purchase. Complete negotiations and secure ownership of land according to priority list.</p>	3	4	12	<p>Principal Amenity Officer</p> <p>Business Support Sport, Countryside & Leisure</p>	<p>December 2021</p> <p>March 2021</p>	<p>Risk refreshed by Acting Principal Amenity Officer August 2020 with no change to risk scores.</p> <p>Risk refreshed by Principal Amenity Officer January 2018 and residual score increased from 9 to 12 to reflect reducing burial capacity at existing sites and no confirmed alternatives at time of review.</p> <p>Risk Refreshed by Principal Amenity Officer November 2014 and by Head of Infrastructure December 2014 with Current Risk Score reduced from 20 to 16.</p>
INF 5	<p>Future Required Maintenance of New or Extended Assets</p> <p>Insufficient budget allocation to manage and maintain the increased asset base may result in deterioration in condition of the assets with consequential risk of failure.</p> <p>Repairs and maintenance cost pressures and adoption of new facilities e.g. school extensions mean a real term reduction in resource and availability. This could ultimately result in a failure of building elements with the risk of closure or enforcement by Statutory or Regulatory authorities.</p> <p>COVID19 has impacted upon the ability to carry out works to our assets.</p>	<p>Annual update of programme of works based on Condition, Suitability and Statutory Compliance assessments to inform budget requirement.</p> <p>Building Surveyor now in post who will be working on accuracy of Asset Condition information.</p> <p>Assets Project Manager now in place whose main function will be to look for opportunities to repurpose, dispose of, or rationalise assets. The Manager will also continue to look for opportunities to co-locate and share facilities to reduce the number of assets held by the Council.</p>	4	4	16	<p>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.</p> <p>Looking at Lifecycle Costing as part of project/business plan and review on a project basis for future capital bids and budget setting.</p>	3	4	12	<p>Service Manager – ESBS</p> <p>Service Manager – SA&CPM</p>	<p>April 2021</p> <p>Ongoing</p>	<p>Risk refreshed July 2020 with no change to assessment of risk scores.</p> <p>Risk refreshed April 2019 with current score increased from 12 to 16 and residual score from 8 to 12.</p>

INF 6	<p>Maintenance of Existing Operational Assets</p> <p>Insufficient staffing and financial resource to carry out repairs and maintenance programmes to ensure buildings are maintained in a good condition.</p> <p>Significant financial investment is required to improve the condition rating of properties which are currently C rated.</p> <p>Failure to carry out repairs and maintenance programmes could result in unavailability of buildings e.g. school closure and reputational damage to the Council.</p> <p>COVID19 has impacted upon the ability to carry out works to our assets.</p>	<p>Ongoing review and update of programme of works based on Condition, Suitability and Statutory Compliance assessments to inform budget requirement.</p> <p>Building Surveyor now in post who will be working on accuracy of Asset Condition information.</p> <p>Assets Project Manager now in place who will be looking for opportunities to repurpose, dispose of, or rationalise assets.</p>	4	4	16	<p>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.</p> <p>A report to PPRC will be brought forward in relation to this risk.</p>	3	4	12	<p>Service Manager – ESBS</p> <p>Service Manager – SA&CPM</p>	<p>April 2021</p> <p>December 2020</p>	<p>Risk refreshed July 2020 with residual score increased from 9 to 12.</p> <p>Risk Refreshed Aug'19 - current risk score increased from 9 to 16 and residual score from 6 to 9.</p>
INF 7	<p>Roads infrastructure, bridge management and street lighting</p> <p>These are all major issues for the council given its responsibility for key routes. Any failure in provision/ maintenance may lead to closures, disruptions, adverse public reaction in terms of expectation.</p> <p>A healthy road network aids in enabling a vibrant economy and future economic development.</p>	<p>Appropriate inspection & assessment regimes in place although reduced during COVID19.</p> <p>Register of road bridges, underpasses, footbridges and culverts completed. Partnering in the Scottish National Road Condition Survey.</p> <p>Consultation with Councillors and constituents in place on annual maintenance plan and Roads Asset Management Plan in place.</p> <p>Annual programme of roads maintenance works in place aimed at reducing the percentage of the roads network in amber/red condition.</p> <p>Regular monitoring of the condition of street lighting units.</p> <p>An electronic system to log all complaints and reports of road defects/lighting faults is in place in conjunction with the call centre system (LAGAN) at Macmerry. This ensures all reports are recorded, actioned and monitored under the Road Network Management ISO:9001 Quality System.</p>	4	4	16	<p>Review capital programme, prioritise repairs based on needs assessment. Consider delaying non-essential capital works to allow backlog of works to be reduced.</p> <p>Continuous review of Procurement and cost escalation.</p> <p>Develop as COVID19 restrictions are lifted and Brexit impact becomes known.</p>	3	3	9	<p>Head of Infrastructure</p> <p>Service Manager - Roads</p>	<p>March 2021</p>	<p>Risk refreshed June 2020 with current score increased from 4 to 16 and residual from 4 to 9.</p>
INF 8	<p>Maintenance of Non-Operational Properties</p> <p>Failure to maintain non-operational properties in compliance with statutory legislation, particularly in relation to Public Buildings Statutory Electrical Testing and inspections due to insufficient resources may expose the Council to legal proceedings, financial loss, service reduction, damage to its reputation and potential Health and Safety incidents in properties.</p> <p>This could result in injury/loss of life of public building users and legal action against the Council. Failure to make sufficient finance available to carry out testing and implement recommendations may result in all of the above.</p>	<p>Funding required from limited Property Renewals budget to address identified remedial works in public buildings.</p> <p>Programme of Fixed Electrical Installation in place in accordance with statutory requirements.</p> <p>Contractors' reports reviewed on an ongoing basis.</p> <p>Close liaison with and monitoring performance of framework electrical contractor to ensure inspections, reports, cost estimates, works and certification are completed timeously.</p>	3	5	15	<p>Plan a programme of condition surveys and an audit of statutory compliance including dealing with remedial works identified during EICR testing in place.</p> <p>Review and identify inspection and management resource required within SACPM and Engineering Services.</p>	2	4	8	<p>Service Manager – ESBS</p> <p>Service Manager – Service Manager - Strategic Asset & Capital Plan Management (SA&CPM)</p>	<p>August 2021</p> <p>December 2020</p>	<p>Risk refreshed July 2020 with no change to assessment of risk scores.</p> <p>Risk Refreshed February 2016 by Head of Service and residual risk score reduced from 10 to 8.</p>

INF 9	<p>Public Road Network Maintenance</p> <p>Failure to adequately plan maintenance activities on the public road network could lead to conflict with the requirements of other roads users, including public utilities, events and members of the public. Also failure to comply with the requirements of the Scottish Roads Commissioner such as keeping the gazetteer up to date and other statutory obligations under the Transport Scotland Act and the New Roads and Street Works Act could result in fines from the Scottish Roads Commissioner (as occurred this year) as well as a reputational impact on ELC if events have to be cancelled.</p> <p>As Roads Authority we have responsibility for maintenance of the Road Network within East Lothian Council. Given current restrictions due to COVID19 and uncertainty of how long these will extend there is a real risk that we can't properly maintain and renew the road network. If we are unable to do so the condition will deteriorate. This will then increase the cost to repair/maintain and renew the road network as we move forward.</p> <p>In accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Transport Infrastructure Assets, road assets are split in to 6 distinct Asset Groups: Carriageways; Footways and Cycleway; Street Lighting Status; Structures; Traffic Management Status and Street Furniture. It basically sets out estimated value of asset, condition and as officers we make a recommendation of investment to be in place to either keep the steady state our improve condition of asset going forward. This feeds into budget setting. The Audit and Governance Report has suggested a capital bid of £9m for the last two years to deal with street lighting. A £2m increase across road services has been provided to cover all road assets which leaves a shortfall.</p>	<p>Report annually to PPRC titled "Roads Asset Management - Annual Status and Options Report". This report presents a summary of the council's road assets and:</p> <ul style="list-style-type: none"> • Describes the status of the asset, its current condition, and performance; • Defines the value of the assets; • Details the service that the asset and current budgets are able to provide; • Presents the options available for the future. <p>Annual road maintenance plan/schedule in place although impacted by COVID19.</p> <p>Weekly works planning meetings where any impact on the Scottish Road Works Register is monitored.</p> <p>Register held of all events which is refreshed regularly.</p> <p>Regularly train and develop staff, within new Road services Structure and continue to review and make changes to service area as required within the resources available.</p>	3	4	12	<p>Review capital programme, prioritise repairs based on needs assessment. Consider delaying non-essential capital works to allow backlog of works to be reduced.</p> <p>Develop as COVID19 restrictions are lifted and Brexit impact becomes known.</p>	2	4	8	Road Services Manager		Risk refreshed June 2020 with current score increased from 4 to 12 and residual score from 4 to 8.
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INF 10	<p>Building Standards Team</p> <p>Recruitment constraints faced by the Council could lead to the Building Standards Team not being able to maintain a level of staff that is adequately qualified, trained and competent to carry out the Building Standards duties of verification, enforcement, licensing etc. to the targets expected in BSD's new performance framework. BSD recent audit resulted in 3 year extension to the verification role subject to successful completion of Improvement Plan. Failure to improve could lead to the Council losing the verification role.</p> <p>Service Reviews were carried out in 2016 and 2019 and implemented; however, there is an ongoing inability to recruit suitably qualified BS Surveyors & Inspectors resulting in an inability to meet targets.</p>	<p>Monitoring of workload to fee income, performance to staffing levels and project complexity to staff abilities and training.</p> <p>Involvement with the Local Authority Building Standards Scotland (LABSS) and the BSD to influence delivery of the new performance framework of 9 performance outcomes and a risk based inspection regime for Reasonable Inquiry to deliver compliance with the building regulations.</p> <p>Work continues to be outsourced to Argyll & Bute Council to minimise backlog. Commitment made to re-invest Building Standards Income within the service.</p> <p>Continue to measure BS performance against set KPO's</p> <p>Scottish Government (BSD) recognise the national shortage of suitably qualified and experienced Building Standards staff and launched a Workforce Strategy to create a sustainable BS workforce for the future. ELC have attended workshops on this.</p>	3	4	12	<p>Look to recruit to ongoing vacant Surveyor, Inspector & Graduate posts and potentially restructure the team.</p>	2	4	8	Service Manager – ESBS	December 2020	<p>Risk refreshed July 2020 with no change to assessment of risk scores.</p> <p>Risk Refreshed November 2014 and residual risk score reduced from 12 to 8.</p>
INF 11	<p>Dangerous Buildings</p> <p>Higher enforcement workload in terms of dangerous buildings for Officers due to various reasons (including increasing instances of severe weather and owners unable to maintain their properties) resulting in increased risk to members of the public.</p> <p>A Service Review was carried out during 2016 and implemented; however, there is an ongoing inability to recruit suitably qualified BS Surveyors resulting in inability to meet targets.</p> <p>Climatic and financial factors are outwith East Lothian Council's control.</p>	<p>No contractual obligation for staff to provide an out of hours dangerous buildings service which therefore relies on the goodwill of the BS Manager and three Senior BS Surveyors to provide cover outwith office hours.</p> <p>Further review carried out and 3 new Posts filled March 2019 (Surveyor, Inspector & Technician). Work outsourced to Argyll & Bute Council to minimise backlog. Commitment made to re-invest Building Standards Income within the service.</p>	3	4	12	<p>Continue to monitor situation with revised workforce in place and further review to take place re-home working.</p>	2	4	8	Service Manager – ESBS	December 2020	<p>Risk refreshed July 2020 with no change to assessment of risk scores.</p> <p>Risk Refreshed February 2015 with current score reduced from 15 to 12 and residual score from 10 to 8.</p>
INF 12	<p>Current Asset Data</p> <p>Asset data for operational properties is not current, resulting in insufficient information to prioritise planned investment in buildings and potential risk to occupants, contractors and members of the public at risk from failure of building elements or systems.</p>	<p>Limited annual desktop updates carried out on existing data informed by feedback from maintenance team.</p> <p>3rd Phase of building surveys now complete and QA process underway.</p> <p>Building Surveyor in post who will work on accuracy of Asset Condition information.</p>	3	4	12	<p>3rd Phase of 3 Phase building survey now completed but significant QA issues identified and being dealt with. External resources allocated to enable ongoing surveys and comprehensive 5 yearly reviews.</p>	2	4	8	Service Manager – ESBS	April 2021	<p>Risk refreshed July 2020 with no change to assessment of risk scores.</p>
INF 13	<p>Tree Estate</p> <p>Failure to manage and maintain the Council's tree estate including a failure to monitor for the current risk from tree diseases resulting in potential damage to people and or property. Also potential negative impact on the landscape and character of East Lothian and its towns and villages, biodiversity, health & wellbeing of residents and the local economy and tourism.</p>	<p>Regular inspections undertaken as well as monitoring for tree diseases within the tree estate with record kept of trees inspected. Record kept of arboriculture work undertaken.</p> <p>Annual programme of tree planting and record kept of trees planted.</p> <p>All forestry staff have appropriate qualifications, training and experience.</p> <p>Risk Assessments/SOPs in place and regularly updated for all arboriculture and forestry work which employees are aware of.</p>	3	4	12	<p>Survey of all Council owned trees on their condition and location has commenced and a rolling inspection programme to be set up. Resourcing issues are such that survey progress will be limited and completion will take an extended period of time.</p> <p>Purchase of specialised Tree Management software to allow mapping and detailed recording of condition & history intended.</p>	2	4	8	Tree Officer Business Support Sport, Countryside & Leisure	<p>March 2021</p> <p>March 2021</p>	<p>Risk refreshed by Acting Principal Amenity Officer August 2020 with no change to risk scores.</p> <p>Risk refreshed by Head of Infrastructure Dec'14 with Current Score reduced from 16 to 12 and residual score from 10 to 8.</p>

		Woodland Action Plan in the Biodiversity Action Plan.										
INF 14	Solid Fuel Installations and Safety Failure to Manage Solid Fuel safety on all Solid Fuel Installations in ELC Housing Properties leading to potential CO poisoning of tenants, increased risk of house fires and potential risk of prosecution. Chimneys are generally in poor condition while the Council are unable to control fuels burnt in solid fuel appliances.	Programme for Solid Fuel Servicing terminated end of 2018. New servicing contractor in place from April 2019. Heating replacements to energy efficient, low carbon alternative fuels are available and being installed but implementation is difficult due to customer refusals. Contractor in place for removal and replacement of solid fuel systems.	2	5	10	Programme for removal and replacement of solid fuel systems ongoing in remaining 37 properties. Gas supplies have been installed to all Council houses in gas areas to enable rapid replacement when consent received. Clear policy to be developed on solid fuel systems replacement process.	1	5	5	Service Manager - Engineering Services & Building Standards (ESBS) Service Manager - Property Maintenance	March 2021 to review numbers installed. December 2020	Risk refreshed July 2020 with no change to assessment of risk scores. Refreshed Aug'19 by Head of Service. Residual Score reduced 10 to 5. Refreshed May'19 by Head of Service. Current Risk Score reduced 15 to 10. Also D7

Original date produced (Version 1)	9 th January 2013			Risk Score
File Name	Infrastructure Risk Register			20-25
Original Author(s)	Scott Kennedy, Risk Officer			10-19
Current Revision Author(s)	Scott Kennedy, Risk Officer			5-9
Version	Date	Author(s)	Notes on Revisions	1-4
1	09/01/2013	S Kennedy	Environment Register updated to Infrastructure Risk register following Senior Management Restructure and updates to Risk Strategy and Corporate Risk Register.	
2	April-May 2013	S Kennedy	Updated following Working Group meeting. Dog Fouling/Dangerous Dogs risk split. Transport Services updated by Service Manager. Facilities Management updated by Service Managers. Property Maintenance updated by Service Manager.	
3	September 2013	S Kennedy	Landscape & Countryside Risks updated by Service Manager.	
4	October 2013	S Kennedy	Waste Management Risks updated and two added. No change to Road Services Risks or Transport Services Risks. Facilities Mgmt risks updated.	
5	December 2013	S Kennedy	Roads Network Risks Added	
6	January 2014	S Kennedy	Dangerous Dogs & Dog Fouling Risks transferred to Communities & Partnerships (Customer Services) Risk Register; Healthy Living Risks added and Print Unit Risk added to Facilities to create initial Infrastructure Risk Register following realignment process.	
7	May 2014	S Kennedy	Waste risks reviewed by Head of Service. Land Management Risk transferred from Corporate RR at the request of CMT.	
8	November 2014	S Kennedy	Waste, Transport, Road, Facilities Services and Property Maintenance Risks all reviewed and refreshed by respective Service Managers. Amenity Risks reviewed by Principal Amenity Officer.	
9	December 2015	S Kennedy	All Infrastructure risks reviewed and refreshed by all Service Managers. Risks on postal strike and print unit deadlines removed by Head of Infrastructure. Risk on staffing levels also removed as covered in Corporate Risk Register.	
10	December 2016	S Kennedy	All Infrastructure risks reviewed and refreshed by all Service Managers.	

11	November 2017	S Kennedy	Property Maintenance Risks moved to Development Risk Register while Engineering Services & Building Standards and Strategic Asset and Capital Plan Management risks moved from Development Risk Register following Council Service Review. Two Waste Services Risks on Carberry Landfill Site removed as risk removed.
12	December 2017 - January 2018	S Kennedy	Transport, Waste and Roads (Traffic Warden Risk Removed) Risks updated followed by January updates to Engineering Services & Building Standards, Sport Countryside & Leisure, Facilities and Strategic Asset & Capital Plan Management.
13	February 2018	S Kennedy	Full Review of Register by current Head of Infrastructure prior to retiring.
14	December 2018	S Kennedy	Waste and Facilities Risks Updated
15	April-May 2019	S Kennedy	All risks reviewed and updated.
16	May 2019	S Kennedy	Risks reviewed and refreshed by Head of Service with Risk on Waste and Recycling Targets & Legislation AND Community Asset Transfer increased.
17	August 2019	S Kennedy	All risks reviewed. Full review and update of all SA&CPM Risks by new Service Manager.
18	March 2020	S Kennedy	Waste Services Risks Updated
19	July 2020	S Kennedy	Full document reviewed and updated by Service Managers for Facilities, Roads, SC&L, ES&BS, Transport & Waste
20	July 2020	S Kennedy	Full review carried out by Head of Infrastructure
21	September 2020	S Kennedy	Final review prior to presentation to A&G Committee.

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				
Likelihood	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: 22 September 2020
BY: Service Manager – Internal Audit
SUBJECT: Covid-19 Emerging Fraud Risks (Audit Scotland, July 2020)

8

1 PURPOSE

- 1.1 To review East Lothian Council's position in relation to the identified emerging fraud risks highlighted in the Audit Scotland briefing paper, '*Covid-19 Emerging Fraud Risks*'.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee:
- i. Note the position of East Lothian Council in regard to the actions taken and planned to be taken to provide assurance over the areas highlighted in the '*Covid-19 Emerging Fraud Risks*' briefing paper.
 - ii. Use the recommended elements of '*What Public Bodies can do to reduce these fraud risks*' (page 6) to identify any further information or scrutiny activity it would wish to have reported back to future meetings of the Audit and Governance Committee.

