



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

TUESDAY 20 SEPTEMBER 2022  
VIA DIGITAL MEETINGS SYSTEM

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**Committee Members Present:**

Councillor T Trotter (Convener)  
Councillor L Jardine  
Councillor G McGuire  
Councillor B Ritchie

Councillor L Bruce  
Councillor C McFarlane  
Councillor K McLeod

**Other Councillors Present:**

Councillor R Bennett

**Council Officials Present:**

Ms M Patterson, Chief Executive  
Ms S Fortune, Executive Director for Council Resources  
Mr D Proudfoot, Executive Director for Place  
Ms L Brown, Executive Director for Education and Children's Services  
Mr T Reid, Head of Infrastructure  
Ms S Saunders, Head of Communities  
Ms M Sullivan, Head of Development  
Ms W McGuire, Head of Housing  
Mr D Stainbank, Service Manager – Internal Audit  
Mr P Vestri, Service Manager – Policy, Improvement & Partnerships  
Mr S Kennedy - Emergency Planning, Risk and Resilience Officer  
Mr J Coutts, Service Manager – Community Housing & Homelessness  
Mr D Henderson, Interim Head of Finance  
Mr S Allan, Senior Auditor  
Mr I Gorman – Head of Operations, Adult Wellbeing  
Mr C Grilli, Service Manager – Governance, Council Resources  
Mr B Moffat, Service Manager – Transport & Waste, Infrastructure

**Clerk:**

Ms F Currie  
Ms M Scott (back up)

**Visitors Present:**

Ms E Scoburgh, Audit Scotland

**Apologies:**

Councillor Menzies

**Declarations of Interest:**

There were no declarations of interest recorded at the meeting.

## **1. MINUTE OF AUDIT & GOVERNANCE COMMITTEE ON 21 JUNE 2022**

The minutes of the Audit & Governance Committee from 21 June 2022 were approved.

Councillor McFarlane noted that she was not down as attending the previous meeting and instead there had been two Councillor Trotters recorded.

## **2. INTERNAL AUDIT REPORT – SEPTEMBER 2022**

A report was submitted by the Service Manager for Internal Audit, informing the Committee of Internal Audit reports issued since the last meeting of the Committee, and providing an update on the progress made against the 2022/23 annual audit plan.

Duncan Stainbank, Service Manager for Internal Audit, spoke to internal audit reviews that had been carried out since the last meeting of the Audit & Governance Committee in detail. These were Waste Services Income, Finance Business Partners and Budget Monitoring and Performance Indicators.

Mr Stainbank summarised the main finding of the audits and noted that Waste Services Income was given an assessment of “limited assurance” and Finance Business Partners and Budget Monitoring and Performance Indicators were both given an assessment of “reasonable assurance”. Mr Stainbank then paused to allow for questions from Members.

Councillor Jardine asked how soon internal audit revisit items with an assessment of limited assurance and where does that sit in terms of coming back to this group. Mr Stainbank explained that they would go back and do a formal assessment of the actions at the stage when the actions are due to be implemented in full, in this case it would be by April 2023. Mr Stainbank added that a follow up report would be produced for the June 2023 committee to confirm implementation of the recommendations at that stage.

### **Waste Services Income**

In response to Councillor Bruce’s questions around trade waste, Mr Stainbank stated he wouldn’t refer to it as being “lost income” as there were particular issues over the last year in relation to staff resources which means they hadn’t followed up the income as promptly as would be appropriate. He added that until the process is followed to conclusion they could not conclude they had lost any income at this point. He confirmed this would be covered as part of the follow up.

Tom Reid, Head of Infrastructure stated it needed to be remembered that there was a significant staff loss in that period of audit and that it was not reflective of how the service normally operates. Mr Reid added that the service was also in business continuity and rolling out a new service but during that time the team still performed admirably. He noted that matters in the report would be looked at but it was a case of not having the capacity within the team to deliver the workflow so the financial matters outstanding were delayed rather than missed. Mr Reid added that there was no error made and these would have been caught up and he felt it was important that clarification was made carefully.

Mr Stainbank explained that there are processes in place to select particular firms to sell our recycling to with an understanding of where it is going and that it is going to appropriate elements. He added that this process is currently being updated to ensure

it is being sent to appropriate services but there was no evidence as part of the audit that this was not already the case.

Mr Reid reported that Mr Bruce Moffat, Service Manager – Transport & Waste, Infrastructure and the team put a great deal of work into the companies they operate with so the end use is paramount to drive the best value. He added that the glass would go straight into a manufacturing process as there is a demand for the feedstock. Mr Reid added that whenever possible significant work is done by Mr Moffat and the team to check licensing and operating standards and the outfall for material. He said one reason for the mitigation to the new system was for the high quality recycle hence income is up on where he expected but it will be around a years' time before he would know the full output but looked forward to being able to report on the success of both volume and income levels after that time.

In response to Councillor McLeod's question about his dual role of waste management and transport Mr Moffat explained that the services came together in 2019 and have since been through two service reviews which have adapted the service to the current structure. He added that the department were going through a service review period in 2021 which led to the delay in the appointment of officers. Mr Moffat stated that it was a challenge for the management but they still delivered and maintained front line services. Mr Moffat assured the committee that all aspects within the report had been duly noted and look to resolve them as a matter of importance. Mr Moffat concluded by saying a new officer has been recruited and will be in post by 10<sup>th</sup> October.

Mr Reid explained that performance indicators are collated by the service team and a sophisticated computer system that measures all materials in and out. He reported that an officer was available to Mr Moffat throughout the pandemic so they worked together on the turnover and how the service was operating. Mr Reid would then pick up with Mr Moffat at management meetings. Mr Reid noted that only 62% of staff were available throughout the business continuity period to maintain service provision.

In response to Councillor McLeod's questions about non-paying outstanding fees and holidays lets Mr Reid explained that a duty of care transfer is sent out to every commercial operator where they are given a choice is to either make an immediate full annual payment upfront or set up a standing order which would normally be tracked quarterly but the officer who managed this task was lost during the pandemic. If no payment had been received it would be reconciled, visits would be made and it could result in the service being suspended. Mr Reid stated that during the pandemic some companies presented reduced waste irregularly so the department took an operational approach and cleared this and the reconciliation was caught up later when staff were available. He added that historically a very small amount of businesses would either cancel their standing order or default on their payment terms which would be reconciled and chased in the appropriate manner.

Mr Moffat informed the committee that holiday lets were a recent addition to the waste services capture and it has now been agreed through the audit report to merge that into the same time frame as trade customers. Mr Moffat said holiday let customers were difficult to capture as a lot of properties were left inoperative. He said a lot of these holiday lets have come back into operation within the last 6 months so the team have begun capture the missed charges find a reason not to charge as they have been closed for a period of time.

### **Finance Business Partners and Budget Monitoring**

In response to Councillor McLeod's question regarding finance business partners David Henderson, Interim Head of Finance stated that the finance business partners

were part of the service account team who reported to the service account manager. They carry out budget monitoring in conjunction with services then that team would report to Mr Henderson when he returns to his substantive post in a few weeks.

### **Performance Indicators**

In response to Councillor McLeod's questions in regards to homelessness management data and fly tipping Mr Reid explained that the team looked at historic data and worked towards a target that would give an understanding to whether fly tipping was getting worse or improving. He added that this is linked in with the anti-social behaviour team and the police to look for patterns to target areas where they think fly tipping could be occurring on a regular basis. Mr Reid advised that targets set are not goals and instead he hoped to under achieve them which would mean the measures were working and public behaviour was adequate. He noted that quite often there is a pattern of commercial waste being dumped, often from Edinburgh which can be aligned with increased costs of disposal. Mr Reid stated he was happy to take more questions offline if further information is required.

James Coutts, Service Manager – Community Housing & Homelessness reported that the system does hold extensive historical data but as it is an Access database if you overwrite a particular date then it will only be the current date that's held.

Mr Stainbank referred Members to Appendix 2 which showed the progress report prepared to assist the committee on their remit to evaluate Internal Audit's work and measure progress against the annual audit plan 2022/23. There were no questions from committee members for Mr Stainbank.

Councillor McLeod thanked Mr Stainbank and staff for all the work done during a challenging time and expressed that he expected the dip shown within the report. Councillor McLeod added he was pleased the report had highlighted what was required.

### **Decision**

The committee agreed to note:

- i) the main findings and recommendations from the Internal Audit reports issued during the period from June 2022 to September 2022 as contained in Appendix 1;
- ii) Internal Audit's progress against the annual audit plan for 2022/23 as set out in Appendix 2.

### **3. INTERNAL AUDIT PLAN 2022/23**

A report was submitted by the Service Manager for Internal Audit, to inform the Committee of Internal Audit's operational plan for 2022/23, and confirm that no changes are proposed to the operational plan since it was approved by the Audit and Governance Committee in February 2022.

Mr Stainbank drew members' attention to sections 3.5 and 3.16 within the report and welcomed any questions but there were none put toward.

Councillor McLeod commented that he was glad Mr Stainbank highlighted the need for there to be flexibility for investigatory work when preparing the annual audit plan.

A vote was taken by roll call and the recommendation was approved unanimously.



### **Decision**

The Committee approved the Audit Plan for 2022/23.

#### **4. CIPFA PAPER INTERNAL AUDIT: UNTAPPED POTENTIAL**

A report was submitted by the Service Manager for Internal Audit, to review East Lothian Council's position in relation to the Chartered Institute of Public Finance and Accountancy (CIPFA) Thinks research paper 'Internal Audit: untapped potential'.

Mr Stainbank highlighted key sections of the report including an assessment of the Council's Internal Audit function and the requirements for an effective Internal Audit service. He outlined 6 key areas that should be covered to achieve an impactful Internal Audit function in the next three years.

In response to a question from Councillor McLeod Mr Stainbank stated that the Council had developed and invested in improving risk assessment and management and in developing a good risk matrix which was presented to Audit and Governance regularly. He added risk registers are presented on an annual basis and Internal Audit complete a review of risk management also on an annual basis. Mr Stainbank explained that Internal Audit was normally reporting reasonable or substantial assurance in respect of risk maturity so he hoped this reassured the committee that risk management is taken seriously.

Councillor Jardine commented that she was very pleased to see the report consolidating the Councils 'one council' approach and found it really helpful to see the principles of assurance and audit together. Councillor Jardine added that with our 'one council' approach it would be really helpful to embed some of these principles much more fundamentally across the Internal Audit process but also so other teams can value the role that it plays in making sure we all get the best value out of the resources we are responsible for providing.

Councillor McLeod echoed Councillor Jardine's comment adding that the report was well written with a lot of information to take in but he focused more on the information specific to East Lothian.

### **Decision**

Members agreed to note the paper.

#### **5. HOUSING ANNUAL ASSURANCE STATEMENT**

A report was submitted by the Executive Director for Place, remind 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 and to obtain approval for East Lothian Council's Annual Assurance Statement.

James Coutts, Service Manager – Community Housing & Homelessness, spoke to the report which highlighted the areas of partial compliance. Mr Coutts summarised that the last year and a half had been challenging for the Council's Housing Service and there were times when the Scottish Government's response to the pandemic through legislation and guidance restricted the Council's ability to deliver some housing services. Mr Coutts stated the department were not of the view that these temporary restrictions were tantamount to any failure of the regulatory framework but a serious interruption in light of the most serious public health challenge of a generation and all

restrictions were put in place in advice with or instruction from the Scottish Government. Mr Coutts asked members to note that all housing services were now being delivered in full albeit in new ways and with full risk assessments in place. Mr Coutts was of the view that the department were compliant with the framework and the accompanying Internal Audit should give the committee the reassurance needed to approve the annual assurance statement.

Councillor McLeod queried the numbers of completed interlinked fire and heating alarms and electrical systems and also asked who was responsible for checking the private sector leasing properties the council are using. Wendy McGuire, Head of Housing advised that as of August 2022 out of 9000 properties 6% had not had the interlinked fire and heating systems fitted and 20% had not had a completed electrical safety inspection. Mrs McGuire did not have updated figures for the current month but she hoped they would have improved. Mrs McGuire informed Councillor McLeod that the Housing Options Team were in charge of the private sector leased properties and it was up to them to ensure they met requirements.

In response to Councillor Jardine's question Mr Coutts explained that as of the 31<sup>st</sup> August 2022 the Scottish Housing Regulator would have produced information across the whole of Scotland in terms of social landlord performance which had not been fully analysed yet but confirmed East Lothian were not outliers in any of the three areas of partial compliance.

In response to a question from Councillor Jardine Mr Coutts explained that they were in constant discussion with the regulator who were fairly understanding. Mr Coutts added that there was an engagement plan agreed with the regulator which was available on the Council website. Mr Coutts was unsure if the current submission changed the nature of the current engagement plan or brought about higher scrutiny as that would be a matter for the regulator. Mr Coutts stated that the regulator had not signalled any deep routed concern about where East Lothian was sitting or the pathway we were on. Mr Coutts noted that the Council flagged up early on in the process the challenges East Lothian were facing and it was particularly acute in respect of 1 bedroom demand. Mr Coutts confirmed people do occasionally have to be placed in bed and breakfasts and commercial hotels.

Recommendation iii was approved unanimously by roll call vote and all other recommendations were approved by general agreement.

### **Decision**

The Committee agreed to:

- i) That Audit and Governance Committee notes the regulatory framework and the requirement for the Senior Internal Auditor to sign-off the Annual Assurance Statement (AAS) on behalf of the Council.
- ii) That Audit and Governance Committee note that the regulatory framework requires the submission of the AAS no later than the 31st October 2022. The AAS should highlight any areas of non-compliance that relate specifically to the impact of the Covid-19 pandemic.
- iii) That Audit and Governance Committee approves the Annual Assurance Statement as detailed in Appendix 1 noting that East Lothian Council was partially compliant with the regulatory requirements for the financial year 2021/22 and was partially compliant for the first quarter of 2022/23. Areas of partial compliance are in relation to gas safety inspections, reporting against all the protected characteristic groups, interlinked fire alarms and electrical safety inspections and meeting the requirements of The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020.

## 6. HOUSING RISK REGISTER

A report was submitted by the Chief Executive to present to the Audit and Governance Committee the Housing Risk Register (Appendix 1) for discussion, comment and noting.

Scott Kennedy, Emergency Planning, Risk and Resilience Officer spoke to the report outlining the background to the register and the arrangements for assessment and review of ongoing risks. He informed Member's that the register included 1 Very High, 9 High, 8 Medium and 2 Low Risks. As per the Council's Risk Strategy, only the Very High and High risks were being reported to the Committee.

Mr Kennedy noted that he was happy to answer any questions on the format of the register or the analysis of risk and Mrs McGuire would answer any questions in relation to the context of the risk register.

Mrs McGuire, Head of Housing reported that there is currently 1 very high risk around homelessness and would like to pick up from the previous report that the housing service were facing challenges throughout the department particularly around meeting the Unsuitable Accommodation Order. Mrs McGuire added that she had clear aspirations to transform the existing way of working towards tackling and preventing homelessness and felt it was important to note the recent and planned legislative changes being an additional significant pressure and risk upon the team and these have been further exacerbated by the fast paced and changing situation in regards to Ukraine. Mrs McGuire stated there had been some blurring of policies around homelessness and the team had diverted away from their usual work so were having to be more reactive. She noted that the team were currently in business continuity and would continue to liaise closely with the Scottish Government in monitoring and reviewing that risk over the coming weeks.

There were no questions for Mr Kennedy or Mrs McGuire.

Councillor McLeod commented that Mr Kennedy had delivered a hard hitting report and the housing team have a tough job ahead of them but he had every confidence they will deliver.

### Decision

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

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

## 7. DEVELOPMENT RISK REGISTER

A report was submitted by the Chief Executive to present to the Audit and Governance Committee the Development Risk Register (Appendix 1) for discussion, comment and noting.

Scott Kennedy, Emergency Planning, Risk and Resilience Officer spoke to the report outlining the background to the register and the arrangements for assessment and review of ongoing risks. He informed Member's that the register included 1 High, 4 Medium and 5 Low Risks. As per the Council's Risk Strategy, only the High risk would be reported to the Committee.

There were no questions or comments.

### **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 risks could be borne by the Council at this time in relation to the Council's appetite for risk.
- 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.

## **8. COMMUNITIES RISK REGISTER**

A report was submitted by the Chief Executive to present to the Audit and Governance Committee the Communities Risk Register (Appendix 1) for discussion, comment and noting.

Scott Kennedy, Emergency Planning, Risk and Resilience Officer spoke to the report outlining the background to the register and the arrangements for assessment and review of ongoing risks. He informed Member's that the register included 1 Very High, 5 High, 20 Medium and 9 Low Risks. As per the Council's Risk Strategy, only the Very High and High risks were being reported to the Committee.

There were no questions.

Councillor Jardine commented that this particular paper documented how complex the activity was in terms of making sure all risks and potential mitigating factors were taken into consideration. Councillor Jardine added that it was helpful to see the level of innovative thinking that went into trying to mitigate some of the risks and commended everyone for the quality of the report.

Councillor Trotter echoed Councillor Jardine's comment.

### **Decision**

The Committee agreed to note the Communities 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 Communities risks could be borne by the Council at this time in relation to the Council's appetite for risk.
- iii) although the risks presented were those requiring close monitoring and scrutiny over the next year, many were in fact longer-term risks for Communities and were likely to be a feature of the risk register over a number of years.

## **9. LOCAL GOVERNMENT IN SCOTLAND: OVERVIEW 2022 (ACCOUNTS COMMISSION, MAY 2022)**

A report was submitted by the Executive Director of Council Resources to review the Accounts Commission report, 'Local Government in Scotland: Overview 2022.

Paolo Vestri, Service Manager, Policy, Improvement & Partnerships explained that the Accounts Commission published an annual review report based on findings and key issues that arouse in the Annual Audits. He added we have traditionally presented the overview report to Audit and Governance Committee along with the covering report. Mr Vestri stated that this report provided a summary of key points in the Accounts Commission Overview report and provided some commentary in regards to the report's recommendations and key findings. The overview report this year was structured around three key themes which were detailed within the report along with a summary of the key findings around those key themes and the recommendations.

Mr Vestri reported that in regards to responding to the external environment there were 4 key issues raised; Proposal of the national care service, the impact of Brexit, Climate change and the impact of COVID.

Mr Vestri highlighted that those issues formed the bulk of the context for the Council plan that was previously approved by the Council. They were also reflected in the overarching objectives.

Mr Vestri noted the second theme of the overview report; Organising the Council which covered three issues; Leading Recovery and Renewal, Managing Resources and Managing Council Workforces

Mr Vestri stated Council finances had been significantly impacted by COVID and also caused long term funding uncertainty for local authorities. Mr Vestri added that the overview report also stated as well as increasing financial pressures they also faced continuing pressures in regards to managing their workforces.

Mr Vestri summarised the 9 recommendations made in the Accounts Commission report and stated East Lothian Council's position with regards to the recommendations.

Mr Vestri explained that the third theme of the overview report; Meeting Local Needs which covers the two issues of; the impact of COVID on services and inequality and collaboration with the communities. Mr Vestri summarised the recommendations made in the report and summarised the Council's position in regards to those recommendations.

Finally Mr Vestri made members aware the report included 26 questions based around the 7 themes highlighted in paragraph 3.25, for members to consider. It was suggested members should consider those questions around 'what do I know?' and 'do I need to ask further questions?'

There no questions or comments on this paper.

### **Decision**

The Committee agreed to:

- Note the findings and conclusions in the Accounts Commission report, Local Government in Scotland: Overview 2022.

- Note the recommendations made by the Account Commission and how the Council was already responding as detailed in the tables in paragraphs 3.18 and 3.24.
- Note the supplement to the Local Government in Scotland: Overview 2022 with 26 questions the Accounts Commission suggests elected members should consider and seek further information if required.

Signed

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Councillor Lee-Anne Menzies  
Convener of the Audit and Governance Committee

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

TUESDAY 1 NOVEMBER 2022  
VIA DIGITAL MEETINGS SYSTEM

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**Committee Members Present:**

Councillor L Menzies (Convener)  
Councillor T Trotter (Depute Convener)

Councillor L Bruce  
Councillor C McFarlane  
Councillor G McGuire

Councillor K McLeod  
Councillor B Ritchie

**Other Councillors Present:**

Councillor Hampshire  
Councillor Bennett

**Council Officials Present:**

Ms S Fortune, Executive Director for Council Resources  
Ms M Ferguson – Head of Council Support  
Mr D Stainbank, Service Manager – Internal Audit  
Mr P Vestri, Service Manager – Corporate Policy & Improvement  
Mr C Grilli, Service Manager - Legal  
Ms A Glancy, Finance Manager – Corporate Accounting  
Ms E Dunnett, Head of Finance  
Mr G Davies, Principal Accountant  
Miss F Currie, Committees Officer  
Mr I Gorman, Head of Operations NHS

**Clerk:**

Miss M Scott

**Visitors Present:**

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

**Apologies:**

Councillor L Jardine

**Declarations of Interest:**

Councillor Menzies declared that she was a board member of Enjoy Leisure; appointed by the Council. She confirmed she her interest did not prevent her participating in the discussion but she wanted to make everyone aware of her position.

## **1. ANNUAL ACCOUNTS 2021/22**

A report was submitted by the Executive Director for Council Resources providing the Committee with an update on the main changes arising during the audit of the draft financial statements, and asking the Committee to approve the now audited accounts for 2021/22.

Anne-Marie Glancy, Finance Manager – Corporate Accounting, presented the report which gave an update on any main changes which arose during the audit process. Ms Glancy stated that preparing the accounts and having an extended period had proved challenging but she was pleased to report there were no misstatements identified which exceeded the reporting threshold and therefore no changes needed to be reported to the Committee.

Ms Glancy thanked Audit Scotland and all Council officers involved in the year end process, especially all finance staff for going above and beyond to pull everything together and produce the year end accounts during an incredibly demanding year.

Councillor Menzies added her thanks to Audit Scotland and Council officers and wanted to make sure it was acknowledged how much hard work had gone into producing the annual accounts.

There were no questions on this item.

Councillor Menzies extended her thanks to Ms Fortune and her team and said the lack of questions or points raised showed that the briefing meetings and explanations had paid off.

The vote was taken by roll call and the recommendations were approved unanimously.

### **Decision**

The committee agreed to:

- i) Approve the 2021/22 audited accounts for the Council and its group components with the benefit of the auditor's findings.

## **2. ISA 260 LETTER FROM AUDIT SCOTLAND:**

### **A. ELC AUDIT OF 2021/22 ANNUAL ACCOUNTS**

Ms Woolman presented the ISA 260 letter to those charged with governance, prepared following the audit of the Council's annual accounts for 2021/22. She highlighted some of the key points including the reminder that Audit Scotland seek written representation from the Council's Section 95 Officer. She confirmed that there were no unadjusted misstatements and no areas to draw attention to by exception and that Audit Scotland would be issuing an unmodified audit opinion.

### **B. DR BRUCE FUND AUDIT OF 2021/22 ANNUAL ACCOUNTS**

Esther Scoburgh, Senior Audit Manager - Audit Scotland, presented the ISA 260 letter to those charged with governance and appendices prepared following the audit of the Dr Bruce Fund annual accounts for 2021/22. She highlighted a key point to note was



her proposed audit opinion on the section 106 charity was unmodified. Ms Scoburgh added there were no unadjusted errors or misstatements to bring to the committees attention and a recommendation had been raised in the ELC Annual Accounts report in respect of activity and overall objectives of the Dr Bruce Fund. Ms Scoburgh noted as part of the completion process that Audit Scotland have recovered written representation from the Section 95 Officer with the updated final accounts.

Ms Scoburgh also offered her own thanks to all East Lothian Council staff, particularly Gareth Davies for their help in completing audit work for the Dr Bruce Fund.

There were no questions or comments on this item.

### **Decision**

The Committee agreed to note the contents of the letters.

### **3. EAST LOTHIAN COUNCIL 2021/22 ANNUAL AUDIT REPORT**

Ms Woolman presented the annual audit report for 2021/22, 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 confirmed that she would be issuing an unmodified audit opinion. Ms Woolman stated that the audit continued to be carried out remotely and the COVID-19 pandemic had very little impact on both the accounts preparation by the Council's finance team or on the gathering and auditing of the evidence by the Audit Scotland team. Ms Woolman reminded members that there is an opportunity for the public to raise objections when the year draft accounts go into the public domain in June but she was pleased to report there were none raised.

Ms Woolman explained that Audit Scotland ensure independence of team members therefore this is the last year of her teams audit appointment and there will be a new team of auditors going forward for 2022/23. On this occasion it will be another in house team from Audit Scotland.

Ms Woolman reported there were no identified misstatements in excess of the reporting threshold which needed to be drawn to the committees attention and she also recorded good progress made from the prior year's recommendations.

In response to a question from Councillor McLeod, Ms Woolman stated that the focus of this meeting was to look back over 2021/22 but that he rightly highlighted the challenges ahead and councillors will want to get very engaged in the treasury management strategy and would recommend seeking support from finance officers for training on that area before the actual document is submitted for approval. Ms Fortune added that all member should be aware the scheduled treasury management briefing taking place next week and she would encourage all to attend. Ms Fortune stated that treasury management is a fairly complex area but it was important for councillors to know their roles and what the implications of things were.

Councillor Menzies extended her thanks from all at East Lothian Council to Audit Scotland for their work over the last 6 years especially during some of the hardest times we have all experienced. Councillor Menzies gave a personal thanks to Ms

Woolman and Ms Fortune and her team for ensuring she had a good understanding of the audit process.

Councillor Ritchie also extended her thanks to the finance team, internal audit and Audit Scotland for their work. Councillor Ritchie found the overall report positive and felt it also highlighted the work which needs to be done.

**Decision**

The Committee agreed to note the annual audit report.

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Signed .....

Councillor Lee-Anne Menzies  
Convener of the Audit and Governance Committee

**REPORT TO:** Audit and Governance Committee  
**MEETING DATE:** 29 November 2022  
**BY:** Service Manager – Internal Audit  
**SUBJECT:** Internal Audit Report – November 2022

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## **1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee, provide details of Internal Audit's follow-up work undertaken and provide an update on progress made against the 2022/23 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 2022 to November 2022 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 2022/23 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: IT Asset Management, Sundry Accounts, Data Protection, and City Deal Governance and Monitoring.
- 3.2 The main objective of the audits was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audits is contained in Appendix 1.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- IT Asset Management – Limited Assurance
  - Sundry Accounts – Reasonable Assurance
  - Data Protection – Reasonable Assurance

➤ City Deal Governance and Monitoring – Reasonable Assurance

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

**Non-Domestic Rates Reliefs and Recoveries**

- 3.5 Internal Audit's report on Non-Domestic Rates Reliefs and Recoveries was issued in September 2021. Our follow-up review has highlighted that of the 14 recommendations made, 12 of the recommendations have been implemented. The two final recommendations relate to a review of the discretionary relief policy which has been delayed as a result of expected changes to the delegation of reliefs in April 2023. These two recommendations will be reviewed for completion by Internal Audit in April 2023.

**Council Tax Reliefs and Recoveries**

- 3.6 Internal Audit's report on Council Tax Reliefs and Recoveries was issued in September 2021. Our follow-up review has highlighted that each of the three recommendations made have been implemented.

**Restart of Capital Projects**

- 3.7 Internal Audit's report on Restart of Capital Projects was issued in February 2022. Our follow-up review has highlighted that the two recommendations made have both been implemented.

**Progress Report 2022/23**

- 3.8 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 2022/23.

**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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<b>DATE</b>	18 November 2022



# Appendix 1 Executive Summary: IT Asset Management

## Conclusion: Limited Assurance

Whilst IT have appropriate systems in place to record all devices that are logged on to the Council network, there is no clear record maintained of devices from original purchase through to eventual destruction, in either the Council or the Education asset estate. This provides a significant weakness in the overall control environment for IT Asset Management resulting in limited assurance over the appropriate maintenance of the asset estate, and limited ability to control the risk of inappropriate management of devices, refresh requirements and loss or theft of increasingly mobile devices.

### Background

The Council IT team has responsibility for authorising all IT device purchasing for use on the Council network. Assets with data processing capabilities are asset tagged when they are first procured. Whilst a system was in place to record all assets and their initial transferred ownership, this system has fallen into disuse over the last three years as a result of the IT teams being required to rise to the challenge of the significant demands placed on them due to the increased requirement for mobile devices to meet the COVID -19 pandemic and changes in the ways of working. This report reflects the need for recovery of control process to reflect the new ways of working. Excluding servers, routers, etc. the Council has an approximate total of 6,200 assets with network access.

### Summary of findings & recommendations

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

- There is no IT Asset Management procedure currently in place for the Council. *Management have agreed to develop an Asset Management procedure by July 2023.*
- Whilst there are systems in place to initially tag assets when issued and to establish which IT assets are currently using the Council network, no IT Asset Management system is currently being used to confirm the individuals currently responsible for each device and track the device from original purchase through to destruction. *Management have agreed to put in place an IT Asset Management system, and reconcile to purchases by September 2023.*
- The current process to manage reallocation of devices when staff are leaving and management of internal staff job transfers can be improved by clarifying responsibilities for return of devices that are not continuing to be used in the service, and confirmation of completion of IT requirements following transfer of roles. *Management have agreed to introduce requirements in the new Asset Management procedure which will clarify line management responsibilities by July 2023.*
- There are currently no regular checks and reconciliations on the IT equipment issued within East Lothian schools, a recent check completed within one school resulted in the blocking of 41 devices, where the current whereabouts could not be identified following a lengthy checking exercise. *Management have agreed to introduce appropriate annual exercises by April 2023.*
- A reconciliation of IT and Internal Audit data indicated that not all lost/stolen devices are being reported through appropriate channels. *Management have agreed to alter systems to ensure that reconciliations can take place to ensure all reported devices are resolved by July 2023.*

### Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	1	11	1	13
Prior Report*	N/A	N/A	N/A	N/A

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

### Materiality

For the financial year 2022/23 the IT service has a capital budget of £2.1 million for the IT replacement programme and digital opportunities, which is a reduction of £0.7 million from 2021/22. The additional funding in the previous year related to exceptional funding to provide equipment required during the pandemic. The capital estate that IT manage had a NBV of approximately £7.5m at 31 March 2022, together with intangible assets and software of approximately £0.9m.

# Headlines

Objectives	Conclusion	Comment
1. Clear, accessible, relevant and appropriate policies and procedures are in place to manage IT assets effectively.	Limited	IT have responsibility for managing all computer equipment and systems used by the Council and need to know what equipment is in use by staff. The procedures currently being followed simply require IT to acquire equipment, asset tag it, which forms part of it's name, and record everything that is attached to the network. Three separate systems all record assets attached to the network, Configuration Manager, Active Directory and Sophos. No procedure exists for the management of IT assets.
2. A complete and accurate asset register is in place containing all relevant details of all IT assets, both hardware and software.	Limited	A number of systems are in use to record assets connected to the network, but each of these systems are used for different purposes and none of them actually record the full life history of each item of equipment from being ordered to their final destruction. Currently no comprehensive Asset Management system is in place and a detailed list of current assets is not available, with all of these systems showing significantly different asset numbers.
3. Procedures are in place to ensure that all equipment is returned to the Council for reuse or disposal when staff, workers and service users no longer require the equipment.	Limited	Exit procedures have been put in place by HR, these procedures state that line managers are responsible for recovering equipment when staff leave. Without a complete Asset Management system there is no assurance that any line manager will be fully aware of the equipment that any member of staff has been issued with. No processes are in place for return of the equipment centrally to IT for securely ensuring reissue. Line management retain equipment for reissue to new staff. When new staff are not recruited immediately this increases the risk of asset loss, data protection breaches and security breaches.
4. Procedures are in place to ensure that all software used by Council services is recorded and reconciled to records of software used on the Council's network.	Reasonable	Software is recorded on two systems, those that can be installed and updated automatically are recorded within the Configuration Manager system and a separate record is maintained of all the main systems hosted internally within the Council servers, however some of the details within this record are not up to date.
5. Adequate procedures are in place to ensure that IT equipment allocated to schools, teaching staff and pupils is appropriately recorded to individuals holding the equipment and regular reconciliations are carried out to confirm assets to the Asset Management system.	Limited	Historically a report was sent to each school to allow them to check all the equipment held against the central record of equipment issued. However we have been advised that this annual check has not been carried out for over 10 years. One school recently completed a similar check and it was established that 41 devices required to be blocked as there current whereabouts could not be established.
6. Procedures are in place to monitor loss and breakage of IT assets across the Council to confirm that registers remain up to date and potential fraud is being investigated.	Reasonable	Breakages are recorded within the IT Service Desk and can be readily identified, however the system has not been configured to enable losses to be identified. Losses have to be reported to the Police, 20k and Internal Audit as well as IT. The lack of a record within the IT Service Desk resulted in reconciliation with the Internal Audit record not being possible.



# Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	Systems are in place which allow all assets attached to the Council's networks to be recognised.
2.	A Configuration Management system is in place that identifies core software installed in all network equipment.
3.	Processes are in place and operating to remove systems access for staff who leave the Council.
4.	Procedures to advise line management to recover IT equipment from staff leaving the Council are being enacted to the best of line management's capability, on the basis of the sample testing completed.

# Recommendation Grading/Overall opinion definitions

Recommendation	Definition
<b>High</b>	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.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable Assurance</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

# Executive Summary: Sundry Accounts

## Conclusion: Reasonable Assurance

The Council has a process in place to raise sundry accounts in an appropriate manner and to follow those accounts through a collection process, with timely reminders and final notices being issued. Staff are appropriately allocated to service areas to provide further communication and assistance to debtors to help ensure payments are received. Improvements in authorisation, verification, training, regular review of accounts, systems and use of Sheriff Officer collection can be made to improve the collection rates being achieved.

## Background

The Council has a Non-Domestic Rates and Sundry Accounts team that, in addition to responsibility for Non-Domestic Rates, provides a service for the raising of Council invoices where this is required and follow-up and collection of the fees and charges due for the invoices raised by other Council services. The Council has a Charging Policy that has been in place since 2019 and invoices should be raised in accordance with this policy. Invoices are raised for many Council services including residential care charges, trade and special waste collection and Section 75 contributions. Invoices are raised through the Great Plains general ledger system and the Non-Domestic Rates and Sundry Accounts team use the Credit Hound collection system to monitor debt collection and produce reminders and final notices. During the COVID pandemic the Council did not issue reminders and final notices for defined periods, however ongoing conversations with significant debtors continued to encourage payments when possible.

## Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager Revenues and other Service Managers**:

- 10% of the invoices tested had been undercharged to a value of £25,000 due to a lack of appropriate completion of verification and authorisation processes. *Management within Council services raising these invoices have agreed to improve verification and authorisation processes and to undertake further training of staff raising invoices to avoid these errors by April 2023.*
- For three of the invoices tested there was a delay of between four and ten months in raising the invoices. *Revenues management have agreed that any delays in the raising of invoices by Council services will be monitored and raised with those Council services in regular meetings which are in place.*
- Three of the invoices tested had been originally raised in 2009, 2011 and 2015 and all fell into the remit of Legal Services for recovery, one of these accounts had not had notes updated since 2019. *Management have agreed to recommence regular meetings with Legal Services for recovery of overdue accounts when Legal Services have capacity to move away from current business continuity measures.*
- Until recently the core processes of debt collection action completed by the Sundry Accounts team formally finished when final notices had been issued and followed up by further contact and the systems did not allow for automatic file transfer to Sheriff Officers. A trial has recently commenced of sending four accounts to Sheriff Officer. *Revenues Management are in the process of working with software suppliers to develop a mechanism for transferring appropriate debt cases to Sheriff Officers, and a suitable solution should be in place by June 2023.*

## Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	11	6	17
Prior report (2018)	3	16	-	19

## Materiality

The Council raised on average over the last three full financial years, 2019/20, 2020/21 and 2021/22, 14,051 invoices a year to a value of £28.4 million. In 2019/20 17,194 invoices to a value of £39.7 million had been raised. Current outstanding debt is £3.4 million of which 60% is over 90 days overdue to the Council.

# Headlines

Objectives	Conclusion	Comment
1. Policies, processes and procedures are in place to ensure that Council debts are recovered in a complete, accurate and timely manner.	Reasonable	A Charging Policy for the Council has been in place since 2019 and there are appropriate procedural notes in place for staff working in Sundry Accounts. However the Charging Policy now needs refreshed and service staff provided with access to procedural notes.
2. Changes made to collection processes as a result of the COVID pandemic have been properly documented, authorised and communicated to Council staff and debtors.	Reasonable	During the COVID pandemic reminders and final notices were not issued on accounts, although work continued within the capacity of the Sundry Accounts team to communicate the requirement to make payments. Testing established one account on which appropriate recovery action had not been noted on the account, however this account was being resolved by being identified in regular high value reporting.
3. Processes are in place to ensure that timely invoices are raised for all appropriately approved chargeable services, in line with legislation and Council policies.	Limited	From a sample of 30 invoices, three errors were found in the amounts raised resulting in over £25,000 of income not being invoiced for. Authorisation processes for invoices were not appropriately completed in the case of ten invoices raised. Greater focus is required on ensuring that full appropriate authorisation processes are reintroduced to ensure amounts invoiced are correct and to appropriately maximise income due to the Council.
4. Processes are in place to identify all cases when full payment of debt has not been made in a timely manner, in accordance with the appropriate Council terms and conditions, and reminders are swiftly and appropriately issued.	Reasonable	The Credit Hound system employed by the Council automatically identifies accounts to produce invoice reminders 28 days after the original invoice was due for payment and a final reminder 14 days later. In testing sample of 30 sundry accounts, one case was found when a system error had prevented the timely issue of a reminder, however this would then have been picked up for a final notice.
5. Processes are in place to allow for charges to be amended and cancelled with appropriate authorisation and accounting implemented.	Reasonable	A digital cancellation form in in place, however from 15 appropriately cancelled invoices reviewed, three of them had been raised and cancelled by the same person, in seven cases no cancellation form had been completed and the cancellation was made on an email request, and in two of these cases the requester had no FAS authorisation level.
6. Segregation of duties is completed across all Sundry Accounts processes.	Reasonable	Processes are in place for authorisation and contact with FAS authorisers and budget holders when invoices are raised or cancelled, however, ensuring compliance with these processes should be improved.
7. Monitoring of debt recovery is completed with escalation of appropriate debts throughout the process when required.	Reasonable	Regular monitoring reports are made available for Sundry Accounts and service areas, however the current system is not able to create automatic files for Sheriff Officer referral. Revenues are working with the software supplier to develop this functionality and a small number of cases have been manually passed to Sheriff Officers for collection.
8. Training is provided to Sundry Accounts and service staff to operate Sundry Accounts processes efficiently and effectively at all times.	Reasonable	Whilst we have been advised that training to service staff is provided through individual Sundry Accounts staff, this was only identified as being the case for one of the five staff interviewed. Improvements in recording the provision of training is required.

# Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	We can confirm that the Council has a Charging Policy in place which sets out the charges for the services that the Council has the discretion to set a charge for and how the charges should be collected.
2.	We can confirm that operational procedural notes are in place which provide guidance to Sundry Accounts staff.
3.	Income received is timeously recorded and updated on the Sundry Accounts system.
4.	The Credit Hound Debt Management system automatically produces debt recovery reminder letters. Reminder letters are automatically produced by the system after 28 days and a final notice letter sent after 14 days, unless the account is flagged as being in dispute, ensuring appropriate initial collection processes are in place for invoices raised by the Council.
5.	Debt follow-up is carried out by the Sundry Accounts Team (six Officers and one Modern Apprentice). Each member of the team manage their own individual service work areas, and use a range of collection methods, depending on the charge type and customer, to recover debt.

# Recommendation Grading/Overall opinion definitions

Recommendation	Definition
<b>High</b>	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.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable Assurance</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

# Executive Summary: Data Protection

## Conclusion: Reasonable Assurance

The Council has a comprehensive set of policies, procedures and guidance covering Data Protection, together with clearly defined roles and responsibilities which seek to ensure compliance with General Data Protection Regulations (GDPR) and the Data Protection Act 2018. The Council has a Data Protection Policy in place, which was approved by Cabinet on 12 June 2018, and the Information Governance section of the Council's intranet provides employees with a wide range of documentation on Data Protection, including the GDPR Toolkit, which contains guidance, templates, training and tools to assist staff to understand and comply with their Data Protection obligations. The Council's website provides members of the public with details of individuals rights to access their own personal data, including making a "Subject Access Request". However progress on the development of Information Asset Registers has been slow and staffing challenges within the Information Governance Team have resulted in delays in the implementation of some new processes.

### Background

Data Protection is about safeguarding personal and sensitive information and empowering individuals to understand how and why we use their data. On 25 May 2018, the European General Data Protection Regulation (GDPR) came into effect, which in the UK was given effect by the Data Protection Act 2018 (DPA 2018). As of 1 January 2021, this is now underpinned by the UK General Data Protection Regulations (UK GDPR), which are distinct from the EU GDPR.

### Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Team Manager – Information Governance and Service Manager – Governance**:

- There is a backlog of Information Sharing Agreements (ISAs) that require to be put in place with organisations with whom personal data is shared. *Management have confirmed that following recruitment of new posts, processes for approving ISAs are to be simplified and streamlined by June 2023\*.*
- There has been limited progress on the development of Information Asset Registers for areas in the Council where data processing activities are undertaken. *Management have confirmed that there will be continuous development of the Information Asset Register, with four workshops being held with service areas per annum on an ongoing basis\*.*
- The Council has appropriate policies, procedures and guidance documents in place for all aspects of Data Protection, however in some cases these policies and procedures require to be reviewed and updated. *Management have confirmed that these will be reviewed and updated by April 2023.*
- Data Protection risks are recorded and reported as part of both the Corporate Support Risk Register and the Council's Corporate Risk Register, which detail both control measures currently in place and planned control measures, however there has been slippage to the timescales for implementing some of the planned control measures. *Management have agreed to progress implementation of existing planned risk control measures by June 2023\*.*
- Training for all staff on Data Protection is made available via e-learning, online and printed guidance, supplemented by person-to-person training where required, however roll-out of the Communications Plan is required to reinforce the importance of Data Protection compliance. *Management have agreed that the Communications Plan will be rolled-out, with support from IT Infrastructure & Security and Communications Teams by June 2023\*.*

### Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	5	-	5
Prior Report	n/a	n/a	n/a	n/a

### Materiality

Personal data is defined as any information relating to a person who can be directly or indirectly identified. This includes identifiers including names, identification numbers, location data, online identifiers or any other information that identifies an individual. Special category/sensitive personal data is information which falls under specific definitions under GDPR. This includes racial or ethnic origin; political opinions; religious or philosophical beliefs; genetic data; biometric data; health data; sex/gender or sexual orientation.

\*Dates agreed are contingent on capacity within other Council Services.

# Headlines

Objectives	Conclusion	Comment
1. The Council has clear and appropriate policies, procedures and guidance documents in place for all aspects of Data Protection, together with clearly defined roles and responsibilities.	Reasonable	The Council has a comprehensive set of policies, procedures and guidance in place for Data Protection, although in some cases these require to be reviewed and updated. The Council's intranet contains guidance, templates, training and tools to assist staff to understand and comply with their data protection obligations, while the Council's website provides details of what kinds of personal data we collect and individuals rights to access their own personal data.
2. Appropriate arrangements are in place for the fair collection and use of personal data, through the use of Privacy Notices.	Reasonable	Arrangements are in place to ensure that personal data is processed in accordance with Privacy Notices issued to individuals by the relevant Council service at the point of data collection. Guidance for staff and a standard Privacy Notice template is available on the Council's intranet.
3. Appropriate arrangements are in place for sharing personal data, including Information Sharing Agreements with organisations with whom personal data is shared.	Reasonable	Appropriate arrangements are in place for sharing data, including Information Sharing Agreements (ISAs) with organisations with whom personal data is shared, to ensure that data sharing is in compliance with legislation and the Council's Data Protection Policy, however staffing challenges have resulted in a backlog of ISAs that require to be put in place.
4. The Council is making appropriate progress in the development of an Information Asset Register, to enable compliance with GDPR and the DPA 2018.	Limited	The Council's Data Protection Policy states that a record of data processing activities will be maintained in an Information Asset Register (IAR), which will identify staff members responsible for overseeing compliance with each processing activity (Information Asset Owners), however progress to date has been slow and IARs are not currently in place for many areas of the Council.
5. The Council has appropriate procedures in place for responding to, documenting and, where appropriate, reporting Data Breaches/Near Misses.	Reasonable	Appropriate arrangements are in place for responding to, documenting and, where appropriate, reporting Data Breaches/Near Misses. Guidance is available to employees on the intranet, and a Data Breach Procedure and management procedures for Information Governance staff are both in place. A detailed Data Breach Register is maintained, together with appropriate cases files.
6. Arrangements are in place to ensure that risks regarding Data Protection are regularly reported to a senior level, and there is appropriate reporting to Members on Data Protection matters.	Reasonable	Data Protection is a standing item at the Corporate Risk Working Group and risks are recorded on both the Corporate Support Risk Register and the Council's Corporate Risk Register. The Council's Corporate Risk Register, includes a combined risk (ELC CR4) on Information Security and Data Protection. Planned control measures have been identified to reduce the current risk, and while there has been slippage to the timescales for implementing some of these control measures, there has been ongoing progress on the DSA process review and the new DPIA forms.
7. Appropriate Data Protection training is made available to staff via e-learning, online and printed guidance.	Reasonable	Data protection training is made available to staff via e-learning, online and printed guidance, supplemented by person-to-person training where required, and work is ongoing on developing a Communications Plan to reinforce awareness of Data Protection across the Council.
8. Appropriate Data Protection consideration and input has been provided as part of the response to the Covid-19 pandemic.	Reasonable	The Information Governance Team were heavily involved in Data Protection aspects of the Council's response to the Covid-19 pandemic, including advising Connected Communities, ensuring that volunteers understood their Data Protection obligations, preparing a Test and Protect attendance sheet and developing a Privacy Notice Covid-19 contact tracing template.



# Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	<p>The Council has a Data Protection Policy in place, which was approved by Cabinet on 12 June 2018, and includes the following:</p> <ul style="list-style-type: none"> <li>• Definitions of personal data, special category data, records, processing, Data Controller (the Council), Data Processor and Data Subject.</li> <li>• Key roles and responsibilities – including the Senior Information Risk Owner (Head of Corporate Support) and the Data Protection Officer (DPO). The DPO is a statutory role under GDPR and the Council’s DPO is the Team Manager – Information Governance.</li> <li>• The Data Protection principles and how the Council will ensure compliance with the principles.</li> <li>• The rights of individuals regarding their personal information.</li> <li>• Processes for information handling, collection, security, records management, complaints, enforcement and dealing with breaches.</li> <li>• Details of related policies and procedures, including GDPR Toolkit, Data Breach Procedure, IT Acceptable Use Policy, Information and Records Management Policy and ELC Retention Schedule.</li> </ul>
2.	<p>The Information Governance section of the Council’s intranet provides employees with a wide range of documentation on Data Protection, including the GDPR Toolkit, which contains guidance, templates, training and tools to assist staff to understand and comply with their Data Protection obligations. The Access to Information section of the Council’s website provides members of the public with information on Data Protection, including Our Privacy promise; What kinds of personal data do we collect; How do we collect your personal data; and How do we use your personal data. The website provides details of individuals rights to access their own personal data, including making a “Subject Access Request” and provides a link to the Information Commissioner’s website.</p>
3.	<p>Individuals have new and enhanced rights under GDPR, including the right to request the erasure of their personal information, the right to restrict processing of their data, the right to data portability, and the enhanced right to be informed about how their information will be used. The Council has appropriate documentation, processes and templates in place for recording and responding to requests received from individuals, including Subject Access Requests and Individual Rights Requests.</p>

# 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	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

# Executive Summary: City Deal Governance and Monitoring

## Conclusion: Reasonable Assurance

Effective and accountable governance arrangements are in place within the Council for the Edinburgh and South-East Scotland (ESES) City Region Deal, which have enabled decisions to be taken in an open and transparent manner. Every year the City Region Deal partners are required to produce an Annual Report to assess how well the City Region Deal is aligning towards the overall vision and inclusive growth outcomes for the city region and for each year summaries of the Annual Reports have been brought to Council, with the full City Region Deal Annual Report being submitted to the Members' Library. In addition, the Council has approved a number of reports which have developed the legal and administrative structure required to make progress towards the development of the Innovation Hub, the Council's joint venture with Queen Margaret University, and there has been regular reporting on the progress in the delivery, operation and management of the Hub. There is potential to further enhance governance and scrutiny arrangements by the setting-up of a Programme Board, independent of operational involvement, which could receive regular reports on the Innovation Hub, including the project risk register.

### Background

A City Region Deal is a mechanism for accelerating growth by pulling in significant government investment. By investing this funding in innovation, skills and infrastructure the aim is that performance will be significantly improved, while seeking to reduce inequalities and deprivation. The Edinburgh and South-East Scotland (ESES) City Region Deal was the second of its kind to be established in Scotland and comprises of six local authorities (including East Lothian Council), together with regional universities, colleges and the private sector. The ESES City Region Deal Document was signed in August 2018 with the UK and Scottish Governments, to a value of £1.3 billion.

### Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Head of Development and the Project Manager**:

- Governance arrangements within the Council could be further enhanced by the reporting of project progress, risks and issues to a formal Programme or Project Board for the Innovation Hub, independent of operational involvement in the Hub. *Management have agreed to formalise the arrangements in place and to set-up a Programme/Project Board by January 2023.*
- A detailed Innovation Hub project risk register is in place, which is in the Council format and captures the key projects risks, however in some cases there was a lack of evidence of risks being reviewed and updated on a regular basis. *Management have agreed to review and update the project risk register on a regular basis from December 2022.*
- To enhance effective scrutiny of key Council risks, the Innovation Hub project risk register should be reported to, and discussed at, each meeting of the Programme/Project Board. *Management have agreed to report the project risk register to each meeting by January 2023.*

### Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	3	-	3
Prior Report	n/a	n/a	n/a	n/a

### Materiality

The five themes in the City Region Deal and the total amount of capital investment (Government and partner funding) is £1.29 billion. The Innovation Hub and the Innovation Park have an overall cost of £40 million, with £10 million of East Lothian Council Capital Investment in land acquisition. The Business Case identifies the potential for £144 million of Gross Value Added over a 15 year period and Direct and Indirect Employment of 758 FTE.

# Headlines

Objectives	Conclusion	Comment
1. Effective and accountable governance arrangements are in place within the Council for the Edinburgh and South-East Scotland (ESES) City Region Deal, which enable decisions to be taken in an open and transparent manner.	Substantial	There has been regular reporting to Council and the Members' Library on all key aspects of the ESES City Region Deal, including the Outline Business Case (2015), Deal Proposition (2017) and Deal Implementation Plan, Financial Plan and Agreement (2018). The ESES City Region Deal Document provides an outline of the governance framework in place, including coverage of the overarching principles; governance structure, standing orders, delegated authority and terms of reference; resourcing; decision making/change process; and accountability.
2. There is appropriate engagement of East Lothian Council Members and Officers in key governance bodies of the ESES City Region Deal.	Reasonable	Our review confirmed that there is appropriate attendance by, and engagement of, East Lothian Council Members and Officers in key governance bodies of the ESES City Region Deal, including the Joint Committee, Executive Board, Elected Member Oversight Committee, Directors' Group and Finance Directors' Group.
3. There is regular and appropriate reporting to Members on progress being made on Edinburgh and South-East Scotland (ESES) City Region projects and of the implications for East Lothian Council and the achievement of the Council Plan 2022-2027 objectives.	Reasonable	The Edinburgh and South-East Scotland (ESES) City Region Deal was signed by the First Minister, Prime Minister and City Region Leaders on 7 August 2018. Every year the City Region Deal partners are required to produce an Annual Report to assess how well the City Region Deal is aligning towards the overall vision and inclusive growth outcomes for the city region and for each year summaries of the Annual Reports have been brought to Council, with the full City Region Deal Annual Report being submitted to the Members' Library.
4. Appropriate monitoring and assurance arrangements are in place for the Council's joint venture with Queen Margaret University and key Council risks are being identified, managed and transparently reported.	Reasonable	The Council has approved a number of reports which have developed the legal and administrative structure required to make progress towards the development of the Innovation Hub. A detailed Innovation Hub project risk register is in place, which captures the key project risks, however there was a lack of evidence to confirm that risks were being regularly reviewed and updated, while regular reporting of the risk register is required to ensure effective scrutiny.
5. There is regular reporting to both Members and Senior Management on the progress being made in the delivery, operation and management of the Innovation Hub and the wider Edinburgh Innovation Park, including consideration of project timescales and the Council's financial commitments.	Reasonable	We found that there has been appropriate reporting to Members and Senior Management, and where appropriate Council approval given, at all key stages of the Innovation Hub Joint Venture. Reports prepared for Members include coverage of the eight key principles to signpost the detailed discussions that would be needed between ELC and QMU; the Commercial Heads of Terms between ELC and QMU; the Joint Venture Company Structure; the construct and purpose of the Joint Venture Agreement; reporting mechanisms; the process for the return to ELC of the Council's capital investment; and key project milestones.
6. Appropriate Council representation is in place within the governance and commercial structure of the Innovation Hub to ensure financial, operational and reputational risks to the Council can be managed effectively.	Reasonable	A Joint Venture Company Structure has been established between East Lothian Council (ELC) and Queen Margaret University (QMU) with each company having a clear function. For each of the Companies, ELC and QMU will be 50/50 shareholders and will be equally represented at Board level. Regular meetings are held for both the Development Company and Project Team, however scrutiny could be enhanced by reporting to a Programme Board within the Council.

# Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	<p>The ESES City Region Deal Document provides an outline of the approach to be adopted for ensuring inclusive growth and provides details of the governance framework to be adopted. The governance framework includes coverage of the overarching principles; governance structure, standing orders, delegated authority and terms of reference; resourcing; decision making/change process; and accountability. Terms of Reference are provided for the various governance bodies, which are attended by appropriate Council representatives, and include:</p> <ul style="list-style-type: none"> <li>• ESES City Region Deal Joint Committee – the ultimate decision-making body for all City Region Deal activity, comprising of Leaders from the six local authorities, and a representative each from the University/College sector, Business sector and Third sector. This group meets quarterly.</li> <li>• ESES City Region Deal Executive Board – membership includes the six local authority Chief Executives (also attended by the Executive Director for Place). This group meets monthly. The Governance section of the Deal Document highlights that an overall Programme Risk Register and Performance Monitoring Report will be considered by the Executive Board and Joint Committee each quarter.</li> <li>• ESES City Region Deal Directors’ Group (attended by the Executive Director for Place). This group meets monthly.</li> <li>• ESES City Region Deal Finance Directors’ Group – this group is attended by the Executive Director for Council Resources and has a remit which includes to ensure that financial risk, audit and assurance are carried out effectively throughout the process. This group meets quarterly to align with funding flows from Government and with quarterly reporting.</li> </ul>
2.	<p>Each year the City Region Deal partners are required to produce an Annual Report to assess how well the City Region Deal is aligning towards the overall vision and inclusive growth outcomes for the city region. The first annual report was approved by the ESES City Region Deal Joint Committee in September 2019 with subsequent reports approved annually in 2020, 2021 and 2022. Each year summarises of the Annual Reports are brought to Council, with the full City Region Deal Annual Report being submitted to the Members’ Library. The Annual Report for 2021/22 was approved by the ESES City Region Deal Joint Committee on 2 September 2022, with a summary being provided to the Council meeting of 25 October 2022.</p>
3.	<p>There has been appropriate reporting to Members, and where appropriate Council approval given, at all key stages of the Innovation Hub Joint Venture. Reports prepared for Members include:</p> <ul style="list-style-type: none"> <li>• Members’ Library Report of 12 June 2018, which sought to inform Members of the latest version of the Food and Drink Innovation Hub outline business case, in the context of the ESES City Region Deal.</li> <li>• On 27 October 2020, the Council approved a private report “Commercial Heads of Terms between ELC and QMU for the Delivery of the Food and Drink Innovation Hub and Park”. The report set out eight key principles to signpost the detailed discussions that would be needed between ELC and QMU, to allow both parties to agree the commercial aspects of the delivery of the Innovation Hub and the wider Edinburgh Innovation Park.</li> <li>• On 15 December 2020, Council approved a further private report which set out the Commercial Heads of Terms between ELC and QMU.</li> <li>• On 16 November 2021, the Council approved a private report on interim legal arrangements to establish a company to progress the early stage activities of the project, develop a Joint Venture Company Structure and develop the Joint Venture Agreement.</li> <li>• On 22 February 2022, Council approved a private paper, which sought agreement of the Joint Venture Company Structure, noted the construct and purpose of the Joint Venture Agreement, sought approval of the reporting mechanism and detailed the process for the return to ELC (as per the Commercial Heads of Terms) of the Council’s capital investment.</li> <li>• A Members’ Library report dated 1 June 2022 was prepared, which confirmed that in April and May 2022, ELC and QMU had concluded the legal documents to enable the delivery of the Joint Venture Structure, and the report provided a timeline for updated key project milestones (the target date for the Innovation Hub becoming operational is April 2025).</li> </ul>

# 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	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
HR/Payroll Recruitment and New Starters Process	We will review the processes for recruitment, vetting, contract completion, payment and initial training of new start employees for the Council.	February 2023	
Sundry Debtors	We will examine the processes and controls in place for raising, collection, monitoring and resolution of sundry debts.	November 2022	Completed
Finance Business Partners and Budget Monitoring	We will review the processes and procedures in place to assist services in financial management through the provision of Finance Business Partners and monitoring of budgets against best practice.	September 2022	Completed
Construction Materials Procurement	We will review the processes around procurement of construction materials and services across the Council's services.	February 2023	In Planning
City Deal Governance and Monitoring	We will review the governance and monitoring processes in place around the progress of the Edinburgh and South-East Scotland City Deal projects and the intended monitoring of the Joint Venture with Queen Margaret University.	November 2022	Completed
Homelessness Services	We will review the processes in place and recently reviewed to meet the new regulatory requirements of the Homelessness Service.	June 2023	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Systems and Data Backup and Recovery Testing	We will review the processes in place to ensure that the Council has adequate processes and procedures in place to ensure that core systems have data backed-up and that systems and data could be recovered in the event of corrupted systems or data by testing this appropriately.	February 2023	In Progress
ICT Asset Management	We will review the processes in place in relation to the asset management of Council ICT assets across the authority.	November 2022	Completed
COVID-19 Recovery & Renewal Plan	We will review the processes of governance and control in place to monitor progress against the East Lothian Council COVID-19 Recovery & Renewal Plan.	June 2023	
Climate Change Strategy Review and Monitoring	We will review the processes and governance in place to review and monitor the actions that are recorded against the Climate Change Strategy.	June 2023	
East Lothian Works	We will review the governance and controls in place for the operation of East Lothian Works and the links to educational outcomes.	November 2022	In Progress
Housing Management System Replacement Project	We will review the governance, risk management and control measures in place for this vital systems improvement project.	June 2023	



AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Education Workforce Planning	We will review the policy, processes and procedures in place to develop workforce planning for Education.	February 2023	
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.	June 2023	
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulator's Chapter 3 of the Regulatory Framework.	September 2022	Completed
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	September 2022	Completed



**REPORT TO:** Audit and Governance Committee  
**MEETING DATE:** 29 November 2022  
**BY:** Service Manager – Internal Audit  
**SUBJECT:** Internal Audit Charter

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**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 November 2021. The Charter has been reviewed and updated to reflect 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.
- 3.3 During the 2021/22 financial year Internal Audit was, in conjunction with the rest of East Lothian Council, operating under Business Continuity measures. No

changes in the way the team has operated have impacted on Internal Audit independence as a result of these Business Continuity measures.

- 3.4 Risks to the Council have been changing over this period and as a result the Internal Audit Plan has been revised on a twice yearly basis to ensure that an opinion on the overall adequacy and effectiveness of the Council’s framework of risk management, control and governance can continue to be provided.

**4 POLICY IMPLICATIONS**

- 4.1 None

**5 INTEGRATED IMPACT ASSESSMENT**

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

**6 RESOURCE IMPLICATIONS**

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

**7 BACKGROUND PAPERS**

- 7.1 None

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<b>DATE</b>	18 November 2022

**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 and were revised from 1 April 2017. 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 Service Manager – Internal Audit'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 definition of internal auditing, a Code of Ethics for internal auditors working in the public sector and the International Standards for the Professional Practice of Internal Auditing.
- 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, Executive Directors 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 and 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 Executive Director for Council Resources and has unrestricted access to the Chief Executive, the Monitoring 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 Internal 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 Chief Executive 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.
- 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 Executive Director for Council Resources 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 2022**

**REPORT TO:** Audit and Governance Committee  
**MEETING DATE:** 29 November 2022  
**BY:** Service Manager – Internal Audit  
**SUBJECT:** CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022

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**4**

## **1 PURPOSE**

- 1.1 To review East Lothian Council's position in relation to the adoption of the Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022.

## **2 RECOMMENDATION**

- 2.1 That the Audit and Governance Committee note the position of East Lothian Council in progressing the adoption of the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022, as attached as Appendix A.

## **3 BACKGROUND**

- 3.1 CIPFA's Position Statement on Audit Committees in Local Authorities and Police represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit. The 2022 edition of the position statement replaces the 2018 edition.
- 3.2 The Position Statement covers six key areas, which are as follows:
- The Purpose of the Audit Committee
  - The Independent and Effective Model
  - Core functions, highlighting three core functions:
    - Maintenance of governance, risk and control arrangements
    - Financial and governance reporting
    - Establishing appropriate and effective arrangements for audit and assurance
  - Audit Committee membership
  - Engagement and outputs
  - Impact

- 3.3 The East Lothian Council Audit & Governance Committee already meets the majority of the principles outlined in the CIPFA Position Statement, with the following key elements highlighted:
- The Terms of Reference of the Audit & Governance Committee;
  - Positive attendance and engagement from members and officers, across at least 4 meetings a year;
  - Breadth of governance, risk management and internal control reporting considered by the Committee.
- 3.4 However there are three key areas that the Audit & Governance Committee do not fully comply with the recommended principles of the statement as follows:
- Page 3 indicates that “where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise”. The Audit & Governance Committee currently has no co-opted independent members. In addition page 4 states that “the appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members”.
  - Page 5 indicates that the committee should “be able to meet privately and separately with the external auditor and with the head of internal audit.” Whilst there has been no barriers to these meetings occurring, this has not been a regular process for the Audit & Governance Committee.
  - Page 5 also indicates that the committee should “report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.” No report has been regularly produced for the Audit & Governance Committee.

### **Proposed Approach**

- 3.5 The following actions are proposed to adopt the principles in full:
- A self-review of the knowledge and expertise of the Audit & Governance Committee members to take place during 2023, following consultation with the Audit & Governance Committee Convener and the Executive Director for Council Resources. Recommendations on any requirements for co-opted members will then be made to the September 2023 Audit & Governance Committee meeting.
  - A meeting to be set up with the incoming Audit Scotland external audit team and the Service Manager – Internal Audit, with all of the Audit & Governance Committee members invited. Consideration can then be given to future arrangements to meet privately on an appropriate basis.
  - A self-assessment of good practice against the CIPFA Position Statement will take place during 2023 following consultation with the Audit & Governance Committee Convener and the Executive Director for Council Resources. This self-assessment will form the key input to an annual report on compliance with the statement and the performance of the Audit & Governance Committee, which will be presented to the committee in September 2023.

**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 CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022.

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<b>DATE</b>	18 November 2022



## CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

### Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

### Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

**The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.**

## CIPFA's Position Statement 2022: Audit committees in local authorities and police

### Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

### Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.



The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

## Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

### Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

### Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

### Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
  - oversee its independence, objectivity, performance and conformance to professional standards
  - support effective arrangements for internal audit
  - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

### Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
  - promoting apolitical open discussion
  - managing meetings to cover all business and encouraging a candid approach from all participants
  - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

## Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

## Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.



**REPORT TO:** Audit and Governance Committee  
**MEETING DATE:** 29 November 2022  
**BY:** Service Manager – Internal Audit  
**SUBJECT:** Internal Audit Joint Working with Midlothian Council

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**5**

## **1 PURPOSE**

- 1.1 To provide information to the Audit and Governance Committee concerning the approved trial of a joint working arrangement with Midlothian Council for Internal Audit services.

## **2 RECOMMENDATION**

- 2.1 That the Audit and Governance Committee note the trial of joint working arrangements with Midlothian Council.

## **3 BACKGROUND**

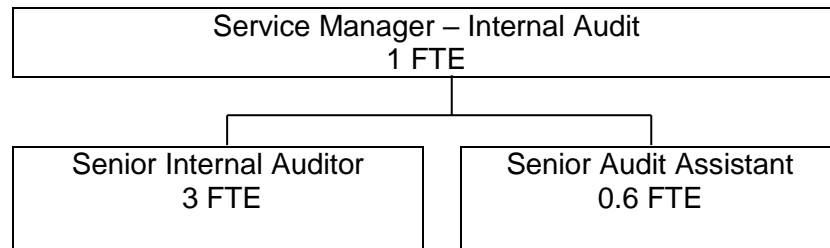
- 3.1 In order to increase resilience, improve ability to benchmark controls across authorities, and increase the efficiency of Internal Audit, the East Lothian Council Internal Audit team has been considering partnership with another local authority.
- 3.2 Midlothian Council have recently (June 2022) ended a relationship with Scottish Borders Council involving shared management of the two Internal Audit teams through a single Chief Internal Auditor. A subsequent initial recruitment process by Midlothian Council for the post of Internal Audit Manager did not establish any suitable candidates for this position.
- 3.3 The Chief Executives of East Lothian and Midlothian Councils considered that a joint working approach should be explored and the risks and benefits considered. This report provides the results of the consideration given and the subsequent process taken.

### **Key Points**

- 3.4 The proposal is that for a trial period covering one full Internal Audit cycle, being initial planning meetings through to plan completion, East Lothian and Midlothian Councils share a Chief Internal Auditor with the Service Manager – Internal Audit of East Lothian Council acting in that capacity. Costs of this post will then be shared equally between East Lothian and Midlothian Councils.

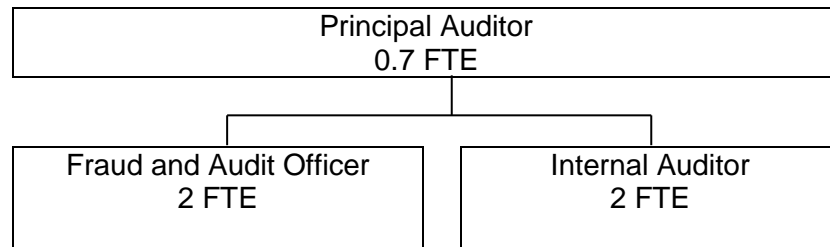
- 3.5 The trial period will run from 1 January 2023 to 30 June 2024, with regular review points scheduled throughout this period. Reviews would include the Chief Executives of both Councils, the Service Manager – Internal Audit, the Executive Director for Council Resources for East Lothian Council and the Executive Director for Place for Midlothian Council, with feedback from the Chairs of the Audit Committees.
- 3.6 The Internal Audit teams are structured as shown in the following diagrams:

**East Lothian Council**



East Lothian Council’s Internal Audit Unit provides services for both the Council and the East Lothian Integration Joint Board and reports administratively to the Executive Director for Council Resources, functionally to the Audit and Governance Committee and has direct access to the Chief Executive, the Section 95 Officer and the Monitoring Officer. Counter Fraud functions are undertaken as part of Internal Audit’s overall responsibilities.

**Midlothian Council**



The Internal Audit function in Midlothian reports to the Chief Executive and provides Internal Audit and Corporate Fraud services for both the Council and the Midlothian Integration Joint Board.

- 3.7 Operational oversight of the Principal Auditor within Midlothian Council would be completed by the Service Manager – Internal Audit. Formal Line management would remain within the Midlothian Council structure and staff would continue to report through their current line management structure during the trial. The Service Manager – Internal Audit will finalise all final Internal Audit reporting and planning processes across both Councils.
- 3.8 Employees would all remain under their current employment contracts with their respective Councils. There is no proposed change in the staffing structure of either Internal Audit team as part of this proposal.
- 3.9 Each Council’s Internal Audit team has a fully committed schedule of Internal Audit assignments for the 2022/23 Internal Audit year. There is no intention that where audit assignments are scheduled and capacity is available to complete, that these assignments will not be fulfilled by the staff allocated. However where

possible, consideration will be given to completing the same audit exercise across both Councils in order to improve the efficiency of the Internal Audit process.

- 3.10 A Joint Council planning approach would take place for the Internal Audit plans for 2023/24 with the intention of ensuring that where possible, joint audit assignments could be completed when the risk requirements of the Councils interact to require assurance in the same areas. Greater use of shared audit resource at planning and reporting stages of Internal Audits could then be implemented to further achieve efficiencies in the Internal Audit process.
- 3.11 Midlothian Council within the wider Internal Audit team have a specific Counter Fraud team, who as part of their function complete investigations into the matches provided through the National Fraud Initiative (NFI). The majority of the 2022/23 NFI matches will be received in January 2023, and there is scope to involve the experience of the dedicated Counter Fraud team from Midlothian Council in enhancing the efficiency of identifying the appropriate matches to investigate and complete effective investigation processes.

### **Benefits and Risks**

- 3.12 The proposed structure and integration of the Internal Audit teams will assist in delivering the following key benefits:
- A more resilient Internal Audit team;
  - Greater capability to provide insight from across similar organisations by sharing best practice improvements across two local authorities;
  - Shared best practice planning, procedures and audit approaches across the two teams;
  - The potential for a clearer career path for team members in the future;
  - Potential for clearer specialisations amongst Internal Audit staff in the future; and
  - More efficient Internal Audit work completion.
- 3.13 CIPFA recently published “Internal Audit: Untapped Potential” based on a survey of Internal Audit staff and stakeholders across the UK public sector and supports the need to develop the benefits above. The report states that “In addition to greater integration of analytics, survey respondents identified the following approaches as being of benefit to their Internal Audit function:
- Real-time assurance
  - Sharing insight on good practice or comparisons with other organisations
  - Assurance or advice on major change
  - Identifying opportunities or efficiencies as well as control weaknesses or risks
  - Sharing information on emerging risks and issues that could impact the organisation.”

- 3.14 Sharing of resource across both Councils will enable insights and advice on good practice, major change, opportunities for efficiencies and identification of emerging risks and issues. This will provide an improved Internal Audit service across both Councils in meeting the needs of all stakeholders.
- 3.15 One of the key risks of this approach is that 50% of the time of the Service Manager – Internal Audit will be lost to East Lothian Council. However, over time as planning, reporting and management processes are synchronised between the two teams efficiencies will arise, both at Service Manager and other levels within the audit teams. The Senior Internal Auditors within East Lothian Council have previously taken on enhanced responsibilities and have the capability to complete Internal Audit assignments independently and support each other, allowing the Service Manager – Internal Audit to focus on key roles which can then be completed more efficiently across the two Councils.
- 3.16 Maintaining current budget levels will allow for temporary additional resources and training to be utilised when necessary, whilst efficiencies are realised in the short term, to ensure continued delivery of all Internal Audit services. In addition increasing the pool of Senior Audit team members, below Service Manager level, to four staff provides a greater potential for developing good practice, training and maintaining succession planning.

#### **Finance**

- 3.17 It is proposed that the costs of the Service Manager – Internal Audit will be split evenly between East Lothian and Midlothian Councils. Whilst no immediate reduction in Internal Audit budget will be recognised by East Lothian Council there is the expectation that a budget saving will be realised assuming the integration of service is finalised at the end of the trial period. Interim savings will be utilised to provide targeted support and training to ensure continuity of service.

#### **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 – As described in the paper under section 3.17
- 6.2 Personnel – Differences in use of resources as discussed throughout section 3.
- 6.3 Other – None

#### **7 BACKGROUND PAPERS**

- 7.1 None



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<b>DATE</b>	18 November 2022



**REPORT TO:** Audit and Governance Committee  
**MEETING DATE:** 29 November 2022  
**BY:** Executive Director for Council Resources  
**SUBJECT:** Treasury Management – Mid Year Review 2022-23

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6

## **1 PURPOSE**

- 1.1 An update to the Committee on Treasury Management activity during the first six months of 2022-23.

## **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 manages the accounting and funding of the Council's capital plans. The approved capital plans provide a guide to the borrowing need of the Council, including setting out the longer-term cash flow planning to ensure the Council can meet its capital spending obligations in future years. 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 therefore defined as being 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 2022.

- 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 2022-23 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 2022-23;
  - E. A review of the Council's borrowing strategy for 2022-23;
  - F. A review of any debt rescheduling undertaken during 2022-23.

### Part A – Economic Update

- 3.5 The Monetary Policy Committee (MPC) has now increased interest rates eight times in as many meetings during 2022 and has now raised interest rates to their highest level since the global financial crisis. The UK's status as a large importer of commodities which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.
- 3.6 Interest rates are forecast to increase further, from 3.00% currently to a peak of 4.50% by June 2023. The combination of the government's fiscal loosening, the tight labour market, and sticky inflation projections mean the MPC is forecast to raise interest rates by 50 basis points in December to 3.50% and a further 75 basis points to 4.25% by March. Market expectations for what the MPC will do are volatile. As the bank rate climbs further the housing market looks very vulnerable.
- 3.7 The MPC's thoughts and the economic conditions informed our treasury advisors forecast as shown in Table 3.1. It shows projected increases in the bank rate to 3.50% in December 2022 rising to 4.50% in June 2023, then falling to 4.00% in March 2024. This is then followed by a forecasted 0.25% reduction each quarter to 2.50% in September 2025.

**Table 3.1**

Link Group Interest Rate View 08.11.22		Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
<b>BANK RATE</b>		3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings		3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings		4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings		4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB		4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB		4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB		4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB		4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

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

- 3.8 The Treasury Management Strategy Statement (TMSS) sets out the wider Treasury and Investment Strategy, and was approved by Council on 1st March 2022. The Strategy 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.
- 3.9 Table 3.2 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 3.2**

<b>Prudential Indicators 2022-23</b>	<b>Approved £m</b>	<b>Current Estimated Prudential Indicator £m</b>
Capital Financing Requirement	607	583
Operational Boundary	607	583
Authorised Limit	656	656

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

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

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

### Capital Expenditure and Financing of the Capital Programme

- 3.11 Table 3.3 below sets out the current projected outturns for the Council's capital investment programmes for 2022-23 relative to the approved budget as at 1 March 2022.

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 3.3**

<b>Capital Expenditure</b>	<b>2022-23 Approved Budget £m</b>	<b>2022-23 Projected Outturn * £m</b>
General Services	94.8	91.4
HRA	42.1	44.4
<b>Total capital expenditure</b>	<b>136.9</b>	<b>135.8</b>
Financed by:		
Capital receipts	11.5	10.5
Capital Grants	34.1	39.0
CFCR	1.5	1.5
<b>Total financing</b>	<b>47.1</b>	<b>51.0</b>
<b>Borrowing requirement</b>	<b>89.8</b>	<b>84.8</b>

\* *Projected outturn is based on the position to be reported in the December Council update and remains subject to change*

#### Impact on Prudential Indicators

- 3.12 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. Table 3.4 below, sets out the CFR and the expected debt position over the period, which is termed the Operational Boundary.
- 3.13 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 the loans fund repayment by postponing the use of the fiscal flexibility General Services loans fund repayment 'holiday' from 2021-22 (£4.4m) and re-profiling into 2022-23 of capital expenditure to align with estimated construction timescales GS (£14m) and for HRA an increase in the final CFCR applied (£1.7m) and grants received (£2m) in 2021-22. Future years Treasury indicators will be updated to take cognisance of the 2022-23 projected outturn, and the Council is expected to remain well within the Authorised Limit.

**Table 3.4**

<b>Prudential Indicators</b>	<b>2022-23 Approved Limits £m</b>	<b>2022-23 Projected Outturn £m</b>
<b>Capital Financing Requirement</b>		
CFR – General Services	355	337
CFR – HRA	252	246
<b>Total CFR</b>	<b>607</b>	<b>583</b>
<b>Operational Boundary for external debt</b>		
Borrowing	575	551
Other long term liabilities*	32	32
<b>Total debt (year-end position)</b>	<b>607</b>	<b>583</b>

\* *PPP arrangements and finance leases*

### Limits to Borrowing Activity

- 3.14 One of the main key controls over the treasury activity is to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Gross external borrowing should not, (except in the short term), exceed the total of CFR in the previous year plus the estimates of any additional CFR for 2022-23 and next two financial years. This allows some flexibility for limited early borrowing for future years should the need arise.
- 3.15 Table 3.5 below sets out that the Council is currently managing to operate within this limit and maintain an under-borrowed position. The table below shows that at the end of this financial year the Council expects to have external borrowings of £496m and utilise £55m 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 3.5**

	<b>2021-22 Estimate</b>	<b>2021-22 Actual</b>	<b>2022-23 Original Estimate</b>	<b>2022-23 Revised Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
External borrowing	414	425	491	496
Other long term liabilities*	34	34	32	32
<b>Total external debt</b>	<b>448</b>	<b>459</b>	<b>523</b>	<b>528</b>
<b>CFR* (year end position)</b>	<b>531</b>	<b>511</b>	<b>607</b>	<b>583</b>
<b>Under-borrowing</b>	<b>83</b>	<b>52</b>	<b>84</b>	<b>55</b>

*\* Includes PPP arrangements and finance leases etc.*

- 3.16 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 for 2022-23 is £656 million and as highlighted in Table 3.2 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 2022-23**

- 3.17 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return consistent with the Council's risk appetite. Wider loan interest rates are rising but remain in line with the latest Bank Rate. Future increases in

Bank interest rates are forecast to continue with the possibility that they may reach 4.50%, and given this, investment returns will be higher.

