



NOTICE OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

TUESDAY 24 NOVEMBER 2020, 10.00am
VIA DIGITAL MEETINGS FACILITY

Agenda of Business

Apologies

Declarations of Interest

Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

1. Audit and Governance Committee – minutes for approval:
 - a. 22 September 2020 (**pages 1- 10**)
 - b. 26 October 2020 (**pages 11 - 16**)
2. Internal Audit Report – November 2020 – Report by the Depute Chief Executive (Resources & People Services) (**pages 17 - 42**)
3. Internal Audit Charter - Report by the Depute Chief Executive (Resources & People Services) (**pages 43 - 50**)
4. Treasury Management – Mid Year Review 2020/21 – Report by the Depute Chief Executive (Resources & People Services) (**pages 51 - 60**)
5. Housing Annual Assurance Statement – Report by the Head of Development (**pages 61 - 74**)
6. Enjoyleisure Annual Report 2019/20 – Report by the Chief Executive of Enjoyleisure (**pages 75 - 94**)
7. East Lothian Land Ltd 2019/20 – Report by the Companies Manager, East Lothian Land Ltd (**pages 95 - 128**)
8. Musselburgh Racing Associated Committee - Reports by the Depute Chief Executive (Resources & People Services)
 - a. Financial Performance Report 2019/20 (**pages 129 - 138**)
 - b. Financial Performance Report 2020/21 (**pages 139 - 146**)
9. Communities and Partnerships Risk Register – Report by the Chief Executive (**pages 147 - 158**)

10. Council Resources Risk Register – Report by the Chief Executive (**pages 159 - 170**)

**Monica Patterson
Chief Executive
John Muir House
Haddington**

17 November 2020



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

**TUESDAY 22 SEPTEMBER 2020
VIA DIGITAL MEETINGS SYSTEM**

1a

Committee Members Present:

Councillor J Henderson (Convener)
Councillor S Currie
Councillor F Dugdale
Councillor C Hoy (Items 2 – 9)
Councillor G Mackett
Councillor K Mackie
Councillor K McLeod
Councillor J Williamson

Council Officials Present:

Ms M Patterson, Chief Executive
Mr A McCrorie, Depute Chief Executive (Resources & People Services)
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
Mr P Vestri, Service Manager – Corporate Policy & Improvement
Mr D Stainbank, Service Manager – Internal Audit
Mr S Kennedy, Emergency Planning, Risk and Resilience Officer
Ms C Rodgers, Transformation Programme Manager

Clerk:

Miss F Currie

Visitors Present:

Ms G Woolman, Audit Scotland
Ms E Scoburgh, Audit Scotland

Apologies:

None

Declarations of Interest:

None

1. MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING ON 16 JUNE 2020

The minutes of the Audit and Governance Committee meeting held on 16th June 2020 were approved as a true record.

Note: Duncan Stainbank had a temporary loss of connection to the meeting. While this issue was resolved, the Committee agreed to hear Agenda Item 5.

5. ANNUAL AUDIT REPORT 2019/20

Gillian Woolman, Audit Scotland, updated the Committee on the delayed annual audit report for 2019/20. She said that, despite best efforts, it had not been possible to meet the deadline of 30th September and the formal date for completion of the audit report had been put back to 30th November. The intention was to conclude the report in time for its presentation at an additional meeting of the Audit & Governance Committee on 26th October and the meeting of full Council on 27th October.

Ms Woolman reported that good progress was being made with only a couple of areas still to be concluded, along with the crafting of the final report. A final meeting with Council finance officers was scheduled for 29th September. She advised that Audit Scotland and the public sector were not alone in experiencing delays; ICAS had reported that 15-20% of audits were taking longer to complete. She offered her thanks to finance colleagues for their assistance in the audit work but observed that the audit stretched across all areas of the Council and this had sometimes resulted in delays in receiving the information needed to complete the work.

The Convener thanked Ms Woolman for her update and said she looked forward to seeing the report in October.

Decision

The Committee agreed to note the update on the annual audit report.

2. INTERNAL AUDIT REPORT – SEPTEMBER 2020

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

Duncan Stainbank, Service Manager – Internal Audit, presented the report outlining the purpose of the audit and indicating that as a result of this work an assessment of 'moderate assurance' had been given on the Transformation Programme. He summarised the main findings of the audit, highlighting areas where controls were met and those with scope for improvement.

He advised that follow up work on recommendations from previous audits had been paused during the period June to September but that this had now restarted and would be reported at the next meeting.

Transformation Programme

Responding to questions from Councillor Williamson, Mr Stainbank clarified the term “excessive assurance stress” and also confirmed that the Council received no financial gain from the affordable energy tariff.

Councillor Currie asked if there were figures to show the overall cost of the Transformation Programme and whether the £1.3m of savings were one-off or recurring. Mr Stainbank and Sarah Fortune, Chief Operating Officer – Finance, agreed to provide further information on the costs and a detailed breakdown of the savings incurred.

In response to a question from the Convener, Mr Stainbank indicated that the savings information came from service area budgets and that the controls in place should provide assurance on the accuracy of those figures.

Councillor Currie welcomed the report and the savings which had been made as a result of the programme. However, he said it was important to understand whether or not these were recurring; i the savings were one-off they would not have the year on year cumulative impact. Overall, he noted that good work was being done on transformation and he looked forward to receiving further information on the costs of the programme.

Ms Woolman welcomed the format of the internal audit report noting its accessibility and that this encouraged a positive level of engagement from Members.

Mr Stainbank drew Members’ attention to the progress report indicating that 6 audits had been carried forward to the 2020/21 and 2021/22 annual audit plans as a result of COVID-19.

The Convener thanked Mr Stainbank and his team for the amount of work they had undertaken in very difficult circumstances.

Decision

The Committee agreed to note:

- i. the main findings and recommendations from the Internal Audit report issued during the period from June 2020 to September 2020; and
- ii. Internal Audit’s progress against the annual audit plan for 2019/20.

3. COVID-19 CHANGE CONTROL ASSURANCE – SEPTEMBER 2020

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 Supplier Relief, Rent Deferment, Non-Domestic Rates (Retail, Hospitality and Leisure 100% Relief) and Residential Care (Financial Reassessments).

Councillor McLeod asked about Supplier Relief and the potential for profiteering by some operators. Mr Stainbank observed that there was always an element of risk but that the processes in place were designed to ensure appropriate adjustments would be made.

Tom Reid, Head of Infrastructure, said that one of the most important parts of the Council's response to COVID-19 had been to ensure that contracts were mobilised as quickly as possible and appropriate support structures put in place. A full appraisal of the system would take place and any over-estimates would be claimed back. However, there was no sign of this risk at present.

In reply to questions from Councillor Williamson on Non-Domestic Rates and Residential Care, Mr Stainbank confirmed that the online form was available and that the recommendations from the Non-Domestic Rates review would meet their completion date of September 2020. On Residential Care, he advised that a communication was issued to residents and families outlining the changes to assessments but he could not confirm that it had reached everyone.

Councillor Currie asked whether there was any evidence to show that businesses may have benefited twice from the 100% rent relief and the small business bonus; and whether there had been a rush of businesses requesting de-registration from the small business bonus scheme so they could benefit from 100% rent relief.

Mr Stainbank said that checks were in place to ensure that there was no double-funding and he was not aware of significant numbers of businesses leaving the bonus scheme.

Douglas Proudfoot, Head of Development, observed that in the case of small accommodation providers the reverse was true. A lot of people did not qualify for the hardship scheme as they didn't have business banking accounts.

Jim Lamond, Head of Council Resources, echoed Mr Proudfoot's remarks adding that, from the perspective of those administering the scheme, there had been no significant signs of the activity highlighted by Councillor Currie.

Ms Woolman welcomed the assurance reports and said that these were the first she had seen from Councils which focussed on the arrangements put in place as a result of COVID-19 and the controls environment. She would be sharing these with colleagues in Audit Scotland as examples of good practice.

Councillor Currie welcomed with Ms Woolman's remarks, adding that these reports demonstrated the ability of staff within the Council to respond very quickly to major changes in the administration of grants and to adapt to further changes in policy. He wanted to put on record his thanks to staff for the tremendous amount of work undertaken. He was aware that people across the county were appreciative of these efforts and a number of businesses had survived as a result.

The Convener echoed these comments and observed that, from an audit & governance point of view, the reports also provided a high level of assurance that the Council had appropriate safeguards in place to protect the public purse.

Decision

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

4. REVISED INTERNAL AUDIT PLAN 2019/20

A report was submitted by the Depute Chief Executive (Resources and People Services) informing the Committee of Internal Audit's revised operational plan for 2020/21.

Mr Stainbank advised Members that the reactive work carried out over the past few months had impacted heavily on his team's ability to complete the previously agreed audit plan, and it was difficult to predict the continuing impact during the remainder of 2020/21. As a result, he was now presenting a revised plan for the Committee's approval.

In response to questions from Councillor Hoy and Councillor Currie regarding concerns about section 75 developer contributions, Mr Stainbank said that from an Internal Audit perspective it was the size of the payment and the impact on the capital plan which was the key issue. The high risk rating of the proposed audit reflected the unpredictability of current and future circumstances.

Mr Lamond emphasised that this audit would have featured on the plan even without the advent of COVID-19, and the purpose was to ensure that all controls were in place to harvest section 75 payments at the appropriate times. Early assessment of the impact of COVID-19 had shown no sign of developers seeking variation in the timing or phasing of payments more so than might occur in the normal course of events, or seeking to renegotiate the level of contribution. He added that all such payments were subject to strict legal requirements which should provide reassurance to Members.

Mr Lamond and Ms Fortune also confirmed that there were no indications that projects would be delayed as a result of issues with section 75 payments. However, this did not preclude delays as a result if the wider impacts of COVID-19 on the construction sector. They reiterated the tight legal restrictions which governed the payments and advised that the situation would continue to be monitored closely.

Councillor Dugdale asked when the audit report on EU exit might be expected. Mr Stainbank said that he hoped to present this to the Committee at its meeting in November.

The Convener asked if the further changes in recent days would have any impact on the revised plan. Mr Stainbank said they would not change things at present but the situation would be kept under review.

The vote on the recommendation was taken by roll call:

Councillor J Henderson	Agreed
Councillor S Currie	Agreed
Councillor F Dugdale	Agreed
Councillor C Hoy	Agreed
Councillor K Mackie	Agreed
Councillor G Mackett	Agreed
Councillor K McLeod	Agreed
Councillor J Williamson	Agreed

Decision

The Committee approved the revised Audit Plan for 2020/21.

6. DEVELOPMENT RISK REGISTER

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

Scott Kennedy, Emergency Planning, Risk and Resilience Officer, presented the report outlining the background to the register and the arrangements for assessment and review of ongoing risks. He informed Members that the register included 2 Very High, 5 High, 17 Medium and 16 Low risks. In line with the Council's Risk Strategy, only Very High and High risks had been reported to the Committee. He added that any COVID-19 related elements had been incorporated into individual risks where appropriate and that there was a general COVID-19 risk included in the Corporate Risk Register.

Mr Proudfoot provided assurance to Members that the alterations to some risks were in the context of the changing landscape this year and that these were regularly reviewed and updated. He also highlighted the risk related to Solid Fuels and the new risk which had been added regarding COVID-19 impact on businesses.

Councillor Williamson queried the risk related to homelessness. Specifically, the number of flat-sharing arrangements being put in place and whether COVID-19 would prevent this happening. Mr Proudfoot said he would provide additional information to him about the numbers involved and he acknowledged that COVID-19 had impacted the ability to take forward this and other initiatives related to the Rapid Rehousing Strategy. However, there were some shared tenancies already in place and this would continue to be a significant intervention going forward.

Councillor Hoy asked about temporary accommodation and the impacts of long waits for rehousing, antisocial behaviour and the associated impacts on tourism and town centres.

Mr Proudfoot acknowledged that, currently, demand outstripped supply of new and existing affordable housing. However, the Council was doing all it could to increase provision where possible and maximise the opportunities provided by national and local initiatives to reduce waiting times for tenancies; with the eventual ambition to eradicate homelessness within the county. Additional support was provided for people in temporary accommodation and longer term tenancies and the Council had one of the highest tenancy sustainment rates in the country. He accepted concerns about antisocial behaviour and said it was vitally important to get the right structures in place.

Replying to a further question on the use of B&B accommodation, Mr Proudfoot stressed that the aim was always early intervention and prevention and the Council looked to avoid using B&B accommodation wherever possible. He offered to arrange a Members' briefing on the Council's approach to homelessness, if this would be considered helpful.

Councillor Currie referred to the forthcoming national consultation on short-term lets. He asked whether any assessment had been undertaken on the number of properties coming onto the market for short-term let and what actions might be taken regarding homelessness.

Mr Proudfoot agreed that the Council needed as many levers in place as possible across the whole of the housing sector to have a long-term impact on homelessness. On the issue of short-term lets, it was clear that further legislation and regulation of this sector was likely in the future. How this would impact on the local housing strategy remained to be seen but he agreed it was important to highlight the issue.

In response to a question from Councillor Dugdale on fuel poverty, Mr Proudfoot outlined the progress made on the affordable energy tariff and the partnership with People's Energy. He saw benefits for the Council's ambitions on renewables as well as on fuel poverty. The Council would monitor closely how the new tariff performed against others in the market place, as well as putting in place other measures to improve the tariff and increase benefits for citizens.

Mr Kennedy responded to questions from the Convener on the assessment of 'risk appetite', the monitoring and review of mitigation measures, the point at which a risk might be escalated and what form this would take.

Alex McCrorie, Depute Chief Executive, advised that, in addition to measures such as discussion at Council Management Team, a risk from a service register could be moved to the Corporate Risk Register and may also result in a separate report to Council.

Decision

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

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

7. INFRASTRUCTURE RISK REGISTER

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

Mr Kennedy presented the report outlining the background to the register and the arrangements for assessment and review of ongoing risks. He informed Members that the register included 1 Very High, 13 High, 44 Medium and 14 Low risks. In line with the Council's Risk Strategy, only Very High and High risks had been reported to the Committee. He added that while the roads related risk had increased, all others had stayed the same and he was satisfied that appropriate mitigation was in place to manage the risks during these challenging times.

Mr Reid provided assurance to Members that the management team had spent a considerable time reviewing the risks and mitigating these as far as possible. He also highlighted risks related to Roads Budget/Expenditure and Waste and Recycling Targets and Legislation providing further detail on recent changes and mitigation measures.

Councillor Williamson raised questions on future increased demand for burial services, especially in Musselburgh, and maintenance of roads within graveyards. Mr Reid agreed that there was and would continue to be increasing demand for burial services across the county. He said that while Musselburgh did still have some capacity negotiations were underway for additional land purchase and an update would be provided at the next meeting. He confirmed that his service had responsibility for roads within graveyards and that these were regularly inspected.

Councillor Mackett asked if there were any plans to make changes to the frequency of collections for green/blue box/brown bin recycling. Mr Reid said there were no plans at present to move from fortnightly collections and that the focus was more on reducing the amount of non-recycled waste and how to strike the right balance so that this did not result in negative impacts such as an increase in fly-tipping. He outlined some of the legislative and cost considerations around recycling and measures being considered to improve and maximise this service.

Councillor Mackie asked whether it would be possible to coordinate collections so all bins and boxes for a household were emptied on the same day. Mr Reid replied that, while this would make it simpler for households, it would also raise a number of complex issues; not least accessibility and maximising the use of collection lorries. However he agreed with the need to simplify the process as far as possible to encourage less non-recycled waste.

Replying to further questions on the national deposit/return scheme, Mr Reid advised that this had been delayed due to the level of infrastructure that required to be put in place. While some larger retailers were looking to introduce their own arrangements, he understood that the roll out date for the national scheme had been put back to 2023/24.

Decision

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

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

8. COVID-19 EMERGING FRAUD RISKS (AUDIT SCOTLAND, JULY 2020)

A report was submitted by the Service Manager – Internal Audit reviewing 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*'.

Mr Stainbank presented the report outlining the background and key messages, as well as the measures put in place by the Council to monitor emerging fraud risks. He advised that further actions were planned including the provision of data, such as business grant data, to the National Fraud Initiative for future analysis.

The Convener observed that this was a very important area and that the Council had a duty to protect public funds.

Decision

The Committee agreed to:

- 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.

9. LOCAL GOVERNMENT IN SCOTLAND OVERVIEW 2020 (ACCOUNTS COMMISSION, JUNE 2020)

A report was submitted by the Chief Executive reviewing East Lothian Council's position in relation to the findings of the Accounts Commission report, '*Local Government in Scotland: Overview 2020*'.

Paulo Vestri, Service Manager – Corporate Policy & Improvement, presented the report outlining the background, key messages and recommendations for action. He also provided examples of work being done by the Council which related to the 3 key areas covered by the report: the challenges Councils face, doing things differently, and the service case study. He concluded by inviting members to consider whether further information or scrutiny activity was required in addition to that already identified.

Ms Woolman welcomed the degree to which the Council embraced the national Local Government Overview report each year and how it took cognisance of the key messages and recommendations. She said this response would be useful feedback for colleagues within Audit Scotland.

The Convener thanked Mr Vestri for his summary and Ms Woolman for her comments. She also welcomed the possibility of an Elected Members' briefing on the questions contained in the checklist.

Decision

The Committee agreed to:

- i. 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; and
- ii. Use the recommendations detailed in the Accounts Commission report, and the 'questions for councillors' checklist to identify any further information or scrutiny activity it would wish to have reported back to future meetings of the Audit and Governance Committee.

Signed

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Councillor Jane Henderson
Convener of the Audit and Governance Committee

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

**MONDAY 26 OCTOBER 2020
VIA DIGITAL MEETINGS SYSTEM**

1b

Committee Members Present:

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

Other Councillors Present:

Councillor S Akhtar
Councillor N Hampshire

Council Officials Present:

Ms M Patterson, Chief Executive
Mr A McCrorie, Depute Chief Executive (Resources & People Services)
Mr J Lamond, Head of Council Resources
Mr D Proudfoot, Head of Development
Ms S Saunders, Head of Communities & Partnerships
Ms S Fortune, Chief Operating Officer - Finance
Mr P Vestri, Service Manager – Corporate Policy & Improvement
Mr D Stainbank, Service Manager – Internal Audit
Mr R Parker, Service Manager – Education (Strat. & Ops.)
Ms A Glancy, Principal Accountant (Financial)
Mr G Davies, Financial Accountant

Clerk:

Miss F Currie

Visitors Present:

Ms G Woolman, Audit Scotland
Ms E Scoburgh, Audit Scotland

Apologies:

Councillor K Mackie

Declarations of Interest:

None

1. ANNUAL ACCOUNTS 2019/20

A report was submitted by the Depute Chief Executive (Resources & People Services) providing the Committee with an update on the main changes arising during the audit of the draft financial statements, and asking the Committee to approve the now audited annual accounts for 2019-20.

Sarah Fortune, Chief Operating Officer (Finance), presented the report explaining that the audited accounts would usually be presented in September but had been delayed due to the extension to the deadline for the annual audit report. She drew Members' attention to the main changes in the accounts as a result of the audit and confirmed that Audit Scotland had issued an unmodified audit opinion. She thanked her colleagues in the Council and Audit Scotland for their assistance during the process which had been made all the more challenging as a result of the pandemic.

In response to a question from Councillor Currie regarding areas of strength and weakness, Ms Fortune said that she and her colleagues always took the opportunity to review the process to identify what went well and what improvements could be made. While this annual review process had yet to take place and it was too early to focus on specifics, she observed that supporting the audit process remotely had been a significant challenge. She added that any improvements identified as a result of the review would be used to further refine processes going forward.

Jim Lamond, Head of Council Resources, suggested that the overall, very positive audit opinion was a major strength in the context of the work undertaken. He agreed that concerns about financial sustainability were a significant challenge for the Council and that COVID-19 had compounded matters. However, the Council regularly reviewed and refined its financial management plans and this work would continue during 2020/21.

The Convener and Councillor McLeod both sought clarification regarding some of the new terminology: 'emphasis of matter' and 'unmodified audit opinion'.

Mr Lamond explained that the term 'emphasis of matter' related to the impact of COVID-19 on the valuation of property, plant and equipment and reflected the ongoing uncertainty attached to valuations more generally. He added that the Royal Institute of Chartered Surveyors (RICS) had acknowledged this as an issue in relation to the valuation of property.

Gillian Woolman, Audit Director - Audit Scotland, advised that the term 'unmodified' replaced the previously used form of 'unqualified' in relation to the audit opinion. This change in terminology had been implemented following a change to international audit standards and the new language would be used for future audits.

Replying to a further question from Councillor McLeod, Ms Fortune agreed to provide him and other members of the Committee with an updated position regarding commitments within the Council's capital programme.

Councillor Currie referred to one of the Council's PFI contracts and the level of interest being paid and the possibility of buying out the contract. Mr Lamond confirmed that all PFI contracts were kept under review and there had been internal discussion about this particular contract. However, any buy out would require a willing third party and the less time there was left on a contract, the less of a case could be made for the benefits of renegotiation.

Ms Fortune added that the interest rate applied to the payments was reviewed every year in December and that should the rate reduce, future payments would also reduce.

Councillor Dugdale asked for clarification of the statement in the accounts foreword that a significant injection of resources would be needed to maintain services.

Mr Lamond stated that the full impact of COVID-19 had yet to be felt. The reference to significant resources meant full funding for the Council's outlay in responding to the crisis, over and above the funds provided by Government to support business. If full funding was not provided then this would be a significant factor in future financial planning and would impact on the Council's financial strategy.

Councillor Currie observed that, given the current situation, proper financial scrutiny was more important than ever to provide reassurance the public. He said he had raised the issue of PFI contracts as an example of public money being paid year on year for no additional services. Notwithstanding these concerns, he commended the Council's officers for their efforts in delivering the completed accounts and for continuing to ensure that all money spent was properly accounted for.

The Convener also offered her thanks to officers for their dedication and focus. She said that completing the accounts and supporting the audit work under such challenging circumstances had been an extraordinary achievement.

The vote on recommendation ii was taken by roll call:

Councillor S Currie	Agreed
Councillor F Dugdale	Agreed
Councillor J Henderson	Agreed
Councillor C Hoy	Agreed
Councillor G Mackett	Agreed
Councillor K McLeod	Agreed

Decision

The Committee agreed to:

- i. Note the main changes arising during the course of the audit; and
- ii. Approve the 2019-20 audited accounts for the Council and its group components.

2. ISA 260 LETTER FROM AUDIT SCOTLAND (ELC) AND ISA 260 LETTER FROM AUDIT SCOTLAND (DR BRUCE FUND)

Ms Woolman presented the ISA 260 letter to those charged with governance, prepared following the audit of the Council's annual accounts for 2019/20. She highlighted some of the key points including confirmation that the financial statements represented a 'true and fair view' and that this would result in an unmodified audit opinion. She added that this was a very good position for the Council to be in and an important point for the Members to take from the audit. She reiterated her explanation of the change of terminology and the clarification regarding the Emphasis of Matter paragraph. She also referred to the report for inclusion in the annual accounts and the draft letter of representation from the Council's Section 95 Officer.

Esther Scoburgh, Senior Audit Manager - Audit Scotland, presented the ISA 260 letter and appendices prepared following the audit of the Dr Bruce Fund annual accounts for 2019/20. She explained that this was required for all registered charities and that the Council was sole trustee of the Dr Bruce Fund. She outlined the purpose of the Fund and the awards made during 2019/20, and advised that the Fund would form part of the Council's wider review of common good and trusts funds referred to in the main annual audit report. She confirmed that she would be issuing an unmodified audit opinion and that there were no other matters to report to Members.

Responding to a question from Councillor Currie on the terms of the review of common good and trust funds due to be presented to Council, Ms Woolman advised this would be followed up as part of the 2020/21 audit.

Decision

The Committee agreed to note the contents of the ISA 260 letters and appendices.

3. EAST LoTHIAN COUNCIL 2019/20 ANNUAL AUDIT REPORT

Ms Woolman presented the annual audit report for 2019/20, prepared by Audit Scotland.

She outlined the key messages in the report including financial management and sustainability, governance and transparency and value for money. She then provided a detailed summary of the findings from the audit of the annual accounts drawing attention to areas of particular interest. She said that while it had not been possible to meet the normal deadline of 30th September, she was pleased to be able to present the completed audit report before the revised deadline of 30th November. She expressed her appreciation for the support and access provided by Council staff in such challenging circumstances. Referring to the audit for 2019/20, she said that this would be representative of 'year zero' in terms of the impact of COVID-19 and would provide a useful comparison for current and future years.

Ms Woolman informed Members that overall the financial statements provided positive assurance and there were no material misstatements to be reported. She referred to efficiency savings and the Transformation Programme, and in respect of governance and transparency, noted that public expectation was increasing in these areas. She highlighted the use made of technology for Council and committee meetings and the inclusion of stakeholders. She also drew attention to the appendices which included the action plan of recommendations for improvement which the Committee would want to monitor going forward.

Councillor Hoy referred to comments in the report regarding financial sustainability, particularly in relation to additional interventions required. He asked for a view on might be facing the Council if it was not fully funded for its outlay on COVID-19.

Ms Woolman observed that East Lothian Council was not alone in these concerns and that a lot of uncertainty remained. She said only now were Councils and other bodies beginning to see the manifestation of costs coming through as a result of COVID-19 and that discussions had been taking place over recent weeks between local authorities, CoSLA and others regarding the potential for future financial flexibility.

Mr Lamond acknowledged that financial sustainability was always a challenge and that COVID-19 had added an additional layer of difficulty, particularly if Councils were not

fully funded. He would be reporting to Council this week, highlighting that it may be necessary to change the financial strategy and setting out some action to be taken in the meantime. He said it was a very fluid situation and only when further clarity was provided on whether funding was coming to an end would it be possible to look at the full impact and what other options might be available.

Replying to questions from Councillor McLeod, Ms Fortune confirmed that the Council's treasury management activity was reflected within the annual accounts. She added that the mid-year review of the Treasury Management Strategy would be presented to the Committee at its November meeting and this would set out the current position in 2020/21. She also confirmed that the Council could not borrow for revenue purposes. She stated that while there were discussions ongoing about the potential for flexibility within financial management, for the moment, the Council continued to operate its Treasury Management Strategy in line with existing guidance.

