



MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

**TUESDAY 13 JUNE 2023
VIA DIGITAL MEETINGS SYSTEM**

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Committee Members Present:

Councillor Bruce
Councillor McFarlane
Councillor McGuire
Councillor Jardine
Councillor Ritchie
Councillor Trotter (Convener)

Council Officials Present:

Ms S Fortune, Executive Director for Council Resources
Mr D Proudfoot, Executive Director for Place
Ms W McGuire, Head of Housing
Ms M Ferguson, Head of Corporate Support
Ms E Dunnet, Head of Finance
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 C Grilli, Service Manager – Governance, Council Resources
Ms S Saunders, Head of Communities and Partnerships
Mr S Allan, Senior Auditor – Internal Audit
Mr T Reid, Head of Infrastructure
Ms N McDowell, Head of Education
Mr P Grant, Service Manager – Property Maintenance
Mr A Stubbs, Service Manager for Roads
Ms L Byrne, Head of Children’s Services
Mr B Moffat, Service Manager – Transport & Waste
Mr L Wright, Emergency Planning, Risk & Resilience Officer

External Audit:

Mr J Boyd, Audit Scotland

Clerk:

Ms M Scott
Ms F Currie (back up)

Apologies:

Councillor L Menzies

Declarations of Interest:

N/A

1. MINUTE OF AUDIT & GOVERNANCE COMMITTEE ON 14 FEBRUARY 2023

The minutes of the Audit & Governance Committee from 14 February 2023 were approved as an accurate record.

2. INTERNAL AUDIT REPORT: JUNE 2023

A report was submitted by the Service Manager for Internal Audit 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.

Duncan Stainbank, Service Manager for Internal Audit reported that since the last meeting of the Committee final reports had been issued in respect of the following audits: Construction Materials Procurement, Climate Change, HR/Payroll – Recruitment & New Starts, Housing Management System Replacement Project, Risk Management and Covid-19 Recovery & Renewal Plan. Construction Materials Procurement was granted limited assurance with all others granted reasonable assurance.

Mr Stainbank highlighted the key findings, recommendations and the dates for completion for each audit category.

Councillor Jardine asked if someone could advise in what circumstances we were procuring out with the framework rates and were Scotland Excel aware of this. She also asked why the dates for some recommendations being resolved were so long. Mr Stainbank explained there had been confusion with the supplier on the rates they had been charging the Council but this was being followed up to ensure the rates were now correct and if any money was due back to the Council then that would be achieved. Mr Stainbank explained the dates being so far away was in order to provide assurance in respect of all the suppliers and the ones with identified issues would be dealt with sooner, then the others would follow to keep regular monitoring review.

Tom Reid, Head of Infrastructure welcomed the report and stated there were a few actions he and his team would be taking forward. Mr Reid felt there was some narrative missing from the report in terms of the limited assurance and we've asked that further discussion on this report takes place after the committee meeting because some of the excel frameworks had ended and we were having to operate during the pandemic to purchase equipment. We need to get further clarification on the report for the benefit of the officers to ensure that the narrative explains some of the points made by internal audit and also enables us as a service to take forward the appropriate actions.

Allan Stubbs, Service Manager for Roads explained that one reason we paid more than is stated on Scotland Excel is due to the street lighting contract finalised in June 2022 and our order was placed during the period of price increase. He added that Scotland Excel supplied name specific things at cost and they may seem more expensive but they are a superior item due to them having a longer warranty therefore it may seem like we paid more for certain items but there was good reason and worked out the best value in the long run as they will require less maintenance in the future. Councillor Jardine asked if this was an issues only related to street lighting and roads. Mr Stubbs he did not see this as an issue in the sense that we do

sometimes pay more for items but there is generally a good reason for this decision and it needs to be articulated within the report.

Wendy McGuire, Head of Housing added that from a property maintenance view there had been a change in legislation in 2020 for fire alarms and they were no longer a core item on Scotland Excel so quotes had been sought from other providers at that time and that is why they were procured through the excel framework. Ms McGuire stated things had now changed and they are classified as a core item on the framework and as Mr Stainbank said earlier, this is now being followed up with the supplier to try and recoup some of the money. Mr Paul Grant, Service Manager – Property Maintenance explained that the risk on the report was aimed at that very specific feat of materials that Ms McGuire just mentioned. Mr Grant added that the Council followed the correct procurement procedure on getting competitive quotes as the item required was not available on the framework. Mr Grant explained the specific supplier failed to charge the Council at the new framework rates after the item became a core item in 2020 but he wished to ensure the committee they were now working towards recouping the difference. Mr Stainbank stated these were both examples picked up during the auditing process but within the report he didn't want to necessarily pick of specific elements as there was work ongoing to identify the situation and take it through the process, in both cases service management are taking the appropriate measures were required to identify were we have paid the correct prices and were we need to recoup some of the money. The longer term dates against recommendations are to make sure we have processes and procedures in place that cover all of that across both services.

In response to a question from Councillor Bruce Mr Stainbank explained the changes will be made in relation to ensuring we check against those 167 actions we have that appropriate documentation in place to report against those when they are reported in the future. Douglas Proudfoot, Executive Director of Place reported that interim targets could be considered and he had discussed this option with Mr Stainbank but that it would be extremely difficult to set anything meaningful as we only have one officer and we work collectively across the piece and I chair the Corporate Monitoring Group and we have real commitment from numerous officer across the Council and beyond in terms of partnership. Mr Proudfoot added there needed to be recognition here that ideally we would have physical and legislative change in this context from central governments and a lot more resources allocated to local authorities in the context of the climate emergency and would continue to be our position that we feedback to Scottish Government but we look to take forward the recommendation and address that as best we can.

Councillor Bruce asked a further question on misreporting and asked if this was a transcribing error or a measuring error. Mr Stainbank believed it was a transcribing error but he would check and report back to him on that.

Councillor McLeod asked if Mr Stainbank was happy with the progress that had been made or did he still have concerns. Mr Stainbank stated that since producing the report which was fairly recent he was absolutely happy with the progress that had been made towards those and imbedding that. In relation to outlining it is documented processes we are looking for and it doesn't mean that there aren't regular meetings with those suppliers however what the contract and supplier management system process does is provides a documented process to go through which when having those conversations provides assurance to the Council that we are having appropriate meetings particularly with those large value suppliers where it would be most appropriate to implement that and ensuring we are asking the right questions and doing the preparation before the meetings with those suppliers in each

and every case. There are examples of good practice where those meetings are taking place and Council officers are doing so with the best of the resources that they have available but this will provide them with an additional resource and a process to go through which will assure the Council that we are undertaking that appropriately.

Councillor McLeod asked a question relating to recruitment. Mr Stainbank explained the same processes do apply to seasonal workers as they do for permanent staff members who were being appointed by East Lothian Council and the same references would be expected to be in place. He noted that testing identified second references were not quite in line with the policy we have but there were no concerns about the recruitment we sampled as part of the testing. Mr Stainbank explained where the process differed slightly in relation to casual staff is we often wait to process some of the paperwork until their first shift so people are not added to the pay roll system too soon.

Councillor Jardine asked if the target date of March 2024 included delivering the training as well as coming up with the plan of how to train Recruitment Managers. Morag Ferguson, Head of Corporate Support explained the plan is to review the Recruitment and Selection policy and then train on the new policy so that is why the date seems so far away.

In response to a further question from Councillor Jardine, Mr Stainbank stated he did not have an exact number in terms of users of the Orchard system but he would be able to find this. He noted the system covers a wide area of services across the Council and it is a complex system as covers from Housing to Benefits and many other areas. Sarah Fortune added that this system is one of the core corporate systems within the organisation which links into all the key systems across the Council which is why this has been fundamental as it is not just a standalone system. Ms Fortune agreed to send round to all committee Members what all the interdependencies are of the system.

Mr Stainbank took Members back to the report and identified the areas were internal audited had completed follow up reviews on previous years reports. He also advised the committee of which recommendations had been implemented and which were still outstanding for East Lothian Mid-Market Homes LLP, IT Schools Procurement, Property Maintenance Stores, Low Value Purchasing, Scottish Welfare Fund, Corporate Appointee-ship and Payroll.

Mr Stainbank reported internal audit had now completed 87.5% of the audit plan for the year with two audits in relation to homelessness and the Brunton Theatre which are still ongoing. BTT review their report is in draft and is out with management for further review and the homelessness audit is well underway.

Decision

That the Audit and Governance Committee note:

- i. the main findings and recommendations from the Internal Audit reports issued during the period from February 2023 to June 2023 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. ANNUAL INTERNAL AUDIT REPORT 2022/23

A report was submitted by the Service Manager for Internal Audit to provide the Audit and Governance Committee with a summary of the work undertaken by East Lothian Council's Internal Audit team in 2022/23.

Duncan Stainbank, Service Manager for Internal Audit reported in 2022/23 16 audit reviews were completed of which three were graded limited assurance, 11 reasonable assurance, one substantial assurance and one was not graded. Mr Stainbank made the committee aware there were no instances throughout the year which impacted our independence or lead us to declare any interest.

Councillor Jardine asked if the challenges and resource implications of still delivering the services we can was the reason for the delay in the homelessness audit. Mr Stainbank explained that was one of the reasons why the audit had been planned for some time and it was now progressing that audit in conjunction with the team to avoid calling away resources from people who need them. Mr Stainbank a report on this internal audit would come before the committee in September.