3 BACKGROUND

- 3.1 The Covid-19 pandemic has brought significant challenges across the Scottish public sector, including East Lothian Council, as we seek to deliver services for individuals, communities and businesses in an extremely difficult time. Since the start of the pandemic, the risk of fraud and error has increased as organisations become stretched, and controls and governance are changing.
- 3.2 The Audit Scotland briefing sets out a range of fraud risks emerging from the Covid-19 crisis, and what public bodies might do to help reduce these risks.

- 3.3 East Lothian Council has taken action to communicate, investigate and mitigate these fraud risks in the following ways:
- Through a series of Employee and Manager briefings highlighting internal and external fraud risks and better ways of home working, managing and monitoring of Mental Health.
 - Internal Audit assurance exercises completed on new and at risk processes, including Business Grants, Duplicate Payment controls, NDR relief changes, and relaxation of procurement controls.
 - Internal Audit have also reviewed alternative data analysis tools and decided to remain with the National Fraud Initiative as the key data analysis tool moving forward.
- 3.4 Further action is also planned to enhance assurance around these key risks, including:
- Presentation of the Audit Scotland briefing note to the Council Senior Management Team.
 - Internal Audit reviews of Payroll and Cyber Security.
 - Provision of data, including Business Grant data, to the National Fraud Initiative for data analysis.

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 Audit Scotland briefing paper, '*Covid-19 Emerging Fraud Risks*', July 2020.

AUTHOR'S NAME	Duncan Stainbank
DESIGNATION	Service Manager – Internal Audit
CONTACT INFO	01620 827353
DATE	11 September 2020

Covid-19

Emerging fraud risks



Covid-19: Emerging fraud risks

The Covid-19 pandemic has brought significant challenges across the Scottish public sector as bodies seek to deliver services for individuals, communities and businesses in an extremely difficult time.

Since the start of the pandemic, the risk of fraud and error has increased as organisations become stretched, and controls and governance are changing. These risks are emerging for a range of reasons including:

- public-sector staff working remotely and under extreme pressure
- an increase in phishing emails and scams which try to get staff to click on links which allow fraudsters to access public-sector systems
- government stimulus packages to support individuals and businesses being provided quickly, possibly with a lower level of scrutiny and due diligence than has previously been in place for similar schemes.

This briefing sets out a range of fraud risks emerging from the Covid-19 crisis, and what public bodies might do to help reduce these risks. It aims to raise awareness of these new fraud risks with public bodies and their auditors; and support them in identifying and managing these risks, and ensure that sound governance and controls are in place.

Additional risks will continue to emerge as fraudsters identify new ways to target public money and services. Public bodies and auditors should stay alert to new scams and approaches by fraudsters, and regularly review their controls and governance arrangements to ensure they remain fit for purpose.

The information in this briefing is based on our professional judgement in auditing risk factors in the public sector. We would like to thank colleagues in Police Scotland, NHS Scotland Counter Fraud Services, local government chief internal auditors and fraud investigators for their support in preparing this briefing.

1. Emerging public sector fraud risks due to Covid-19

Covid-19 has raised significant challenges for the public sector. In such emergency situations, existing controls may be compromised, and it can be difficult to put in place robust controls for new processes. Good governance and sound controls are essential in such crisis situations. The risks include, but are not limited to:

 General governance risk
  Procurement risk
  Covid-19 funding
  Payroll/recruitment risk
  IT/cyber crime risk
  Health and wellbeing risk



Public sector staff are working under extreme pressure which may mean some internal controls are suspended or relaxed



Procurement fraud could increase as normal controls may be relaxed to allow bodies to buy goods or services which are required urgently, possibly from new suppliers



Staff may be transferred from their own departments to other areas experiencing resource pressures. This may leave some departments under-staffed at the same time that inexperienced staff may be working remotely without a full understanding of the required procedures and controls



An increase in medical and sanitary waste may see criminals attempt to gain waste management contracts. This could result in the inadequate disposal of the waste, with the potential associated harm to public health as well as generating proceeds for the criminals



There is a risk of weakened governance arrangements as internal audit teams are redeployed to operational areas



Duplicate payments are possibly not detected, or payments may be made without checking goods and services were received to a satisfactory quality



Mandate and diversion fraud¹ may increase as fraudsters try to get employees to update bank details and make payments to suppliers as soon as possible, knowing that staff are under pressure and that the normal controls may have been relaxed



Fraudsters may be 'selling' popular and/or hard to get items online. The products may not arrive or may turn out to be counterfeit, eg medicines, PPE and hand sanitiser products that are unsafe and do not provide the necessary level of protection

Note 1. Mandate fraud is when an employee is deceived into changing bank payment details (eg, of a supplier) in order to divert payments to fraudsters.

 General governance risk
  Procurement risk
  Covid-19 funding
  Payroll/recruitment risk
  IT/cyber crime risk
  Health and wellbeing risk



Government stimulus packages to support individuals and businesses are being provided quickly, possibly with a lower level of scrutiny and due diligence than has previously been in place



Councils may receive requests for business rate liabilities to be changed. This may be an attempt to ensure a business falls within a category qualifying for grants



Councils may receive Freedom of Information requests asking for details that may be used for business grant applications. Fraudsters are possibly looking to identify eligible businesses that have not applied for grants, with a view to putting in a fraudulent application



There is a risk of recruitment fraud as new staff are needed immediately due to increased demands for services and the normal checks may not be completed



Councils may receive fraudulent email enquires purporting to come from national companies asking for property details, reference numbers, etc, possibly with a view to making fraudulent applications for Covid-19 business grants



Payroll fraud may increase as normal controls around expenses, overtime, etc may be relaxed



There is a risk that applications for Covid-19 related support due to being made online, are made using fraudulent documents and details



Staff returning to work in the NHS to help respond to Covid-19 may be targeted by unscrupulous tax avoidance schemes

 General governance risk
  Procurement risk
  Covid-19 funding
  Payroll/recruitment risk
  IT/cyber crime risk
  Health and wellbeing risk



Staff working remotely may pose potential security risks, eg when using personal devices and/or using removable devices to download data. Household members may gain unauthorised access to confidential information such as payroll, social work client details, etc, via screens or in documents used by staff



More remote working may result in isolation and /or mental health issues which could lead to increased addictive behaviours (eg, gambling), which could result in vulnerability to serious organised crime gangs



There is a risk of increased cyber crime as more public-sector staff connect remotely to access systems and for meetings using online video conference services



An increase in internal fraud in public bodies is possible as employees and their families are under increased levels of financial and health pressures



Staff working remotely may receive calls from fraudsters claiming to be legitimate technical support services and attempting to gain access to systems



Working for sustained periods of time at high levels of demand may lead to errors or fraud due to lapses in concentration



There is a risk of an increase in phishing¹ emails and scams trying to get staff working under pressure to click on links which allow fraudsters access to public-sector systems



















Employees/volunteers could take advantage of vulnerable service users, eg by gaining access to bank cards, cash drop-offs at client's house, befriending with sinister intentions



There is a risk of more system access breaches where personal information is accessed without a valid reason by staff working remotely, eg possibly to check friends' applications for services

Note 1. Phishing is where criminals send emails purporting to be from reputable sources in order to deceive individuals into providing information or data such as passwords, user names or bank details.

2. What public bodies can do to reduce these fraud risks

-  Discuss and agree the organisation's risk appetite and associated approach to the newly emerging risks
-  Carry out a risk assessment to identify the most vulnerable areas under the new working conditions. This will include a review of IT system security for remote working
-  Ensure Internal Audit reviews systems of control. Some of the existing controls are unlikely to be still relevant and appropriate
-  Introduce new systems of control to address new and emerging risks
-  Ensure existing ways of reporting fraud or irregularity are still operating and are promoted, eg fraud hotlines and whistleblowing processes are still operating
-  Continue staff training, especially for staff moved to work in areas that are new to them
-  Ensure staff and customers receive regular, appropriate communications on the new ways of working and changes to services
-  Review the NHS Counter Fraud Authority's guidance including: [Covid-19 counter fraud guidance](#) 
-  Review the UK Government Counter Fraud Function's website for latest guidance including [Covid-19 Counter fraud response team](#)  and [Fraud Control in Emergency Management: Covid-19 UK Government Guidance](#) 
-  Consider bank account verification and active company search services, eg that are available from the Cabinet Office or NAFN¹ to the UK public sector
-  Review NFI² submission requirements that will require data to be submitted related to Covid-19 payments and services
-  Run 'dummy phishing' exercises to test employees' reactions, with a requirement to revisit training modules if an employee 'fails'
-  Rotate employees or volunteers working with vulnerable service users and ensure appropriate employee disclosures are up to date

Notes:

1. NAFN is a shared service organisation open to all public-sector organisations. NAFN provides data, intelligence and best practice services for member organisations.
2. NFI is the National Fraud Initiative, an exercise that matches electronic data within and between public and private-sector bodies to prevent and detect fraud.

3. Wider Covid-19 fraud risks

Covid-19 could unfortunately see an increase in fraud across all areas of life.



Texts may be received advising recipients that they are eligible for a tax refund under the Self-Employment Income Support Scheme. Recipients are asked to click on a link which leads to a fake HMRC website where they are asked for personal and financial details



Texts may be received posing as coming from the NHS contact tracing service. The texts advise people they have been in contact with someone with symptoms of Covid-19. The texts direct the recipient to a website which attempts to obtain personal details



Blackmailing and phishing emails may be received, telling victims that family or friends will be infected with Covid-19 if they do not pay



Fraudulent emails may be received telling people they can claim a tax refund to help with Covid-19 financial challenges. Recipients are asked to submit personal and financial details



Cold callers posing as the NHS contact tracing service may call people to advise that they have been in contact with someone who has tested positive for Covid-19. The caller may ask the recipient for bank details to pay for a Covid-19 test



Texts may be received advising that a 'Covid-19 Home Testing Team' will visit your home and that you will need to wait in a separate room while they put on protective clothing. This is an attempt by fraudsters to gain entry to people's homes



Texts posing as coming from the local council may be received, eg asking local residents to pay for food boxes which are being delivered to families with children eligible for free school meals



People may receive telephone calls from fraudsters posing as police officers to tell them that they have breached Covid-19 restrictions and have to pay a fine



Special offers may appear online containing malicious links that users click to allegedly receive free or discounted goods



There is a risk of online child sexual exploitation increasing as children spend the majority of their time online during the lockdown, either during their spare time or while receiving education



With the possible increase in online gaming during lockdown, criminals may be developing more sophisticated ways of attacking online gaming systems



Criminals may exploit loneliness during lockdown by looking through online dating profiles in order to commit romance crime¹



Fraudsters may be posing as council, NHS or charity staff and taking money from people to buy shopping which is never delivered



During lockdown, illicit or prescription drug use may have increased which in turn pushes prices up due to a lack of availability. The pandemic may induce 'panic buying' from different suppliers and stockpiling, leading to possible increased consumption or consuming substitute or contaminated drugs



Fake and malicious apps purporting as providing Covid-19 information and trackers may start emerging



Under lockdown, illegal drug producers may have been manufacturing pills in preparation for the summer and festivals. As a result they may have significant stockpiles of drugs, which could see the market being flooded with cheap drugs as soon as lockdown eases

Note 1. Romance crime is the engineering of a supposed friendship or relationship for fraudulent, financial gain. This may involve, for example, gaining access to the victim's bank accounts.

4. If you see or suspect fraud or would like to find out more...



Please visit the Audit Scotland [counter-fraud hub](#)



Report fraud or illegal activity to [Police Scotland](#)



[Police Scotland – Keep Secure Online](#)



[Police Scotland – Reporting Cybercrime](#)



[Trading Standards](#)



[NHS Scotland Counter Fraud services](#)

Information

You can find our reports and other material on counter-fraud on our [website](#)

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Covid-19: Emerging fraud risks

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REPORT TO: Audit and Governance Committee

MEETING DATE: 22 September 2020

BY: Chief Executive

SUBJECT: Local Government in Scotland: Overview 2020 (Accounts Commission, June 2020)

9

1 PURPOSE

- 1.1 To review East Lothian Council's position in relation to the findings of the Accounts Commission report, '*Local Government in Scotland: Overview 2020*'.

2 RECOMMENDATIONS

- 2.1 The Committee should:

- Note the position of East Lothian Council in regard to the key messages and recommendations in the Accounts Commission report, *Local Government in Scotland: Overview 2020*
- Use the recommendations detailed in pages 6 and 7 of the Accounts Commission report, and the questions for councillors checklist (Appendix 1 of this report) to identify any further information or scrutiny activity it would wish to have reported back to future meetings of the Audit and Governance Committee.

3 BACKGROUND

- 3.1 Each year the Accounts Commission produces an overview of issues that have arisen from the local authority audits conducted by Audit Scotland. The report usually comes out in March but this year's publication was delayed until June so that it could take account of the initial impact on local government of the COVID-19 pandemic.
- 3.2 The report, which is primarily for councillors and senior council officers as a source of information and to support them in their complex and demanding roles, covers three areas:

- The challenges councils face
- Doing things differently
- Service case study: Planning Services

The challenges councils face

3.3 The report has three key messages around the challenges faced by councils, which are very similar to the messages from last year's report.

- *Councils are working hard to deliver services to their communities. But the context they are working in is increasingly uncertain and complex. Demographic and social change is creating demand for services, while the strain on budgets continues to intensify. National policy commitments are increasing and the stresses on other public and third sector partners add to the difficulties in delivering services. The cumulative effect of these pressures on councils is beginning to show across service performance and use of financial reserves.*
- *Scottish Government revenue funding to councils has reduced in real terms over the period 2013/14 to 2020/21 by 3.3 per cent. Since 2017/18 however, it has increased by 3.9 per cent in real terms, to £10.7 billion in 2020/21. This does not include additional funding in response to the COVID-19 pandemic. The strain on budgets is evident as councils continue to dip into their reserves to make ends meet.*
- *Alongside the uncertainty of funding levels, the scale and complexity of the challenges for councils and integration joint boards will continue to grow in the coming years. Change is needed in how they serve their communities, so that they are able to respond to the needs and improve outcomes for people into the future, in the most efficient and effective ways. More radical thinking is needed for longer-term solutions.*

3.4 The report outlines in some detail the challenging and complex landscape contributing to the pressures on local government under four themes: Political and economic; Community needs; Policy; and Financial. These are summarised in an illustration on page 10 of the report and then set out in some detail on pages 11 to 23.

3.5 The uncertainties of **political and economic landscape** include:

- The impact of COVID-19 on the economy, public finances and public bodies
- The withdrawal from the EU
- The national political landscape with Scottish Parliament elections in 2021, debate on a second independence referendum and the outcome of the local governance review
- The impact of Scotland's economic performance on public finances

3.6 In relation to **community needs** the report emphasises that the impact of the COVID-19 pandemic on communities is uncertain. Within that context the report highlights that population changes affect the need for and demands on many services provided by local government. Two issues stand out.

- The proportion of the population over 65 years and over 75 years is increasing. East Lothian is one of three councils identified as forecast to have the highest increases across both older age groups.
- Most council areas are seeing a decrease in the proportion of children in their communities. The report suggests that East Lothian will have a reduction of 1% in its 0-15 child population by 2043. However, it should be noted that this projection is based on the latest National Records of Scotland birth and death projections which do not take into account new house build and net migration of families and other factors which project a significant increase in East Lothian's school aged population over the next 20 years.

3.7 The final element of community needs highlighted in the report is that poverty is increasing. It should be noted that poverty data will need to be reviewed on the back of the economic, social and health impacts of the COVID-19 pandemic. The council and partners have started work on revising the 2017 Strategic Needs Assessment to take account of the impacts of the pandemic and identify the strategic priorities that will drive the recovery from the pandemic.

3.8 Exhibit 2 in the report (page 15) provides a useful representation of deprivation levels across all 32 Scottish councils based on the 2020 Scottish Index of Multiple Deprivation. This shows that East Lothian has a fairly even spread of deprivation with relatively few datazones (small areas used for census and other statistical measures) amongst the most deprived in Scotland. Of note also is that East Lothian Council receives the fourth lowest Scottish Government funding per head of population - £1,661 compared to £1,793 for Midlothian and £1,823 for Scottish Borders.

3.9 Under the third theme – **policy** – the report highlights the national policies and initiatives that are bringing additional challenges and pressures for local government including:

- The Fairer Scotland duty that took effect in April 2018 requires public bodies to actively consider how they can reduce inequalities
- Health and social care integration
- Climate change
- Tackling child poverty
- Early Learning and Childcare

- Additional Support for Learning
- Welfare Reform
- The Planning (Scotland) Act 2019.

3.10 The fourth challenge theme is **finance**. The financial challenges are summarised in the report as:

- *Uncertainty over the level of Scottish Government funding on the back of reductions in real terms funding (taking into account inflation) of 3.3% since 2013/14 (not taking into account additional funding provided since April 2020 to help cover the cost of the pandemic);*
- *Councils have less flexibility in how they use funding as the level of funding dedicated to national policy initiatives has increased;*
- *Councils face increasing cost pressures including staff costs and increasing need from communities;*
- *The use of reserves to manage funding gaps is not sustainable.*

3.11 The challenges set out in the 2020 report are very similar to the ones set out in the 2019 report and as such are not a surprise to the Council and are already factored into the Council Plan and other strategic documents. For example, the Council's financial strategy takes account of the relatively modest real terms increase in Scottish Government funding over the last three years set alongside the extensive new financial burdens such as Early Learning & Childcare, which along with pay and inflationary pressures, significantly outweigh any of the funding increases.

Doing things differently

3.12 The report has two key messages relating to the need for councils to do things differently to meet the challenges that they face:

- *Councils alone cannot improve outcomes for communities and achieve local priorities. The full potential of collaborative working with partner organisations and communities is not yet being realised. More progress is needed. Councils need to demonstrate strong leadership and collaborate with partners.*
- *Workforce planning is fundamental to ensure that councils have the staff, skills and leaders they need to deliver change. Some progress has been made to improve workforce planning, but much more ^{is} needs to be done. As the workforce ages, councils need to be more flexible and agile in how they deploy staff, work with partners and attract younger people to work in local government and respond to specific skills gaps. This also requires comprehensive workforce data and planning.*

3.13 The report highlights that 'It is important that councils recognise the increasing urgency to invest the time, knowledge and skills to plan,

develop and put into practice efficient and effective new ways of working for the future. This will often mean re-prioritising the time of key managers and leaders within the organisation to free-up the right capacity to lead this important work.'