Mr Lamond reiterated that normal treasury management activity had not been frozen and that this would be made clear in the mid-year report to the Committee in November.

Councillor Currie asked about medium and long-term financial planning and effect which delays and uncertainties related to UK and Scottish Government budgets might have on the Council's ability to set a single or multi-year budget in February 2021. He also sought a view on the costs of the Transformation Programme compared to the savings gained, and to concerns around the deliverability of efficiency savings whether due to COVID-19 or other factors.

Ms Woolman said the Councillor had articulated well the challenges moving ahead. She acknowledged that, as in previous years, where finance officers had to operate without indicative budgets there would be a risk and sensitivity analysis attached to this work and it would be important not to provide false assurances. In relation to efficiency savings and the Transformation Programme, she referred to the recommendation in the audit report on the transparency of performance monitoring and reporting as a way of providing greater confidence to Members on the outcomes from improvement actions.

Councillor Dugdale highlighted positive comments within the audit report regarding governance and transparency, in particular the revised governance arrangements put in place following the lockdown in late March. She also welcomed the recognition given to Internal Audit assurance reports as examples of good practice. She expressed her thanks to all involved for their continuing work to ensure good financial stewardship within East Lothian Council.

The Convener also thanked Audit Scotland for their work. She said it was important to remember that although the auditors worked closely with officers within the Council, their role was to audit and not to advise.

Decision

The Committee agreed to note the contents of the annual audit report for 2019/20.

Signed

Councillor Jane Henderson
Convener of the Audit and Governance Committee

REPORT TO: Audit and Governance Committee
MEETING DATE: 24 November 2020
BY: Depute Chief Executive (Resources & People Services)
SUBJECT: Internal Audit Report – November 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 2020/21 annual audit plan.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note:
- i. the main findings and recommendations from the Internal Audit reports issued during the period from September 2020 to November 2020 as contained in Appendix 1;
 - ii. the findings from Internal Audit's follow-up work;
 - iii. Internal Audit's progress against the annual audit plan for 2020/21 as set out in Appendix 2.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: Residential and Non-Residential Charging, Housing Rents (Billing and Reconciliations), Section 75 Developer Contributions, EU Exit Assurance Review and Scottish Housing Regulator Annual Assurance Statement.
- 3.2 The main objective of the audits was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audits is contained in Appendix 1, apart from the Scottish Housing Regulator Annual Assurance Statement which is included as Appendix 2 in Agenda Item 5 of the Audit & Governance Committee papers.

- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Residential and Non-Residential Charging – Moderate Assurance
 - Housing Rents (Billing and Reconciliations) – Reasonable Assurance
 - Section 75 Developer Contributions – Reasonable Assurance
 - EU Exit Assurance Review – Not Graded
 - Scottish Housing Regulator Annual Assurance Statement – Not Graded
- 3.4 Internal Audit follows-up on recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. Detailed spreadsheets are maintained to monitor progress being made and this report provides a summary of the current status for two audits that were reported in previous years. Our findings are detailed below.

Area Partnerships

- 3.5 Internal Audit's report on Area Partnerships was issued in September 2019. Our follow-up review has highlighted that all nineteen recommendations made have been implemented.

Risk Management

- 3.6 Internal Audit's report on Risk Management was issued in November 2019. Our follow-up review has highlighted that all six recommendations made have been implemented.

Progress Report 2020/21

- 3.7 A 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 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	dstainbank@eastlothian.gov.uk
DATE	13 November 2020

Executive Summary: Residential & Non-Residential Charging

Conclusion: Moderate Assurance

The Council has appropriate processes and procedures in place for the raising of charges for residential and non-residential social care costs in most circumstances. However there are a few significant areas where processes should be improved including reviewing of care plans, application of waivers and temporary charging values, authorisation of non-residential invoices and monitoring and control of charges made through to debt collection on a regular basis.

Background

Section 14 of the Care Act 2014 provides the power for Local Authorities to make charges for care costs in certain circumstances. The Council has a Charging Policy for Non-Residential Social Care that is updated and approved on an annual basis. Residential charges are made in accordance with guidance on charging for Residential Accommodation issued by the Scottish Government with Council operated residential accommodation charges set within the East Lothian Council Charging Book.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by Management**:

- 7 of 30 residential clients tested did not have evidence that their care plans had been reviewed in the last 3 years. *Management have agreed that following return to full capacity following COVID restrictions clients will all have annual care reviews completed and documented by January 2022.*
- Review of residential charging identified that in 3 cases clients did not have the appropriate charges made against them as a result of a lack of review of waivers approved or application of a minimum temporary charge whilst financial assessment is completed. *Management have agreed to resolve both the issues with these individual clients and improve processes and monitoring to improve control by April 2021.*
- In one case a client had not had a charging order raised against their property when this was required. *Management have agreed to resolve this case and then monitor the raising of charging orders on an ongoing basis moving forward.*
- Homecare invoicing is manually intensive and as a result is often delayed by 3-4 months, and does not contain appropriate authorisation processes. From testing of 30 residential clients, 3 clients were not having timely invoices raised. *Management have agreed to review current manual processes and establish a more automated process to improve controls over raising timely and accurate invoices by June 2021.*
- Older Peoples services currently have outstanding debt in excess of £824K. The Debt Management Group last met in August 2019 and recommendations for debt recovery and write off are not being progressed resulting in continued increases in large individual debts. *Management have agreed that the Debt Management Group should now meet on a two monthly basis going forward from December 2020.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	23	-	23
Prior report	N/A	N/A	N/A	N/A*

Materiality

There are currently 568 residential clients contributing on average approximately 25% of the residential care costs of approximately £16 million. There are 982 clients who receive care at home.

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

Headlines

Objectives	Conclusion	Comment
1. A clear and accessible Council Residential and Non-Residential Charging Policy is in place.	Reasonable	A Council Residential and Non-residential Charging Policy is in place for 2019/20 – however the 2020/21 Policy has been delayed in being agreed due to issues with the introduction of an allowance for disability related expenditure and the requirement for some changes in wording around over 65 assessments to avoid claims of age discrimination.
2. Clients have an up to date care assessment; a Care Plan is in place and residential reviews are regularly carried out.	Limited	For all of the clients tested a care plan or support plan was in place. However 7 of 30 (23%) residential care clients did not have a record of a review taking place in the last 3 years and 1 of 30 non-residential clients. Whilst COVID-19 restrictions may have reduced current capability for Residential Care reviews, action is required to prevent further slippage in review times.
3. Where appropriate a financial assessment has been completed for all clients on a timely basis.	Reasonable	From a sample of 60 clients, 7 had not yet had a financial assessment completed however in 6 of these cases placements had started between late February 2020 and July 2020. In 1 case the placement had commenced in October 2019 and despite requests to the family member with guardianship no financial assessment had been completed. As a temporary minimum client contribution level was not applied and due to the client's death, the debt is now held by the Council. Recommendations have been made to ensure responsibilities and escalation mechanisms are clear in these circumstances.
4. The charges being made against clients are accurate and complete to the package of support being received, and in line with the financial assessment and charging policy.	Limited	For a sample of 30 clients in residential accommodation, 26 had charges applied correctly in accordance with procedures, 1 client had not had a contribution charged as their placement had been made under section 16 and 17 of the COVID Act and statutory guidance prevents charging, 1 client had a waiver placed on charges in April 2018 that had not properly been reviewed resulting in charges of £24k now being due and in 2 cases a failure to apply temporary minimum contributions had contributed to debt of £2k and £10k now being due. Care at Home clients had charges applied correctly. Regular reviews of client charges are required to prevent large future debts being incurred.
5. Where specialist services are being procured clarity on the funding for these services across Council, NHS and personal funding are documented.	Substantial	From the one case of specialist services identified during testing the regular invoicing to the NHS of the correct value is being made and the invoices are being paid to the Council in a timely manner.
6. Procedures are in place to clearly contact clients and their representatives confirming charges that are due and the payment schedule for payments on a timely basis.	Limited	Processes are in place to appropriately confirm with clients and their representatives what charges clients are due to make for residential and non-residential care. However from testing of 30 residential clients, 3 clients were not having timely invoices raised. It was also established that in one case a client that should have had a charging order in place to allow for payment had not had this charging order applied. Homecare invoicing is manually intensive and as a result often delayed by 3-4 months, and does not contain appropriate authorisation processes. Recommendations have been made to improve these processes.
7. Accurate, complete, timely and appropriate action is taken when charges are being recovered.	Limited	Older Peoples services currently have outstanding debt in excess of £824K. The Debt Management Group last met in August 2019 and recommendations for debt recovery and write off are not being progressed. The Debt Management Group should now meet every two months from December 2020.

Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	Charging policies are reviewed on an annual basis including the use of an independent Charging Working Group including Councillors and independent members representing service users and providers.
2.	Testing established that when emergency care has been procured as a result of COVID-19 arrangements without full assessments being completed charges are not being made in accordance with statutory guidance.
3.	When specialist services are being provided in conjunction with the NHS, testing established that these are being invoiced and paid in accordance with the agreements in place.
4.	An appeals process is in place for financial assessments and whilst not reviewed as part of this exercise will form part of a future Internal Audit review.

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.

Executive Summary: Housing Rents (Billing and Reconciliations)

Conclusion: Reasonable Assurance

There is a sound system of internal control in place for Housing Rents (Billing and Reconciliations), including the arrangements in place to ensure compliance with legislation in respect of the rent setting process and the procedures in place to ensure that rent points are properly allocated to properties added to the housing stock. However some weaknesses were identified, including the arrangements in place for applying rent increases to temporary homeless properties leased from Registered Social Landlords, the reconciliation of property control totals and the lack of a clear audit trail during the annual billing process.

Background

The Housing (Scotland) Act 2001 outlines the landlords responsibilities in respect of the rent setting process. Under the provisions of section 25 landlords are required to give tenants a minimum of 4 weeks notice before increasing rents or service charges. In addition, sections 53 and 54 require appropriate tenant participation and consultation in respect of the operation of the Housing Revenue Account.

The Housing (Scotland) Act 2010 introduced the Scottish Social Housing Charter which sets out standards and outcomes that all social landlords should aim to achieve when performing their housing activities. We note that Local Authorities are required to report on their performance against the standards and outcomes in the Charter.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by Management**:

- In six cases, errors were identified in the rent increases applied to temporary homeless properties leased from Registered Social Landlords. *Management have agreed to undertake appropriate checks to ensure that rent increases are correctly applied to Housing Association and homeless properties by February 2021.*
- The existing arrangements in place for reconciling the property control totals on the Orchard system require review to ensure that a reconciliation summary sheet is prepared on an annual basis and all supporting documentation is retained. *Management have agreed to introduce revised verification procedures by December 2020.*
- There was a lack of evidence held on file to confirm that appropriate reconciliations had been undertaken during the annual billing process between the number of live accounts on the Orchard system and the number of annual rent charge letters that had been issued. *However Management have now completed a retrospective reconciliation. Management advised that the reconciliations had been undertaken and agreed to retain all evidence on file for future years by February 2021.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	11	2	13
Prior report	N/A	N/A	N/A	N/A*

* No prior report exists for Housing Rents (Billing and Reconciliations).

Materiality

The Council has approximately 8,840 houses and 1,190 garages on the Housing Revenue Account with the projected income for 2020/21 from let houses being £31.8 million and for let garages being £582k as at the end of August 2020.

Headlines

Objectives	Conclusion	Comment
1. Adequate procedures are in place for the rent setting process to ensure compliance with legislation.	Substantial	The Housing (Scotland) Act 2001 outlines the landlords responsibilities in respect of the rent setting process. A rent increase of 5% was implemented for 2020/21 and we found that appropriate arrangements were in place to ensure that the Council had complied with legislation. The draft Tenant Participation Strategy in place for 2020 to 2023 will be formalised in November 2020.
2. Regular reviews are undertaken of the rent setting process.	Reasonable	The Council introduced a points based system in 2003 to calculate the rent chargeable for properties on the Housing Revenue Account. We note that following a recommendation by an external consultant, a review of the rent setting model will be considered in 2021.
3. Adequate procedures are in place to ensure that rent points are properly allocated to properties added to the housing stock.	Substantial	There are seven property elements set up on the Orchard system and each element has a number of attributes to reflect the different characteristics of properties. We note that a weighting is accorded to each attribute and a standard form is completed for allocating rent points based on the property elements and attributes. For a sample of 10 cases reviewed, we found that adequate arrangements are in place for ensuring that rent points are correctly allocated to properties that have been added to the housing stock.
4. System parameters are correctly set up on the Orchard system for rents and charges.	Moderate	Housing rents, garage rents and service charges had been correctly updated with the 5% rent increase for 2020/21. However in six cases, errors were identified in the separate rent increases applied to temporary homeless properties leased from Registered Social Landlords.
5. Systems are in place to ensure that annual rent charge letters are issued to all tenants.	Reasonable	We found that a rent charge letter had been issued for 8,984 houses and 951 garages setting out the annual rent increase for 2020/21, although the garage addresses had not been included on the garage letters. There was a lack of evidence held on file to confirm that appropriate reconciliations had been undertaken during the annual billing process between the number of live accounts on the Orchard system and the number of annual rent charge letters that had been issued.
6. Adequate arrangements are in place to ensure appropriate reconciliations are carried out during the annual billing process.	Moderate	We sought to establish if a reconciliation was undertaken during the annual billing process between the number of properties identified for a housing rent increase on the Point Value Modification Report and the number of properties that received an annual rent charge letter. From our review, we found no evidence to indicate that a reconciliation had been undertaken for 2020/21.
7. Information held in respect of the Council's housing stock is accurate and complete.	Moderate	We found that a reconciliation had been undertaken between the Orchard system and the Keystone system for 2019/20, however the supporting documentation had not been retained to confirm that the totals agreed. From our review of the housing stock, we found that a summary sheet had not been completed to evidence the reconciliation of the property control totals on the Orchard system for 2019/20 and five properties had been removed from the housing stock in error.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	Adequate arrangements are in place to ensure compliance with legislation in respect of the rent setting process.
2.	Adequate procedures are in place to ensure that rent points are properly allocated to properties added to the housing stock.

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.

Executive Summary: Section 75 Developer Contributions

Conclusion: Reasonable Assurance

The Council has appropriate processes and procedures in place to ensure that S75 Developer Obligations are put in place in line with legislation and that monitoring is undertaken to ensure that they are received at the points set out in the agreement. Monitoring is undertaken to ensure that obligations received are utilised on the proposed capital projects. However improvements have been highlighted including that a public register of all S75 agreements is available online and clear and complete documentation on trigger points is available.

Background

Under section 75 of the Town and Country Planning Act (Scotland) Act 1997 the Council is allowed to negotiate developer obligations that are used to fund capital programmes for a number of services including Education, Roads Services, Amenity Services and Housing. East Lothian is experiencing a high level of development over the next few years which will result in significant income from developer obligations. During 2019/20 the Council received obligations amounting to approximately £13 million.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Planning Service Manager and the Planning Obligations Officer**:

- A record of the number of contributing properties is maintained, however reconciliations should be carried out between the number of contributing properties and the contribution calculation. *A reconciliation will be carried out **from January 2021**.*
- A central record of all information relating to S75 agreement should be put in place **by January 2021**.
- The council website has a record of all planning applications, however in only 1 of 15 cases was the S75 Agreement available in this format. *To ensure a clear public record is maintained all S75 agreements will be placed on the website **by January 2021**.*
- Testing completed was unable to establish clear and complete documentation for completion of trigger points including commencement of developments and completion/occupation of properties. *Management have agreed to request and monitor documentation for trigger points **by April 2021**.*
- Following the Covid-19 pandemic management has agreed that more frequent discussions with the major developers would help to monitor potential delays in receipt of obligations and these will commence **from January 2021**.

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	7	-	7
Prior report (September 2016)	7	7	-	14

Materiality

For the financial year 2019/20 the Council received developer obligations of approximately £13 million. Following expenditure of approximately £9 million the Council still holds approximately £21 million to help future capital programme spending.

Headlines

Objectives	Conclusion	Comment
1. Clear, accessible, relevant and appropriate developer obligation policies and procedures are in place.	Substantial	The East Lothian Council Local Development Plan and Developer Contribution Framework Supplementary Guidance 2018 provide a Policy and procedure on how Section 75 (S75) calculations of contributions will be completed and is available on the Council website.
2. Adequate governance processes are in place to oversee the developer obligation process.	Substantial	The Council has adequate governance processes in place to oversee the development of the Local Development Plan and the developer obligation process. The S75 Group – Developer Contributions is a management oversight group that meets quarterly to oversee these processes.
3. Management have adequate controls in place to ensure that developer contributions are set at an appropriate level and within the requirements of the relevant statutes.	Reasonable	The Council has appropriate controls in place to ensure that developer obligations comply with legislation. However the underlying records are not held centrally for each agreement which would allow figures to be readily confirmed.
4. Management have adequate procedures in place to ensure that S75 agreements are in place prior to planning permission being granted.	Substantial	Procedures are in place to ensure that S75 agreements have been completed before planning permission is formally granted. In all 15 agreements tested Section 75 agreements had been put in place prior to planning permission being granted.
5. A complete and accurate register is in place containing all S75 agreements.	Limited	A public register is maintained giving details of all planning applications. However only 1 of the 15 tested agreements was held on this public register and some of the agreements refer to a paper based record that no longer exists.
6. Management have adequate controls in place to monitor contributions and ensure collection of amounts owed by the relevant date.	Moderate	Processes are in place to ensure that developer obligations are calculated using the appropriate indexation value and received in line with the S75 agreements, however evidence is not readily available to confirm the key dates for the progress of each development. Recommendations have been made to improve information capture and control.
7. Controls are in place to allow contributions received to be used by the appropriate due date for the purposes set out in the legal agreements.	Substantial	Regular monitoring is undertaken to ensure that obligations received are utilised within the repayment period stated in the agreement.
8. Consideration has been given to the impact on the capital plans if contributions are delayed.	Reasonable	We were informed that discussions have been held with some developers with regard to deferring obligation payments during the period of lockdown. Potential delays in receipt of obligations will be considered in capital budget planning. Increasing the frequency of discussions with developers is recommended going forward.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	A strategy together with policies and procedures has been put in place for developer obligations.
2.	A governance structure has been put in place to oversee the agreement and monitoring of developer obligations.
3.	A register of all planning applications is maintained and available for public access.
4.	Detailed guidance has been put in place setting out the situations in which a developer obligation will be sought.
5.	Developer obligation agreements are put in place before planning permission is given.
6.	Developer obligations received are monitored to ensure that they are utilised within the agreed timescales.
7.	Trackers are maintained to monitor the trigger points for both the financial obligations and the affordable housing obligations.

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.
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Moderate Assurance	The system of internal control is broadly reliable, however there are a number of weaknesses, which put some of the objectives at risk or there is evidence that the level of non-compliance with controls put some of the objectives at risk.
Limited Assurance	Weaknesses in the system of internal control are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No Assurance	Control is generally weak leaving the system open to error or abuse, or there is significant non-compliance with basic controls, which leaves the system open to error or abuse.



East Lothian Council Internal Audit Assurance Report

From:	Duncan Stainbank, Service Manager – Internal Audit
To:	Sharon Saunders, Head of Communities & Partnerships Douglas Proudfoot, Head of Development Lynn Crothers, Service Manager – Protective Services John Cunningham, Interim Service Manager – Economic Development
Date:	12 November 2020

EU Exit East Lothian Council Preparedness

1. Background

The UK officially left the EU on 31 January 2020 and entered a transition period that is to run until 31 December 2020. After that date the UK will carry out its trade with the EU and other countries either based on trade deals negotiated by that date or under WTO regulations.

The timetable for leaving the EU is fixed and the transition period will end on 31 December whether a deal is reached or not. The impacts of Brexit will be further compounded by the ongoing COVID-19 pandemic already taking its toll on trade and business sustainability making economic recovery more challenging. It is now imperative for national and local agencies to plan and prepare for the reasonable worst case scenario of a ‘no deal’ or ‘limited deal’ Brexit.

In parallel with the ongoing negotiations, the UK Government has also released a number of documents and information to assist with preparations including: A Border Operating Model, A Global Tariff Scheme, Negotiated trade deals with other countries, Legislation changes including The Immigration and The Single Market Bills. In addition a publicity campaign is currently running to raise awareness of business and individuals of actions to be taken to prepare for the end of the transition period.

The Scottish Government also has been preparing for the impact of the EU exit and in particular, plans have been developed to mitigate the impacts of a ‘No Deal’ Brexit through a ‘Ministerial Group on EU Exit Readiness’ which is supported by a ‘No Deal Planning Board’. The Scottish Government preparations include:

- Minimising disruption to supplies of food and medicines if there are significant delays at ports.
- Providing online information for EU Citizens on Settled Status.
- Establishment of a £7M Rapid Poverty Mitigation Fund.
- Ensuring legislation impacted by leaving the EU has been updated and consented.
- Providing information to businesses to assist in managing trade and economic impacts.
- Working with farmers and crofters to ensure financial payments will remain in place.
- Reserving 300 Police Officers to deal with any issues arising at ports, borders or possible civil unrest.

This audit reviews the process of preparing Council services for the potential reasonable worst case scenario in the short to medium term following the end of the transition period.

2. Review Methodology

The audit review terms of reference agreed to cover the following key control objectives, to ensure that:

- Clear, accessible, relevant, and appropriate process for preparing for EU Exit is in place and operating;
- A complete review of all Council services has been carried out to identify potential issues, changes arising from EU Exit;
- Ongoing liaison with other appropriate public bodies to ensure effective collective mitigation and communication is in place and operating on a timely basis;
- Management has investigated the impact of a no deal exit on the Council's supply chain and has developed contingency plans, with supplier or other organisations for any significant areas of risk;
- Management has identified any potential staffing issues both within the Council and its suppliers and developed contingency plans for any significant areas of risk;
- Adequate mitigation processes have been put in place to counter any further significant risks identified;
- A communication plan is in place with local business and residents, community partners and resilience forums; and
- Risks and issues have been presented for consideration alongside multiple concurrent risk events and further mitigation considered if necessary.

3. Findings

3.1 EU Exit Process

CMT have Brexit as a standing item for discussion at each meeting and have delegated responsibility for EU Exit to the Head of Communities & Partnerships and the Head of Development. A Report on East Lothian Council's Brexit Preparations and Response was submitted to the Council in October 2020 and a further report is being produced in preparation for the December 2020 Council meeting.

Since spring 2020, a refreshed process for preparing the Council for EU Exit has been developed by the Service Manager Protective Services and the Interim Service Manager Economic Development. This process has been communicated through governance and management groups including the Council, CMT and SMT. The key elements of the processes are the management of Brexit Working Group, East Lothian Council Service Impact and Risk Analysis due for completion in November 2020, progress reporting to Council on 27 October 2020, agreed East Lothian Council and National Response groups will be stood up in December 2020. It is recognised that these are compressed timescales for delivery on a Brexit response, however this has been necessary as a result of both uncertainty over potential trade arrangements with the EU post the 31 December 2020 and redirection of resources to the response to the COVID-19 pandemic.

3.2 Council Service Review

A questionnaire was issued to all Service Managers across East Lothian Council in October 2020 by the Service Manager Protective Services in order to review their earlier 2019 risk assessment of service risks and issues in relation to EU Exit. Some services issued joint responses and others did not fully respond, from the 11 responses received 8 services identified specific issues/risks of EU exit and 4 had identified mitigations. Key risks/issues identified are:

- Supplier cost increases/disruption to supply of good or services;
- Reduction or changes to Grant income;
- Supplier workforce limitations;
- Increases in demand for council services.

The process communicated to all levels of management within the Council includes a Service Impact and Risk analysis. The Brexit Working Group Meeting of the 11 November 2020 was held to review the current information and review progress to finalise this task.

Recommendation 1: The service impact and risk analysis should cover all services within the Council to ensure that there is a comprehensive understanding of potential impacts.

3.3 Communication with Public Bodies

COSLA is supporting Scotland's 32 Councils to ensure Local Government is prepared for the end of the transition period and in particular, the impacts on services should there be a 'No Deal' scenario. COSLA has been holding monthly meetings with representatives from all local authorities including East Lothian Council to provide updates and identify issues from a Local Authority perspective. These COSLA Meetings are now being held weekly since September.

The intention is to stand up a National Coordination Centre (NCC) in December 2020. Within the NCC will be a Police Operation Coordination Centre (POCC) and a Multi-Agency Coordination Centre (MACC) to support the Scottish Government and Resilience Partnerships. Key to information sharing will be the continued use of the national Resilience Direct information system as the main reporting tool, which is accessed by all of the East Lothian Council Senior Management Team.

Brexit has been regularly scheduled for discussion at the Connected Economies Group (CEG), with CEG taking the lead role in engagement with the business sector in East Lothian. In addition the East Lothian Council website provides guidance links for business and individuals to both Scottish and UK Government sources of up to date information. Further work is underway to source appropriate webinar material for local businesses.

3.4 Supply Chain

The East Lothian Council Procurement team have completed an EU Exit Procurement Risk Assessment updated in October 2020. This risk assessment highlighted ongoing work to improve resilience of the supply chain with Scotland Excel and Crown Commercial Services. Areas of risk have been highlighted in relation to Janitorial supplies and chemicals, construction materials and food supplies. Scotland Excel attendance at the Scottish Public Sector Food Forum is noted as an action to mitigate potential delays in food supplies.

Internal Audit interviews in a sample of 10 service areas highlighted that other than ensuring fuel storage capacity is maintained close to maximum no further changes in stock levels were being actively

considered across the Council at the time of completing this review. In some cases services are not increasing stock levels as they have been requested not to by suppliers.

Recommendation 2: As part of the impact and risk analysis, information on anticipated essential supplies and potential Brexit impact should be collected as part of the Brexit Working Group Work Programme. Service-specific decisions on enhancing essential supplies stock levels if appropriate should then be confirmed.

In the short to medium term cost increases and potential price fluctuations of key goods and services are anticipated by service management during 2021. Brexit was highlighted as a risk in the Financial Strategy, however no specific adjustments have been made in the 2020/21 budget due to a lack of clear information on potential impacts at the time. Internal Audit have been advised that potential price increases in specific goods and services will be evaluated during the 2021/22 budget setting in conjunction with Finance, Service Management and Procurement.