In response to a question Councillor Trotter, Mr Stainbank explained none of the investigations identified any fraud within the Council and the vast majority of whistleblowing complaints went back with a no case to be answered. Mr Stainbank added that due to the nature of whistleblowing complaints they are not brought to directly to public meetings but he would take this up privately if it would be helpful.

Decision

The Audit and Governance Committee agreed to note the contents of the Annual Internal Audit Report 2022/23.

4. CONTROLS ASSURANCE STATEMENT 2022/23

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of the independent reviews of the internal control systems within East Lothian Council, make an assessment of the control environment and report annually on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

Duncan Stainbank, Service Manager – Internal Audit drew Members attention Internal Audit's Opinion within the report and highlighted the identified areas with scope for improvement as well as the risk of Managing the Financial Environment which is marked as a Very High risk on the Corporate Risk Register.

In response to a question from Councillor McLeod, Mr Stainbank confirmed in relation to the waste services that all of the recommendations had now been implemented and the control environment was now back appropriately to where it should be. Mr Reid added that two issues had been identified, one on the trade waste system which was in relation to a long-term staff absence which had been addressed by a service review and measures were now in place for the system to operate the way it should and the way it did previously. Mr Reid explained the second issue was more complex due to the commercial entity so in agreement with Mr Stainbank, Mr Moffat put a lot of work into developing a protocol around that. Mr Reid noted that protocol was functioning and working well but in the commercial market to get best value for the income there had to be a lot of time and effort put in and it has to respond quickly but he felt it was functioning incredibly well and this years looked on target to break all budget records.

Councillor McLeod asked a further question in relation to the destruction of IT systems. Mr Stainbank stated a number of items were destroyed completely because of the likelihood of them holding personal information or elements related to GDPR but there are elements that can be recycled and reused. Ms Ferguson explained now most devices could be wiped remotely so what happens to the physical device is less important now than it used to be and that is why on a risk assessed basis IT do not have the time or resources to track all items. Ms Ferguson explained an item is reported as lost or stolen to the IT department they can wipe it remotely without getting the device back but where devices reach the end of their useful life we do have a contract to recycle parts that can be reused.

In response to another question from Councillor McLeod, Mr Stainbank explained the follow up of recommendations from review discussed in item 2 showed a number of recommendations in there which make up part of the 19% that haven't been implemented yet. He added the reason the report states "at least 81%" was due to the one review we haven't been able to follow up that was significant from a prior year was prevent and return in Children's Services as were asked from colleagues in that service to delay our follow up due to the fact they were going through a service review and the head of service had been replaced and to avoid getting in the way of operational activities. Mr Stainbank assured Members those recommendations would be followed up towards the end of this month and he has been informed the vast majority of them should be implemented by then therefore the figure of implemented recommendations will be slightly higher than 81% after this had been followed up.

Councillor Trotter asked how far away the Council was to having staff in place to ensure the smooth running of Council business. Ms Ferguson stated it was a mixed picture as difference service areas faced their own challenges in terms of recruitment. Ms Ferguson added that for some areas the real crisis they saw last year had passed and they have come out of business continuity but a few are still being run this way which is down to staffing challenges. She explained the staff crisis was not as wide spread as it had been but it remained a critical issue in specific departments which was down to factors such as competing with other authorities and private sector businesses who had more flexibility over pay. Ms Ferguson explained the Recruitment and Retention Working Group had been in place for over a year and had refreshed how posts were advertised and how to sell East Lothian Council as a good place to work. Ms Ferguson confirmed the Council was nowhere near fully staffed at this point in time but she did not have the exact figure of vacancies. Councillor Trotter a follow up question on school leavers. Ms Ferguson explained that East Lothian Council runs a modern apprenticeship programme which targeted school leavers but in terms of the resourcing challenge that service face not always possible at the end of the apprenticeship to find a permanent post for these staff. Ms Ferguson added that the Council offers a really good training programme through modern apprenticeships which makes these staff members desirable to other employers who recruit them away from us when they have completed their programme.

Councillor Jardine commented that the committee was started to feel the impact of more rigorous scrutiny for a number of reasons, influx of new councillors but the merits of the work Mr Stainbank and his team are doing are beginning to come to the fore so wanted to give a big thank you to them.

Decision

The Committee agreed to note that the Controls Assurance Statement as a formal confirmation of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2023.

5. MANAGEMENT REPORT 2022/23 – REPORT BY AUDIT SCOTLAND

A report was submitted by the Audit Director for Audit Scotland to present the Management Report 2022/23 to the Audit and Governance Committee.

John Boyd, Audit Director for Audit Scotland spoke to his report and summarised the key matters which arose during the course of the interim audit work which involved initial reviews of the Councils key financial systems and processes which resulted in Audit Scotland identifying a number of recommendations. These related to where audit or evidence could be enhanced to support the process and Mr Boyd was pleased to report a number of the observations identified had been addressed by management. My Boyd explained as part of the audit planning and risk assessment process Audit Scotland considered the impact of those deficiencies identified in the control room had in terms of; do they create an increased risk of material misstatement in the accounts and where they do auditors would increase substantive testing of transactions and balances at year end in response to those, however the majority of those should not have a significant impact in terms of the year end audit work.

In response to a question from Councillor Jardine, Mr Boyd confirmed a number of the observations were linked to limitations in some of the current IT systems. Mr Boyd stated he was aware the finance team had been looking at a potential replacement for the current ledger system as with older systems there was an increased reliance on manual reconciliations between systems which could increase the risk if the correct controls were not place. Mr Boyd added that from an operational point of view it could take longer to extract the data you are looking for and ensuring the information is robust which means you have to ensure those manual checks had taken place. Mr Boyd explained as part of the financial statements audit, Audit Scotland rely on year end reconciliations and what had been observed were; month end procedures had taken place but there was no audit trail. Ellie Dunnet, Head of Finance stated in terms of the first two recommendations within the letter the Council had a live project for their purchasing process and were also in the initiation of a wide project to review and potentially replace the financial management system which was also referenced within the financial strategy. Ms Dunnet envisaged this would address some of the issues raised around the automation of interfaces but the department would continue to review the controls they had in place. She added that some of the control weaknesses related to how controls were documented so the findings were not because no checks were being performed but instead they were not able to evidence them in a way that was satisfactory for the auditors to get the level of assurance they needed. Ms Dunnet confirmed they had issues with financial reporting to the IJB in the last year which were driven by a combination of factors so conversations were taking place about overcoming those challenges and the chief officer of the IJB had been provided with a timetable that set out the IJB would receive quarterly financial monitoring reports with risk based updates in between.

Decision

The Committee agreed to note the contents of the Management Report 2022/23.

6. EAST LoTHIAN COUNCIL ANNUAL AUDIT PLAN 2022/23

A report was submitted by the Audit Director for Audit Scotland to present the East Lothian Council Annual Audit Plan 2022/23 to the Audit and Governance Committee.

John Boyd, Audit Director for Audit Scotland spoke to his report noting the plan itself formed two aspects; Audit Scotland's responsibilities as external auditors in relation to

issuing an opinion on the financial statements as well as wider responsibilities under the code of audit practice. Mr Boyd highlighted key aspects of the financial statements audit which included the materiality levels for 2022/23 audit and significant risks of material misstatement. Mr Boyd advised in terms of audit planning, Audit Scotland used a risk based audit approach which involves understanding the organisation, systems and internal control and considering the risk of where there is material misstatement in the financial statement. He made Members aware two areas had been identified which were classed as significant risk of material misstatement:

- Risk of material misstatement due to fraud caused by management override of controls
- Estimation in the valuation of land and buildings

My Boyd informed Members of other areas of audit focus which included the pension liability valuation and the ongoing review of Common Good assets. He then covered the focus of the wider scope audit work where Audit Scotland would consider the financial management, financial sustainability, vision, leadership and governance and the use of resources to improve outcomes. My Boyd explained in addition to local risks Audit Scotland would consider challenges which were impacting the public sector as a whole therefore they would consider tackling climate change and responding to cyber security threats as part of their wider scope responsibilities. He added that as part of their Best Value work Audit Scotland would look at the effectiveness of council leadership in developing new local strategic priorities following the elections in May 2022 then conclusions and judgements would be reported in a separate report to management and summarised in the Annual Audit Report. Mr Boyd gave a brief update on the reporting arrangements and the audit fee for 2022/23.

Councillor McLeod asked for an example of a major transaction stream. Mr Boyd explained these would be various income and expenditure streams, such as payroll.

Councillor McLeod asked who audits the conditions of Council assets and who then determines the value and do we or Audit Scotland have a breakdown of the assets and land which has been audited on. Mr Boyd stated this was a large part of their audit work and explained the Council have a fixed asset register of all land and buildings held and as part of audit testing they check to see what arrangements are in place to ensure there is a valuation done and then challenge management on an impairment review to make sure aspects such as deterioration in building quality or accidental damage were identified as this would need to be reflected in the annual accounts. My Boyd said most local authorities had a rolling programme of valuations usually done every five years but there is still a requirement to ensure all fixed assets are reflected by the current value at the balance sheet date.

Councillor McLeod asked if the Council expect a further increase in audit fees for next year. Mr Boyd stated he was unable to comment on next year's fee as it was not set locally by the audit services group and explained the reasons for the increase of the current year's fee.