3.18 The Council's investment decisions are made in accordance with the approved strategy. Three short term investments were placed during this time, shown in Table 3.6. ESG (Ethical, Sustainable, Governance) investments are sought where interest rates are comparable with other bodies and the criteria for risk exposure are also met. Any surplus cash balances are held in the Council's bank account.

**Table 3.6**

Counterparty	Date	Principle	Maturity	Interest rate
DMADF	24/08/22	£10m	26/09/22	1.74%
Lloyds Corporate Markets	24/08/22	£5m	24/11/22	2.23%
Standard Chartered Sustainable Deposit	24/08/22	£5m	24/11/22	2.27%

3.19 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 2022, the East Lothian Charitable Trust portfolio was valued at £3.406m, which represents a decrease of £0.419m over the 6-month period. The performance of this portfolio for the first 6 months is below the benchmark.
- The Common Good portfolio was valued at £3.433m, a decrease of £0.463m over the 6 month period. performance of this portfolio for the first 6 months is lower than the benchmark.

### **Part E – Borrowing Strategy 2022-23**

3.20 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. Consideration is given to both the maturity profile and interest rates to manage cost and refinancing risk. With regard to the interest rate forecast discussed in Part A, while gradual increases in interest rates were included within the current approved capital investment and borrowing plans, the forecast increases were much lower than the actual increases and future rates now forecast. This will impact in the current financial year. Going forward, 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 provides regular forecasting of PWLB rates so that an informed decision can be made on the timing of the borrowing for the capital programme.

- 3.21 No long term external loans were 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 £583m), it is anticipated that additional new external borrowing of £87m will be required during the second half of this financial year.
- 3.22 One PWLB loan matured during the first six months and was repaid as set out in Table 3.7 below

**Table 3.7**

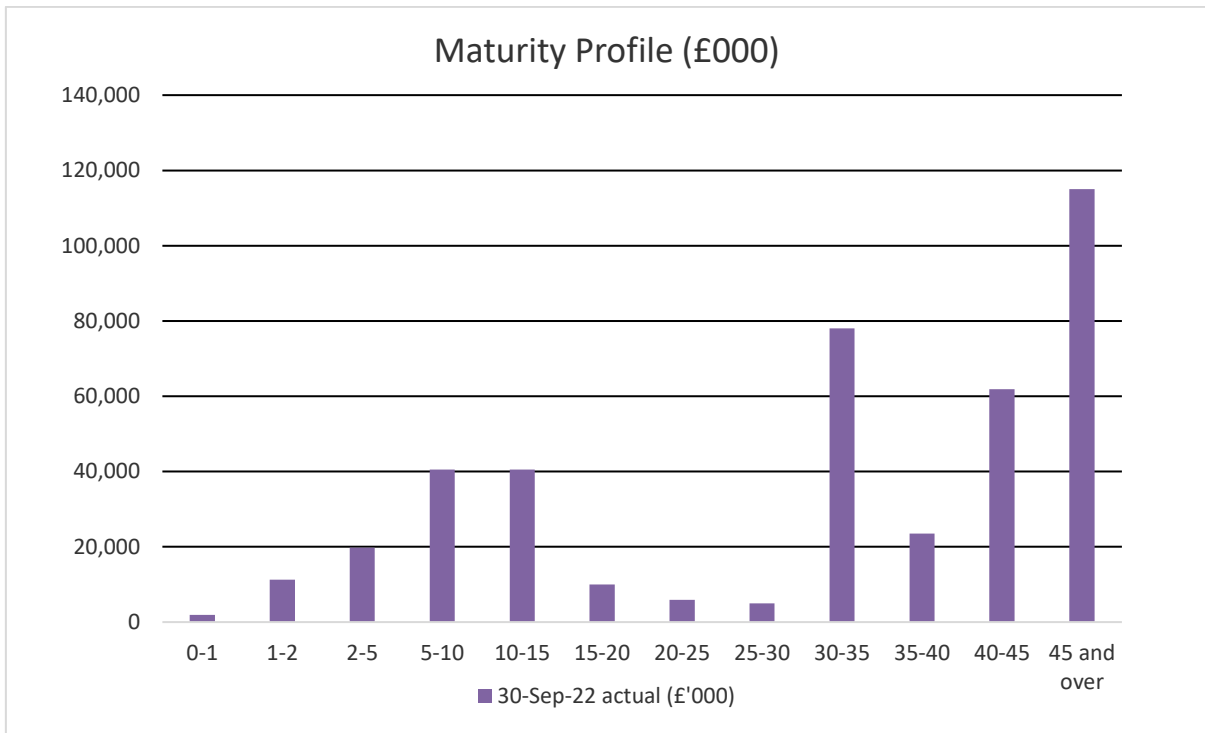
Loan	Date repaid	Principal	Maturity	Interest rate
PWLB	24/09/22	£10m	11 years	3.29%

**Current Loan Maturity Profile**

- 3.23 To enable the council to make informed borrowing decisions with regard to the current interest rate curve and the growth in the capital plan it is considered practical to expand the maturity structure so there are more discrete periods to correctly reflect the 10+ year periods, as shown below.

<b>Maturity structure of fixed interest rate borrowing 2022-23</b>		
	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	20%
12 months to 2 years	0%	30%
2 years to 5 years	0%	40%
5 years to 10 years	0%	40%
10 years to 20 years	0%	75%
20 years to 30 years	0%	75%
30 years to 40 years	0%	75%
Over 40 years	0%	75%
<b>Maturity structure of variable interest rate borrowing 2022-23</b>		
	<b>Lower</b>	<b>Upper</b>
Under 12 months	0%	100%
12 months to 2 years	0%	50%
2 years to 5 years	0%	30%
5 years to 10 years	0%	20%
10 years to 20 years	0%	20%
20 years to 30 years	0%	20%
30 years to 40 years	0%	20%
Over 40 years	0%	20%

3.24 The graph below sets out the current external borrowing maturity profile for the Council.



### Part F – Debt Rescheduling

3.25 Debt rescheduling opportunities have been very limited in the economic climate and as such, no debt rescheduling has been undertaken to date in the current financial year. As interest rates move higher this may provide opportunities going forward.

### Part G - Introduction of Reporting Standard IFRS16

3.26 International Financial Reporting Standard 16 – Leases has been further delayed and will now come into operation from 1 April 2024. 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 that these values are 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 2024-25 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 and Capital 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 2022-23 to 2026-27 – East Lothian Council 1 March 2022

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<b>DATE</b>	14 November 2022



Report	Enjoy East Lothian Ltd (enjoyleisure) - East Lothian Council Audit and Governance Committee Report
Author	Bill Axon, Chief Executive, <b>enjoyleisure</b>
Date	29 November 2022

## EXECUTIVE SUMMARY

# 7

This report sets out the financial and operational performance of **enjoyleisure (enjoy)** since March 2021, the challenges that **enjoy** faces in light of the cost of living and energy crises, and the successes that **enjoy** has achieved through this period.

The biggest challenges **enjoy** faces on an ongoing basis include:

- Rebuilding reserves whilst receiving plateaued income and achieving cost savings while prices and wages continue to rise.
- Planning for the impact of utility price rises in the coming years.
- Increasing fitness memberships in light of the cost of living crisis, where membership numbers had not yet caught up with pre-COVID levels.
- Unprecedented difficulties in recruitment of staff influenced by suppressed labour markets, demands on rates of pay, lack of qualification courses running through the pandemic and subsequent lack of available candidates.
- Keeping up with the demand for swimming and gymnastics lessons in East Lothian, especially as the population grows within the county and given a shortage of qualified teachers.

However, **enjoy** has made great strides through the last 3 years since COVID hit, including success in:

- **enjoy** negotiated a 10 year extension to our funding agreement with East Lothian Council, which will ensure continuity of the existing service provision and affordable leisure activities for local communities. The current/new arrangement delivers significant ongoing financial benefits for the Council and allows **enjoy** to continue to strengthen its position within the sector.
- **enjoy** is extremely proud to have avoided redundancies since the pandemic began, especially when compared to other Trusts who have been less fortunate.
- Income and usage has returned at levels consistently higher than expected in comparison to other Trusts, extending the lifespan of our reserves.
- All facilities have remained open, with colleagues going above and beyond to cover staff shortages.
- Improved and sustained partnership with ELC, including regular meetings between **enjoy** and ELC staff have kept both parties up to date and abreast of the situation throughout the pandemic.

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



- A restructure of the Senior Management of **enjoy** has enabled operational and strategic transformations to be brought to the forefront of the organisation, and the SMT is excited for the journey ahead.

## BACKGROUND

In October 2009, Enjoy East Lothian Limited (**enjoy**leisure or **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 in Haddington, Tranent, Musselburgh, North Berwick, Prestonpans and Dunbar; as well as a number of sports facilities throughout East Lothian. All of the facilities are held on ELC's property portfolio with the exception of Dunbar Leisure Pool, which is wholly owned by **enjoy**.

The primary objective of **enjoy**leisure, as East Lothian's charitable health, well-being and leisure trust, is to improve lives by inspiring active living. It is our mission to enrich the physical and mental wellbeing of our communities, by putting people at the heart of everything we do:

- We provide opportunities for people of all ages to enjoy recreational facilities in East Lothian, with the objective of improving their conditions of life.
- We develop and create our own recreational coached activity programmes to create development pathways for both competitive and non-competitive athletes.
- We contribute to advancing the wellbeing of the inhabitants of and visitors to East Lothian through our wide ranging fitness class activity programme, Bodyworks Gyms, and Swimming Pool programmes.
- We provide local residents on low income or disability benefits the opportunity to engage in physical activity at concessionary rates.
- We provide a Macmillan Move More programme for the benefit of individuals living with and beyond cancer in East Lothian to engage in gentle exercise and movement classes, providing physical, social, emotional, and mental wellbeing support for those who need it.
- We have strong links with local schools providing access for both public and private educational facilities, so children of all ages and abilities are able to engage in sporting activities.
- We provide sports halls, dance studios, pitches, and pavilions for local sports clubs and community organisations to host their training sessions, competitions, matches, dance rehearsals, theatre productions, and community meetings.

## April 2021 to March 2022

Since March 2020, the majority of **enjoy**'s services & facilities have faced multiple closures, and when facilities were open they were restricted in both activities and capacities. Facilities were closed due to lockdowns from 24 December 2020 to 26 April 2021, after which activities and facilities returned slowly.

Various COVID measures were retained throughout the year. In December 2021 in response to increasing COVID infections, restrictions were placed on indoor activities. Cafés have re-opened where possible, with only North Berwick café now remaining closed to staffing issues.



Responding to the last few years has been a constant challenge for **enjoy** in adjusting to new restrictions, implementing and then reducing COVID safety measures. Coaches taught fitness classes via zoom from their homes during closures, and Direct Debit membership fees were reduced to £1 during months the facilities were closed. Memberships fell by 36%, a substantial drop in **enjoy**'s regular income and subsequently recovered to 93% of pre-COVID numbers. Up to 95% of colleagues were furloughed and when facilities reopened a 3 week program of return to work training was undertaken with colleagues.

In August 2021, capacity restrictions within **enjoy** facilities were removed, and visitor numbers and income bounced back significantly. It was extremely heartening to see loyal customers, tourists and visitors returning to utilise **enjoy** leisure facilities. This meant that after a challenging financial performance in 20/21, greater income and usage enabled **enjoy** to begin to recover far more quickly than expected.

### Visitor Statistics

In 2019/20, total customer visits, including club usage of pitches and school usage of facilities, were over 1.2 million. This number was drastically reduced in 2020/21, with the majority of facilities only open for 3.5 months of the year. In 21/22, with the majority of facilities closed in April 2021 and restricted capacities for half of the year, the annual visitor numbers recovered to 63% of the pre-COVID levels. The second half of the financial year (October 2021 to March 2022) achieved 96% of 2019/20 visitor numbers, with the improvement being attributed to the lifting of extremely restricted pool capacities.

	2019/20	2020/21	2021/22
<b>Total Visitor Numbers</b>	1,200,000	173,000	750,000
<b>Sports Centres Customers</b>	702,342	80,849	512,799
<b>Golf Courses</b>	51,316	60,794	68,117

### Finance

The financial results for 21/22 show the beginnings of recovery. The audit was completed in August 2022, and unqualified accounts have been produced and submitted. The statutory accounts show a net positive movement in funds for the group for the year ended 31 March 2022 of £2,753,491. This is comprised of:

- a core operating deficit of £35,509
- an adjustment for the defined benefit pension scheme being an actuarial gain of £2,789,000

The core operating loss of £36k (2021: £447k) includes a loss of £9k for the trading subsidiary and £27k for the charity. The operational deficit of £35k includes £235k income from the Job Retention Scheme from the beginning of the financial year. It also includes £327k income from hosting mobile COVID testing units in our facilities. Of **enjoy**'s 'normal' income, the Charity has recovered to circa 86% of pre-COVID levels. The small deficit achieved in 21/22, given all the challenges, represents an impressive result for **enjoy** and we are extremely grateful for the support of our partners at ELC and the work put in by all staff to achieve cost savings and maximise income.



Total group income in 21/22 was £6.1m (up from £5.1m in 20/21). Pre-COVID income levels were circa £6.4m, with the majority of the remaining difference being in membership fees that have not yet recovered fully to pre-COVID numbers.

Total group operating expenditure in 21/22 was £6.1m (up from £5.5m in 20/21). **enjoy's** costs in 19/20 were £6.7m, but there have been significant savings in staff costs (due to vacancies but also due to the implementation of 15 minute rotas at all sites and the SMT reorganisation). The 22/23 costs will likely be much higher than 21/22 due to rising prices, utilities, staff wages, and no income from the JRS being included in the next financial year.

**enjoy** had a healthy reserves position at the start of the pandemic, and while this was dramatically reduced during the pandemic, we received £396k in loss of income funding from East Lothian Council in 2021 which helped to rebuild our reserves somewhat. At the end of March 2022, reserves were £818k, up from £585k in March 2021. **enjoy's** minimum reserves target is £1.2m, so there is still a way to go in rebuilding reserves to a safe level.

## Looking to the Future

**enjoy's** facilities reopened for the second time on 26 April 2021 with various restrictions in place until 31 August 2021, when centres fully opened for the first time in 18 months. While the second half of 2021 was a steady period of recovery, 2022 has brought a new batch of challenges from shortages of pool chemicals, rising prices, difficult pay negotiations, and stagnating membership levels due to the cost of living crisis.

**enjoy** are proud to manage the Access to Leisure scheme, whereby East Lothian residents on low incomes, with disabilities, or in NHS health programs can access **enjoy** leisure facilities for £1.50 off peak, and receive 50% off children's coached activities such as swimming lessons. We hope this will go some way to ease the cost of living for customers and ensure that those who wish to participate in sporting activities can continue to do so.

Despite the challenges **enjoy** faces, we have had several successes over the last year and continue to make strides to improve the business.

### Operations

The reopening in April 2021 went smoothly, and the operations team coped brilliantly with moving through the various levels of restrictions until the 31<sup>st</sup> August 2021 when **enjoy** reopened all facilities fully. This was a huge piece of work with the creation of new programs and staff rotas, fully restarting the training of swimming coaches and lifeguarding qualifications, and continuing to manage facilities at varying stages of mothballing.

Cafés have reopened to a much stronger return level than expected, with costs and income being monitored hour by hour to ensure a sensible opening timetable. North Berwick Sports Centre café remains closed as we have been unable to appoint the required number of staff to operate.

The swimming pool moving floors and dividing booms at North Berwick Sports Centre and Musselburgh Sports Centre were replaced and opened in May 2021.





We undertook a full review of the way in which we manage our Caretaking and Facility Attendant staff at multi-site small grass pitch pavilions. We have also introduced a Trusted Key Holder policy for the use of small grass pitch pavilions.

Sports Development programs have been successful, with the launch of **enjoy**gymnastics in May 2021 (delayed from 2020 due to the early 2021 lockdown) and **enjoy**trampolining in September 2022. These programs have been impacted by the lack of coaches available, but remain valuable to the community. The swimming program continues to be hugely successful and popular with waiting list times and occupancy levels high. Again, staffing shortages are beginning to impact the program, but this will be a short term issue as we begin preparing to train more staff in-house.

### *Success Stories*

- **enjoy** has been a real leader in the return of Children's Sports Coaching Lessons post pandemic. We were one of the first trusts to bring back the Learn to Swim programme following the COVID closures, with an impressive return rate of 89%. The Sport Development Manager delivered a presentation at the Scottish Swimming National Framework virtual networking day, which provided an overview of our planning and resumption of the programme. This was well received, as many trusts still had to initiate the return of their swimming programme. Head of Operations, Ian Sills, also sat on the Scottish Swimming national working group developing protocols to return swimmers back to pools. The number of children participating in **enjoy's** Gymnastics lessons is higher than ever before, and trampolining lessons have also restarted in late 2022, enabling more children to learn valuable physical activity skills.
- The Home Portal of the Learn2 software which administers our Sport Development programmes was launched. This allows parents to see their child's progress in Swimming and Gymnastics lessons and has been a great success in making children's progression more transparent to parents or guardians and in freeing up staff time internally.
- **enjoy** played a vital role in the Government's programme of COVID-19 testing, with mobile testing units located in our car parks at Dunbar Leisure Pool, Loch Centre and Meadowmill Sports Centre. **enjoy** receives a daily rental for this use.
- **enjoy** successfully hosted voting stations for the Local Government elections at Aubigny Sports Centre, Loch Centre and North Berwick Sport Centre, and the counting hub at Meadowmill SC.
- Another successful opening of seasonal facilities at the East and West Putting Greens in North Berwick and the Bowling Green at Fisherrow, including the introduction of accessible golf at East Links and solar powered payment methods at the Links.
- All 6 gyms have been refreshed with brand new equipment over the last two years, and visitor numbers have seen a subsequent spike at multiple sites.
- A new partnership agreement was signed with Scottish Swimming, for a further 3 years.
- The staff of Dunbar Leisure Pool received a Citizens Team Award at the Dunbar Community Awards ceremony for their contributions to the community, a very proud achievement.

### *Ongoing Challenges*

- Improving and increasing occupancy throughout centres to return to pre-COVID usage levels, now with the cost of living crisis affecting customer's ability to attend paid physical activities.



- Improving the customer experience through critical analysis of service delivery.
- Ensuring a consistent approach to operational delivery including such things as bookings management and Management and Supervisory responsibilities.
- Consideration of the expansion of provision of sports and leisure facilities in East Lothian in partnership with the Council.
- Reducing our carbon footprint in order to meet partner and customer expectations and to save costs, especially in light of growing utility prices.
- Keeping up with the demand for swimming lessons and gymnastics in East Lothian, especially as the population grows within the county and staffing continues to be a challenge.
- Recruitment and selection of operational Leisure Assistant, Café Manager/Assistant and Gymnastics Coaches.
- Recruitment and selection of Athletics and Tennis/Badminton Development Officer.
- Developing recreational programmes for Athletics and Tennis/Badminton.
- The supply of swimming pool treatment chemicals has been problematic over the last 10 months due to a number of global issues. Alternative dosing and therefore alternative chemicals have been installed to allow **enjoy** to maintain pool water treatment.

## People

The past 2 years have been extraordinarily difficult in recruiting, retaining, and managing staff. Continued absences due to COVID remain an issue, and **enjoy** is experiencing the same difficulties as other organisations in recruiting staff. A high number of vacancies means our current colleagues are going above and beyond to ensure facilities remain open, and while we are extremely grateful for this we recognise the challenge this brings in retaining and rewarding those staff.

The pay award for 22/23 is in ongoing negotiations with Trade Unions, as the level of increases being seen elsewhere in the public sector are unaffordable and unsustainable for a Charity such as **enjoy**. We continue to work with the Unions and with East Lothian Council to bring this to a satisfactory close for all parties, including our colleagues.

We continue to invest in staff, and in particular training and development for our young workforce through partnership with Direct Partners on apprenticeship programmes in sport and leisure. We have also introduced funded and flexible options for lifeguarding qualifications for colleagues to access this. Training for colleagues continues to be undertaken at all levels, including leadership training for managers across the organisation and the roll out of customer service training beginning soon that will focus on the Visit Scotland service criteria.

## Success Stories

- **enjoy** is extremely proud to have retained pre-lockdown services since the pandemic began, especially when compared to other Trusts who have been less fortunate and been forced to reduce services which has impacted on jobs within their organisation.
- Introducing funded National Pool Lifeguard Qualification (NPLQ) places for young people in East Lothian where they may find financing the course challenging.
- Introduction of a performance review system for all colleagues that provides an opportunity for line managers to feedback on performance, identify future development opportunities and support in succession planning.



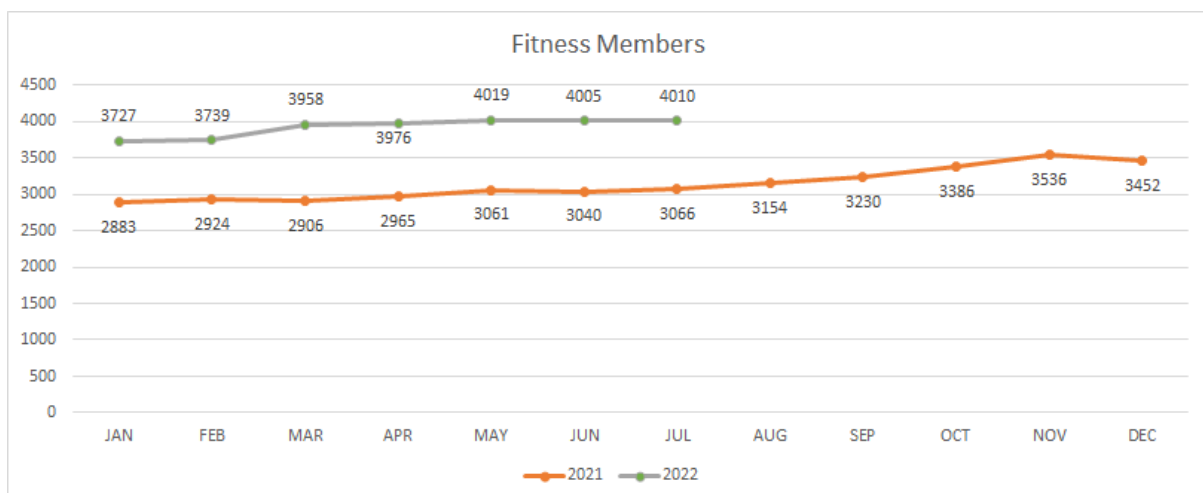
- Capitalising on the Government launched Kickstart scheme and identifying apprentice placements throughout **enjoy** for young people who will benefit from employability skills experience.
- Leadership and customer service training has been an extremely valuable tool for managers, and customer service training will be rolled out to all staff to maintain a competitive edge in an increasingly tough market.
- Introduced a Health & Wellbeing steering group to promote our Employee Assistance Programme.
- Provided a number of work experience placements for young people current in secondary education across East Lothian.

### Ongoing Challenges

- Recruitment and retention of staff continues to be the biggest challenge faced by **enjoy**, influenced by suppressed labour markets, demands on rates of pay, lack of qualification courses running through the pandemic and a subsequent lack of available candidates.
- Finalising a pay award for 22/23, and then into 23/24 with an awareness of any impact of pay awards on degrading grade differentials and the subsequent impact this has on recruiting for senior posts.
- Managing staff absences and ensuring that staff are not overworking in order to cover shifts.

### Memberships & Customer Return

After the pandemic, **enjoy** was predicting a slow but steady growth in membership number back to the peak of 4,500 and then beyond given the growth in population. However, moving directly from the COVID crisis into the cost of living crisis means that membership at **enjoy's** centres has stagnated somewhat in 2022 with membership levels remaining at circa 4,000 (93% of pre-COVID levels) members for most of the year. While this is a success in its own right, in maintaining a loyal customer base which has not shrunk even during a period of high inflation, the impact of the cost of living crisis on **enjoy's** membership base is one of the biggest challenges we are currently facing. Memberships, marketing and branding will be a major focus for **enjoy** moving forward as we strive to compete in an ever tightening market.





### Success Stories

- Compared to other Leisure Trusts in the UK, we retained or recovered a high amount of our membership base post-COVID. We were ahead of the average retention in the midst of the first lockdown, and continue to be grateful for our loyal customer base.
- **enjoy** is uniquely positioned mid-market for the cost of living crisis and we hope that any membership we lose for those who can no longer afford a monthly direct debit can access facilities through the Access to Leisure scheme and that those who are cutting costs will join after leaving more expensive commercial gyms.
- Members, customers and tourists returned in large quantities to Dunbar Leisure Pool during the School Summer Holidays, and tourism at Musselburgh Old Golf Course in Summer 2022 was also very impressive.

### Ongoing Challenges

- Ensuring that prices and charges are increased enough to cover inflation and rising wages without aggravating existing customers and still being able to attract new customers.
- Increased competition from private gyms in Edinburgh and East Lothian, especially those with cheaper prices and newer facilities.
- Refreshing branding and improving customer service to grow the customer base, retain existing customers and provide value for money.
- Increasing usage of at home fitness due to changes in customer behaviours through the pandemic and the gradual return to work reducing local usage.

### Business Development

Since January 2021, with the appointment of the Head of Business Development, we have been focussing on adding a new dimension to **enjoy** in exploring fresh business and funding opportunities. This has paid dividends in the last 18 months, with funding received for various community benefits such as pool wheelchairs, funded NPLQ places, and aqua-runs for children's pool sessions. Development of the organisation is challenging at a time when vacancies are high and budgets are tight but several exciting projects are underway which have brought new initiatives to the communities of East Lothian.

### Success Stories

- A part funded GP exercise referral scheme is currently being trialled in Dunbar whereby patients are referred for a period of free or discounted access to enjoy facilities. A dedicated and fully trained coach will assess and help them on their fitness or recovery journey. This initiative is also providing training opportunities and promotion for enjoy colleagues.
- Working in partnership with Fitness Education Academy, members of **enjoy**leisure have access to Personal Trainers who will use our gyms to work with our customers on a private basis.
- Grant, Trust and Foundation Funding of over £100k was received in 21/22, allowing several purchases of important lifesaving equipment, schemes for training to be set up, and the purchase of equipment for children's coached lessons.
- Government 'Get into Summer' funding allowed **enjoy** to provide free swims for children in East Lothian throughout the summer holidays in summer, October and December 2021, a fantastic initiative to return children to exercise after the pandemic.



- Relationship building with several prominent East Lothian Organisations has been a priority, and with corporate memberships or passes being purchased and funding being provided by several key partners, the success of this initiative cannot be understated.

### *Ongoing Challenges*

- External funding is being understandably concentrated on real need at this time, such as poverty or refugees, which proves difficult for **enjoy** to be granted funding.
- Ongoing issues with staffing and vacancies mean little time is available on the ground to dedicate to new initiatives, however working with colleagues in the Centres on development ideas is a focus for 2023.
- Exploring new ideas such as marketing spaces **enjoy** manages for events is a real opportunity, it will be a challenge to undertake this work with tight budgets both for **enjoy** but also for the potential users of these spaces, however if it proves successful it will add another income stream.

### *Finance*

2021/22 was well above all expectations for **enjoy**, and while we budgeted for a £500k loss in 2022/23, we expect to again outdo this result due to substantial membership growth in January – March 2022, and to particularly strong summer usage. There has been no reduction in the management fee from East Lothian Council in 2022/23, which **enjoy** greatly appreciates as a support in our recovery. **enjoy**'s reserves have risen to circa £1m by September 2022, which puts us much closer to our minimum level.

However, we are now experiencing stagnation of income, with a high turnover in memberships, and rising costs almost across the board. The 22/23 pay award will end up being much higher than budgeted and while we are protected from most of the utility price rises thanks to long term contracts, we are seeing the non-commodity prices rise and have begun planning for the end of our contracts in 2024 and 2026 when we expect our prices to double (at least).

We are taking steps to mitigate financial risks, with planned investments in systems, planning for stock systems, and beginning to invest cash to generate interest while rates are high.

### *Success Stories*

- Thanks to strong cash management prior to the pandemic and a fantastic first half of 2022, **enjoy**'s reserves remain much higher than expected although not yet at our minimum level.
- Improved and sustained partnership with ELC, including regular meetings between **enjoy** and ELC finance staff have kept both parties up to date and abreast of the situation throughout the last couple of years.
- Plans to upgrade our leisure management system (which controls the vast majority of our activities and customer experience) are underway, and we hope to be live with a more efficient and modern offering in early 2023, saving time for colleagues, providing **enjoy** with better data, and most importantly improving the customer journey in order to contribute to membership growth.



### Ongoing Challenges

- Price increases continue to be applied to several products including pool chemicals and CO2, paper products, food, and transport costs. We have investigated alternative products where possible and are reviewing procurement of these items.
- Achieving budgeted levels of income and cost savings, in order to reduce deficits and preserve cash reserves.
- Rebuilding reserves to above the minimum target level in order to reinvest in the business.

### The Organisation

Following a turnaround strategy review, it was proposed to reduce and restructure the Senior Management Team to form a more effective and diverse team. This restructure was implemented by January 2021 and is paying dividends for the organisation with a consistent approach to Operations being cascaded down throughout the business and a focus on strategic approaches to the development and transformation of services and support systems.

We strongly believe that this restructure has been an exciting opportunity for **enjoy** to progress and nurture the business, especially in a time of recovery. The restructure has resulted in a saving for **enjoy** of £50k per annum before including any income, efficiencies, or opportunities generated by the expertise of the new posts and the cohesion of the leadership team.

In 2022, we have recruited a new Marketing & Communications Manager, a new Macmillan Co-ordinator and restructured posts within the Sports Development team. Enjoy is extremely excited about all of these appointments and the depth of skills and experience that has been brought into the organisation will be vital moving forward in this challenging period.

We have also seen a highly efficient and engaged Board of Directors emerge over the last few years. The enthusiasm and stewardship has been and will continue to be invaluable as we moved through the current crises and on into recovery.

Partnership with ELC has continued to improve with regular, open dialogue being maintained from both partners and a shared commitment to returning the communities of East Lothian to sport and wellbeing. We would like to thank ELC, both Officers and Politicians, for their support through this period, and while recovery will be a long and challenging road, we will continue to work together to ensure that East Lothian can continue to be a leader in offering all residents real opportunities to enjoy and lead active, healthy lifestyles.

**REPORT TO:** Audit and Governance Committee  
**MEETING DATE:** 29 November 2022  
**BY:** Companies Manager, East Lothian Land Ltd  
**SUBJECT:** East Lothian Land Ltd 2021/22

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**8**

**1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of the work undertaken by East Lothian Land Ltd in 2021/22.

**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 shares (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. The transferred employment land at that time was viewed by the private sector as undevelopable providing insufficient return on investment.
- 3.2 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.
- 3.3 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 90% and 100% occupancy.
- 3.4 The company has a board of 4 directors comprising of two elected members (Council leader and the Provost / Economic Development spokesperson), a private industry sector representative and a senior council officer. (Note – Following retirements the senior council officer and

the private sector directorships became vacant on the 19<sup>th</sup> March 2021 and 17<sup>th</sup> December 2021 respectively)

- 3.5 Due to the passing of Cllr Innes the directorship changed on the 20<sup>th</sup> December 2021 to the new Council Leader who had been acting as a proxy for Cllr Innes in his absence.
- 3.6 The former 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. The Head of Service Development, ELC acts in an advisory role to the board. The board act on a “*Pro Bono*” basis and do not receive payment. The Company manager and Business Development assistant undertake the work under ELC job remits.
- 3.7 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 board meetings are taken and approved at subsequent board meeting by the chair. Note due to Covid initially and then the retirement of directors the board meetings were held jointly with the board of East Lothian Investments Ltd who became shadow directors.

#### **Financial / Legal**

- 3.8 ELL is audited annually by Azets, Edinburgh. End of Year accounts are approved by the board and signed off accordingly and provided to ELC for group accounting purposes. (See appendix 1 Draft end of year accounts).
- 3.9 ELL accountant’s opinion is that the financial statements for the company give a true and fair view of the state of the company affairs as at 31<sup>st</sup> March 2022 and of its loss before taxation of £8,207 for the year then ended.
- 3.10 ELL use the online cloud accounting platform – Xero. The company banks with Handelsbanken. Legal advice is provided by Addleshaw Goddard.

#### **2020/21 Projects considered**

- 3.11 The directors at each board meeting are provided an update on all available land and commercial property for sale / to let. Updates are circulated monthly between board meetings. (See appendix 2 – property list extract for Haddington – October 2022) The directors discuss each site and whether to progress with offers for purchase and development.

#### *Retail / high streets in county*

- 3.12 ELL considered the level of retail / other vacancies on town high streets with the option of intervening and buying / renting vacant properties. ELL intend to base the option on the successful Town Catalyst pilot delivered in Dunbar by Economic Development, Business Gateway and Dunbar Trades association in 2018. (See appendix 3 – TC initiative) A number of vacant properties were considered but then sold / let indicating no



requirement to proceed as no market failure. (Post period note - This vacancy review is ongoing)

*Macmerry Business Park*

- 3.13 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 an architect it was deemed too difficult to develop. The site may offer access for any future development to the adjacent field

*ELC estate review – Brewery Park Block A & C*

- 3.14 Discussions have taken place with ELC around the possibility of developing Brewery Park Block A & C along the lines of the model for Block B and under the same financial agreement. This is at no cost to the council with the savings of reduced rates bill and benefit to ELL of an interest (to be agreed) added onto cost of development. No development occurred during the period.

*Di Rollo's commercial unit, Musselburgh - Joint Venture (JV)*

- 3.15 Di Rollo's manufacturing unit of 5,105 sqft in Musselburgh came onto the market due to the planned retirement of the company owners at offers over £475,000. ELL Ltd was approached to enter into a possible joint venture with a food producer wishing to relocate to East Lothian due in part to the support given to food and drink sector within the county via the EL Food & Drink BID. Joint site visit took place and discussion on best model with the company ensued but Di Rollo owners accepted an offer before any approach could be made via the JV.

*Office enquiry*

- 3.16 ELL / ELC had an approach from a highly regarded company wishing to expand into East Lothian and create high quality employment for up to 50. Various sites shown to the company around the Haddington area and Aimisfield Stales was identified as the preferred option.

**Various**

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

**2021 / 22 Projects commenced**

*Tyne Close, Haddington*

- 3.18 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.

- 3.19 It was agreed in March 2019 by the board of ELL to enter discussions with ELC to take on a long term ground lease, demolish the existing unsafe buildings and then develop the site for commercial use. The length of lease and rental level verbally agreed with ELC estates manager prior to submission of planning application. A local architect was awarded the contract to develop the site layout and submit planning application.
- 3.20 Construction tender was developed by ELL and quotes for the project were received to ascertain viability and financial model. The Board following review of quotes and financial model agreed to appoint a company to undertake the demolition and new build predicated on planning permission being approved.
- 3.21 Planning approval was granted on 31<sup>st</sup> March 2020 – number 20/00352/P. (See appendix 4 - site plan). The site will accommodate 7 commercial units of 6 @ 45m<sup>2</sup> and 1 @ 130 m<sup>2</sup>. Following planning permission award ELL lawyers entered into formal negotiations with ELC on the ground lease. During the period 2021/22 the lease negotiations were ongoing.

*Office development, Amisfield Stables*

- 3.22 Following agreement with ELC and approval by the ELL board, ELL has taken the lead on the Amisfield Stables project. An architect has been appointed, draft outline plans for the building with engagement from the company involved developed, high level financial cost appraisal undertaken and various funding mechanisms considered including grants to bring the project forward. This development is ongoing. (See appendix 5 - site plan)

**Future projects**

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

**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.”*

## **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 - Companies manager, EDSI's Business Development assistant and senior ELC officer.
- 6.3 Other – none

## **7 BACKGROUND PAPERS**

- 7.1 Audit and Governance report 2020/21

<b>AUTHOR'S NAME</b>	Richard Baty
<b>DESIGNATION</b>	Companies Manager
<b>CONTACT INFO</b>	<a href="mailto:rbaty@eastlothian.gov.uk">rbaty@eastlothian.gov.uk</a>
<b>DATE</b>	November 2022



**EAST LoTHIAN LAND LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2022**

## EAST LOTHIAN LAND LIMITED

### COMPANY INFORMATION

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<b>Directors</b>	J McMillan N Hampshire	(Appointed 20 December 2021)
<b>Secretary</b>	Richard Baty	
<b>Company number</b>	SC208723	
<b>Registered office</b>	John Muir House Room 2.19 Brewery Park Haddington East Lothian United Kingdom EH41 3HA	
<b>Auditor</b>	Azets Audit Services Exchange Place 3 Semple Street Edinburgh United Kingdom EH3 8BL	
<b>Business address</b>	John Muir House Room 2.19 Brewery Park Haddington East Lothian United Kingdom EH41 3HA	
<b>Bankers</b>	Handelsbanken 18 Charlotte Square Edinburgh United Kingdom EH2 4DF	
<b>Solicitors</b>	Addleshaw Goddard Exchange Tower 19 Canning Street Edinburgh United Kingdom EH3 8EH	

## CONTENTS

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Directors' report	1
Independent auditor's report	
Statement of income and retained earnings	2
Balance sheet	3
Statement of cash flows	4
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## **EAST LOTHIAN LAND LIMITED**

### **DIRECTORS' REPORT**

#### **FOR THE YEAR ENDED 31 MARCH 2022**

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The directors present their report and financial statements for the year ended 31 March 2022.

#### **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	(Resigned 20 December 2021)
W Innes	(Deceased 27 October 2021)
J McMillan	
N Hampshire	(Appointed 20 December 2021)

#### **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**

.....