3.5 Staffing Issues

East Lothian Council has provided information to all EU nationals working for the Council of the actions required under the EU settlement scheme. Service management record that there are no concerns over the Council employed staff. Whilst concerns have been expressed over potential shortages in labour supply in specific industries e.g. private sector construction, this is a risk rather than a clear current issue. Monitoring of workforce levels, internal and external, and potential impacts on Council Services will continue through the Brexit Working Group arrangements.

3.6 Mitigation of Risks

The East Lothian Council Corporate Risk Register has displayed a Brexit risk for over 2 years. The latest Corporate Risk register was presented to the June 2020 Audit & Governance Committee including the highlighted Brexit Risk which has not subsequently been updated and now has out of date information included within the recorded risk; a planned update to the Brexit Corporate Risk is now in progress in the lead up to December 2020. In addition a more comprehensive Brexit risk register at a service level will be developed as part of the impact and risk analysis phase of the Brexit Working Group during November 2020.

Recommendation 3: Development of the Brexit Working Group Work Plan should ensure clear mitigations against identified risks from the impact and risk analysis phase.

The General Data Protection Regulations will be retained in domestic law at the end of the transition period, but the UK will have the independence to keep the framework under review. As a result if East Lothian Council requires data from EU/EEA it is recommended that a contract is put in place between the Council and the sender on EU approved terms. Work has been completed to identify any data flows that require these contracts and insertion of standard clauses are being reviewed. The exercise to review data flows identified a very small number of data flows that are currently impacted.

3.7 Communication Plan

No specific communication plan is being developed for EU Exit processes however, the communication methods described in section 3.3 above will be in place. In addition East Lothian Council is developing a potential 'Category 1 Response' by establishing a Brexit Single Point of Contact, internal communication procedures via dedicated mailbox and Resilience Direct as well as reporting arrangements to the Multi-Agency Co-ordinating Centre. These will all be in place prior to the 31 December 2020.

3.8 Risk Consideration of Concurrent Multiple Events

Business Continuity Plans across the Council were considered and updated for the Brexit risk in 2019. However this was prior to the COVID-19 pandemic and based on an assumption of No Deal Brexit on 31 October 2019. A change in timing of the EU Exit to 1 January 2021 changes the likelihood of concurrent business continuity events including the COVID-19 pandemic. Testing with Service management identified only 1 service area that had already updated their business continuity plan to consider the EU exit risk in this context. Business Continuity plans undergo regular review in service areas with current COVID and Brexit issues being considered.

Recommendation 4: All service areas should update business continuity plans to take account of Brexit risks and potential mitigations.

One of the highlighted potential risks from identified UK Government reasonable worst case scenarios is localised fuel shortages. East Lothian Council has a Fuel Plan – response to Fuel Shortage or Crisis in place. However the Fuel Plan was last updated in March 2012 and requires to be updated. Internal Audit have been advised that the Fuel Plan has been utilised since 2012 and found fit for purpose.

Recommendation 5: The East Lothian Council Fuel Plan should be updated by January 2021.

4. Conclusions

East Lothian Council have an appropriate plan in place to ensure that arrangements are made to mitigate the recognised impacts of EU Exit. However the plan requires to be enacted over a short timescale as a result of both uncertainty in the outcome of UK negotiations with the EU and resources being utilised on the response to COVID-19. Recommendations have been made to assist with the development of plans to mitigate the effects of EU Exit.

5. Recommendations

Recommendation 1: The service impact and risk analysis should cover all services within the Council to ensure that there is a comprehensive understanding of potential impacts.

Management Response and Timescale: **Lynn Crothers Service Manager Protective Services:**

Agreed this will be completed as part of the impact and risk analysis process. **By December 2020.**

Recommendation 2: As part of the impact and risk analysis information on anticipated essential supplies and potential Brexit impact should be collected as part of the Brexit Working Group Work Programme. Service-specific decisions on enhancing essential supplies stock levels if appropriate should then be confirmed

Management Response and Timescale: **Lynn Crothers Service Manager Protective Services:**

Agreed as part of the impact and risk analysis we will collect and record service specific decisions on potential enhancements to essential supplies stock levels and ensure that there is agreement on any stock level changes required. **By December 2020.**

Recommendation 3: Development of the Brexit Working Group Work Plan should ensure clear mitigations against identified risks from the impact and risk analysis phase.

Management Response and Timescale: **Lynn Crothers Service Manager Protective Services:**

Agreed clear mitigation will be identified when possible as part of the impact and risk analysis process. **By December 2020.**

Recommendation 4: All service areas should update business continuity plans to take account of Brexit risks and potential mitigations.

Management Response and Timescale: **Lynn Crothers Service Manager Protective Services:**

Agreed all business continuity SPOC's will be requested to ensure that business continuity plans will be reviewed and updated if appropriate for potential impacts of Brexit. **By December 2020.**

Recommendation 5: The East Lothian Council Fuel Plan should be updated by January 2021.

Management Response and Timescale: **Bruce Moffat Service Manager Transportation & Waste:**

Agreed, we will refresh the East Lothian Council Fuel Plan document although most of the protocols are likely to remain the same. **By January 2021.**

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Housing Rents	We will examine the processes and controls in place for the billing and reconciliation of housing rents.	November 2020	Completed
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.	June 2021	Planning Commenced
Council Tax	We will now focus Council Tax audit work on granting of reliefs and recovery processes.	June 2021	
Non-Domestic Rates	We will now focus our audit work on granting of new Non-Domestic Rates reliefs and recovery processes.	June 2021	
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.	November 2020	Completed
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.	November 2020	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
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.	June 2021	
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.	June 2021	
School Excursions	Review of the control processes in place to ensure security of funding and reduction of risk for the arrangements for School Excursions.	February 2021	
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.	February 2021	
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.	November 2020	Completed
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.	February 2021	Planning Complete

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
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.	June 2021	
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.	February 2021	
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulators Chapter 3 of the Regulatory Framework.	November 2020	Completed
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	February 2021	

REPORT TO: Audit and Governance Committee
MEETING DATE: 24 November 2020
BY: Depute Chief Executive – Resources & People Services
SUBJECT: Internal Audit Charter

3

1 PURPOSE

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require an Audit Charter to be in place in each local authority.
- 1.2 The PSIAS require the Internal Audit Charter to be reviewed periodically and presented to Senior Management and to the Audit and Governance Committee for approval.
- 1.3 East Lothian Council's Internal Audit Charter was approved by the Audit and Governance Committee in June 2018. The Charter has been reviewed and updated to reflect minor changes in operating procedures and revised job titles. The updated Internal Audit Charter is being presented to the Audit and Governance Committee for approval.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee approves the updated Internal Audit Charter.

3 BACKGROUND

- 3.1 The Internal Audit Charter has been drawn up in line with PSIAS requirements and is a formal document that defines the Internal Audit activity's purpose, authority and responsibility. The Internal Audit Charter is attached as Appendix A.
- 3.2 The Internal Audit Charter establishes Internal Audit's position within the organisation, including the nature of the Service Manager Internal Audit's functional reporting relationship with the Audit and Governance Committee and defines the scope of Internal Audit's activities.

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

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DATE	13 November 2020

**EAST LOTHIAN COUNCIL
INTERNAL AUDIT**



**INTERNAL AUDIT
CHARTER**

INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 The work of East Lothian Council's Internal Audit activity is governed by the Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013. The PSIAS are mandatory for all internal auditors working in the UK public sector.
- 1.2 The Internal Audit Charter is a formal document that defines the Internal Audit activity's purpose, authority and responsibility. The Internal Audit Charter establishes Internal Audit's position within the Council, including the nature of the Internal Audit Manager's functional reporting relationship with the Audit and Governance Committee and defines the scope of Internal Audit's activities.

2. Definitions

- 2.1 The PSIAS comprise a revised definition of internal auditing, a Code of Ethics for internal auditors working in the public sector and the Standards themselves.
- 2.2 The PSIAS require that the Internal Audit Charter defines the terms "Board" and "Senior Management" in relation to the work of Internal Audit. For the purposes of Internal Audit work in East Lothian Council, the Board refers to the Audit and Governance Committee which has responsibility for overseeing the work of Internal Audit. Senior Management is defined as the Council Management Team (Chief Executive, Depute Chief Executives and Heads of Service).
- 2.3 The PSIAS also refer to the 'Chief Audit Executive' which in East Lothian Council is the Service Manager Internal Audit. The Service Manager Internal Audit is responsible for the effective review of all aspects of risk management, control and governance processes, throughout the full range of the Council's activities.

3. Purpose

- 3.1 Internal Audit's purpose is to provide an independent, objective assurance and consulting service designed to add value and improve the Council's operations. Internal Audit helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In carrying out its activities Internal Audit aims to contribute to:
 - building strong and effective risk awareness and control consciousness within East Lothian Council;
 - continuously improving the risk management, control and governance processes so they operate at optimum effectiveness and cost efficiency and reflect best practice.

4. Scope

- 4.1 Internal Audit's scope of work extends to the entire control environment of Council Services. Internal Audit determines what areas within its scope should be included within the annual Internal Audit Plan by adopting an independent risk based approach, and through engagement with Senior Management.
- 4.2 Internal Audit provides assurance as to whether the Council's network of risk management, control and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:
- Achievement of the Council's strategic objectives.
 - Compliance with policies, standards, procedures and applicable laws and regulations.
 - Reliability and integrity of financial and operational information.
 - The safeguarding, verifying and accounting for assets.
 - Economic and efficient use of resources.
- 4.3 Internal Audit participates in the National Fraud Initiative (NFI) and is also responsible for carrying out ad-hoc investigations into potential fraud & irregularities or Bribery and corruption concerning the provision of Council services, providing advice as and when required in relation to control and compliance issues.

5. Authority

- 5.1 The PSIAS require that the Internal Audit Charter establishes Internal Audit's rights of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as is considered necessary to fulfil its responsibilities. Internal Audit's rights of access to records, information and explanations are set out in Section 7, paragraphs 2(a) and 2(b) of The Local Authority Accounts (Scotland) Regulations 2014.

6. Responsibility

- 6.1 Internal Audit is accountable for developing and delivering a programme of assurance aimed at validating the effective management of key business risks.
- 6.2 The annual Internal Audit Plan takes cognisance of the areas of greatest risk within the Council. The planning approach includes consideration of any risks or concerns identified by management.
- 6.3 The annual Internal Audit Plan is approved by the Audit and Governance Committee. The Audit Plan is reviewed to identify any amendments needed to reflect changing priorities and emerging risks.

- 6.4 Internal Audit is accountable for reporting its findings, conclusions and recommendations to the Audit and Governance Committee and to Senior Management. In addition, Internal Audit is responsible for ensuring timely follow-up on management actions.
- 6.5 Internal Audit assists as needed in the investigation of significant suspected fraudulent activities within the Council and notifies management and the Audit and Governance Committee of the results of any investigations.

7. Independence

- 7.1 Internal Audit must be independent from management at all times in order to be effective in executing its work freely and objectively. In this regard:
- Internal Auditors will have no responsibility or authority over any operating activities reviewed;
 - Internal Audit is prohibited from performing management activities, including performing operational duties;
 - Internal Audit is authorised to allocate resources, set frequencies, select areas, determine audit scopes and apply tools and techniques, and to obtain the necessary assistance and specialised services within or outside the Council to accomplish its objectives;
 - Internal Audit has the right to be informed by management, on a timely basis, of any significant control failures identified by management.

8. Accountability

- 8.1 Day to day management of the Internal Audit team will be performed by the Service Manager Internal Audit. The Service Manager Internal Audit reports administratively to the Depute Chief Executive – Resources and People Services and has unrestricted access to the Chief Executive, the Monitoring Officer, Section 95 Officer and the Chair of the Audit and Governance Committee.
- 8.2 The Service Manager Internal Audit shall be accountable to the Audit and Governance Committee for:
- providing at least annually an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Council's framework of risk management, control and governance;
 - reporting significant issues relating to the processes for controlling the activities of the Council, including recommendations and status of implementation of improvements;
 - periodically providing information on the status and results of the annual audit plan and the sufficiency of the Internal Audit function's resources; and
 - co-ordination with other significant assurance functions.

9. Management Responsibilities

9.1 An Internal Audit function can only be effective if it receives the full cooperation of management. By approving this Internal Audit Charter, the Audit and Governance Committee and the Depute Chief Executive – Resources and People Services are mandating management to cooperate with Internal Audit in the delivery of the service by:

- providing Internal Audit with full support and cooperation, including complete access to all records, assets, personnel and premises relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay, subject to all relevant legal obligations and restrictions;
- responding to draft Internal Audit reports including provision of management responses to recommendations;
- implementing agreed management actions in accordance with the agreed timescales and updating Internal Audit with progress made on management actions;
- informing Internal Audit of proposed changes and developments in processes and systems and of newly identified risks.

9.2 Management is responsible for the effective identification of risk and the maintenance of adequate systems of controls. Management is responsible for corrective actions on reported weaknesses.

9.3 Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will assist management in the effective discharge of this responsibility.

9.4 In accordance with the Council's Strategy for the Prevention and Detection of Fraud and Corruption, management will notify Internal Audit of all suspected or detected fraud, corruption or impropriety, to inform the annual audit opinion and the risk-based plan.

10. Advisory Work

10.1 The Public Sector Internal Audit Standards (PSIAS) recognise that Internal Audit effort may sometimes be more usefully focused towards providing advice rather than assurance over core controls. Where appropriate, Internal Audit will act in a consultancy capacity by providing guidance and advice for strengthening the control environment within the Council, providing:

- the objectives of the consulting engagement address governance, risk management and control processes to the extent agreed upon with the Council;
- the request has been approved by the Council Management Team;
- Internal Audit is considered to have the right skills, experience and available resources;
- Internal Audit's involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and Internal Audit will not assume a management role in providing this advice.

- 10.2 When performing consulting services, Internal Audit staff must maintain objectivity and not take on management responsibility.
- 10.3 The Service Manager Internal Audit is responsible for ensuring that all requests for consulting engagements are reviewed in accordance with the above criteria and for making the final decision.

11. Quality Assurance

- 11.1 Public Sector Internal Audit Standards (PSIAS) require that the Audit function is subject to a Quality Assurance and Improvement Programme (QAIP) that must include both internal and external assessments.

Internal assessments

- 11.2 On an annual basis, an internal review is undertaken to ensure that the Internal Audit function is fully compliant with the PSIAS. All Internal Audit engagements are subject to a thorough review of quality to ensure that the work meets the standards expected from all Internal Audit staff. For example the internal file quality reviews undertaken by the Service Manager Internal Audit cover the following:

- All work undertaken is in accordance with PSIAS.
- The work is planned and undertaken in accordance with risks associated with areas under review.
- Sampling is undertaken in accordance with an Internal Audit methodology which is discussed with External Audit.
- The conclusions are fully supported by the detailed work undertaken and appropriate audit evidence is held on file to support the conclusions reached.

External assessments

- 11.3 An external quality assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Council. The Service Manager Internal Audit will discuss options for the external assessment with the Depute Chief Executive – Resources and People Services and with the Audit and Governance Committee.

12. Approval

- 12.1 Final approval of the Internal Audit Charter resides with the Audit and Governance Committee.

Updated: November 2020

REPORT TO: Audit and Governance Committee
MEETING DATE: 24 November 2020
BY: Depute Chief Executive (Resources & People Services)
SUBJECT: Treasury Management – Mid Year Review 2020-21

4

1 PURPOSE

- 1.1 To update the Committee on Treasury Management activity during the first half of 2020-21.

2 RECOMMENDATIONS

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

3 BACKGROUND

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

consistent with those risks. This mid year report is reviewed against the current Treasury Management Strategy that was approved by Council in March 2020.

- 3.4 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- A. An economic update for the first part of the 2020-21 financial year;
 - B. A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - C. The Council's capital position (prudential indicators);
 - D. A review of the Council's investment portfolio for 2020-21;
 - E. A review of the Council's borrowing strategy for 2020-21;
 - F. A review of any debt rescheduling undertaken during 2020-21.

Part A – Economic Update

- 3.5 The first half of 2020-21 has seen continued economic uncertainty across the UK, and the Monetary Policy Committee has left the bank rate unchanged at 0.1%. The MPC is to continue the programme of quantitative easing, increasing it by £150bn from January 2021.
- 3.6 The pace of economic recovery is currently forecast to be gradual and prolonged and despite some recovery in June to August still left the economy 11.7% smaller than February 2020.
- 3.7 PWLB rates were reduced in March 2020 for HRA borrowing by 1% through an 'HRA certainty rate'. Projected future PWLB rates are illustrated in the table below.

Link Group Interest Rate View 11.8.20										
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

- 3.8 HM Treasury have been undertaking a consultation with local authorities to review lending conditions may result in a reduction in the non-HRA certainty rate. The outcome of this review has not yet been announced, but it is anticipated that this will allow the Treasury to refuse any borrowing from PWLB in relation to commercial property activity where the investment is predominately to generate income (assets for yield).

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

- 3.9 The Treasury Management Strategy Statement (TMSS) sets out the wider Treasury and Investment Strategy, which was approved by Council on 3 March 2020 and includes a number of key treasury management indicators. This report provides an update on the Treasury Management activity undertaken by the Council relative to the approved strategy taking account of the updated economic position and budgetary changes already approved.
- 3.10 Table 3.1 below provides a summary of the current position relative to approved indicators, with more details around the position on each indicator set out in the remainder of this report.

Table 3.1

Prudential Indicators 2020-21	Approved £m	Current Estimated Prudential Indicator £m
Capital Financing Requirement	526	474
Operational Boundary	526	526
Authorised Limit	586	586

Includes long term liabilities for PPP arrangements and finance leases

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

- 3.11 The current projections set against the approved indicators are set out below.

Capital Expenditure and Financing of the Capital Programme

- 3.12 Table 3.2 below sets out the current projected outturns for the Council's capital investment programmes for 2020-21 relative to the approved budget as at 3 March 2020. The table sets out how the programme is financed, highlighting the supported and unsupported elements and the expected financing arrangements. The borrowing requirement increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR). This in part will be offset by any revenue charges for the repayment of debt.

Table 3.2

Capital Expenditure	2020-21 Approved Budget £m	2020-21 Projected Outturn * £m
General Services	96.2	46.2
HRA	33.5	24.2
Total capital expenditure	129.7	70.4
Financed by:		
Capital receipts	31.9	17.0
Capital Grants	23.3	19.5
CFCR	3.5	3.5
Total financing	58.7	40.0
Borrowing requirement	71.0	30.4

** Projected outturn was based on the position which informed the October Council update and remains subject to change*

Impact on Prudential Indicators

- 3.13 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. Table 3.3 below, sets out the CFR and the expected debt position over the period, which is termed the Operational Boundary.
- 3.14 In summary, the Council is currently projecting to be under the approved limits for both CFR and Operational Boundary. This is largely due to the re-profiling of capital expenditure due to the suspension of economic and construction activity due to COVID. Future years Treasury indicators will be revised to take cognisance of the 2020-21 projected outturn, and the Council is expected to remain well within the Authorised Limit.

Table 3.3

	2020-21 Approved Limits £m	2020-21 Projected Outturn £m
Prudential Indicator – Capital Financing Requirement		
CFR – General Services	307	264
CFR – HRA	219	210
Total CFR	526	474
Prudential Indicator – the Operational Boundary for external debt		
Borrowing	491	439
Other long term liabilities*	35	35
Total debt (year-end position)	526	474

* *PPP arrangements and finance leases*

Limits to Borrowing Activity

- 3.15 One of the main key controls over the treasury activity is to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, (except in the short term), exceed the total of CFR in the previous year plus the estimates of any additional CFR for 2020-21 and next two financial years. This allows some flexibility for limited early borrowing for future years should the need arise.
- 3.16 Table 3.4 below sets out that the Council is currently managing to operate within this limit and maintains an under-borrowed position. The table states that at the end of this year the Council expects to have external borrowings of £399m and utilise £40m of cash flow funds (under-borrowing) in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate and remains consistent with the approved Treasury Management Strategy.

Table 3.4

	2020-21 Original Estimate £m	2020-21 Revised Estimate £m
External borrowing	430	399
Other long term liabilities*	35	35
Total external debt	465	434
CFR* (year end position)	526	474
Under-borrowing	61	40

* Includes PPP arrangements and finance leases etc.

- 3.17 The Authorised Limit is a statutory requirement that represents the limit beyond which borrowing is prohibited and sets an overall control on the level of borrowing. This limit reflects the level of borrowing which while not desired, could be afforded in the short term, but is not sustainable in the longer term. The approved Authorised Limit is £586 million and as highlighted in the table above, the Council continues to operate well within approved limits, and therefore there is no change to the overall strategy required.

Part D - Investment Portfolio 2020-21

- 3.18 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return consistent with the Council's risk appetite. Wider loan interest rates remain low and in line with the current 0.10% Bank Rate. It is anticipated

that any future increases in interest Bank rates will be gradual and given this, investment returns are likely to remain low.

3.19 Investment decisions during the first 6 months of 2020-21 are in accordance with the approved strategy. Table 3.5 below sets the investment activity during this period, with a summary set out below:

- Two short-term investments were made, one investment maturing in the next six months and the other investment is in a 95 day notice account.
- Any remaining surplus cash balances are held in the Council's bank account.

Table 3.5

Date of Investment	Borrower	Amount	Interest rate	Date repaid
19/08/20	Standard Chartered Sustainable	£ 5m	0.16%	To be repaid 19/11/20
19/08/20	Lloyds 95 day notice	£ 5m	0.20%	

3.20 An external investment management company, Investec, manages East Lothian Council Common Good funds and Charitable Trust funds in two separate portfolios. The returns on these investments continue to be closely monitored during the year.

- At 30 September 2020, the East Lothian Charitable Trust portfolio was valued at £3.337m, which represents an increase of £0.343m over the 6-month period. The performance of this portfolio for the first 6 months is better than the benchmark.
- The Common Good portfolio was valued at £3.349m an increase of £0.34m over the 6 month period. The expectation is that this portfolio should grow the fund and generate the best income at the minimal risk and the increase in the first 6 months is line with this expectation given the current market conditions. The performance of this portfolio for the first 6 months is slightly better than the benchmark.

Part E – Borrowing Strategy 2020-21

3.21 In recent years, the Council has predominately used PWLB as its main source of funding partly due to the level of risk and interest rates available. A gradual increase in interest rates has already been included within the current approved capital investment plans, and therefore any increases are unlikely to impact in this financial year. Going forward however, the Council will need to consider further both the affordability of capital

investment plans and potentially seek alternative sources of borrowing in order to achieve the best rates and terms. Whilst it remains unclear as to the extent of any further increase in borrowing rates, the Council’s treasury advisor, Link Asset Services is currently forecasting that all PWLB rates are likely to gradually increase over the next few years.

3.22 No new external borrowing was taken in the first 6 months of the financial year. Due to the overall financial position and the underlying need to borrow for capital purposes (the capital financing requirement – CFR, currently £474m), it is anticipated that additional new external borrowing of £30m will be required during the second half of this financial year.

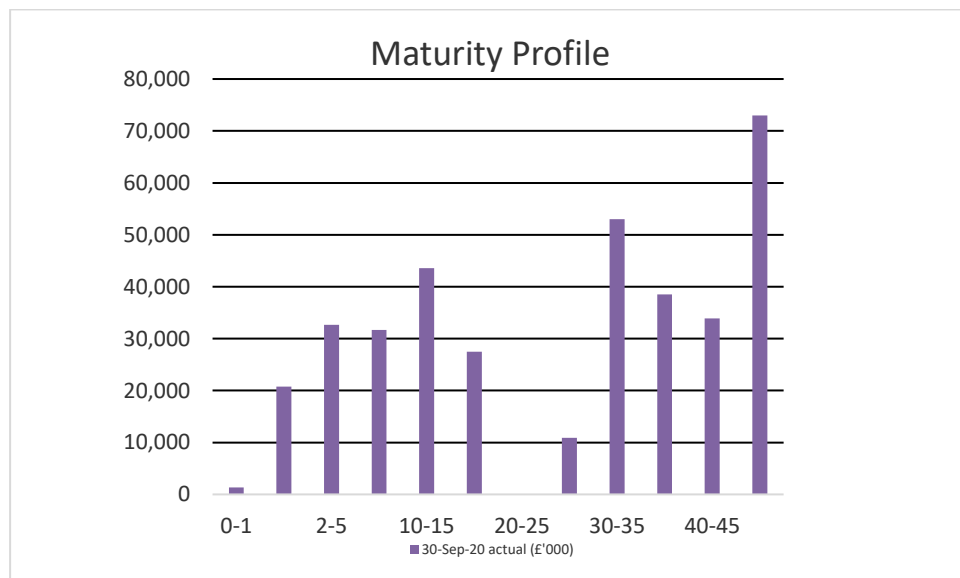
3.23 Two PWLB loans matured during the first six months and were repaid as set out in Table 3.6 below. No short term loans were taken or repaid during this time.

Table 3.6

Date repaid	Principal	Maturity	Interest rate
24/09/20	£0.662m	25 years	8.375%
24/09/20	£14m	10 years	4.200%

Current Loan Maturity Profile

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



Part F – Debt Rescheduling

- 3.25 Debt rescheduling opportunities have been very limited in the current economic climate and as such, no debt rescheduling has been undertaken to date in the current financial year.

Part G - Introduction of Reporting Standard IFRS16

- 3.26 International Financial Reporting Standard 16 – Leases will come into operation from 1 April 2021. The standard brings the value of assets where the Council has the right of use including lease agreements onto the Council's balance sheet. The standard also requires these to be reflected in both capital and debt calculations. This standard has implications on treasury prudential indicators, particularly the Capital Financing Requirement as well as the Operational Boundary and Authorised Limit.
- 3.27 Work is progressing on the implementation of the new standard and an update of the likely implications will be incorporated into future reporting and in the 2021-22 Treasury Strategy.

4 POLICY IMPLICATIONS

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

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report has been considered and given there is no change in policy direction, there is no requirement to undertake any further impact assessment.

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 Treasury Management Strategy 2020/21 to 2024/25 – East Lothian Council 3 March 2020

Author's Name	Sarah Fortune
DESIGNATION	Chief Operating Officer Finance
CONTACT INFO	sfortune@eastlothian.gov.uk
DATE	13 November 2020

REPORT TO: Audit and Governance Committee
MEETING DATE: 24 November 2020
BY: Head of Development
SUBJECT: Housing Annual Assurance Statement

5

1 PURPOSE

- 1.1 To advise the Audit and Governance Committee of the Scottish Housing Regulator's regulatory framework and in particular, the requirement for East Lothian Council to produce an Annual Assurance Statement, which requires to be signed off by the Service Manager – Internal Audit on behalf of the Audit and Governance Committee.
- 1.2 To obtain approval for East Lothian Council's Annual Assurance Statement as detailed in Appendix 1.