7. 2023 CORPORATE GOVERNANCE SELF-EVALUATION

A report was submitted by the Chief Executive to advise the Audit and Governance Committee of the results of the 2023 Corporate Governance Self-evaluation.

Paolo Vestri, Service Manager – Policy, Improvement & Partnerships reported this was the annual report on the Corporate Governance Self-evaluation exercise which is carried out by the Council Management Team. Mr Vestri stated the Council

adopted the principles of Corporate Governance based on the CIPFA / SOLACE guidance in 2010 which has since been updated on a couple of occasions since then. Mr Vestri highlighted the seven core principles of the framework and explained under each of these are 21 sub-principles and the Council Management Team review our policies and procedures under those 21 sub-principles. Mr Vestri explained the Council Management Team carried out the review based on a draft provided by him which was also reviewed by Mr Stainbank. The evidence we have drawn from the self-evaluation is drawn from various sources including Council policies and practices but also external auditor reviews and audits including the best big value which was carried out in 2018. Mr Vestri explained the principles were scored against a scoring matrix from 1 to 6, where 6 is outstanding and 1 is very unsatisfactory and this year most of the sub-principles were scored at 5 (very good) and four were scored at 4 which means they would be looking for improvement and actions for this were detailed within the report.

In response to a question from Councillor Jardine Mr Vestri explained that all integrated impact assessments are sent to the Equalities Officer who reviews them so there is a level of quality assurance based on that as well as all integrated impact assessments being signed off by Heads of Service. In response to a follow up question from Councillor Jardine, Mr Vestri stated there was no formal scoring process. They are now integrated assessments that cover equalities and other matters including climate change and human rights. Mr Vestri added the integrated impact assessment process was currently being reviewed to see if more should be amended to include children's rights on the adoption of the UNCRC legislation by the Scottish Parliament and stated that training was provided for staff who were undertaking assessments.

Councillor Jardine asked about the rigour of the annual performance review and development process. Mr Vestri stated one of the actions within the report was to improve levels of annual PRD's and this is something that has been trying to be improved over a number of years after the fall during the COVID years. Mr Vestri noted last year's completion figures for PRD's was 55% which is still not high enough so there will be additional work carried out in the autumn to review the process to make it as easily accessible as possible and there are also training opportunities for management and staff in how to complete PRD's. Mr Vestri stated more rigorous monitoring of how PRD's are carried out and how many are carried out which will include working with staff, Trade Unions and others to ensure we increase the take up and usage of PRD's across the Council. Councillor Jardine asked what percentage of completed PRD's Mr Vestri would like to see at this time next year. Mr Vestri stated the team had not put a target on this but it is something they will look at within the Workforce Plan Working Group.

Councillor Trotter asked if there would be merit in an interim report coming to committee. Mr Vestri confirmed that was something that could be done and explained as the current process was being looked at to see if it needed to be improved so the team could come back with a report in six months' time to give an update on the developing PRD process and rolling it out.

Decision

The Committee agreed to note:

- (i) Note the results of the self-evaluation carried out using the Framework (Appendix 1) and the three actions detailed in paragraph 3.6 that will be included in the 2024/25 Council Improvement Plan that is to be presented to Council in autumn 2023.
- (ii) Consider whether any additional improvement actions should be added.

8. ANNUAL TREASURY MANAGEMENT REVIEW

A report was submitted by the Executive Director for Council Resources to update the Committee on Treasury Management Activity during 2022/23.

Ellie Dunnet, Head of Finance spoke to her report highlighting that it was a requirement under the Local Government Scotland Act 2003 to produce this review for the year ending 31 March 2023 to set out our performance against the approved Treasury Management Strategy for 2022/23 and the indicators that the Council agreed in March 2022. Ms Dunnet added that the mid-year progress report had also been submitted to the Audit and Governance Committee in November 2022 and that the contents of the report should be held as draft until the accounts had been fully audited. Any major changes required as a result of auditing would be reported back to the Audit & Governance Committee.

She summarised the review, attached as Appendix 1 of the report, briefing the Committee on East Lothian's Capital and Expenditure and Finance, their overall borrowing need and the Treasury position as of 31 March 23, commenting that the Council has borrowed less than anticipated at the start of the year which means we have been using cash reserves or working capital rather than borrowing to fund our capital programme.

Ms Dunnet noted a date error within section 6 of Appendix 1 and asked Members to note the borrowing was undertaken on the 23rd December 2022 not the 23rd of January 2022 as stated within the table. She noted the strategy outlined within the report, and detailed borrowing activity and investments held by the Council and fund managers.

In response to a question from Councillor McLeod, Ms Dunnet stated we are looking to avoid borrowing when the interest rates are less attractive, currently the highest rates are sitting around the 25 year point and that allows us to meet our agreed indicators around the maturity structure of borrowing which we have as part of our strategy. She made Members aware the Council do not borrow for specific capital projects but instead manage cash flow as a whole, so will borrow when our cash flow indicates there is a need to and will work with treasury advisors on the most appropriate approach to borrowing. Ms Dunnet added the Council are aware of the volatility in interest rates so we are not in a fixed position as we are aware of the interest rate risk and also need to balance that against refinancing risk which is kept under regular review. Councillor McLeod confirmed he was actually looking for examples of what the money is used for long term. Ms Dunnet confirmed we are borrowing to fund our capital programme which includes all general services, building new schools and new homes if they are not externally funded.

Councillor Bruce asked what the benefits were of using cash reserves instead of borrowing. Ms Dunnet explained this had been core within the strategy due to the spike in interest rates and it has not been a good time to be locking in long term debt. She added the longer we can deter our need to borrow the longer we do not need to pay interest on that borrowing. Ms Dunnet confirmed this is reviewed on a regular basis with treasury advisors. Councillor Bruce asked a follow up question on interest rates and what are the advisors views on them coming down. Ms Dunnet stated we get regular projections from our advisors and their outlook seems to suggest a short term increase with rates coming down towards the end of 2025.

Decision

Members agreed to note the contents of the Annual Treasury Management Review.

9. LOCAL GOVERNMENT IN SCOTLAND OVERVIEW 2023

A report was submitted by the Executive Director for Council Resources to provide a summary of the Local Government in Scotland Overview 2023.

Paolo Vestri, Service Manager – Policy, Improvement & Partnerships stated the submitted reports show key findings of the Accounts Commission local government in Scotland Overview Report 2023. He stated the Accounts Commission produce a similar report every year and every year we provide a summary report for Members with some information with how the recommendations in the Accounts Commission report are reflected by East Lothian Council. As well as covering report there is the full report from the accounts commission plus the financial bulletin for 2021/22.

Mr Vestri explained this report built on the previous reports in the series and examined three main areas:

- how the pandemic affected councils and their performance?
- what are the current and future challenges facing local government?
- how well placed are councils to deal with the current and future challenges?

Mr Vestri provided a summary of the key findings and recommendations under each of these themes.

Councillor Trotter asked for an update on shared services with other Councils. Mr Vestri explained Mr Stainbank was the shared Lead Officer for Internal Audit with Midlothian and he was sure there would be discussions going on between local authorities to look at other opportunities for shared services.

In response to a question from Councillor McLeod, Mr Vestri stated the Council has begun development of 2024/25 budget and part of that work will be to communicate with staff and the public the financial challenges the Council face which are detailed within the Council Plan, the financial strategy which was approved in December 2022 and the Council budget. Mr Vestri added that the Council Leader has made it clear the Council are facing financial difficulties and a budget consultation exercise was run in December 2022 making the point the Council had difficult choices to make.. Ms Fortune echoed the report was really helpful to set out a context but it needs to be set within a forward looking context which will be very difficult to see how we can close the gap and manage all collective obligations that we currently provide as well as managing public expectations.

Councillor Jardine asked a question related to growth in East Lothian. Ms Fortune stated we are unique in East Lothian and aligned to South East of Scotland, substantive impact of growth and the obligations that come through with that and this has been highlighted to National Forums. She stated population growth came with significant opportunities and financial cost which isn't just on revenue budget but also substantive financial implications related to resourcing capital infrastructure requirements which are vital. Ms Fortune explained part of conversations within National Forum is we want to embrace growth due to the benefits to East Lothian and Scotland as a whole but we can't do it alone and we need to work in collaboration to take more holistic and place based approach to national funding.

Mr Proudfoot recalled projections moving forward over the next 20 years within the national population based in Scotland is forecast to grow by a small amount and for the vast majority of local authorities to see population decline. He added the Scottish

Government and COSLA have focussed on the challenges of depopulation but we have been persistent in the messaging around the challenges of population expansion and the impact and benefits that can bring in terms of overall leverage in the wider economy but highlighted there is a sharp and challenging focus in the context of the local authority within the South East of Scotland region and we are taking all opportunities we can to discuss that with civil servants. Mr Proudfoot noted the Council has a meeting organised with the Depute First Minister to discuss this specific point.