**EAST LOTHIAN LAND LIMITED****STATEMENT OF INCOME AND RETAINED EARNINGS****FOR THE YEAR ENDED 31 MARCH 2022**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Administrative expenses	(8,740)	(7,798)
Other operating income	1	-
	<u>          </u>	<u>          </u>
<b>Operating loss</b>	<b>(8,739)</b>	<b>(7,798)</b>
Interest receivable and similar income	532	979
	<u>          </u>	<u>          </u>
<b>Loss before taxation</b>	<b>(8,207)</b>	<b>(6,819)</b>
Tax on loss	-	-
	<u>          </u>	<u>          </u>
<b>Loss for the financial year</b>	<b>(8,207)</b>	<b>(6,819)</b>
Retained earnings brought forward	(222,704)	(215,885)
	<u>          </u>	<u>          </u>
Retained earnings carried forward	<u><u>(230,911)</u></u>	<u><u>(222,704)</u></u>

**EAST LOTHIAN LAND LIMITED****BALANCE SHEET****AS AT 31 MARCH 2022**

	Notes	2022 £	£	2021 £	£
<b>Current assets</b>					
Debtors	3	59,781		79,226	
Cash at bank and in hand		511,908		500,670	
		<u>571,689</u>		<u>579,896</u>	
<b>Creditors: amounts falling due within one year</b>	4	(2,600)		(2,600)	
<b>Net current assets</b>			<u>569,089</u>		<u>577,296</u>
<b>Capital and reserves</b>					
Called up share capital	5		800,000		800,000
Profit and loss reserves			(230,911)		(222,704)
<b>Total equity</b>			<u>569,089</u>		<u>577,296</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 ..... 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 2022**

	Notes	2022 £	£	2021 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	7		10,706		2,899
<b>Investing activities</b>					
Interest received		532		990	
<b>Net cash generated from investing activities</b>		<u>532</u>	532	<u>990</u>	990
<b>Net increase in cash and cash equivalents</b>			<u>11,238</u>		<u>3,889</u>
Cash and cash equivalents at beginning of year			500,670		496,781
<b>Cash and cash equivalents at end of year</b>			<u><u>511,908</u></u>		<u><u>500,670</u></u>

# EAST LOTHIAN LAND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2022

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#### 1 Accounting policies

##### Company information

East Lothian Land Limited is a private company limited by shares incorporated in Scotland. The registered office is John Muir House Room 2.19, Brewery Park, Haddington, East Lothian, United Kingdom, 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 2022

---

#### 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 2022****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:

	<b>2022</b>	<b>2021</b>
	<b>Number</b>	<b>Number</b>
Total	4	4
	<u>          </u>	<u>          </u>

**3 Debtors**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Amounts due from parent entity	57,920	78,883
Other debtors	1,861	343
	<u>          </u>	<u>          </u>
	<u>59,781</u>	<u>79,226</u>

Debtors include an amount of £34,845 (2021 - £50,154) which is due after more than one year.

**EAST LOTHIAN LAND LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 MARCH 2022****4 Creditors: amounts falling due within one year**

	<b>2022</b>	<b>2021</b>
	£	£
Other creditors	2,600	2,600
	<u>2,600</u>	<u>2,600</u>

**5 Called up share capital**

	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	Number	Number	£	£
<b>Ordinary share capital Issued and fully paid</b>				
Ordinary £1 shares of £1 each	800,000	800,000	800,000	800,000
	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>

**6 Parent entity**

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

**7 Cash generated from operations**

	<b>2022</b>	<b>2021</b>
	£	£
Loss for the year after tax	(8,207)	(6,819)
<b>Adjustments for:</b>		
Investment income	(532)	(979)
<b>Movements in working capital:</b>		
Decrease in debtors	19,445	10,697
<b>Cash generated from operations</b>	<u>10,706</u>	<u>2,899</u>

**8 Analysis of changes in net funds**

	<b>1 April 2021</b>	<b>Cash flows</b>	<b>31 March 2022</b>
	£	£	£
Cash at bank and in hand	500,670	11,238	511,908
	<u>500,670</u>	<u>11,238</u>	<u>511,908</u>

**EAST LOTHIAN LAND LIMITED**  
**MANAGEMENT INFORMATION**  
**FOR THE YEAR ENDED 31 MARCH 2022**











**EAST LOTHIAN LAND LIMITED****DETAILED TRADING AND PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 MARCH 2022**

	£	2022 £	£	2021 £
<b>Other operating income</b>				
Sundry income		1		-
<b>Administrative expenses</b>				
Legal and professional fees	5,308		3,660	
Audit fees	2,500		2,440	
Accountancy	742		1,562	
Bank charges	190		136	
	<u>          </u>		<u>          </u>	
		(8,740)		(7,798)
		<u>          </u>		<u>          </u>
<b>Operating loss</b>		(8,739)		(7,798)
<b>Interest receivable and similar income</b>				
Bank interest received	532		979	
	<u>          </u>		<u>          </u>	
		532		979
		<u>          </u>		<u>          </u>
<b>Loss before taxation</b>		(8,207)		(6,819)
		<u>          </u>		<u>          </u>



## Appendix 2

<b>1 UNDER OFFER 13/05/2022</b>					
<p>GOLF TAVERN FOR SALE £395,000.00 <a href="https://www.g-s.co.uk/property/?property=47115">https://www.g-s.co.uk/property/?property=47115</a></p>		TOURISM			X
<b>1 TO LET - updated only 3/10/2022 unit also</b>				Q3 2021	
<p>Wheatrigg SINGLE DESK £20 DAY unit 18m2  <a href="#">Property Page (dmhall.co.uk)</a> <a href="#">Booking Page   Wheatrig Business Hub</a></p>		OFFICE			X
<b>1 TO LET</b>				Q4 2021	
<p>Former Aldi 4,250 sqft Rent £9.00 sqft early 2022  <a href="https://www.ryden.co.uk/property/11602-whittingehame-drive-haddington-east-lothian-eh41-4ag">https://www.ryden.co.uk/property/11602-whittingehame-drive-haddington-east-lothian-eh41-4ag</a></p>		RETAIL			X
<b>1 TO LET - available 2022 changed agents 5/1/2022</b>				Q4 2021	
<p>Retail units Letham Mains Under construction 818 to 1840 sqft 4 spaces £10k per annum for 850sqft x 3 £20k per annum 1840 sqft  <a href="#">21640-Letham-Mains.pdf (ftinden.com)</a></p>		RETAIL			X
<b>1 FOR SALE - LEASEHOLD</b>				Q4 2021	
<p>Music school and rehearsal room Station road £95000 - leasehold £625 rent  <a href="#">Very Well Established Music School &amp; Rehearsal Studio in Great Location - Ref 1656 (centralbusinesssales.co.uk)</a></p>		OFFICE			X
<b>1 SALE</b>				Q1 2022	
<p>15 Hardgate Footlights Dancewear Offers over £180,000 DM Hall  <a href="#">Property Page (dmhall.co.uk)</a></p>		RETAIL			X
<b>1 SALE - UNDER OFFER 8/08/2022</b>				Q2 2022	
<p>70 Market Street Former Bookies £120,000 offers over 845 sqft  <a href="#">70 Market Street, Haddington, EH41 3JG (shepherd.co.uk)</a></p>		RETAIL			X
<b>1 SALE - closing date 18th August</b>				Q3 2022	
<p>Alderston House £795,000 14,248 sq ft  <a href="https://www.eastlothian.gov.uk/directory/10042/commercial-industrial_propertyland_for_leasesale/category/10023">https://www.eastlothian.gov.uk/directory/10042/commercial-industrial_propertyland_for_leasesale/category/10023</a></p>		OFFICE			X



1 **TO LET**

48 Court street  
1,291 sqft  
£20,000 per annum

[Orinsen | Commercial property consultants](#)



OFFICE

Q3 2022

X

1 **SALE**

68 High Street Haddington  
£175,000

[68 High Street, Haddington, EH41 3EN | Burns and Partners Ltd](#)



RETAIL

Q3 2022

X

1 **TO LET**

37-39 High Street  
Haddington  
£10,000 per annum  
491 sqft

[37-39 High St, Haddington | Shop / Retail storefront for rent | 491 sq ft | £10,000 per annum \(realla.co.uk\)](#)



Q4 2022

X

1 **TO LET**

2,746 sqft to 12,696 sqft unit  
STORAGE SPACE  
Spittalrigg farm  
rent £5 psf

[Industrial property to rent in Haddington, East Lothian - Spittalrigg, Haddington - Galbraith \(galbraithgroup.com\)](#)



Q4 2022

X

Town Catalyst - Retail Incubator  
Business Proposal  
2017

## **Executive Summary**

The Town Catalyst – Retail Incubator is a project aimed at bringing new retail and retail service business to the town centre. These businesses are vital to ensure the viability of any high street, because they attract people to the town centre who then utilise the service sector and hospitality sector which exists there.

A vibrant high street is important in many ways including:

- Reduced crime and anti-social behaviour
- Improved accessibility for the most vulnerable in society
- Improved job market for locals, leading to improvements in community cohesion, health, wellbeing and education

The retail incubator will provide a 6-month opportunity for a new or existing (but non-bricks-and-mortar) business to try their hand at opening a shop, without the usual attached risks. The risks mitigated by this approach are:

- Long lease terms
- Lack of start-up capital
- Lack of knowledge about running a bricks-and-mortar business
- Lack of marketing and customer base in geographical area.

These risks will be minimised by subsidising running costs for the business, and providing educational support and promotional marketing.

At the end of the six months, the business will assess its viability and, if positive, will take a vacant unit in the town centre. The Town Catalyst – Retail Incubator will then assist a new business, generating a natural chain of fresh, exciting, attraction businesses for the town centre. This will arrest the long spells of downturn faced by many towns and help to stimulate growth.

## **Need**

East Lothian has a growing population. Estimated at 101,360 in 2013, it is forecast to grow at one of the fastest rates of all 32 local authorities in Scotland, according to [East Lothian council](#). The number of households is projected to grow by 26.5% between 2012 and 2037 compared to a growth of 16.6% in Scotland.

As the world economy has shown turbulence, it is important that we not only improve local services but also re-localise services that may have been lost to town centres.

Social mobility and community cohesion are two areas which have suffered from these demographic changes. Many towns in East Lothian are used as dormitory towns for Edinburgh and as such their town centres have receded and become predominantly tourist centres.

With large retail parks in the neighbouring county, it is difficult to attract people to town centres. Sadly, anti-social behaviour, change from retail to services, and proliferation of betting and charity shops has become the trend.

Once the shops begin to disappear, it creates a domino effect. The service sector, especially food and drink, then struggles due to the downturn in foot flow, this can lead to a downward spiral that leads to empty units, often left vacant for years.

East Lothian has the lowest number of businesses per head of population of any county in Scotland. The barriers to entry are simply too daunting for many people. With the right support, we think the true entrepreneurial spirit of local communities will show through and we can redress this imbalance.

## **Economic Benefits**

We hope that, by creating a steady flow of viable businesses in East Lothian, we can reverse town centre decline and spark a positive trend of growth that may encourage more visitors and businesses into town centres.

Filling vacant units benefits the entire high street, attracting more shoppers, and adding value to every visit. Locals and visitors from out of town alike are more likely to stop, engage, and spend when there's a variety of different businesses to choose from. A positive experience will result in return visits and word-of-mouth recommendations that will encourage others to visit.

The average day visitor spends £29.61 per person and the average staying visitor spends £57.67 per person, per day, according to the [2015 East Lothian Visitor Survey](#). Day visitors comprise around two-thirds of total visitors.

If the new business attracts just 3 new day visitors per week that would bring an extra £621.81 into the local economy.

Money spent on the high street with local businesses, is more likely to stay local. The people who own and run these local businesses, also live and spend locally, so the entire local economy benefits. This isn't always true with larger retailers and the international chains that dominate most retail parks.

Once all the vacant units are taken, the retail incubator will be left dormant until the need arises again.



## **Business Opportunity**

The potential opportunity to grow the Town Catalyst – Retail Incubator from an initial pilot stage is enormous. Every town across Scotland, and indeed the UK, faces the same problems of out of town development, lack of retail and attraction businesses, and a reliance on the service sector to provide local employment opportunities.

The initial pilot will be run for a period of 12 months in the town of Dunbar, which at the date of writing had five vacant units.

Funding could then be expanded across other town centres in collaboration with East Lothian Council.

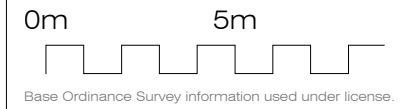
The Town Catalyst – Retail Incubator already has the support of the Dunbar Trades Association, the Business Gateway, and Economic Development.

There is also further opportunity to move into purchasing high street properties to keep an income generation tool for future town ventures. With a property portfolio, the snowball effect this could have across the UK becomes even greater.

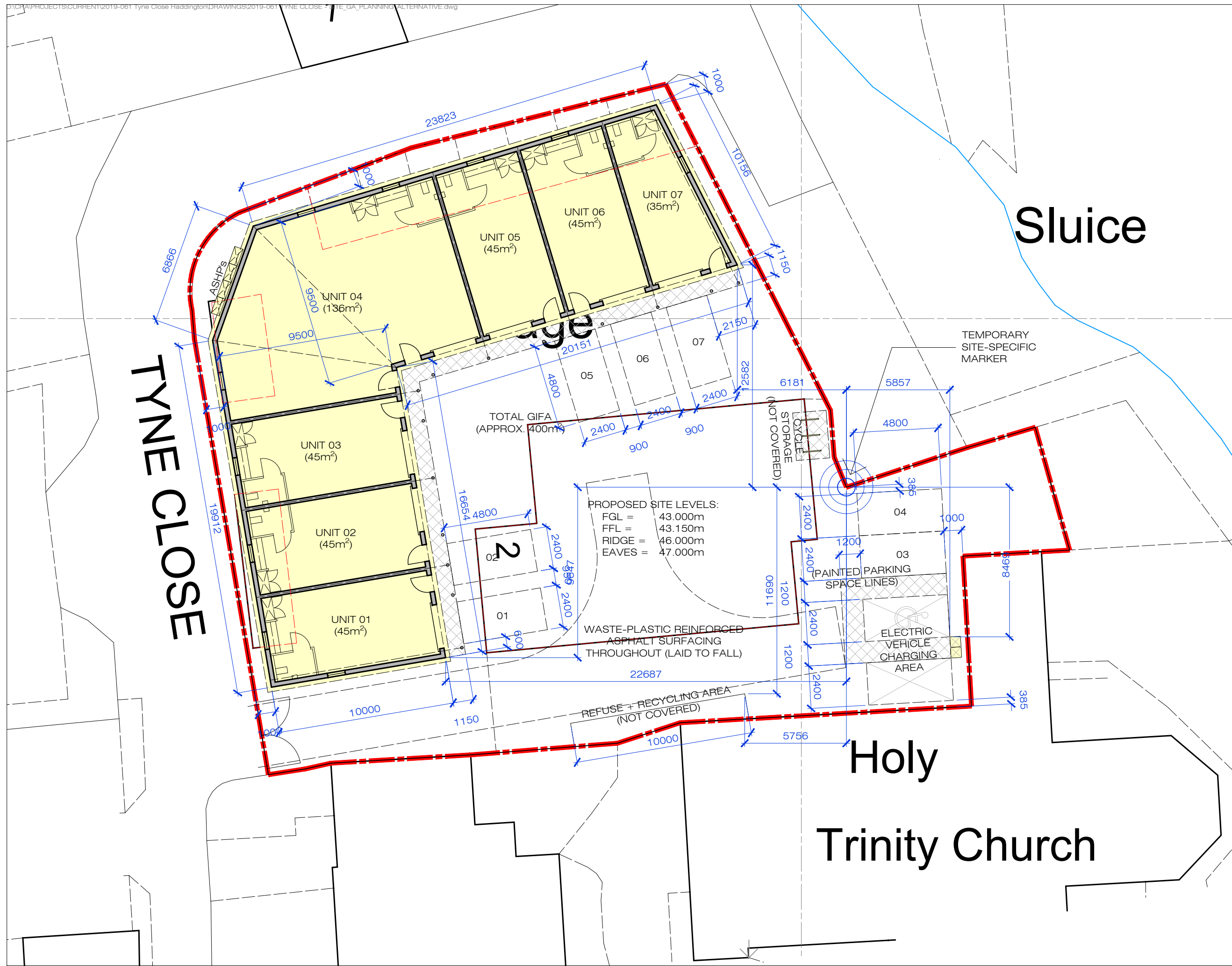




- APPLICATION SITE BOUNDARY (0.27 Acres)
- EX. STRUCTURES TO BE DEMOLISHED
- AREA OF PROPOSED NEW DEVELOPMENT



NOTE:  
 IN THE ABSENCE OF A FULL LAND/BUILDING SURVEY, THE INTERNAL EDGE OF THE EAST CORNER OF THE SITE (AS HIGHLIGHTED) HAS BEEN USED AS A TEMPORARY SITE-SPECIFIC MARKER.  
 PROPOSED LEVELS INFORMATION HAS BEEN DERIVED FROM EXISTING OS DATA.  
 THIS DRAWING CAN BE UPDATED ONCE SPECIFIC LAND SURVEY/BENCHMARK INFORMATION BECOMES AVAILABLE.



- E ADDITIONAL CONTEXT, SETTING-OUT + HEIGHT DATA TO ALLOW PLANNING APPROVAL CONDITION 1 DISCHARGE. 15.07.20
  - D DISABLED PARKING + CYCLES ADDED. 21.04.20
  - C GENERAL NOTE REVISIONS FOR ELC. 16.01.20
  - B DWG NUMBER REVISION (04-11). 03.12.19
  - A ROOF AND LAYOUT REVISIONS. 11.11.19
- Rev: Description: Date:

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

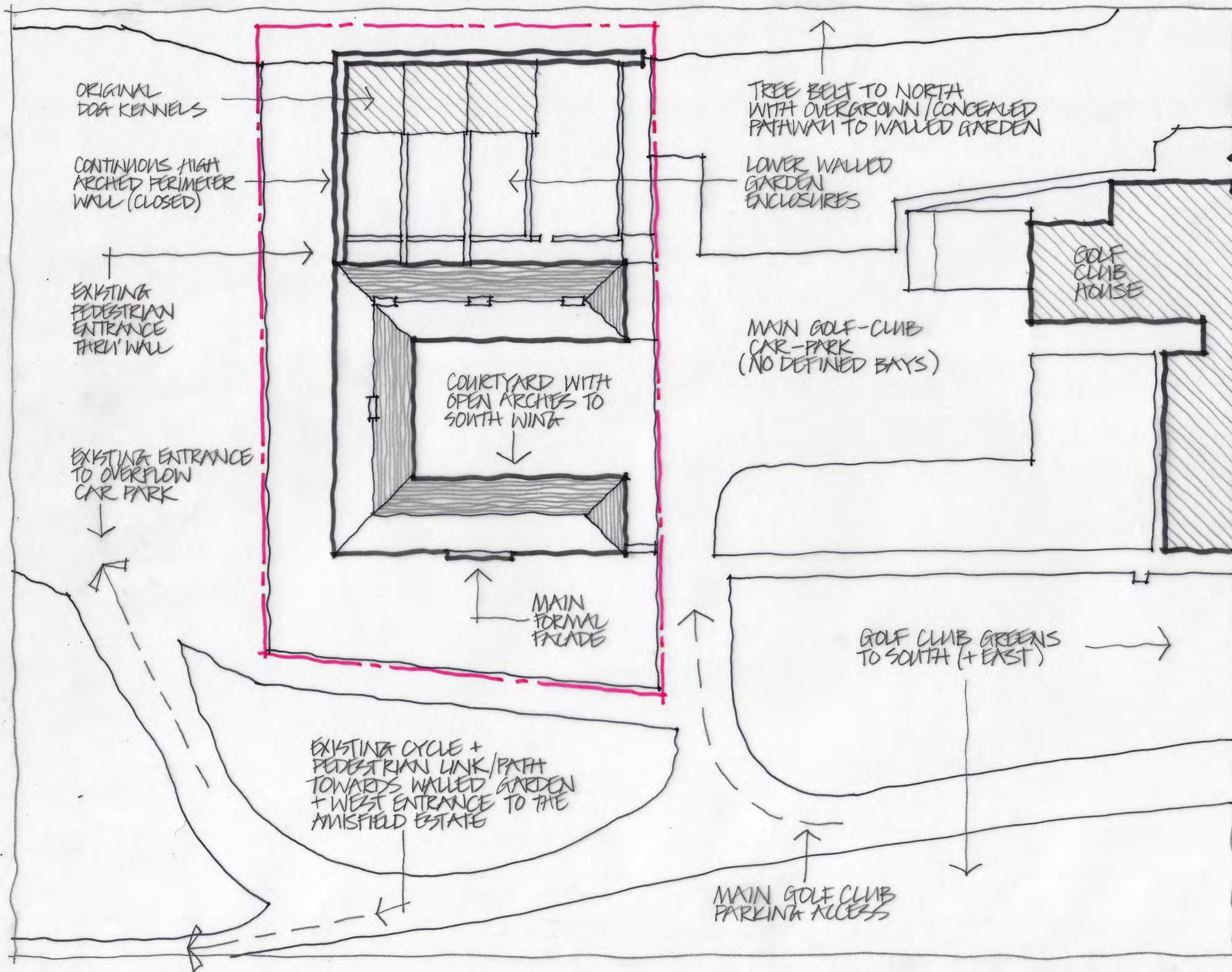
chrisrhodesarchitect

PLANNING

Project: TYNE CLOSE HADDINGTON, EAST LOTHIAN EH41 3EU			
Client: EAST LOTHIAN LAND LTD.			
Drawing: PROPOSED FLOOR PLAN			
Drawing No. 2019-61-011E	Scale: 1:200 @ A3	Date: OCT '19	Drawn: CR