2 RECOMMENDATIONS

- 2.1 That the Audit and Governance Committee notes the regulatory framework and the requirement for the Service Manager – Internal Audit to sign-off the Annual Assurance Statement (AAS) on behalf of the Audit and Governance Committee.
- 2.2 That the Audit and Governance Committee notes that the regulatory framework has been temporarily amended to allow landlords additional time to submit the AAS and highlight any areas of non-compliance that relate specifically to the impact of the Covid-19 pandemic.
- 2.3 That the Audit and Governance Committee notes the findings from Internal Audit's assurance work as outlined in Appendix 2.
- 2.4 That the Audit and Governance Committee approves the Annual Assurance Statement as detailed in Appendix 1, noting that East Lothian Council was fully compliant with the regulatory requirements for the financial year 2019/20 and was partially compliant for the first half of 2020/21, limited to the Council's ability to effect gas safety checks when tenants were either shielding or self-isolating during the height of the pandemic and to the data collection of all the protected characteristic groups under the Equality Act 2010.

3 BACKGROUND

- 3.1 In 2019, the Scottish Housing Regulator (SHR) revised its regulatory framework following extensive consultation with social landlords, tenants and stakeholders. A summary of the framework is attached at Appendix 3.
- 3.2 This places a requirement on all social landlords to normally submit an Annual Assurance Statement to the SHR by the end of October each year (which has been extended to 30 November 2020 this year to recognise the impacts of the pandemic). This statement must either confirm the relevant committee is assured that the landlord is complying with all regulatory requirements and standards or alternatively highlight any areas of material non-compliance and how the landlord will address these.
- 3.3 In many respects the process for gathering evidence to ensure the committee has the necessary level of assurance it needs to sign the statement is more important than the statement itself. Appendix 4 highlights key evidence of where the Council demonstrates compliance with the new regulatory framework.
- 3.4 East Lothian Council has existing scrutiny and performance structures in place to ensure the ongoing review of performance and service delivery. These processes are subject to continuous review and improvement. The Annual Assurance Statement is reviewed by Internal Audit and the findings from Internal Audit's assurance work are detailed in Appendix 2.
- 3.5 It is important to note that the Council also has various arrangements in place to support its governance, finance and controls environment, which are the subject of other regular reports to Audit and Governance.
- 3.6 It is also important to note that the Council's housing services are delivered across various teams in the Council (Community Housing and Homelessness, Property Maintenance, Revenues and Engineering Services being the main ones). In this regard the Community Housing and Homelessness service has taken a lead and developed quarterly and annual assurance checklists, which all areas of housing service delivery will be asked to sign-off on at service manager level. These checklists once signed will be passed to the Service Manager – Community Housing and Homelessness to check for completeness.
- 3.7 In addition, the Social Housing Charter Working Group will consider evidence gathered from these service areas. In the event of material partial or non-compliance, this group will consider action plans and monitor progress to ensure full compliance. This group comprises staff across the range of these service areas as well as members of East Lothian Tenants and Residents Panel.
- 3.8 The Service Manager – Community Housing and Homelessness will prepare the Annual Assurance Statement with a summary report for the Audit and Governance Committee each year for approval before the deadline of 31 October under normal circumstances, noting the extension date of 30 November 2020 as referenced at paragraph 3.2.
- 3.9 Relevant managers across the Housing teams are expected to be aware of the regulatory requirements and impacts of non-compliance and immediately advise the Service Manager – Community Housing and Homelessness of any such instances. The SHR has not provided a prescriptive list of material non-compliance examples, but it is felt these would be in the areas of Health and

Safety breaches reported to the Health and Safety Executive, Data Protection breaches reported to the Information Commissioner's Office, Care Inspectorate or Scottish Social Services Commission interventions or regulatory failures.

- 3.10 The Council has determined that it has fully complied with the regulatory framework for the 2019/20 year.
- 3.11 For the first six months of 2020/21 full compliance has not been achieved in the area of gas safety checks. The legal requirement is that the landlord must conduct a gas safety check within 12 months of the previous one. Due to a combination of tenants self-isolating and shielding due to Covid-19, out of time cases totalled 212 at its peak in June 2020. With easing of lockdown constraints and the suspension of shielding, and targeting of the out of time cases, all properties unable to be accessed were re-booked in accordance with HSE and Gas Safe advice. The Council can now confidently report full compliance with in this area with no cases currently out of time and has resumed normal practice in this area, albeit with Covid-19 risk assessments in place. The Audit and Governance Committee may wish to note the fantastic efforts of staff to restore the Council's performance in this area.
- 3.12 Due to Scottish Government imposed lockdown restrictions around carrying out normal day to day repairs and house moves, the Council was unable to fully deliver services (as with all other social landlords) in these areas until the Scottish Government indicated the lifting of the housing market suspension and the re-start of construction related activity. The Council has fully complied with the legislative requirements related to Coronavirus placed on it during the height of the lockdown but was unable to deliver normal services in full. The Council, however, is not of the view that it did not comply with the regulatory framework during this period, but would accept that normal service delivery was curtailed in light of the pandemic.
- 3.13 In dealing with the pandemic, both operationally and in developing new ways of working, the Council has been unable to advance work around the data capture and reporting against all of the protected characteristic groups under the new regulatory framework. It is understood that the SHR will not begin measuring this until April 2021 and the Council is now developing its application forms and IT systems to attempt to meet this target date.
- 3.14 The SHR expectation is that the Annual Assurance Statement is brief confirming compliance or otherwise. In the event of material non-compliance a statement of how this will be addressed must be included.
- 3.15 The statement when signed should be made available to tenants and service users.
- 3.16 In April each year the SHR publishes an engagement plan for each landlord. This is informed by the Annual Return on the Charter (ARC), Scottish Government homeless statistics, previous engagement with the landlord and the new Annual Assurance Statement going forward. East Lothian Council's current engagement plan can be found at:
<https://directory.scottishhousingregulator.gov.uk/2019%20Documents/East%20Lothian%20Council%20EP.pdf>

4 POLICY IMPLICATIONS

- 4.1 The new regulatory framework, and in particular the requirement to produce an Annual Assurance Statement will give tenants, service users and stakeholders greater confidence in the delivery of the Council's Housing Services.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have significant impact on equality, the environment or economy. The Council already collects data on most of the protected characteristics of existing tenants, new tenants and housing list applicants, which in turn informs housing policy and service delivery notwithstanding the requirement to capture information on all of the protected characteristic groups, which is now in hand.

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 Link to SHR web-pages on the amended Regulatory Framework:
<https://www.housingregulator.gov.scot/for-landlords/advisory-guidance/recommended-practice/annual-assurance-statements-advice-for-landlords-on-temporary-changes-to-our-regulatory-approach-in-response-to-covid-19#section-1>

Appendices:

- Appendix 1 – Annual Assurance Statement
Appendix 2 – Internal Audit Assurance Report
Appendix 3 – Summary requirements for Local Authorities and RSLs
Appendix 4 – Evidence List

AUTHOR'S NAME	James Coutts
DESIGNATION	Service Manager – Community Housing and Homelessness
CONTACT INFO	jcoutts@eastlothian.gov.uk
DATE	12 November 2020

Appendix 1

Scottish Housing Regulator
Buchanan House
58 Port Dundas Road
Glasgow
G4 0HF

Date:

Dear Sir/Madam,

East Lothian Council – Annual Assurance Statement

Subject to the areas detailed below, we can confirm that the Council complies with the regulatory requirements set out in Chapter 3 of the Regulatory Framework. This includes that we:

- ❖ Achieve all of the standards and outcomes in the Scottish Social Housing Charter for tenants, people who are homeless and others who use our services.
- ❖ Comply with our legal obligations relating to housing and homelessness, equality and human rights, and tenant and resident safety.

The following areas are highlighted:

Annual Gas Safety Inspections

Properties where tenants were shielding for Covid-19 purposes from 23 March 2020 led to access being denied for the annual gas safety check. All properties unable to be accessed were re-booked in accordance with HSE & Gas Safe advice. These properties were all accessed by 24 September 2020 and at this date we again became fully compliant. This was due in full to Covid-19.

Reporting against all the protected characteristic groupings

We do not currently collect and hold data for all of the protected characteristics specified by the Equality Act 2010. In dealing with the pandemic, both operationally and in developing new ways of working, the Council has been unable to advance work around the data capture and reporting against all of the protected characteristic groups under the new regulatory framework. It is understood that the SHR will not begin measuring this until April 2021 and the Council is now developing its application forms and IT systems to attempt to meet this target date. This is due in part to Covid-19.

General

Although other services were restricted because of the Scottish Government's response to the Covid-19 pandemic, we do not view these restrictions to be in breach of the regulatory framework.

We confirm that we have seen and considered appropriate evidence to support the level of assurance.

We approved our Annual Assurance Statement at our Audit and Governance Committee on 24 November 2020.

I sign this statement on behalf of East Lothian Council's Audit and Governance Committee.

Yours sincerely

Duncan Stainbank
Service Manager – Internal Audit



Appendix 2

East Lothian Council Internal Audit Assurance Report

From:	Duncan Stainbank, Service Manager – Internal Audit Stuart Allan, Senior Auditor
To:	Douglas Proudfoot, Head of Development James Coutts, Service Manager – Community Housing and Homelessness
Date:	12 November 2020

SHR Annual Assurance Statement

1. Background

The Council is required to provide the Scottish Housing Regulator (SHR) with an Annual Assurance Statement (AAS) to confirm its compliance with the regulatory requirements set out in Chapter 3 of the SHR's Regulatory Framework. This includes that the Council:

- achieves all of the standards and outcomes in the Scottish Social Housing Charter for tenants, people who are homeless and others who use our services;
- complies with all legal obligations relating to housing and homelessness, equality and human rights, and tenant and resident safety.

This is the second year that the Council has been required to prepare an Annual Assurance Statement and submit it to the SHR. We note that on 31 August 2020, the SHR made further adjustments to its regulatory approach in response to Covid-19, including allowing landlords more time to complete their Annual Assurance Statement by extending the deadline this year from October 2020 to November 2020. The SHR also published new advice for landlords on completing Annual Assurance Statements and noted that the landlord should "have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services. Covid-19 has had a profound effect upon landlords' ability to meet its legal obligations across a range of activities. Where a landlord is unable to meet a legal obligation, the landlord should note the non-compliance and specify whether the failure to comply is due to Covid-19 or not. Where the landlord judges the non-compliance to be material it should be specifically disclosed in the AAS."

The scope of the audit is to obtain, review and consider the adequacy of the evidence available to support the Council's compliance with the regulatory requirements set out in Chapter 3 of the SHR's Regulatory Framework. The audit covers compliance with the following five areas of regulatory compliance as set out in Chapter 3:

- Assurance and Notification – the Council is required to prepare an Annual Assurance Statement, submit it to the SHR and make it available to tenants and other service users; have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services, equality and human rights and tenant and resident safety; notify the SHR of any tenant

and resident safety matters; and make its Engagement Plan easily available and accessible to its tenants and service users;

- Scottish Social Housing Charter Performance – the Council is required to report its performance in achieving or progressing towards the Charter outcomes and standards;
- Tenants and Service Users Redress – the Council provides tenants and other service users with the information they need to exercise their right to complain and seek redress;
- Whistleblowing – the Council has effective arrangements and a policy for whistleblowing by staff and elected members, which it makes easily available and which it promotes;
- Equality and Human Rights – there is assurance and evidence that the Council considers equality and human rights issues properly when making all of its decisions, in the design and review of internal and external policies and in its day-to-day service delivery.

2. Findings

2.1 Assurance and Notification

Key findings are:

- The Council prepares an Annual Assurance Statement, which it submits to the SHR and makes available to tenants and service users.
- The service area has introduced a quarterly Assurance and Notification Self-Assessment Checklist, which requires to be signed off by appropriate managers/representatives and is included as part of the evidence gathering regarding regulatory compliance. One area of non-compliance has been highlighted – for the quarter April to June 2020, the checklist for Engineering Services highlighted that “properties continue to be inaccessible for Gas Servicing due to Tenants Shielding for Covid-19 purposes. All properties unable to be accessed have been re-booked in accordance with HSE and Gas Safe advice. The number of properties with a landlord’s record out of time has now remained around 200 for some time in line with the number of residents shielding and these shall be addressed as soon as access is allowed into the property”. As of 4 November 2020, we were further advised that “the properties referred to in the previous report as being inaccessible for Gas Servicing due to Tenants Shielding for Covid-19 purposes reached a peak of 212 on 20 June 2020. All properties unable to be accessed on the anniversary date were re-booked for the first available date in accordance with HSE and Gas Safe advice. All properties were then accessed for servicing and fully compliant again by 24 September 2020. This remains the current situation”. We note that shielding ended in Scotland from 1 August 2020 and that full gas safety was achieved less than two months after this date. No other regulatory compliance concerns were highlighted in the completed checklists.
- Confirmation was sought from the Council’s Health & Safety Adviser and Insurance & Risk Officer and we were advised that they do not have a record of any HSE investigations relating to tenant or resident safety, nor have the Council had any notification from our insurers of any concerns.
- The SHR’s Engagement Plan for East Lothian Council can be accessed on the Council’s website.

2.2 Scottish Social Housing Charter Performance

Key findings are:

- The Council submitted the 2019/20 Annual Return on the Charter to the SHR on 10 July 2020 and the Council has involved tenants, and where relevant other service users, in the preparation and scrutiny of performance information through the East Lothian Tenants and Residents Panel (ELTRP), the umbrella organisation for tenants and residents in East Lothian.
- In response to the Covid-19 pandemic, the SHR extended the deadline for landlords to report to their tenants and service users on their performance against the Scottish Social Housing Charter

from October 2020 to December 2020. We are advised that the Landlord Report to Tenants 2019/20, providing information on the performance of the Council as a housing provider, is currently being prepared and will be published prior to the December 2020 deadline.

- The 2020-23 Tenant Participation Strategy was approved by Cabinet on 10 November 2020.

2.3 Tenants and Service Users Redress

Key findings are:

- The Council provides tenants and other service users with the information they need to exercise their right to complain and seek redress, and responds to tenants within the timescales outlined in its service standards, in accordance with guidance from the Scottish Public Services Ombudsman (SPSO).
- Full details of the Council's Complaints Procedure are provided on the Council's website including the online Complaints, Compliments and Comments form; a link to the pages providing full details of the Council's Complaints Handling Procedure; advice on what to do if the person making the complaint remains dissatisfied with how the Council has handled their complaint; links to the SPSO and SHR; and details of the Council's complaints performance.

2.4 Whistleblowing

Key findings are:

- The Council has a Whistleblowing Policy in place, which is available to employees in the Human Resources section of the Council's intranet. The Policy was last updated in May 2018.
- A dedicated whistleblowing hotline and whistleblowing email address are both in place.

2.5 Equality and Human Rights

Key findings are:

- The Council has a detailed "East Lothian Equality Plan 2017-2021" in place, dated August 2017.
- All Council, Cabinet and Committee reports require an Integrated Impact Assessment to be carried out if the subject of the report affects the wellbeing of the community or has a significant impact on equality, the environment or economy.
- The SHR states that to comply with its duties in respect of equality and human rights "landlords must collect data relating to each of the protected characteristics for their existing tenants, new tenants, people on waiting lists, governing body members and staff. Local authorities must also collect data on protected characteristics for people who apply to them as homeless. Landlords who provide Gypsy/Traveller sites must collect data on protected characteristics for these service users." The nine protected characteristics, as per the Equality Act 2010, are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. We note that the Community Housing and Homelessness section do hold some relevant data, however they do not currently collect and hold data for all of the protected characteristics detailed in the legislation.
- We are advised by the service area that the requirement under the previous regulatory framework was to collect data relating to ethnic origin and disability only, which the Council complied with. However, the new framework requires data collection on all of the protected characteristics. This requires changes to IT systems and housing and homeless application forms and this work is now underway. We are further advised by the service area that the SHR's original plan was to measure compliance with this element of the new regulatory framework by April

2021. The Council will aim to have the mechanisms in place to capture and record this data by April 2021, but will require the cooperation of our software suppliers to enable this.

3. Conclusions

3.1 Subject to the two exceptions detailed in paragraph 3.2 below, we can confirm that the Council complies with the regulatory requirements set out in Chapter 3 of the Regulatory Framework. This includes that the Council:

- achieves all of the standards and outcomes in the Scottish Social Housing Charter for tenants, people who are homeless and others who use our services;
- complies with all legal obligations relating to housing and homelessness, equality and human rights, and tenant and resident safety.

3.2 The two areas of non-compliance that require to be highlighted in the Annual Assurance Statement are:

- Properties have been inaccessible for gas servicing due to tenants shielding for Covid-19 purposes. As of 4 November 2020, we were advised that the properties inaccessible for gas servicing due to tenants shielding for Covid-19 purposes reached a peak of 212 on 20 June 2020. All properties unable to be accessed on the anniversary date, and with a landlord's record out of time, were re-booked for the first available date in accordance with HSE and Gas Safe advice. All properties were then accessed for servicing and were fully compliant again by 24 September 2020. This remains the current situation. This failure to comply was due to Covid-19.
- The Community Housing and Homelessness section do not currently collect and hold data for all of the protected characteristics specified by the Equality Act 2010, however we are advised that they aim to have data collection and reporting requirements in place by April 2021, the date by which the SHR will start to measure compliance. This failure to comply is not directly due to Covid-19, however we are advised that much development work had to be put in abeyance as the service has prioritised its response to the pandemic.

REQUIREMENTS FOR LOCAL AUTHORITIES AND RSLs

Appendix 3

EACH LANDLORD MUST:

ASSURANCE & NOTIFICATION

- ✓ Prepare an Annual Assurance Statement in accordance with our [published guidance](#), submit it to us between April and the end of October each year, and make it available to tenants and other service users.
- ✓ Notify us during the year of any material changes to the assurance in its Assurance Statement.
- ✓ Have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.
- ✓ Notify us of any tenant and resident safety matters which have been reported to, or are being investigated by the Health and Safety Executive, or reports from regulatory or statutory authorities, or insurance providers, relating to safety concerns.
- ✓ Make its Engagement Plan easily available and accessible to its tenants and service users, including online.
- ✓ Register all requirements for providing data to us with the Information Commissioner's Office as a purpose for which they are acquiring data under the Data Protection Act 2018.

SCOTTISH SOCIAL HOUSING CHARTER PERFORMANCE

- ✓ Submit an Annual Return on the Charter to us each year in accordance with our [published guidance](#).
- ✓ Involve tenants, and where relevant other service users, in the preparation and scrutiny of performance information. It must:
 - agree its approach with tenants
 - ensure that it is effective and meaningful – that the chosen approach gives tenants a real and demonstrable say in the assessment of performance
 - publicise the approach to tenants
 - ensure that it can be verified and be able to show that the agreed approach to involving tenants has happened
 - involve other service users in an appropriate way, having asked and had regard to their needs and wishes.
- ✓ Report its performance in achieving or progressing towards the Charter outcomes and standards to its tenants and other service users (no later than October each year). It must agree the format of performance reporting with tenants, ensuring that it is accessible for tenants and other service users, with plain and jargon-free language.

SCOTTISH SOCIAL HOUSING CHARTER PERFORMANCE (CONTINUED)

- ✓ When reporting its performance to tenants and other service users it must:
 - provide them with an assessment of performance in delivering each of the Charter outcomes and standards which are relevant to the landlord
 - include relevant comparisons – these should include comparisons with previous years, with other landlords and with national performance
 - set out how and when the landlord intends to address areas for improvement
 - give tenants and other service users a way to feed back their views on the style and form of the reporting.
- ✓ Make our report on its performance easily available to its tenants, including online.

WHISTLEBLOWING

- ✓ Have effective arrangements and a policy for whistleblowing by staff and governing body/elected members which it makes easily available and which it promotes.

TENANTS AND SERVICE USERS REDRESS

- ✓ Make information on reporting significant performance failures, including our [leaflet](#), available to its tenants.
- ✓ Provide tenants and other service users with the information they need to exercise their right to complain and seek redress, and respond to tenants within the timescales outlined in its service standards, in accordance with guidance from the Scottish Public Services Ombudsman (SPSO).
- ✓ Ensure it has effective arrangements to learn from complaints and from other tenant and service user feedback, in accordance with SPSO guidance.

EQUALITY AND HUMAN RIGHTS

- ✓ Have assurance and evidence that it considers equality and human rights issues properly when making all of its decisions, in the design and review of internal and external policies, and in its day-to-day service delivery.
- ✓ To comply with these duties, landlords must collect data relating to each of the protected characteristics for their existing tenants, new tenants, people on waiting lists, governing body members and staff. Local authorities must also collect data on protected characteristics for people who apply to them as homeless. Landlords who provide Gypsy/Traveller sites must collect data on protected characteristics for these service users.

APPENDIX 4 – EVIDENCE LIST

- Submission of the Annual Return of the Charter (ARC) and Energy Efficiency Standards for Social Housing (EESH) reports each year to the Scottish Housing Regulator (SHR)
- Production of an Annual Landlord Report based on the ARC return in conjunction with the East Lothian Tenants and Residents Panel (ELTRP)
- Statutory returns to the Scottish Government
- Non-statutory benchmarking exercises with Scottish Housing Network
- Regular internal performance monitoring and reporting of key indicators to PPRC
- Regular transactional customer surveys and three yearly comprehensive tenant satisfaction survey
- Complaints monitoring and handling
- Regular reviews of housing policies and procedures in tandem with ELTRP, including integrated impact assessments where appropriate
- Social Housing Charter working group
- Financial monitoring and reporting
- HRA project board
- Adherence to Council Standing Orders
- Care Inspectorate reviews and reports
- Internal and external audit reviews and reports
- Management of public protection matters through the MAPPA process
- Detailed process mapping and procedures within all parts of the Service
- Formalised committee reporting cycles and submission of relevant reports
- Production of our Strategic Housing Investment Plan (SHIP)
- Regular contractor review meetings
- Compliance with procurement legislation and policies
- Business Continuity Plans
- Development Risk Register
- Service Plans
- Data Protection/GDPR reporting and monitoring framework in place
- Tenant Participation Strategy, including Tenant scrutiny framework
- Quarterly and Annual Assurance checklists
- Rapid Rehousing Transition Plan 2019-24
- Spheracloud Health and Safety incident reporting and risk assessments
- SHR Engagement Plan publically available
- Information on reporting Significant Performance Failures to SHR publically available
- Data collection of protected characteristics (partial)

Report	East Lothian Council Audit and Governance Committee
Author	Bill Axon
Date	24 th November 2020
Action	To note

Recommendation

6

That the Committee notes the information contained within this report.

Background

In October 2009, Enjoy East Lothian Limited (**enjoy**) was established to manage, under contract, sports and leisure facilities and services on behalf of East Lothian Council (ELC).

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

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

enjoy also manages a variety of other sports facilities throughout East Lothian, which include -

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

Bill Axon, Chief Executive
0131 653 5202
baxon@enjoyleisure.com

www.enjoyleisure.com

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



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

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

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

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

All of the circa **320** employees engaged in the provision of the services are wholly employed by **enjoy**, with **90%** residency within East Lothian.

enjoy is Governed by a Board of voluntary Directors (non-executive) who have a wide and diverse range of skills and add value not only to **enjoy**, but the partnership as a whole. East Lothian Council have four nominated representatives (Directors) on the Board who are, currently, Cllr John McMillan, Cllr Jim Goodfellow, Cllr Colin McGinn and Cllr Gordon Mackett. **enjoy** is audited on an annual basis by an officially appointed professional auditor – currently Scott Moncrieff (from 2020 known as AZETS).

enjoy has robust internal governance arrangements which are evidenced by a strong independent financial audit report. **Unqualified** Accounts for 2019/2020 were also reported. Additionally, Health and Safety and operating procedures are considered through external examination by our insurers.

In terms of contract governance:

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

The Business Executive/leadership team is led by Bill Axon who are responsible for the day-to-day management of **enjoy's** affairs, who are accountable to the Board of Directors.

The Non-Executive Board of Directors ensures that **enjoy** conducts its affairs in accordance with its stated purpose. It sets the policies, strategies and objectives, and then presides over the Chief Executive who in turn has charge for all other staff who are responsible for delivering them.

The Board operated with a full complement of 12 Directors during 2019/2020.

Business Context

The information contained within this report is based, in the main on predated information for the period 2019/2020. However, it would be remiss of me not to concentrate this section of the report on the crisis currently being experienced globally, and the impact for us locally.

Like local authorities, the next few years will be the most challenging for **enjoy**. COVID-19 and the requirement to implement Government mandates and guidance have hit **enjoy** extremely hard and whilst **enjoy** has managed its finances extremely diligently since 2009 and have operated with a healthy reserve, based on current projections, and through no fault of our own, this will no longer be the case post 1st April 2021.

If **enjoy** had not succeeded in maintaining a required and robust working reserve, we would have been in this position much earlier and during 2020.

enjoy, like all other public leisure providers, have suffered the consequences of being forced to close its doors and being in receipt of **zero** income. As this report is written we have also received **NO** financial assistance from either Governments, although we currently await the detail of any income loss scheme, which we understand will be administered by Local Authorities, which in our case is East Lothian Council.

Notwithstanding, the partnership between ELC and **enjoy** has only been strengthened during this period. We achieved our joint commitment, which was to ensure that **enjoy** facilities, which are a major hub for our communities, were not neglected, remained functional and also offered a safe environment for returning customers. This was to ensure that our facilities were rejuvenated and ready once again to serve our communities, increase wellbeing and receive some welcomed income. The importance and worth of our co-operation was further confirmed by ELC maintaining full contract payments for the entire period of lockdown.

The cumulative effect of not being able to open and then having restricted space/facilities has been a significant loss of memberships (collected by direct debit) as we had limited space or no activities to offer.