Decision

The Committee is asked to note:

- (i) the findings, conclusions and recommendations in the Accounts Commission report, Local Government in Scotland: Overview 2023
- (ii) that the council is already addressing most of the issues identified in the Overview report's recommendations
- (iii) that although the council's General Services and HRA revenue and capital budgets are set to meet the council's priorities as established in the Council Plan the link between how resources are targeted to achieve the Council's policy and performance priorities could be more explicit. This will be taken up as an action in the 2024/25 Council Improvement Plan that is to be presented to Council in autumn 2023.
- (iv) Leadership is the focus of the Accounts Commission's annual Best Value thematic work in 2023 and will be covered in all council 2022/23 annual audit reports published in Autumn 2023. Any recommendations and actions arising from the Leadership audit will be included in the 2024/25 Council improvement Plan that is to be presented to Council in autumn 2023
- (v) Workforce planning will be the focus of the Accounts Commission's annual Best Value thematic work in 2023 and will be covered in all council 2023/24 annual audit reports published in Autumn 2024, followed by a national thematic report.

10. CORPORATE RISK REGISTER

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

Scott Kennedy, Emergency Planning, Risk and Resilience Officer stated Very High risks are unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position; high risks may be tolerable providing the Council is assured that adequate and effective control measures are in place; medium risks are tolerable with control measures that are cost effective; and low risks are broadly acceptable without any further action to prevent or mitigate risk.

Mr Kennedy stated In accordance with the Risk Management Strategy 'Very High' and 'High Risks' identified in the Corporate Risk Register will be subject to closer scrutiny by the Council Management Team, the Cabinet and the Audit and Governance Committee and the CMT sub-group on Risk Management meets on a bi-monthly basis to monitor and drive Risk Management council-wide and to review the Corporate Risk Register. Mr Kennedy gave an update on the current Corporate Risk Register which contained 8 Very High, 5 High, 7 Medium and 1 Low risks.

Councillor Bruce asked if the proposed control measures are not enough themselves to mitigate risk against the projects we have outlined shouldn't they both now be marked a 20. Mr Kennedy explained the risks are live and that specific one had only been added within the last 6 weeks. Mr Kennedy assured Members this would be monitored by himself and CMT and if the current measures were not going to mitigate the risk it would be increased. Mr Reid reported that significant work was ongoing at the moment across the projects in question to look at value engineering, tender processes and we are working with the Scottish Government on the uplift in the LEAP phase money is likely to bring. Mr Tom echoed Mr Kennedy's point about the document being live and added there could be further amendments with the next weeks and months and things progress but at the moment it was a fair reflection of the risks we face.

In response to a question from Councillor McLeod, Ms McGuire stated she did not have the most up to date figures but at the last update there were around 96 Ukrainian families within East Lothian. Ms McGuire added that the department also had to deal with the disembarkation of HMS Victoria and they were working closely with the City of Edinburgh and the Scottish Government around that. East Lothian was left with around 30 host accommodation and half of this has been offered to help with the disembarkation. Ms McGuire was happy to take further questions offline in relation to this topic.

In response to a question from Councillor Bruce, Ms Fortune stated there was not an attendee from the Health and Social Care Partnership at committee but the reason it was so high at the moment was due to a delay in the parliamentary process, that risk is still very much live and until we know the outcome of the process it remains very significant.

Decision

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

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

Signed

Councillor Tom Trotter
Convener of the Audit and Governance Committee

REPORT TO: Audit and Governance Committee
MEETING DATE: 26 September 2023
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Report – September 2023

3

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee and provide an update on progress made against the 2023/24 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 June 2023 to September 2023 as contained in Appendix 1 and covered in agenda items 2 and 7;
 - ii. Internal Audit's progress against the annual audit plan for 2023/24 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: Brunton Theatre Trust, Tyne & Esk Funding and the Scottish Housing Regulator Annual Assurance Statement.
- 3.2 The main objective of the audits was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the Tyne & Esk Funding audit is contained in Appendix 1. The summary of the main findings and recommendations from the Brunton Theatre Trust audit has been covered in agenda item 2. The Internal Report on the Scottish Housing Regulator Annual Assurance Statement is covered in agenda item 7.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Brunton Theatre Trust – Limited Assurance
 - Tyne & Esk Funding – Reasonable Assurance
 - Scottish Housing Regulator Annual Assurance Statement – Not Graded.

Progress Report 2023/24

- 3.4 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 revised annual audit plan for 2023/24, which is subject to the Audit & Governance Committee approval as part of Agenda item 4.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 None

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DATE	19 September 2023

Appendix 1 Executive Summary: Tyne & Esk Funding

Conclusion: Reasonable Assurance

The delivery of the Rural Community Led Local Development Funding was agreed in August 2022 with a completion deadline of 31 March 2023. This relatively short timescale did not allow for a member of staff to be appointed and full processes and controls to be put in place. However 16 projects were successfully funded to benefit the communities in East Lothian and Midlothian.

Background

Tyne & Esk Rural Communities Development Fund is part of the Scottish Government's Community Led Local Development Rural Programme, which is the replacement for the previous LEADER Programme that was funded by the European Union. Funding is provided under the Housing Grants, Construction and Regeneration Act 1996.

The overarching aim of the funding is to increase support to local rural communities, individuals and businesses advancing inclusion, equality and diversity. The eligible area covers rural East Lothian and Midlothian excluding the urban areas of Musselburgh and Dalkeith, but including Wallyford and Whitecraig and Dalkeith Country Park.

Community Led Local Development funding offers:

- small grants for projects of different sizes and types;
- support during the whole funding process, so you will never feel alone; and
- community representatives who ensure funding is spent wisely across the rural communities in East Lothian and Midlothian.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Local Action Group (LAG)**:

- Due to time constraints a full register of applications has not been put in place. *The LAG have agreed that a detailed application register will be put in place by August 2023.*
- In some cases, applicants did not provide all the required supporting documentation, which in all bar one case would not have changed the decision. In the one case, the applicant was requested to reapply in 2023/24. *The LAG have agreed to ensure that adequate documentation is provided by March 2024.*
- The spreadsheet used to calculate the application scores following the LAG voting was found not to be accurate. In four cases, the application was rejected and in one of these cases the score would have resulted in funding being eligible, however in the one case the LAG considered that the applicant would not be able to complete the project within the period allowed. *The LAG have agreed to ensure that the spreadsheet is accurate by March 2024.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	5	-	5
Prior report	N/A	N/A	N/A	N/A*

Materiality

The LAG was offered grant funding of up to £204,382, this allocation was split £143,067 for revenue and £61,315 for capital. The final expenditure was £143,068 for revenue and £47,240 for capital.

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

Headlines

Objectives	Conclusion	Comment
1. Agreements are in place to support the administration of the funding applications.	Substantial	A Memorandum of Understanding was put in place between East Lothian Council and the Community Led Local Development Local Action Group (LAG). An Operating Protocol for the LAG has been put in place setting out how it should operate.
2. A complete and accurate contract register of all funding applications is maintained.	Reasonable	An accurate register of all applications should be maintained, but while a list of applications was in place the timescale of the 2022/23 funding round did not allow for a detailed register to be set up and maintained.
3. Management have adequate controls in place to ensure that all applications meet the funding requirements.	Reasonable	The application form includes a list of evidence that is required to be supplied with the submission and in all bar one case all the required documentation was provided. The failure to provide all the required documentation should have resulted in the application being rejected.
4. Management have adequate controls in place to ensure that procedures are in place for assessing the funding applications.	Reasonable	A scoring mechanism has been put in place to evaluate the projects, however the summary sheet did not include the scores for one member of the LAG who had voted manually. The overall scoring was found to be inaccurate, however in all bar one case the projects were correctly awarded funding. In the one case the LAG considered that the applicant would not be able to complete the project within the period allowed.
5. Management have adequate controls in place to ensure that the partners comply with the Scottish Government Memorandum of Understanding.	Reasonable	A Memorandum of Understanding has been signed between the LAG and the Council setting out the responsibilities of each partner. An Annual Report was produced by the LAG detailing how the funding provided had met the objectives in the Tyne & Esk Rural Community Led Vision.
6. Adequate controls are in place to confirm that adequate documentation is supplied to confirm the funding application and payment.	Reasonable	Due to the time constraints it was decided to set a date by which evidence was to be provided, but this meant that sufficient bank statements were not provided to confirm the payments made. Three applications were made to the Scottish Government for funding payments. In line with the previous Leader programme a post funding monitoring process was put in place to ensure that the funding applied for had been used in line with the original application. As part of the inspections the Co-ordinator was able to confirm that the projects had been completed.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	While it is not a requirement of the new scheme, the LAG took the decision that a post project monitoring visit, by the Community Led Local Development Officer, to each applicant should be undertaken. These visits ensured that the funding provided had been used to fulfil the approved aims of each project.
2.	If it was found that an applicant had failed to meet their stated aims, the Tyne & Esk programme has the ability to withhold any or all of the payments and/or to require part or all of the entire grant to be repaid.
3.	Reviews of both the initial application form and the post project funding have been put in place to ensure the project aims have been fulfilled.
4.	Voting for the approval or rejection of a project application is carried out by the members of the LAG using a personal login to the Tyne & Esk website.