- 3.14 Recent Commission reports have emphasised the importance of:
- developing leaders, staff, and skills to deliver change, which requires effective leadership and workforce planning
 - improving services' efficiency and performance through transformation and redesigning services around the needs of the people who use them.
 - collaborating with partners, the third sector (such as charities) and communities to think differently about how to deliver and fund services
 - undertaking medium and long-term financial planning to deliver national policy commitments while continuing to sustain local services with reducing budgets and increasing demands.
- 3.15 The report uses the Best Value framework to provide the themes for what councils should be doing things differently:
- Leadership
 - Change and improvement
 - Workforce planning
 - Partnership working
 - Community empowerment and engagement

Leadership

- 3.16 Under the leadership theme the report highlights that:
- *Effective leadership is even more critical at a time of increasing pressures and change;*
 - *Good working relationships between councillors and officers, and across political divides, is a significant contributing factor to effective strategic leadership, clear direction and to supporting effective change and improvement;*
 - *Changes in officer leadership need to be managed effectively;*
 - *Councillors need to ensure they have the skills and knowledge to provide a high standard of scrutiny and decision-making;*
 - *Medium and longer-term financial planning still need to improve to provide a framework for implementing change.*
- 3.17 The Best Value Assurance review that was carried out on East Lothian Council by Audit Scotland in 2018 provided a high level of assurance around these issues. However, as the council strives to continuously improve these issues are considered as part of the Corporate Governance

self-evaluation that is carried out every year. Any further improvements that are identified will be included in future Improvement Plans.

Change and improvement

3.18 Under this theme the report highlights three issues:

- *Most councils have a change programme in place, but more radical thinking is needed for long-term solutions;*
- Digital approaches continue to develop;
- *Performance information, review and self-evaluation need to be used more systematically to inform improvement.*

3.19 The council's transformational change and improvement programme was reviewed just prior to the COVID-19 pandemic and new priorities were set for the council:

- Digital
- Place making
- Frontline service re-design
- Support service re-design
- Commercial opportunities
- Organisational development

3.20 Within each of these priorities future change projects will provide options for radical longer-term solutions to the challenges and pressures faced by the council. These will include the redesign of services to meet the demands and challenges imposed by demographic changes, the increasing pressure to provide 'more for less', and the step change in the way in which the public expect to access and receive services.

3.21 One of the consequences of the COVID-19 pandemic has been a speeding up of the take up of digital services. Within the council this has been evident through the move to home working by around 1,000 council staff (over 2,000 during the period schools were closed) and the development of new digital processes for providing some services. For example, there has been an exponential increase in on-line payments. A key element of the council's improvement programme will be to support embedding the new ways of working and digital approaches as we recover from the pandemic.

3.22 In response to recommendations from the 2018 Best Value Assurance Report the council revised its Improvement to Excellence framework. This included revising the self-evaluation framework and process and adopting of a set of Top 50 indicators to assess progress in achieving the outcomes set out in the Council Plan. The framework remains under review to ensure that it continues to meet its aim of supporting continuous improvement.

Workforce Planning

- 3.23 The key finding of the report in relation to workforce planning is that '*There is some progress in improving workforce planning, but more still needs to be done to link workforce requirements to change plans, to ensure that councils have the staff, skills and leaders they need to deliver change.*'
- 3.24 The council adopted a comprehensive Workforce Plan 2018 - 2022 in May 2018. The plan includes a detailed workforce profile and analyses of future needs and gaps which formed the basis for a detailed action plan around three key themes:
- Sustain a skilled, flexible and motivated workforce
 - Support and initiate transformational change
 - Build and sustain leadership and management capacity.
- 3.25 The Workforce Plan and action plan are being reviewed to take account of developments and emerging issues over the last two years, including the impact of the COVID-19 pandemic.

Partnership working

- 3.26 Under this theme the Accounts Commission report contains four key findings:
- *The full potential of collaborative working is not being realised;*
 - *Community Planning Partnerships need to take a more active role in leading partnership working and strategic change in some areas;*
 - *Progress in integrating Health and Social Care has been too slow;*
 - *Regional economic development is stimulating improvements in collaborative leadership.*
- 3.27 The report contains several examples of collaborative working between councils which also apply to East Lothian Council; for example, the East and Midlothian Public Protection Office; the use of Clyde Valley Learning & Development Partnership to support the council's Chartered Management Institute training programme; and, the council has had several shared posts with Midlothian Council and shares seconded staff with the Improvement Service.
- 3.28 East Lothian has an effective Community Planning Partnership and key multi-agency strategic partnerships, including the Connected Economy Group (which has been mobilised to lead East Lothian's economic recovery), the Community Justice Partnership and the Children's Strategic Partnership. In addition, our six Area Partnerships have provided the basis for developing ambitious locality plans. Our multi-agency Poverty Group is reviewing and revising East Lothian's Poverty Plan to incorporate the Child Poverty Action Plan and respond to the impact of the COVID-19 pandemic on increasing levels of inequality and poverty.

- 3.29 The East Lothian Integrated Joint Board is performing well across a range of measures relating to performance, finance and partnership working. Although progress towards fully integrating health and social care may not be as fast as the Accounts Commission or Scottish Government may hope, it is taking place as fast as the challenges and pressures faced by IJBs, local government and the NHS will allow. The impact of the recent announcement by the Scottish Government to create a national social care service will undoubtedly place even further strains on IJB, NHS and local authority partnerships.
- 3.30 East Lothian is a very active partner within the Edinburgh and South East Scotland Region Deal partnership and continues to make the case for maximum investment of resources from the deal into the infrastructure and employability projects that will foster sustainable economic growth.

Community empowerment and engagement

- 3.31 The report makes four observations in relation to community empowerment and engagement.
- *Most councils could do more to involve communities in planning services and better demonstrate how engagement is used to improve outcomes. Some councils have been slow to implement elements of the Community Empowerment (Scotland) Act 2015;*
 - *The local governance review is still ongoing;*
 - *Not all councils are reporting their performance to the public in a comprehensive and transparent way;*
 - *Some councils are using place-based approaches to improve outcomes for their communities.*
- 3.32 East Lothian Council has fully embraced community empowerment as an integral part of changing the way we do things. The Council Plan reflects this commitment in several ways and states clearly that *'over the lifetime of this Plan, the Council will increasingly become an enabling and empowering authority that works with its citizens and communities, the business and third sectors and other public sector partners to deliver the solutions that work best for East Lothian.'* The plan's strategic goals include *'Extend community engagement and decision making and increase community and individual resilience.'*
- 3.33 Following the 2018 Best Value Assurance Report the council has introduced a new format 'State of the Council' annual report that provides a comprehensive and transparent report of the council's performance in achieving the Council Plan priorities and objectives.
- 3.34 The placed-based approach to improving outcomes for communities is at the centre of the council's approach to Area Partnerships and locality or area planning. Each of the six Area Partnerships takes a placed based approach to determining the priorities for the area based on a clear

understanding of the needs and assets of the area and the priority of reducing inequalities within and between areas.

Service case study: Planning Services

- 3.35 This year's overview report departs from the structure of previous reports in that it includes a detailed service case study to illustrate how the challenges for local government have affected a service area.
- 3.36 The case study focuses on planning services to illustrate how the challenges for local government have affected this service area, and how it is responding. The report identifies that planning is an important service for supporting delivery on national policy outcomes such as inclusive, sustainable economic growth and protecting and enhancing our environment. The report also refers to a range of national policy developments such as the new Planning (Scotland) Act 2019 (the Act) which changes the role and responsibilities of the service. It is worth noting that the case study was produced prior to the COVID-19 pandemic and therefore it does not factor in the considerable challenges this has brought to planning services. Each authority has responded differently to these challenges, with our Planning Service seeking to retain as open and fair process as possible whilst still ensuring that all critical activities are undertaken.
- 3.37 Many of the wider challenges referred to in the case study are particularly relevant to East Lothian. On the issue of population change, the rapid growth witnessed in East Lothian has meant increased demand for housing, local services and amenities. This has been carefully considered though the adopted East Lothian Local Development Plan 2018 (LDP), which identifies the key additional infrastructure capacity, new facilities or other interventions that are required in association with the development of LDP sites, and to ensure that applicants or developers make provision for the delivery of these as appropriate. What is also clear is that further development beyond the LDP may not be possible unless significant further interventions are put in place.
- 3.38 On the challenges posed by the new Act, it is worth noting that the Act places 49 new and currently unfunded duties on Councils. RTPI Scotland estimates that these new duties could cost Councils an extra £12million to £59 million over the next 10 years. These changes are being staggered, and our Planning Service have already worked proactively to ensure that processes have been adapted in line with the new duties that have already been enacted. Examples of this include working with other Councils to produce a Regional Spatial Strategy and implementing a new, more comprehensive, consultation process for major planning applications.
- 3.39 The report sets out how planning services have reacted to reducing budgets and staff numbers by focussing on a core regulatory service. The report suggests that as a result of that narrowed focus, performance in processing planning applications has improved. In East Lothian performance in the processing of planning applications has markedly improved over the last year, both for major and local development types.

Recommendations

3.40 The report includes a series of recommendations for councils to respond to the challenges facing local government and deliver local priorities and improve outcomes for their communities. These are listed in pages 6 and 7 of the report but are summarised as:

- Invest leadership capacity in analysing the challenges and planning for the future
- Monitor and report on delivery of local priorities and outcomes while improving public performance reporting
- Maximise the potential of collaborative working
- Increase the opportunity for communities to influence or take control of local decision-making and, demonstrate how communities are supported to help design or deliver local services and improve outcomes
- Develop leadership capacity and workforce planning arrangements

3.41 There are four recommendations specifically relating to planning services.

3.42 *Ensuring the role of chief planning officer is positioned to contribute at a strategic to corporate level discussions and planning*

This will become a statutory requirement once that part of the Act has been implemented. It is likely that this role will be created from the current Service Manager for Planning role. The Scottish Ministers must issue guidance to planning authorities concerning the role of an authority's chief planning officer. Therefore the precise role of the chief planning officer, together with how that role would contribute at a corporate management level, cannot be decided until such time as the Scottish Ministers guidance has been issued.

3.43 *Developing detailed workforce planning and strategies that will respond to the changing skills needs of the service and consider at a national level how collectively the limited availability of planning professionals can be addressed*

There are significant workforce challenges for the planning services in East Lothian, with difficulties in being able to recruit planners (partly because there are only around 100 graduates in Scotland each year, with many taking up private sector employment) and also training them during the COVID-19 pandemic, increased work pressures, partly due to the new duties of the Act, and identified skills gaps. The Planning Service is currently investigating whether it would be possible to recruit another planning graduate. This role has operated very successfully in previous years, with the majority of graduates going on to take more senior roles in the Planning Service. The Planning Service is also working with the Improvement Service and Heads of Planning Scotland to suggest CPD

events that would focus on the skills gaps identified by Planning Service staff.

3.44 *Providing effective leadership to staff for the cultural changes needed to respond to the shift in focus for this service*

Meeting all of the new challenges will require strong leadership from council staff and councillors. Collaborative leadership is critical to success. Including the chief planning officer as a key member of the senior management structure will enable the required collaborative leadership across Council service boundaries and with partners.

3.45 *Implementing changes to how the service works to improve the level of partnership working and community engagement*

As required by the Act, there will be increased emphasis on the Planning Service engaging and collaborating with key partner organisations and communities to develop and improve places. Before preparing Local Development Plans the Planning Service will now need to seek the views of children and young people, in particular school pupils, youth councillors and youth parliament representatives.

Questions for councillors

- 3.46 Audit Scotland has produced a Supplement to the Overview which includes a checklist of 32 questions for councillors to consider. These questions, which will be used to inform the next elected members' training and development needs survey, are set out in Appendix 1 of this report.

4 POLICY IMPLICATIONS

- 4.1 Councils are required under the Local Government in Scotland Act 2003 to achieve Best Value in regard to economy, efficiency, effectiveness, equal opportunities and sustainable development. 'Local Government in Scotland: Overview 2020' will assist the Council to recognise the challenges that it faces in achieving Best Value in the future.

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 'Local Government in Scotland: Overview 2020', Accounts Commission, June 2020

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DATE	7 th September 2020

Appendix 1: Questions for Councillors

Leadership

1. Am I aware what succession planning and leadership development arrangements are in place for the corporate management team?
 - 1a. Am I satisfied that these are appropriate?
2. Do I know what issues I need to develop my knowledge or understanding of?
 - 2a. How do I plan to get the appropriate training?
3. Do I have access to training and learning materials that meet my needs?
 - 3a. Do I have a personal development plan in place for training, learning and development that will assist me to be as effective as possible in my role?
4. How effectively do the council's medium and long-term financial plans reflect the population projections for my area and the resulting need for services and infrastructure?

Change and Improvement

5. How clear are my council's plans for the changes needed so that outcomes for communities are improved alongside managing the financial and demand pressures?
6. How do I know my council is delivering on the outcomes it has committed to achieve for local communities?
7. Do I receive clear, timely and sufficiently detailed performance information to effectively scrutinise service and corporate performance?
8. Is my council systematically using self-evaluation approaches corporately and in services to inform improvement?
 - 8a. How involved or informed am I of the results and monitoring of improvement plans?

Workforce Planning

9. Do we have detailed corporate and service level workforce planning?
 - 9a. How clearly do they set out the current and future staff capacity and skills required and how this will be managed?
 - 9b. How am I involved in scrutinising the effectiveness of workforce planning?
 - 9c. Do I know how the council is addressing any specific issues with the workforce age profile or skills gaps in services?
10. How well do I understand all the partnership arrangements of my council?
 - 10a. How effectively is my council working with partners to deliver services better and/or save money?
 - 10b. What steps is the council taking to ensure partnership arrangements meet

their full potential?

11. What obstacles are facing our area's IJB?

11a. Am I aware of the steps taken to identify and address these obstacles and to improve the pace of integration?

Community empowerment and engagement

12. What do I know about the purpose and aims of participatory budgeting?

12a. What do I know about my council's approach to participatory budgeting, and how effectively is it using this to empower communities?

13. How well is my council providing clear, balanced and accessible information to the public about how well it is performing, what needs to improve and how it is addressing this?

Planning Services

14. How well informed am I about the requirements of the Planning (Scotland) Act 2019 and what this means for the council?

15. What do I know about the demographic makeup and the projected changes within the council area?

15a. How effectively is the council using this information to plan how we deliver services, including planning services?

16. Do I know how well prepared my council is to deliver the requirements of the Planning (Scotland) Act 2019?

16a. How do I know if the planning service has the skills, capacity and resources to implement the new responsibilities the Act brings?

17. What am I and the council doing to improve or restore community trust, confidence and respect in planning services?

18. How confident am I and what assurance do I have that the council is well prepared to make the shift in planning services from the regulatory role to include more proactive engagement with communities and other partners?

19. Do I know how the council is addressing any specific issues with the workforce age profile or skills gaps in services, such as planning services?

Local government in Scotland

Overview 2020



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
June 2020




The Accounts Commission

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

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

Our work includes:

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

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

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

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Audit team

The core audit team consisted of: Carol Calder, Kathrine Sibbald, David Love and Claire Tennyson, with support from other colleagues and under the direction of Claire Sweeney.

Links

-  PDF download
-  Web link

Exhibit data

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

Chair's introduction



Local government in Scotland is under unprecedented pressure due to COVID-19. We have all seen examples of outstanding work by councils and their partners in recent months to deliver vital services to communities across Scotland as they have sought to deal with the unprecedented challenges of the pandemic with professionalism, compassion and kindness.

This report is the Commission's annual summary of the key challenges and performance issues faced by councils. The report was produced prior to the pandemic and, after careful consideration, it has been decided to issue the report now.

I believe that although the world in which councils are operating has dramatically changed in the last few months, the report still contains important messages which will be helpful as part of the recovery.

The precise scale and impact of COVID-19 on our communities, critical services and the wider economy is as yet unknown. However, I believe that the economic impact on public services will be very significant on funding as well as, through its social consequences, on demand.

For several years, councils have been dealing with increasing challenges and uncertainty while continuing to address the needs of local people and national priorities. The challenges are only going to grow as we deal with the immediate and longer-term implications of COVID-19 alongside existing pressures such as leaving the European Union, the climate emergency, population change, poverty and tackling inequality. We have emphasised before the need to make more fundamental change to the way services are delivered and improve long-term financial planning.

The crisis puts into clear focus the pivotal role of public services, including councils, in delivering not only the day-to-day services that communities rely on, but also in responding to risks. Indeed, it emphasises the essential importance of effective leadership, good governance and good financial management for all councils.

As we start to see our way through this pandemic and attention turns to recovery and renewal, the Commission will take time to consider how we can appropriately reflect the changed circumstances in our work.

I hope that you will find this report helpful and we would be glad to receive your feedback on how we might focus our work during the recovery period.

Graham Sharp
Chair of the Accounts Commission



Summary



Key messages

The COVID-19 pandemic brings unprecedented challenges across communities and public services. The effect on the health and wellbeing of our communities, as well as the financial difficulties and increased levels of poverty, will be significant. The impact on the economy, on national finances and on local public services will also be considerable. This report was compiled before the escalation of the pandemic and is an overview of local government in 2019. But its messages remain relevant. The pandemic multiplies the challenges for local government further and so the need to do things differently to meet the needs of communities more efficiently and effectively is even more important.

- 1** Councils are working hard to deliver services to their communities. But the context they are working in is increasingly uncertain and complex. Demographic and social change is creating demand for services, while the strain on budgets continues to intensify. National policy commitments are increasing and the stresses on other public and third sector partners add to the difficulties in delivering services. The cumulative effect of these pressures on councils is beginning to show across service performance and use of financial reserves.
- 2** Scottish Government revenue funding to councils has reduced in real terms over the period 2013/14 to 2020/21 by 3.3 per cent. Since 2017/18 however, it has increased by 3.9 per cent in real terms, to £10.7 billion in 2020/21. This does not include additional funding in response to the COVID-19 pandemic. The strain on budgets is evident as councils continue to dip into their reserves to make ends meet. Medium-term funding levels are uncertain, making continued use of reserves to manage the funding gap unsustainable. Long-term financial planning is not well enough developed in many councils and in integration joint boards. Medium- and long-term financial planning are important tools for making well-informed decisions and to effectively manage continuing financial challenges.
- 3** Alongside the uncertainty of funding levels, the scale and complexity of the challenges for councils and integration joint boards will continue to grow in the coming years. Change is needed in how they serve their communities, so that they are able to respond to the needs and improve outcomes for people into the future, in the most efficient and effective ways. More radical thinking is needed for longer-term solutions. It requires investment of time and capacity by political and management leaders, to analyse the range of challenges for the

area, develop the thinking and planning for the medium and longer-term. This is difficult, in already demanding roles, but this investment is important.

- 4** Councils alone cannot improve outcomes for communities and achieve local priorities. The full potential of collaborative working with partner organisations and communities is not yet being realised. More progress is needed. Councils need to demonstrate strong leadership and collaborate with partners, including integration joint boards, NHS boards, the voluntary and private sectors, and their local communities. This is essential if they are to make best use of local resources, including the workforce, and demonstrate Best Value.
- 5** Workforce planning is fundamental to ensure that councils have the staff, skills and leaders they need to deliver change. Some progress has been made to improve workforce planning, but much more needs to be done. As the workforce ages, councils need to be more flexible and agile in how they deploy staff, work with partners and attract younger people to work in local government and respond to specific skills gaps. This also requires comprehensive workforce data and planning.