Due to the ongoing uncertainty of Government guidance and regulatory measures covering COVID-19, our business focus for 2020 has been, and will remain for 2021, be about business regeneration, revival and safe opening. Our envisioned approach to operating our facilities through the re-opening and recovery period will include:

- Ongoing re-opening of facilities and re-commencement of connected activities and services;
- Re-instatement/re-calibration of opening hours and activity programmes;
- Re-instatement and un-furloughing of all staff on a function-by-function basis;
- Pricing/charging policies, including membership and concessionary price schemes;
- Staffing policies and levels, re-training, etc.;
- Health and safety management, including access control, PPE, cleaning regimes, management of customer journeys, social distancing, etc.

We also appreciate that communication with key stakeholders requires to be robust throughout the recovery period, this includes staff, customers, non-customers, members. We will ensure this continues to be properly co-ordinated and that key messages are clearly set-out.

Partnership with East Lothian Council

An external review commissioned by East Lothian Council confirmed that the existing contractual arrangement between ELC and **enjoy** can easily demonstrate the benefits of the current partnership between us, which include:

- Community benefiting from improved and extended services
- Significantly reduced cost for ELC and East Lothian tax payers
- Annual fixed amount for the provision of service

As confirmed by the 2020 external review, this all adds up to the Council receiving a 'value for money' return for its annually reducing contract payment to **enjoy** and the partnership was deemed to be a good example of good/best practice.

As a major employer with 90% of staff residing in East Lothian **enjoy**leisure's success or failure will have a significant economic impact.

I would also wish to confirm that **enjoy** and ELC have, and will remain working in partnership to agree both financial and operational arrangements moving forward, with a strategy of achieving the values of the primary agreement. There is currently no intention to reduce the services managed by **enjoy** and indeed our strategic objective has been to reintroduce as many services as we can, to each and every one of the major towns and its surrounding communities.

This strategy puts **enjoy** and ELC at the forefront of offering opportunities by significantly contributing to the physical and mental wellbeing of everyone, whether they live in a town, village or hamlet, which is vital, especially in this current pandemic.

Keeping the County Active

NHS recommendations are clear and the following is an extract of these:

“Being physically active during the coronavirus (COVID-19) outbreak is very important for your physical and mental health. It can enhance your mood, wellbeing and energy levels by helping to reduce stress, anxiety and depression.”

- **Keep moving to stay healthy** - any amount of physical activity, however small, is good for you.
- **Staying active during the COVID outbreak** – There's a risk of becoming less active as we spend more time at home. It's important to stay active, sit less and move more for your physical and mental health and wellbeing. Being active is for everyone, regardless of age, ability or personal circumstances.
- Using indoor sports and leisure facilities.
- Find the right activity for you.
- Keeping safe while active.
- If you are over-70 or have underlying health conditions – as we get older our muscle strength and bone health start to decline, so it's important we all do strength and balance exercise. These exercises helps to build or maintain healthy bones and muscles that essential for daily tasks.
- Children and young people – physical activity and exercise helps stimulate learning – children and young people should if possible take part in activities organised by leisure providers.

East Lothian Council and **enjoy** can confidently declare and evidence that in East Lothian we are not only offering these opportunities but also promoting the real health and wellbeing benefits of Physical Activity. This without a doubt confirms that we collectively take extremely seriously our responsibilities to help them 'stay well' in terms of maintaining the fitness, safety and prosperity of our communities. This also assist in making NHS services locally and nationally more sustainable and relieving pressure hotspots, especially during this pandemic.

As stated last year, **enjoy** like other publically funded bodies, have a challenge of reduced funds available for public services. We were committed to addressing this by:

- reducing management and administration costs
- targeted price increases
- developing new business opportunities
- workforce management
- changing staff terms and conditions

I can report this year that these have been achieved.

enjoy and all its partners will need to work closely together to look at alternative ways of increasing income, to invest in developing future opportunities and a sustainable sport and leisure infrastructure, which will get more people physically active. As stated previously in this report, it is accepted by all related professional bodies that such an approach will support and help to tackle some of the major health issues facing our region, such as obesity, diabetes, and heart disease etc.

It should be noted that **enjoy continues to deliver annual** business rate saving to East Lothian Council, due to its charitable status, of circa **£750,000**. This is in addition to the reduction in contract payment, which equates circa £0.9 million pounds since 2009, with **enjoy** significantly increasing participation, opening hours and its support of local clubs during the same period. Whilst, this will be an extremely challenging benchmark to maintain **enjoy** remains up for the challenge.

Business Performance 2019/20

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

Contract Payment from East Lothian Council

2010/11 (first full year)	2019/20
£2,787,612	£1,974,600

The above £1,974,600 contract payment equates to:

- 31% of **enjoy's** total income

Since the first **full** financial year of operation 2010-11 to last year 2019-20 ELC's contract payment has decreased by 29% (£813,012).

Please note that if the figure for 2020/2021 is included, the above rises further and based on the reduction for 2020/2021, this will have reached circa £1 million.

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

Challenges

2019/20 was **enjoy's** most challenging financial year to date, which started with a £100k reduction in its contract payment from East Lothian Council.

enjoy also started the financial year in a deficit position, and as such the strategic objective for 2019/20 was to deliver efficiency savings across the organisation, whilst developing income generation initiatives, with a view to subsequently breaking even in 2020/21.



The onset of the COVID-19 pandemic in the last quarter of 2019/20 meant that visitor numbers dropped considerably in February 2020 until we closed our facilities in March 2020. We lost a significant amount of income in this quarter, circa £100k, and also saw the onset of a reduction in our membership base.

While we were able to deliver cost savings earlier in 2019/20 and had healthy cash reserves, the pandemic presents **enjoy** with a significant challenge and the budgeted break even position in 2020/21 will not be achievable given the loss of income of circa £3m we have experienced.

Headline Figures

Visitor Numbers

Total visits across **enjoy's** services between 1st April 2019 – 31st March 2020 were 1,047,820.

Membership Figures

Membership figures at April 2020:

1. Gym membership: **4,019 at April 2020** (compared to 4,350 in March 2020 (pre COVID-19))
2. Swimming Lesson Membership: **2,248**
3. Golf Course Membership (two courses): **1029** (total members for the year 2019/20)
4. Access to Leisure (low income scheme): **2,645**
5. Leisure Pass Discount Card: **150**
6. Swim Tickets: **1,144**

This gives **enjoy** a total of **12,977** affiliates within East Lothian, which is approximately **8.5%** of the population.

Efficiency Savings

Streamlining of Staffing Rotas

With the aim of delivering a more efficient and effective staffing structure, an extensive exercise was carried out to review each Sports Centre's staffing rota, and align this to needs of the organisation in terms of the activity programme delivered at each site.

This included analysing the centre programme in 15min segments to identify the appropriate number of staffing required to achieve each task. In doing so we were able to identify opportunity for growth/expansion of our coached activity programmes, whilst also make efficiency savings on staffing costs. In addition, we were able to appropriately allocate sufficient time to the Assistant Service Managers to be able to undertake all of their necessary administrative responsibilities.

All sites have now been completed, with processes in place to ensure staffing levels meet set criteria and match closely with facility's programmes. Rotas are formally reviewed every 3 months to coincide with the programme timetable cycle but are also reviewed on an ongoing basis as and when there are changes to the activity programmes. Information is then transferred to our staff scheduling system, Planday, to ensure staff are aware of their working hours. We have been able to achieve 5-8% savings on staffing costs and an average 98% efficiency in Leisure Assistant time.

We have identified ways in which we can ensure staffing levels are targeted at times of greatest need and ensured consistency across all sites. Our ability to 'cover' shifts due to sickness or holiday absence has been improved. We

have factored in the need to provide cover for additional swimming lessons teachers to cope with our ambitious Learn to Swim programme development plans, although more teacher resource will be required in order to fully implement these expansion plans.

Staff Terms & Conditions

During March and April 2019, following consultations with colleagues and recognised Unions, we reached an agreement to amend pay rates that removed time and a half overtime, changed Night Hours to 12am to 6am and amend recognised public holidays to 2 days at Christmas and 2 days at New Year.

This is a significant step towards achieving our turnaround strategy and has positioned **enjoy** more competitively in our sector. The attitude of colleagues was very positive, given the impact on them, and this should be recognised and noted. The effective date of the changes was 12th May 2019. These changes will generate savings of upwards of £100k per year for **enjoy**.

Closure of Crèche and Soft Play Facilities

On 26th April 2019, following colleague and Union consultations, the decision was taken to close the crèches and withdraw the staffing provision within our soft play facilities across **enjoy**. The crèche and soft play facilities continually incurred significant deficits and it was unfortunately no longer viable to operate the services. This closure will generate annual savings of £60k. This resulted in 11 redundancies, and one colleague opted to take a role within the organisation. Throughout this period, the professionalism and dignity of the colleagues was exemplary given the circumstances.

Headline Achievements

COUNCIL OBJECTIVE: INCLUSION / SOCIAL BENEFIT

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

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

- Operation of fully disabled access facilities and a range of activities for people with disabilities
- Delivering the Access to Leisure Scheme for eligible customers which allows reduced rates including use of facilities at certain times for an enhanced reduced rate
- Availability of low impact classes / activities for users with limited or restricted movement
- Offering discounted rates for Community Clubs
- Commitment to providing Employability Placements & Vocational Volunteer opportunities within our communities.
- Establishing links with the NHS & Macmillan to deliver the Macmillan Move More Programme across East Lothian to engage with local people living with cancer and beyond.
- Provision of a safe, comfortable environment within café areas for people to meet

Disabled Access

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

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

Furthermore, support was offered to casual customers visiting our facilities for the first time through links with specialist websites www.disabledgo.com and www.euansguide.com which provide detailed descriptions to access and facilities available within the Sports Centres.

Administering the Access to Leisure Scheme

Throughout 2019/20 the Access to Leisure scheme, which **enjoy** administers on behalf of East Lothian Council, provided entry to **enjoy** facilities for **£1.50** per activity between the hours of 9:30am – 4:30pm Monday - Friday and discounted entry at all other times.

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

Access to Leisure Admissions


		2017-18	2018-19	2019-20
Access to Leisure		40,698	35,609	28,102
Single Admissions	Bodyworks Gym	10,011	8,639	7,942
	Free Weights Room	787	571	516
	Swimming	12,512	11,498	9,167
	Health Suite	2,847	2,451	1,853
	Racket Sports	1,699	1,845	1,634
	Crèche	1,183	1,086	77
	NB Trampolines	745	425	470
Classes	ASN Activities	799	363	289
	Fitness Classes	5,415	4,790	3,401
Booked Activities	Gymnastics	2,038	2,565	2,380
	Climbing Wall	61	67	134
	Swimming Lessons	1,788	312	148
	Summer Activities	190	132	91
Get in the Swim – Swim Lesson Admissions				6,414

Please note:

- The above figure for “swimming lessons” includes lessons paid by “cash” and does not include the children’s group lessons which are listed under the heading “Get in the Swim”.

- The Get in the Swim swimming lesson membership scheme is primarily paid by direct debit. A separate system (Learn2) manages lesson occupancy and attendance, of which Access to Leisure customers account for approx. 10%.

Availability of Low Impact Fitness Classes

Being able to provide a pathway and foundation for participation is an important aspect of **enjoy's** pledge to "inspire active living". As such, as of April 2020 **enjoy's** fitness class offering included 71 'Low Impact' classes - 25% of the classes on offer. Highlighted with a  symbol, these classes are suitable for individuals looking to make a return to exercise, without putting too much stress on joints. These classes have also attracted a significant portion of the 'senior' market and are incredibly well attended.

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

Discounted Rates for Community Clubs

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

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

Modern Apprenticeships & Vocational Volunteer Opportunities

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

This relationship has allowed a further 6 Employability Placements to take place across the organisation. Two candidates went on to accept relief Leisure Assistant posts with **enjoyleisure**.

For the first time this included a café placement and facility attendant placement. Going forward **enjoy** will work with Direct Partners to explore other job roles that could form part of the Employability framework.

Through its relationship with East Lothian Works, **enjoy** has 9 long-standing vocational volunteers who work alongside leisure and café staff within main sites. These individuals subsequently benefit from an invaluable social engagement opportunity in a workplace environment.

Additionally 4 employees started Modern Apprenticeships in Level 2 Facility Operations, one employee completed a Level 3 MAs in Supervisory Management, and 2 were still to complete prior to the centre closures due to COVID-19 in March 2020.

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

COUNCIL OBJECTIVE: HEALTH & WELLBEING

Sports Centre Visitor Numbers

enjoy's services and facilities are at the core of East Lothian's major neighbourhoods. It is committed along with its partners, to continuing to improve facilities by making them sustainable, accessible and equipped to the highest standard. This includes an extensive outdoor portfolio.

Total visitor numbers, including school use, clubs, spectators, and event use and café visitors in 2019-20 were **1,047,820** across all Sports Centres, Pitches, Seasonal Facilities and both Golf Courses.

When comparing 'transactional customers' - those customers who physically interact with reception - (listed below) **enjoy** saw a decrease of -11%.

	2017-18	2018-19	2019-20
3G Synthetic Pitch	3,354	7,774	4,342
ASN Activities - Dry	9,931	3,895	766
Athletics	347	589	667
Birthday Party Activities	13,665	12,308	8,737
Bodyworks Gym	117,992	117,084	99,190
Climbing Wall Activities	3,924	3,132	2,094
Crèche Activities	3,265	3,107	228
Dry Coached Activities	908	704	456
FASIC	236	172	135
Fitness Classes	153,966	152,838	141,398
Free Weights Room	11,904	11,984	8,815
Golf Visits	51,497	53,814	51,316
Grass Pitch & Pavilion	12,487	13,724	9,828
Gymnastics	24,985	24,361	20,569
Hall Events	1,643	1,440	990
Hall Hire	10,756	9,066	9,918
Health Suite	19,344	18,505	15,903
NB Trampolines	10,888	9,016	9,491
NPLQ Courses	146	69	106
Racket Sports	34,136	33,579	32,859
Room Hire	13,310	13,935	21,722
Seasonal Facilities	15,377	15,313	14,764
Soft Play	15,528	15,174	16,341
Summer Activities	1,797	750	741
Swimming	258,087	242,317	220,171
Swimming Lessons	75,909	101,551	86,886
Synthetic Pitch	3,274	1,940	260
Grand Total	868,656	869,202	778,693
	0.5%	0.1%	-11.6%

Some notable differences:

- Swimming and Swimming Lessons in particular are showing a considerable drop in numbers, however this was expected as Aubigny Swimming Pool was closed for 13 weeks in 2019 for a refurbishment of the pool hall. As Aubigny has the largest number of swimming lesson participants within the Swimming Lesson programme, the closure had a significant impact on the user numbers.
- The above detailed 3G Pitch figures relate to casual, pay and play use only. The total user figures of these facilities is significantly higher, when you include the club and local team use which is circa 60,500 for 2019/20. This figure is based on estimated user figures in line with the number of 3G pitch bookings.
- The crèche figures shown are for the final month that this service ran in April 2019, before it was withdrawn from operation.
- ASN Activities are now recorded and invoiced differently, and therefore are no long recorded under 'transactional' customers but under group visits. As such, the drop in numbers indicated above only relates to 'pay and play' rather than ASN activities as a whole.
- In 2019, **enjoy** experienced an increase in competition within the fitness market. As reported in 2018/19, commercial entity Pure Gym opened up a new fitness facility at Fort Kinnaird retail park, on the western outskirts of East Lothian. The larger range of gym equipment and significantly reduced membership price attracted many **enjoy** members, especially those located in the west of the county.

Additionally 2 further independent fitness facilities opened their doors in the east of the county in 2019. Platinum Fitness Gym opened in Dunbar in a converted warehouse. Although rustic in nature, the size and nature of the facility, along with a larger range of equipment yet similar price offering was attractive to many of **enjoy's** Dunbar based members.

Whitekirk Hill, a 'fitness and county club' opened on the outskirts of North Berwick. However the fitness and leisure membership packages offered at this venue are significantly higher than that of **enjoy's**, and as such did not have a big impact on membership figures at North Berwick.

The introduction of these fitness competitors has led to a reduction in the attendance figures of the gym, free weights, and fitness class attendances.

SPECIFIC ACTIVITY PROGRAMMES

Learn to Swim Programme

Following the launch of the new 'Get in the Swim' swimming lesson membership programme in September 2017, the initiative has grown from strength to strength. There has been a further 15% increase in swimming lesson memberships in 19/20 and 70% of children receiving free lessons through the school scheme stay in our Learn to Swim programme after their free allocation.

As the expansion of lesson provision continues, we have introduced a recruitment, training and development programme to internally progress the development of Leisure Assistants through their Swimming Teachers qualifications. Furthermore the swimming lesson schedule provides for dedicated CPD sessions for swim teachers to enhance and develop their skill sets. Courses were run throughout the year to allow for more swimming teachers



to deliver lessons and 89% of permanent staff are now fully qualified UKCC Level 2 teachers or SSTQ teachers (an increase of 20% from 18/19).

Our Swimming Development Manager, Karen Ferguson, has been upskilled to deliver a new SSTQ qualification meaning that we can progress the development of our internal staff without sourcing external tutors. It also provides an opportunity to increase income by opening spaces up on courses to members of the public.

We successfully recruited two permanent full time Swimming Coordinators to assist in delivering this expanded initiative.

Learn to Swim Provider of the Year Winner

We were absolutely delighted to have successes within our Swimming Lesson programme recognised by industry partner Scottish Swimming with the award of their 'Scottish Water Learn to Swim Provider of the Year Award'. As part of our finalist nomination, Scottish Swimming attended lessons at the newly refurbished Aubigny Sports Centre, creating a promotional video with interviews with swimming teachers, parents, and Swimming Development Manager Karen Ferguson.

We were thrilled to be presented with the award at a ceremony in Glasgow in September 2019 where Scottish Swimming cited the significant advances made by **enjoy** over the last two years in upskilling staff, expanding the programme, introducing new digital software to improve processes and efficiencies, and making the programme more inclusive.

We are immensely proud of the efforts that have gone into the continued development of **enjoy's** swimming programme.

Gymnastics

This year the gymnastics programme has grown as we added classes to our 5th centre, North Berwick Sports Centre. Following a successful feasibility study, a programme of eight classes a week, offering spaces for 144 children began in August 2019, and within weeks classes were at over 80% capacity. Classes have also continued at the original sites; Aubigny, Loch Centre, Musselburgh Sports Centre and Meadowmill.

With increased demand, enquiry listings have been launched at Aubigny and North Berwick to allow customers to register their interests in classes. Part-time Gymnastics Coordinators were appointed to assist with the management of the waiting lists.

As part of the continued development of the programme, the first phase of the **enjoy** Gymnastics Framework was also launched for Gymnastics classes, offering a detailed curriculum for participants.

The Gymnastics and Trampolining programme also moved onto the new Learn2 system, allowing for easier and more controlled booking and administration of classes. Feedback from staff has been positive to the change, and steps for launching more of the customer side of the system are planned for later in 2020.

Fitness Classes

Fitness classes continue to be the biggest draw for fitness membership applications. It is therefore not surprising to see that 91% of fitness class attendees come from the membership base.

Keep Fit Classes	2019/20	%
Access to Leisure	3,401	2.4%
Casual Customers	8,810	6%
Discounted Customers	66	0.4%
Leisure Pass	1,047	0.7%
Membership Inclusive	128,074	91%
Grand Total	141,398	

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

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

	April 2015	April 2016	April 2017	April 2018	April 2019	April 2020
Total Number of Classes	288	303	309	317	302	282

NPLQ Courses

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

During 2019/20, we hosting 4 NPLQ courses across the county which were attended by 35 attendees. These courses generated £7,772 worth of income for the business.

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

Membership Schemes

Fitness Memberships

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

Memberships Agreement with Mercat Gait Centre

A revised agreement with the Mercat Gait Centre (MGC) in Prestonpans (which is managed by a commercial entity FES FM) was confirmed in 2018. This enables customers signing up to the membership scheme at the MGC to also



gain access to the gyms/swimming pools/health suites & fitness classes at the 6 East Lothian Sports Centres managed by **enjoy** and vice-versa.

The new agreement took into account the increased level of usage of **enjoy** facilities and we now retain a greater share of the income than under the previous agreement. This has continued to be beneficial for **enjoy**, with an increase in income of £80k.

Membership Promotions & Incentives

Following a drop in memberships coinciding with the opening of competitor budget gym provider Pure Gym near Musselburgh, and further independent operators opening in the east of the county, **enjoy** launched a proactive marketing and promotional campaign to enrol new members into its membership scheme.

In September 2019, we launched a staff incentive campaign, actively engaging with the competitiveness of our colleagues, pitching centre against centre in a membership sales drive. Each centre was provided a membership sales target to reach, with a cash incentive for each centre that reached their sales target and an extra bonus for the centre that most exceeded their target. Every centre achieved their sales target, with 4 out of 6 exceeding their target. In total 275 new memberships were sold during the month, one of the highest sales months of the year.

In November, we introduced 3 different offers over the course of Black Friday Weekend: a membership offer, a retail swimming costume discount, and a free tea/coffee with purchase of another item in the café. The membership offer resulted in 43 new membership sales over one weekend (equivalent of £1,454 in monthly income), compared to 19 new memberships the previous weekend. There was an uplift of 41% in retail sales, and 98 tea/coffee redemptions.

In early 2020, we launched further outdoor and social media marketing campaigns and a targeted competition in conjunction with Radio Forth, which ran from February to March and included a 10 day on air radio advert, 4 presenter reads, a feature page on their website, inclusion within the Radio Forth e-newsletter, and social media posts.

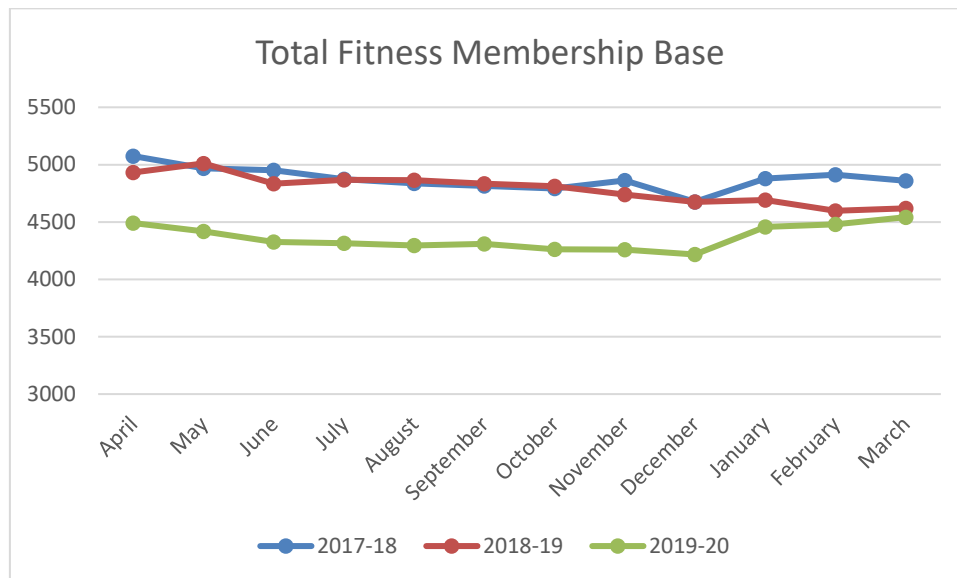
The actions of the proactive marketing and promotional incentives had a significant impact and reversed the downturn in membership figures that had been incurred in the previous year.

Coronavirus Pandemic

As the increase of news reports regarding the rise of COVID-19 spread across Europe and into Britain, **enjoy** experienced an increase of membership suspension and cancellation requests. The facilities became quieter as news reports increased regarding the transmission of the virus, and the safety of gym and fitness facilities.

The total number of fitness direct debit paying members:

	April 2018	April 2019	April 2020
Fitness Memberships	4,931	4,491	4,019



Service Level Agreements with ELC

Partnership Service Level Agreements with East Lothian Council are reviewed annually. Throughout 2019/20 **enjoy** reviewed and confirmed extensions of its SLA agreements with Payroll services and IT.

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

Our People

The HR function plays a critical part in achieving efficiencies with the ongoing development of an HR and People Development strategy that supports future work and embeds **enjoy** as an employer of choice within the County.

Colleague Health & Wellbeing

In February we were delighted to partner with Health Assured to provide all our colleagues with an Employee Assistance Programme (EAP). An EAP is a confidential employee benefit designed to help our colleagues deal with personal and professional problems that could be affecting their home life or work life, health and general wellbeing. The EAP service provides a complete support network that offers expert advice and compassionate guidance 24/7, covering a wide range of issues. We strongly believe in providing the EAP service that offers not only reactive support when someone needs it but also proactive and preventative support to deliver the best possible outcomes. We continue to communicate regularly with our colleagues, the benefits of positive mental and physical wellbeing.

Listening to our Colleagues

Through our 2019/20 annual colleague engagement survey, we continue to listen to our colleagues and act on



requests such as communication. Our survey returned a response rate with 153/304 colleagues completing the survey. We are keen to build on the feedback through ongoing communication through newsletters and our Sport Centre colleague Connection meetings, these are currently under review due to COVID restrictions but we are confident in providing a safe face to face forum for this to continue. Our quarterly Joint Consultative Group meeting is held with members of the **enjoy** Leadership Team, Union Representatives and Colleague Representatives from each Sports Centre, with the purpose of providing an business update and listening to feedback from representatives of challenges faced by colleagues and seeking solutions to support them.

Staffing Establishment

There were a number of staffing changes throughout 2019/20. **enjoy** upheld its commitment to the Trade Unions, however where we had members of staff retiring, their positions were not refilled, and their responsibilities were absorbed by the existing staffing complement.

- There was turnover in the Financial Controller role, which led to challenges for **enjoy** in the loss of system knowledge and a backlog of work. An Interim Financial Controller was appointed in October 2019 on a contract basis. This was an expensive but highly beneficial appointment and meant that a successful handover could be completed when a permanent appointment was made in May 2020.
- 37 Leavers, including 11 redundancies related to the crèche and soft play closures.
- 19 New Starts.
- 304 colleagues in total. 184 female and 120 male.
- 149 permanent/temporary and 155 Relief.
- 90% of our establishment reside in East Lothian.