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
Financial Sustainability/CIPFA FM Code	Examine the processes in place to demonstrate that the Council is taking all recommended steps to ensure continued financial sustainability in the long term against the financial sustainability principles within the CIPFA FM Code.	March 2024	
Capital Expenditure Contract Cost Management	Examine the processes in place for ensuring that capital contract costs remain within the contracted costs and are managed to remain within the budgeted project costs for each Capital Contract.	June 2024	
Income Receipt, Reconciliation and Bad Debt Control	For all sundry accounts examine the reconciliation controls to recorded income and the processes in place to ensure maximum recovery of income across all Council services.	June 2024	
Treasury Management Income Maximisation	Review of the Council's Treasury Management processes to ensure that maximum prudential returns are being made on available treasury funds.	March 2024	
Agency Worker/ Contractor Use Management	Examine the authorisation processes for approval of the use of agency workers and contractors across the Council and the management of the use of agency workers and contractors to ensure all risks to the Council are managed.	March 2024	In Planning

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Cost of Growth	Review the processes in place to establish what the revenue budget costs are of increasing Council services to meet increased population within East Lothian and how consideration of this growth is demonstrated in the annual budget process and development of medium and long term financial strategies.	March 2024	In Planning
Housing Void Management	Examine the processes in place within the Housing and Property Maintenance teams to manage the timely return of void properties to a compliant standard for operational use.	March 2024	
Devolved School Management	Examine the processes and controls in place to ensure compliance with the newly reviewed and approved Devolved School Management Procedures.	June 2024	
Asset Management Review Project Management	Examine the project management process in place in relation to the current asset management process of building moves across the Council to ensure that it is meeting the objectives set.	June 2024	
Utility Costs Management	Examine the processes in place to ensure that a best value process is in place to manage the utilities costs across the Council's buildings portfolio.	December 2023	In Progress
Musselburgh Flood Prevention Scheme Governance Processes	Examine the Governance processes in place to manage and control the development and procurement for the Musselburgh Flood Prevention Scheme.	June 2024	In Planning

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Roads	Examine the Roads trading account operation and establish that this is operating in a best value format for the Council.	June 2024	
Partnership Funding	Review the grant funding provided to external organisations by the Council and review the processes in place to ensure that funding is linked to specific outcomes and organisational sustainability promoted.	June 2024	
Education Additional Support Needs	Examine the processes around assessment and provision of additional support needs for children.	March 2024	
Miscellaneous Grants	For grants awarded to the Council by the Scottish Government, Internal Audit is sometimes required to provide a statement of compliance with grant conditions on an annual basis.	September 2023	Complete
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 2023	Complete
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	December 2023	

REPORT TO: Audit and Governance Committee
MEETING DATE: 26 September 2023
BY: Service Manager – Internal Audit
SUBJECT: Revised Internal Audit Plan 2023/24

4

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit's revised operational plan for 2023/24.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to approve the revised Audit Plan for 2023/24.

3 BACKGROUND

- 3.1 As advised to the Audit and Governance Committee, a revised Internal Audit Plan for 2023/24 is being presented to the Audit and Governance Committee to take account of the ever changing Council risk profile, with a higher proportion of the Internal Audit Plan dedicated to areas focusing on financial sustainability. This plan will operate from September 2023 to June 2024.

- 3.2 The annual audit plan has been prepared in accordance with Public Sector Internal Audit Standards (PSIAS). Key changes in the plan are the addition of the following auditable areas to the plan:

- Capital Expenditure Contract Cost Management;
- Income Receipt, Reconciliation and Bad Debt Control;
- Treasury Management Income Maximisation;
- Agency Worker/Contractor Use Management; and
- Partnership Funding.

- 3.3 In order to ensure completion of these auditable areas the following auditable areas have been removed from the plan:
- Capital Expenditure Prioritisation
 - Petty Cash
 - IR35 Contractor Assessment Processes
 - PPP Contract Management
 - Area Partnerships
 - ALEO Enjoy Leisure
 - Risk Management
- 3.4 In preparing the annual audit plan a range of factors have been taken into account, including:
- the Council Plan 2022-27;
 - areas highlighted by Senior Officers;
 - corporate and service area risk registers;
 - the Council's performance and financial statements;
 - changes in service delivery;
 - the findings from previous years' audit work; and
 - the need to incorporate flexibility for reactive/investigatory work.
- 3.5 Internal Audit's primary role is to independently review internal control systems within the Council. Internal Audit will evaluate the adequacy and effectiveness of controls in responding to risks within the Council's governance, operations and information systems, regarding the:
- Achievement of the Council's strategic objectives.
 - Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations and programmes.
 - Safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.6 Internal Audit are required to give an opinion on the Council's control environment in the annual Controls Assurance Statement and the audit work carried out will contribute to this opinion.
- 3.7 The provision of the Internal Audit service is on an in-house basis by the Council's Internal Audit Unit. The resources available have been applied to individual audits and a detailed operational plan has been produced for 2023/24 (see Appendix A).
- 3.8 Internal Audit will adopt a risk based approach to audit assignments as the principal means of providing assurance on the adequacy, reliability and effectiveness of internal controls. Testing of controls will be carried out on a sample basis. Samples are selected according to an agreed sampling methodology.
- 3.9 For each individual audit, a detailed audit report is prepared for the relevant member(s) of the Council Management Team (CMT). Copies of the audit

report are provided to the Chief Executive, External Audit and to members of the Audit and Governance Committee.

- 3.10 Follow-up audits will be carried out to review the implementation of the recommendations made.

AUDIT COVERAGE

- 3.11 Core Financial Systems, Risk Assessed Service and Corporate Audits – Internal Audit will review the Council's systems to provide assurance on the adequacy and effectiveness of internal controls. The audit plan includes a range of risk assessed core financial systems and non-financial audits.
- 3.12 Statutory Audits – Internal Audit undertake audit work in respect of specific grant awards made to the Council by the Scottish Government, to ensure compliance with grant conditions. In addition work to provide assurances required by the Scottish Housing Regulator will also be completed.
- 3.13 Best Value Audit – Internal Audit will review the systems in place for the preparation and reporting of Performance Indicators.
- 3.14 Investigations – Time has been allocated to carry out work on the National Fraud Initiative 2022/23, and provide a reactive service to investigate fraud and irregularity when appropriate.
- 3.15 Integration Joint Board (IJB) – The Committee is asked to note that in 2023/24 internal audit services to the East Lothian IJB will be provided by East Lothian Council's Internal Audit Unit and time has been allocated to carry out audit work for the IJB.

INTERNAL AUDIT PERFORMANCE INDICATORS

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

OTHER FACTORS

- 3.17 The Committee should note that reactive work may impact heavily on the Internal Audit Unit's ability to complete the audit plan. Contingency days are built in for 2023/24 in the investigations section, but by its nature reactive work is difficult to predict, although further resource is available through the Counter Fraud Officer in completing some of the investigation work.
- 3.18 The plan and its completion have added importance, given its contribution to the annual Controls Assurance Statement to be prepared at the end of 2023/24.

4 POLICY IMPLICATIONS

4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

6.1 Financial – None

6.2 Personnel – None

6.3 Other – None

7 BACKGROUND PAPERS

7.1 None

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DATE	18 September 2023

REVISED INTERNAL AUDIT PLAN 2023/24**Appendix A**

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
CORE FINANCIAL SYSTEMS AUDITS			
Financial Sustainability/CIPFA FM Code	Examine the processes in place to demonstrate that the Council is taking all recommended steps to ensure continued financial sustainability in the long term against the financial sustainability principles within the CIPFA FM Code.	High	6
Capital Expenditure Contract Cost Management	Examine the processes in place for ensuring that capital contract costs remain within the contracted costs and are managed to remain within the budgeted project costs for each Capital Contract.	High	5
Income Receipt, Reconciliation and Bad Debt Control	For all sundry accounts examine the reconciliation controls to recorded income and the processes in place to ensure maximum recovery of income across all Council services.	Medium	5
Treasury Management Income Maximisation	Review of the Council's Treasury Management processes to ensure that maximum prudential returns are being made on available treasury funds.	Medium	4
Agency Worker/ Contractor Use Management	Examine the authorisation processes for approval of the use of agency workers and contractors across the Council and the management of the use of agency workers and contractors to ensure all risks to the Council are managed.	Medium	5

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
RISK ASSESSED SERVICE & CORPORATE AUDITS			
Cost of Growth	Review the processes in place to establish what the revenue budget costs are of increasing Council services to meet increased population within East Lothian and how consideration of this growth is demonstrated in the annual budget process and development of medium and long term financial strategies.	High	5
Housing Void Management	Examine the processes in place within the Housing and Property Maintenance teams to manage the timely return of void properties to a compliant standard for operational use.	High	5
Devolved School Management	Examine the processes and controls in place to ensure compliance with the newly reviewed and approved Devolved School Management Procedures.	Medium	5
Asset Management Review Project Management	Examine the project management process in place in relation to the current asset management process of building moves across the Council to ensure that it is meeting the objectives set.	Medium	5
Utility Costs Management	Examine the processes in place to ensure that a best value process is in place to manage the utilities costs across the Council's buildings portfolio.	Medium	5
Musselburgh Flood Prevention Scheme Governance Processes	Examine the Governance processes in place to manage and control the development and procurement for the Musselburgh Flood Prevention Scheme.	Medium	5
Roads	Examine the Roads trading account operation and establish that this is operating in a best value format for the Council.	Medium	5

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Partnership Funding	Review the grant funding provided to external organisations by the Council and review the processes in place to ensure that funding is linked to specific outcomes and organisational sustainability promoted.	Medium	5
Education Additional Support Needs	Examine the processes around assessment and provision of additional support needs for children.	High	5
Assurance Reviews	Undertake assurance reviews on areas of key controls for new or evolving systems of control to provide support for developing systems.	–	10
STATUTORY AUDITS			
Miscellaneous Grants	For grants awarded to the Council by the Scottish Government, Internal Audit is required to provide a statement of compliance with grant conditions on an annual basis.	Medium	2
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulator’s Chapter 3 of the Regulatory Framework.	Medium	4
BEST VALUE AUDIT			
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	Medium	4