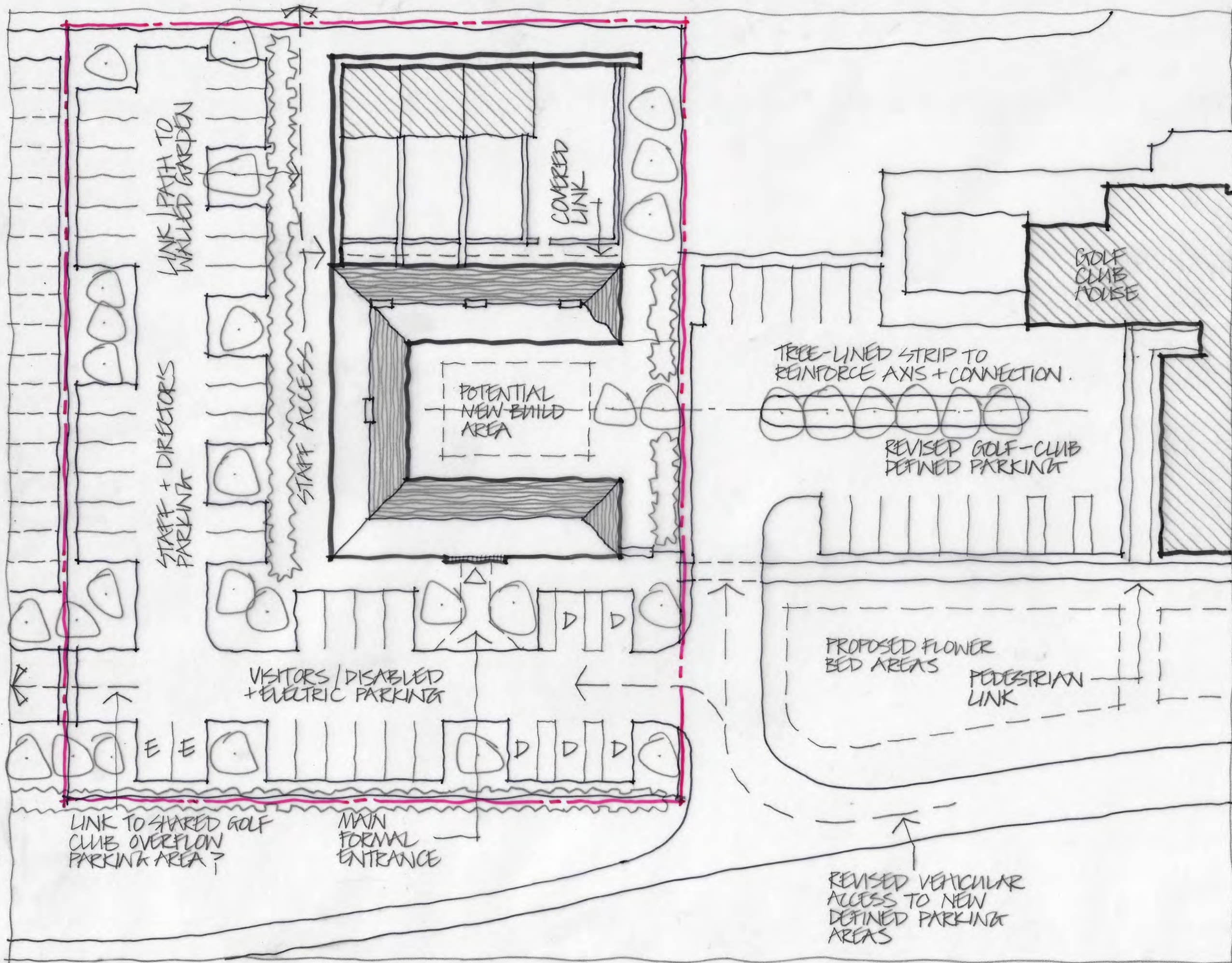




**AMISFIELD STABLES, HADDINGTON  
PROPOSED OFFICE CONVERSION**

**EXISTING SITE PLAN  
1:500 @ A5**

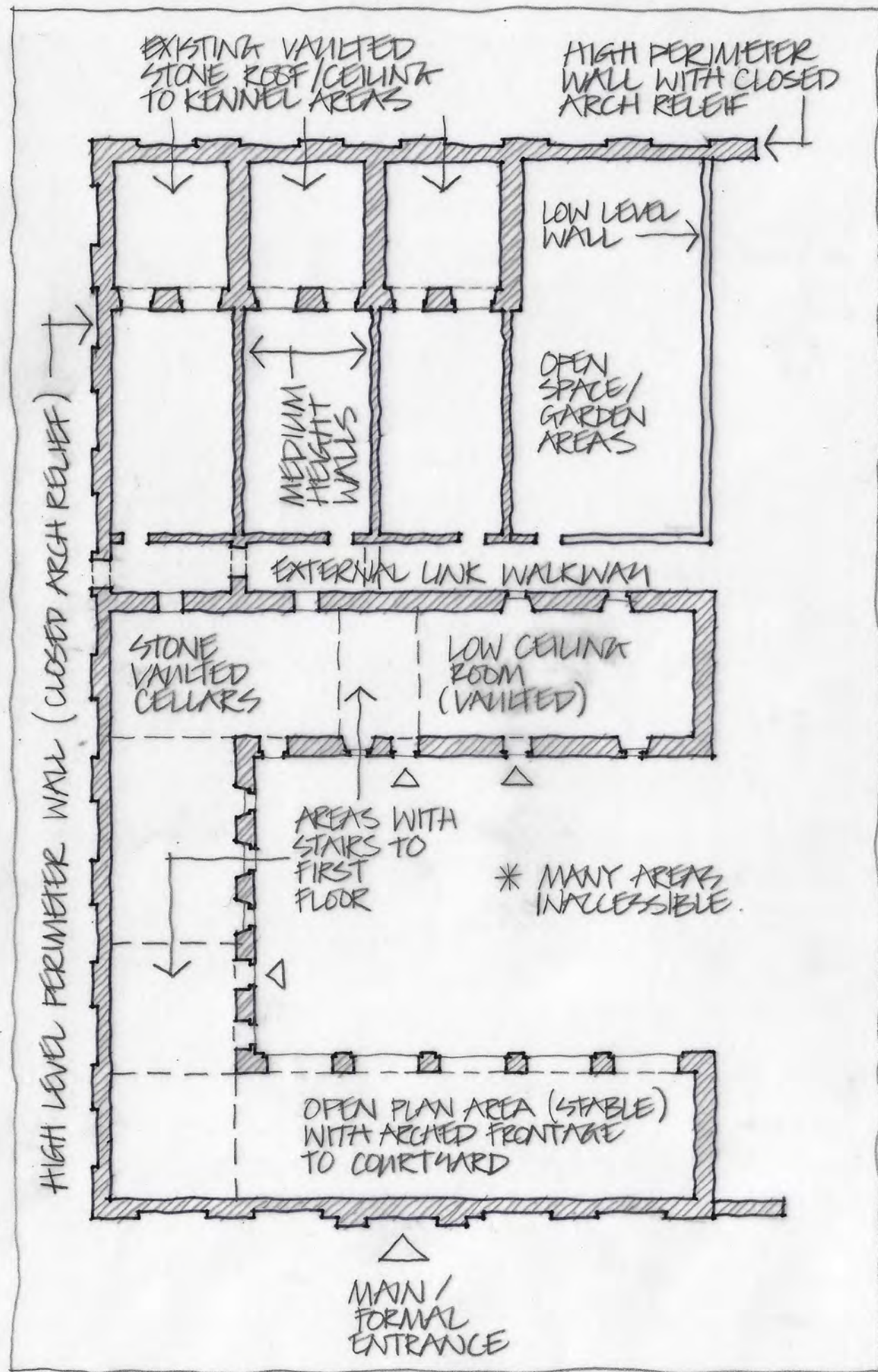




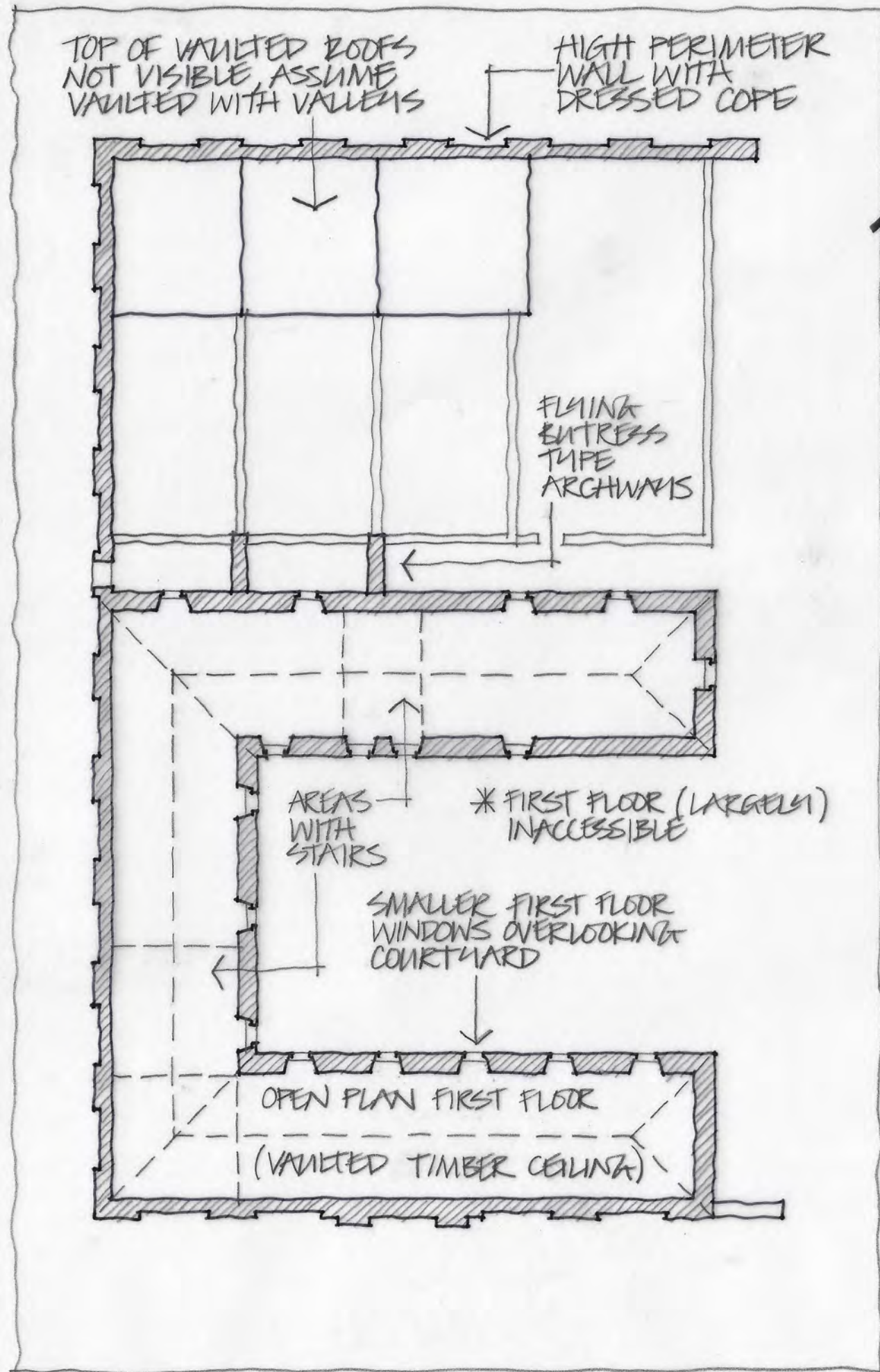
**AMISFIELD STABLES, HADDINGTON  
PROPOSED OFFICE CONVERSION**

**PROPOSED SITE PLAN  
1:500 @ A3**





EXISTING GROUND FLOOR LAYOUT



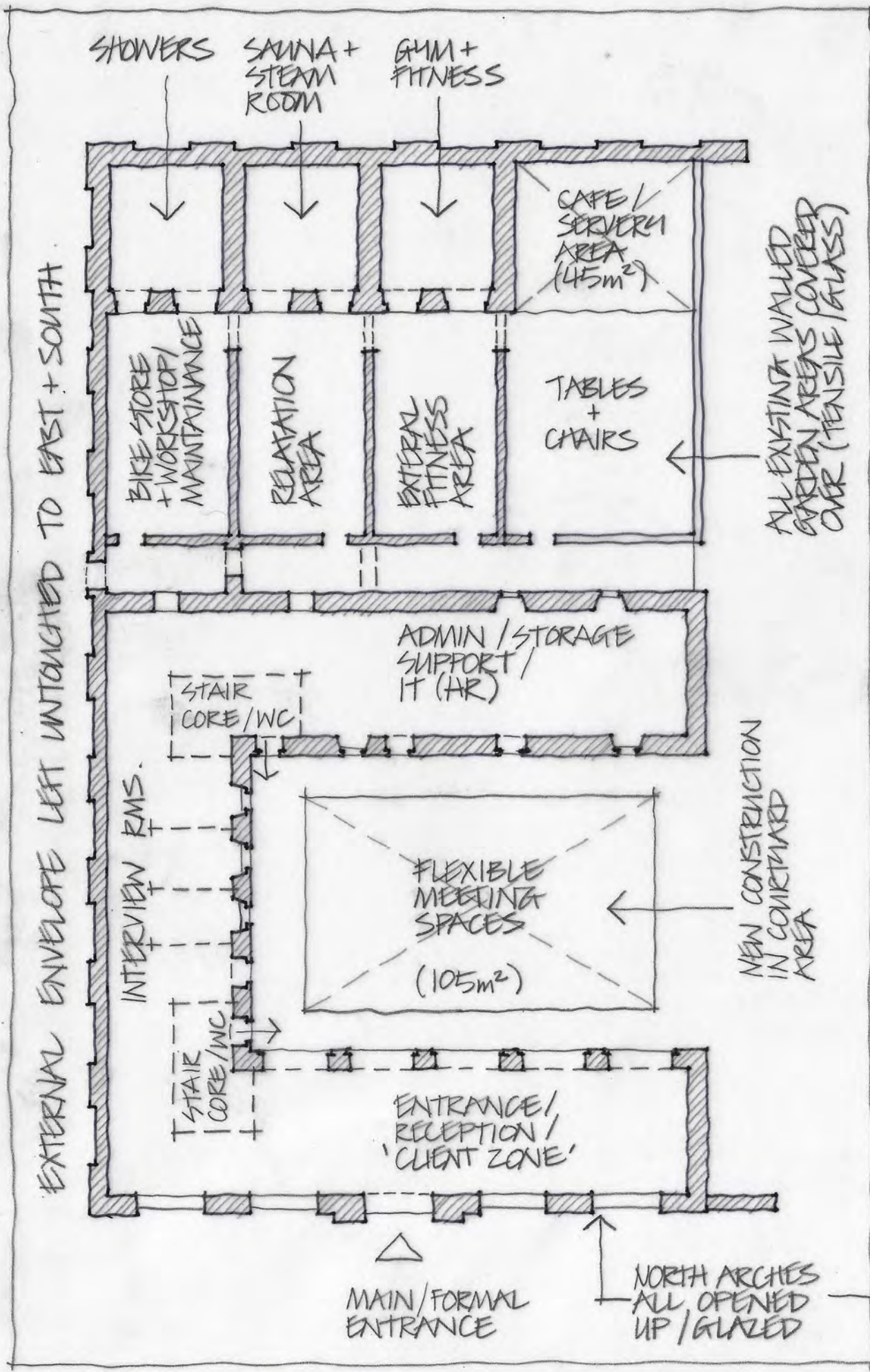
EXISTING FIRST FLOOR LAYOUT



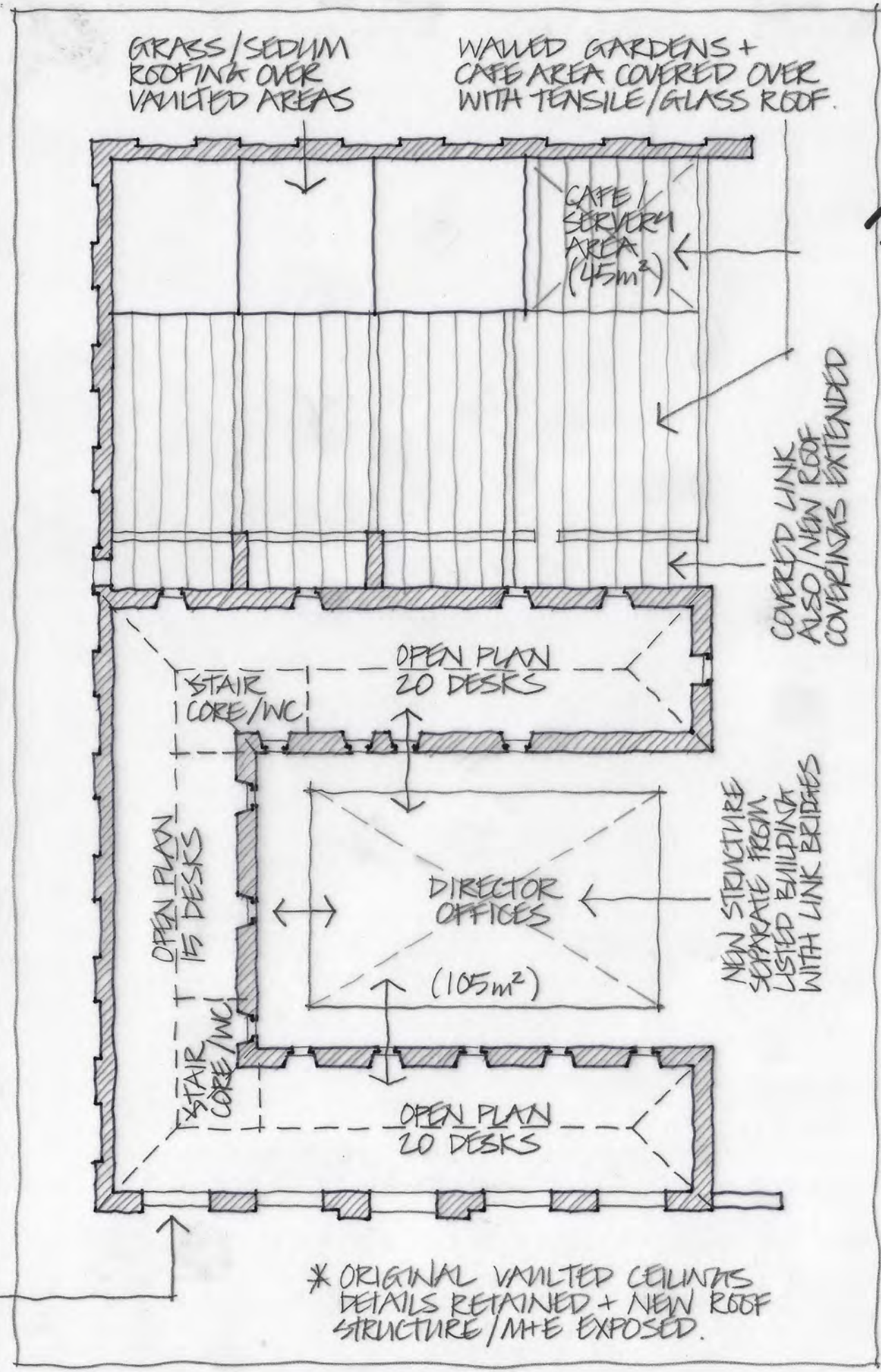
AMISFIELD STABLES, HADDINGTON  
PROPOSED OFFICE CONVERSION







PROPOSED GROUND FLOOR LAYOUT



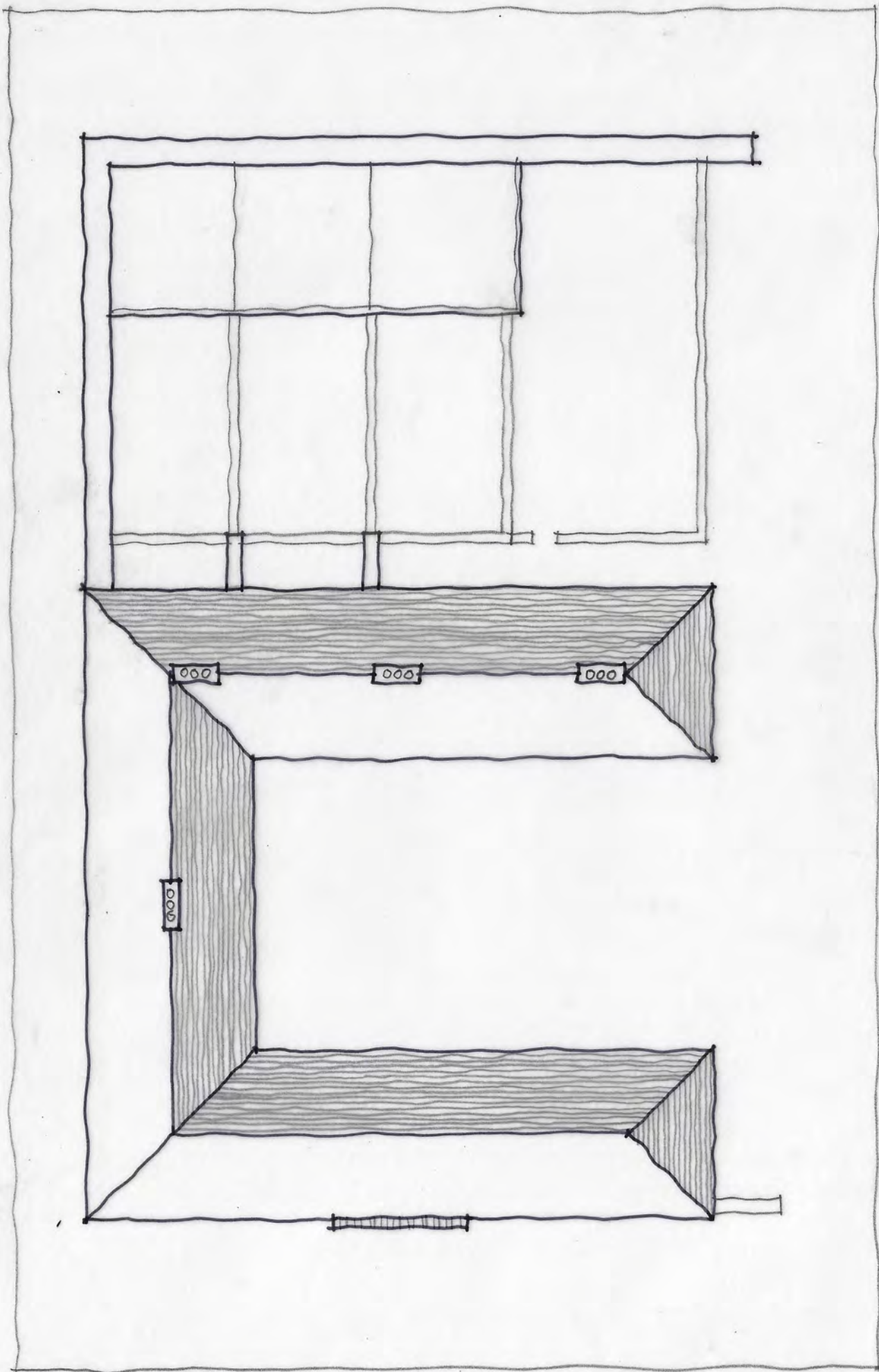
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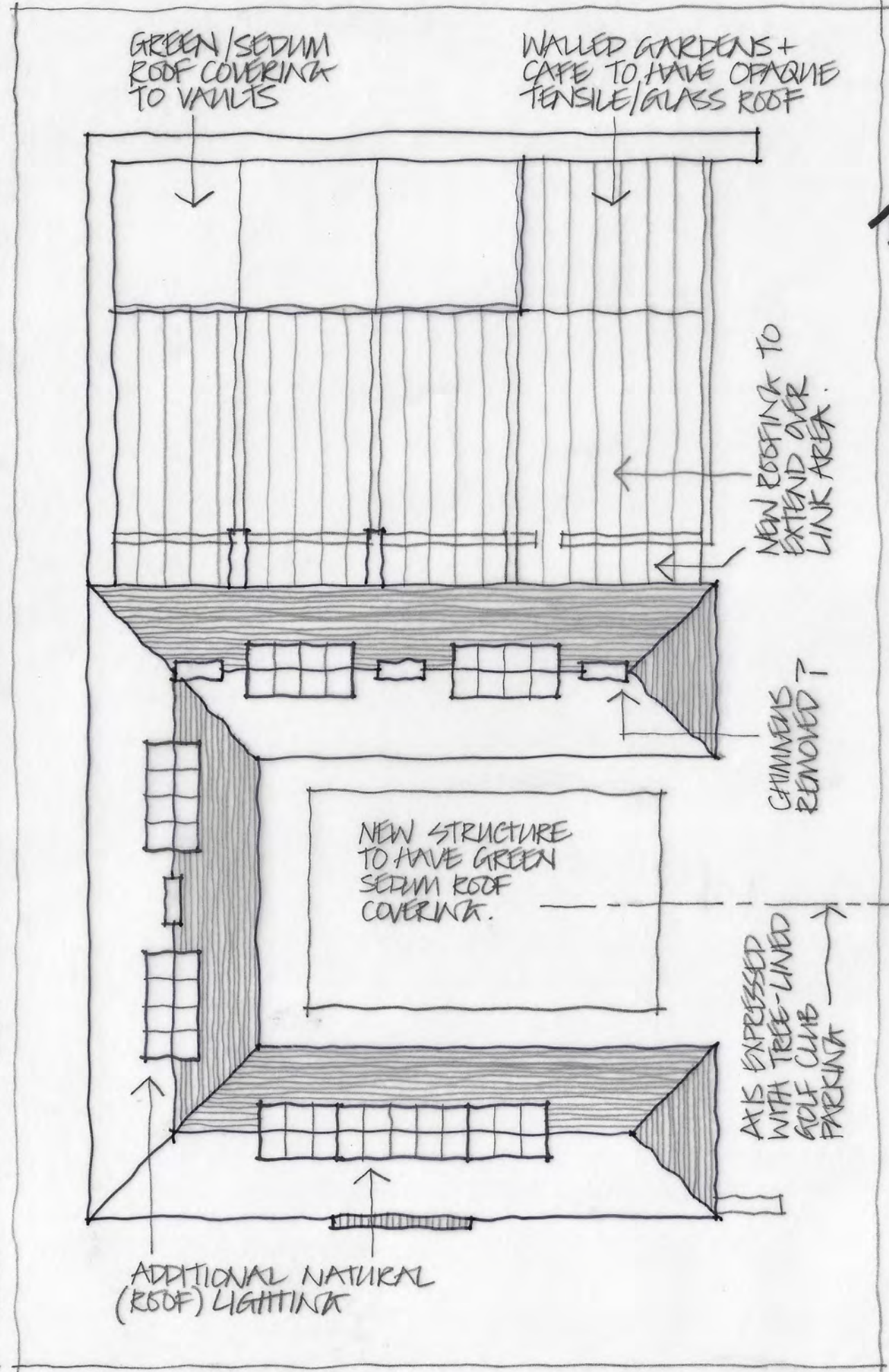
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PROPOSED OFFICE CONVERSION

PROPOSED GF+FF PLANS  
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EXISTING ROOF LAYOUT



PROPOSED ROOF LAYOUT

AMISFIELD STABLES, HADDINGTON  
 PROPOSED OFFICE CONVERSION

EX + PROP ROOF PLANS  
 1:200 @ A3





**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 29 November 2022

**BY:** Team Manager Arts

**SUBJECT:** Brunton Theatre Trust Programme Outcomes  
2021/22

9

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## 1 PURPOSE

- 1.1 To appraise the Committee of the performance of the Brunton Theatre Trust's programme 2021/22.

## 2 RECOMMENDATIONS

- 2.1 To note the report.

## 3 BACKGROUND

- 3.1 The Brunton Theatre Trust has been requested to present a report annually to the Audit and Governance Committee. This report covers the financial period to 31 March 2022.
- 3.2 The Brunton Theatre Trust is a registered Scottish Charity established in 1994. The objectives of the Charity are set out in the Declaration of Trust as follows:

*“for the advancement of education in the fields of the performing arts and related cultural activities and for the promotion of social welfare of the public at large and in particular of the inhabitants of Musselburgh and of visitors thereto by the promotion of performances and displays of drama, music and similar arts suitable for presentation to the general public in appropriate halls, theatres and other premises in the UK and in particular in the Brunton Theatre, Musselburgh”.*

- 3.3 The aim of the programme 2021/22 was to provide the highest quality drama, dance, music, theatre for children and young people, film and comedy nights for the enjoyment and enrichment of the communities that the theatre serves.

- 3.4** In addition to offering a high quality programme of arts events for audiences to attend at the Theatre, the Brunton Theatre Trust provided opportunities for involvement and participation in the arts through participatory outreach activities for all ages including harder to reach groups.
- 3.5** In April 2021, The Brunton was in a period of closure due to Scottish Government's Covid guidelines. In May 2021, The Brunton was able to re-open for film screenings only. By September 2021, live events were permitted to re-start. In December 2021, due to rising cases of Covid infection, the Scottish Government closed live events until February 2022. The impact of these periods of closure and restrictions on the programming of The Brunton was huge with many performances and screenings cancelled or postponed.
- 3.6** Despite the challenges presented by the pandemic, The Brunton Theatre Trust adapted and continued its programme when possible for local communities as follows:
- The provision of a programme of performing arts performances and screenings in the Brunton venue and also online during lockdown periods.
  - An associated participatory programme presented online and face to face when this was possible which enabled exploration of themes and concepts to build new skills and confidence while contributing to health and well-being.
  - The promotion and marketing of the programme to the widest possible public and targeting areas where there was low uptake, removing any barriers to enable involvement.
  - Ensuring that associated services in the Brunton venue ie Bistro, Bar etc were provided to the highest standard and using local produce where ever possible in order to support the local economy.
  - Ensuring that the Brunton venue was available for local performing arts groups to hire and to support these groups to present their performances to the highest standard in order to build their skills and experiences in the performing arts.
  - Keeping ticket prices at a competitive level to encourage audiences and participants to attend and to offer concessionary ticket prices for key groups.
  - Offering free places and tickets for more vulnerable individuals and groups.
- 3.7** The above activities were monitored and reported to Brunton Theatre Trustees at meetings of the Trust. Monitoring was undertaken through the setting and monitoring of income and attendance targets, careful programming, assessment of the work presented, collating feedback from attenders and analysing box office data.

**3.8** Due to the pandemic, audience attendance to 31 March 2022 reduced overall. Apart from periods of closure there was also social distancing in place. In addition many audience members were still not comfortable with attending performances due to the ongoing risk of Covid.

**3.9** Despite the challenges, the programme that was presented resulted in a total attendance at live performances and screenings of 18,619, broken down as follows:

- The film screenings totalled 49 and resulted in a total attendance of 4448.
- There were 28 Panto performances with a total attendance of 8288.
- 15 drama performances were presented with a total attendance of 1550.
- 2 dance performances were presented with a total attendance of 121.
- 36 music concerts were presented with a total attendance of 7518.
- 5 children's theatre performances were presented with a total attendance of 1533.
- 3 comedy performances were presented with a total attendance of 766 and 1 event with a total attendance of 198.
- There were 4 performances from commercial promoters with a total attendance of 1878.
- 6 performances from voluntary groups booking the theatre with a total attendance of 1373.
- 215 participants attended weekly online arts workshops.
- 90 young people participated in a summer school of musical theatre.
- 100 young people participated in summer holiday arts activities.
- 18 weekly arts classes were re-started for face to face activities when this was permitted.

**3.10** The reduction in programming up to February 2022, impacted on ticket sales. Additional financial support was secured from Creative Scotland's Cancellation Fund and Recovery Fund to support the planning and delivery of an arts programme to enable re-engagement with audiences and the employment of freelance artists through the recovery period and into 2022/23.

**3.11** During this period the Brunton engaged with a range of partners to develop new work for presentation for the benefit of Brunton audiences and to provide employment opportunities for freelance artists.

**3.12** As the Brunton team was initially unable to deliver face to face activities due to the restrictions in place, workshops and sharings of work were offered online where possible. The Craft Café programme offered activities with a freelance artist through the zoom platform and was created to help tackle

social isolation. The Brunton's Performing Arts Network was re-configured to provide online arts workshops for young people and adults until face to face activities were possible. The Brunton also curated and promoted a programme of online activities for the community which had been developed by local and national performing arts companies and freelance practitioners.

**3.13** East Lothian Council maintained its annual contract payment to the Trust during this period. The Brunton team worked closely with Council services through 2021-22 to deliver activities that supported Council priorities with particular regard to the health and well-being of communities and providing support for the most vulnerable to engage with the arts. This was of particular importance during the pandemic when many people felt isolated and cut off from friends and family.

**3.14** Despite the challenges that Covid presented during 2021/22 the Brunton Theatre Trust adapted and maintained its programme. Feedback about the venue, the programme and the staff team from audiences remained consistently high as can be evidenced by the following comments on social media :

- *Absolutely fantastic, great venue, great shows, real gem of a place.*
- *Great venue, fantastic shows and the staff are incredibly friendly and helpful. Well worth a visit and why not enjoy a cup of tea & a slice of cake in the cafe while you wait.*

## **4 POLICY IMPLICATIONS**

**4.1** The outcomes that the Trust was able to deliver through this period met the objectives of the Brunton Theatre Trust and supported East Lothian Council's policies with a particular focus on community health and well being, supporting the local economy, maintaining employment opportunities and ensuring access to the arts particularly for the most vulnerable.

## **5 INTEGRATED IMPACT ASSESSMENT**

**5.1** The subject of this report has been through the Integrated Impact Assessment process and no negative impacts have been identified. [Y:\BTT Transfer\Committee Papers\BTT Integrated Impact Assessment Form 2022..doc](#)

## **6 RESOURCE IMPLICATIONS**

**6.1** Financial - In 2021/22 the Trust operated in a very challenging environment due to the continuation of the Covid-19 pandemic with the resulting impact on the Trust's ability to raise income from ticket sales, hires, bars and catering. Careful budget management and raising funds from external sources ensured that the Trust was able to successfully navigate its way

through this difficult period. A key source of income was the annual contract payment from the East Lothian Council which was maintained at the same level as 2020/21. This annual payment is crucial to the effective delivery of The Trust's arts services for the residents of East Lothian and a reduction would have had a significant impact on the Trust. This payment, coupled with the additional external funding from Creative Scotland and keeping a tight rein on operating costs enabled the Trust to remain financially stable throughout 2021/22 and into 2022/23.

- 6.2** The total operating income in 2021/22 was £1,514,777 while the expenditure totalled £1,176,249. The surplus at year end included a sum of £121,217 received as a grant from Creative Scotland. Under entitlement conditions that were in place at 31 March 2022 for the Creative Scotland grant, £121,217 was recognized as income in 2021/22 although it will be fully spent in 2022/23.
- 6.3** During 2021/22 the Trust reviewed its reserves policy to respond to the continued impact of Covid and ensure that the activities of the Charity continued in some form. Allocating some of the reserves to support this challenging period is in line with good practice laid down by regulators. Through careful consideration of the programme presented, good financial control, the continued support from East Lothian Council and the award of external funding from Creative Scotland, reserves were retained for the Trust's planned programme of developments which it aims to implement, subject to the impact of any new economic challenges. The planned programme includes the implementation of a much needed capital refurbishment programme for the Theatre, a new website, EPOS system for bars and stocktaking, a 5 year business plan, continued employment opportunities for freelance arts workers and artists and following the Trust's policy, a level of reserves will be retained to respond to further periods of economic uncertainty.
- 6.4** The Trust has approved a budget for 2022/23 with its management team to return the programme back to pre-pandemic levels while keeping a watchful eye on the impact of the economic recession and possible new strains of Covid.
- 6.5** The key short term artistic aim of the Brunton Theatre Trust over the next year is to continue to provide its high quality programme of performing arts for the benefit of audiences and participants and to support this with associated activities. This will enable the Brunton to continue as a key performing arts venue, aiming to meet the needs and aspirations of community members particularly throughout challenging times.
- 6.6** This aim will be supported by ongoing monitoring to maintain income targets. Monitoring will also be undertaken on expenditure and performance to ensure that the programme delivers to the highest standard while achieving best value and reaches the widest possible audience.
- 6.7** 2022/23 will also see the continuation of discussions with ELC. A new lease and MOA (Memorandum of Agreement) has been drafted by the Council for discussion with the Trust. On conclusion of these discussions, Trustees will prepare a new business plan for the organisation which will set out their

vision and operational plan, including fundraising activities to diversify income streams for the following 5 years.

- 6.8** Longer term aims for the Trust will include the implementation of an income generation strategy, an expansion of the current artistic service for the community provided through The Brunton and the recruitment of new Trustees with the skills required to enhance the functions of the Board.
- 6.9** The Trust is currently in a stable financial position going forward into 2022/23 and with its continued partnership with East Lothian Council will strive to respond and adapt to the continued economic challenges that it will face during these uncertain times.
- 6.10** Personnel - All staff engaged on Brunton Theatre Trust business are employed directly by East Lothian Council. Day-to-day management is carried out by a management team comprising of a General Manager, Marketing Manager, Chief Technician, Box Office Manager, Front of House Manager and Administrative support.

## **7 BACKGROUND PAPERS**

**7.1** None.

Appendix - Brunton Theatre Trust audited annual report and accounts 2021/22

<b>AUTHOR'S NAME</b>	Lesley Smith for Brunton Theatre Trust
<b>DESIGNATION</b>	Team Manager Arts/ General Manager
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<b>DATE</b>	14/11/2022





**THE BRUNTON THEATRE TRUST**

**TRUSTEES' REPORT  
AND FINANCIAL STATEMENTS**

**For the year ended 31 March 2022**

**Charity No SC022422**

**WHITELAW WELLS  
Chartered Accountants**

**GLASGOW**

**EDINBURGH**

**NORTH BERWICK**

**BRUNTON THEATRE TRUST**  
**TRUSTEES' REPORT AND FINANCIAL STATEMENTS**  
**for the year ended 31 March 2022**

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## THE BRUNTON THEATRE TRUST

### TRUSTEES' REPORT

for the year ended 31 March 2022

The Trustees are pleased to present their annual Trustees' Report together with the financial statements of the charity for the year ending 31 March 2022.

The financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019).

#### INTRODUCTION

In 2014 the Trustees progressed a change to the legal status of the Charity from an unincorporated Trust to a Scottish Charitable Incorporated Organisation (SCIO). This change was approved by OSCR on 1 September 2014. However, ongoing detailed discussions with East Lothian Council regarding the contract between ELC and BTT for future services, has meant that the transfer of assets has not yet taken place and the new SCIO has lain dormant. Following consultation with OSCR an annual report for the dormant SCIO has been submitted annually and accepted by OSCR.

In April 2021, The Brunton was in a period of closure due to events not being permitted due to Scottish Government's Covid guidelines. In May 2021, The Brunton was able to re-open for screenings only. By September, live events were permitted to re-start. In December 2021, due to rising cases of Covid infection, the Scottish Government closed live events until February 2022. The impact of these periods of closure and restrictions on the programming of The Brunton was huge with performances and screenings cancelled or postponed. Financial support from Creative Scotland's Cancellation Fund and Recovery Fund enabled the programme to be restarted for audiences and planning undertaken to support the development of future programmes.



## THE BRUNTON THEATRE TRUST

### TRUSTEES' REPORT

for the year ended 31 March 2022

#### ACTIVITIES

##### Dance:

In 2021/22 the Dance programme was curtailed due to the Scottish Government restrictions on presenting dance and offering participatory dance activities. In its place, our Development Officer Dance and Drama worked with Council colleagues to target dance activities for more vulnerable young people through the Get Connected working group. In addition, funding from Creative Scotland supported the re-start of face to face dance activities.



##### Theatre:

The Theatre programme during 2021/22 was also curtailed due to the pandemic. Performances were postponed until autumn 2022 or into 2023.

While Rapture Theatre re-started its popular lunch and theatre initiative, many touring theatre companies postponed their tours to later in 2022. Some of the more commercial tours decided to re-start in spring 2022.

The Brunton continued its partnership with Wonder Fools Theatre Company with an online outreach programme for young people which followed the presentation of their play at Prestonpans Town Hall about the involvement of residents from Prestonpans in the Spanish Civil War.

The company was supported to deliver an online play making project Positive Stories for Negative Times with the Brunton's youth theatre groups throughout the county. The final short plays that were developed were presented online for family and friends.

*'Wonder Fools is a young company with view of the world that gives hope for the future. It is utterly fitting that this heartfelt, worthy show that harks back to days of agitprop theatre, gets to the heart of community by holding its première in the home town of these four men.'* – Edinburgh Guide



##### Children and Young People:

During 2021/22 the programme for children and young people was also adversely affected by the pandemic. Our partnership with Imagineate (Scottish Children's Festival) was put on hold as the festival was cancelled until May 2022. Many touring companies postponed their tours until spring 2022 and beyond. Other performances for children and young people were reduced due to the restrictions.

## THE BRUNTON THEATRE TRUST

### TRUSTEES' REPORT

for the year ended 31 March 2022

#### **Pantomime:**

The Brunton's annual pantomime, Hansel and Gretel was curtailed due to the pandemic. Schools were unable to attend performances and Scottish Government's closure of live events in December 2021 due to rising rates of Covid infections, further reduced the run of performances.

For the performances that did take place, the reviews and audience feedback was excellent.

Producing the panto in house enabled the Brunton team to be part of the creative process and although Covid had an impact on the creative process, the panto was created and presented to a high standard.

#### **Resident Companies:**

Brunton Theatre Trust's (BTT) resident children's theatre company, Catherine Wheels, presented a re-working of a previous production to an invited audience as part of their research and development process. In addition, funding from Creative Scotland supported the further development of a new intergenerational project for East Lothian working in partnership to develop a joint approach.

#### **Screenings:**

In 2021/22 the film programme was able to re-start for a short time in May 2021 with social distancing in place. The full screening programme was re-launched in September 2021 with physical distancing gradually being reduced in the auditorium. The audience slowly started to build again. The film programme curated by Filmhouse Edinburgh brought popular new releases to the venue while the Live screening programme worked with film distributors to bring high quality performances to audiences in Musselburgh.

#### **Music and Comedy:**

In 2021/22 due to the pandemic, the live music and comedy programmes were postponed to autumn 2022 or into 2023. The Brunton team worked on a rolling programme with promoters and customers to move bookings forward to the new dates.

Commercial promoters, individual artistes and bands re-started their tours from autumn 2021 and audiences slowly started to return to The Brunton. By March 2022, some of the more commercial tours were selling well again.

In 2021/22 the Brunton's partnership with the Lammermuir Festival was put on hold as the Festival moved online.

The Brunton's classical music programme was able to re-start in autumn 2021 with its popular lunchtime recitals, and orchestral concerts.

BTT was unable to collaborate with East Lothian Council to present the large scale Hogmanay event for families on the 31<sup>st</sup> December 2021 due to Covid-19 restrictions.



## THE BRUNTON THEATRE TRUST

### TRUSTEES' REPORT

for the year ended 31 March 2022

#### Participatory Arts:

Supporting a Participatory Arts network is part of the successful development of a coherent and relevant programme of activities for adults, children and young people. The existence of such a network actively supports the Trust and East Lothian Council's policies on expressive arts, health and well-being and social inclusion.



In 2021/22 the youth arts network programme of youth theatre, dance and musical theatre re-started and enabled 221 young people per week to learn new skills and have fun within a creative environment. Funding from Creative Scotland supported the re-starting of face to face activities. The piloting of classes in new areas eg Elphinstone and Port Seton in partnership with Connected Communities was very well received and enabled BTT to provide ongoing support to more vulnerable groups.

During 2021/22 the Brunton team launched face to face Youth Musical Theatre classes for young people. This was delivered by the Musical Director of the Brunton panto and was developed in response to demand from young people.

The 2021/22 Musical Theatre Summer School and Performance Project was well received with 90 young people attending the project and presenting 6 performances of Matilda on the Brunton stage to great acclaim.

The Brunton's adult drama classes also re-started in 2021/22.

#### Creative Learning:

The Theatre has a creative learning programme which complements the professional performance programme. In partnership with East Lothian Council, the programme at the Theatre links to schools and communities through a programme of projects and workshops. The programme supports many curricular areas and enables the theatre to target activities in key areas and engage with key stakeholders in the community.

Participants derive many benefits from participating in the high quality programme that is offered – activities are designed to be accessible, fun, entertaining and enriching. Activities also offer progression for young people interested in developing new skills in performing arts.

During 2021/22 The Brunton was unable to deliver face to face activities due to the restrictions in place for specialists visiting schools as a result of the pandemic.



Performances and workshops were offered online where possible. The Craft Café was one of the creative learning programmes offered online and was supported by the Musselburgh Area Partnership. This programme offered craft activities with a freelance artist through the zoom platform and was created to help tackle isolation. The Brunton also curated and promoted online activities created by other performing arts companies and freelance practitioners.

## THE BRUNTON THEATRE TRUST

### TRUSTEES' REPORT

for the year ended 31 March 2022

#### Conclusion:

The aim of the work presented by BTT is to provide a widely accessible programme for the enrichment and enjoyment of audiences and participants. Projects are undertaken that encourage harder to reach groups to engage with the work presented and the associated creative learning and arts development programmes enable participants to learn new skills whilst exploring a range of themes and issues. While 2021/22 continued to present many challenges due to the restrictions caused by the pandemic, the Brunton staff worked hard as a team to continue its programme where possible and maintained connections with audiences and participants.

#### OBJECTIVES AND OUTCOMES

The objectives of BTT are set out in the Declaration of Trust as follows:

*“for the advancement of education in the fields of the performing arts and related cultural activities and for the promotion of social welfare of the public at large and in particular of the inhabitants of Musselburgh and of visitors thereto by the promotion of performances and displays of drama, music and similar arts suitable for presentation to the general public in appropriate halls, theatres and other premises in the UK and in particular in the Brunton Theatre, Musselburgh”.*

The aim of the programme is to provide the highest quality drama, dance, music, theatre for children and young people, film and comedy nights for the enjoyment and enrichment of the communities that the theatre serves.

In addition to offering a high quality programme of arts events for audiences to attend at the Theatre, BTT aim to provide opportunities for involvement and participation in the arts through education and outreach activities for all sections of the community including harder to reach groups.

The Brunton's creative learning/ arts development programme enables participants to learn new skills and explore themes and issues in a supportive environment.

Through the provision of a high quality accessible programme of performances and participatory activities, BTT seeks to achieve the objectives as set out in the Trust Deed.

The strategies for achieving the objectives are outlined below:

- The provision of a comprehensive annual programme of performing arts performances and screenings in the Brunton venue and at other venues in the county.
- Offering an associated participatory programme (e.g. creating learning projects, arts development activities, youth arts) to enable exploration of themes and concepts and build new skills and confidence while contributing to health and well-being.
- The promotion and marketing of the above work to the widest possible public and to target areas where there is low uptake or there are barriers to involvement.
- Ensuring that associated services in the Brunton venue ie Bistro, Bar etc are provided to the highest standard and use local produce wherever possible in order to support the local economy.



## THE BRUNTON THEATRE TRUST

### TRUSTEES' REPORT

for the year ended 31 March 2022

- Making the Brunton venue available for local performing arts groups to hire and to support these groups to present their performances to the highest standard in order to build their skills and experiences in the performing arts.
- Keeping ticket prices at a competitive level to encourage audiences and participants to attend and to offer concessionary ticket prices for key groups.

The above activities are monitored and reported to Trustees at meetings of the Trust. Monitoring is undertaken through the setting and monitoring of income and attendance targets, assessment of the work presented, collating feedback from attenders and analysing box office data.

The outcomes that are delivered support the objectives of BTT and are outlined in detail below.

### OUTCOMES

#### Programme Outcomes 2021/22

During 2021/22 the Covid – 19 pandemic affected the full programme. Many live events were either cancelled or postponed until autumn 2021 or into spring 2022.

The screenings totalled 49 and resulted in a total attendance of 4,448 or 49% of The Brunton's total capacity. The total gross ticket income from these screenings was £35,092.

There were 28 Panto performances with a total attendance of 8,288 or 74% and a gross income of £106,185, 15 drama performances with a total attendance of 1,550 or 75% and a gross income of £21,689, 2 dance performances with a total attendance of 121 or 55% and a gross income of £1,323, 36 music performances with a total attendance of 7,518 or 70% and a gross income of £144,019, 5 children's theatre performances with a total attendance of 1,533 or 83% and a gross income of £19,016, 3 comedy performances with a total attendance of 766 and a gross income of £13,567 and 1 event with a total attendance of 198 or 40% and a gross income of £10,511.

In addition, there were 4 performances from commercial hires with a total attendance of 1,878 or 94% and a gross ticket income of £13,934 and 6 performances from voluntary hires with a total attendance of 1,373 or 77% and a gross ticket income of £13,934.



**“Absolutely fantastic, great venue, great shows, real gem of a place.”**  
(Audience review Facebook).

**“Great venue, fantastic shows and the staff are incredibly friendly and helpful. Well worth a visit and why not enjoy a cup of tea & a slice of cake in the cafe while you wait!!”**  
(Audience review, Google)



**THE BRUNTON THEATRE TRUST**

**TRUSTEES' REPORT**

**for the year ended 31 March 2022**



**“[We] absolutely love coming to the Brunton Panto and this is an amazing experience for our children who rarely get to visit the theatre. We loved the visual support leaflet you sent to us for children with ASD and found this really supported them with what to expect.”** School review, 2019

**“The Brunton panto is Scotland’s local pantomime par excellence... the show emerges as a joyful Christmas celebration for a living community, without pretension, and full of heart.”**

The Scotsman, Joyce McMillan, 2021

**Community Performing Arts Groups**



The Theatre hosts performances from local performing arts companies that hire the Theatre. During 2021/22 the local performing arts groups were able to re-start the presentation of their live performances in The Brunton. In 2021/22 the Brunton hosted performances from local voluntary groups. The attendance at these performances was 1,373 (77%).

## **THE BRUNTON THEATRE TRUST**

### **TRUSTEES' REPORT**

**for the year ended 31 March 2022**

#### **Impact of BTT's Covid-19 Programme**

BTT carefully selects its programme and associated participatory activities for the enjoyment and enrichment of audiences and participants. Feedback is collected from audiences and the postcodes of attenders is analysed.

Following analysis of audiences in 2020/21, BTT ensured that the programme offered was accessible and relevant to the interests and aspirations of the community. The Brunton worked in collaboration with its partners to create the best possible programme in response to the restrictions brought about by the pandemic and planned this within budget. The aim was to continue to connect The Brunton and the artistic programme with audiences. Feedback from this programme was very encouraging and planning is underway for a return to normal business for 2022/23.

BTT also worked closely with Council services to deliver activities that supported Council outcomes and assisted with ensuring that audience were able to engage with the activities and to derive benefits from participation including social, health and wellbeing. This was of particular importance during the pandemic when many people felt isolated and cut off from friends and family.

The Brunton is a thriving arts facility with excellent facilities rooted in the local community and delivers a programme that offers high quality artistic experiences for audiences and participants.

Despite the pandemic, during 2021/22 The Brunton was awarded funding from Creative Scotland to supports its recovery and re-started its future planning and partnership working. This is intended to further extend the reach and impact of the Brunton's programme.

#### **Ticket Prices**

Ticket prices for the year did not increase until spring 2022 due to the restrictions brought about by the pandemic and the desire to support and encourage audiences to feel confident to return initially for film screenings before live performances were permitted to re-start.

**THE BRUNTON THEATRE TRUST**

**TRUSTEES' REPORT**

**for the year ended 31 March 2022**

Theatre	£14 -£15 full price	£12-£13 concession	£10 under 18
Dance	£12 full price	£10 concession	£10 under 18
<u>Music</u>			
Rock and pop	£25 - £27 full price	£23-£25 concession	
Jazz and Traditional	£17 - £21 full price	£15-£19 concession	
Classical	£22-£23 full price	£20-£21 concession	
Classical Lunch Recital	£10 all tickets		
Comedy	£15 - £25 full price	£15-£23 concession	
Children's Theatre	£5- £10 full price	£5- £8 concession	
Pantomime			
Films	All tickets £8.00 Concessions £7.00		ROH Live £16.00 £13.50 concessions NT Live £13.50 £11.50 ( £11.50) concessions



## THE BRUNTON THEATRE TRUST

### TRUSTEES' REPORT

for the year ended 31 March 2022

#### The Brunton Arts Network

In 2021/22 the number of people attending the weekly arts network groups were:

Group	Number per class (2021/22)
Tranent 8 – 12	7
Tranent 12 – 16	6
Dunbar 8 – 12	17
Dunbar 12 – 16	7
Brunton 5 – 7	13
Brunton 8 – 12	20
Brunton 8 – 12	13
Brunton 8 – 12	24
Brunton 12 – 15	17
Brunton 12 – 16	23
Brunton 15 – 18	7
Prestonpans 8 – 12	15
Longniddry 5 – 7	12
Haddington 5 – 7	6
Haddington 8 – 12	14
Haddington 12 – 16	8
Brunton Players 18+	12

#### Marketing

The successful marketing and promotion of The Brunton is vital if the programming is to flourish, existing audiences are to be maintained and new audiences attracted. Marketing analysis is essential to ensure objectives are reached and that BTT's programme remains as fully accessible as possible.

Using SMART objectives, sustainable strategies are created in response to BTT's business objective, to develop audiences for performances and outreach and education programmes across the target demographic.

Monitoring and reporting is carried out in house, utilising the ticketing system reporting module. The Brunton's ticketing system has enabled further analysis to be undertaken to build audiences and provide greater opportunities for maximising income through e-marketing campaigns. 2021/22 plans included installing Audience Finder to enable national benchmarking of audience behaviour as well as the use of Mosaic profiling in order to better understand audiences and target marketing at defined segments of attenders and non-attenders. This is work that was previously conducted in partnership with Culture Republic, a Scottish audience development agency that folded in 2018.

Audience feedback is collated via research projects and social media interaction as well as utilising Google reviews and Trip Advisor. This data provides a focus for marketing activities and key performance indicators against which to evaluate outcomes. Evaluating activity against identified targets and feeding this back into the marketing information system informs future decision making.

## **THE BRUNTON THEATRE TRUST**

### **TRUSTEES' REPORT**

#### **for the year ended 31 March 2022**

Digital marketing practices are embedded across all campaigns with online advertising, social media interaction, e-newsletters and website development all part of this. 2021/22 saw the development of Instagram to the social media platforms used by the team. Instagram is a highly visual platform with a younger demographic of user than Facebook and Twitter. Social media is used to engage with stakeholders and online influencers as well as potential and actual attenders.

The marketing team works collaboratively with resident and visiting companies to develop repeat audiences for their work, as well as working with outreach and education colleagues to support their activities and develop appropriate strategies.

The team work collaboratively with other organisations such as East Lothian Tourism Attractions Group to develop joint marketing strategies.

#### **Restaurant/Bistro**

BTT provides a bistro service at the Brunton, which is available on all performance nights and during the day Monday to Saturday. The restaurant is leased to Norma Buchan, who operates under the trading name of 'The Bistro at the Brunton Theatre'.

During 2021/22, the Bistro re-opened with Covid restrictions in place. Business has continued to build as restrictions have been lifted.

#### **FINANCIAL REVIEW**

East Lothian Council (ELC) pays the Trust to run the Brunton Theatre on its behalf. The Trust in turn pays ELC to provide the staff to run the theatre and programme and to assist it in the management of its financial affairs. These services include budget preparation and monitoring, maintenance of financial records, creditor payments, debt recovery and banking. Financial information is provided to the Trust at board meetings by the East Lothian Council Finance team.