Recommendations

To respond to the challenges facing local government and deliver local priorities and improve outcomes for their communities:

Governance - councils and integration joint boards need to:

- invest leadership capacity in analysing the challenges and planning for the future, including:
 - plans for how services will be delivered that reflect the scale of the challenges ahead and will deliver demonstrable improvement in outcomes for communities
 - putting in place and continuing to develop medium- and long-term financial planning that will inform ongoing review and implementation of plans for change.
- monitor and report on delivery of local priorities and outcomes while improving public performance reporting.

Collaboration - councils and integration joint boards need to:

- maximise the potential of collaborative working by:
 - working alongside partners to improve community planning partnerships, so that they have a clearer strategic direction and take a more active role in leading local partnership working
 - engaging with other councils, partners and communities in developing plans to improve and change the way services are delivered.

- increase the opportunity for communities to influence or take control of local decision-making and, demonstrate how communities are supported to help design or deliver local services and improve outcomes.

Capacity and skills - councils and integration joint boards need to:

- develop leadership capacity and workforce planning arrangements including:
 - effective succession planning and capacity development for leadership positions
 - approaches to increase the uptake of learning and development opportunities by councillors, to ensure that they are equipped to respond to the challenging context and their role in planning for the future
 - improving the quality and range of workforce data to give a comprehensive profile of the current organisation-wide workforce
 - using this comprehensive workforce data to:
 - identify and address skills gaps, including those related to lack of capacity or the age profile of staff
 - plan for the skills required to deliver services, both now and in the future, including using skills from the third and private sectors, with a greater focus on collaborative and flexible working
 - prioritising the development of staff across their organisations, to build more resilient teams, focused on improving the lives of local people
 - building a learning culture to learn from experience both within and outside the organisation.


Services - councils and integration joint boards need to:

- consider how the recommendations above relate to each service.
- For planning services this specifically includes:
 - ensuring the role of chief planning officer is positioned to contribute at a strategic level to corporate level discussion and planning
 - developing detailed workforce planning and strategies that will respond to the changing skills needs of the service and consider at a national level how collectively the limited availability of planning professionals can be addressed
 - providing effective leadership to staff for the cultural changes needed to respond to the shift in focus for this service
 - implementing changes to how the service works to improve the level of partnership working and community engagement.

About this report

1. The evidence used in this report was compiled before the escalation of the COVID-19 pandemic. It sets out the Accounts Commission's view before this unprecedented situation began to unfold. It provides an independent overview of the other challenges facing councils in Scotland, how councils are responding to tightening budgets and how this affects the services provided to the communities they serve. As well as informing the public, the report aims to inform local government councillors and senior council officers, to support them in their complex and demanding roles. Although this report does not address the impact that the COVID-19 pandemic will have on local government and its communities, the issues and the messages remain relevant.

2. The report highlights the context councils were operating in prior to the pandemic, with increasing need for services for communities but also with financial pressures and uncertainties. It looks at some of the main tools that contribute to change and how effectively councils are using these to respond to increasing demand and strained budgets. The final section of the report sets out a case study on planning services as an example of how these challenges are affecting an individual service, how that service is responding and the impact on its performance.

3. The report draws on findings from Local government in Scotland: Financial overview 2018/19, published performance data and local government audit work in 2019. This includes **Best Value Assurance Reports**  (BVARs), annual audits and national performance audits. All national and individual council audit reports are available on our website. Where specific examples of council activities or circumstances are referenced, this is not intended to imply that the named councils are the only ones engaging in these activities or experiencing these circumstances.

4. We also draw on a range of sources of evidence for this report. Financial information is taken from the local government financial circulars, the Scottish Government's local financial returns (LFRs), and councils' annual accounts. Performance information is gathered from the Local Government Benchmarking Framework (LGBF) data, the National Performance Framework (NPF) indicators and relevant reports from other scrutiny bodies, such as Education Scotland and the Care Inspectorate.

5. To help councillors, we have produced a supplement to accompany this report. It sets out questions that councillors could ask to help them understand their council's position, scrutinise its performance and make difficult decisions. Councillors should feel that they fully understand, and are satisfied with, the answers to the questions that are most relevant to them in their roles within the council. A tool is also available on our website that provides a further breakdown of data in the report by council area to provide more detail at a local level.

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

- We refer, in a number of places, to real terms changes, which means that we have adjusted the figures to take account of inflation. Our analysis of local government funding adjusts figures into 2019/20 prices to reflect the current year.



In 2019, we have produced Best Value Assurance Reports about the following councils:

- Highland
- Midlothian
- North Lanarkshire
- Perth and Kinross
- Scottish Borders
- South Lanarkshire
- Stirling

These are all available on the Audit Scotland website.

- We look at historical trends using data from 2013/14 where possible. National police and fire services were established in 2013 and so were not included in local government accounts from 2013/14. It is not always possible to use 2013/14 as some information is only available for more recent years.

The challenges

Councils operate in a challenging and complex landscape



7. It is well recognised that there are significant pressures on local government and its partners. Over the following pages, we illustrate the challenges and complex landscape that contribute to these pressures through a series of infographics. The illustration below gives a high-level breakdown of the main features of the overall landscape, which we explore in more detail on [pages 11 to 23](#).



Political and economic

The political and economic landscape continues to hold uncertainties including:

- The impact of the COVID-19 pandemic on the economy, public finances and public bodies
- The impact of withdrawal from the EU
- The national political landscape: Scottish Parliament elections in 2021 and debate on a second independence referendum
- The outcome of the local governance review
- The impact of Scotland's economic performance on public finances



Community needs

Population changes affect the need for and demands on many services provided by local government

- The impact of the COVID-19 pandemic on communities is uncertain
- The proportion of the population over 75 years is increasing, affecting the demand for some services
- Most council areas are seeing a notable decrease in the proportion of children in their communities
- Poverty and child poverty levels are increasing



Policy

Local government is an important contributor to national outcome priorities

- National policies and initiatives bring additional challenges and pressures eg:
- Health and Social Care Integration
 - Tackling climate change
 - Welfare reform
 - Early learning and childcare expansion
 - Additional support for learning
 - Planning (Scotland) Act 2019



Financial

Local government faces a range of financial challenges

- The level of future Scottish Government funding is uncertain
- The flexibility of how councils can use this funding is reducing
- There are increasing cost pressures including staff costs and increasing need from communities
- Councils have been using reserves to manage funding gaps - this is not sustainable



Political and economic

The political and economic landscape continues to hold uncertainties

There are always uncertainties about change at a national level and the potential impact on communities and local government. But the current landscape involves some particularly significant unknowns. This makes forecasting issues and planning for the medium and longer term more difficult.



COVID-19 Pandemic

The full scale of the impact on the world, UK and Scottish economy of the COVID-19 pandemic is not yet clear. It will be significant and have long-term implications for public sector finances, political priorities and decisions that need to be made at a local level.




Withdrawal from the EU

The impact of withdrawal from the EU on 31 January, on the demographics, workforce and economy remains uncertain

Net migration to Scotland is expected to reduce, in the medium-term, affecting particularly the number of working age adults [already projected to decline] and so this may have a significant impact on communities and local economies

The Scottish Government has produced a Brexit Vulnerabilities Index to assess the degree of risk for each local authority- **rural areas and particularly the island authorities are most vulnerable**

We refer to some of the risks in greater detail in our Briefing Paper [‘Preparing for Withdrawal from the European Union’](#)  in which we also identify some of the mitigating approaches being adopted by councils.



Political landscape

The UK general election in December 2019 delayed budget setting processes

There is increased debate about a second referendum on Scottish independence

The Scottish Parliament elections are planned for spring 2021

The outcome of the local governance review remains uncertain



Economy

The Scottish Government's income is now more dependent on the economic performance of Scotland. This brings potential volatility and uncertainty to its budgets and in turn, this brings more uncertainty about Scottish Government funding to local government

While unemployment rates are low, economic growth is affected by low wage growth, which is struggling to outpace inflation

Demographic changes affect the level of available labour force and this will affect the level of new investment, productivity and the economic wellbeing of communities



Community needs

Population pressures are growing. These changes affect the need for and demands on services provided by local government

Nationally the population continues to grow, there is an increasing proportion of the population over 75 years old and there are increasing levels of poverty. The demographic and social challenges vary across the 32 council areas bringing different pressures and challenges for councils and integration joint boards as they plan for how they will improve outcomes for their communities. The financial, social and health wellbeing of communities and individuals will be affected by the COVID-19 pandemic. This will bring increased demands on services.



The population continues to grow but the pace is slowing

Scotland's population is expected to continue to increase, but the rate of growth is slowing. The population is projected to **rise by 2.5 per cent by 2043**, to a total population of 5.6 million

The level of population **change varies across the country** and this brings different challenges for councils that they need to plan for

Some council areas are experiencing significant increases in population levels. This puts **pressure on services to meet the growing need**

Some council areas have reducing population numbers. This brings challenges in providing cost-effective services for fewer people and with less funding, as Scottish Government funding distribution is largely based on population levels



The proportion of the population over 65 years is increasing

In 2019, 19 per cent of the population was **65–74 years** old. This is **projected to increase by 23 per cent** by 2043. Almost two thirds of council areas are projected to have a decreasing number of people of working age. Nationally a reduction of 0.2 per cent by 2043



The proportion of the **population over 75 years old is projected to increase by 71 per cent** by 2043. This places greater pressure on health and social care as some people in this age group have more complex needs. Across all age groups, increasing levels of complex needs brings additional pressures on services

The current age profile of the workforce is affected with an increasing number of staff approaching retirement and the pool of working age people to employ is a smaller proportion of the population. Workforce planning is increasingly important

This is particularly challenging for some rural councils, with a high proportion of people aged 65 and over and relatively low levels of their populations aged 16 to 64. e.g. Highland Council: 41 per cent of the council's workforce is over 50. Only ten per cent of its workforce is under 30, and less than one per cent aged 20 or under

The proportion of those aged 65 or over with long term care needs receiving personal care at home has increased from 60 per cent in 2013/14 to 61 per cent in 2018/19.

Since 2013/14, there has been a real-terms increase of 12.3 per cent in cost per hour on home care for people over 65. The total gross expenditure has increased by 13.7 per cent and the number of hours delivered has increased by 1.3 per cent

The proportion of children in the population is decreasing

Projections for 2043 show that **only 4 council areas will have an increase in their child populations**, of between 20 per cent in Midlothian to one per cent in Stirling.



This brings increased demands on many services in terms of responding to the infrastructure, education and social care needs of children. In Midlothian, there is a higher proportion of young people in the population than the average and significantly higher projected increases in the under-16s. This impacts on for example the costs of developing and staffing new schools and in delivering social care services

28 councils are projected to have a reduced child population by 2043. Reductions vary between one per cent in East Lothian to 28 per cent in Argyll and Bute. This brings challenges in terms of maintaining the standard of service for fewer children with less budget and economies of scale. This is particularly challenging in remote rural environments, where loss of services for children can affect the sustainability of communities



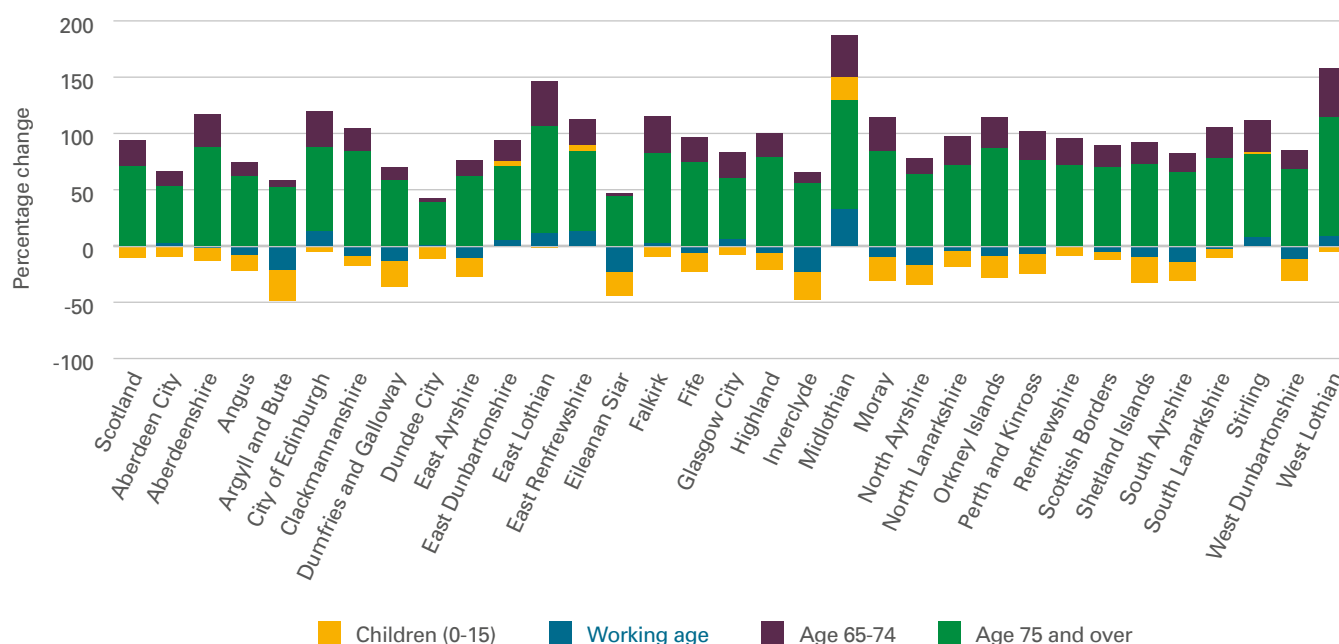
Population change at local authority level, 2018–43

Across the country, the population over 65 years and over 75 years is expected to continue to increase, whereas changes in the population of working age adults are expected to be more variable.

- Midlothian, East Lothian and West Lothian are forecast to have the highest increases across both older age groups.
- The majority of councils (28) are projected to have decreasing numbers of children, with a reduction of 10.5 per cent across Scotland. Reductions are significant in some councils, with Argyll and Bute having the highest forecast reduction of 28.4 per cent by 2043.
- Aberdeenshire, Clackmannanshire, Highland, Shetland Islands, Orkney Islands, Fife, North Lanarkshire, South Lanarkshire, Moray and Perth and Kinross, all have projected above average increases (average increase is 70.6 per cent) in the older adult (75 years and over) population, in addition to reduced working age populations, and falling numbers of children.
- Inverclyde and Eileanan Siar are expected to see the largest reduction in their overall populations (-16 per cent by 2043). For Inverclyde this is most significant for its child population, while the reduction in the working-age population will be the most significant in Eileanan Siar.

Exhibit 1

Projected change in population across council areas by age groups, 2018-43



Note. Change is based on a percentage change.

Source: Audit Scotland using National Records of Scotland sub-national population projections (2018-based) for the period 2018-43





Poverty levels are rising

Increased levels of poverty affect the level of need and demand for many services

Between 2011-14 and 2016-19, relative poverty in Scotland increased from 18 per cent to 19 per cent

Growth in life expectancy has stalled. This is more prominent in areas with greater deprivation

In 2018/19, there was a four per cent increase in households in temporary accommodation as well as a six per cent increase in children living in temporary accommodation

Between 2011-14 and 2016-19, relative poverty for children in Scotland increased from 21 per cent to 24 per cent. Analysis by the Scottish Government indicates that this could rise to just under 38 per cent by 2030

Between 2011-14 and 2016-19, the level of pensioners in poverty has increased from 12 per cent to 15 per cent. People in relative poverty in households with at least one adult in employment has increased from 47 per cent to 53 per cent

Levels of inequality and the challenges vary across council areas, for example:

Glasgow is one of the 14 council areas with a growing population. It is one of the councils worst affected by high levels of deprivation, child poverty and homelessness. This puts it under significant pressure to respond to the growing need for services. Glasgow also has the lowest life expectancy in Scotland. At birth, life expectancy for men in Glasgow is 73.4 years, and is 78.7 years for women. In contrast, East Renfrewshire has the highest life expectancy of 80.7 years for men and 83.6 years for women.

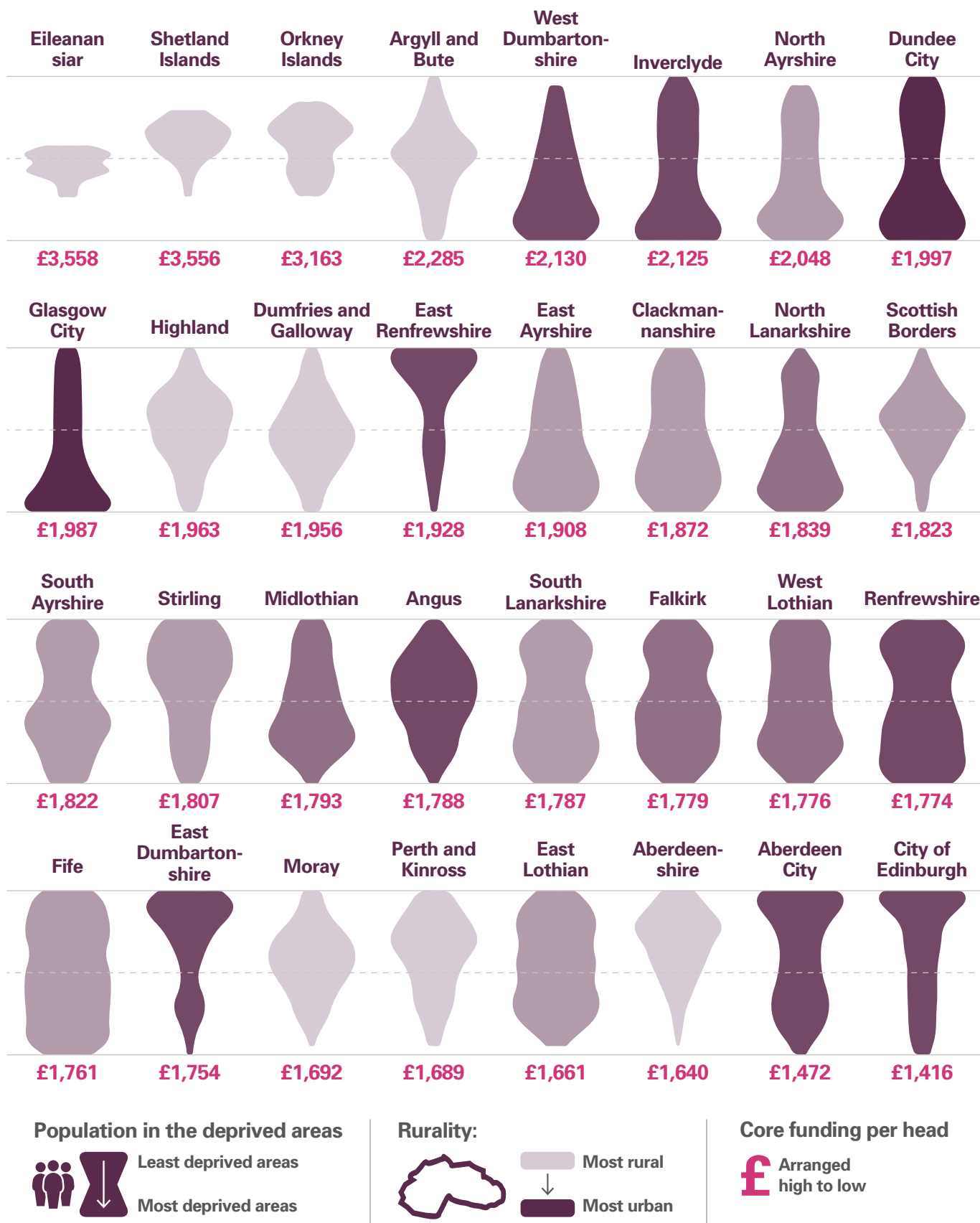
Inverclyde and North Ayrshire, among others, are expected to have a reduction in their populations, with fewer working-age adults, but they also have high levels of deprivation, child poverty and lower life-expectancy. The distribution of Scottish Government funding is largely determined by population levels. Councils with low or declining populations and with a complex local context, including deprivation levels, need to plan to respond to increasing pressures with less funding.