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
INVESTIGATIONS			
Fraud & Irregularity	Internal Audit will investigate all instances of suspected fraud or irregularity.	High	20
National Fraud Initiative (NFI)	Time has been allocated to carry out work on the 2022/23 National Fraud Initiative (NFI) exercise, a Counter Fraud Officer has recently been recruited and will assist in progressing the matches provided through NFI.	Medium	5
OTHER AUDIT WORK			
Integration Joint Board	Time has been allocated for work that will be undertaken by Internal Audit for the East Lothian Integration Joint Board (IJB). A separate audit plan will be prepared which will be presented to the IJB Audit and Risk Committee for approval.	Medium	15
Review of Previous Year's Work	Internal Audit will review the outcome of our previous year's work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.	Medium	8
Attendance at Stocktakes	Internal Audit will attend the year-end stocktakes at Property Maintenance, Road Services and Waste Services. We will review the final stock sheets.	Medium	1
Community Councils and Management Committees	Community Councils – Internal Audit provide advice and support to Community Councils. Management Committees – Internal Audit will independently examine the annual accounts of Management Committees where applicable.	Medium	2

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Advice and Consultancy	<p>Consultation on New Systems – for new systems implemented, Internal Audit will provide advice on internal control matters.</p> <p>Financial Reports – providing service areas with financial information about companies and offering advice where applicable.</p> <p>Consultancy – providing advice and consultancy on internal control issues.</p>	Medium	4
TRAINING			
Training	<p>An adequate allocation of budget resources and time will be given to maintaining and improving the knowledge base and quality of the staff resource. This includes time to attend the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) and Computer Audit Sub Group, also for staff to undertake continuous professional development (CPD).</p>	–	4
External Quality Assessment	<p>The PSIAS requires the Internal Audit section to be subject to an External Quality Assessment (EQA) each five years, by appropriately qualified and independent reviewers. This EQA was carried out by Argyll & Bute Council in April 2018 and the results were reported to the Audit & Governance Committee in June 2018. The schedule for the second cycle of EQAs, with other participating Scottish Councils as peer reviewers, indicates that East Lothian Council will be reviewed by Dumfries & Galloway Council in 2023 and will review South Lanarkshire Council in 2023.</p>	–	4

REPORT TO: Audit and Governance Committee

MEETING DATE: 26 September 2023

BY: Service Manager – Internal Audit

SUBJECT: Audit & Governance Committee Annual / End of Term Report
2022/23

5

1 PURPOSE

- 1.1 To present the outcome of the 2022/23 Audit & Governance Committee self-assessment and seek approval from the Audit & Governance Committee to present the Annual / End of Term Report 2022/23 to the Council.

2 RECOMMENDATION

- 2.1 The Audit & Governance Committee is asked to approve the Audit Committee Annual / End of Term Report 2022/23 (Appendix 1) and its self-assessments using the CIPFA Audit Committees Guidance (Appendices 2 and 3) and agrees that the Audit Committee Annual / End of Term Report 2022/23 should be presented to the Council.

3 BACKGROUND

- 3.1 The purpose of this report is to provide Members with the Audit & Governance Committee Annual / End of Term Report 2022/23, which sets out how the Audit & Governance Committee has performed against its remit and the effectiveness of the Audit & Governance Committee in meeting its purpose, based on a self-assessment of the Committee against best practice, and provides assurances to the Council.
- 3.2 It is important that the Council's Audit & Governance Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance of the Council.
- 3.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition (hereinafter referred to as CIPFA Audit Committees Guidance) includes the

production of an annual report on the performance of the Audit & Governance Committee for submission to the Council. The Audit & Governance Committee Annual / End of Term Report 2022/23 is appended to this report as Appendix 1 for consideration.

3.4 The Audit & Governance Committee Annual / End of Term Report 2022/23 includes the following assurances to the Council:

- The Council has access to the Minutes of the Audit & Governance Committee throughout the year.
- The Audit & Governance Committee has operated in accordance with its agreed terms of reference, covering the themes of Governance, Risk and Control, Internal Audit, External Audit, Financial Reporting and Accountability Arrangements, and accordingly conforms to the Audit Committee principles within the CIPFA Position Statement for Audit Committees.
- It focused entirely on matters of risk management, internal control and governance, giving specialist advice to the Council on the value of the audit process, on the integrity of financial reporting and on governance arrangements, and acted as a bridge between the Council and other stakeholders. It did this through material it received from Internal Audit, External Audit, Risk Management, Council Finance teams and reporting from Council Arm's Length Bodies and assurances from Management relevant to the Audit Cycle of reporting.
- The Audit & Governance Committee has reflected on its performance during the year, and has agreed areas of improvement to enable enhanced effectiveness to fulfil its scrutiny and challenge role.

3.5 The areas of improvement that have been agreed as part of the Audit & Governance Committee Annual / End of Term Report 2022/23, are as follows:

- Completing this reports publication to the Council to meet the CIPFA Audit Committee Guidance requirement for the Committee to publish an annual report in accordance with the 2022 guidance.
- Complete a members' Skills and Knowledge assessment and make recommendations on any areas of skills and knowledge that could be enhanced by having co-opted independent members, and which areas require further training or development by December 2023.
- Develop an approach for recruitment of co-opted independent members of the Audit & Governance Committee and implement this approach by March 2024.
- Receive and scrutinise an annual counter fraud report by June 2024.

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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**EAST LoTHIAN COUNCIL
AUDIT & GOVERNANCE COMMITTEE
ANNUAL/END OF TERM REPORT FROM THE CHAIR – 2022/23**

This annual/end of term report has been prepared to inform East Lothian Council of the work carried out by the Council's Audit & Governance Committee during the year 2022/23. The content and presentation of this report meets the requirements of the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition (hereinafter referred to as CIPFA Audit Committees Guidance), to report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose to share lessons learned, and areas of improvement to inform the new Audit & Governance Committee post local elections in May 2022.

Meetings

There were meetings of the Audit & Governance Committee five times during the financial year, namely meetings on 21 June 2022, 20 September 2022, 1 and 29 November 2022 and 14 February 2023 to consider reports pertinent to the audit cycle and its terms of reference. Additionally at the start of the 2023/24 financial year a meeting has been held on 13 June 2023.

The Audit & Governance Committee is a key component of East Lothian Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The purpose of the Committee is to provide independent assurance to elected members of the adequacy of the risk management framework and the internal control environment. It provides independent review of East Lothian Council's governance, risk management and control frameworks, and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Audit & Governance Committee reviewed the final audited accounts for 2021/22 at its meeting on 1 November 2022, alongside the External Audit report on their annual audit 2021/22 to consider any concerns or improvements arising from the audit, prior to recommending to the Council that they be adopted.

The Audit & Governance Committee approved the Internal Audit Charter and the Internal Annual Plan. It monitored Internal Audit's performance including progress against annual plan approving changes during the year, conformance with Public Sector Internal Audit Standards (PSIAS), and quality assurance and improvement plan (QAIP) within the Internal Audit annual report, and considered the statutory annual audit opinion within the Annual Internal Audit Report. It considered Internal Audit's reports which set out executive summaries of findings, audit opinions, good practice and recommendations associated with each assurance review, as well as other work. It monitored the implementation of agreed actions through receipt of regular reports during the year from Internal Audit.

The Audit & Governance Committee has reviewed the External Audit Strategy and Plan Overview for East Lothian Council, considered External Audit reports including the annual report to Members and the Controller of Audit on the annual audit of the Council, reviewed the main issues arising from the External Audit of the Council's statutory accounts, and monitored the implementation of agreed actions arising.

The Audit & Governance Committee reviews all of the Service Risk Registers and the Council Risk Register on an annual cycle. This enables the Audit & Governance Committee to provide oversight of Risk Management Framework to ensure it is able to demonstrate its effectiveness in carrying out its remit.

The Audit & Governance Committee receives a report every 2 years on the activity undertaken as part of the National Fraud Initiative, the last report was received by the Audit & Governance Committee on 30 November 2021. Some information on counter fraud activity is included in the Internal Audit Annual Report, however in May 2023 a specific Counter Fraud Officer was recruited by the Council and further reporting including an annual Counter Fraud Plan and an annual Counter Fraud Report is now planned to be submitted to the Audit & Governance Committee on an annual basis, this improvement is reflected in the Audit & Governance Committee self-assessment.

The Audit & Governance Committee is the governance body responsible for scrutiny of the treasury management strategy, mid-term and annual review, in accordance with the CIPFA Treasury Management Code of Practice. This scrutiny occurred during 2022/23 at Audit Committee meetings including the Annual Treasury Management Review 2022/23 in June 2023 and the Treasury Management Mid-Year Review Report 2022/23 in November 2022.