In 2021/22 the Trust operated in a very challenging environment due to the continuation of the Covid-19 pandemic. This impacted on the Brunton's ability to raise income from ticket sales and catering. As a result, the Trust secured financial support from Creative Scotland. The main source of income was the annual contract payment from East Lothian Council which was maintained at the same level in 2020/21. The Council also continued with an additional payment of £24k p.a. to assist the Trust to develop its film and music programming. This, coupled with the additional external funding and keeping a tight rein on operating costs enabled the Trust to remain solvent throughout 2021/22.

Going forward, the Trust is working with the management team to return the programme back to pre-pandemic levels for 2022/23. During 2021/22, The Trust followed Scottish Government guidance and the reduction in business had a negative impact on earned income and the Trust was awarded additional external funding in order to navigate through this difficult time.

## THE BRUNTON THEATRE TRUST

### TRUSTEES' REPORT

for the year ended 31 March 2022

#### Reserves policy

The Trust's current reserves policy is that the unrestricted funds not committed or invested in tangible fixed assets ('the free reserves') held by the charity should be equivalent to three months of the expenditure, which equates to c. £293,000 in general funds. This level was set to reflect the Trustees' view that they would be able to continue the current activities of the charity in the event of a significant drop in funding. The unrestricted reserve fund represents the unrestricted funds arising from past operating results. It also represents the free reserves of the charity. The Trust hold restricted funds amounting to £11,250 (2020/21: £Nil) and designated funds amounting to £65,013 (2020/21: £72,124), bringing total funds to £1,003,624 (2020/21: £665,096).

For 2021/22 the Trust reviewed its reserves policy to respond to the continued impact of Covid -19 and ensured that the activities of the Charity continued in some form. Allocating some of the reserves to support this challenging period is in line with good practice laid down by regulators. Careful consideration of the programme presented, and the award of external funding enabled the Trust to seeking additional external funding and enter into discussions with the Council in order to navigate through this difficult time. On 30 March 2022, BTT was awarded £242,434 from the Creative Scotland Covid-19 Recovery Fund for Cultural Organisations. The entitlement conditions were in place at 31 March 2022 for 50% of this grant and therefore £121,217 has been recognised as income in financial year 2021/22. This amount, together with the second instalment of the grant, will be fully spent in 2022/23.

#### Risk management

Insurance and risk management services are provided by East Lothian Council (ELC). In August 2008, ELC commissioned Gallagher Bassett to carry out a review of the major risks facing BTT. Their report was circulated to the Trustees and a review of the insurance arrangements was undertaken. The Council's recommendation is that the next full review should be carried out within 5 years. A Finance and Risk Management sub-committee was established to make recommendations on risk management to the Trust but completion of the Risk Register is pending subject to agreement with the Council on services to be provided by the Trust. The Trust will create a Risk Register and a strategic plan to mitigate identified risks once the future direction of the Trust is established. It is hoped that this will be concluded in 2022/23.

In the interim the Trust has identified 3 main risk areas.

Income generation is a principal risk factor for the Trust and risks associated with raising sufficient income to deliver the aims of the Trust have been explored through the creation of a Finance and Income Generation sub committee. There are 3 main areas of risk in relation to income generation are:

#### **Reduction in annual payment from East Lothian Council.**

*This annual payment is crucial to the effective delivery of services on behalf of the Council for the residents of East Lothian and a reduction would have a significant impact on the delivery of the services provided.*

## THE BRUNTON THEATRE TRUST

### TRUSTEES' REPORT

for the year ended 31 March 2022

*The Trust entered into discussions with East Lothian Council regarding arrangements to support the Trust through the financial impact of Covid-19 on the ability to generate earned income from charitable activities to offset expenditure. The Trust is also in discussion with the Council about the future level of funding and the services to be provided. The Trust will devise an income generation strategy with the aim of diversifying its income strands.*

#### **Reduction in project grant income from Creative Scotland.**

*This would impact on the breadth of programme presented and the Brunton's role as a key receiving house in the Scottish cultural landscape.*

*The Trust is committed to providing an accessible, entertaining yet thought provoking programme to deliver high quality artistic experiences for audiences and participants. The Trust was awarded Creative Scotland funding to support the Trust following the continuing impact of Covid-19 on the ability of the Trust to raise income from charitable activities to present a full programme of performing arts.*

#### **Reduction in earned income from ticket sales and bars.**

*Outwith the pandemic, earned income is the largest percentage of the Trust's income and a reduction in the ability to generate sufficient funds from ticket sales and bars would impact on programming which would prove detrimental to the cultural aims of the organisation. The Trust is planning for a return to full programming for 2022/23. Retaining reserves will support the Trust to navigate through any future periods of uncertainty.*

#### **PLANS FOR FUTURE PERIODS – Short and Long-term Aims**

2021/22 was another difficult year for the Trust. Despite Covid-19 restrictions, discussions re-started with the Council to explore the future delivery of services for ELC.

The Trust had explored using additional reserves in order to support capital projects necessary for the improvement of the Brunton with the proviso that their reserves policy will not be adversely affected by this work.

Now that The Brunton is in the recovery phase, the plans for the refurbishment can be progressed.

The key short term aim of BTT over the next year is therefore to continue to provide its high quality programme of performing arts for the benefit of audiences and participants and to support this with associated activities. This will enable the Brunton to continue as the key performing arts venue in the South East of Scotland, aiming to meet the needs and aspirations of community members throughout challenging times.

This aim will be supported by ongoing monitoring to maintain income targets. Monitoring will also be undertaken on expenditure and performance to ensure that the programme delivers to the highest standard while achieving best value and reaches the widest possible audience.

## **THE BRUNTON THEATRE TRUST**

### **TRUSTEES' REPORT**

**for the year ended 31 March 2022**

2022/23 will also see the continuation of discussions with ELC regarding the proposed transfer of services from ELC to BTT. A new lease and MOA (Memorandum of Agreement ) has been delivered to the Trust for their comment. On conclusion of these discussions, Trustees will prepare a new business plan for the organisation which will set out their vision and operational plan, including fundraising activities for the following 5 years.

Long term aims for the Trust will include the implementation of an income generation strategy, an expansion of the current artistic service provided through The Brunton subject to the new SLA with East Lothian Council and the recruitment of new Trustees with the skills required to enhance the functions of the Board.

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

##### **Governing document**

The Brunton Theatre Trust (BTT) is a charitable trust (charity number SC022422), established on 14 March 1994. BTT was established by a Declaration of Trust, which, along with a Schedule of Powers, sets out the objectives and administration of the Trust and the powers and duties of the Trustees.

##### **Recruitment and appointment of trustees**

The Trustees' policy is to advertise for new Trustees to join the board as representatives of bodies with an interest in the activities of the BTT or in a personal capacity because of their relevant skills, interests and experience. The BTT governing documents entitle two Councillors of East Lothian Council to be appointed as ex officio trustees.

The Trustees give their time to Trust matters on a voluntary basis. Trustees attend monthly meetings of the Trust in order to support the work of the staff team and to further the organisational aims. The commitment of Trustees is further demonstrated through their attendance at key performances at the Brunton throughout the year.

##### **Trustee's induction and training**

New Trustees receive information on their appointment about their responsibilities, including the Guidance for Charity Trustees issued by OSCR and the BTT governing documents.

##### **Organisational structure**

BTT has no employees. All staff are employed directly by ELC, who have an agreement with the Trust to supply staff. Staff salaries are set by ELC as the employer. ELC undertakes job evaluation to set appropriate grades for staff. Day-to-day management of BTT is carried out by a management team comprising of a general manager, marketing manager, chief technician, box office manager, front of house manager and administrative assistant. These individuals are supported by various finance and support staff within ELC.



**THE BRUNTON THEATRE TRUST**

**TRUSTEES' REPORT**

**for the year ended 31 March 2022**

Staff report to Trustees at meetings of the Trust and agree the actions to be taken that support the strategic aims of the organisation. Trustees agree the artistic and operational policies for the organisation and delegate to staff the day to day management. Staff provide Trustees with management reports in order that performance can be monitored and actions agreed.

BTT is regarded as a related party due to the close economic ties and the presence of ELC Councillors on the Board.



**THE BRUNTON THEATRE TRUST**  
**TRUSTEES' REPORT**  
**for the year ended 31 March 2022**

**REFERENCE AND ADMINISTRATIVE INFORMATION**

**Charity name** The Brunton Theatre Trust

**Charity registration number** SC022422

**Operational address** Ladywell Way  
Musselburgh  
East Lothian  
EH21 6AA

**Board of Trustees**

Michael Stitt	(Chair)
Sarah Allen	
Peter Brown	
Richard Butt	
Councillor Andrew Forrest	
Councillor Katie Mackie	(resigned 24 May 2022)
Councillor Colin McGinn	(appointed 24 May 2022)
Steve Sadler	

**Key Management Personnel**

Lesley Smith	General Manager
Rachel Menzies/ Mairead Hegarty	Marketing Manager (Jobshare)
Sharon Forbes	Box Office Manager
Jane Corrigan	Front of House Manager

**Senior Statutory Auditor** Ingela Louise Presslie

**Statutory Auditors** Whitelaw Wells  
Chartered Accountants  
9 Ainslie Place  
Edinburgh  
EH3 6AT

**Financial Management** East Lothian Council  
John Muir House  
Haddington  
East Lothian  
EH41 3H

## **THE BRUNTON THEATRE TRUST**

### **TRUSTEES' REPORT**

**for the year ended 31 March 2022**

#### **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Trust at the end of the year and of their financial activities during the year then ended. In preparing those financial statements, the Trustees are required to:


- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in operation.

The Trustees are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the Trust and which enable them to ensure that the financial statements comply with The Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Constitution of the Trust. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities.

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the Trustees are aware, there is no relevant audit information of which the charity's auditors are unaware, and each trustee has taken all the steps he ought to have taken as a trustee in order to make himself aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Approved by the Trustees on 31 August 2022 and signed on their behalf by:



Michael Stitt  
Chairman

## THE BRUNTON THEATRE TRUST

### INDEPENDENT AUDITORS' REPORT

for the year ended 31 March 2022

#### Opinion

We have audited the financial statements of Brunton Theatre Trust for the year ended 31 March 2022, which comprise the Statement of Financial Activities (incorporating the Income and Expenditure Account), 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 FRS102 '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 charity's affairs as at 31 March 2022 and of its incoming resources and application of the resources 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 Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

#### 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charity 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 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

#### Other information

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

## THE BRUNTON THEATRE TRUST

### INDEPENDENT AUDITORS' REPORT

for the year ended 31 March 2022

Our responsibility is to read the other information and 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.

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

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

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011, the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Trustees' annual report;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit

#### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement set out on page 18, the trustees are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the trustees 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 trustees are responsible for assessing the charity'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 trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

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

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act.

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.

**THE BRUNTON THEATRE TRUST**

**INDEPENDENT AUDITORS' REPORT**

**for the year ended 31 March 2022**

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error.

From enquiries of those charged with governance, it was determined that the risk of material misstatement from fraud was low with little scope for fraud to occur. Our audit testing is designed to detect material misstatements from fraud where there is not high level collusion.

Our audit testing was designed to detect material misstatements from other irregularities that result from error where there is not high level concealment of the error. In this regard the following audit work was undertaken: applicable laws and regulations were reviewed and discussed with management; senior management meeting minutes were reviewed; internal controls were reviewed; and journals were reviewed. From this audit testing it was determined that the risk of material misstatement in this regard was low.

We carried out income and expenditure testing which was designed to identify any irregularities as a result of simple mistakes or human error. From this audit testing it was determined that the risk of material misstatement in this regard was low.

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

**Use of our report**

This report is made solely to the charity's trustees, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' 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 charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Whitelaw Wells, Statutory Auditor  
9 Ainslie Place, Edinburgh, EH3 6AT  
31 August 2022

**Whitelaw Wells is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006**

**THE BRUNTON THEATRE TRUST**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
for the year ended 31 March 2022

		Unrestricted Funds £	Restricted Funds £	Total 2022 £	Total 2021 £
<b><u>Income and endowments from:</u></b>					
<i>Donations and legacies</i>	<b>2</b>	3,192	-	3,192	110,067
<i>Charitable activities</i>					
Grants and donations	<b>3</b>	459,253	15,500	474,753	250,000
Service level agreement		24,000	-	24,000	24,000
Theatre management charge		430,982	-	430,982	430,982
Admission charges		385,719	-	385,719	13,652
Room and facility hire and other sales	<b>4</b>	118,634	-	118,634	4,203
<i>Other trading activities</i>					
Café sales		56,084	-	56,084	996
Rental income		20,000	-	20,000	20,000
<i>Investments</i>					
Bank interest receivable		1,413	-	1,413	215
		_____	_____	_____	_____
<b>Total income</b>		1,499,277	15,500	1,514,777	854,115
		_____	_____	_____	_____
<b><u>Expenditure on:</u></b>					
<i>Raising funds</i>					
Catering and merchandise		20,588	-	20,588	8,848
<i>Charitable activities</i>	<b>5</b>	1,151,411	4,250	1,155,661	791,861
		_____	_____	_____	_____
<b>Total expenditure</b>		1,171,999	4,250	1,176,249	800,709
		_____	_____	_____	_____
<b>Net income for the year</b>		327,278	11,250	338,528	53,406
Transfers between funds		-	-	-	-
		_____	_____	_____	_____
<b>Net movement in funds for the year</b>		327,278	11,250	338,528	53,406
<b><u>Reconciliation of funds:</u></b>					
Total funds at 31 March 2021		665,096	-	665,096	601,690
		_____	_____	_____	_____
<b>Total funds at 31 March 2022</b>	<b>13</b>	992,374	11,250	1,003,624	655,096
		=====	=====	=====	=====

The charity has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the charity are classed as continuing.

The notes on pages 25 to 35 are an integral part of the financial statements.

**THE BRUNTON THEATRE TRUST**

**BALANCE SHEET**

as at 31 March 2022

	Notes	2022 £	2022 £	2021 £
<b>Fixed Assets</b>	<b>9</b>		65,013	72,124
				_____
<b>Current Assets</b>				
Stock		14,598		8,855
Debtors	<b>10</b>	1,195,036		751,097
Cash in hand		1,600		2,200
		_____		_____
		1,211,234		762,152
<b>Creditors:</b> Amounts falling due within one year	<b>11</b>	(272,623)		(169,180)
		_____		_____
<b>NET CURRENT ASSETS</b>			938,611	592,972
			_____	_____
<b>NET ASSETS</b>	<b>14</b>		1,003,624	665,096
			=====	=====
<b>FUNDS</b>	<b>13</b>			
Unrestricted			992,374	665,096
Restricted			11,250	-
			_____	_____
<b>TOTAL FUNDS</b>			1,003,624	665,096
			=====	=====

Approved by the Trustees on 31 August 2022 and signed on their behalf by:



Michael Stitt  
Chairman

The notes on pages 25 to 35 are an integral part of the financial statements.



**THE BRUNTON THEATRE TRUST**  
**STATEMENT OF CASH FLOWS**  
for the year ended 31 March 2022

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities:</b>		
Net cash provided operating activities below	5,200	6,801
	<hr/>	<hr/>
<b>Cash flows from investing activities:</b>		
Bank interest received	1,413	215
Purchase of tangible fixed assets	(7,213)	(7,016)
	<hr/>	<hr/>
Net cash (used in) investing activities	(5,800)	(6,801)
	<hr/>	<hr/>
<b>Change in cash and cash equivalents in the reporting period</b>	(600)	-
Cash and cash equivalents brought forward	2,200	2,200
	<hr/>	<hr/>
<b>Cash and cash equivalents carried forward</b>	1,600	2,200
	<hr/> <hr/>	<hr/> <hr/>
 <b><u>Cash and cash equivalents</u></b>		
Cash in hand	1,600	2,200
	<hr/> <hr/>	<hr/> <hr/>
 <b><u>Reconciliation of net income to net cash flow from operating activities</u></b>		
<b>Net income for the year</b> (as per Statement of Financial Activities)	338,528	53,406
 <b><u>Adjusted for:</u></b>		
Depreciation charge	14,324	13,149
Bank interest received	(1,413)	(215)
(Increase)/ decrease in stocks	(5,743)	6,631
(Increase) in debtors	(443,939)	(69,574)
Increase in creditors	103,443	3,404
	<hr/>	<hr/>
Net cash provided by operating activities	5,200	6,801
	<hr/> <hr/>	<hr/> <hr/>

## THE BRUNTON THEATRE TRUST

### NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

#### 1. ACCOUNTING POLICIES

##### Basis of accounting

The accounts have been prepared under the historical cost convention and are in accordance with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2019) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2019).

The charity constitutes a public benefit entity as defined by FRS 102.

The trustees consider that there are no material uncertainties about the ability of the charity to continue as a going concern for the foreseeable future. Accordingly, the accounts have been prepared on a going concern basis.

##### Financial instruments

Financial instruments comprise financial assets and financial liabilities which are recognised when the charity becomes a party to the contractual provisions of the instrument. They are classified as “basic” in accordance with FRS102 and are accounted for at the settlement amount due, which equates to the cost. Financial assets comprise cash, balances owed by East Lothian Council and other debtors. Financial liabilities comprise trade creditors, other creditor and accruals.

##### Income

All income is included in the Statement of Financial Activities when the charity has entitlement, there is probability of receipt and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Where entitlement is not conditional on the delivery of a specific performance by the charity, donations and grants are recognised when the charity becomes unconditionally entitled to the income. Where related to performance and specific deliverables, donations and grants are accounted for as the charity earns the right to consideration by its performance.
- Income from other trading activities is recognised as earned, which is when the related services are provided.
- Income is only deferred where entitlement conditions have not been met or related services have not been provided as at the year end.
- Investment income is included when receivable.

## THE BRUNTON THEATRE TRUST

### NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

#### 1. ACCOUNTING POLICIES (continued)

##### Expenditure

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure.

- Cost of raising funds comprises those staff costs associated with preparing funding applications and meeting grant monitoring requirements. This is based on a percentage estimate of the total time spend by each person on this activity.
- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them, including governance costs.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.
- Expenditure is charged to a particular activity where the cost relates directly to that activity. The cost of overall direction and administration on each activity, comprising the salary and overhead costs of the central function, is apportioned on the basis of number of full time equivalent staff working on each project.

##### Fixed Assets

Tangible fixed assets are initially recorded at cost and capitalised if costing £1,000 or more. Depreciation is provided at a rate calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

- Tenant's Improvements - over the life of the lease period
- Production Equipment - 10% straight line
- Fixtures and Fittings - 20% straight line
- Other Equipment - 10% and 33% straight line

##### Stocks

Stocks are stated at the lower of cost and net realisable value.

##### Funds

Unrestricted funds are incoming resources generated for the objects of the charity, without further specified purpose, and are available as general funds. Designated funds are unrestricted funds allocated by the trustees for a specific purpose.

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure that meets these criteria is charged to the fund together with a fair allocation of management and support costs.

**THE BRUNTON THEATRE TRUST**

**NOTES TO THE ACCOUNTS**

**for the year ended 31 March 2022**

**1. ACCOUNTING POLICIES (continued)**

**Operating lease rentals**

Rentals applicable to operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged against the Statement of Financial Activities on a straight line basis over the life of the lease.

**Volunteers and donations-in-kind**

The Brunton Theatre Trust is grateful for volunteers and donations-in-kind, which are not recognised in the accounting figures as the benefit to the charity cannot reasonably be measured and quantified.

<b>2. DONATIONS AND LEGACIES</b>	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Total 2022 £</b>	<b>Total 2021 £</b>
Donations	3,192	-	3,192	18,067
East Lothian Council	-	-	-	92,000
	-----	-----	-----	-----
	3,192	-	3,192	110,067
	=====	=====	=====	=====
<b>3. GRANTS AND DONATIONS</b>	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Total 2022 £</b>	<b>Total 2021 £</b>
Creative Scotland	459,253	11,250	470,503	250,000
Get into Play	-	4,250	4,250	-
	-----	-----	-----	-----
	459,253	15,500	474,753	250,000
	=====	=====	=====	=====

Included above is restricted income amounting to £15,500 (2021: £250,000). Unrestricted income totalled £459,253 (2021: £nil). All other income was unrestricted in both the current and previous years.

**THE BRUNTON THEATRE TRUST**  
**NOTES TO THE ACCOUNTS**  
for the year ended 31 March 2022

**4. ROOM AND FACILITY HIRE AND OTHER SALES**

	Unrestricted Funds £	Restricted Funds £	Total 2022 £	Total 2021 £
Theatre hire and associated income:				
Brunton Youth Theatre	58,489	-	58,489	1,253
Other	33,842	-	33,842	2,590
Statutory fees	2,822	-	2,822	-
Room and facility hire	23,481	-	23,481	360
	-----	-----	-----	-----
	118,634	-	118,634	4,203
	=====	=====	=====	=====

THE BRUNTON THEATRE TRUST

NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

5. EXPENDITURE - CHARITABLE ACTIVITIES

	Live Productions £	Films £	Amateurs & Rentals £	Youth Theatre £	2022 Total £	2021 Total £
<u>Direct costs</u>						
Equipment and materials	3,414	1,821	295	40	5,570	5,155
Printing and stationery	5,769	3,078	499	66	9,412	4,864
Services – staff costs (Note 7)	214,003	114,158	18,503	2,444	349,108	343,497
Marketing staff (Note 7)	29,610	15,795	2,560	339	48,304	46,103
Finance services staff (Note 7)	7,353	3,923	636	84	11,996	11,207
Advertising	1,806	964	156	22	2,948	-
Buy-ins	107,355	57,268	9,282	1,226	175,131	37,311
Freelance – pantomime	13,456	7,179	1,164	154	21,953	19,490
Licenses	3,855	2,057	333	44	6,289	3,603
Materials – pantomime	29,382	15,674	2,540	337	47,933	21,234
Materials	7,270	3,879	629	84	11,862	9,862
Subscriptions	3,838	2,047	332	44	6,261	1,606
VAT disallowed	48,323	25,777	4,178	552	78,830	-
Merchant services	4,962	2,647	429	56	8,094	1,341
Other	4,775	2,547	413	55	7,790	2,549
Marketing	1,215	648	105	14	1,982	-
Brunton Youth Theatre	23,810	12,701	2,059	272	38,842	10,960
Publicity	19,529	10,418	1,688	223	31,858	27,728
Communications	4,017	2,143	347	46	6,553	3,845
<u>Support costs</u>						
Repairs and maintenance	3,217	1,716	278	37	5,248	5,095
Rent	52,214	27,853	4,514	596	85,177	59,468
Other accommodation costs	104,496	55,743	9,035	1,193	170,467	154,215
Insurance	1,772	945	153	20	2,890	1,680
Cleaning and transport costs	668	356	58	7	1,089	1,399
Depreciation	8,781	4,684	759	100	14,324	13,149
<u>Governance costs</u>						
Audit fee	3,525	1,880	305	40	5,750	6,500
	708,415	377,901	61,250	8,095	1,155,661	1,388,961

Included above is restricted expenditure amounting to £4,250 (2021: £250,000). All other expenditure was unrestricted in both the current and previous years.

**THE BRUNTON THEATRE TRUST**

**NOTES TO THE ACCOUNTS**

**for the year ended 31 March 2022**

**6. NET INCOME FOR THE YEAR**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
This is stated after charging:-		
Depreciation	14,324	13,149
Auditor's remuneration: audit fee	5,750	6,500
Operating lease costs: rent	51,216	51,216
	<u>          </u>	<u>          </u>

No Trustee was reimbursed any expenses nor remunerated for services as a Trustee in either the current or previous year.

**7. STAFF COSTS**

The Brunton Theatre Trust has no employees. East Lothian Council is contracted to provide the appropriate staff and management services to the charity. Staff costs totalling £409,408 (2021: £400,807) were charged during the year.

The average monthly number of staff during the year, on a head count basis, was as follows:

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Management and administrative staff	7	7
Theatre staff	8	8
	<u>          </u>	<u>          </u>
	15	15
	<u>          </u>	<u>          </u>

The key management personnel of the charity are considered to be the Principal Arts Officer, the Box Office Manager, the Front of House Manager and the Marketing Officer. During the year key management personnel received total remuneration of £183,878 (2021: £122,467). No staff received emoluments of more than £60,000 during either the current or previous years.

**8. TAXATION**

The charity is recognised as such by HM Revenue & Customs for taxation purposes. As a result, there is no liability to taxation on any of its income.

THE BRUNTON THEATRE TRUST

NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

9. FIXED ASSETS

	Tenant's Improvements £	Production Equipment £	Fixtures and Fittings £	Total £
<b>Cost</b>				
At 1 April 2021	1,811,476	193,763	7,060	2,012,299
Additions	-	5,613	1,600	7,213
	_____	_____	_____	_____
At 31 March 2022	1,811,476	199,376	8,660	2,019,512
	=====	=====	=====	=====
<b>Depreciation</b>				
At 1 April 2021	1,811,476	123,655	5,044	1,940,175
Charge for year	-	13,716	608	14,324
	_____	_____	_____	_____
At 31 March 2022	1,811,476	137,371	5,652	1,954,499
	=====	=====	=====	=====
<b>Net Book Value</b>				
At 31 March 2022	-	62,005	3,008	65,013
	=====	=====	=====	=====
At 31 March 2021	-	70,108	2,016	72,124
	=====	=====	=====	=====

10. DEBTORS

	2022 £	2021 £
East Lothian Council	878,110	555,495
BTT Client funds held by East Lothian Council	147,144	146,895
Grant receivable	121,217	-
Other debtors	7,285	13,587
VAT	41,280	35,120
	_____	_____
	1,195,036	751,097
	=====	=====

The Trust does not have its own bank account. All transactions are accounted for through bank accounts of East Lothian Council. The closing balance of £878,110 (2021: £555,495) represents cash balances held by the Council on behalf of the Trust. Additionally East Lothian Council holds BTT client funds of £147,144 (2021: £146,895) on its behalf.



**THE BRUNTON THEATRE TRUST**

**NOTES TO THE ACCOUNTS**

**for the year ended 31 March 2022**

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Trade creditors	40,406	21,086
Amounts due in respect of Venue Hires	118,397	22,327
Other creditors	1,598	9,057
Accruals	22,254	29,195
Deferred income	89,968	87,515
	<hr/>	<hr/>
	272,623	169,180
	<hr/> <hr/>	<hr/> <hr/>
 <b>Deferred income – tickets sold in advance</b>		
Balance at 1 April 2021	87,515	85,598
Released to Statement of Financial Activities	(87,515)	(85,598)
Amounts received and deferred during the year	89,968	87,515
	<hr/>	<hr/>
Balance at 31 March 2022	89,968	87,515
	<hr/> <hr/>	<hr/> <hr/>

**12. OPERATING LEASE COMMITMENTS**

At the year end the charity had total commitments under operating leases as set out below.

	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
<b>Land and buildings</b>	<b>Land &amp; buildings</b>	<b>Other</b>	<b>Land &amp; buildings</b>	<b>Other</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Due within one year	518	7,172	518	10,758
Due between one to five years	-	-	-	7,172
Due between two to five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The charity also leases Brunton Hall from East Lothian Council at a base rent of £45,000 per annum plus 42% of total running and servicing costs of the hall.

THE BRUNTON THEATRE TRUST

NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

13. MOVEMENT IN FUNDS

	At 1 April 2021 £	Income £	Expenditure £	Transfers £	At 31 March 2022 £
<b>Unrestricted funds</b>					
General funds	592,972	1,499,277	(1,157,675)	(7,213)	927,361
Designated funds					
Other fixed assets	72,124	-	(14,324)	7,213	65,013
	_____	_____	_____	_____	_____
Total unrestricted funds	665,096	1,499,277	(1,171,999)	-	992,374
	_____	_____	_____	_____	_____
<b>Restricted funds</b>					
Award of Lottery Fund	-	11,250	-	-	11,250
Get into Play Fund	-	4,250	(4,250)	-	-
	_____	_____	_____	_____	_____
Total restricted funds	-	15,500	(4,250)	-	11,250
	_____	_____	_____	_____	_____
<b>Total funds</b>	665,096	1,514,777	(1,176,249)	-	1,003,624
	=====	=====	=====	=====	=====

**General funds**

Included in unrestricted general funds and grants receivable is £121,217, being 50% of the Creative Scotland Covid-19 grant from the Recovery Fund for Cultural Organisations. This amount has been recognised as income in the financial year 2021/22 as entitlement conditions were met at 31 March 2022. These funds were received post year end and will be spent fully in financial year 2022/23.

**Designated funds**

The ***Other Fixed Assets*** fund represents the net book value of other fixed assets, which were acquired from general funds. The cost for the year represents depreciation.

**Restricted funds**

The ***Award of Lottery fund from the Open fund*** represents funding received from Creative Scotland towards the cost of the Brunton Recovery Sustaining Creative Development Programme.

The ***Get into Play Fund*** represents funding received from East Lothian towards the cost of the Get into Summer 2021-22 programme.

THE BRUNTON THEATRE TRUST

NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

13. MOVEMENT IN FUNDS (continued)

	At 1 April 2020 £	Income £	Expenditure £	Transfers £	At 31 March 2021 £
<b>Unrestricted funds</b>					
General funds	533,433	604,115	(537,560)	(7,016)	592,972
Designated funds					
Other fixed assets	78,257	-	(13,149)	7,016	72,124
	_____	_____	_____	_____	_____
Total unrestricted funds	611,690	604,115	(550,709)	-	665,096
	_____	_____	_____	_____	_____
<b>Restricted funds</b>					
Performing Arts Venues Relief Fund	-	250,000	(250,000)	-	-
	_____	_____	_____	_____	_____
Total restricted funds	-	250,000	(250,000)	-	-
	_____	_____	_____	_____	_____
<b>Total funds</b>	611,690	854,115	(800,709)	-	665,096
	=====	=====	=====	=====	=====

The *Performing Arts Venues Relief Fund* represents funding received from Creative Scotland to support The Brunton to remain solvent during 2020-21 and in particular towards staff costs, freelance arts workers and the commissioning of new work.

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Total Funds £
<b>Fund balances at 31 March 2022 as represented by:</b>			
Tangible fixed assets	65,013	-	65,013
Net current assets	927,361	11,250	938,611
	_____	_____	_____
	992,374	11,250	1,003,624
	=====	=====	=====

THE BRUNTON THEATRE TRUST

NOTES TO THE ACCOUNTS

for the year ended 31 March 2022

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS (continued)

Fund balances at 31 March 2021 as represented by:	Unrestricted Funds £	Restricted Funds £	Total Funds £
Tangible fixed assets	72,124	-	72,124
Net current assets	592,972	-	592,972
	<hr/>	<hr/>	<hr/>
	665,096	-	665,096
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

15. RELATED PARTY TRANSACTIONS

During the year Brunton Theatre Trust received £430,982 (2021: £430,982) of contract income from East Lothian Council for theatre management, £24,000 (2021: £24,000) from grants and service level agreements and £nil (2021: £92,000) donation income.

Brunton Theatre paid East Lothian Council £698,502 (2021: £638,481) in costs, including £409,408 (2021: £400,807) for staff, £255,541 (2021: £213,349) for rental and accommodation, and £33,553 (2021: £24,325) for various other recharged costs.

Apart from cash floats, all cash is held by East Lothian Council on behalf of the Trust. The balance on account at the year-end amounted to £878,110 (2021: £555,495). Additionally East Lothian Council holds BTT client funds of £147,144 (2021: £146,895) on its behalf.

BTT and ELC are regarded as related parties due to the close economic ties and the presence of ELC Councillors on the Board.

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 29 November 2022

**BY:** Chief Executive

**SUBJECT:** Corporate Support Risk Register

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**10**

## **1 PURPOSE**

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

## **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Audit and Governance Committee notes the Corporate Support 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 Corporate Support risks can be borne by the Council at this time in relation to the Council's appetite for risk.
  - although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer-term risks for Corporate Support 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 Corporate Support 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 Corporate Support Risk Register includes 1 Very High, 4 High, 12 Medium and 13 Low risks. 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 Corporate Support 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 – Corporate Support Risk Register 2022-23

Appendix 2 – Risk Matrix

<b>AUTHOR’S NAME</b>	Scott Kennedy	
<b>DESIGNATION</b>	Emergency Planning, Risk and Resilience Officer	
<b>CONTACT INFO</b>	skennedy@eastlothian.gov.uk	01620 827900
<b>DATE</b>	17 November 2022	

Risk ID	Risk Category	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]			Planned Control Target Date	Evidence held of Regular Review
				Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating		
				L	I	L x I		L	I	L x I		
Corp 1	Reputational	<p>External IT Security Threats</p> <p>Council IT systems are compromised by criminal <b>3rd party</b> (e.g. hacker, terrorism) - causing the loss of a system, virus/Trojan/ransomware infection or loss/disclosure of data. This potentially could have a serious impact on one or more Council services.</p> <p>The Council's increased participation in shared services escalates this risk as the council's network boundaries are being opened up to enable data sharing with other agencies.</p> <p><b>Heightened Risk Due to War in Ukraine</b> Due to the current conflict in Ukraine there is a heightened risk of Nation State led cyberattacks on the West. These could potentially affect National Infrastructure such as data and voice networks which could have an impact on East Lothian Council.</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> <p>Intrusion Detection System implemented.</p> <p>All Council Services advised to review and update Business Continuity Plans to allow for potential period of up to 2 weeks without IT systems.</p>	5	4	20	Acceptable use policy for all ELC employees has been refreshed and is currently with Joint Trades Unions for consultation. Will be implemented in 2022 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.	3	4	12	November 2022	<p>Risk reviewed and updated by Service Manager – IT, October 2022 with no change to risk scores.</p> <p>Risk reviewed and updated by IT Management in March 2022 in light of war in Ukraine with Current Impact reduced to 4 thanks to the Intrusion Detection System, however, Likelihood increased to 5 due to conflict in Ukraine. Residual score reduced from 15 to 12.</p>

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Target Date	Evidence held of Regular Review
				Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating		
				L	I	L x I		L	I	L x I		
Corp 2	Reputational	<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> <p>Intrusion Detection System implemented.</p>	4	4	16	<p>Acceptable use policy for all ELC employees has been refreshed and is currently with Joint Trades Unions for consultation. Will be implemented in 2022 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	November 2022	<p>Risk reviewed and updated by Service Manager – IT, October 2022 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>
Corp 3	<p>Reputational</p> <p>Financial</p> <p>Psychological impact (data subjects)</p>	<p><b>Data Breaches / Compliance</b></p> <p>Breach of personal data through:</p> <ul style="list-style-type: none"> <li>- accidental disclosure or loss of personal data in transmission;</li> <li>- lack of staff awareness</li> <li>- intentional or malicious misuse of personal data;</li> <li>- lack of appropriate provisions for storage or disposal of personal data;</li> </ul> <p>Risks include:</p> <ul style="list-style-type: none"> <li>- breach of relevant laws;</li> <li>- breach of duty of care;</li> <li>- harm to individuals;</li> <li>- legal action and fines;</li> <li>- requirement to pay compensation;</li> <li>- adverse publicity;</li> <li>- damage to the Council's reputation.</li> </ul> <p>The risks initially posed by the COVID 19 pandemic have reduced as staff have settled into new ways of working. The Council's pandemic response has fundamentally shifted the workforce to more digital service delivery in the longer term, and changes to working practices continue to evolve, meaning approaches to information governance must remain resilient.</p> <p>Ongoing changes such as the Asset Review require significant information governance input to support secure destruction, transfer and digitisation of the</p>	<p>Data Protection Policy, IT Acceptable Use Policy and associated guidance/procedures available to all staff via ELnet;</p> <p>Data Breach Procedure addresses timely containment, reporting and recording of breaches;</p> <p>Records Management Plan / Information and Records Management Policy, including confidential waste procedures/bins;</p> <p>Information Security Management System (ISMS) in line with ISO27002;</p> <p>Mandatory e-learning for all staff in Data Protection and Information Security, refreshed every 2 years;</p> <p>Data Protection Impact Assessments completed and assessed by DPO/Information Security for all business processes involving personal information;</p> <p>Data Sharing Agreements put in place for all regular sharing of personal data;</p> <p>Recruitment to additional Information Officer post to support Information Governance input into corporate projects and establish digital preservation provisions.</p> <p>Data Protection/Information Security awareness campaign under development jointly by Information Governance, Information Security and Communications teams;</p>	4	4	16	<p>Acceptable use policy for all ELC employees has been refreshed and is currently with Joint Trades Unions for consultation. Will be implemented in 2022 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>Information Asset Register continues to be developed via workshops with Service Areas.</p> <p>Data Sharing Agreement templates to be revised to make them more flexible and user-friendly.</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 Breach Dashboard currently in development to support high-level reporting to senior managers re: trends in data breaches and contributing factors.</p> <p>Creation of new Team Leader – Information Governance post in progress to act as depute DPO and lead on Information Governance process development.</p>	3	3	9	<p>November 2022</p> <p>January 2023</p> <p>January 2023</p> <p>January 2023</p>	<p>Risk reviewed and updated by Service Manager, IT and Team Manager-Information Governance in October 2022 with no change to scores.</p> <p>Risk refreshed October 2021 by Team Manager-Information Governance with increase in Current Score from 12 to 16 based on COVID-19 impact.</p>



Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement business objective)	of	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Target Date	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>high volume of paper records still held by the Council and application of security and records management controls.</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>Annual PUR update on Records Management arrangements submitted to the national regulator (the Keeper);</p> <p>Short-term contract in place with document management Supplier Oasis to manage storage/retrieval of high volume of records being transferred out of offices due to Asset Review.</p>				<p>Following approval of Digital Strategy c.December 2023, procurement exercise to identify best value for document management services to improve storage, security and service improvement.</p>				<p>January 2023</p> <p>April 2023</p>	
Corp 4	<p>Business Continuity</p> <p>Service Objectives</p> <p>Financial</p>	<p>Legal Service Staffing</p> <p>An unplanned loss of a key employee or employees due to resignation, long-term sickness absence etc. such as Senior Solicitors may affect the quality and scope of the legal service resulting in a failure to meet statutory objectives and provide an adequate legal service.</p> <p>The current inability (November 2022) to fill the Team Manager and the Senior Solicitor (Commercial) roles had already placed additional pressures on the team. This was compounded by the resignation of the Senior Solicitor (Litigation) who left at the end of October. Service requirements have been further reviewed and a recruitment campaign for a Principal Solicitor (Litigation) post, Senior Solicitor (Litigation), Principal Solicitor (Commercial) and Solicitor (Property) were advertised with the Principal Solicitor (Litigation) and Senior Solicitor (Litigation) posts being filled. The successful candidates were internal therefore resulting in two vacant Solicitor (Litigation) posts for which recruitment campaigns are being progressed.</p> <p>Due to this lack of resource and increased demand for Legal Services the team continue to find it difficult to fulfil service requests timeously without considering outsourcing at an additional cost to the Council.</p> <p>The increased workload falling on the remaining members of the team may result in further absence due to stress.</p> <p>Outsourcing legal work to external firms incurs unbudgeted costs for client services, which can be significant for complex matters.</p>		<p>Succession planning has been developed and rolled out to share the knowledge ensuring there are now at least two team members in each area of work with sufficient knowledge to ensure continuity of the service.</p> <p>An ability to employ temporary employees if required and an ability to outsource to acquire external legal advice. In addition if further advice/specialist advice is required there is access to the Edinburgh's Legal Services Framework to obtain appropriate external legal support.</p> <p>An expedited Service Review has been conducted to improve capacity across the team which included a new Property Solicitor to support the asset rationalisation project which will provide additional capacity to the team, if it can be filled.</p> <p>To ensure there is a clear record of transactions being carried out the legal team maintain individual work plans, which are reviewed by the Service Manager monthly.</p> <p>Standard Processes are in place which the team are able to follow. These processes are also agreed with the relevant Services to ensure that there remains consistent processes between the Legal Department and the Service and vice versa (primarily within the litigation side of the team).</p> <p>Additional capacity has been created within the legal services team with a refocus of one solicitor's post to assist with increased requirement of legal work for Commercial and Property.</p> <p>East Lothian Council is able to access legal services through the Edinburgh Legal Services Framework arrangement.</p>	4	4	16	<p>On a temporary basis consideration will be given to bringing in suitably qualified solicitors through agencies and/or outsourcing to external legal firms. While these may assist these people may require training etc. which will take some time.</p> <p>To ensure capacity within the team remains on a long-term basis the priority is to fill the current vacant posts.</p>	3	3	9	<p>December 2022</p> <p>February 2023</p>	<p>Risk Reviewed and updated by Service Manager – Governance September 2022 with Current Score increased from 9 to 16 due to loss of staff.</p> <p>Risk Reviewed and updated by Service Manager – Governance December 2021 with Current Score increased from 6 to 9 due to knowledge held by key employees.</p>

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement business objective)	of	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Target Date	Evidence held of Regular Review
					Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating		
					L	I	L x I		L	I	L x I		
Corp 5	Legal & Regulatory	<p>Legal Advice</p> <p>Giving inaccurate or incorrect legal advice or failing to give appropriate legal advice could result in the Council failing to comply with its statutory duties and/or acting ultra vires leading to legal action and loss of reputation.</p> <p>Due to current staff shortages the team may not have the resource to comply with all of the mitigation measures at any given time which may lead to mistakes being made either in advice or in process.</p>		<p>Access to relevant on line legal sources such as Westlaw, Nexis Lexis, Practical Law Company etc.</p> <p>Regular monitoring of Scottish Government/Scottish Parliament websites together with checks on Scottish Courts, Sherriff Officer and Scottish Law Society websites for any updates on legislation or guidance.</p> <p>Participation in the Society of Local Authority Regulators (SOLAR) working groups and sub-committees.</p> <p>Retaining a full complement of qualified employees.</p> <p>An expedited Service Review has been conducted to improve capacity across the team which included a new Property Solicitor to support the asset rationalisation project which will provide additional capacity to the team, if it can be filled.</p> <p>East Lothian Council is able to access legal services through the Edinburgh Legal Services Framework arrangement. As part of this arrangement there is are seminars made available to East Lothian Council legal team and relevant services at no additional cost, which assists in continuing professional development for the legal team.</p> <p>There is standard protocol and methods in place to deal with day to day business with services to ensure consistent approach is adopted from all members of the team. There are regular team meetings (twice per week) providing a strong team awareness of what each member of the team is working on in any particular week. Also discussing approach and seeking comments from the team as necessary.</p> <p>Regular monitoring of workloads.</p> <p>Succession/Leave planning, sharing the knowledge amongst all employees.</p> <p>Outsourcing for appropriate specialist advice when applicable.</p> <p>Maximising access to free training events.</p>	3	4	12	<p>On a temporary basis consideration will be given to bringing in suitably qualified solicitors through agencies and/or outsourcing to external legal firms. While these may assist these people may require training etc. which will take some time.</p> <p>To ensure capacity within the team remains on a long-term basis the priority is to fill the current vacant posts.</p>	3	3	9	<p>December 2022</p> <p>February 2023</p>	<p>Risk Reviewed and updated by Service Manager – Governance September 2022 with current score increased from 8 to 12.</p>

## East Lothian Council Risk Matrix

### Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	>90% chance of occurring
Probable	4	70%-90% chance of occurrence
Possible	3	30-70% chance of occurring
Unlikely	2	10-30% chance of occurring
Rare	1	<10% chance of occurring

### Impact Description

Impact of Occurrence	Score	Description							
		Impact on Service Objectives	Financial Impact	Physical and/or Psychological Impact on People	Impact on Time	Impact on Reputation	Impact on Assets	Business Continuity	Legal & Regulatory
Catastrophic	5	Catastrophic failure in service delivery and key service standards are not met, long-term catastrophic interruption to operations, several major partnerships are affected	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances. Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves. The Council is expected to hold a reserve to budget ratio of 2%.	Single or Multiple fatality and or psychological impact, within council control, leading to 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. Prolonged regional and national condemnation.	Significant disruption to building, facilities, vehicles or equipment (Loss of building, vehicles, rebuilding required, temporary accommodation required, vital equipment lost without replacement capability available resulting in services being unable to be delivered).	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, including substantial involvement from regulators.
Major	4	Major impact to service quality, multiple service standards are not met, long-term disruption to operations, multiple partnerships affected.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty). Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves.	Number of extensive injuries (major permanent harm) or major psychological impact to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Serious negative national or regional criticism and publicity.	Major disruption to building, facilities, vehicles or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required, equipment or vehicles unavailable to provide significant elements of service delivery and no appropriate contingency arrangements in place).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council, fines and regulatory action publicly enforced.
Moderate	3	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards.	Moderate impact on budgets (can be contained within overall directorate budget).	Serious injury requiring medical treatment or moderate psychological impact 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.	Adverse national media public attention with elected members becoming involved.	Moderate disruption to building, facilities, vehicles or equipment (loss of use of building for medium period, loss of equipment or vehicles requires contingency arrangements to be employed and has moderate impact on overall service delivery).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council, regulator action and or improvement required of the Council .
Minor	2	Minor impact to service quality, minor service standards are not met, short-term disruption to operations, minor impact on a partnerships	Minor impact on budgets (can be contained within service head's budget).	Non life changing injury or psychological impact to staff or member of the public requiring treatment.	Some - between 2 and 6 months to recover.	Minor adverse local, public or media attention and complaints.	Minor disruption to building, facilities, vehicles or equipment (alternative arrangements in place and covered by insurance, equipment or vehicles unavailable for small period of time minor impact on service).	Reasonable back-up arrangements, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council, regulator advice and improvement requested of the Council.
Minimal	1	No impact to service quality, limited disruption to operations.	Minimal impact on budgets (can be contained within unit's budget).	Minor injury or minor psychological impact to employee, service user or public.	Minimal - Up to 2 months to recover.	Public concern restricted to local complaints and of no interest to the media.	Minimal disruption to building, facilities, vehicles or equipment (alternative arrangements in place, equipment or vehicles alternative quickly available to replace or substitute).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council, regulator suggested improvements requested.

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:** 29 November 2022

**BY:** Chief Executive

**SUBJECT:** Finance Risk Register

**11**

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## **1 PURPOSE**

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

## **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Audit and Governance Committee notes the Finance 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 Finance risks 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 Finance 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 Finance 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 Finance Risk Register includes 1 Very High, 7 High, 5 Medium and 2 Low risks. 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 Finance 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 – Finance Risk Register 2022-23

Appendix 2 – Risk Matrix

<b>AUTHOR'S NAME</b>	Scott Kennedy	
<b>DESIGNATION</b>	Emergency Planning, Risk and Resilience Officer	
<b>CONTACT INFO</b>	skennedy@eastlothian.gov.uk	01620 827900
<b>DATE</b>	17 November 2022	

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Target Date	Evidence held of Regular Review
				Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating		
				L	I	L x I		L	I	L x I		
F1	Financial Service Objectives	<p><b>Market Conditions and Supply Chain Disruption</b></p> <p>There is a risk that suppliers may not participate in tenders or request that response periods be extended due to lack of market/supplier/internal resource availability resulting in returned tender proposals exceeding allocated budget.</p> <p>There is a risk that the Care at Home providers (framework and option 3) are not able to recruit to deliver complex care packages and may seek to hand back packages and stop operating in EL.</p> <p>There is a risk of an impact on the supply certainty of material for roads requirements caused by 60% of Bitumen supply being from Russia or processed in Russia, resulting in delays and price uplifts between 20-40%.</p>	<p>Planning – assessing project programmes and possible procurement options</p> <p>Reporting – providing information to funding bodies, Council management and other services</p> <p>Monitoring – Continuing to liaise with industry bodies, working groups, other local authorities, the Scottish Government, suppliers and contractors to keep the Council informed.</p> <p>Regular contact with our suppliers and framework providers</p> <p>ELHSCP are RAG rating care packages to prioritise care.</p> <p>Scotland Excel and SCOTS Executive are monitoring the situation closely. Issue being escalated to Transport Scotland/Scottish Govt. TS looking at future mutual aid arrangements in case of significant disruption.</p> <p>Prioritisation – deciding which works are essential, balancing time, cost and risk, possibly delaying works until the market settles.</p>	5	4	20	<p>Enhanced value engineering.</p> <p>Reviewing the opportunity to phase planned works rather than deliver wholesale projects.</p> <p>Consideration to delaying capital and revenue projects where appropriate and possible.</p> <p>Capital Plan review and prioritisation - using what we have differently to deliver essential projects at the expense of less essential.</p> <p>Work on recruitment with EL works. Consider mini comp on framework or open tender but issue is staff recruitment so 'new' provider could cause problems for existing providers and care packages.</p>	4	4	16	<p>March 2023</p> <p>March 2023</p> <p>March 2023</p> <p>March 2023</p> <p>March 2023</p>	<p>Risk reviewed by Service Manager – Procurement October 2022 with no changes to risk scores.</p> <p>New risk created by Service Manager – Procurement on 21/04/22.</p>
F2	Financial Impact	<p>HRA income and Rent Arrears</p> <p>A fall in HRA income may impact on our ability to provide services and deliver on capital investment plans.</p> <p>Any increase in rent arrears would reduce income to the HRA.</p> <p>Many households now face an unprecedented cost of living crisis with soaring energy prices, rising inflation and an increase in national insurance.</p>	<p>The Council's Rent Income Team has responded well to the impact of current challenges and the approach to dealing with arrears has remained fair, whilst developing working practices to ensure tenants remain engaged and supported. The mitigating work of the team has ensured that rent arrears levels have remained low, given that they had the potential to be far more severe.</p> <p>Performance management is well embedded within the Service and in addition to statutory reporting, Performance Management Frameworks are in place to ensure rent arrears levels are monitored and communicated monthly to management, staff and other key stakeholders.</p> <p>Revised rent arrears procedures are helping Revenues staff to improve rent collection, supporting an early intervention /preventative approach to rent arrears management.</p> <p>Joint working with Benefits colleagues and other Council services has ensured that Council tenants are further supported with Discretionary Housing Payments (DHP) and the Tenant Grant Fund (TGF) where appropriate and this has impacted positively on overall arrears levels.</p>	4	3	12	<p>A draft Rent Income Management Policy has been developed and is currently pending awaiting input from the Housing Service in relation to homelessness arrears.</p> <p>The Rent Income Team has previously worked with Housing Quality Network (HQN) Consultant, Tony Newman and is engaging again in a training programme for staff in Q3 of 2022/23.</p> <p>In addition to the 2021/22 Scottish Government funding, in 2022/23 additional funding has been given to local authorities to support local economic recovery and cost of living impacts on low income households.</p>	3	3	9	<p>March 2023</p> <p>December 2023</p> <p>March 2023</p>	<p>Risk refreshed September 2022 by Service Manager – Revenues and then November 2022 by Head of Finance with current risk score increased from 9 to 12 and residual score from 6 to 9.</p> <p>Also Risk H12</p>



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				L	I	L x I		L	I	L x I		
			<p>Improved joint working and information sharing between Revenues and Housing staff (via EDRMS etc.) and other Council services.</p> <p>The Council's Financial Inclusion service is providing advice and support for Council tenants experiencing financial difficulties and is helping those who are struggling to manage household budgets, particularly those in receipt of Universal Credit.</p> <p>Pre-tenancy checks by Community Housing Officers identify at risk/vulnerable tenants.</p> <p>The Revenues Service, in conjunction with the Corporate Communications team, have developed a Helping with the Cost of Living Crisis leaflet, outlining support available to anyone in need of help. The leaflet has been widely distributed and promoted digitally also.</p> <p>The Revenues Service, in conjunction with the Corporate Communications team, developed and refreshed the Coronavirus Financial Support leaflet and this was promoted by a number of internal services and external agencies as well as being promoted digitally.</p>									
F3	Financial	<p><b>Loss of General Services Income</b></p> <p>A reduction in income via reduced collection of Council revenue, including Council Tax, Business Rates, Rent and Sundry Accounts could impact adversely on the Council's ability to provide quality services.</p> <p>Many households and businesses now face an unprecedented cost of living crisis with soaring energy prices, rising inflation and an increase in National Insurance while the conflict in Ukraine is pushing energy prices even higher.</p>	<p>The Council's Revenues Service continues to respond well to the impact of current challenges. The teams mitigating work has ensured that collection levels have remained high, given that they had the potential to be severely affected.</p> <p>A Modern Apprentice has been recruited to help bolster capacity within the Council Tax 7 Debt Management team and to provide an opportunity for a young person to develop their skills in the workplace, increasing their employability opportunities.</p> <p>Performance management is well embedded within the Service and in addition to statutory reporting, Performance Management Frameworks are in place to ensure collection levels are monitored and communicated monthly to management, staff and other key stakeholders.</p> <p>Processes and procedures are in place in order to comply with legislation and other Council/Service standards.</p> <p>After a temporary suspension due to Covid-19, debt recovery work has fully resumed and although automated and robust, those facing financial hardship are encouraged to engage with the Revenues teams to ensure they are fully support and any income maximised where entitlement exists.</p> <p>The additional work associated with the financial impact of Covid has contributed to a build-up of outstanding Council Tax work. Operational changes have been made to the way we handle incoming customer enquiries in order to maximise efficiency and reduce turnaround times. The situation remains under constant review.</p>	4	3	12	<p>Temporary funding will be used to increase the capacity of the Council Tax &amp; Debt Management team by 1FTE until 31 March 2023 although recruitment is proving challenging due to lack of suitable applicants.</p> <p>In addition to the 2021/22 Scottish Government funding, in 2022/23 additional funding has been given to local authorities to support local economic recovery and cost of living impacts on low income households. Discussions are ongoing in relation to allocation and distribution of this money.</p>	3	3	9	<p>March 2023</p> <p>March 2023</p>	<p>Risk refreshed September 2022 by Service Manager – Revenues and key staff and then November 2022 by Head of Finance with current risk score increased from 6 to 12 and residual score from 6 to 9.</p>



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				L	I	L x I		L	I	L x I		
			<p>Collection/enforcement by Sheriff Officers/Debt Collection Agency using range of options for litigation against debtors. Again, those needing additional support are asked to engage with teams so that additional, tailored help can be provided.</p> <p>The Council's Financial Inclusion service is providing advice and support for households and businesses experiencing financial difficulties and is helping those who are struggling to manage household budgets, particularly those in receipt of Universal Credit.</p> <p>The Revenues Service, in conjunction with the Corporate Communications team, have developed a Helping with the Cost of Living Crisis leaflet, outlining support available to anyone in need of help. The leaflet has been widely distributed and promoted digitally also.</p> <p>During the Covid-19 pandemic, the Retail, Hospitality &amp; Leisure relief was awarded to eligible businesses to help reduce their rates liability. As this relief stopped at end Q1 2022/23, we may see a detrimental impact on collection levels for businesses in these sectors.</p>									
F4	Financial	<p><b>Scottish Welfare Fund</b></p> <p>The level of administration funding received from the Scottish Government does not reflect the actual level of resource deployed by the Council to administer the SWF scheme (crisis grants and community care grants).</p> <p>Demand has increased throughout the pandemic and continues to remain high as a result of the cost of living crisis. This increasing demand may become unsustainable as wider resource is having to be deployed to assist with this work, which is reducing capacity to manage Housing Benefit and Council Tax reduction claims.</p> <p>The level of programme funding received from the Scottish Government does not reflect the increased demand for SWF payments.</p> <p>It may become unsustainable for the Council to continue to provide top up funding to meet the demand for crisis and community care grants.</p>	<p>In order to adequately resource the administration of SWF, all Benefits Officers have additional responsibility for this business function.</p> <p>The Council has committed money from reserves to top-up the Scottish Government programme funding for 2022/23.</p> <p>LACER funding has been allocated to help meet the demand for cost of living payments.</p>	3	4	12	<p>A planned Scottish Government review of the SWF scheme is taking place during 2022 with findings due to be published in December 2022.</p>	2	4	8	December 2022	Risk refreshed by Service Manager – Revenues September 2022 with current risk rating increased from 5 to 12 and residual from 3 to 8.
F5	Financial	<p><b>Key Financial Controls</b></p> <p>Lack of key financial controls which may cause an instance of serious financial fraud or corruption resulting in financial loss and wider reputational loss to the authority.</p> <p>There is an increased risk of fraud as a result of changes in processes linked to new ways of working, limited staff resources in some services, and the impacts of the cost of living crisis.</p>	<p>The whole system of financial controls across the Council.</p> <p>Annual assurance and testing of internal financial controls through annual Governance statement.</p> <p>System of Internal Audit &amp; statutory reporting framework.</p> <p>CMT undertake a self-evaluation framework of Corporate Governance including preparing an annual assurance statement which confirms how internal financial controls are operating within their respective service areas.</p>	3	4	12	<p>Processes continue to be explored as we continue to support a new way of working.</p> <p>NFI data matching exercises underway for 2022/23 including key financial systems data to provide detection if key financial frauds have been undertaken.</p> <p>Whistleblowing policy has been updated and is being communicated out to all staff.</p>	2	3	6	<p>March 2023</p> <p>November 2023</p> <p>November 2023</p>	Risk refreshed September 2022 by Service Manager - Internal Audit with no changes to risk scores.

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Target Date	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>Financial authorised signatories' scheme is in place with appropriate level of financial authorisation delegated to respective managers.</p> <p>Financial "risk rating" of services through quarterly reports with the ability to exercise enhanced financial controls.</p> <p>Internal Audit plan is being regularly reviewed to ensure appropriate coverage of risks continue to be prioritised on an appropriate basis.</p>									
F6	Financial	<p><b>Key Financial Systems</b></p> <p>A failure of key financial systems e.g. Pecos and Great Plains due to technical problems and/or supplier failure or loss of key staff could lead to service failure and incomplete management information. Statutory functions may not be completed on the back of a system failure to Great Plains.</p> <p>COVID has increased the reliance on systems to provide necessary and timely information to enable effective decision making.</p>	<p>Contract management arrangements in place with Great Plains supplier, working closely with IT colleagues.</p> <p>Great Plains will be reviewed every three years in line with major upgrades.</p> <p>Current robust contract in place for Pecos which is a government selected supplier.</p> <p>Both systems are regularly backed up as part of ELC IT processes, including a daily download from the financial system.</p> <p>Sharing of knowledge and documentation of procedures within ELC, and clear procedural notes in place.</p> <p>Key system controls reviewed and tested regularly to support audit requirements.</p> <p>Initial phase of Finance service review has secured additional administrative support within the Corporate Finance team.</p>	3	4	12	<p>Purchase 2 Pay review is ongoing, which will review our strategic approach to procuring and paying goods and services.</p> <p>Greater number of staff to be shown administration and other tasks on the main Financial systems to ensure tasks could be completed if other key staff are not available.</p>	2	3	6	<p>March 2023</p> <p>December 2022</p>	<p>Risk Register reviewed by Service Manager – Corporate Accounting September 2022 with no change to risk scores.</p> <p>Risk reviewed and refreshed by Finance Managers October 2021 with current score increased from 8 to 12 and residual risk score increased from 4 to 6. .</p>

Risk ID	Risk Category	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]			Planned Control Target Date	Evidence held of Regular Review
				Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating		
				L	I	L x I		L	I	L x I		
F7	Service Objectives	<p><b>Finance Staffing Issues</b></p> <p>Loss of key finance staff, external recruitment pressures, and on-going complexity and continuing financial challenges and complexity of finances may result in the Finance service not being able to provide an appropriate level of financial support to the Council and wider services. The team may not have the appropriate skills, and due to the increasing obligations may not be able to meet statutory financial accounting requirements such as completion of statutory annual accounts.</p> <p>There has also been an increasing number of staff turnover including ill health and retirements of experienced staff members. Turnover of staff also means that knowledge is leaving the team and it will take time for new staff to get up to speed.</p>	<p>On-going development of skills across the team to enhance knowledge and ensure the workforce have the appropriate financial skills to meet on-going requirements.</p> <p>Generic Finance posts have been established to ensure Business Continuity across the team and ensure that there maintains flexibility and transfer of knowledge within the team to support service provision.</p> <p>Work has and will continue to be progressed to review the ongoing support which can be provided to service areas, introducing standardised procedures to financial management provision where possible and provide training and support to services to allow them to manage their budgets as effectively as possible.</p> <p>Support on-going training for Finance staff ensuring the team have the appropriate skills to support the Council and financial accounting requirements.</p> <p>Trainee Accountant posts have been set up to ensure that we have some succession planning in place for the future.</p> <p>Finance Service review currently in progress, designed to increase capacity and resilience across the workforce.</p>	4	4	12	<p>The Finance Service review is progressing, which will ensure the team has the necessary skills to meet our on-going obligations and enhanced support and resilience across the Finance team.</p> <p>Enhance the number of relevant qualified accountancy staff to meet statutory accounting requirements.</p>	2	3	6	<p>December 2022</p> <p>December 2025</p>	<p>Risk Register reviewed by Service Manager – Corporate Accounting September 2022 with no change to risk scores.</p> <p>Risk Register reviewed by Executive Director and current risk score increased from 9 to 12.</p>
F8	Reputation Legal & Regulatory	<p><b>Failure to Comply with procurement processes</b></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-</p>	<p>Corporate Procurement Strategy for period 2017-22 adopted and in place along with associated procedures, reviewed on an annual basis and updated as required.</p> <p>Controls in place over creation of new suppliers and 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>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> <p>Enhanced escalation of tender sign off by Heads of Service in the event the tender price exceeding cost by more than PID.</p> <p>Procurement team used SXL to deliver Contract management training for service staff - rolled out in May 2022.</p> <p>New procurement software (Atamis) purchased, phased implementation of 3 modules (contract</p>	3	4	12	<p>Draft Corporate Procurement Strategy for period 2023-28 prepared to go to Cabinet in early 2023.</p> <p>Corporate Procurement Procedures being updated and will be re-launched. (standing Orders late 2022/staff procedures early 2023) This includes any further controls to be implemented in response to Low Level Spend Internal Audit.</p> <p>LearnPro Training for all staff being developed and rolled out Early 2023.</p> <p>Enhanced escalation of tender sign off by Heads of Service in the event the tender price exceeding cost by more than 10%.</p> <p>Exploring options 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>Purchase to Pay review underway across the Council which will enhance procurement processes and service compliance.</p> <p>Roll-out of training to users of the new Atamis system. Following contract award, the contracting Service will undertake contract management and capture in new Atamis</p>	2	3	6	<p>January 2023</p> <p>December 2022</p> <p>December 2022</p> <p>October 2023</p> <p>March 2023</p> <p>March 2023</p>	<p>Risk Refreshed October 2022 by Service Manager – Procurement with no changes to risk scores.</p> <p>Risk Register reviewed by Executive Director and residual risk score reduced from 9 to 6.</p>

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement business objective)	of	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Target Date	Evidence held of Regular Review
					Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating		
					L	I	L x I		L	I	L x I		
		compliance and disproportionately increased administrative workload as well as failure to provide efficient procurement services.		register, pipeline management & contract/supplier management).				system that will be visible to Procurement to ensure further checks can be carried out that the terms of the contract continue are being followed and best value is achieved.				January 2023	

## East Lothian Council Risk Matrix

### Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	>90% chance of occurring
Probable	4	70%-90% chance of occurrence
Possible	3	30-70% chance of occurring
Unlikely	2	10-30% chance of occurring
Rare	1	<10% chance of occurring

### Impact Description

Impact of Occurrence	Score	Description							
		Impact on Service Objectives	Financial Impact	Physical and/or Psychological Impact on People	Impact on Time	Impact on Reputation	Impact on Assets	Business Continuity	Legal & Regulatory
Catastrophic	5	Catastrophic failure in service delivery and key service standards are not met, long-term catastrophic interruption to operations, several major partnerships are affected	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances. Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves. The Council is expected to hold a reserve to budget ratio of 2%.	Single or Multiple fatality and or psychological impact, within council control, leading to 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. Prolonged regional and national condemnation.	Significant disruption to building, facilities, vehicles or equipment (Loss of building, vehicles, rebuilding required, temporary accommodation required, vital equipment lost without replacement capability available resulting in services being unable to be delivered).	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, including substantial involvement from regulators.
Major	4	Major impact to service quality, multiple service standards are not met, long-term disruption to operations, multiple partnerships affected.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty). Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves.	Number of extensive injuries (major permanent harm) or major psychological impact to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Serious negative national or regional criticism and publicity.	Major disruption to building, facilities, vehicles or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required, equipment or vehicles unavailable to provide significant elements of service delivery and no appropriate contingency arrangements in place).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council, fines and regulatory action publicly enforced.
Moderate	3	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards.	Moderate impact on budgets (can be contained within overall directorate budget).	Serious injury requiring medical treatment or moderate psychological impact 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.	Adverse national media public attention with elected members becoming involved.	Moderate disruption to building, facilities, vehicles or equipment (loss of use of building for medium period, loss of equipment or vehicles requires contingency arrangements to be employed and has moderate impact on overall service delivery).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council, regulator action and or improvement required of the Council .
Minor	2	Minor impact to service quality, minor service standards are not met, short-term disruption to operations, minor impact on a partnerships	Minor impact on budgets (can be contained within service head's budget).	Non life changing injury or psychological impact to staff or member of the public requiring treatment.	Some - between 2 and 6 months to recover.	Minor adverse local, public or media attention and complaints.	Minor disruption to building, facilities, vehicles or equipment (alternative arrangements in place and covered by insurance, equipment or vehicles unavailable for small period of time minor impact on service).	Reasonable back-up arrangements, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council, regulator advice and improvement requested of the Council.
Minimal	1	No impact to service quality, limited disruption to operations.	Minimal impact on budgets (can be contained within unit's budget).	Minor injury or minor psychological impact to employee, service user or public.	Minimal - Up to 2 months to recover.	Public concern restricted to local complaints and of no interest to the media.	Minimal disruption to building, facilities, vehicles or equipment (alternative arrangements in place, equipment or vehicles alternative quickly available to replace or substitute).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council, regulator suggested improvements requested.

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:** 29 November 2022

**BY:** Chief Executive

**SUBJECT:** Infrastructure Risk Register

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## **1 PURPOSE**

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

## **2 RECOMMENDATIONS**

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

## **3 BACKGROUND**

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

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

3.3 The current Infrastructure Risk Register includes 2 Very High, 17 High, 36 Medium and 14 Low risks. As per the Council’s Risk Strategy, only the Very High and High risks are being reported to the Committee.

#### **4 POLICY IMPLICATIONS**

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

#### **5 INTEGRATED IMPACT ASSESSMENT**

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

#### **6 RESOURCE IMPLICATIONS**

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

6.2 Personnel - There are no immediate implications.

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

#### **7 BACKGROUND PAPERS**

7.1 None.

Appendix 1 – Infrastructure Risk Register 2022-23

Appendix 2 – Risk Matrix

<b>AUTHOR’S NAME</b>	Scott Kennedy	
<b>DESIGNATION</b>	Emergency Planning, Risk and Resilience Officer	
<b>CONTACT INFO</b>	skennedy@eastlothian.gov.uk	01620 827900
<b>DATE</b>	17 November 2022	



**Infrastructure Risk Register 2022-23**

Date reviewed: 17 November 2022

Risk ID	Risk Category	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]			Planned Control Target Date	Evidence held of Regular Review
				Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating		
				L	I	L x I		L	I	L x I		
INF 1	Service Objectives	<p><b>Reduced Taxi Provision Council Wide</b></p> <p>Taxis are becoming hard to source/procure due to the after effects of COVID19 and the current economic status. All taxi operators are facing recruitment issues with drivers wanting a certain wage and working pattern/hours.</p> <p>There is a potential risk of enhanced contracts being offered from other user areas out with ELC as there is a financial benefit to taxi provider moving to cancellation / handback of ELC contract.</p> <p>Alongside this taxi escort provision is scarce due to the limited hours and wages.</p> <p>The last series of tenders completed by Transport Services resulted in a nil return or a 40% - 100% price increase depending on operator if we get a response.</p> <p>Operators are leaning to Home to School as their primary work and everything else has to fit around that. The main reason for this is the stability of the routes versus the constant changes involved with other taxi hires.</p> <p>Taxi operators are struggling with supply chain for supply of vehicles and spare parts for maintenance.</p> <p>The main Council Services affected by this reduced availability are Education, Children &amp; Families, Adult Services and Homelessness.</p> <p>The potential impacts are:</p> <ul style="list-style-type: none"> <li>• Routes cannot be fulfilled due to unavailability.</li> <li>• Services hire their own taxis which are not legal and the drivers/escorts not PVG checked leaving ELC &amp; clients exposed.</li> <li>• The cost of finding taxis will see an increase in cost of tenders up to 75-100%</li> </ul> <p>All of the above is a reputational risk to the Council.</p> <p>Taxi provision throughout East Lothian has declined by an estimated 45% since 2019.</p> <p>Reduced options presents a risk operations may be tempted to go of contract and use a non-authorized taxi. Risk of reputational and legal failure.</p>	<p>Taxi framework in place</p> <p>Transport Services Framework covers adhoc taxi hire within the Council. The companies on this list have been pre-checked as part of tender process and meet the T&amp;C's required by the Council.</p> <p>PVG checks in place for all operators</p> <p>Home to School Framework in place for School Transport</p> <p>ASN Framework</p> <p>Model shift to carry out more ASN work on our ELC buses</p> <p>Any request for Taxi transport will require a minimum of one week notice to run a tender, with an operational estimate of three weeks if we have a response.</p>	5	4	20	<p>Procurement/Transport Services process to promote taxi industry to potential employees.</p> <p>Market intelligence, monitor and engage regularly with providers and work with them pro-actively.</p>	4	4	16	<p>November 2022 – ongoing</p> <p>November 2022 – ongoing</p>	<p>New risk created by Service Manager – Transport August 2022 and reviewed September 2022</p>

INF 2	Assets	<p>Reduction in Purchase of Council vehicles</p> <p>A reduction in future purchase of Council vehicles would result in revenue / maintenance expenditure costs rising.</p> <p>Requirement for the fleet to move to Ultra Low Emission Vehicles (ULEV) cost impact to meet climate change objectives and government legislation – Public Fleet sector target of 2025 for all cars/small vans to be ULEV, no purely fossil fuelled vehicles available to purchase from 2030.</p>	<p>Regular discussion with user departments on their individual requirements and within the capital budget set for replacement vehicles.</p> <p>Continued evaluation of existing fleet.</p> <p>Regular contact with vehicle suppliers to demonstrate new items available.</p> <p>Transport and Waste have worked proactively with Finance to draw up a planned capital budget for 5 years to enable to replace to Euro6 standard and some EV replacement vehicles. This will minimise cost increase impact and secure vehicle orders in line with the fleet replacement strategy. There will additional cost pressures to meet the 2030 SG objectives.</p> <p>Utilisation of Transport Scotland funding to support public sector 2025 objective.</p>	5	4	20	<p>Fleet strategy being undertaken combining ULEV objectives and demonstrating financial challenges associated with transition to clean vehicles – expected to be completed April 2022. Fleet Strategy going to Council for approval.</p> <p>To allow the Council to migrate to an alternative fuel solution SG investment will be required as the cost is currently beyond the capital fund available.</p>	4	4	16	<p>January 2023</p> <p>2024/25</p>	<p>Risk refreshed August 2022 with current score increased from 16 to 20 and residual from 9 to 16.</p> <p>Risk refreshed June 2021 with risk scores increased from 4 and 4 to 16 and 9 due to the government legislation</p>
INF 3	Financial	<p>Education Estate – Changes to Projects</p> <p>Risk of unanticipated changes within Projects resulting in project cost overruns and potential delays to the project with financial consequences for the Council as well as a reputational risk.</p> <p>Recent projects have seen increases in scope due to suitability, condition, upgrades to catering kitchens, safer routes to school and other factors. Mitigation has not been possible resulting in costs increasing.</p> <p>A full survey of all catering kitchens throughout Council properties is required which is not included in the current condition survey work and needs to be resourced.</p> <p>Scottish Government have announced the intention to introduce free school meals for all primary aged children by 2022 as part of the 100 day commitment. Work has been initiated by SG to consider the cost and logistical implications of implementing this policy intent.</p>	<p>Cost planning and financial monitoring processes are in place. Change control process manages the approvals process for additional budget arising from client changes.</p> <p>Review project risk contingency and identify a risk value in future projects.</p> <p>Ensure Project briefing, budgets and cost plans are robust and include realistic allowance for further development of scope meaning few unanticipated changes during projects.</p> <p>Close liaison with clients throughout project process.</p> <p>Data updated regularly throughout the year and Annual Report submitted re-School Core Facts.</p> <p>Regular monitoring of information for reporting to auditors.</p> <p>Meetings have taken place with Scottish Futures Trust (SFT) and Scottish Government officials to ensure there is a clear understanding of the degree of logistical challenge and impact along with providing costed returns.</p>	4	4	16	<p>Ensure Condition and other data is maintained up to date to inform the planned delivery of works required to ensure buildings comply with statutory and legal requirements and are maintained in a good condition.</p> <p>Learning Estate Review work by Education ongoing and report to be presented to Council in December 2022.</p> <p>Comprehensive Learning Estate Review programme underway with pre-consultation about to commence. Delivery and implementation programme to be directly linked to school condition and suitability.</p> <p>Budgeted, programmed plan of work for all existing property assets to confirm how these will be improved from Condition C/D to B or maintained as Condition A/B for their lifetime.</p> <p>Assess property estate against Scottish Government targets to address Climate Change. Plan programme of works to improve performance of buildings.</p> <p>Ongoing engagement with Head Of Infrastructure, Executive Director for Place, Executive Director for Education &amp; Children's Services and Executive Director for Council Resources regarding project changes and mitigating against potential financial/reputational risks.</p> <p>Service Manager – SA&amp;CPM to engage with Head Of Infrastructure, Executive Director for Education &amp; Children's Services (PPP Project Sponsor) regarding resources and mitigating against risks.</p>	3	4	12	<p>December 2022</p> <p>Learning Estate Review – to report December 2022</p> <p>Learning Estate Review – to report December 2022</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Risk refreshed September 2022 by Service Manager – Strategic Asset &amp; Capital Plan Management with no changes to risk scores.</p> <p>Risk amalgamated with School Core Facts September 2021 to create this updated risk.</p> <p>Risk refreshed June 2021 with current scores increased from 9 to 16 and residual score from 8 to 12.</p>
INF 4	Financial	Maintenance of Assets	Annual update of programme of works based on Condition, Suitability and Statutory Compliance assessments to inform budget requirement.	4	4	16	Ensure Condition and other data is maintained up to date to inform the planned delivery of works required to	3	4	12	June 2023	Risk refreshed September 2022 by Service Manager –