Colleague Training

Through the Future Workforce Development Fund we engaged with Edinburgh College in order to deliver a second year of specific training courses for our employees. This included Conflict Management, Coaching & Mentoring, Digital Marketing, Change Management, Train the Trainer, Communication Skills, Leading & Motivating and Mental Health Workshops (on Anxiety, Depression, Self-Harm and Suicide awareness). The Train the Trainer courses were intended to form part of a long term programme of customer service focused training for all employees, but this is now on hold due to COVID-19 but will be revisited in line with restrictions and safe adjustments.

Mental Health First Aid training took place for staff; the aim being to have a cadre of colleagues at each main site and Head Office, able to identify and support those in need; and be known point of contacts for employees. Post COVID-19 there may be increased mental health issues amongst employees and this together with the Employee Assistant Programme will provide a good level of support for staff. As part of **enjoy's** participation in the Leisure Watch Scheme, the annual 3 training sessions were delivered for new staff and to refresh training for existing employees. The training provides and support to recognise concerning behaviour and act to stop it, making our public spaces safer for us all. Leisure Watch emphasises a "customer care" approach to tackling potential sexual abuse issues.

enjoy's marketing strategy for 2019/20 was to drive brand awareness through community engagement. The use of social media played a significant role in the execution of this strategy. Initially, all social media activity was administered by the marketing team. This was limiting the opportunity for customers to engage with Centres directly and so a proposal was put together to empower Sports Centres to take a more active role in engaging with their customers online via social media. Using **enjoy's** partnership with Edinburgh College via the Future Workforce Development Fund, we were able to provide Social Media Training to a number of front line key users. Dunbar Leisure Pool volunteered to be the pilot site, and their training took place in November 2019, with Centre staff gaining access to the Dunbar Leisure Pool Facebook page in December. Almost



immediately the online presence of the Centre grew through increasing the number of regular posts on the page, providing real time updates of class availability and quirky images, graphics and stories. Page likes increased, as did the engagement with customers on individual posts, extending our reach, growing our audience and community engagement.

Community Economic Investment

Aubigny Pool Refurbishment

Aubigny Sports Centre's Swimming Pool was closed for 13 weeks for refurbishment to take place. This work was completed in July 2019 and it would not be an exaggeration to say that the work has completely transformed the pool hall, updating it from a 1970's building to a modern, clean, and bright space. The refurbishment included a complete covering of walls and ceiling in a composite boarding, hiding the dated tiling, and wooden cladding allowing for splashes of colour around the pool hall walls and showers.

We took the opportunity to carry out some much needed painting work in the pool changing rooms and the replacement of pool changing room lockers. New high performance lighting was also installed in the pool hall, adding to the light and open space, and the roof lights were replaced with new double glazed units to provide natural light for the pool area.

Customers new and old have been extremely appreciative of the work carried out to modernise Aubigny Sports Centre.

IT Development

In February 2019, **enjoy** completed the first installation of a new software programme, Learn2, provided by Gladstone which allows for the electronic tracking and monitoring of participants within coached activity programmes. Linked via handheld iPads used by coaches, participants can be monitored and assessed against set criteria. This links back to a management portal used by administrators to manage the booking, movement and allocation of classes across the programme.

Rollout of the iPads began in July 2019, with both swimming lesson and gymnastics coaches being trained on the iPads and tracking of participant progress at each of the 6 Sports Centres. After an initial month's bedding in, we were able to progress to the next stage in the development, where we introduced the Learn2 booking and course management system at receptions in August 2019. This was a significant development with training provided for all reception and reception cover staff.

Since its introduction the benefits of the system were instantly evident, especially in terms of efficiency, administration, communication and the reporting. The system also plays a major part in the development of our coached activity programmes, aiding our ability to manage waiting lists and assessing opportunities for expansion of the lesson programme.

Sustainable East Lothian

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

The organisation also contributes in making East Lothian a destination of choice to live, visit and work.



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

Financial Performance

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

Group Statement of Financial Activity For the year ended 31 March 2020

	Notes	Unrestricted Funds £	Restricted Funds £	Year to 31 March 2020 £	Year to 31 March 2019 £
Incoming and endowments from:					
<i>Donations and legacies</i>					
Voluntary income	4	67,082	-	67,082	32,309
<i>Charitable activities</i>					
Membership fees		1,657,221	-	1,657,221	1,794,168
Services		2,224,758	-	2,224,758	2,224,932
Management service fee	5	1,915,260	-	1,915,260	2,015,262
<i>Other trading activities</i>					
Trading subsidiary	18	565,735	-	565,735	639,139
<i>Investments</i>					
Investment income		-	-	-	-
Total		6,430,056	-	6,430,056	6,705,810
Expenditure on:					
<i>Charitable activities</i>					
Membership services	7	(6,860,872)	-	(6,860,872)	(7,260,567)
<i>Other</i>					
Trading Subsidiary	18	(546,387)	-	(546,387)	(661,267)
Net interest defined benefit scheme	10	(133,000)	-	(133,000)	(101,000)
Total		(7,540,259)	-	(7,540,259)	(8,022,834)
Net gains/(losses) on investments		-	-	-	-
Net income/(expenditure) Other recognised gains/(losses):		(1,110,203)	-	(1,110,203)	(1,317,024)
<i>Actuarial gains/(losses) on defined benefit pension schemes</i>					
	10	1,493,000	-	1,493,000	(658,000)
Net movement in funds		382,797	-	382,797	(1,975,024)
Reconciliation of funds:					
Total funds brought forward		1,938,309	15,855	1,954,164	3,929,188
Fund balances carried forward		2,321,106	15,855	2,336,961	1,954,164

**Group and Charity Balance Sheet
As at 31 March 2020**

	Notes	Group		Charity	
		2020 £	2019 £	2020 £	2019 £
Fixed Assets					
Tangible fixed assets	11	5,892,838	6,183,131	5,892,839	6,183,131
Current assets					
Stock		58,158	80,909	58,158	61,749
Debtors	12	225,994	175,014	429,544	723,841
Cash at bank and in hand		990,551	1,159,351	808,496	622,520
		<u>1,274,703</u>	<u>1,415,274</u>	<u>1,296,198</u>	<u>1,408,110</u>
Creditors: Amounts falling due within one year					
	13	<u>(482,580)</u>	<u>(651,241)</u>	<u>(461,596)</u>	<u>(582,248)</u>
Net current assets		<u>792,123</u>	<u>764,033</u>	<u>834,602</u>	<u>825,862</u>
Total assets less current liabilities excluding retirement benefit scheme		<u>6,684,961</u>	<u>6,947,164</u>	<u>6,727,441</u>	<u>7,008,992</u>
Retirement benefit scheme (deficit)/asset	10	<u>(4,348,000)</u>	<u>(4,993,000)</u>	<u>(4,348,000)</u>	<u>(4,993,000)</u>
Net assets including retirement benefit scheme asset/(deficit)		<u><u>2,336,961</u></u>	<u><u>1,954,164</u></u>	<u><u>2,379,441</u></u>	<u><u>2,015,992</u></u>
Funds					
Unrestricted funds	15	4,065,228	4,166,730	4,107,708	4,228,558
Unrestricted- Revaluation Reserve		2,603,878	2,764,579	2,603,878	2,764,579
Unrestricted- Pension Reserve		(4,348,000)	(4,993,000)	(4,348,000)	(4,993,000)
Restricted funds		<u>15,855</u>	<u>15,855</u>	<u>15,855</u>	<u>15,855</u>
Total funds		<u><u>2,336,961</u></u>	<u><u>1,954,164</u></u>	<u><u>2,379,441</u></u>	<u><u>2,015,992</u></u>

REPORT TO: Audit and Governance Committee
MEETING DATE: 24 November 2020
BY: Companies Manager, East Lothian Land Ltd
SUBJECT: East Lothian Land Ltd 2019/20

7

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the work undertaken by East Lothian Land Ltd in 2019/20.

2 RECOMMENDATIONS

- 2.1 That the Audit and Governance Committee note the contents of the report.

3 BACKGROUND

- 3.1 East Lothian Council established East Lothian Land Ltd (ELL) in 2000, a company limited by guarantee (SC208723), through the transfer of undeveloped employment land in council ownership at Macmerry (Opposite the industrial estate) in return for 100% equity in the company.
- 3.2 The transferred employment land at that time was viewed by the private sector as undevelopable providing insufficient return on investment.
- 3.3 No additional financial support was provided to the company by East Lothian Council (ELC). ELL went to the financial market to fund the development costs of the Macmerry Business Park as well as self funding through selling plots as they were serviced.
- 3.4 In 2016/17 the company developed the empty council building located at Brewery Park, Haddington into 10 individual offices spaces – since opening in October 2016 it has run at between 85% and 100% occupancy.
- 3.5 The company has a board of 4 directors comprising of the Leader of the Council, Economic Development spokesperson, a private industry sector

representative and the Depute Chief Executive – Resources and People.

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

Financial

- 3.9 ELL is VAT registered and is audited annually by Azets (Formerly Campbell Dallas Accountancy), Dalkeith. End of Year accounts are approved by the board and signed off accordingly and provided to ELC for group accounting purposes. (See appendix 1 End of year accounts).
- 3.10 ELL accountants opinion is that the financial statements for the company give a true and fair view of the state of the company affairs as at 31st March 2020 and of its loss before taxation of £10,898 for the year then ended. The accountants raised with the board the low level of turnover and reclaiming VAT during the period. (Post committee paper period note - the board of directors following the advice from the auditors de-registered the company for VAT on 30th August 2020).

ELL use the online cloud accounting platform – Xero.

The company banks with Handelsbanken.

2019/20 Projects considered

- 3.11 The directors are provided at each board meeting an update on all the available land and commercial property for sale. Updates are circulated monthly between board meetings (see appendix 2 – property list). The directors discuss each site and whether to progress with offers for purchase and development.

Spott Road, Dunbar

- 3.12 ELL had an approach from a local company wishing to develop the site though a possible joint venture – liaised with the agent but they were not forthcoming with price for the site nor a site plan indicating utilities location.

Did not progress and site remains vacant.

Former Crookston School site, Salters Road

- 3.13 ELL made an approach / offer to purchase the site in February 2020 to Shepherd Commercial. 41 hectares of potential commercial development although located in the East Lothian green belt under DC1, DC2 and DC7 policies.

The approach was rejected and the site has subsequently been sold.

Macmerry Business Park

- 3.14 ELL owns a strip of land at Macmerry Business Park which has a zero value on balance sheet. The site was considered as an option to develop / sell but following discussions with architect it was deemed too difficult to develop.

The site may offer access for any future development to the adjacent field

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

2019 / 20 Project commenced / delivered

Tyne Close, Haddington

- 3.16 Tyne Close is a small industrial estate owned by ELC. In January 2019 the units at Tyne Close were deemed as unfit / unsafe for occupancy and the units became vacant.

- 3.17 It was agreed in March 2019 by the board of ELL to enter discussions with ELC to take on a long term ground lease (30 plus years), clear the existing unsafe buildings and then develop the site for commercial use.

- 3.18 The site will accommodate 7 commercial units of 6 @ 45m² and 1 @ 130 m². A local architect was awarded the contract and planning approval was granted on the 31st March 2020 – number 20/00352/P (see Appendix 3 - site plan).

- 3.19 The ground lease is currently with ELC legal for drafting and once signed ELL will progress with the development to include safe removal of the condemned buildings and an archaeological survey with the site being located on a former abbey.

2 informal notes of interest have been received to rent the units.

Future projects

- 3.20 The company actively scans the market for possible developments and has an ongoing engagement with a number of possible joint venture.

Additionally the company liaises closely with ELC estates around vacant council premises and ELC owned commercial properties that may require remediation / rebuilt.

- 3.21 In light of COVID and home working it is anticipated that the council will rationalise its office space and vacate buildings. This may present an opportunity for ELL to “flip” empty council buildings into commercial as per the model developed for Brewery Park Block B and with no cost implications for ELC.

The main focus in 2020/21 will be the Tyne Close development.

4 POLICY IMPLICATIONS

- 4.1 The two strategic goals of the refreshed East Lothian Council Economic Development Strategy 2012 to 22 are :-

- To increase the number of businesses in East Lothian with growth potential
- To increase the proportion of East Lothian residents working in and contributing to East Lothian’s economy.

- 4.2 The work East Lothian Land Ltd undertakes mirrors and supports the strategic goals set out in the Economic Development Strategy with the company objectives as follows:- *“To promote, support and/or effect the development of land and property within the area served by East Lothian Council, with a view to stimulate economic development and regeneration and so to assist in the creation of employment opportunities.”*

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
- 6.2 Personnel - EDSI’s Business Development Team Manager, Business Development Assistant and Depute Chief Executive.
- 6.3 Other – none.

7 BACKGROUND PAPERS

- 7.1 Audit and Governance report 2018/19

AUTHOR'S NAME	Richard Baty
DESIGNATION	Companies Manager
CONTACT INFO	rbaty@eastlothian.gov.uk
DATE	4 November 2020

EAST LoTHIAN LAND LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

EAST LoTHIAN LAND LIMITED

COMPANY INFORMATION

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

EAST LOTHIAN LAND LIMITED

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Statement of cash flows	7
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EAST LoTHIAN LAND LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and financial statements for the year ended 31 March 2020.

Principal activities

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

Directors

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

E Murray
W Innes
J McMillan
A McCrorie

Statement of directors' responsibilities

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

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

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

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

Statement of disclosure to auditor

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

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

On behalf of the board



J McMillan

Director

25 August 2020

EAST LoTHIAN LAND LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LoTHIAN LAND LIMITED

Opinion

We have audited the financial statements of East Lothian Land Limited (the 'company') for the year ended 31 March 2020 which comprise the statement of income and retained earnings, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

However, not all future events or conditions can be predicted. For example, it is not possible to reliably estimate the length or severity of the COVID-19 pandemic and it is therefore difficult to evaluate all of the potential implications on the company's business, customers, suppliers and the wider economy. As such the above statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

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

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

We have nothing to report in this regard.

EAST LoTHIAN LAND LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF EAST LoTHIAN LAND LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

EAST LoTHIAN LAND LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF EAST LoTHIAN LAND LIMITED

Use of our report

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

Campbell Dallas Audit Services

Paul Hutchison BSc ACA (Senior Statutory Auditor)
Campbell Dallas Audit Services

27 August 2020

Accountants
Statutory Auditor

Dundas House
Westfield Park
Eskbank
Edinburgh
EH22 3FB

EAST LoTHIAN LAND LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	£	£
Administrative expenses	(12,691)	(6,059)
Other operating income	2	2
Operating loss	<u>(12,689)</u>	<u>(6,057)</u>
Interest receivable and similar income	1,791	1,700
Loss before taxation	<u>(10,898)</u>	<u>(4,357)</u>
Tax on loss	-	-
Loss for the financial year	<u>(10,898)</u>	<u>(4,357)</u>
Retained earnings brought forward	(204,987)	(200,630)
Retained earnings carried forward	<u><u>(215,885)</u></u>	<u><u>(204,987)</u></u>

EAST LOTHIAN LAND LIMITED

BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
Current assets					
Debtors	3	89,934		108,442	
Cash at bank and in hand		496,781		489,166	
		<u>586,715</u>		<u>597,608</u>	
Creditors: amounts falling due within one year	4	(2,600)		(2,595)	
Net current assets			<u>584,115</u>		<u>595,013</u>
Capital and reserves					
Called up share capital	5	800,000		800,000	
Profit and loss reserves		(215,885)		(204,987)	
Total equity			<u>584,115</u>		<u>595,013</u>

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

The financial statements were approved by the board of directors and authorised for issue on 25 August 2020 and are signed on its behalf by:



J McMillan
Director

Company Registration No. SC208723

EAST LoTHIAN LAND LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash generated from operations	7		5,813		13,070
Investing activities					
Interest received		1,802		1,626	
Net cash generated from investing activities			1,802		1,626
Net cash used in financing activities			-		-
Net increase in cash and cash equivalents			7,615		14,696
Cash and cash equivalents at beginning of year			489,166		474,470
Cash and cash equivalents at end of year			<u>496,781</u>		<u>489,166</u>

EAST LoTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Company information

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

1.1 Accounting convention

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

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

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

1.2 Going concern

In light of recent events surrounding the COVID-19 pandemic, in common with most companies in the UK, it is difficult to predict what impact this may have on the economy as a whole, or the company's trade in particular. The directors have considered the impact of COVID-19 directly on the company. They recognise that its main debtor balance may take slightly longer to repay but do consider that this will have minimal impact on the company's ability to trade. The directors are of the opinion, that despite reporting a small loss for the year, its significant cash reserves and minimal liabilities and outgoings, mean that the company is in a strong position to face the ongoing pandemic.

The directors believe that the current strong financial position of the company, particularly given its strong cash position, will ensure the company will continue in operational existence for the foreseeable future and they therefore continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Cash at bank and in hand

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

1.4 Financial instruments

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

Basic financial assets

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

EAST LOTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

Derecognition of financial liabilities

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

1.5 Equity instruments

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

1.6 Taxation

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

EAST LOTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Current tax

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

Deferred tax

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

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

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was 4 (2019 - 4).

3 Debtors

	2020	2019
	£	£
Amounts due from parent entity	89,687	108,368
Other debtors	247	74
	<u>89,934</u>	<u>108,442</u>

Debtors include an amount of £61,112 (2019 - £79,889) which is due after more than one year.

4 Creditors: amounts falling due within one year

	2020	2019
	£	£
Other creditors	<u>2,600</u>	<u>2,595</u>

EAST LoTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

5	Called up share capital	2020	2019
		£	£
	Ordinary share capital		
	Issued and fully paid		
	800,000 Ordinary £1 shares of £1 each	800,000	800,000
		<u> </u>	<u> </u>
6	Parent entity		
	The company is controlled by East Lothian Council whose principal place of business is John Muir House, Brewery Park, Haddington, EH41 3HA. East Lothian Council is the smallest group of undertakings for which group accounts are prepared and of which the company is a member.		
7	Cash generated from operations	2020	2019
		£	£
	Loss for the year after tax	(10,898)	(4,357)
	Adjustments for:		
	Investment income	(1,791)	(1,700)
	Movements in working capital:		
	Decrease in debtors	18,497	18,857
	Increase in creditors	5	270
	Cash generated from operations	<u>5,813</u>	<u>13,070</u>
8	Analysis of changes in net funds		
		1 April 2019	Cash flows
			31 March
		£	2020
			£
	Cash at bank and in hand	489,166	7,615
		<u> </u>	<u> </u>
		<u> </u>	<u> </u>

EAST LoTHIAN LAND LIMITED
MANAGEMENT INFORMATION
FOR THE YEAR ENDED 31 MARCH 2020

EAST LOTHIAN LAND LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

	£	2020 £	£	2019 £
Administrative expenses		(12,691)		(6,059)
Other operating income				
Sundry income		2		2
Operating loss		(12,689)		(6,057)
Investment revenues				
Bank interest received	1,791		1,700	
		1,791		1,700
Loss before taxation		(10,898)		(4,357)

EAST LoTHIAN LAND LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	£	£
Administrative expenses		
Legal and professional fees	8,966	3,025
Audit fees	2,489	2,100
Accountancy	1,072	815
Bank charges	164	119
	<u>12,691</u>	<u>6,059</u>

SALE

£85,000

[Commercial property for sale](#)

[Party Express, 204 High Street, Prestonpans, EH32 9AZ](#)

[The Party Express Gift Shop. This unique local business and has grown in popularity over the past 15 years and is now an iconic part of the local visitor experience and is much loved by both the locals and visitors alike.](#)



RETAIL

SALE

LAND SUITABLE FOR COMMERCIAL DEVELOPMENT FOR SALE - PRESTON SQUARE, PRESTONPANS, EAST LoTHIAN, EH32 9RR

For sale: POA | 5380 Sq Ft | Residential, Retail, Office, Residential Land, Light Industrial, General Retail,

<https://propertylink.estatesgazette.com/property-details/6537855-land-suitable-for-commercial-development-for-sale-preston-square-prestonpans-east-lothian-eh32-9rr#>



LAND

UNDER OFFER

6A HAWTHORN ROAD
EAST LoTHIAN, PRESTONPANS
OFFERS OVER£280,000



TOURISM

LET

[Non-quoting](#)

11,939 sq. ft*

[Retail premises to let](#)

[High Street, Prestonpans EH32](#)

NO BROCHURE



Retail

SALE

3 AND 7 COURT STREET
OFFERS OVER £175,000
G&S

<https://www.novaloca.com/retail-premises/for-sale/lennoxlove/3-and-7-court-street/190194?search=true>



RETAIL

SALE

OFFICE FOR SALE
NOT QUOTING
[Lodge Street, Haddington EH41](#)

1,277 sq. ft*
[The subjects comprise a ground and first floor b-listed office](#)



OFFICE

SALE

GOLF TAVERN
FOR SALE
£395,000.00
<https://www.realla.co.uk/m/47115-the-golf-tavern-5-bridge-street-haddington-eh41-4au-5-bridge-street>

NO BROCHURE G&S



TOURISM

SOLD - Caledonian Heritable???

WINTON ARMS

£250,000



TOURISM

SALE

GARDENERS ARMS
[HADDINGTON TOWN CENTRE COMMERCIAL PROPERTY FOR SALE](#)

Gardeners Arms Haddington - closed
F/H Price: £150,000



TOURISM



UNDER OFFER

OFFICE UNIT

For sale **£80,000**

[22B Court Street, Opera Close, Haddington, EH41 3JA](#)

- Fully fitted first floor office Premises extends to 44.29m2 (477ft²)
- Benefits from kitchen and shower facilities
- Prominent location within Haddington town centre
- Benefits from small business rates relief

Offers in excess of £8,500 per annum - letting value

■



OFFICE

TO LET

MARKET COURT former CAPABILITY SCOTLAND

£18,000 per annum

1,035 sqft

G&S

https://www.zoopla.co.uk/to-rent/commercial/details/52378222?search_identifier=72c4716ca7a6f50a43225cda58def1ca



RETAIL

TO LET

Mc COLLS

£33,000 per annum

650 sqft

EM&F

<https://emfgroup.com/businesses/view/G34707NM/convenience-store-newsagents>



RETAIL

TO LET

HADDINGTON HOUSE 28 SIDEGATE

NON QUOTING

ALLIED SCOTLAND

https://www.zoopla.co.uk/to-rent/commercial/details/51445189?search_identifier=72c4716ca7a6f50a43225cda58def1ca



OFFICE

TO LET

GOBLIN HA



TOURISM

£75,000 per annum

BRUCE & CO

https://www.zoopla.co.uk/for-sale/commercial/details/49597985?search_identifier=05837141ef601e8a3731d7bf2c9328fb



TO LET

SALE

£550,000
[Commercial property for sale](#)
[E L F Autopoint, 1 Haddington Road, , Tranent, EH33 1DZ](#)
[**Investment Opportunity** Commercial Turnkey Business Opportunity.](#)



AUTO

TO LET

Unit 3, Macmerry Industrial Estate, Tranent, East Lothian, EH33 1RD
 Tenure: Leasehold
 Price: £25,000 per annum
 Size: 6,596 sqft



UNIT

TO LET

Industrial to let
 Macmerry Industrial Estate, Tranent EH33
 £28,000 pa
 (£10.65/sq. ft. pa)



UNIT

SALE

New Plough, Tranent
 £250,000 offers over
 ime DJK
<https://www.primelocation.com/for-sale/commercial/details/>



TOURISM

6c644fe7696d694ec9871

TO LET

151-157 High Street Tranent
 £6,000 per annum
 ime DJK
<https://www.ime.co.uk/properties/p397-high-street-tranent-e>



TOURISM

UNDER OFFER

6b Church Street, Tranent
 £50,000
 371 sqft
 Shepherd
<https://www.shepherd.co.uk/commercial/property/details/50>



OFFICE

UNDER OFFER

Non-quoting

[Salters Road, Crookston, East Lothian EH21](#)

1 acre

[For Sale - Commercial development opportunity on a site of approx. 0.41 hectares \(1.017 acres\). read more](#)

<https://www.novaloca.com/commercial-land/for-sale/musselburgh/salters-road/191049?search=true>
new agent 27/07



LAND

SALE

£475,000

[Leisure facility for sale](#)[Di Rollo Ice Cream, 8-14 South Street, Musselburgh, East Lothian EH21 6AT](#)

[Long established and well known ice cream manufacturer/wholesaler for sale due to retirement.](#)

NO BROCHURE G&S



F&D

SALE

May sell (£55,000 per annum)

[6 Newhailes Rd, Edinburgh](#)

Industrial unit for sale

7,513 sq ft



UNIT

SALE

10b Newhailes Business Park, Newhailes Road, Musselburgh, EH21 6RH

Offers Of £16,536 or £220,000 to buy



UNIT

SALE

SWEET Haven

Retail Property (high street) for sale £190,000

60 High Street, Musselburgh, East Lothian, EH21

£16,000 rent to 2028



RETAIL

TO LET

Unit 1 C Moray Way

899sqft

£12,000 per annum

Shepherd

<https://www.shepherd.co.uk/commercial/prop>

RETAIL

TO LET / LEASEHOLD

Harbour Café

£39,995 leasehold

£150 rent a week

Central Business

<http://www.centralbusinesssales.co.uk/compon>

TOURISM

TO LET

88 North High Street

£8,500 per annum

IME DJK

<https://www.ime.co.uk/properties/p520-north>

RETAIL

TO LET / FOR SALE

175-181 High Street

£50,000 rent per annum sale POA

9,995 sqft

G&S

<https://www.g-s.co.uk/property/?property=488>

RETAIL

TO LET

Monktonhall newsagents

£9,360 per annum

614 sqft

Cornerstone

<https://www.cornerstoneba.co.uk/business-sea>

RETAIL

SALE

Drummohr Holiday Park

POA

155 pitches and 50 seasonal

Savills

<https://search.savills.com/property-detail/1f65>

TOURISM

TO LET

2 Newhailes Business Park

£12,000 per annum

976 sqft

Allied Surveyors

<https://www.alliedsurveyorsscotland.com/prop>

OFFICE

business-park-newhailes-road-musselburgh/

SALE

ISSUE - HOUSING AND PLANNING

[Offers over £260,000 \(£65/sq. ft\)](#)

LEISURE/HOSPITALITY FOR SALE

[Hall Crescent, Gullane EH31](#)

4,000 sq. ft*

[Gym / Fitness Studio Reception, fitness area, aerobics, staff and crèche areas, male and female changing rooms, disabled toilets, male and female toilets, sauna, showers and steam room. ... read more](#)