Island authorities, namely Eilean Siar, Orkney Islands and Shetland Islands, receive the most funding per head from the Scottish Government. This is due to the cost of delivering services in island settings, which is more complex. Other issues such as providing effective infrastructure are a key challenge. Deprivation is also an issue that island and rural authorities must respond to, however because the populations are so sparse, deprivation is not as easily identified using SIMD. Rural and island council areas have significant areas where rural poverty is an issue. The communities are often affected to a greater extent by issues such as fuel poverty.

Exhibit 2 illustrates the range of deprivation levels across the 32 councils using Scottish Index of Multiple Deprivation (SIMD) data 2020. SIMD is the official tool for identifying the most deprived areas in Scotland. It looks at multiple aspects of deprivation such as resources and opportunities as well as low income. The shape indicates the proportion of the population in the least and most deprived areas. The darker shades indicate the most rural areas and the lighter the most urban. The councils are ordered by the level of Scottish Government funding per head of population.

Exhibit 2

Deprivation levels, rurality and funding per head of population



Source: Scottish Government Financial circular February 2020, Open Data Manchester using Scottish Index of Multiple Deprivation (SIMD), 2020. SIMD is a relative measure of deprivation across small areas, known as data zones. It looks at the extent to which an area is deprived across multiple factors including income, employment, education, access to services, health, housing and crime.



Policy

Implementing national policies and initiatives brings further challenges

Local government is a major contributor to a wide range of national policy priorities and initiatives. Councils, and integration joint boards, need to balance responding to these with local priorities. Responding to national and local priorities, with increasing demographic pressures and strained budgets is beginning to show in performance.

National Performance Framework

The Scottish Government and COSLA co-signed a refreshed National Performance Framework (NPF) in 2018



- Local government is a major contributor to the range of outcomes the NPF aims to improve.
- Having a positive impact on these outcomes will be challenging:
 - LGBF measures show performance has either stalled or declined in the past year - [Exhibit 3](#)
 - National Performance Framework indicators show a mixed picture of progress - [Exhibit 4](#)

Exhibit 3

Performance – Local Government Benchmarking Framework data

Since 2013/14, performance has broadly shown improvement. However, the pressure is beginning to show. Over the last year many performance indicators have been maintained or declined.



Adult social care

Since 2013/14 progress in adult care indicators has been mixed, with around half of indicators gradually improving. However, in the past year progress for these measures has slowed or showed a decline. There has been a 4.1 per cent increase in the number of days people spend in hospital when they are ready to be discharged in the past year, despite an overall reduction of 14 per cent since 2013/14. Measures show a declining trend in the level of satisfaction. Indicators for adult care quality have seen a decline in the last year, there has been a three percentage-point decrease in the proportion of care services graded 'good' or better in Care Inspectorate inspections.



Education and children

Most indicators have improved since 2013/14 but improvement over the past year has slowed and some indicators have declined, including some educational attainment and early years indicators. The cost per pupil in pre-school, primary and secondary education has increased. The attainment gap between children living in the most and least deprived areas has reduced slightly.



Environmental

Many cost indicators show reductions in cost since 2013/14, but performance in many areas has also declined. Recycling levels have improved since 2013/14 but this has stalled in the last year. Satisfaction with street cleaning and waste collection has also reduced.



Economic development

There are mixed trends, with improvement in half of the indicators since 2013/14. This includes an improvement in access to superfast broadband and an increase in the proportion of money spent on procuring goods and services locally. There was a slight increase in the proportion of unemployed people assisted into work, but this declined in 2018/19, meaning that overall progress since 2013/14 has been unchanged. Performance has declined in other indicators, such as the number of business gateway start-ups.



Culture and leisure

Costs for these services have reduced and the number of attendances has increased, however satisfaction has declined across all services.



Housing

Some indicators have improved since 2013/14 but this has stalled in the past year. The proportion of housing meeting Scottish housing quality standards has continued to improve to over 94 per cent in 2018/19. Gross rent arrears have worsened year on year since 2013/14.



Corporate

Most corporate indicators have improved or been maintained, but sickness absence for both teachers and other staff has worsened in the past year.

Note. The LGBF performance information for 2018/19 is summarised in a report National Benchmarking Overview Report 2018-19 and a tool to analyse the data by council and by service area is available on the Improvement Service's website.

Source: Local Government Benchmarking Framework data, 2018/19, published March 2020

Exhibit 4

Performance - National Performance Framework measures

There is a mixed picture of progress against measures of national outcome priorities. A sample of NPF indicators are illustrated below.






		2013	Change	2018
Health				
	Health risk behaviours: Percentage of adults with two or more health risk behaviours (current smoker, harmful drinking, low physical activity, obesity)	28%	▲ +1	29%
	Journeys by active travel: The proportion of short journeys less than 2 miles that are made by walking	47.3%	▼ -4.3	43%
	Journeys by active travel: The proportion of short journeys less than 5 miles that are made by cycling	1.2%	▲ +0.6	1.8%
Education				
	Quality of child care: Percentage of settings providing funded Early Learning and Childcare achieving good or better across all themes	91.6%	▼ -1	90.6%
	Young people's participation: Percentage of young adults (16-19 year olds) participating in education, training or employment	90.4%*	▲ +1.4	91.8%
Employment				
	Living wage: Percentage of workers earning less than the living wage	18.3%	▲ +1.1	19.4%
	Gender pay gap: The difference between male and female full-time earnings, as a percentage of full-time hourly earnings	7.7%	▼ -2.1	5.6%
Environment				
	Energy from renewable sources: Percentage of energy consumption which is renewable energy	12.7%	▲ +8.2	20.9%
	Household waste: The amount of household waste generated in million tonnes	2.4	— 0	2.4
	Wellbeing: Proportion of adults making one or more visits to the outdoors per week	46.2%	▲ +12.7	58.9%

Exhibit 4 continued

	Community views	2013	Change	2018
	Social capital index: A measure of the social networks, community cohesion, social participation, trust and empowerment, that collectively provide an important part of personal and social wellbeing	100	▼ -5	95
	Perception of local area: Percentage of adults who rate their neighbourhood as a very good place to live	55%	▲ +2.4	57.4%
	Satisfaction with public services: Percentage of respondents who are fairly or very satisfied with the quality of local services (local health services, local schools and public transport)	59.9%	▼ -8.2	51.7%
	Influence over local decisions: Percentage of adults who agree that they can influence decisions which affect their local area	22%	▼ -1.9	20.1%
	Satisfaction with housing: The percentage of households satisfied with their house or flat	90%	— 0	90%

Note.*The baseline year for this indicator is 2016, when the data was first measured.

Source: Audit Scotland, Scottish Government NPF data, January 2020





Policy



Fairer Scotland Duty

The duty took effect in April 2018. It requires public bodies **to actively consider how they can reduce inequalities.** Our audit findings show that councils need to embed a focus on fairness and equality.

In 2018, The Equality and Human Rights Commission reported that progress with promoting socio-economic equalities, before the duty was implemented, had varied across public bodies. It also identified that most public bodies are concerned about the resources needed to implement the duty in their plans and policies.

Health and social care integration

Health and social care integration began in 2016. Joining up council social care and NHS health services aims to deliver better services for communities



The pace of progress with integration has been too slow.

Adapting to new ways of working continues to be challenging.

There is deterioration in key performance indicators, indicative of the strain felt by integration authorities:

- The 'Rate of readmission to hospital within 28 days per 1,000 discharges' has increased by 8 per cent since 2013/14, and over the past year there has not been any change
- Since 2013/14 there has been a 14 per cent reduction in the 'Number of days people spend in hospital when they are ready to be discharged, per 1,000 population (75+)', but a 4 per cent increase in the last year.

Other major policies and initiatives

Climate change -

Scottish Government has set a target of net-zero emissions by 2045

Tackling child poverty -

Scottish Government has set income targets for 2023 and 2030 but current child poverty levels are high

Early learning and child care -

ambitious targets set for increasing the funded hours provided (deferred due to the COVID-19 pandemic)

Additional support for learning -

meeting the individual support needs for children is challenging with current resources

Welfare reform -

rollout of Universal Credit brings changes to systems and increased demand on advice services

Planning (Scotland) Act 2019 -

new focus on 'place' based planning with partner and community engagement



Financial

Local Government faces a range of financial challenges

The demands on services to deliver more to meet community need is magnified by other pressures on budgets. The COVID-19 pandemic will bring further demands on local government services and budgets. Scottish Government funding is the main source of funding for local government. The level of this funding in the medium-term is uncertain. The flexibility in how funding is used is reducing. This affects which, and how much different services need to find savings. The workforce is local government's most important resource, but staff costs are increasing, adding further pressure.



Scottish Government funding

2020/21 revenue funding increased by 1.5 per cent (real terms) from the previous year to £10.7 billion

Since 2013/14 it has reduced by 3.3 per cent (in real terms)

These figures do not include additional funding identified since April 2020

Councils have less flexibility in how they use funding.

Funding dedicated to national policy initiatives, increased from £1 billion in 2019/20 to £1.5 billion in 2020/21, equating to 14.1 per cent of council funding from the Scottish Government.

The funding levels for the medium-term are uncertain. Funding settlements do not yet provide information for more than one year. The Scottish Government has committed to moving to multi-year indicative budgets in the future



Increasing cost pressures

Local government needs to respond to increasing service needs from communities with changes in population



The cost of caring for looked-after children in both residential and community settings has continued to grow since 2013/14, by 5 per cent and 17 per cent respectively

Spending on home care for older people has risen by 13.7 per cent since 2013/14, and by 1.9 per cent in the last year, but the number of hours of home care provided has only increased by 1.3 per cent since 2013/14

Increasing staff costs, including meeting the national living wage, are a significant pressure on budgets



For example, North Lanarkshire Council has partly attributed its high cost of adult care to commitments in paying the national living wage
19 councils including North Lanarkshire are accredited Scottish Living Wage employers, which pay a higher rate than the national living wage
The national living wage increased by 21 per cent between 2016/17 and 2020/21



Managing the funding gap

With increasing cost pressures, meeting the funding gap continues to present significant challenge for councils

Councils have been using reserves to manage funding gaps



The funding gap for 2019/20 is £0.5 billion, three per cent of revenue income

In 2018/19 16 councils ended the year with a lower level of reserves than the end of the previous year. This is not sustainable in the long-term

In 2020/21, the Scottish Government expects a council tax increase of up to 4.84 per cent

20 councils are increasing council tax by this proportion

The highest council tax in Scotland for 2020/21 (D Band) is Midlothian at £1,409 and the lowest is South Lanarkshire at £1,203

Councils are seeking other ways to increase income. Most are increasing fees and charges for some services. Some councils are seeking to introduce a visitor levy



Spending

Spending on education continues to rise, while spend in most other service areas is falling

With increasing need from population changes, statutory and policy requirements, over two thirds of council spending is on education and social care.



Education, Social work and Environmental services

% change
cash

% change
real terms

Education, Social work and Environmental services increased net expenditure from 2013/14 to 2018/19.

Adjusted for inflation (in real terms), spending on Education and Social work increased and decreased by only 1.5 per cent respectively. In real terms, Environmental services spent over five per cent less in 2018/19 than in 2013/14

Education

10.4

1.5

Social work

7.1

-1.5

Environmental services

2.9

-5.4



Other services areas

% change
cash

% change
real terms

Other service areas have borne higher levels of savings in cash and real terms. For example, planning services, roads and transport, and culture and related services.

Cultural and related services

-6.2

-13.9

Roads and transport

-18.2

-24.8

Planning and development services

-27.7

-33.5

Central services

-27.4

-33.3

Non-HRA housing

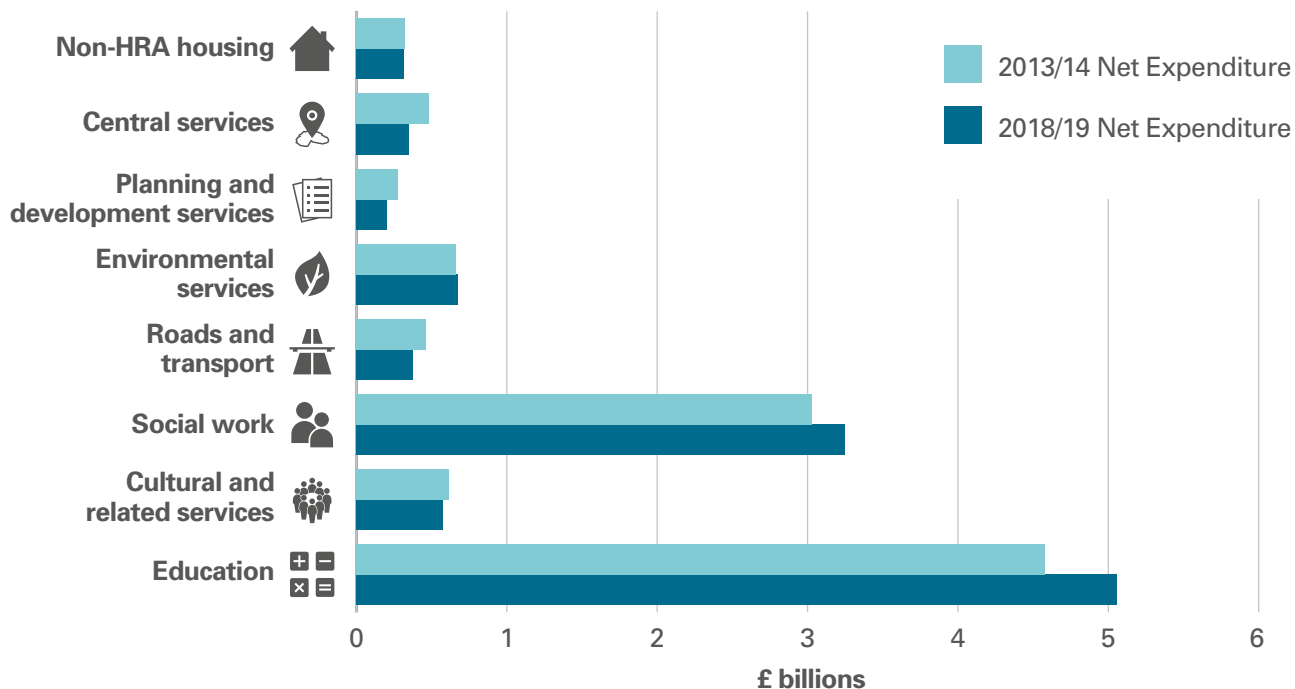
-1.9

-9.9

Exhibit 5

Local government service expenditure

A comparison of net revenue expenditure between 2013/14 and 2018/19 (cash terms)



Source: Audit Scotland using Scottish Government local financial returns 2013/14 – 2018/19



Doing things differently

To meet the needs of communities into the future



Councils need to plan and implement changes that will allow them to meet the needs and improve the outcomes for their communities, in an increasingly challenging context. There are core aspects that need to be considered by political and management leaders to make good progress with this.



Leadership



Change and improvement



Workforce planning



Partnership working




Community empowerment and engagement

Councils need to invest time and the right skills and capacity to plan for the future

8. Local government in Scotland has done well over recent years to respond to its context and find ways to be more efficient. It has continued to provide services with gradually reducing levels of funding and increasing pressures on its services. However, the challenges are growing, and the strain is beginning to show in terms of managing the funding gap, maintaining service performance levels and meeting their communities' needs. To provide for their communities in coming years, councils and integration joint boards (IJBs) need to be open to doing things differently. It is complex with many interacting factors and stakeholders and it takes time to plan, implement and establish changes. It is important that councils recognise the increasing urgency to invest the time, knowledge and skills to plan, develop and put into practice efficient and effective new ways of working for the future. This will often mean re-prioritising the time of key managers and leaders within the organisation to free-up the right capacity to lead this important work.

9. The Commission recognises the challenges, complexities and the uncertainties that local government faces. It encourages councils and IJBs to build on progress made in recent years but recognises that now more radical change is required. Recent Commission reports looking at local government in Scotland have emphasised the importance of:

- developing leaders, staff, and skills to deliver change. This requires effective leadership and workforce planning that is clear about the workforce needs now and in the future, where the gaps are and what training or other action is needed to fill them.
- improving services' efficiency and performance through transformation and redesigning services around the needs of the people who use them.
- collaborating with partners, the third sector (such as charities) and communities to think differently about how to deliver and fund services and to continue to seek and implement innovative ways of working.
- undertaking medium- and long-term financial planning to deliver national policy commitments while continuing to sustain local services with reducing budgets and increasing demands.

10. These recommendations are becoming increasingly urgent. In this section of the overview we set out progress against these and other important contributing factors to effective change, which reflect some of the core characteristics of Best Value. The **statutory guidance for Best Value**  provides a framework that councils and IJBs should have regard for, in planning and implementing change, as well as for broader good governance.

Leadership

Effective leadership is even more critical at a time of increasing pressures and change

11. Good leadership is fundamental to good governance and in setting and delivering priorities for communities. In a time of increasing pressure on services and finances, this becomes even more critical. To do things differently in substantive ways takes time and requires a clear vision and strong leadership to make it happen. Both political and managerial leaders need to have the strategic vision to make the difficult decisions this might involve. They also need to have the leadership skills to engage effectively with and provide support to staff, partners and communities to navigate change.