Membership

The Membership of the Audit & Governance Committee reflects the Council’s approved Standing Orders, and Scheme of Administration which states that *“Councillor membership of the Committee should be drawn only from non-Cabinet Members of the Council. In appointing Councillor members to the Committee, the Council shall seek to achieve political balance.”* The CIPFA Audit Committees Guidance states 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 Committee is intending to undertake a knowledge and skills review this year prior to considering an approach to recruiting independent members to the Committee. Recruitment of independent members will remain challenging and recruitment exercises at other Scottish Local Authorities have not always provided appropriate candidates.

The Committee membership during the year comprised of Councillors Menzies (Convenor), Trotter (Depute Convenor), Bruce, Jardine, McFarlane, McGuire, McLeod and Ritchie.

The attendance by each member at the Committee meetings throughout the year was as follows:

Member	21 June 2022	20 Sep 2022	01 Nov 2022	29 Nov 2022	14 Feb 2023
Cllr Menzies	√	X	√	√	√
Cllr Trotter	√	√	√	√	√
Cllr Bruce	√	√	√	√	X
Cllr Jardine	√	√	X	√	√
Cllr McFarlane	√	√	√	√	√
Cllr McGuire	√	√	√	√	√
Cllr McLeod	√	√	√	X	√
Cllr Ritchie	√	√	√	√	√

Every Audit & Governance Committee meeting in 2022/23 was quorate.

All other individuals who attended the meetings are recognised as being *“In Attendance”* only. The Chief Executive, Executive Director for Council Resources (Section 95 Officer), External Audit (Audit Scotland), and Internal Audit attend all Audit Committee meetings, and other senior officers also routinely attend Audit & Governance Committee meetings. The Council has provided support and resources to the Audit & Governance Committee throughout the year including a Democratic Services Officer as the Minute secretary.

Skills and Knowledge

Given the wider corporate governance remit of Audit Committees within local government and the topics now covered by the external and internal audit functions, it is noteworthy that there is a range of skills, knowledge and experience that Audit & Governance Committee members bring to the committee, not limited to financial and business management. This enhances the quality of scrutiny and discussion of reports at the meetings. No one committee member would be expected to be expert in all areas.

Self-Assessment of the Committee

A self-assessment questionnaire was issued to all members of the Audit & Governance Committee in May 2023, responses have been summarised and enhanced by the Service Manager - Internal Auditor, in conjunction with the Audit & Governance Committee Chair, using the self-assessment of good practice and the evaluating the impact and effectiveness of the audit committee from the CIPFA Audit Committees Guidance. This was useful for Members to ensure the Committee can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance of the Council.

The outcome of the self-assessments was a medium/high degree of compliance against the good practice principles and an improving and medium degree of effectiveness. Improvements were identified focussing on activity to improve its effectiveness in fulfilling its role. In summary these are:

- Complete a members Skills and Knowledge assessment and make recommendations on any areas of skills and knowledge that could be enhanced by having co-opted independent members, and which areas require further training or development by December 2023.
- Develop an approach for recruitment of co-opted independent members of the Audit & Governance Committee and implement this approach by March 2024.
- Receive and scrutinise an annual counter fraud report by June 2024.

Assurance Statement to the Council

The Audit & Governance Committee provides the following assurance to the Council:

- The Council has access to the Minutes of the Audit & Governance Committee throughout the year.
- The Audit & Governance Committee has operated in accordance with its agreed terms of reference, covering the themes of Governance, Risk and Control, Internal Audit, External Audit, Financial Reporting, and Accountability Arrangements, and accordingly conforms to the Audit Committee principles within the CIPFA Position Statement for Audit Committees.
- It focused entirely on matters of risk management, internal control and governance, giving specialist advice to the Council on the value of the audit process, on the integrity of financial reporting and on governance arrangements, and acted as a bridge between the Council and other stakeholders. It did this through material it received from Internal Audit, External Audit, Risk Management, Council Finance teams and reporting from Council Arm's Length Bodies and assurances from Management relevant to Audit Cycle of reporting.
- The Audit & Governance Committee has reflected on its performance during the year, and has agreed areas of improvement to enable enhanced effectiveness to fulfil its scrutiny and challenge role.

Lee-Anne Menzies
Chair of Audit & Governance Committee
26 September 2023

Audit committee purpose and governance

Yes/Partly
/No

Comments

Does the authority have a dedicated audit committee?

Yes

The Council's Standing Orders identify the Audit & Governance Committee undertaking the Audit Committee role.

Does the audit committee report directly to full council?

Yes

All Minutes of Audit & Governance Committee meetings are circulated to full Council for noting and the Committee terms of reference state that: Decisions of the Committee on functions delegated to them shall be reported to the Council for information only unless the Committee resolved that a particular item of business should be referred to the council for decision.

Has the committee maintained its advisory role by not taking on any decision-making powers?

Yes

Yes, the Committee has no direct decision making powers.

Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?

Yes

Yes, the Terms of Reference of the Audit & Governance Committee identify responsibilities for Governance, Risk and Control Arrangements, Finance and Governance reporting, establishing appropriate and effective arrangements for audit and assurance.

Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?

Yes

The role and purpose of the Audit & Governance Committee is set out in the Council's Standing orders including what it can do, the arrangements for meetings, required quorums etc. Attendance by Senior Officers including the Chief Executive and Executive Directors at every Committee meeting demonstrates the understanding.

Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?

Yes

The Audit & Governance Committee is well attended by Senior Officers including the Chief Executive and Executive Directors and escalation of issues to Council is covered in the terms of reference section G.

Does the governing body hold the audit committee to account for its performance at least annually?

No

The Audit & Governance Committee has not previously completed annual reviews however this annual review will now be completed every year going forward.

Functions of the committee	Yes/Partly /No	Comments
Does the committee publish an annual report in accordance with the 2022 guidance, including:		
compliance with the CIPFA Position Statement 2022	<input type="checkbox"/> No	This report will provide the first Annual report of the Audit & Governance Committee and will cover these items.
results of the annual evaluation, development work undertaken and planned improvements	<input type="checkbox"/> No	
how it has fulfilled its terms of reference and the key issues escalated in the year?	<input type="checkbox"/> No	
Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?		
<ul style="list-style-type: none"> • Governance arrangements 	<input type="checkbox"/> Yes	Reference in Terms of Reference relation to section A 4 to Governance.
<ul style="list-style-type: none"> • Assurance framework 	<input type="checkbox"/> Yes	Reference in Terms of Reference to section A 2 (f).
<ul style="list-style-type: none"> • Internal audit and Internal Control Arrangements including: <ul style="list-style-type: none"> ○ Financial management ○ Value for money ○ Ethics and standards ○ Counter fraud and corruption 	<input type="checkbox"/> Yes	Reference in Terms of Reference section A 3, 4 & 1(c).
<ul style="list-style-type: none"> • External audit 	<input type="checkbox"/> Yes	Reference in Terms of Reference to section A 2 (c), (e) & (f).

Functions of the committee (cont'd)	Yes/Partly/No	Comments
<ul style="list-style-type: none"> Risk management arrangements 	Yes	Reference in Terms of Reference to section A 1 (a).
<ul style="list-style-type: none"> Annual Governance Statement 	Yes	Reference in Terms of Reference to section A 1 (d), 3 (b) & 4.
Over the last year, has adequate consideration been given to all core areas?	Yes	Reports have been received that cover all core areas at meetings of the Audit & Governance Committee.
Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	Yes	The Audit & Governance Committee has only considered items that align with its core functions.
Has the committee met privately with the external auditors and head of internal audit in the last year?	Yes	The Service Manager Internal Audit and Audit Scotland have met privately with the Audit & Governance Committee.
Has the Committee been established in accordance with the 2022 guidance as follows:		
Separation from the Executive	Yes	Audit & Governance Committee terms of reference state that members are only drawn from non-Cabinet members of Council.
A size that is not unwieldy and avoids the use of substitutes	Yes	Regular attendance by all members without substitutes evidences compliance.
Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation.	No	Consideration is being given on how to recruit lay/co-opted members and what skill sets these members would require.

Membership and support

	Yes/Partly /No	Comments
Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled.	Yes	Elected Members on the Audit & Governance Committee are selected in accordance with the arrangements set out in the terms of reference as part of the Council's Standing Orders. Committee members bring a wide variety of skills, experience and knowledge. Continued further training and development requirements will remain under review.
Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	No	Following the May 2022 local government elections and appointment to the Audit & Governance Committee the elected members' induction programme was completed, arrangements will be made to complete an evaluation of knowledge, skills and training needs.
Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	Yes	Induction training has been provided for all members which covers key areas of the 2022 guidance, further regular training events have taken place with members of the Committee and will continue to take place.
Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	Yes	The Committee members have satisfactory level of knowledge and experience in all key areas.
Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	Yes	The Chair meets with the Executive Director for Council Resources, the Head of Finance and the Service Manager Internal Audit in advance of each Audit & Governance Committee meeting, and has the option to meet with External Auditors, in private. The Audit & Governance Committee members have a pre-meeting with senior management prior to each Audit & Governance Committee meeting to enable wider context of Council business.
Is adequate secretariat and administrative support to the committee provided?	Yes	Yes.
Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	Partly	Feedback is provided through regular meetings with Committee members and opportunity for communication with Internal and External audit, including private meeting, and management in pre-meetings. The reporting of this work to Council will provide opportunity for Council feedback to be provided.
Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	Yes	As reflected in the Minutes of the Committee.