UNIT

TO LET

New Build Developments, Tantallon, North Berwick, EH39

Not built yet

no pic

OFFICE

1,400 to 7,000 Sq Ft / Industrial

TO LET

3000 sqft Light Industrial Unit with Offices & Reception Area fenton barns

North Berwick, East Lothian

£1,231.00pm

<https://www.gumtree.com/p/commercial-property-to-rent/3000sqft-light-industrial-unit-with-offices-reception-area/130>

no pic

TO LET

Quality House

Restaurant/cafe for sale

Quality Street, North Berwick, East Lothian EH39

<https://www.cornerstoneba.co.uk/business-search/33-quality-street/>

POA



TOURISM

SALE

Garden Ground Williamstone farm

Create 4 luxury lodges

Offers over £750,000

Knight Frank

<https://www.rightmove.co.uk/commercial-property-f>



TOURISM

TO LET

Suite 10 Mill Walk Business Park

493 sqft

POA

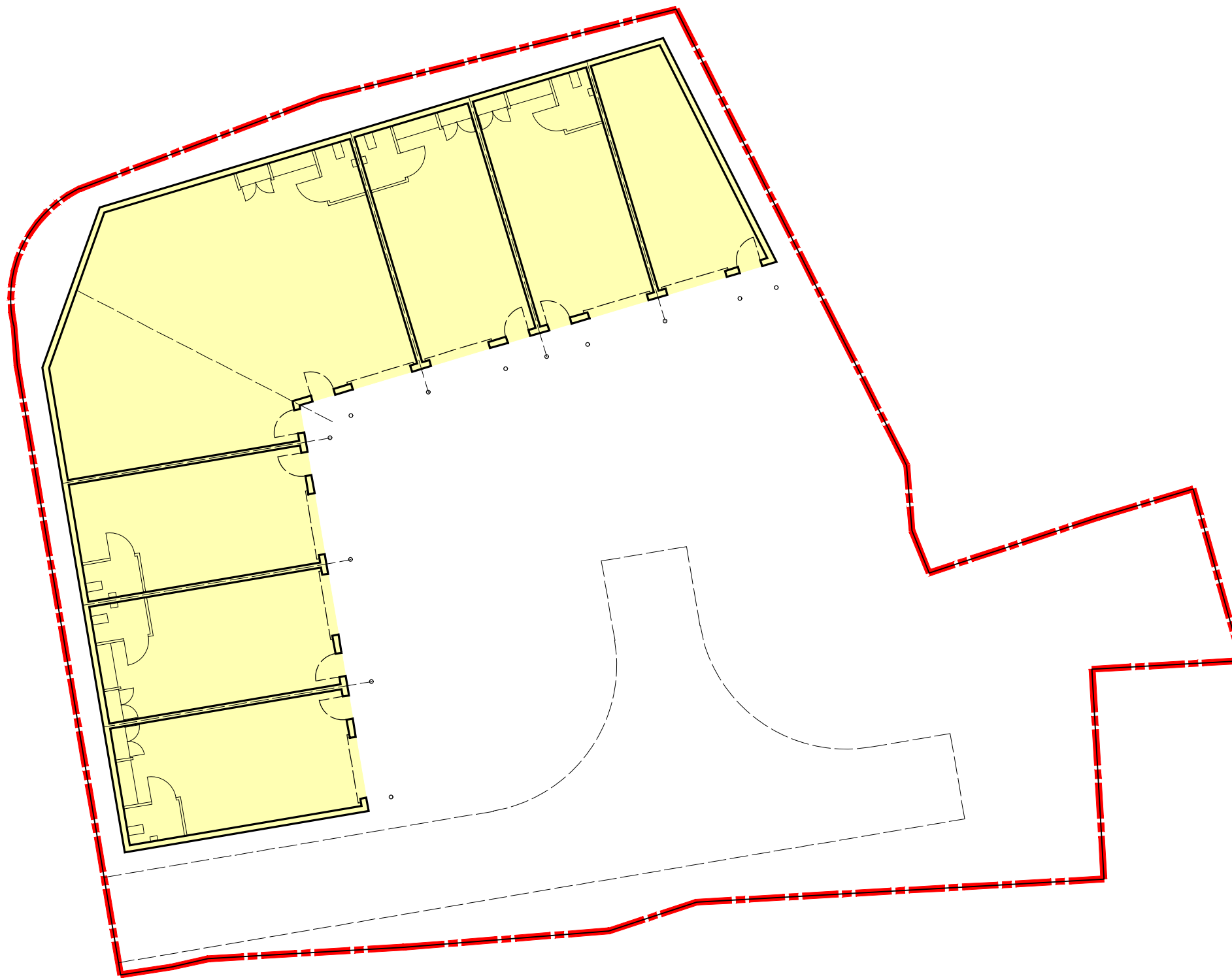
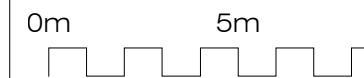
Knight Frank

<https://www.knightfrank.co.uk/properties/commercial>



OFFICE

th-berwick-eh39-5nb/



A	ROOF AND LAYOUT REVISIONS.	11.11.19
Rev:	Description:	Date:

chris@chrihodesarchitect.com
 www.chrihodesarchitect.com
 6 | eh40 3dj | 07967 802329

chrisrhodesarchitect

PLANNING

Project:
 TYNE CLOSE
 HADDINGTON, EAST LoTHIAN
 EH41 3EU

Client:
 EAST LoTHIAN LAND LTD.

Drawing:
 PROPOSED FLOOR PLAN

Drawing No. Scale: Date: Drawn:
 2019-61-004A 1:200 @ A3 OCT 19 CR

REPORT TO: Audit and Governance Committee

MEETING DATE: Tuesday 24 November 2020

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Musselburgh Racing Associated Committee – Financial Performance 2019/20

8a

1 PURPOSE

- 1.1 To report to the Audit & Governance Committee on the Racecourse financial performance in 2019-20.

2 RECOMMENDATIONS

- 2.1 The Audit & Governance Committee are asked to note and approve the report.

3 BACKGROUND

2019-20 Financial Performance

- 3.1 The unaudited accounts show a profit for the year 2019-20 was £423,711
- 3.2 Net Expenditure on Essential Maintenance and Capex Development Programmes was £13,334
- 3.3 The Surplus before non-recurring, unbudgeted exceptional costs was £410,377
- 3.4 The retained profit (reserves) at the beginning of the year was a deficit of £149,600
- 3.5 The retained profit (reserves) at the end of the year before non-recurring, unbudgeted exceptional costs was £260,777
- 3.6 Non-recurring, unbudgeted exceptional costs were £33,198
- 3.7 The net increase/decrease in retained profit (reserves) for the year was an increase of £377,179

- 3.8 The retained profit (reserves) at the end of the year was a surplus of £227,579.

Commentary

- 3.9 The Racecourse made a retained/net profit in the 2019-20 year of £377,179.
- 3.10 The Racecourse started the 2019-20 year with a deficit of £149,600 because of the £295k expenditure incurred on legal fees in 2018-19, in relation to the procurement process to appoint a 3rd party racecourse operator. This was previously reported at the Audit and Governance Committee held on 17 September 2019.
- 3.11 Despite the loss of the final race meeting in 2019-20 due to Covid-19, the Racecourse had an outstanding profitable trading year, which erased the deficit and created a year end surplus of £227,579. The outstanding performance of the Racecourse was delivered by a dedicated and loyal racecourse team of employees. They delivered some brilliant and memorable race days in 2019-20.

Audit Process

- 3.12 The Racecourse Auditors, Azets (formerly Scott-Moncrief) have stated that they will complete the 2019-20 audit partner review by 11 November 2020 and following the review they will proceed to complete the final audited accounts and audit report.

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

7 BACKGROUND PAPERS

7.1 None.

Appendix - 2019-20 Draft Final Accounts

AUTHOR'S NAME	Carlo Grilli
DESIGNATION	Service Manager - Legal
CONTACT INFO	cgrilli@eastlothian.gov.uk
DATE	Tuesday, 17 November 2020

YEAR 2019/20

FINANCIAL STATEMENTS

for the year ended 31st March 2020

Required by

BRITISH HORSERACING AUTHORITY

In accordance with The Rules of Racing

=====

Name of Racecourse.....MUSSELBURGH.....

Any Communications respecting this Form should be addressed to -

**REGISTRY OFFICE OF THE BRITISH HORSERACING AUTHORITY
151 SHAFTESBURY AVENUE, LONDON WC2H 8AL**

Independent Auditor's report to the members of Musselburgh Racing Associated Committee

We have audited the financial statements of Musselburgh Racing Associated Committee for the year ended 31 March 2020, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention.

The report is made solely to the Committee's members as a body. Our audit work has been undertaken so that we might state to the Committee's members those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Committee and the Committee's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Committee and auditor

The Treasurer, on behalf of the Committee, is responsible for preparing the financial statements in accordance with the guidelines of the British Horseracing Authority.

Our responsibility is to audit the financial statements in accordance with our letter of engagement. The audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

We report to you our opinion as to whether the financial statements are properly compiled in accordance with the accounting policies set out on page 5. We also report to you if, in our opinion, the Committee has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

Opinion on financial statements

In our opinion the financial statements have been properly compiled in accordance with the accounting policies set out on page 5 and comply with its constitution.

Conclusions relating to going concern

We have nothing to report in respect of the following matters:

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

Matters on which we require to report by exception

We have nothing to report in respect of the following matters where, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanation we require for the audit.

Azets Audit Services

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Date:

**Musselburgh Racing Associated Committee
(formerly Musselburgh Joint Racing Committee)**

Profit and Loss Account

for the year to 31st March 2020

		2020		2019
Profit directly relating to race days -	£	£	£	£
Flat	1,187,048		461,644	
National Hunt	<u>642,546</u>		<u>480,389</u>	
		1,829,594		942,033
Add - Fixed income		<u>395,706</u>		<u>932,712</u>
		2,225,300		1,874,745
Deduct - Fixed expenditure		1,801,589		1,827,798
Profit for the year		<u>423,711</u>		<u>46,947</u>
Donation to East Lothian Council in relation to capital expenditure		(13,334)		(31,558)
Exceptional Costs - (Note 2)		(33,198)		(352,306)
Retained profit / (loss)		<u><u>377,179</u></u>		<u><u>(336,917)</u></u>

The notes on page 5 form part of the Financial Statements

**Musselburgh Racing Associated Committee
(formerly Musselburgh Joint Racing Committee)**

Balance Sheet at 31st March 2020

	Note	2020		2019	
		£	£	£	£
FIXED ASSETS					
Investments	3	<u>74,462</u>	74,462	<u>74,462</u>	74,462
DEBTORS					
Debtors		963,544		1,035,879	
Balance on Racecourse Bank Account		-		6,161	
		<u>963,544</u>		<u>1,042,040</u>	
CURRENT LIABILITIES					
CREDITORS :					
Balance on ELC Bank Account		(122,962)		(609,177)	
Balance on Racecourse Bank Account	4	(175,010)		-	
Amounts falling due within one year	5	(512,455)		(656,925)	
		<u>(810,427)</u>		<u>(1,266,102)</u>	
NET CURRENT ASSETS / (LIABILITIES)			153,117		(224,062)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>227,579</u>		<u>(149,600)</u>
CAPITAL AND RESERVES					
Other Reserves - Retained Profit	6		<u>227,579</u>		<u>(149,600)</u>
			<u>227,579</u>		<u>(149,600)</u>

The notes on pages 5 form part of the Financial Statements

Approved on

.....
Chairman

**Musselburgh Racing Associated Committee
(formerly Musselburgh Joint Racing Committee)
Notes to the Financial Statements 31st March 2020**

(1) ACCOUNTING POLICIES**Accounting convention**

The financial statements are prepared under the historical cost convention.

Going concern

The operational existence of the racecourse is dependent on having fixtures (racemeetings). MRAC were operators up to 24 June 2020 and during that period were not able to open the racecourse to the public or hold behind closed door fixtures due to the COVID-19 pandemic.

However, at the balance sheet date the Committee is in a net asset position and has the continued support of the East Lothian Council who own the land from which the race course operates.

Musselburgh Racecourse Limited took over management of Musselburgh Racecourse from Musselburgh Racing Associated Committee on 24 June 2020 under a 10-year operating agreement. Musselburgh Racecourse Limited exists as part of the Chester Race Company Limited portfolio.

The members of MRAC have a reasonable expectation that with regard to the circumstances outlined above, the racecourse has adequate resources to continue in operational existence until 24 June 2020.

Investments

Investments are initially recognised at cost are then determined at valuation annually.

Income

Profit directly relating to race days represents admission and other related income including sponsorship less direct race day expenditure and net prize money.

Fixed expenditure

Fixed expenditure represents the costs of running the racecourse which cannot be attributed directly to individual race days. These are recognised in the year in which they occur.

Taxation

The Committee is exempt from taxation.

	2020	2019
	£	£
(2) EXCEPTIONAL COSTS		
Tender Process - Legal Fees	20,909	295,189
Tender Process - General Costs	3,252	10,525
Tender Process - Open Day	-	19,191
Other Legal Fees - HR Advice	9,037	6,921
Other Legal Fees - Employee Claim	-	20,480
	<u>33,198</u>	<u>352,306</u>

(3) INVESTMENTS

Cost or valuation	£
Balance at 1 April 2019	74,462
Additions	-
At 31 March 2020	<u>74,462</u>

Investments at 31 March 2020 consist of a 1.6% stake in Britbet Racing LLP.

The value of the investment at the year-end is the value of the capital introduced into the LLP.

The committee have considered the valuation of this at the year-end and are satisfied that no adjustment to the carrying value is required.

(4) OVERDRAWN RACE COURSE BANK ACCOUNT

At the balance sheet date the bank account is over drawn by £175,010. East Lothian Council act as guarantors for the bank account.

	2020	2019
	£	£
(5) CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR		
VAT	14,623	31,684
Deferred Income	333,588	402,941
Oher Creditors	164,244	222,300
	<u>512,455</u>	<u>656,925</u>

(6) RETAINED PROFIT

	2020	2019
	£	£
Balance at beginning	(149,600)	187,317
Profit / (loss) for the year	377,179	(336,917)
Balance at end	<u>227,579</u>	<u>(149,600)</u>

(7) POST BALANCE SHEET EVENT

Musselburgh Racecourse Limited took over management of Musselburgh Race Course from Musselburgh Racing Associated Committee on 24 June 2020. This is under a 10 year operating agreement.

REPORT TO: Audit and Governance Committee

MEETING DATE: Tuesday 24 November 2020

BY: Depute Chief Executive (Resources and People Services)

SUBJECT: Musselburgh Racing Associated Committee – Financial Performance 2020/21

8b

1 PURPOSE

- 1.1 To report to the Audit & Governance Committee on the Racecourse financial performance from 1st April 2020 to 23 June 2020. The Musselburgh Racing Associated Committee (MRAC) passed over the operation of the Racecourse to Musselburgh Racecourse Company Limited (MRL) on 24 June 2020.

2 RECOMMENDATIONS

- 2.1 The Audit & Governance Committee are asked to note and approve the report.

3 BACKGROUND

2020-21 Financial Performance

- 3.1 The unaudited accounts show a loss for the year 2020-21 (1 April to 23 June) of £303,071
- 3.2 Income from the sale of the Racecourse plant, machinery and equipment to the new operating company (MRL) is £135,000
- 3.3 The loss before non-recurring, unbudgeted exceptional costs is £168,071
- 3.4 The retained profit (reserves) at the beginning of the year was £227,579
- 3.5 The retained profit (reserves) at the end of the year before non-recurring, unbudgeted exceptional costs is £59,508
- 3.6 Non-recurring, unbudgeted exceptional costs are £15,875

- 3.7 The net increase/decrease in retained profit (reserves) for the year is a decrease of £183,946
- 3.8 The retained profit (reserves) at the end of the year (23 June 2020) is a surplus of £43,633.

Commentary

- 3.9 There was no racing during the period 1 April 2020 to 23 June 2020. The loss directly relating to racedays (£37,768) is due to the expenditure already incurred before the onset of Covid-19 and the lock-down period (e.g. advertising for the Easter Saturday raceday).
- 3.10 Fixed income (£118,880) is from the Government's furlough job retention scheme and the previous year's adjustment.
- 3.11 Fixed Expenditure (£384,183) includes wages, rent, insurance grounds and grandstand maintenance, heat & light, audit fees, IT fees etc.
- 3.12 Exceptional costs (£15,875) arise from the cost of the TUPE from the MRAC to Musselburgh Racecourse Limited and fees for a traffic travel plan following closure of the Electric Bridge.

Audit process

- 3.13 The Racecourse Auditors, Azets (formerly Scott-Moncrief) have stated that they will commence the 2020-21 audit for the period 1 April to 23 June 2020 in January 2021.

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

7 BACKGROUND PAPERS

7.1 None.

Appendix - 2020-21 Draft Final Accounts

AUTHOR'S NAME	Carlo Grilli
DESIGNATION	Service Manager - Legal
CONTACT INFO	cgrilli@eastlothian.gov.uk
DATE	Tuesday, 17 November 2020

DRAFT FINAL ACCOUNTS

YEAR 2020/21

FINANCIAL STATEMENTS

for the period ended 23rd June 2020

Required by

BRITISH HORSERACING AUTHORITY

In accordance with The Rules of Racing

=====

Name of Racecourse.....MUSSELBURGH.....

Any Communications respecting this Form should be addressed to -

**REGISTRY OFFICE OF THE BRITISH HORSERACING AUTHORITY
151 SHAFTESBURY AVENUE, LONDON WC2H 8AL**

**Musselburgh Racing Associated Committee
(formerly Musselburgh Joint Racing Committee)**

Profit and Loss Account

for the period to 23rd June 2020

		2021		2020
Profit directly relating to race days -	£	£	£	£
Flat		37,768)		1,187,048
National Hunt		<u> -</u>		<u>642,546</u>
Add - Fixed income		(37,768)		1,829,594
		<u>118,880</u>		<u>395,706</u>
		81,112		2,225,300
Deduct - Fixed expenditure		384,183		1,801,589
Profit/ (Loss) for the year		(<u>303,071</u>)		<u>423,711</u>
Donation to East Lothian Council in relation to capital expenditure		(-)		(13,334)
Sale of Assets Vehicles/Plant MRL		135,000		-
Exceptional Costs - (Note 2)		(15,875)		(33,198)
Retained (loss) / profit		(<u><u>183,946</u></u>)		(<u><u>377,179</u></u>)

The notes on page 5 form part of the Financial Statements

**Musselburgh Racing Associated Committee
(formerly Musselburgh Joint Racing Committee)**

Balance Sheet at 23rd June 2020

		2021		2020
	£	£	£	£
FIXED ASSETS				
Investments (Note 3)	<u>-</u>	-	<u>74,462</u>	74,462
DEBTORS				
Debtors	442,740		963,544	
Balance on Racecourse Bank Account	<u>-</u>		<u>-</u>	
	<u><u>442,740</u></u>		<u><u>963,544</u></u>	
CURRENT LIABILITIES				
CREDITORS :				
Balance on ELC Bank Account	(78,403)		(122,962)	
Balance on Racecourse Bank Account	(190,545)		(175,010)	
Amounts falling due within one year (Note 4)	(<u>130,159</u>)		(<u>512,455</u>)	
	<u><u>399,107</u></u>		<u><u>810,427</u></u>	
NET CURRENT (LIABILITIES) / ASSETS		43,633		(153,117)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>43,633</u></u>		<u><u>(227,579)</u></u>
CAPITAL AND RESERVES				
Other Reserves - Retained Profit (Note 5)		<u>43,633</u>		(<u>227,579</u>)
		<u><u>43,633</u></u>		<u><u>(227,579)</u></u>

The notes on pages 5 form part of the Financial Statements

Approved on

.....
Chairman

Musselburgh Racing Associated Committee
(formerly Musselburgh Joint Racing Committee)
Notes to the Financial Statements 23rd June 2020

(1) ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

Investments

Income

Profit directly relating to race days represents admission and other related income including sponsorship less direct race day expenditure and net prize money.

Fixed expenditure

Fixed expenditure represents the costs of running the racecourse which cannot be attributed directly to individual race days. These are recognised in the year in which they occur.

Taxation

The Committee is exempt from taxation.

(2) EXCEPTIONAL COSTS

	£
Tupe Fees	9,124
Traffic Management	6,751
	-
	-
	<u>15,875</u>

(3) INVESTMENTS

	£
Cost or valuation	
Balance at beginning	74,462
Repayment	74,462
At 31 March 2019	<u>-</u>

(4) CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Other Creditors	512,455	512,455

(5) RETAINED PROFIT

	<u>2021</u>	<u>2020</u>
	£	£
Balance at beginning	227,579	(149,600)
(Loss) / profit for the year	(183,946)	377,179
Balance at end	<u>43,633</u>	<u>227,579</u>

REPORT TO: Audit and Governance Committee

MEETING DATE: 24 November 2020

BY: Chief Executive

SUBJECT: Communities and Partnerships Risk Register

9

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Communities and Partnerships Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Communities and Partnerships Risk Register is developed in keeping with the Council's Risk Management Strategy and is a live document, which is reviewed and refreshed on a regular basis, led by the Communities and Partnerships Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

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

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Communities and Partnerships LRWG. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) producing an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).
- 3.2 The Council's response in relation to adverse risk or its risk appetite is such that:

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

3.3 The current Communities and Partnerships Risk Register includes 3 High risks, 30 Medium risks and 13 Low Risk. As the Council's Risk Strategy only asks for the Very High and High risks to be reported to the Committee I have also included all the Medium Risks scoring 9 or above.

4 POLICY IMPLICATIONS

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

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 None.

Appendix 1 – Communities and Partnerships Risk Register 2020/21

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	12 November 2020

Communities and Partnerships Risk Register 2020/21

Date reviewed: 12 November 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			
C&P 1	<p>I.T. Systems (Customer Services)</p> <p>Failure of IT systems (including Telephony)</p> <ul style="list-style-type: none"> Unable to deliver services some of which are vital services i.e. community alarm/telecare services for 3 Councils and 2 Housing associations/adult and children's social work calls/out-of-hours emergency calls Data unable to be inputted onto databases Activation of Business Continuity plan Customers unable to access self-service and get on-line <p>The majority of I.T. systems are Public Sector Network (PSN) compliant with the exception of Integrated Room Booking System (IRBS) and Customer Relationship Management (CRM)</p> <p>Any of the above would result in the Council being unable to meet customer expectations resulting in reputational damage, poor publicity and failure to provide essential services.</p>	<p>Business continuity plan in place, tested annually and review actions implemented. Any short term outages/incidents test resilience and inform BC Plan.</p> <p>All software updated regularly.</p> <p>Regular meetings with staff to ensure they are aware of business needs; staff procedure up to date, staff trained and aware of outcomes and controls.</p> <p>3rd party provider support and BC plans held (IRBS/Capita/Bolinda/ People's network/MODES).</p> <p>Manual procedures in place to support service provision, where possible: Social work service advised of any telephony problems in order that they can check on most vulnerable clients and make contacts, carers and emergency response service aware.</p> <p>Alternative backup solutions identified where possible e.g. CRM, Netcall 2nd server, Assure (libraries) etc.</p> <p>New Wi-Fi contract awarded March 2019.</p> <p>CRM system procurement and awarded November 2018.</p> <p>IRBS support contract extended to October 2020.</p> <p>Peoples Network and Library Booking System contracts extended to March 2020.</p> <p>CCTV system upgraded June 2018 and now PSN compliant with further upgrade September 2019 to further enhance compliance.</p>	4	4	16	<p>IRB system (bookings) being replaced by Booking Live. This project currently being worked upon</p> <p>New Customer Relations Management System/Customer Services Portal/ implementation programme ongoing. Phase one implemented March 2020 and ongoing. Arrangement for live public launch in progress, planning with Waste Services as first service to go live.</p> <p>Netcall Call Management System contract due to expire late 2020. Looking at options to extend or move to a hosted solution.</p> <p>Review of CCTV network and infrastructure.</p>	2	3	6	Service Manager - Customer Services	<p>April 2021</p> <p>January 2021</p> <p>December 2020</p> <p>March 2021</p>	<p>Risk refreshed by Head of Service October 2020 with no change to assessment of scores.</p> <p>Risk refreshed by Service Manager - Customer Services October 2019 with no change to assessment of scores.</p> <p>Risk refreshed by Customer Service Managers January 2017 with current score increased from 9 to 16 and residual score reduced from 9 to 6.</p>
C&P 2	<p>Communicable Disease incidents</p> <p>A major outbreak of food poisoning or a public health incident such as Covid-19 could result in serious illness or fatalities to the public. If such an incident is not adequately responded to this could:</p> <ul style="list-style-type: none"> allow the outbreak or incident to remain unidentified or continue for longer than necessary. Thereby, possibly causing additional unnecessary illnesses. impact on public and business confidence within East Lothian. 	<p>Appointment, development and retention of sufficient authorised officers to regulate food businesses through a food safety inspection programme including enforcement action where controls are known to have broken down or have been breached, including sampling.</p> <p>The Business Plan, inspection process and Business Continuity Plan overarch service delivery and are reviewed annually.</p> <p>Established major/ incident response arrangements with NHS Lothian.</p>	3	4	12	<p>Strengthen Relationship with Health and Social Care Partnership.</p> <p>Work in partnership with Scottish Government (Test and Protect), and NHS Lothian to help mitigate the effects of any outbreak on the community, businesses and the Council.</p> <p>Review of Service priorities and resource allocation.</p> <p>Engagement in national professional networks, promoting investment in professional capacity.</p>	3	3	9	Service Manager – Protective Services	<p>April 2021</p> <p>April 2021</p> <p>April 2021</p> <p>April 2021</p>	<p>Risk refreshed October 20 by Team Manager - Env Health (Business Regulation) and Head of Service with current score increased from 8 to 12 and residual score increased from 6 to 9 due to current pandemic.</p> <p>Risk refreshed February 2017 with current score reduced from 10 to 8 due to new staffing structure</p> <p>Risk refreshed November 2015 with residual score reduced from 10 to 8.</p>