	<p>Risk of insufficient staffing and financial resource to carry out repairs and maintenance programmes to ensure buildings are maintained in a good condition. Core Facts returns to The Scottish Government confirm that this is a risk which requires to be addressed.</p> <p>A budgeted, programmed plan of work is required for all existing property assets to confirm how these will be improved from Condition C/D to B or maintained as Condition A/B for their lifetime. Significant additional financial and staff resource is required to achieve this.</p> <p>Failure to carry out repairs and maintenance programmes could result in unavailability of buildings e.g. school closure and reputational damage to the Council.</p> <p>Repairs and maintenance cost pressures and adoption of new facilities e.g. school extensions mean a real term reduction in resource and availability. This could ultimately result in a failure of building elements with the risk of closure or enforcement by Statutory or Regulatory authorities.</p> <p>Failure to carry our repairs and maintenance programmes could result in injury/loss of life of public building users and legal action against the Council. There is also a high risk to health and safety and of reputational damage.</p> <p>COVID19 has impacted upon the ability to carry out works to our assets.</p> <p>Currently there is an uncertainty in relation to material availability and delivery times to carry out the major summer works programme.</p> <p>Assess property estate against Scottish Government targets and imminent changes to energy performance requirements to address Climate Change. Plan programme of works to improve performance of buildings. Significant additional finance commitment and staff resource is required to achieve this and assess the current status and plan works to bring buildings up to the required standard.</p> <p>There is currently a risk in relation to the lifecycle, maintenance and repair of Council assets which are</p>	<p>Building Surveyor now in post who will be working on accuracy of Asset Condition information.</p> <p>Assets Project Manager now in place whose main function will be to look for opportunities to repurpose, dispose of, or rationalise assets. The Manager will also continue to look for opportunities to co-locate and share facilities to reduce the number of assets held by the Council. This is now eighteen months into a temporary two-year contract and is focused on the office rationalisation. In order to progress review of the whole property estate, a permanent asset review team will be required – This is being progressed. Recruitment to the new permanent Team Manager – Property Asset Review in the SACPM service has been progressed and there is a Preferred Candidate. Recruitment to two other posts in this team will proceed, as soon as possible.</p> <p>Reports to the Corporate Asset Group will highlight risks which identify impact on the operation or safety of the assets to enable planned action to be considered and implemented.</p> <p>SFT SG revenue funding on new build schools.</p> <p>Ongoing review and update of programme of works based on Condition, Suitability and Statutory Compliance assessments to inform budget requirement.</p> <p>Transformational work progressing to move to a Corporate Landlord Model and a fully functional, comprehensive property asset management system, possibly by expanding the capability of the existing CIPFA modules held by Engineering Services and Finance.</p> <p>A cross-service Learning Estate review team is in place and carrying out a pre-consultation during 2021/22. Hub South East have been appointed by the Council to analyse the data and progress a Learning Estate Improvement Plan.</p> <p>Education and Strategic Asset Management teams work closely to analyse the data provided by Education and identify requirements arising as a direct result of proposed development.</p> <p>An enhanced and robust school roll projection and class organisation system is in place in Education which determines the future capacity needs of schools.</p> <p>Regular review meetings are held between Education, Planning, Finance and Strategic Asset and Capital Plan Management.</p> <p>Regular engagement with Care Inspectorate re-quality of care environment. Property Inspectors and the Asset Team within Engineering Services identify priorities on a 3 year rolling programme and implement within available budgets. Work is prioritised on a risk management basis, addressing statutory compliance matters first (fire safety, electrical, safety DDA etc.).</p>				<p>ensure buildings comply with statutory and legal requirements and are maintained in a good condition.</p> <p>Looking at Lifecycle Costing as part of project/business plan and review on a project basis for future capital bids and budget setting.</p> <p>The service continues to regularly evaluate the current situation as regards material availability and works to mitigate any adverse effects of cancelled or delayed orders for this year's major summer works programme.</p> <p>Review and identify staffing resource required within SACPM, Education and Engineering Services. Service review ongoing.</p> <p>Comprehensive Learning Estate Review programme underway with pre-consultation about to commence. Delivery and implementation programme to be directly linked to school condition and suitability. This will be supplemented by a report to PPRC in relation to this risk for other assets.</p> <p>Budgeted, programmed plan of work for all existing property assets to confirm how these will be improved from Condition C/D to B or maintained as Condition A/B for their lifetime.</p> <p>Assess property estate against Scottish Government targets to address Climate Change. Plan programme of works to improve performance of buildings.</p> <p>Review on provision of the residential estate including contingency planning for re-provision of Lothian Villa (Meadowmill).</p>				<p>June 2023</p> <p>May 2023</p> <p>Ongoing – Learning Estate Review / PPRC report</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Strategic Asset &amp; Capital Plan Management with no changes to risk scores.</p> <p>Risks on New and Existing Assets amalgamated to create new risk September 2021 with further amendments during December to add Children's Services elements.</p> <p>Risk refreshed April 2019 with current score increased from 12 to 16 and residual score from 8 to 12.</p>
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		operated by children's services (i.e. Lothian Villa Meadowmill and Olivebank)					New residential provision has been briefed and is included in the design proposals. The Infrastructure department of the Council has begun to seek alternative accommodation to Lothian Villa Meadowmill for Children's Services.				March 2024	
INF 5	Financial	<p>Maintenance of Non-Operational Properties, Non-Operational Property Portfolio and Voids</p> <p>Failure to maintain non-operational properties in compliance with statutory legislation, particularly in relation to Public Buildings Statutory Electrical Testing and inspections due to insufficient resources may expose the Council to legal proceedings, financial loss, service reduction, damage to its reputation and potential Health and Safety incidents in properties.</p> <p>Failure to maintain rental income of non-housing property portfolio due to disrepair of properties, poor financial checks on tenants, poor debt retrieval, poor implementation of rent reviews and recession. This would result in deteriorating properties, loss on rental income and increase in the number of void properties.</p> <p>This could result in injury/loss of life of public building users and legal action against the Council. Failure to make sufficient finance available to carry out testing and implement recommendations may result in all of the above.</p> <p>Scottish Government targets to address Climate Change and imminent changes to energy performance requirements for properties will require significant work to assess the current status and plan works to bring buildings up to the required standard.</p> <p>If voids are not kept to a minimum due to disrepair of property, delay in safety checks, and the undertaking of repairs and improvements it could lead to loss of income.</p> <p>There is the potential for additional voids due to COVID19 and businesses struggling financially while COVID19 restrictions have placed a significant burden on commercial businesses, resulting in financial pressures.</p>	<p>Funding required from limited Property Renewals budget to address identified remedial works in public buildings.</p> <p>Condition surveys carried out on all Common Good properties during 2021 as part of review of Common Good review.</p> <p>Programme of Fixed Electrical Installation in place in accordance with statutory requirements.</p> <p>Contractors' reports reviewed on an ongoing basis.</p> <p>Close liaison with and monitoring performance of framework electrical contractor to ensure inspections, reports, cost estimates, works and certification are completed timeously.</p> <p>Close liaison with Property Maintenance, in-house financial checks, regular debt meetings, rent review programme and early warning system in Badger asset management system.</p> <p>Liaise with Property Maintenance and Engineering Services to ensure prompt undertaking of safety checks, necessary repairs and refurbishment works as required.</p> <p>Providing support to local businesses, administering government grants and rent holidays, as required.</p> <p>Planned maintenance and liaison with Projects to programme resources and works.</p> <p>Processing rent holidays for any businesses struggling financially due to COVID19.</p> <p>Estates team continue to communicate with and provide support to tenants, endeavouring to manage situations and maintain high level of occupancy in commercial portfolio.</p>	4	4	16	<p>Plan a programme of condition surveys and an audit of statutory compliance including dealing with remedial works identified during EICR testing in place.</p> <p>Review and identify inspection and management resource required within SACPM (including Estates) and Engineering Services. Service review ongoing.</p> <p>Consider wider strategic review of commercial portfolio post COVID-19, including the potential reinvestment of income generated from commercial properties into an improvement programme.</p> <p>Continue asset rationalisation work to reduce surplus assets, non-efficient assets and reduce our carbon footprint. Aim for a focus of staffing resource and maintenance budgets on a reducing number of more efficient buildings. This will be an ongoing workstream over a number of years.</p>	3	4	12	<p>December 2022</p> <p>December 2022</p> <p>April 2023</p> <p>December 2022</p>	<p>Risk reviewed by Service Manager SA&amp;CPM September 2022 with no change to risk scores.</p> <p>Risk updated June 2021 to combine previous risks on Non-Operational Properties, the Portfolio and Voids with new overall scores of 16 and 12.</p>
INF 6	Financial	<p>Capital Programme</p> <p>Risk of adverse financial implications for the Councils capital programme in the light of unpredictable tender price indices including the impact of Brexit and COVID19. This could result in tender returns being higher than cost plans.</p> <p>Tender and construction costs continue to rise nationally and there are significant delays in availability of materials, due to Brexit, COVID, Suez Canal etc.</p>	<p>Monitoring Tender prices and benchmarking with other authorities and contracting partners e.g. Hub South East.</p> <p>Risk allowance incorporated within cost planning but not sufficient to deal with real cost rises experienced.</p> <p>Continue to monitor and adjust allowance to reflect market activity.</p> <p>Keep Council Management teams informed regarding costs and availability of materials.</p> <p>'Lessons Learned' summary prepared by SACPM for</p>	4	4	16	<p>Continue to monitor national situation with ELC Procurement, other local authorities and contractors.</p> <p>Prioritise capital projects according to need.</p> <p>Prioritise and programme Capital Plan according to need and prioritise need and timescales.</p> <p>All census and revised roll projections prepared by Education in November 2021. Revisions for some sites are ongoing due</p>	3	4	12	<p>May 2023</p> <p>May 2023</p> <p>May 2023</p>	<p>Risks on Capital Programme and School Estate Expansion combined by Head of Service, November 2022.</p> <p>Risk refreshed September 2022 by Service Manager – Strategic Asset &amp; Capital Plan Management with no</p>



		<p>East Lothian Council have received a number of national reports, information from other local authorities and notifications from contractors regarding e.g. steel, timber, plasterboard, and cement shortages/increase in costs. Furniture and IT component shortages/lead-in times are also a significant challenge.</p> <p>This is particularly relevant in respect of the School Estate Expansion where growth and school capacities may be breached earlier than anticipated.</p> <p>This could result in insufficient accommodation for pupils within schools, with consequent appeals from parents and reputational damage.</p>	<p>infrastructure projects arising from current Local Development Plan, circulated to key services and discussed at meetings to identify and possible mitigations for future planning.</p> <p>Prioritise essential works and agree to re-programme other planned works.</p> <p>Updated school roll projections are reviewed against school capacities.</p> <p>School expansion programme prepared and costed to inform Capital Plan. Changes in established roll projections are highlighted to Education if school capacities are projected to be breached.</p> <p>Strategy for managing risk agreed if no provision/budget in place for expansion.</p> <p>Regular cross service School Estate management meetings held where the baseline demographic information and the impact of development on school rolls and capacities are reviewed.</p> <p>Current staff resourcing issues in Education and SA&amp;CPM present challenges for this work.</p>				<p>to changes in phasing of new housing by developers. Revised projections to be prepared and issued by November 2022.</p> <p>Housing Land Audit is being progressed by Planning.</p> <p>Sufficient staffing and financial resource to be allocated to projects generated by unforeseen breach of school capacities.</p> <p>Capital Plan interventions and S75 alongside the opportunity to refresh the capital plan and phase to match pupil product and expansion requirements.</p>			<p>December 2023</p> <p>May 2023</p> <p>May 2023</p> <p>May 2023</p>	changes to risk scores.
INF 7	Financial	<p>Failure to meet Waste and recycling targets and legislation.</p> <p>The Waste (Scotland) Regulations 2012 set out a number of provisions which help Scotland move toward the objectives and targets set out in the Scotland's Zero Waste Plan and help transition toward a circular economy. These provisions include a ban on biodegradable municipal waste going to landfill from the 1 January 2021 – ban has been delayed until 2024. Meeting the ban will have a negative impact on the revenue budget due to increases in gate fees.</p> <p>The Scottish Government will introduce in August 23 Scotland's deposit return scheme for glass, steel, aluminium and PET drinks containers.</p> <p>The scheme is likely to result in a significant loss of high value materials to the Waste Service therefore impacting on the cost effectiveness of delivering kerbside recycling services.</p> <p>DRS scheme planned to be implemented July 2023 by Scottish Government. Uncertainty over DRS and material volumes and value mean we are unable to proceed with planned procurement of kerbside collection services.</p> <p>The Scottish Government within the context of the circular economy bill is proposing a move away from the current voluntary approach to Scotland's Household Recycling Charter towards a more mandated approach, whereby implementation of the Charter and its supporting Code of Practice becomes a statutory obligation, placing aspects of</p>	<p>Waste Strategy was implemented April 2015 with a view to achieving a minimum 50% recycling &amp; composting target.</p> <p>Recycling and residual collections to all domestic and commercial properties covering mixed waste, DMR, food and garden.</p> <p>A new kerbside collection Contract was completed and implemented November 2021 to a new weekly service.</p> <p>Bring site provision including 4 Community Recycling Centres. Monitoring of national and local indicators.</p> <p>Waste Data Flow reporting to Waste Regulatory body.</p> <p>The scope of the Deposit Return Scheme announced in May 2019 is all PET, metal and glass drinks containers, effectively removing these higher value commodities from our kerbside collection, and reducing the income generated from the commodity sales, which is at present used to offset the current cost of providing the collection services. This scheme has been delayed until June 2022 implementation by Scottish Government.</p> <p>Additional modelling work has been carried out to take account of the changes the Deposit Return Scheme will make to both the composition and the volume of the packaging materials that will remain within our kerbside collection system.</p> <p>Monitoring of kerbside collection systems and targeted intervention to offer support to residents using these services.</p>	4	4	16	<p>Review of bulky uplift recharging provision. Proposed to be implemented April 23, dependant on system configuration and functionality for recharging.</p>	3	4	12	<p>April 2023</p> <p>Risk refreshed August 2022 by Service Manager – Transport &amp; Waste with no change to assessment of scores.</p> <p>Risk refreshed October 2019 with residual risk score reduced from 16 to 12.</p> <p>Risk refreshed by Senior Waste Services Officer - Strategy May 2019 with current and residual scores increased from 6 to 16 due to new legislation.</p> <p>Risk refreshed November 2015 – Current score reduced from 12 to 6 and residual score reduced from 8 to 6 due to implemented measures.</p> <p>Risk reviewed May 2014 and Residual</p>



INF 9		<p>Burial Service</p> <p>Inability to provide an efficient burial service and sufficient land for burial purposes would mean that the Council is unable to undertake its statutory duties, and create distress to family and mourners.</p> <p>An audit highlighted there is less available burial space than indicated previously.</p> <p>The service experiences increased demand for burial services in certain clusters while the remaining clusters activity continues. This can produce waiting times of up to 20 working days during winter as opposed to our acceptable target of 4-5 working days. Staff efficiencies and long-term medical absence place further risk on our ability to maintain an acceptable standard of service delivery.</p>	<p>Burial Administration now centralised and revised procedures from service review now operating. Risk Assessments and SOPs are in place, regularly updated and employees are aware of them.</p> <p>Training programme in place to ensure employees are qualified and induction session delivered for all burial staff on current procedures and updated regularly by programme of Toolbox Talks.</p> <p>Burial Strategy now adopted by ELC. Communication procedure with the Registration Service in place. New procedures for management of burials are now operational. Continuing to work under current Covid restrictions until government guidance changes.</p> <p>Working towards local provision where suitable land is available.</p>	4	4	16	<p>In Prestonpans there was a delay due to neighbouring housebuilding completions. Commencement of cemetery construction is anticipated Autumn 2022.</p> <p>Potential site identified for Tranent Cluster, initial desktop study identified land possibly suitable for development. Estates instructed to commence negotiation to purchase. Final land purchase is subject to suitable site investigations and all SEPA and Planning approvals.</p>	3	4	12	<p>December 2022</p> <p>Winter 2022</p>	<p>Risk refreshed by Service Manager – S, C &amp; L September 2022 with no change to risk scores.</p> <p>Risk refreshed by Principal Amenity Officer January 2018 and residual score increased from 9 to 12 to reflect reducing burial capacity at existing sites and no confirmed alternatives at time of review.</p>
INF 10	Financial Impact and impact on Assets	<p>Failure to inspect Road infrastructure including (road structures and street lighting)</p> <p>These are all major issues for the council given its responsibility for key routes. Any failure in provision/maintenance may lead to closures, disruptions, adverse public reaction in terms of expectation. A healthy road network aids in enabling a vibrant economy and future economic development.</p> <p>The level of investment in street lighting replacement and maintenance is linked into the holistic road service budget.</p>	<p>Appropriate inspection &amp; assessment regimes in place.</p> <p>Continuous review of Procurement and cost escalation.</p> <p>Register of road bridges, underpasses, footbridges and culverts completed. Partnering in the Scottish National Road Condition Survey.</p> <p>Consultation with Councillors and constituents in place on annual maintenance plan and Roads Asset Management Plan in place.</p> <p>Annual programme of roads maintenance works in place aimed at reducing the percentage of the roads network in amber/red condition.</p> <p>Regular monitoring of the condition of street lighting units.</p> <p>An electronic system to log all complaints and reports of road defects/lighting faults is in place in conjunction with the call centre system (LAGAN) at Macmerry. This ensures all reports are recorded, actioned and monitored under the Road Network Management ISO:9001 Quality System.</p>	4	4	16	<p>Review capital programme, prioritise repairs based on needs assessment.</p> <p>Consider delaying non-essential capital works to allow backlog of works to be reduced.</p> <p>Develop as COVID19 restrictions are lifted and Brexit impact becomes known.</p> <p>Pay close attention to announcements from Government to ensure we continue to comply with all relevant guidance and requirements.</p>	3	3	9	<p>Nov-Dec 2022</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Risk refreshed by Service Manager for Roads September 2022 with no change to assessment of current score.</p> <p>Risk refreshed June 2020 with current score increased from 4 to 16 and residual from 4 to 9.</p>
INF 11	Financial	<p>PPP Project</p> <p>Failure to adequately resource contract management arrangements will have subsequent issues related to contract compliance, financial risks and deterioration in asset base.</p> <p>Compliance issues include, but are not limited to: asbestos, fire, water quality, building fabric and building services (significant safety and reputational risks). Contract management issues at risk include, but are not limited to: contract guidance for users, benchmarking, Education PPP Specification and curriculum development (modernisation).</p> <p>Asbestos treatment at pre/post of PPP Contract and changes to legislation again form significant risks for ELC including statutory/legislative/management and financial risks. The agreed process is in place however appropriate resources require review. This is also a reputational risk.</p> <p>Fire – Full review of Fire Plans etc. required due to changes in ELC PPP Estate. The agreed process is in place however appropriate resources require review.</p>	<p>Formation of Senior Learning Estate Management Board and WHS Board to be replicated to deliver on significant capital projects</p> <p>Service Manager has engaged with Service Review Team and Finance to update job descriptions for PPP Project Officer (Grade 10) and PPP Project Assistant (Grade 7-including a review of resources available. Recruitment to PPP Project Assistant post complete and officer to start October 2022. Recruitment to PPP Project Officer post ongoing and Preferred Candidate to be confirmed September 2022.</p> <p>Application of Lessons Learned from experience of preparing documentation for Dunbar Grammar School extension.</p> <p>Allocation of sufficient time for process and ensure Council approval for procurement route for extensions.</p> <p>Although in place in principle, this measure is not wholly within the control of the Council and requires input from IML legal and technical advisors at the appropriate time.</p>	4	4	16	<p>Service review to refresh the establishment and match work demands with capacity and resource and recruit to positions identified.</p> <p>Planned return of Schools Estate Planning Officer post to Strategic Asset &amp; Capital Plan Management team to increase capacity for Team Manager – Schools Estate &amp; PPP Project. Recruitment to post ongoing and Preferred Candidate to be confirmed September 2022.</p> <p>Governance around separate contracts for installation, maintenance and lifecycle replacement of equipment or approve instruction through the PPP contract.</p> <p>Financial approval required to address compliance risks highlighted. An updated procurement report is required, revising key programme dates and incorporating what has been carried out to date, as well as recommending</p>	2	4	8	<p>September 2022</p> <p>November 2022</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Risk reviewed by Service Manager SA&amp;CPM September 2022 with no change to risk scores.</p> <p>Expansion of Secondary Schools Risk amalgamated with this risk September 2021 with risk score reduced to 16 and 8 from 20 and 12.</p> <p>Risk added June 2021 by Service Manager – Strategic Asset &amp; Capital Plan Management</p>

	<p>PPP Future Risk items including Handback preparations.</p> <p>Treasury guidance for the management of PPP Contracts state a minimum of 2% of Contract Value to be spent on Contract management (and this is the basis on which ELC received Government support). Currently the PPP Contract Monthly Unitary Charge is £1,042,021.54 per month or £12,504,258.43 per annum.</p> <p>Expansion of Secondary Schools leased to Innovate under PPP Project Agreement.</p> <p>Failure to conclude Supplemental Agreements in sufficient time to meet timescales for the completion of the extensions resulting in insufficient capacity for pupils.</p> <p>This could result in future reputational risk to the Council.</p> <p>COVID19 and the subsequent new guidance for schools has resulted in more space required at schools and could potentially lengthen contracts.</p> <p>Risk of PPP Provider falling into financial difficulty or insolvency.</p> <p>PPP Provider IML employ FM service staff, apart from Catering, for the 6 secondary schools, the Mercat Gait Centre and the Musselburgh Community Centre and are contracted to carry out maintenance and lifecycle works on the buildings until 2035. If IML were to fail there is a risk that schools and other buildings would not operate and the Council would need to step in.</p>	<p>A report on Procurement of Secondary School extensions was approved by Council which set out the procurement route for all extensions and the associated risks.</p> <p>Contingency plans developed and in place to resolve ongoing issues with legal approvals, delay caused to construction works and delivery of projects at Ross and North Berwick High Schools</p> <p>Ensure Project Agreement is implemented and Unitary Charge paid timeously.</p> <p>Reviewing lifecycle expenditure to ensure investment in the PPP leased buildings is maintained at an acceptable level.</p> <p>Financial accounts provided by IML at Innovate Board Meeting. ELC Finance to comment. Cease of LIBOR raised as a risk by ELC at last Innovate Board Meeting on 29th April 2021 – IML have yet to comment on the effect that this has had on Innovate.</p>				<p>procurement for remainder of growth projects.</p> <p>Recent processes completed for Ross High School and North Berwick High School expansions are to be reviewed by educational, technical and legal teams to identify any possible improvements and mitigation of risks. 'Lessons Learned' meeting to be held with stakeholders.</p> <p>ELC Finance to review and report on current financial status of Innovate.</p>				<p>November 2022</p> <p>November 2022</p>	
INF 12	<p>Current Asset Data</p> <p>Asset data for operational properties requires continual review otherwise insufficient information is held to prioritise planned investment in buildings and potential risk to occupants, contractors and members of the public from failure of building elements or systems.</p> <p>Asset data requires continual updating and aligned to financial information. The risk being if not updated and accurate it is not possible to use the data to inform decisions regarding future of properties. A recent Finance audit identified that the Council would benefit from investment in an integrated IT system recording all assets. A comprehensive, maintained asset database is required with full access for all relevant parties.</p>	<p>Limited annual desktop updates carried out on existing data informed by feedback from maintenance team.</p> <p>3rd Phase of 3 Phase building survey now completed but significant QA issues identified and being dealt with.</p> <p>Building Surveyor working on accuracy of Asset Condition information.</p>	4	4	16	<p>A new cycle of building surveys has commenced. Internal resources have been allocated to enable these surveys and comprehensive 5 yearly reviews.</p> <p>Implement a comprehensive asset management database for operational and non-operational property, with access available to all relevant services e.g. Finance, E&amp;BS, SACPM. This will require staff and financial resource to deliver in key services, with input by IT and Improvement.</p> <p>Service Review on ES&amp;BS to take place.</p>	2	4	8	<p>June 2026</p> <p>March 2023</p> <p>December 2022</p>	<p>Risk refreshed September 2022 with no change to risk scores.</p> <p>Risk refreshed June 2021 with current scores increased from 12 to 16.</p> <p>Risk refreshed July 2020 with no change to assessment of risk scores.</p>



INF 13	<b>Ash Dieback</b>	<p>Failure to adequately plan for and manage the implications and effects of Ash Dieback tree disease across East Lothian, and particularly in high risk areas including alongside roads, paths/core paths, and in parks, woodlands, open spaces and housing areas.</p> <p>The risks to the Council associated with Ash Dieback are:</p> <ul style="list-style-type: none"> <li>• Health &amp; Safety impacts – the potential for death or injury as a result of Ash Dieback related accidents, both to professionals working on trees, and to the general public; risks to statutory functions or service delivery such as retaining safe schools, public open spaces or roads; risks from falling ash to infrastructure such as houses, buildings, structures;</li> <li>• Economic impacts – the cost implications for local authorities (financial / resource / staff capacity; direct and indirect costs; increased liabilities and insurance premiums) are anticipated to be significant, and the costs escalate the longer the problem is left unresolved;</li> <li>• Reputational damage – political and reputational risks as a result of negative press over Ash Dieback management and public outrage and/or anxiety, particularly in light of Climate Emergency declaration and Climate Forest tree planting initiative; potential for disruption as a result of Ash Dieback management e.g. widespread road closures to deal with potentially dangerous trees; potentially strained relationships with land owners and managers as Ash Dieback spreads, particularly in relation to costs;</li> </ul> <p>Environmental impacts – landscape changes with impacts on tourism and recreational opportunities; losses to ecosystem services such as reductions in air quality, potential for increased flooding, loss of shade; risks to Protected Species/ sites (e.g. bats); losses of carbon storage and sequestration; loss of biodiversity.</p>	<p>Briefing and awareness raising internally. Ongoing liaison with national agencies who are leading on the national response to Ash Dieback in Scotland, including Scottish Forestry and The Tree Council who have provided us with the Scottish Toolkit for Ash Dieback Action Plans, and who can pass on learning from the experiences of local authorities in England. Ongoing liaison with other local authorities on best practice and monitoring frameworks, including potential for regional collaboration.</p> <p>An internal Ash Dieback risk management group has been set up and includes the Head of Infrastructure, Service Managers for Sport, Countryside &amp; Leisure and Roads Service, and the Tree Officer.</p> <p>An ELC Ash Dieback Action Plan (ADAP) is currently being drafted, following national guidance, with an options appraisal identifying priority actions to reduce the risk.</p> <p>Budget options for resourcing this work were considered by CMT (2<sup>nd</sup> December 2021 meeting). CMT approved the progression of initial survey work, to undertake surveys of ash trees for Ash Dieback, on both Council land and alongside the Roads network, during spring to autumn 2022.</p> <p>Surveys of ash trees on Council land and alongside the roads network were arranged and took place over summer to autumn 2022 – this has identified priority trees infected with Ash Dieback which require to be dealt with. The findings are currently being analysed and will be reported back to CMT with recommendations on next steps in tackling Ash Dieback.</p> <p>In August 2021 we purchased hand-held digital GPS devices to enable surveying and recording of ash trees on Council land, which includes an improved record keeping system.</p> <p>An initial survey of ash trees in high amenity areas of the Council's estate, i.e. school grounds and some adjacent play parks, was undertaken during summer / early autumn 2021. This identified a number of priority ash trees that required work, which was undertaken during winter 2021-22. This has reduced the risk in these high priority areas.</p> <p>Communication &amp; publicity: information on Ash Dieback has been placed on the Council's website (aimed at the general public, land owners, home owners) and an article on Ash Dieback was published in the Council's 'Living' magazine (Winter 2021).</p>	3	5	15	<p>Finalise Ash Dieback Action Plan, continue to undertake works to priority infected ash trees as needed, and prepare monitoring framework based on survey findings and national best practice guidelines. Ongoing liaison with national agencies.</p> <p>Ensure forestry staff have appropriate qualifications, training and experience for dealing with diseased ash trees.</p> <p>Risk Assessments and SOPs to be put in place and regularly updated for all arboriculture and forestry work relevant to dealing with infected trees.</p> <p>Monitoring for supply chain issues (availability of skilled arboriculturalists who can undertake the works needed), particularly as the disease becomes more prevalent across Scotland, through liaison at national level and with national agencies.</p> <p>Linking with national communications / publicity around Ash Dieback. Communication, collaboration and active engagement with communities.</p>	2	3	6	<p>March 2023</p> <p>March 2023</p> <p>March 2023</p> <p>March 2023</p> <p>March 2023</p>	<p>Risk refreshed by Team Manager – Strategy, Policy &amp; Development (Amenity Services) September 2022 with no change to risk scores.</p> <p>New risk added by Team Manager – Strategy, Policy &amp; Development (Amenity Services), June 2021 and refreshed by CMT November 2021.</p>
INF 14	Service Objectives  Reputation	<p>Non delivery of Musselburgh Flood Protection Scheme (MFPS)</p> <p>MPFS is a major project being advanced under the Local Flood Risk Management Plan (Forth Estuary) and funded at a rate of 80% under the Scottish Government's Flood Protection Scheme Programme.</p> <p>In summer 2021 a managed 'Pause and Review' of the national FPS Programme is being commenced by Scottish Ministers, with a view of re-determining</p>	<p>MFPS is being advanced by a Project Management Team under a formal PRINCE2 Project Management System, therefore financial exposure is always only to the current stage which ends at a formal stage gateway before the next stage.</p> <p>The project has a risk management process and a Risk Register.</p> <p>The project regularly updates with the Scottish Government's Flooding Policy Team and liaises with them on any key developments on the Scheme</p>	3	4	12	<p>The Project Team will continue to liaise with SG's Flooding Policy Team. It is currently assumed that due to existing legal contractual commitments the Scheme does not need to pause before the end of the current stage – i.e. late 2022.</p> <p>The Project Team have responded to a request for information from the 'Pause &amp; Review' management team. Evidence confirming the: (i) scale of flood risk; (ii) the value for money; (iii) the robustness of the project team, systems, programme and</p>	2	4	8	<p>Winter 2022</p> <p>Winter 2022</p>	<p>Risk refreshed by Service Manager for Roads September 2022 with no change to assessment of current score.</p> <p>New Risk added June 2021 by Service Manager.</p>



INF 16		<p>Building Standards Team</p> <p>Recruitment constraints faced by the Council could lead to the Building Standards Team not being able to maintain a level of staff that is adequately qualified, trained and competent to carry out the Building Standards duties of verification, enforcement, licensing etc. to the targets expected in BSD's new performance framework. BSD recent audit resulted in 3 year extension to the verification role subject to successful completion of Improvement Plan. Failure to improve could lead to the Council losing the verification role.</p> <p>Service Reviews were carried out in 2016, 2019 and a current refresh is underway; however, there is an ongoing inability to recruit suitably qualified BS Surveyors &amp; Inspectors resulting in an inability to meet targets.</p>	<p>Monitoring of workload to fee income, performance to staffing levels and project complexity to staff abilities and training.</p> <p>Involvement with the Local Authority Building Standards Scotland (LABSS) and the BSD to influence delivery of the new performance framework of 9 performance outcomes and a risk based inspection regime for Reasonable Inquiry to deliver compliance with the building regulations.</p> <p>Two new Building Standards Surveyors commenced June 2021.</p> <p>Work continues to be outsourced to Argyll &amp; Bute Council to minimise backlog. Commitment made to re-invest Building Standards Income within the service.</p> <p>Continue to measure BS performance against set KPO's.</p> <p>Scottish Government (BSD) recognise the national shortage of suitably qualified and experienced Building Standards staff and launched a Workforce Strategy to create a sustainable BS workforce for the future. ELC have attended workshops on this.</p>	3	4	12	<p>Looking to recruit to ongoing vacant Building Standards Inspector and Technician.</p> <p>Service Review on ES&amp;BS to take place.</p>	2	4	8	<p>December 2022</p> <p>December 2022</p>	<p>Risk refreshed September 2022 with no change to assessment of risk scores.</p> <p>Risk Refreshed November 2014 and residual risk score reduced from 12 to 8.</p>
INF 17		<p>Dangerous Buildings</p> <p>Higher enforcement workload in terms of dangerous buildings for Officers due to various reasons (including increasing instances of severe weather and owners unable to maintain their properties) resulting in increased risk to members of the public.</p> <p>Service Reviews were carried out during 2016 and 2019 and implemented; however, there is an ongoing inability to recruit suitably qualified BS Surveyors resulting in inability to meet targets.</p>	<p>Climatic and financial factors are outwith East Lothian Council's control.</p> <p>No contractual obligation for staff to provide an out of hours dangerous buildings service which therefore relies on the goodwill of the BS Manager and two Senior BS Surveyors to provide cover outwith office hours.</p> <p>Further review carried out and 3 new Posts filled March 2019 (Surveyor, Inspector &amp; Technician). Two new Building Standards Surveyors commenced June 2021.</p> <p>Work outsourced to Argyll &amp; Bute Council to minimise backlog. Commitment made to re-invest Building Standards Income within the service.</p>	3	4	12	<p>Continue to monitor situation with revised workforce in place and further Service Review to take place whilst working with Head of Service to potentially establish new enforcement post</p>	2	4	8	<p>December 2022</p>	<p>Risk refreshed September 2022 with no change to assessment of risk scores.</p> <p>Risk Refreshed February 2015 with current score reduced from 15 to 12 and residual score from 10 to 8.</p>
INF 18		<p>Tree Estate</p> <p>Failure to manage and maintain the Council's tree estate including a failure to monitor for the current risk from tree diseases resulting in potential damage to people and or property. Also potential negative impact on the landscape and character of East Lothian and its towns and villages, biodiversity, health &amp; wellbeing of residents and the local economy and tourism, as well as ability to achieve climate change targets in the Council's Climate Change Strategy through carbon offsetting.</p> <p>A separate risk on Ash Dieback tree disease has been added to the Risk Register. Ash Dieback has significant implications for the Council (health &amp; safety, financial, reputational and environmental implications) which have elevated this specific risk to Corporate Risk Register due to its difference in level of risk management and overall tree management responsibility.</p>	<p>Regular inspections undertaken as well as monitoring for tree diseases within the tree estate with record kept of trees inspected.</p> <p>Record kept of arboriculture work undertaken.</p> <p>Annual programme of tree planting and record kept of trees planted.</p> <p>All forestry staff have appropriate qualifications, training and experience.</p> <p>Risk Assessments and SOPs in place and regularly updated for all arboriculture and forestry work which employees are aware of.</p> <p>Specialised Tree Management software purchased to allow mapping and detailed recording of condition &amp; history intended.</p> <p>Woodland Action Plan in the Biodiversity Action Plan.</p> <p>Advice provided to volunteer groups on tree planting around the county, on an ongoing basis.</p>	3	4	12	<p>Survey of all Council owned trees on their condition and location has commenced and a rolling inspection programme to be set up. Resourcing issues are such that survey progress will be limited and completion will take an extended period of time.</p> <p>Policy intent approved by Cabinet (January 2021) for an East Lothian Climate Forest; currently being taken forward by an in-house Climate Forest Steering Group which includes the Tree Officer.</p>	2	4	8	<p>September 2023</p> <p>10 year strategy to 2031 with annual review.</p>	<p>Risk refreshed by Team Manager – Strategy, Policy &amp; Development (Amenity Services) September 2022 with no change to risk scores.</p> <p>Risk refreshed by Head of Infrastructure Dec'14 with Current Score reduced from 16 to 12 and residual score from 10 to 8.</p>
INF 19	Service Objectives	IT systems (e.g. server, AutoCAD)	IT are aware of the need to return SACPM IT systems operational if there was an incident affecting them.	3	4	12	IT service need to increase capacity and improve timescales to deal with issues	2	4	8	December 2022	Risk reviewed by Service Manager

	<p>Failure of these systems to support service delivery due to power failure or other IT issues would impact on ability to carry out design work and to monitor and control contractors operations. Inability to vet contractor's competences, carry out financial control, communicate over IP telephony and produce contract documentation.</p> <p>These complex software systems have faced significant challenges during remote working due to Covid. Staff have been unable to operate at normal productivity levels. The CAD systems affected include Autodesk AutoCAD and Revit. Other systems have also been affected e.g. Mail Manager, Badger, causing significant productivity/business continuity challenges. Issues caused by IT 're-imaging' of laptops have also been challenging, in terms of productivity and business continuity.</p> <p>Availability of hardware is a significant risk to business continuity – Current lead-in time for standard laptops is six months. This is a challenge for recruitment of new staff and for lifecycle replacement of existing equipment.</p> <p>Due to remote working being required during the pandemic, staff have had to take Council IT equipment home in order to meet Display Screen Assessments to comply with Health &amp; Safety legislation. This leaves office spaces deficient and will require to be addressed corporately if a 'blended' model is the future return to workplaces. It has been highlighted by the IT service the Bracken server which houses all the technical files for the SA&amp;CPM and Engineering Services teams is close to capacity. High risk of non-operation and data loss, resulting in catastrophic failure of business continuity and reputational damage. High financial risk to contract management and project delivery. Increased data storage requirements are inevitable due to transformation, 'New Ways Of Working' (scanning of paper files), Building Information Modelling and value of capital projects.</p> <p>There have been significant issues regarding IT software and hardware for technical teams in 2022, including interruptions of access to Autodesk software and connectivity.</p>	<p>The timescale for this would depend upon the scale of the incident.</p> <p>Systems are backed up and mentioned within the SACPM Business Continuity Plan.</p> <p>Replacement of some systems initiated but not fully resourced or programmed as yet e.g. Badger, NBS.</p> <p>Ongoing communication with IT service for awareness. Raised at 'Working Differently' Group and Infrastructure Management Team meetings.</p> <p>Raised at 'Working Differently' Group and Infrastructure Management Team meetings.</p> <p>IT arranged replacement of the Bracken server providing sufficient digital storage for files.</p>				<p>outlined, resolve for remote working as much as possible, and advise if other solutions are possible.</p> <p>IT service to resolve availability of hardware and lead-in times for delivery (subject to international market).</p> <p>IT and Transformation/ Improvement resources required to support the service through changes.</p>				<p>December 2022</p> <p>December 2022</p>	<p>SA&amp;CPM September 2022 with no change to risk scores.</p> <p>Risk refreshed June 2021 with current score increased from 8 to 12 and residual score increased from 4 to 8</p>
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## East Lothian Council Risk Matrix

### Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	>90% chance of occurring
Probable	4	70%-90% chance of occurrence
Possible	3	30-70% chance of occurring
Unlikely	2	10-30% chance of occurring
Rare	1	<10% chance of occurring

### Impact Description

Impact of Occurrence	Score	Description							
		Impact on Service Objectives	Financial Impact	Physical and/or Psychological Impact on People	Impact on Time	Impact on Reputation	Impact on Assets	Business Continuity	Legal & Regulatory
Catastrophic	5	Catastrophic failure in service delivery and key service standards are not met, long-term catastrophic interruption to operations, several major partnerships are affected	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances. Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves. The Council is expected to hold a reserve to budget ratio of 2%.	Single or Multiple fatality and or psychological impact, within council control, leading to 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. Prolonged regional and national condemnation.	Significant disruption to building, facilities, vehicles or equipment (Loss of building, vehicles, rebuilding required, temporary accommodation required, vital equipment lost without replacement capability available resulting in services being unable to be delivered).	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, including substantial involvement from regulators.
Major	4	Major impact to service quality, multiple service standards are not met, long-term disruption to operations, multiple partnerships affected.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty). Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves.	Number of extensive injuries (major permanent harm) or major psychological impact to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Serious negative national or regional criticism and publicity.	Major disruption to building, facilities, vehicles or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required, equipment or vehicles unavailable to provide significant elements of service delivery and no appropriate contingency arrangements in place).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council, fines and regulatory action publicly enforced.
Moderate	3	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards.	Moderate impact on budgets (can be contained within overall directorate budget).	Serious injury requiring medical treatment or moderate psychological impact 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.	Adverse national media public attention with elected members becoming involved.	Moderate disruption to building, facilities, vehicles or equipment (loss of use of building for medium period, loss of equipment or vehicles requires contingency arrangements to be employed and has moderate impact on overall service delivery).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council, regulator action and or improvement required of the Council .
Minor	2	Minor impact to service quality, minor service standards are not met, short-term disruption to operations, minor impact on a partnerships	Minor impact on budgets (can be contained within service head's budget).	Non life changing injury or psychological impact to staff or member of the public requiring treatment.	Some - between 2 and 6 months to recover.	Minor adverse local, public or media attention and complaints.	Minor disruption to building, facilities, vehicles or equipment (alternative arrangements in place and covered by insurance, equipment or vehicles unavailable for small period of time minor impact on service).	Reasonable back-up arrangements, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council, regulator advice and improvement requested of the Council.
Minimal	1	No impact to service quality, limited disruption to operations.	Minimal impact on budgets (can be contained within unit's budget).	Minor injury or minor psychological impact to employee, service user or public.	Minimal - Up to 2 months to recover.	Public concern restricted to local complaints and of no interest to the media.	Minimal disruption to building, facilities, vehicles or equipment (alternative arrangements in place, equipment or vehicles alternative quickly available to replace or substitute).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council, regulator suggested improvements requested.

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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