12. In the *Local Government in Scotland: challenges and performance 2019 report* , the Commission emphasised that effectively led councils recognise that the financial and demand pressures mean that planning and implementing changes to find efficiencies alone is no longer enough, and that redesigning service delivery is needed. Council leaders differ in their recognition of the need for more radical change and their role in driving this. For example, we reported this year:

- Clackmannanshire - The council's financial position has improved but remains very challenging. The council recognises that its finances are not sustainable in the longer term without transformation. It cannot continue to avoid or defer difficult decisions about services.
- Scottish Borders - The council recognises the degree of change needed to meet its challenges. Making progress will require good leadership by councillors and the corporate management team.
- Midlothian - Councillors need to show better leadership to deliver the necessary change and to make difficult decisions about the future shape of services. Councillors need to work together **121** to agree the medium-




Best Value is a statutory duty for local government bodies. The requirements include among others:

- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); in securing that balance, have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development
- to make arrangements for the reporting to the public of the outcome of the performance of functions.

The refreshed statutory **Best Value guidance**  is available on the Scottish Government website.

term financial strategy and transformation programme required to address the council's challenges.

- Highland - Difficult decisions lie ahead for the council, requiring effective leadership. We therefore urge councillors to continue to work constructively together with council officers and communities.

13. Good working relationships  between councillors and officers, and across political divides, is a significant contributing factor to effective strategic leadership, clear direction and to supporting effective change and improvement. Through our Best Value work we have seen that weaker relationships affect the focus and pace of progress in delivering change. To make the significant changes required, it is even more important that councillors develop and maintain positive relationships with officers and each other and work together to deliver sustainable services.

Changes in officer leadership need to be managed effectively


14. Since August 2018, almost one third of councils have experienced a change of chief executive. This high turnover is also reflected in IJBs, with over one-third of senior IJB staff having changed in 2018/19.

15. Changes in leadership have been managed well and had a positive impact in some councils, for example in North Lanarkshire and in Perth and Kinross. In other councils, changes in the senior leadership team have resulted in a loss of knowledge and experience (or 'corporate memory') and of momentum. For example, this has been observed in Stirling and Highland councils. This highlights the importance of appropriate succession planning arrangements and building skills and capacity in management teams to support continuity of leadership and direction when senior staff leave.

16. Effective leadership development is essential to ensure that change is well managed at the right level and pace. The availability, capacity and depth of leadership skills across the public sector is an increasingly important issue. Organisations are competing not only with each other for the best quality leaders but also with the private and third sectors. Chief officer posts across councils and IJBs need to be attractive. The Commission recognises that this is a complex and difficult issue given the context and scale of the challenges for chief officers of both councils and IJBs. Reflecting its importance, leadership, including the turnover in senior staff and the effectiveness of succession planning, is of specific interest to the Commission and an issue it plans to focus on in the future.

Councillors need to ensure they have the skills and knowledge to provide a high standard of scrutiny and decision-making

17. The uptake of training and development by councillors remains variable and affects the ability of elected members to make difficult and complex decisions.

18. Effective leadership and decision-making require councillors to understand their roles and responsibilities at a strategic level, alongside being local representatives. They need to be well informed about the complex and changing landscape of national and local issues. To support this, councillors need to have access to good-quality **training and development**  opportunities and they need to take ownership and responsibility for their own development needs.

19. It is disappointing that the quality and uptake of training and development opportunities by councillors continues to be variable. We have highlighted the



The Commission has previously reported on the importance of constructive working relationships - How councils work, in 2010: [Roles and working relationships - are you getting it right?](#) and 2016: [Roles and working relationships in councils - Are you still getting it right?](#)



Am I aware what succession planning and leadership development arrangements are in place for the corporate management team?

Am I satisfied that these are appropriate?



There are many resources available for councillor training and development, including a range of tools and support from COSLA and the Improvement Service



Do I know what issues I need to develop my knowledge or understanding of?


How do I plan to get the appropriate training?


importance of this in Best Value reports for many years. Officers need to ensure that councillors have access to informative, practical and up-to-date training on key and emerging issues. Councils also need to continue to find ways to promote and encourage engagement, for example, by widening the availability of training and, by making relevant materials accessible online to allow greater flexibility and increase uptake.

20. Personal development plans are a valuable tool for tailoring training to councillors' individual needs. Some councils, such as Perth and Kinross, have systematic arrangements in place to support personal development plans for councillors. The Commission urges all councillors to ensure that they have a personal development plan in place that supports them to be as effective as possible in their role.

21. Inadequate quality of training can have significant implications for councillors' understanding of issues. For example, in Midlothian Council, we reported this year that councillors were not always able to understand financial information that was provided to them. This has implications for the effectiveness of decision-making. All councillors and councils need to be proactive and systematic in identifying training needs and putting options in place to meet them.

Medium- and longer-term financial planning still needs to improve to provide a framework for implementing change

22. The need to find and deliver savings is expected to continue, increasing the importance of medium- and long-term planning to manage these financial challenges and to make well-informed decisions aligned with council priorities. Previous Commission reports have recommended that councils should plan for a range of scenarios, so that they are prepared for different **future levels of funding**  and income.

23. The Commission has previously highlighted in its overview reports the importance of good medium- and long-term financial planning as a fundamental tool to support councillors and officers to make well-considered decisions and effectively manage the continuing challenges and pressures. In the [*Local government in Scotland: Financial Overview 2018/19*](#) , we reported that all councils now have medium-term financial planning covering three years or more, but long-term financial planning has not improved since last year. The report also highlighted that in IJBs, medium-term financial planning is improving but no IJB had a financial plan that extended for more than five years.

24. Councils and IJBs need to continue to improve their approaches to medium- and long-term financial planning. Financial plans should be at the core of strategic planning and decision-making. They should be reviewed and refreshed annually, ensuring that the information is current and accurate. Financial planning should include:

- estimates of Scottish Government funding
- projections of corporate and service level income
- projections of corporate and service level expenditure
- projections of the costs of borrowing.



Do I have access to training and learning materials that meet my needs?

Do I have a personal development plan in place for training, learning and development, that will assist me to be as effective as possible in my role?



Scottish Government funding to councils is likely to reduce in the medium term. The Scottish Government's five-year strategy sets out its spending priorities. Services not identified as priorities will be disproportionately affected by any reductions to the Scottish budget. These services could face between one and 16 per cent real terms reduction to their budgets.

In addition, the Scottish Government forecasts it may need to budget for a revenue shortfall of £1 billion over three years.

25. Accurate and detailed information on factors such as these will assist councillors and officers to make informed decisions about changes in service design and delivery.



Change and improvement

Most councils have a change programme in place, but more radical thinking is needed for longer-term solutions

26. The Commission emphasised in its *Local Government in Scotland: challenges and performance 2019 report* , the increasing urgency for councils to be open to fundamental changes in how they deliver services. There is limited evidence that councils are changing the way they deliver services to the extent that is needed to respond to the forecast financial challenges, increasing pressure on services and to improve outcomes for communities. Most councils have continued to **respond to tightening budgets**  through efficiency savings, some restructuring and using financial reserves. While substantial savings have been made in recent years, more fundamental changes in the way council services are organised and delivered are needed. Using reserves to manage funding gaps is not sustainable.

27. Councils' approaches to making changes vary. Some councils include service re-design as part of existing operational and improvement activities, whereas most councils have a formal change programme in place. This is often branded as a transformation programme, which sets out a range of change objectives, accompanied by strategies to achieve them and specified timescales for when they will be delivered. However, many councils following this approach are still at the beginning of their programmes or have recently refreshed them. Our 2019/20 Best Value audits found some positive examples of partnership working to redesign services:

- Midlothian Council - more than 16 organisations from the Community Planning Partnership and the third sector are working on a project to redesign mental health and wellbeing support services.
- Stirling Council worked in partnership with NHS Forth Valley and the Scottish Ambulance Service to create Stirling Health and Care Village which opened in January 2019.

28. Delivering services differently should be focused on improving outcomes in ways that are affordable. The aim is to find more efficient and effective ways to improve outcomes for communities and, their experiences of services. This might mean providing services very differently or changing how and what services are provided. In planning change, a council should be clear about the objectives and how they link to its vision, priorities and local plans, as well as about its duty to demonstrate Best Value. This requires investing the time and knowledge of political and managerial leaders and key staff to develop the thinking and plans for a medium- and long-term strategy.

29. The *Scottish Approach to Service Design*  (SAatSD) provides a set of key principles to follow in designing services. It was developed by the Scottish Government in response to the 2011 Christie Commission recommendations on empowering individuals and communities by involving them directly in designing the public services they use. The SAatSD was updated and published in June



How effectively do the council's medium- and long-term financial plans reflect the population projections for my area and the resulting need for services and infrastructure?



The Local Government in Scotland: Financial overview 2018/19

sets out how councils responded to tightening budgets in 2018/19 and their plans for 2019/20.

Councils' 2019/20 financial plans identified a total funding gap of £0.5 billion (three per cent of income).

Councils planned to meet 66 per cent of this through savings and 13 per cent through reserves.

In 2018/19 councils did not meet their savings targets and they used more reserves than planned.

2019. It sets out key considerations for service redesign that aim to explore problems openly and collaboratively, before finding and designing a solution in a way that removes organisational and sector boundaries. Key features of the approach include:

- identifying ways to design services around the key challenges, rather than around the structure of the public sector
- increasing collaboration with local people to better understand local issues and, in doing so, identify sustainable solutions
- increasing levels of innovative thinking, combined with effective management of risk.


The SAAtSD challenges council and other public sector leaders to rethink how they plan and design services and to be bold by creating the right conditions for this approach to service design.

Digital approaches continue to develop

30. In developing more innovative approaches for delivering services to communities, digitisation is an important part of service redesign. Increasingly the public expect councils to keep pace with technological change and to be able to access services at a time and place that suits them. Using digital approaches can increase productivity, reduce costs and improve outcomes for citizens.

31. All 32 councils now work in partnership with the Digital Office (DO) for Scottish local government. The DO is working to build councils' digital capacity and use of tools including the SAAtSD approaches in Scottish local authorities, with a core focus on helping to improve services for the public.

32. Progress in digitally based service redesign has been varied across councils. For example, Perth and Kinross Council is progressing well with providing online access to services. The council now offers 37 services online via MyPKC, its customer services platform. The council procured the underlying software collaboratively with Dundee City Council and Angus Council.

33. Stirling Council has also made progress in developing its 'Digital District', as part of the **City Region Deal** . This focuses on inclusive economic growth, by providing business start-up and scale-up support services for digital technology in local companies.

34. Although there is some progress in digital advances, such as mobile working and new digital platforms for interaction with the public, there is still a long way to go in using digital approaches to find ways to improve services and outcomes for communities. In last year's report, the Commission highlighted that councils should be aware of:

- **Procurement** - implementing digital projects is likely to require significant spending. North Lanarkshire's transformation programme is centred on the 'Digital NL' programme, aimed at simplifying and joining up services. This required investing in a digital partner with a maximum contract value of £6.4 million over six years.
- **Skills** - digitally-designed projects need to be led and managed by experienced staff with the appropriate skills. There is a shortage of digital



How clear are my council's plans for the changes needed so that outcomes for communities are improved alongside managing the financial and demand pressures?



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

skills in councils and they are competing for these skills with other public and private sector organisations.

- **Digital exclusion** - in Scotland, 87 per cent of households now have access to the internet.¹ Councils need to make sure that they still meet the needs of those without access to digital technology when developing new approaches. Residents from rural areas, the elderly, individuals living in poverty and individuals affected by disability, are more likely to be disproportionately affected by digital exclusion.

We will assess and report in more detail on the progress with digital approaches in local government and the challenges this brings, later this year.

Performance information, review and self-evaluation need to be used more systematically to inform improvement

35. Performance management systems and performance information, review, and self-evaluation tools (such as the European Foundation for Quality Management's Excellence Model, Public Service Improvement Framework and How good is my council) are fundamental tools to support improvement. However, these are not being used systematically by all councils.

36. Despite councils having outcomes-based strategic objectives and priorities, some councils remain limited in their ability to show if and how these outcomes are being achieved due to weaknesses in performance management arrangements.

37. Effective performance management systems and performance information are the most basic but essential tools for improvement work. Good data and information about performance are necessary for corporate and service level improvement activity, for understanding performance over time and how it compares with other councils, and to inform decisions about where services need to change.

38. How councils use performance information to drive improvement varies. For example, Midlothian Council makes good use of data to understand and improve its performance, while Scottish Borders and Stirling councils have service-level performance management arrangements but lack a council-wide focus. Highland Council needs to improve its performance management systems and is in the early stages of addressing this.

39. Corporate-level, service-level or thematic reviews are well-established improvement approaches and are used to some degree by all councils. For example:

- Midlothian and Perth and Kinross councils demonstrate good use of service-level reviews but lack a corporate approach
- Stirling Council's approach was found to be poorly structured and inconsistent
- South Lanarkshire Council uses an ongoing risk-based approach of structured self-assessments to review and redesign services with a focus on fundamental change. This review programme has improved service delivery and made some financial savings.



How do I know my council is delivering on the outcomes it has committed to achieve for local communities?



Do I receive clear, timely and sufficiently detailed performance information to effectively scrutinise service and corporate performance?

40. Self-evaluation at a corporate or service level can support change and improvement by using a structured approach to consider where there are strengths and weaknesses and areas for improvement. It is used by many councils but with different levels of success. For example:

- North Lanarkshire Council has a good approach to self-evaluation but needs to ensure that the actions arising from this are clear and measurable.
- Highland Council has developed self-evaluation arrangements but needs to ensure that these are used consistently across services.
- Midlothian Council's arrangements lack a structured corporate approach.



Workforce planning

There is some progress in improving workforce planning, but more still needs to be done to link workforce requirements to change plans, to ensure that councils have the staff, skills and leaders they need to deliver change.

41. Councils across Scotland employ around 252,000 staff (205,000 full time equivalent (FTE))². To find efficiency savings over recent years, councils have restructured teams and departments, and made savings by reducing posts and not filling vacant posts. The workforce reduced by around 6,000 FTE staff from 204,000 FTE in 2013 to 198,000 FTE in 2016. A significant increase in 2019 largely reflects a 29 per cent increase in Glasgow's workforce (FTE) in the last quarter of 2018, compared with the same period in 2016, with posts from an arm's length provider, Cordia, being brought back into the council.

42. Changes in workforce numbers vary between councils. Between 2013 and 2019, the changes in FTE staff numbers were as high as a 14 per cent reduction in Angus, and 10 per cent in Argyll and Bute.³ Some councils' FTE staffing did not change overall during this period. From year to year, the pattern varies between councils. Between 2018 and 2019, 19 councils increased their FTE staff numbers, four councils reduced their staffing and nine councils remained at the same level.

43. Having the right number of staff, with the right skills, in the right posts, is a basic requirement for delivering services. Good workforce planning that is linked to strategic plans and priorities is key to making informed decisions about changes to the workforce. In last year's report, the Commission highlighted that the quality of workforce planning is inconsistent across councils and workforce data is insufficient to clearly understand how individual service areas are affected by changes in the workforce such as the age profile and skills gaps. The extent to which councils provide adequate learning and development opportunities for officers is not known. More needs to be done to improve the quality and range of workforce data to inform workforce planning.

44. The need for councils to deliver services differently and more efficiently should be reflected in workforce decisions. Effective workforce planning is essential to ensuring that councils have flexibility, agility and efficiency in how they use the workforce and can deliver the level of change that is required. It is expected that councils will adopt a comprehensive approach to workforce planning. This should include planning at corporate and service levels and an assessment of current and future workforce capacity and skills, and of how



Is my council systematically using self-evaluation approaches corporately and in services to inform improvement?

How involved or informed am I of the results and monitoring of improvement plans?



Do we have detailed corporate and service level workforce planning?

How clearly do they set out the current and future staff capacity and skills required and how this will be managed?

How am I involved in scrutinising the effectiveness of workforce planning?

Do I know how the council is addressing any specific issues with the workforce age profile or skills gaps in services?

councils will achieve their required workforce profile. These should be reviewed regularly and reflect changing workforce needs.

45. Progress in developing corporate and service level workforce planning is mixed but showing some progress. Some councils have corporate workforce planning in place, while others have service level planning, without integrating these at a corporate level. The level and spread of detail within council workforce plans also varies, with some focused on an assessment of the current skills and employee numbers but lacking an assessment of the council's future workforce needs or setting out plans for how to meet those needs.

46. There are examples where workforce planning is more developed in some councils. For example, South Lanarkshire demonstrates a comprehensive and coordinated approach to workforce planning. It includes many key elements needed for successful service redesign; for example, a profile of the current workforce has been carried out to support succession planning. West Dunbartonshire's approach includes assumptions about the future context and how it will address potential skills gaps in its workforce.

47. Common skills that councils identify as gaps include professional skills such as planners, change, project and programme management, and digital and data management. These are all essential skills that councils need to implement their change programmes effectively and it is often difficult to recruit and retain staff with these.

48. Councils have adopted a variety of initiatives to manage skills shortages. Approaches such as apprenticeships, traineeships, grow-your-own schemes, and succession planning, have been utilised. Some councils offer existing staff the opportunity to move into expanding areas such as teaching or early learning and childcare. For example:

- North Lanarkshire has established a health and social care academy that aims to encourage young people to take up a career in the care sector.
- South Lanarkshire uses its switch to redeployment programme to match staff whose roles are at risk with suitable alternative roles, and it has initiatives in place to recruit staff for skills needed in its roads, early years and homecare services.
- Perth and Kinross has restructured all posts into five 'job families', which increases flexibility between services and encourages employees to retrain as the demand for skills changes between services. The council also operates a grow-your-own programme to address skills needs and tackle the challenge of its ageing workforce.

49. Councils need to continue to find ways to meet specific skills needs. This might include sharing staff with other councils or partners and working with education and training partners such as colleges and universities.

Partnership working

The full potential of collaborative working is not being realised.

50. There is some audit evidence of councils collaborating with partners when reshaping services, but this is not widespread. There are many examples of effective smaller-scale joint working.

51. The Commission continues to encourage councils to find ways to deliver services more efficiently and effectively through shared service arrangements and joint use of resources. With financial pressures and skills shortages in some areas, it is important that councils continue to work together to find innovative solutions. The following are examples of councils sharing services with others:

- Midlothian has developed some shared services and shared roles to help address challenges it faces as a smaller council. For example, it has shared a joint chief internal auditor with Scottish Borders since 2018. The chief auditor leads both councils' internal audit teams at a strategic level and is supported operationally by principal auditors in each council.
- South Lanarkshire is a host authority for a range of shared services, including the Clyde Valley Learning and Development Partnership comprising eight local authorities in the west of Scotland and set up to establish and deliver shared approaches to training, learning and development. This includes, for example, shared tools for e-learning development, accredited front-line management training, and learning and training for social care. These approaches enable the sharing of best practice across councils and making financial savings by providing joint training events and accreditation.
- Highland shares its procurement service with Aberdeen City and Aberdeenshire councils. The most recent annual procurement report shows that in total £1.39 million of savings was achieved during the period 1 April 2017 to 31 March 2018. As part of Highland Council's financial plans, it is looking at further ways of delivering savings through procurement.
- Stirling shares a trading standards service with Clackmannanshire. It also delivers animal health and welfare services on behalf of Clackmannanshire, Falkirk and East Dunbartonshire councils, and has a partnership arrangement in place with Clackmannanshire and Falkirk councils for a stray dog shelter.