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating			
			L	I	L x I		L	I	L x I			
	<ul style="list-style-type: none"> cause a reputational risk for the Council if the incident response was unsatisfactory attract significant media interest result in a public enquiry/formal investigation into the incident, which would affect the deployment of Council resources to carry out day-to-day work. cause a significant increase in workload as an enquiry or investigation could run for several years. cause third party insurance claims to be made against the Council. Depending upon the nature of the incident, the area may require evacuation and/or disinfection. <p>Currently, due to our Public Health duties, reactive work is being carried out for Food Safety/Health and Safety at Work. No routine physical inspections of Food and/or Safety premises being carried out, as most interventions are being done remotely.</p> <p>BREXIT may also increase demand on Service for advice to business re import/export of food thereby stretching the limited resource even further.</p>	<p>Rigorous monitoring of water supplies.</p> <p>Service delivery is conducted by trained and competent Environmental Health Officers and Food Safety Officers.</p> <p>Specialist Knowledge sought from partners (NHS and HPS) if and when appropriate</p> <p>The Council has a Joint Health Protection Plan and major incident plan, which may be activated.</p> <p>Promote key public health campaigns and communicate safeguard actions as and when incidents occur.</p> <p>Of prime importance in an incident is the communication of the message, whether this message is primarily the responsibility of East Lothian Council, National Health Service, Scottish Government, Scottish Water, Food Standards Scotland or the Health and Safety Executive. Therefore, the ELC Corporate Communications team has a vital role in relation to both the messaging and the use of the Environmental Health App.</p>				In anticipation of additional funding for Environmental Health, develop role profiles for compliance resources to meet COVID 19 pressures.					April 2021	
C&P 3	<p>Service Capacity (Customer Services)</p> <p>Breadth of service delivery across East Lothian and staffing pressures, underpinned by budgetary constraint, stretches resources leading to an inability to sustain services which may impact on the ability to meet priority frontline services e.g. Customer Service desks and libraries and Contact Centre.</p> <p>The workforce profile and demographic may lead to increased vacancy rate, staff absence and staff turnover.</p> <p>Failure to address this risk could lead to:</p> <ul style="list-style-type: none"> Inability to develop service and staff skills/knowledge e.g. school librarians Inability to effectively meet stakeholder and customer demand Reduced ability to introduce legislative changes effectively. Challenge in appropriately resourcing new services (staffing and equipment) e.g. new school library Workforce capacity pressures (e.g. attendance management, role redesign) resulting from service developments embedding new ways of working to meet strategic priorities 	<p>Service Plans and Business Continuity Plans in place.</p> <p>Upskilling and development of staff team to respond to COVID 19 emergency service requirements and new ways of working.</p> <p>Partnership working with Midlothian and Scottish Borders Council expanding which expands service provision and generates service sustainability and income; continuing exploration of further business opportunities and income streams.</p> <p>Effective operational and staff management, deploying ongoing service review, service development and staff management, policies and procedures.</p> <p>Flexible deployment of staff and Locum/casual/relief posts within Local Area offices /Libraries/ Contact Centre and Museum Service and use of volunteers within Library and Museum Service to meet peaks and troughs of service demand.</p>	4	3	12	<p>Develop graduate intern opportunities to meet service professional requirements e.g. graduate librarian, graduate systems staff, graduate communications interns.</p> <p>Online Customer Service platform will improve linkages to other systems and enable access to self-serve for customers, reducing resource demand within services.</p> <p>Customer Services Service Review which will include Engagement with HR and finance to ensure appropriate role and grading definitions within the service and broader corporate context.</p> <p>Review Customer Services physical assets in the context of the Corporate Asset Strategy as regards Asset Rationalisation.</p> <p>Monitoring of staffing and resource capacity leading to interim operational arrangements regarding service provision and operating hours in response to COVID 19 requirements.</p>	2	3	6	Service Manager – Customer Services	<p>April 2021</p> <p>April 2021</p> <p>March 2021</p> <p>March 2021</p> <p>March 2021</p>	<p>Risk refreshed by Head of Service October 2020 with residual score reduced to 6.</p> <p>Risk refreshed by Service Manager – Customer Services in the context of COVID-19 service response – 2.10.19 with current risk increased from 9 to 12.</p> <p>Risk refreshed by Head of Communities and Partnerships August 2018 with Current Score reduced from 12 to 9.</p>

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating			
			L	I	L x I		L	I	L x I			
	<p>e.g. digital strategy, asset management, financial strategy, within budget allocation.</p> <p>Customer Services staff teams have been integral to the COVID-19 response supporting Scottish Government support for people initiatives e.g. shielding, and this has meant that staffing has been redeployed from core activities to enable this work.</p>	<p>Active monitoring of staffing budgets with Finance to move staffing resource to where it is needed</p> <p>Close monitoring of RIVO in relation to staff experiences/stress and risk assessments completed.</p> <p>Provision of effective staff Induction and ongoing training e.g. CSPQ, Mindfulness, Mental Health etc.</p> <p>Performance Indicators analysed informing service delivery and management.</p> <p>Provide data and analysis to support bids for additional resources or business case to reduce/withdraw resources.</p> <p>Knowledge software deployed within key areas and evaluated and staff trained to extract, interpret and apply knowledge.</p> <p>Promote alternate customer service options i.e. channel shift to increase online service delivery, and reduce face-to-face and cash handling service provision.</p> <p>Service Review of Facilities Management Services.</p>				<p>Prioritise phased reopening of Customer services and public access to enable resources to be deployed to meet priority Covid-19 response requirements.</p>				March 2021		
C&P 4	<p>Digital exclusion</p> <p>COVID 19 has forced a shift to virtual meetings and services which highlighted that there is an inequality in digital inclusion. If this is not addressed, to ensure equal access to devices, Wi-Fi and training, communities will not be fully represented.</p> <p>Access to community learning and skills development opportunities will be restricted to those with devices and Wi-Fi.</p> <p>Lack of a common IT platform is a barrier to participation and community engagement. Community organisations such as Community Councils, Area Partnerships and 3rd sector organisations use Zoom; ELC staff are unable to host Zoom meetings and connectivity issues impede inclusion.</p> <p>Social isolation during COVID 19 has had an impact on many people's mental health and wellbeing and highlighted the importance of people being supported to become digitally included.</p>	<p>CLD staff promoting digital skills development opportunities.</p> <p>Maximising funding opportunities</p> <p>Promoting opportunities to access devices and training via community networks such as Area Partnerships and community councils.</p> <p>Effective management of existing public access IT stations e.g. within libraries and customer services.</p>	3	3	9	<p>Identification of a common accessible platform will enable optimum community access to services, participation in meetings, community learning/skills development and to reduce social isolation.</p> <p>Training on digital skills for Connected Communities staff to support community engagement and learning opportunities.</p> <p>Re-establishment of Digital Inclusion Strategy group to review the Council's existing Digital Inclusion Strategy.</p> <p>Implement Connecting Scotland initiative to provide devices, Wi-Fi and identify Community Digital Champions.</p>	3	2	6	Service Manager – Connected Communities	<p>December 2020</p> <p>December 2020</p> <p>November 2020</p> <p>November 2020</p>	New risk created by Service Manager – Connected Communities October 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			
C&P 5	<p>Safety Incidents</p> <p>Safety incidents such as petroleum fireworks, sale of illicit goods (e.g. alcohol, tobacco, counterfeit goods & foodstuffs), bogus cold callers at homes and online and mail business and consumer scams may result in public safety concerns and/or major financial harm to local businesses or consumers.</p> <p>This would affect public and business confidence within East Lothian. There would also be a reputational risk for the Council if the incident response were unsatisfactory as there would be significant local/national media interest.</p> <p>With the ongoing expansion of housing in East Lothian the likelihood of this risk will increase in the future.</p> <p>Trading Standards staffing levels currently reduced from 2.9 FTE to 1 FTE. (0.9 FTE on maternity leave until June 2021 & 1FTE post now vacant).</p> <p>Combination of current COVID 19 pandemic and lack of staff has resulted in reactive risk managed visits to retail premises and intelligence led work being referred to Police Scotland or other agencies as appropriate.</p> <p>BREXIT may also increase demand on Service from both business and consumers for advice regarding SCAMS relating to legislative changes to a variety of consumer products and services and re-import/export of consumer goods and animal feed.</p>	<p>Multi-agency response arrangements in place e.g. Police, Fire Service and Social Work, and good links with other agencies e.g. CTSI, Trading Standards Scotland, OPSS, HSE, SEPA, RoSPA.</p> <p>Reactive visits to major incidents at retail premises only.</p> <p>Current business plan is paused due to COVID-19.</p> <p>Warnings and advice to public and businesses relayed via website, social media and to Area Partnerships and Community Councils if necessary.</p> <p>Contact with SPoCs in the Police re-Environmental Health, Financial Harm etc.</p> <p>Cross-authority networking and collaboration.</p> <p>Participation in national awareness and promotion campaigns.</p>				<p>Review of Service priorities and resource allocation.</p> <p>Engagement in national professional networks, promoting investment in professional capacity.</p> <p>Recruitment to vacant Trading Standards post.</p> <p>In anticipation of additional funding for Environmental Health, develop role profiles for compliance resources to meet COVID 19 pressures.</p>				<p>Service Manager – Protective Services</p> <p>Principal Trading Standards Officer</p>	<p>April 2021</p> <p>April 2021</p> <p>January 2021</p> <p>April 2021</p>	<p>Risk refreshed October 2020 by PTSO with no changes to risk scores.</p> <p>Risk refreshed August 2019 by PTSO with current risk increased from 6 to 9.</p>
			3	3	9		2	3	6			

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating			
			L	I	L x I		L	I	L x I			
C&P 6	<p>Compliance with the Control of Dogs (Scotland) Act 2010</p> <p>Failure to comply with the statutory requirements of the Control of Dogs (Scotland) Act 2010 could result in serious injury/death to a member of the public from attack by an out of control dog/s and reputational risk to the Council or prosecution of the Council for failure to comply with the Act.</p> <p>Dog Warden resources are limited leading to longer response times to all complaints (including dog attacks and dealing with stray dogs), monitoring Dog Control Notices and administration of the Professional Dog Walkers' scheme.</p> <p>COVID 19 resource constraints impacts on monitoring Dog Control Notices; it is not possible to physically attend at the home of dog owners due to COVID 19 restrictions.</p>	<p>More employees trained in the enforcement of the Act.</p> <p>Police Scotland have input into any complaints; Dog Warden has good relationship with the Police and can instruct them to assist with inquiries.</p> <p>Community Wardens have been directed to assist the Dog Warden in the discharge of his duties.</p> <p>Ongoing review of procedures by Dog Warden.</p> <p>Joint Protocol on the Control of Dogs with the Police approved and signed; remains in place. Creates clear demarcation lines on agency responsibilities in relation to dog attacks.</p>	3	3	9	<p>The receding of COVID will allow the Dog Warden to return to the discharge of his duties in the traditional way.</p> <p>Promotion of responsible dog ownership across communities.</p>	2	2	4	<p>Service Manager – Protective Services</p> <p>Team Manager - Safer Communities</p>	<p>March 2021</p> <p>March 2021</p>	<p>Risk reviewed by Head of Service in October 2020 with residual score reduced from 6 to 4.</p> <p>Risk reviewed in January 2020 by Team Manager Safer Communities in light of reduction of Dog Warden service to one officer with current score increased to 9 and residual score to 6.</p>
C&P 7	<p>ELC antisocial behaviour cases</p> <p>COVID 19 led to a moratorium on the raising of ELC antisocial behaviour cases at Edinburgh Sheriff Court from March 2020.</p> <p>Moratorium on ASBO cases completely lifted in July 2020 but only partially lifted in relation to eviction cases in September 2020.</p> <p>This generates an 'eviction freeze' which introduces a risk that antisocial perpetrators may act with impunity in the knowledge that they cannot be evicted.</p> <p>The backlog in cases being presented at Court generates significant concerns and reputational risk, placing pressure on both the Safer Communities and Legal Services teams in managing public and service partner expectations in respect of cases in the Courts back log.</p> <p>ELC Legal Services now have a backlog of ASBO instructions leading to increased risk in communities and negative impact on Council reputation.</p>	<p>ELC Solicitor in contact with the Court. ELC.</p> <p>Complainers being kept abreast of situation.</p> <p>Close monitoring of all cases.</p>	3	3	9	<p>Collaborative working with Legal Services to review and progress cases appropriately.</p>	2	2	4	<p>Service Manager – Protective Services</p> <p>Team Manager - Safer Communities</p>	<p>March 2021</p>	<p>New Risk added by Team Manager - Safer Communities– October 2020.</p>

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: 24 November 2020
BY: Chief Executive
SUBJECT: Council Resources Risk Register

10

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Council Resources Risk Register (Appendix 1) for discussion, comment and noting.
- 1.2 The Council Resources Risk Register is developed in keeping with the Council's Risk Management Strategy and is a live document, which is reviewed and refreshed on a regular basis, led by the Council Resources Local Risk Working Group (LRWG).

2 RECOMMENDATIONS

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

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Council Resources LRWG. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) producing an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).
- 3.2 The Council's response in relation to adverse risk or its risk appetite is such that:

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

3.3 The current Council Resources Risk Register includes 1 Very High, 6 High risks, 23 Medium risks and 8 Low Risk. As per the Council's Risk Strategy only the Very High and High risks are being reported to the Committee.

4 POLICY IMPLICATIONS

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

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 None.

Appendix 1 – Council Resources Risk Register 2020/21

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	12 November 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			
CR 1	<p>External IT Security Threats</p> <p>Council IT systems are compromised by criminal 3rd party (e.g. hacker, terrorism) - causing the loss of a system, virus/Trojan/ransomware infection or loss/disclosure of data. This potentially could have a serious impact on one or more Council services.</p> <p>The Council's increased participation in shared services escalates this risk as the council's network boundaries are being opened up to enable data sharing with other agencies.</p>	<p>Firewalls in place</p> <p>External facing systems are vulnerability tested at least once a year</p> <p>Security logs are reviewed daily</p> <p>Comprehensive change control and IT security measures also in place to ensure confidentiality, integrity and availability of systems.</p> <p>Information security awareness training of employees provided council wide and awareness sessions carried out in schools.</p> <p>Regular software and data backups are taken.</p> <p>Work with National Cyber Security Centre to keep up to date with new and emerging threats.</p> <p>Ensure purchase of secure systems and maintain security through system life cycle</p> <p>The Council complies with ISO27001 the International standard for Information Security</p> <p>Security systems under continuous review and patching to ensure they are still capable of controlling new and emerging threats.</p>	4	5	20	<p>Acceptable use policy for all ELC employees is to be refreshed by March 2021 and all employees will be expected to re-sign. This will include suitable rationale / guidance / training on the need for good practices and what they look like.</p>	3	5	15	Team Manager – Infrastructure & Security	March 2021	<p>Risk reviewed and updated by IT management September 2020 with no change to risk scores.</p> <p>Risk refreshed December 2015 with Current score increased from 15 to 20 and residual from 12 to 15 due to recent breach.</p> <p>Risk refreshed November 2014. Current Risk Score increased from 10 to 15 and Residual Risk score increased from 5 to 12 due to heightened risk.</p>

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating			
			L	I	L x I		L	I	L x I			
CR 2	<p>Internal IT Security Threats</p> <p>Council IT systems are compromised by the actions of an internal employee - causing the loss of a system, virus/trojan/ransomware infection or loss/disclosure of data. This potentially would have a serious impact on the business of the Council.</p> <p>HMG and UK Governments National Cyber Security Centre class the risk of cyber-attack in the UK as severe and threat from internal has risen due to ransomware attack increase.</p>	<p>Internal IT Systems are protected by antivirus, group policy etc.</p> <p>Security logs are reviewed daily</p> <p>Comprehensive change control and IT security measures also in place to ensure confidentiality, integrity and availability of systems.</p> <p>Information security awareness training of employees provided council wide and awareness sessions held in schools.</p> <p>Regular software and data backups.</p> <p>Work with National Cyber Security Centre to keep up to date with new and emerging threats.</p> <p>Ensure purchase of secure systems and maintain security through system life cycle</p> <p>The Council complies with ISO27001 the International standard for Information Security</p> <p>Continual vulnerability testing.</p> <p>Security systems under continuous review and patching to ensure they are capable of controlling new and emerging threats.</p>	4	4	16	<p>Acceptable use policy for all ELC employees is to be refreshed by March 2021 and all employees will be expected to re-sign. This will include suitable rationale / guidance / training on the need for good practices and what they look like.</p>	3	4	12	Team Manager – Infrastructure & Security	March 2021	<p>Risk reviewed and updated by IT management September 2020 with no change to risk scores.</p> <p>Risk reviewed and updated by IT management August 2019 with current score reduced from 20 to 16.</p> <p>Risk reviewed and updated by IT management October 2016 and with Current Risk score raised from 16 to 20 and residual score from 9 to 12 due to increase in current attacks in the UK.</p>
CR 3	<p>Data Breach</p> <p>Breach of Data Protection or other confidentiality requirements through the loss or wrongful transmission of information through for example:</p> <ul style="list-style-type: none"> - private committee reports, minutes or correspondence being stored or disposed of inappropriately; - loss or misdirection of material during transit; - members of staff being unaware of their responsibilities in respect of confidential material and/or personal data; - intentional or malicious misuse of personal data; - lack of appropriate facilities for storage or disposal of material; <p>Risks include:</p> <ul style="list-style-type: none"> - breach of relevant laws; - breach of duty of care; - harm to individuals; - legal action and fines; - requirement to pay compensation; - adverse publicity; - damage to the Council's reputation. <p>The shift to remote and home working in response to the COVID-19 crisis has</p>	<p>Secure filing and storage of confidential papers and disposal of confidential waste separately from other papers.</p> <p>Internal mail and/or Council Contractor used to transport Private & Confidential materials.</p> <p>Council PCs and laptops do not accept unencrypted external storage devices.</p> <p>Checks on documents are made by a second clerk when relevant documents are uploaded to internet.</p> <p>Data Protection Policy</p> <p>Maintaining staff awareness through team meetings, briefing sessions and health checks</p> <p>Online Data Protection Training rolled out to all employees and repeated every 2 years.</p> <p>A record of all breaches and near misses is being maintained to inform learning and identify areas of concern</p>	4	4	16	<p>Acceptable use policy for all ELC employees is to be refreshed by March 2021 and all employees will be expected to re-sign. This will include suitable rationale / guidance / training on the need for good practices and what they look like.</p> <p>Monitoring of take up of compulsory Data Protection training with service managers being alerted to those members of staff who have not completed up to date training.</p> <p>Information Asset Register to be developed that links all Data Protection Impact Assessments, Data Sharing Agreements and Data Processing Agreements templates to be revised to make them more flexible and user-friendly.</p> <p>Re-assessment of records management arrangements to be completed in line with the requirements of the Public Records (Scotland) Act 2011, including assessment and recommendations for Dunbar Road records store.</p>	3	3	9	<p>Team Manager – Information Governance</p> <p>Team Manager – Infrastructure and Security</p>	<p>March 2021</p> <p>June 2021</p> <p>June 2021</p> <p>June 2021</p> <p>June 2021</p>	<p>Risk refreshed October 2020 by Team Manager-Information Governance in October 2020 with increase in Current Score from 12 to 16 based on COVID-19 impact.</p> <p>Risk refreshed October 2017 by Service Manager with no change to assessment of score.</p> <p>Risk refreshed December 2015 with current score increased from 9 to 12 due to recent breach and involvement of Information Commissioner.</p>

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
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			L	I	L x I		L	I	L x I			
	<p>increased the risk of data breaches due to rapid deployment of new procedures, changing existing paper-based processes to digital ones, and shifting almost entirely to digital communications. This fundamentally increases the amount of personal information being captured in recorded form, increases the risk that personal data may be lost or misdirected and increases the Council's reliance on digital information security measures to protect data.</p> <p>The COVID-19 crisis itself has increased the risk of data breaches, as staff must respond rapidly to continuously changing circumstances and they have less time and capacity to perform routine checks e.g. when sending personal data externally.</p> <p>Since March 2020, the Council has recorded a marked increase of data breaches of varying level of severity, the majority of which have involved the misdirection of personal data under new processes/procedures. Some of these have involved delays to reporting incidents internally to the DPO/Data Breach Team.</p> <p>The Council's increased participation in shared services poses a risk for information security/data protection, as the council's network boundaries are being opened up to enable data sharing with other agencies.</p> <p>Paper records storage facilities (excluding the Council Archives) do not currently have sufficient access, file tracking or disaster management controls to prevent unauthorised access or accidental loss of personal data. Paper records storage procedures are not consistently applied across the Council.</p> <p>Any breaches could result in loss of PSN connection or fines from the Information Commissioner.</p> <p>Failure to improve records management arrangements could result in non-compliance with the Public Records (Scotland) Act 2011.</p>	<p>Data Protection Impact Assessments being completed for all business processes that involve personal information.</p> <p>Data Sharing Agreements being put in place for all personal information being shared.</p> <p>Data Processing Agreements being put in place with bodies that are processing personal information on ELC behalf.</p> <p>Data Protection/Information Security awareness campaign under development jointly by Information Governance, Information Security and Communications teams.</p> <p>All known proposals to share information are scrutinised by the IT Team Manager – Infrastructure and Security and Team Manager-Information Governance.</p> <p>Procurement Initiation documents check whether IT issues have been considered by new procurements.</p> <p>Report under draft addressing risks at Dunbar Road records store and identifying options for improvements.</p>				<p>Revise our disciplinary policy and procedures to ensure that a deliberate data breach is a clear disciplinary matter attracting major sanctions as gross misconduct.</p> <p>Data Protection Impact Assessment template to be revised to make it more flexible and user-friendly and encourage increased use by staff.</p>					June 2021	
CR 4	<p>Loss of Internet Connectivity</p> <p>Complete loss of ELC's circuit to the Internet, resulting in no access to external systems, which include but not limited to Pecos, SEEMIS (schools management system) external email, home working access etc. This would have a serious impact on the business of the Council.</p>	<p>SLA's in place with supplier who has resilient backbone in place.</p>	3	5	15	<p>Introduce a second link to Internet from network in Haddington.</p> <p>Introduce a third link to Internet from network outwith Haddington.</p>	1	5	5	Team Manager – Infrastructure & Security	December 2020 March 2021	Risk reviewed and updated by IT management September 2020 with no change to risk 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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			L	I	L x I		L	I	L x I			
CR 5	<p>Client services & procurement processes</p> <p>Failure of client services to comply with our procurement processes through lack of knowledge/experience and/or also business failure of key suppliers leads to service failure, poor value for money, fraud, loss of reputation and/or legal action.</p> <p>Loss of further functionality to contract register due to upgrades to the main platform would lead to non-compliance and disproportionately increased administrative workload as well as failure to provide efficient procurement services.</p>	<p>Corporate Procurement Strategy for period 2017 to 2022 adopted and in place along with Procedures. This is reviewed on an annual basis and updated as required.</p> <p>Purchase Card Procedures and Procurement Improvement Panel (PIP) in place.</p> <p>Regular reporting to PIP and CMT.</p> <p>Procurement Skills Training carried out.</p> <p>Controls in place over New Suppliers. Supplier Finder on Intranet.</p> <p>Additional approval within procurement for single source applications is in place.</p> <p>Close working with internal audit and departments (Audited regularly).</p> <p>CMT ensuring improved compliance with existing Procurement Procedures by championing them and taking action when breaches are found.</p> <p>Contracts Register is manually managed and distribution of up to date contract list is done quarterly.</p> <p>Measures are adopted to ensure appropriate budget is in place for procurement project initiated by Services through Finance budget approval of PID documents before the initiation of a project</p>	3	4	12	<p>There is a plan to link Purchase orders and payments to contract reference number to allow traceability, transparency and benefit tracking. This will also reduce risk maverick spend.</p> <p>The no purchase order no pay policy should reduce risks (the last matter may require new system investment but in the first instance training on current systems to adapt will be investigated).</p> <p>In the event that the tender price following a procurement exercise is greater than 10% of the original estimate spend then authorisation for the award of the tender will be required from the relevant Service Manager or Head of Service together with Service Manager for Finance.</p> <p>Further measures are required to be implemented by the contracting Service following the award of the contract in which the Service will report back to Procurement to ensure further checks that the terms of the contract continue to be followed and best value is achieved.</p> <p>Research and plan implementation of a suitable contract register with at least basic procurement service support functions.</p>	2	4	8	Commercial Programme Manager	<p>October 2021</p> <p>March 2022</p> <p>December 2020</p> <p>October 2021</p> <p>October 2021</p>	Risk Refreshed September 2020 by Commercial Programme Manager with no change to score and new planned measure added.
CR 6	<p>Loss of PSN Accreditation</p> <p>Risk of losing PSN accreditation which gives us connection to systems such as Blue Badge, Registrars of Scotland, DWP, Police etc. which could be caused by failure to comply with PSN Code of Connection and would seriously impact upon the business of the Council.</p>	<p>Continual monitoring of code of connection.</p> <p>Complying with mandatory controls set by HMG.</p> <p>Patching regime in place.</p>	2	5	10	<p>Successful completion of Online Customer Platform to replace CRM system.</p>	1	5	5	Team Manager – Infrastructure & Security	<p>December 2021</p>	<p>Risk reviewed and updated by IT management September 2020 with no change to risk scores.</p> <p>Risk reviewed and updated September 2019 - current score reduced from 15 to 10 due to patching regime now in place.</p>
CR 7	<p>Catastrophic failure of central IT systems</p> <p>Council wide Catastrophic failure of central IT systems (incl. Telephony) which could be caused by a fire/flood event, terrorist attack or a major virus. This would have a serious impact on the business of the Council.</p>	<p>Disaster Recovery Plan in place for major systems.</p> <p>Business Continuity plan in place - backup site for systems identified and core system backup plan created.</p> <p>All known proposals to share information are scrutinised by the IT Security Officer</p>	2	5	10	<p>Review of IT disaster recovery plan based on lessons learned from regular testing of existing plan.</p>	1	4	4	Team Manager – Infrastructure & Security	<p>March 2021</p>	<p>Risk reviewed and updated by IT management September 2020 with no change to risk scores.</p> <p>Risk refreshed by Team Manager</p>

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner	Timescale for Completion / Review Frequency	Evidence held of Regular Review
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating			
			L	I	L x I		L	I	L x I			
	The Council's increased participation in shared services escalates this risk as the council's network boundaries are being opened up to enable data sharing with other agencies.	and Information Governance Compliance Officer.									August 2019 with no change to assessment of current scores.	

East Lothian Council

Risk Matrix

Likelihood Description

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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
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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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