Community Planning Partnerships need to take a more active role in leading partnership working and strategic change in some areas.

52. Good partnership working is evident across councils with many examples of services working well with partner organisations to deliver local services and projects with other public sector, private and third-sector organisations.

53. The picture at a strategic level is more mixed. Community Planning Partnerships (CPPs) should provide the strategic leadership and direction to local partnership working and be pivotal in driving improved outcomes for local communities. This is a joint responsibility across CPP partners, such as the NHS, and emergency services, as well as councils. However, much of the good local partnership working is happening independently of the leadership of the CPPs and their structures. Our BVAR audits during 2019/20 found the effectiveness of partnership working within the CPPs was mixed. For example:

- Midlothian - Midlothian Youth Platform involves more than 16 organisations from across the CPP, including third-sector bodies. They are working



How well do I understand all the partnership arrangements of my council?

How effectively is my council working with partners to deliver services better and/or save money?

What steps is the council taking to ensure partnership arrangements meet their full potential?

together on a project to redesign mental health and wellbeing support services for young people.

- Scottish Borders – Ambitions set out in locality plans had not been costed and so were not reflected in the council’s or its CPP partners’ budgets.
- Perth and Kinross – There is evidence of effective working in some parts of the CPP, for example the work of the Children, Young People and Families Partnership was commended by the Care Inspectorate in 2018. Some councillors and partners, however, raised concerns about community planning and other partnership working functioning as separate processes.

54. Councils need to build on their partnership working to respond to local challenges, such as inequalities and child poverty. Good partnership working is critical if councils are to deliver priorities and improved outcomes for communities.


Progress in integrating Health and Social Care has been too slow

55. There are 30 IJBs across Scotland. These are partnerships between NHS boards and councils. They are responsible for delivering adult health and social care, and, in some areas, for other services, such as children’s services.

56. Progress with integration is slow. In 2018/19, a majority of IJBs struggled to break-even financially and 19 would have recorded a deficit without additional funding from the NHS and council partners at the year end. There is still limited evidence to suggest any significant shift in spending from health to social care. The Ministerial Strategic Group for Health and Community Care (MSG) is monitoring progress towards achieving the proposals set out in its integration review published in February 2019. The areas where least progress is being made include:

- IJBs being empowered to use all the resources at their disposal to better meet the needs of their local populations
- delegated hospital budgets and set aside requirements being fully implemented
- having effective, coherent and joined-up clinical and care governance arrangements in place.

57. The MSG also proposed that a framework for integrated community-based health and social care services should be developed. The framework intends to identify what a good service looks like.

58. Progress can be demonstrated in some cases. In December 2019, we reported that the Scottish Government, the Convention of Scottish Local Authorities (COSLA) and partners are progressing most of the recommendations made in the 2017 report ([Self-directed support: 2017 progress report Impact report](#)) . There is still significant work to do, which will take time to implement. The Care Inspectorate’s thematic review in June 2019 found that there has been significant progress in implementing self-directed support, with some partnerships demonstrating significant change in their delivery of social care in this area. The review also highlighted, however, that more needs to be done to fully implement self-directed support.

59. The Commission has previously highlighted its concern about the pace of progress in integration. We published a report in November 2018, [Health and](#)



What obstacles are facing our area’s IJB?

Am I aware of the steps taken to identify and address these obstacles and to improve the pace of integration?

[social care integration: update on progress](#) . We plan to report on social care sustainability in 2021 and will report on progress with IJBs in the next two to three years. The Commission is also currently considering how it will audit and report on Best Value in IJBs. Although the main focus of this overview report is on councils, the issues and changes required also relate to IJBs. We plan to report on social care sustainability in 2021 and will report on progress with IJBs in the next two to three years.

Regional economic development is stimulating improvements in collaborative leadership

60. Councils are active partners in the City Region and Growth Deals. A total of £5.2 billion has been committed so far to supporting economic development through City Region and Growth Deals ([Exhibit 6](#)).

Exhibit 6

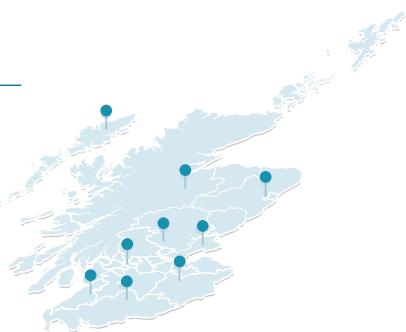
Progress in City Region and Growth Deals

4 deals have been signed to date

Totalling £3.7 billion

Involving 17 councils:

Glasgow City Region Deal; Aberdeen City Region Deal; Edinburgh and South East Scotland Region Deal; and Inverness and Highland City Region Deal.



8 further deals are in development

Receiving a further £1.5 billion of committed funding

Involving 15 further councils


If all the deals go ahead, all Scottish councils will be involved in a deal. Some deals involve single councils, others involve two or more councils, and some councils are involved in two deals.

The UK and Scottish Governments have between them committed £2.1 billion over 20 years, councils have committed around £600 million and other regional partners have committed just over £1 billion.

Councils need to be conscious of potential challenges, such as shortages in the necessary staff, money and skills to deliver the deals. The impact of spending on the deals should be balanced against councils' overall spending capacity, particularly in the current volatile landscape.

The impact of the deals has been unclear, as their measurement is not linked to the National Performance Framework.

Source: Audit Scotland, City Region and Growth Deals, 2020

61. The work around the deals is stimulating improvements in collaboration and partnership working across councils. Our report, [City Region and Growth Deals, January 2020](#) , highlights that the increase in joint working by council chief executives and officers is also starting to influence wider joint working. The evidence suggests that these relationships are beginning to influence how councils operate in other areas of council activity.


62. There are other positive examples of partnership working with a place and community focus. The Clyde Gateway Partnership involves South Lanarkshire and Glasgow City councils and Scottish Enterprise and receives funding from the Scottish Government. The project began around 12 years ago and aims to regenerate areas in the east end of Glasgow and Rutherglen. So far it has treated 248 hectares of contaminated land and delivered 2,995 new homes, while attracting 5,939 new jobs and assisting 2,813 businesses.

63. Midlothian Council partnered with the University of Edinburgh to create a multi-use facility including a secondary school for around 850 pupils, a public library, gym and sports facilities, including a swimming pool and community meeting spaces at the Newbattle Community Campus. It also provides workspaces for self-employed people and small businesses and provides access to and training in using the latest technology. The partnership has links to the Data Driven Innovation Programme and the City Deal, aiming to provide high-quality industry-led skills including those in digital technology skills.




Community empowerment and engagement

Most councils could do more to involve communities in planning services and better demonstrate how engagement is used to improve outcomes. Some councils have been slow to implement elements of the Community Empowerment (Scotland) Act 2015

64. Many councils recognise the value of involving their communities in the decision-making that affects their lives and in tackling inequalities to ensure that everyone can participate in that decision-making. But there has been slow progress in putting the **Community Empowerment**  Act's requirements into practice and few councils provide opportunities for communities to influence or take control of decision-making processes. More needs to be done to make the aims of the Act a reality.

65. The Community Empowerment Act requires each CPP to produce and publish a Local Outcomes Improvement Plan (LOIP). LOIPs set out a vision and focus for CPPs, based on agreed local priorities. The LOIP is intended to provide a shared plan for local communities in each CPP area. The LOIP is also the main framework that the CPP should publicly report its performance against. The CPP must be kept up to date and reflect local needs, circumstances and aspirations. The Community Empowerment Act requires CPPs to also undertake locality planning. These are plans focused on a specific locality within a council area. They should focus on tackling inequalities through targeted actions and involve participation of the community on the issues that affect it.

66. The Improvement Service reported, jointly with Audit Scotland and NHS Health Scotland, in its **2018 Local Outcomes Improvement Plans Stock-take**  that LOIPs are being used to varying degrees and that these need to be more focused on the areas where the CPPs can have the biggest impact.


67. Participatory budgeting activity in councils has been limited. The Scottish Government and COSLA have agreed that at least one per cent of council budgets should be determined through participatory budgeting by 2021. Many councils, however, are unsure about what approach to take, or if participatory budgeting should be carried out separately from their LOIP processes, which is not the intention of the Act. We also found that locality planning had not been completed on time by some councils.



Community Empowerment

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

- Community asset transfers – where communities can take responsibility for land and buildings.
- Participation requests – where people can ask to take part in decisions about council services.
- Participatory budgeting – where communities can have a say in how the council should spend public money locally.
- Community planning – where community bodies can participate in community planning, in particular those that represent the interests of people who experience inequalities.

68. There is a range of guidance available to councils to help them develop their community empowerment approach. COSLA plans to publish guidance on participatory budgeting in 2020, which will include examples of positive practice and learning points. In July 2019, the Commission, alongside partners in the Strategic Scrutiny Group,⁴ published the [*Principles for community empowerment*](#)  (Exhibit 7, page 38). The intention is to provide consistent understanding across the scrutiny bodies about what is expected of public sector bodies. It is also a useful reference for councils and communities.

69. The Scottish Government has commissioned an evaluation of participatory budgeting and community asset transfer, which was due to report in April 2020. In November 2019, the Scottish Parliament's Local Government and Communities Committee began a consultation on how best to achieve community wellbeing, which includes considering the effectiveness of community engagement arrangements and organisations working together in communities. This focus emphasises the importance of community empowerment and engagement. The Committee is considering the findings of its consultation as part of its current work programme, pending any changes in its programme required as a result of the COVID-19 pandemic.

70. Councils need to more fully embrace community empowerment as an integral part of changing the way they do things. It should not be seen as an add-on or separate to other work, but part of a new way of working. They need to engage with communities and involve the public in making decisions about the services councils provide, and the places people live in. This is crucial to councils making effective and sustainable changes to the ways they operate.

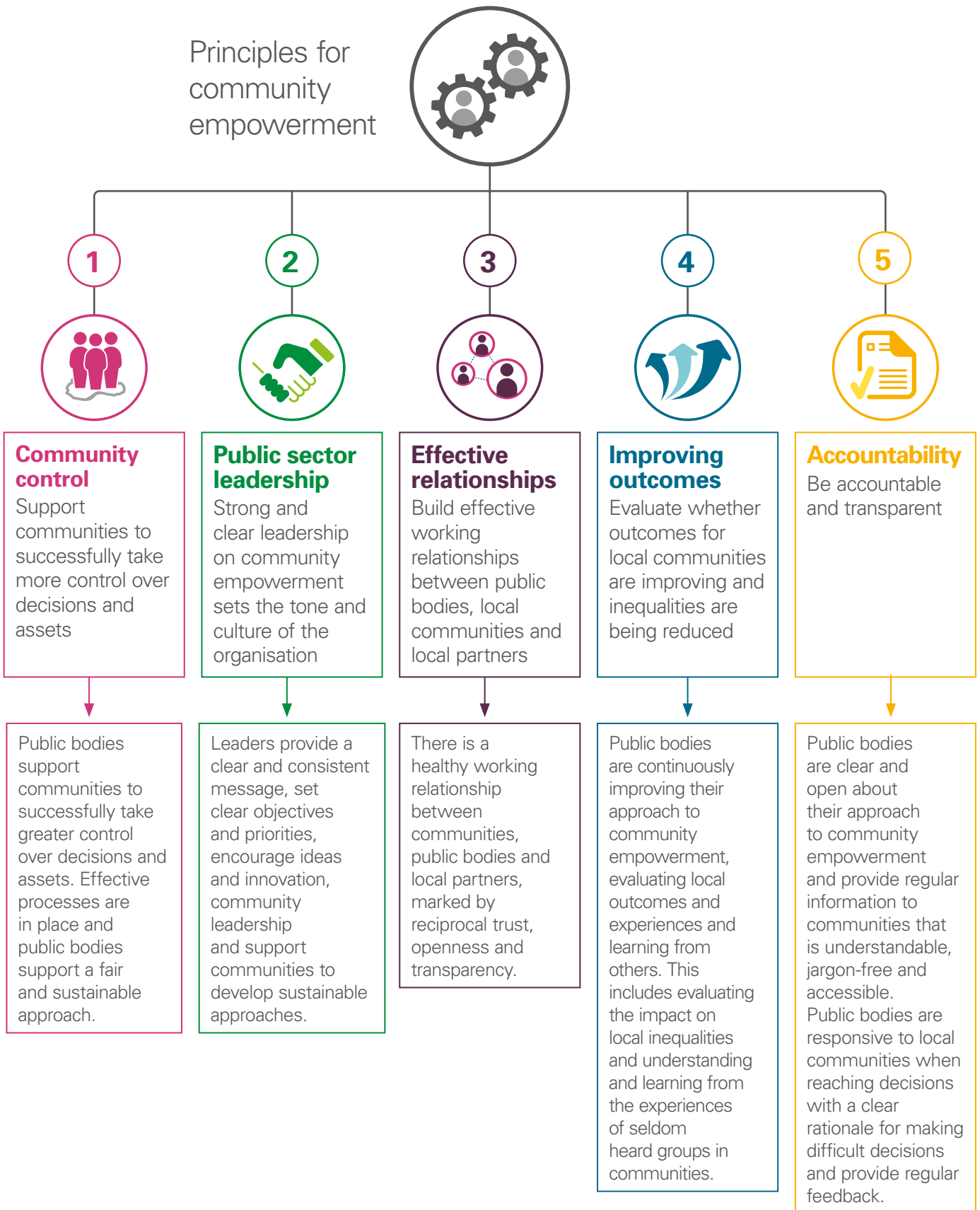
71. Community empowerment is relevant to all departments, roles and levels. It should not be seen as only relevant to staff who work directly with communities. All services should be involving communities more in decisions about public services. There needs to be clear leadership to embed this approach across organisations and to empower staff to carry out the activities and behaviours required to do this. It will mean more co-production of services, which will require trust between communities and public bodies and time to build up relationships. Ultimately, community empowerment should reduce inequalities and improve the wellbeing of communities, particularly those suffering from persistent inequality.



What do I know about the purpose and aims of participatory budgeting?

What do I know about my council's approach to participatory budgeting, and how effectively is it using this to empower communities?

Exhibit 7
Principles for community empowerment



Source: Strategic Scrutiny Group, July 2019

The local governance review is still ongoing

72. The Scottish Government and COSLA have jointly made a commitment to work together to further empower communities and councils in Scotland through their local governance review. The aim is to ensure that Scotland's diverse communities and places have greater control and influence over decisions that affect them.

Not all councils are reporting their performance to the public in a comprehensive and transparent way

73. Effective public performance reporting (PPR) enables communities to assess the progress their council is making against its priorities and compare its performance with other councils.

74. All councils have performance sections on their websites; most publish annual performance reports and report the performance of their different services, and in most cases, these are linked to the council's strategic objectives. But there is wide variation in the quality of performance information councils publish, and some councils are not making it clear how their targets are being met.

75. The Commission's Statutory Performance Information (SPI) Direction of December 2018 reinforces the importance of councils reporting their performance to people and communities and is a key tool to guide councils on what information the Commission expects them to publish. Good PPR will fulfil the requirements of the Commission's SPI Direction. It should provide a clear picture of the council's performance as well as demonstrating how it is meeting its duty of delivering best value. PPR should use a range of media formats to target key audiences with information, including digital channels. This should consider different community needs, including hard-to-reach groups that may need specifically targeted approaches. Good PPR will show progress against strategic and outcome priorities as well as service performance, in a balanced way. For example, it will report areas for improvement and what is being done to address these, as well as where good progress is being made. Good PPR will also invite communities to provide feedback.

Some councils are using place-based approaches to improve outcomes for their communities


76. The *Place Principle* was adopted by COSLA and the Scottish Government in February 2018 to support elements of the National Performance Framework. The Place Principle challenges those responsible for providing public services (and those looking after their assets), to 'work collectively with partners and communities, with the shared objective of providing more successful places that support inclusive economic growth and improved outcomes for the people in an area.'

77. There are some limited but positive examples of councils working with partners to start taking a place-based approach. For example, Perth and Kinross has adopted a place-based approach to tackling inequalities for each of its seven localities. These are supported by 'stories of place', created by the council to provide a profile of each locality to support its work.

78. An increasing emphasis on place is apparent in other key policy areas and developments, for example in relation to the Planning (Scotland) Act 2019 which we will refer to in greater detail in our [planning services case study \(page 41\)](#). Place is also a core aspect of partnership planning as part of the LOIP and locality planning processes, the City Region and Growth Deals and participatory budgeting.



How well is my council providing clear, balanced and accessible information to the public about how well it is performing, what needs to improve and how it is addressing this?

79. The Scottish Government, in collaboration with NHS Scotland and Architecture and Design Scotland, has produced an online Place Standard tool (<https://www.placestandard.scot/>)  to help planners and communities assist with assessing and considering priorities for their places.

Service case study

Planning Services



80. In this section we focus on planning services to illustrate how the challenges for local government have affected this service area, and how it is responding. Planning is an important service for supporting delivery on national policy outcomes such as inclusive, sustainable economic growth and protecting and enhancing our environment. It is also subject to a range of national policy developments such as the new Planning (Scotland) Act 2019 (the Act) which changes the role and responsibilities of the service. It is an example of a service that has been significantly affected by reduced budgets and staff numbers in recent years. As with the previous sections, this case study was produced prior to the COVID-19 pandemic and does not reflect the challenges or changes that this brings to planning services. We are aware that councils are already responding with new thinking and approaches to the challenges, for example to enable physical distancing in streets.

81. Scotland's planning system is concerned with the use and development of land and buildings. Council planning services are a key part of that system, and their planning activity focuses on three areas:

- Development plans set out how places should change, and the policies councils use to make decisions on planning applications.
- Development management is the process for making decisions about planning applications.
- Enforcement is about making sure that development is carried out correctly and acting where this is not the case.



Challenges

How the challenges (page 10) are reflected in planning services Population changes mean changing pressures for planning services

82. The demographic changes set out in the first part of this report also have implications at a service level. For planning services for example:

- Growing populations in areas such as Aberdeenshire, East Renfrewshire and the Lothians mean increased demand for housing, local services and amenities. Councils need to plan for these changes.
- Areas with shrinking populations, such as Argyll and Bute, Ayrshire, Dumfries and Galloway, Inverclyde and Eilean Siar may see reduced demand for some services and different challenges for planners.

Population changes also have implications for local economic activity and economic development priorities as demand for services and availability of workforces and skills change. This will affect the local priorities for planning services



How well informed am I about the requirements of the Planning (Scotland) Act 2019 and what this means for the council?



What do I know about the demographic make-up and the projected changes within the council area?

How effectively is the council using this information to plan how we deliver services, including planning services?

83. Increasing proportions of people over 65 and 75 years old, changes in the child population, and changes in inequalities such as deprivation levels have implications for the demand for types of housing and local services in the places where people live.



The Planning (Scotland) Act 2019 introduces new responsibilities for planning services and requires them to have a more strategic focus

84. The Act brings significant challenges for planning services, with new duties and activities. It brings a shift in role from focusing on regulating the planning process to becoming more proactive in engaging with communities and organisations to achieve shared outcomes, and a focus on places. Key new responsibilities for councils include:

- a legal requirement to take Local Place Plans into account when preparing development plans – these cover issues such as housing, open space and community facilities as well as business and employment opportunities
- a duty to work with other councils to produce Regional Spatial Strategies
- the appointment of statutory chief planning officers
- new powers to introduce control areas where planning permission will always be required if owners want to change the use of their property to short-term lets.

85. The Act widens councils' focus beyond their current largely regulatory role to more proactively engage at a strategic level with people, communities and organisations in developing and improving the places where they live. Our [Planning roundtable February 2019](#)  highlighted that there is a perception within the profession that the value of planning services is not recognised. There is also evidence ([Scottish Government report: Barriers to community engagement in planning, May 2017](#))  that communities lack trust and confidence in, and respect for, planning services. To change this and deliver the Act's objectives there needs to be a cultural shift in the way planning services are delivered, to focus on community engagement and empowerment. This change requires different skills and approaches from planning services that challenge their current practice. Councils must now plan for how they will meet these challenges.

86. It is early days in the implementation of the Act, so it is too soon to assess the effectiveness of councils' responses. However, a good deal of change in planning services will be needed to implement the Act effectively. Council political leaders and managers will need to provide effective leadership, support and resources for planning services to enable these changes to happen at a good pace.



Planning services' budgets are shrinking at the same time as their responsibilities are expanding

87. Planning services must meet their new responsibilities while they have seen some of the most significant budget cuts of all council services, with a 28 per cent decrease in net expenditure between 2013/14 and 2018/19, (34 per cent in real terms).⁵ In response, planning services have been proactive for example by ensuring improved efficiency in processing applications. However, as councils face further forecast funding reductions the challenges for planning services are likely to increase.



Do I know how well prepared my council is to deliver the requirements of the Planning (Scotland) Act 2019?

How do I know if the planning service has the skills, capacity and resources to implement the new responsibilities the Act brings?



What am I and the council doing to improve or restore community trust, confidence and respect in planning services?

88. It is not possible at this stage to fully determine the financial impacts of the Act for local government, but RTPI (Royal Town Planning Institute) Scotland has estimated ([Financial Implications of Implementing the Planning Act, August 2019](#)) that the Act places 49 new and currently unfunded duties on councils. RTPI Scotland estimates these new duties could cost councils an extra £12.1 million to £59.1 million over the next 10 years.

89. Planning services can charge fees for the services they provide to people and businesses, such as assessing planning applications, and these fees constitute a small but increasing proportion of the total income of planning services. The Scottish Government sets the basis for their calculation, including the maximum that councils can charge for planning applications. Fees were last increased by the Scottish Government in 2017. The Heads of Planning Services (HOPS) report "[Costing the Planning Service](#)" February 2019, found that fee income as a proportion of planning service costs increased from 26.1 per cent in 2014 to 32.9 per cent in 2018. But planning fee income does not, and isn't intended to cover the cost of planning services, and it is not retained exclusively by planning services to fund their activities. Planning services must therefore consider what changes will be needed initially and in the medium to longer term to resource their new responsibilities in the context of tightening budgets in the future. The Planning (Scotland) Act 2019 presents an opportunity to carry out a wide review of the planning fee structure, and a consultation on areas including looking at the potential for discretionary charging was completed in February 2020.



Uncertainty remains about the detail of the Act's requirements

90. Planning services, like all council service areas are affected by political and economic change and uncertainty. Most directly, although the Act sets out new responsibilities and roles, there will continue to be a level of uncertainty during 2020/21 while the Scottish Government develops secondary legislation and guidance to support delivery of the Act's objectives. More widely, planning services will need to respond to the economic impacts of political changes such as withdrawal from the EU and national and global economic changes. Planning services also have a significant role to play in responding to the escalating climate change crisis and in the national and local strategies to combat this.

Doing things differently

Planning services need to do things differently to be able to meet national policy priorities while maintaining and improving services

How the core aspects for change ([page 24](#)) are reflected in planning services.



Leadership: Strong leadership of planning services is needed to meet the challenge of performing new duties with reducing resources

91. Meeting the challenges of the Act and putting the Place Principle into practice requires strong leadership from council officers and councillors. Collaborative leadership is critical to success.

92. The Act introduces a statutory requirement for chief planning officers to be appointed in every council. This is a positive step creating a lead senior officer post to drive the changes required for councils to fulfil the objectives of the Act. Details of the role are yet to become clear, and the Scottish Government is scheduled to work with councils and partners over 2020 and 2021 to develop supporting guidance and legislation for the Act. Including chief planning officers



How confident am I and what assurance do I have that the council is well prepared to make the shift in planning services from the regulatory role to include more proactive engagement with communities and other partners?

as key members of councils’ senior management structures will enable the required collaborative leadership across council service boundaries and with partners.

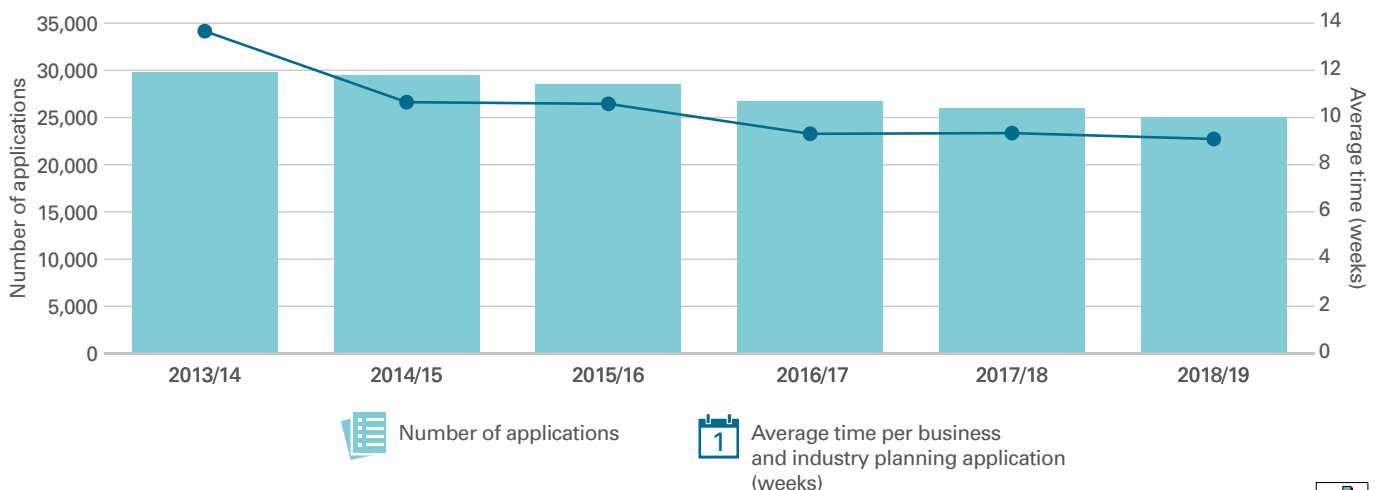
93. The cultural shift from a mainly regulatory to strategic role will need effective leadership and engagement with staff. Given skills gaps in change management in many councils, they need to consider how they will ensure the change management capacity required is put in place to support councillors and management to lead the culture change needed.

 **Change and improvement: planning services have improved performance over recent years but need to widen their focus from the regulation process to engaging with communities and partners**

94. Planning services have reacted to reducing budgets and staff numbers in recent years by focusing on providing a core regulatory service, ensuring that planning standards are being met.

95. Possibly as a result of that narrowed focus, performance in processing planning applications has improved. For example, the average time taken per business and industry planning application has fallen by 34 per cent since 2013/14.⁶ However, this improved performance has been achieved with reducing numbers of planning decisions made each year since 2013/14: from 29,779 applications to 25,027 in 2018/19 ([Exhibit 8](#)).

Exhibit 8
Planning decision times and number of applications since 2013/14



Source: Audit Scotland, Improvement Service, Local Government Benchmarking Framework data 2013/14 to 2018/19

96. Councils are making positive changes to the way they approach planning applications, which may also be contributing to improved performance. Many councils are increasing their use of pre-application advice which can reduce the numbers of applications they receive, for example, where the advice is that the application should not proceed. This approach may also increase councils’ efficiency when dealing with previewed applications.


97. The improving performance in reducing application processing and decision-making times is positive, but current performance indicators don't reflect how planning services impact on people and places or how they contribute to broader outcomes in the National Performance Framework. Wider measures of responsibilities beyond councils' regulatory role need to be developed so that councils can demonstrate their contribution to delivering them.

98. The Act provides opportunities to widen the scope of performance reporting, including new requirements for councils to produce annual planning performance reports, which they must submit to Scottish Ministers and publish. The detail of these reports has yet to be determined but the requirement puts statutory weight behind the Planning Performance Framework reporting process.

99. Measuring how planning services are delivering or supporting more successful outcomes means looking beyond service-specific processes to the outcomes achieved. For example, the Clyde Gateway initiative measures and reports progress against three strategic goals:

- **Sustainable place transformation** to focus on the overall infrastructure and environment of the area which in turn will increase its attractiveness as a place to live and work.
- **Increased economic activity** to attract major employers into the area and work with existing businesses to maximise growth, which in turn will generate employment opportunities for local people.
- **Building community capacity**, to ensure that there are increased levels of community participation in activities that promote a better, healthier lifestyle and/or improve employment prospects.

Progress against these strategic goals is measured through nine performance indicators. These measures are not service-specific but rather aim to assess progress made in these key outcome themes by all partners in the initiative.

100. The changed role, responsibilities and focus for planning services also mean that councils need to review how these services are funded, to ensure that they can meet their current responsibilities and the new duties arising from the Act. In January 2019, HOPS reported on the impacts of councils' 2017 major planning application **fees increases** , following the Scottish Government increasing the maximum planning application fees from £20,050 to £125,000 and maximum fees for applications for planning permission in principle from £10,028 to £62,500. The report found that the impact of the fee increases varied widely across Scotland: the main beneficiaries are the larger city councils, Edinburgh and Glasgow and the larger urban planning authorities. Smaller, more rural councils and island councils do not receive significant numbers of major applications, if any, which significantly influences the overall impact of the fees increase for these councils.

101. More broadly, planning fee income is not directly reinvested in planning services in many councils. In some councils planning fee income is treated as a corporate or council income, and so is not controlled by or ringfenced for the planning service. The additional income generated by fee increases does not make much difference to the budget available for reinvestment. Increasingly the income generated is offset against council savings targets.



The total additional income generated by a fee increase in 2017 was £4.2 million generated by 338 separate major planning applications. This averages out at £12.5 thousand per application or £124 thousand per planning authority; Edinburgh and Glasgow's combined fee increases were £1.2 million, or 29 per cent of the total Scottish fee increase.



Fees and costs of planning services vary across councils:

In 2018/19 Inverclyde had the highest planning application fee of £8,818, compared to the lowest fee of £1,048 in Renfrewshire.

Renfrewshire saw the largest reduction in the cost of planning between 2013/14 to 2017/18, by 74 per cent while Shetland Islands had the greatest increase of 218 per cent.



Workforce planning: the workforce in planning services is ageing and reducing in number. New skills will be needed to deliver the Act’s objectives

102. There are significant workforce challenges for planning services. Local government planning services have seen a 25.7 per cent cut in staff numbers since 2009⁷ ([Exhibit 9](#)).

Exhibit 9

Challenges for planning services workforce



Evolving role

The new duties under the Act place new demands on the workforce outside the traditional 'planner' role.

Building community engagement and collaborative relationships will be important.



Workforce reductions

In March 2019, there were 1,332 planners in Scotland.

Across local government planning staff numbers have reduced by almost 26 per cent since 2009.



Workforce profile

Around 9 per cent of planning staff are aged under 30 and 35 per cent are over 50.

Only around 100 new planners graduate each year, many taking up private sector employment.



Skills gaps challenge

A HOPS survey found that 30 councils confirmed that they had to fund additional technical planning expertise in the last three years.

Only 18 councils had in-house training provisions.

28 councils shared a service with another council.

Training and sharing services is more challenging for island authorities, due to the associated distance and cost.

Source: Audit Scotland, Heads of Planning Scotland, Royal Town Planning Institute Scotland

103. Seven councils reported challenges in recruiting for planning roles in the last year (Argyll and Bute, Dumfries and Galloway, Eilean Siar, Glasgow City, North Ayrshire, Shetland and West Dunbartonshire). Councils are taking steps to address their skills and recruitment challenges, for example:

- Eilean Siar, which had to re-advertise for a planning officer, looked at unqualified applicants interested in learning additional skills to become a planning officer. The council operates a career-grade structure, which supports officers to qualify through work.
- North Ayrshire, recognising a nationwide deficit in qualified and experienced planners, has re-designated planning officer posts to planning assistants and recruited new graduates. Staff development is supported with a planning skills programme including training and site visits.




Do I know how the council is addressing any specific issues with the workforce age profile or skills gaps in services, such as planning services?

- West Dunbartonshire, which experienced difficulties in recruiting building and planning officers, is investing in a 'grow-your-own' programme.

104. In terms of planning training and development for councillors, 28 councils have an in-house training programme for planning committee members. The Act strengthens the importance of training councillors on planning, giving councils the power to impose training requirements and a requirement that councillors who have not completed specified training will be excluded from taking part in planning business.

105. Further collaboration and innovation are required to tackle skills gaps and respond to the training and capacity issues in planning services and in the range of specialisms within planning. The Improvement Service is working with Skills Development Scotland to identify planning skills demands, needs and gaps across councils, what training and support is currently provided, and what measures are needed to address the recruitment challenges that planning services face.

Partnership working: planning services need to build relationships with other council services, external partners and communities

106. The Act puts increased emphasis on planning services engaging and collaborating with key partner organisations and communities to develop and improve places. The need for improved collaboration has been an issue for some time as highlighted in a report by HOPS in 2013, [Collaborative working in development planning](#)  which highlighted key themes for improvement:

- the importance of ongoing dialogue
- clear and considered engagement, including improved publicity for consultations and engagement methods so that all parties get the most out of them
- culture change, collaborating more effectively with partners in developing policies, engaging meaningfully with partners and using shared information to improve outcomes
- clearly communicating roles and remits.

These themes are now even more relevant given the Act's requirements. Making the necessary changes in practice and culture happen is challenging and will take time to become a reality, so councils need to respond actively and with urgency now.

Community empowerment and engagement must become a core activity for planning services to deliver the letter and spirit of the Planning Act and the Place Principle

107. Planning services have an important role to play in supporting community empowerment. They need to effectively engage and involve communities when developing proposals and local plans for the places where they live. This reflects the purpose of community empowerment, namely, to reduce inequalities and improve the wellbeing of communities, particularly those suffering from persistent inequality.

Case study



West Dunbartonshire

West Dunbartonshire Council's Place and Design Panel brings together professionals to provide objective guidance on design through collaborating with developers, architects and contractors. The panel aims to ensure a high-quality built environment that 'raises aspirations, elevates levels of health and wellbeing and increases economic vitality'. The panel's volunteer members review planning proposals in the design review process, before they reach the application stage. It aims to improve the quality of the proposals and allow applicants to consider a wide range of issues such as the suitability of materials and wider considerations such as transport links.

West Dunbartonshire includes some highly deprived areas. The council wants to raise people's aspirations in those areas and focus on planning as an enabler of improvement. To do this the panel has developed close working relations with a range of other council services.

The council has seen positive early indications of the panel's value such as encouraging more open and informative conversations between developers and planners, which creates a smoother planning process. The panel's role is still developing and one of its key aims is to encourage more community involvement in the design process.

Source: Audit Scotland

108. To deliver the aims of the Planning and Community Empowerment Acts, planning services need to be much more proactive in leading the collaborative development of places, by bringing together the various parties across their communities. This requires a change in focus from meeting statutory responsibilities to linking planning activity to wider outcomes, and to developing local plans in partnership with communities and partners.

Planning services are key drivers in delivering the Place Principle

109. The challenges brought by the Act are still taking shape as the Scottish Government develops supporting secondary legislation and procedural guidance over the next two years. But from our review of a sample of councils' Planning Performance Framework reports there are examples of councils adopting different approaches, with an awareness of the value of prevention to address current challenges, such as:

- encouraging online applications
- increasing use of pre-application advice services
- developing new software techniques for various aspects of planning, for example mapping exercises
- re-aligning planning teams, changing how teams are structured and the scope of work for team members

- using revised schemes of delegation to create efficiencies, upskilling existing staff to process planning applications more efficiently and to work across diverse roles.

The Place Principle aims to move public service delivery away from the traditional focus on service structures and boundaries to place-based approaches which have communities at their heart. Such approaches aim to create more successful outcomes for people and communities, through improving the quality of people's lives. Within this principle there is scope for the planning system to support the delivery of some of the outcomes in the National Performance Framework, and for councils to focus on this through planning services' changing role.

110. A 2017 Scottish Government report '[Barriers to community engagement in planning: a research study](#)' highlighted that there is limited public trust, confidence in and respect for the planning system and that public perceptions are that community engagement has very little influence on planning outcomes. The study highlighted reasons for seldom-heard groups' exclusion from the planning process, including officers' attitudes towards disadvantaged and minority groups, as well as the skills, capacity and motivation of those groups. The study findings also mirrored our 2019 planning roundtable discussion where planning practitioners and key stakeholders find that too often engagement is about managing expectations and securing consent for development proposals, rather than working with communities to achieve better planning outcomes.

111. To be effective planning services need to lead a change in perceptions of planning and its relationship with communities. This means attracting and developing people with the right skills, including leadership, to work with communities and partners to make improved places a reality.

112. Through our BVAR work in 2019, we saw some examples of councils taking a place-based approach to improving the lives of the people in their communities:

- North Lanarkshire Council plans to demolish all its tower blocks and replace them with new modern homes to help reduce inequalities. This is part of its regeneration of place 'plan for growth', which also includes transforming town centres. The council's 'tower re-provisioning programme' will see tower blocks and low-rise properties demolished across North Lanarkshire over the next 25 years, and the council's 'NL Homes' new build programme aims to deliver 5,000 affordable new homes by 2035.
- Perth and Kinross Council adopts a place-based approach for each of its seven localities, aimed at tackling inequalities. Localities are each supported by 'stories of place', created by the council to summarise statistical and background information on each locality to support its work.
- Clyde Gateway is a partnership between Glasgow City Council, South Lanarkshire Council and Scottish Enterprise, with funding and support from the Scottish Government. Beginning in 2008, the 20-year initiative aims to lead social, economic and physical change across communities in the east end of Glasgow and Rutherglen.

113. Planning services are operating in a challenging environment that reflects the wider challenges faced by local government. The introduction of the Act heightens that challenge. Council planning services must grasp the opportunity this presents by building on good practice and developing new ways of working. This includes working with communities more closely and engaging with them and with partners to develop shared plans and objectives to improve places and jointly tackle inequalities.








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Local government in Scotland


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