Effectiveness of the committee

	Yes/Partly /No	Comments
Are meetings effective with a good level of discussion and engagement from all members?	Yes	As reflected in the Minutes of the Committee.
Has the Committee maintained a non-political approach to discussions throughout?	Yes	As reflected in the Minutes of the Committee.
Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Yes	The Chief Executive and appropriate Executive Directors attend all Audit & Governance Committee meetings and respond to members' questions for the business being considered by the Committee to ensure action findings and action plans are acted upon. Corporate and Service Risk registers are presented to the Committee.
Does the committee make recommendations for the improvement of governance, risk and control arrangements?	Yes	Recommendations are made by the Committee to Council in accordance with the business considered by the Committee. An Action Tracker for the Audit & Governance Committee is in place to monitor completion of their recommended actions.
Do audit committee recommendations have traction with those in leadership roles?	Yes	The Chief Executive, Directors and the Section 95 Officer attend all Audit & Governance Committee meetings and respond to members' questions as appropriate for the business being considered by the Committee to ensure action findings and action plans are acted upon.
Has the committee evaluated whether and how it is adding value to the organisation?	Partly	This is the first formal assessment of the Audit & Governance Committee although regular assessment is undertaken in the Audit & Governance Committee pre-meetings with the Chair of the Committee.
Does the committee have an action plan to improve any areas of weakness?	No	Following the agreement of this assessment an action plan will be created.
Has this assessment been undertaken collaboratively with the audit committee members?	Yes	All members of the Audit & Governance Committee were asked to complete a questionnaire to provide an aggregate view for this self-assessment.

Areas where the Audit Committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment 5-1 see key below
1. Promoting the principles of good governance and their application to decision making.	<p>Supporting the development of a local code of governance.</p> <p>Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it.</p> <p>Working with key members/governors to improve their understanding of the AGS and their contribution to it.</p> <p>Supporting reviews/audits of governance arrangements.</p> <p>Participating in self-assessments of governance arrangements.</p> <p>Working with partner audit committees to review governance arrangements in partnerships.</p>	<p>Committee scrutinised the Council’s Corporate Governance Self – Evaluation in June 2023, along with the Controls Assurance Statement forming the key elements of the Annual Governance Statement that forms part of the Annual Report and Accounts, which is scrutinised prior to finalisation on an annual basis.</p> <p>Internal audit completes and reports on Council Governance arrangements to the Audit & Governance Committee on a regular basis.</p> <p>All ALEO’s of the Council report to the Audit & Governance Committee on an annual basis.</p>	5
2. Contributing to the development of an effective control environment.	<p>Actively monitoring the implementation of recommendations from auditors.</p> <p>Encouraging ownership of the internal control framework by appropriate managers.</p> <p>Raising significant concerns over controls with appropriate senior managers.</p>	<p>Audit & Governance Committee receives progress reports from Internal Audit on follow up activity for the prior year reports monitoring implementation of recommendations.</p> <p>Chief Executive, Executive Directors, Heads of Service and other Council managers regularly attend the Audit & Governance Committee to allow concerns to be raised.</p>	4
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<p>Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking.</p> <p>Monitoring improvements.</p> <p>Holding risk owners to account for major/strategic risks.</p>	<p>Risk Management reports are provided to the Audit & Governance Committee at every meeting ensuring coverage of all Service Risk Registers and the Council Risk Register on an annual basis. Heads of Service are in attendance</p>	5

Areas where the Audit Committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment 5-1 see key below
		at the Audit & Governance Committee to be held to account for major/strategic risks. In addition Internal Audit provide an annual opinion on the adequacy and effectiveness of risk management on an annual basis.	
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Reviewing the adequacy of the leadership team's assurance framework. Specifying the committee's assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.	Annual Strategies and Plans and periodic progress Reports received from Internal and External Audit, which outline Governance and Assurance Framework, in alignment with Audit Cycle. Regular assurance reports provided on internal control, governance & risk management.	4
5. Supporting effective external audit, with a focus on high quality and timely audit work.	Reviewing and supporting external audit arrangements with focus on independence and quality. Providing good engagement on external audit plans and reports. Supporting the implementation of audit recommendations.	External Audit Annual Plans and reports are submitted to the Committee and supported to conclusion of recommendations.	4
6. Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	Reviewing the audit charter and functional reporting arrangements. Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. Actively supporting the quality assurance and improvement programme (QAIP) of internal audit.	Committee considered and approved the Internal Audit Charter. Committee considers and approves the Internal Audit Plan, revisions to the plan, and regular Internal Audit reports with recommendations. Committee received Internal Audit QAIP and PSIAS conformance within annual assurance reports.	5

Areas where the Audit Committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment 5-1 see key below
7. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	<p>Reviewing how the governance arrangements support the achievement of sustainable outcomes.</p> <p>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place.</p> <p>Reviewing the effectiveness of performance management arrangements.</p>	Internal Audit provided audit reviews on a number of topics during 2022/23 including Climate Change Strategy, City Deal Governance and Performance Indicators.	4
8. Supporting the development of robust arrangements for ensuring value for money.	<p>Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee.</p> <p>Considering how performance in value for money is evaluated in Annual Governance Statement (AGS).</p> <p>Following up issues raised by external audit in their value-for-money work.</p>	<p>Internal and External Audit provide assurance on value for money and best value arrangements throughout the audit work undertaken.</p> <p>The Annual Governance Statement sets out the Governance Framework including arrangements for best value.</p>	4
9. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	<p>Reviewing arrangements against the standards set out in the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).</p> <p>Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks.</p> <p>Assessing the effectiveness of ethical governance arrangements for both staff and governors.</p>	The Annual Internal Audit Report (June 2023) and reports on NFI work that are provided to the Audit & Governance Committee every 2 years provide evidence of review on fraud effectiveness. Regular Risk reports provide evaluation against fraud risk in the Service reports. Further fraud reporting has been requested by the Audit & Governance Committee and an Annual Counter Fraud report is being developed.	3

Areas where the Audit Committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment 5-1 see key below
10. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	Working with key members to improve their understanding of the AGS and their contribution to it. Improving how the authority discharges its responsibilities for public reporting; for example, better targeting at the audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encourages greater transparency. Publishing an annual report from the committee.	Committee scrutinises the Annual Report and Accounts including the Management Commentary for stakeholders. Reporting in Public of all of the Council ALEO organisations through the Audit & Governance Committee provides greater transparency of the Governance arrangements of these bodies. Audit & Governance Committee Annual Report will be presented to Council in public.	4

Assessment key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.

REPORT TO: **AUDIT & GOVERNANCE
COMMITTEE**



MEETING DATE: **26 September 2023**

BY: **Executive Director for Place**

SUBJECT: **Housing Annual Assurance Statement**

6

1 PURPOSE

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

2 RECOMMENDATIONS

- 2.1 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.
- 2.2 That Audit and Governance Committee note that the regulatory framework requires the submission of the AAS no later than the 31st October 2023.
- 2.2 That Audit and Governance 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 2022/23 and partially compliant for the first quarter of 2023/24. 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.

3 BACKGROUND

- 3.1 In 2019, the Scottish Housing Regulator (SHR) revised its regulatory framework following extensive consultation with social landlords, tenants and stakeholders. A summary of the framework is attached at Appendix 3.

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

Office, Care Inspectorate or Scottish Social Services Commission interventions or regulatory failures.

- 3.10 The Council has determined that it has partially complied with the regulatory framework for the 2022/23 year and for the first quarter of 2023/24. The following paragraphs highlight the areas of partial compliance.
- 3.11 The legal requirement is that the landlord must conduct a gas safety check within 12 months of the previous one. Although compliant with the Gas Safety regulations at 2022/23 year-end, there were 12 properties that did not have a gas safety check completed within 12 months. Each of these cases was due to Covid-19 being present and the properties were only entered once the households were symptom-free.
- 3.12 New legislation required all homes in Scotland to have interlinked fire/heat alarms by February 2022 and full electrical checks by March 2022. As of 31 March 2023, there were 84 (0.9% of total stock) non-compliant properties in respect of fire safety (Smoke, Heat and CO detection) and 155 (1.7% of total stock) non-compliant properties for electrical installation inspections. These non-compliant properties represent some of the Council's most challenging stock both in terms of tenancy management and/or technical issues e.g. illegally bypassed meters, no incoming earth, no power in quantum, hoarders etc. Access has now been gained to most of these properties and the wider housing team are working alongside social workers, Police Scotland and SPEN to complete the necessary works. At the end of quarter 1 2023/24, there were only 12 alarm (0.13%) and 33 EICR (0.36%) non-compliant properties remaining, which the Council is continuing to pursue with support from colleagues across a range of services and external partners.
- 3.13 The Council has significantly progressed work around reporting against all the protected characteristic groupings. The Housing IT systems have been modified to capture this information and the new housing application form that will capture this information is in the final stages of production. Staff training around this requirement is also in train and full compliance with this element of the regulatory framework is anticipated by the end of the 2023 calendar year.
- 3.14 The Council continues to be in breach of the Homeless Persons (Unsuitable Accommodation Order), which it regularly reports to the Scottish Government on a monthly basis. There are circa ten breaches per month, which are generally single person households. The Council continues to work hard to mitigate these breaches as well as respond to homeless pressure generally through new supply (new build and Open Market Acquisitions), high numbers of allocations to homeless households, use of the private rented sector where available, use of shared tenancies etc. amongst a range of other initiatives. However, demand continues to outstrip supply and this pressure necessitates the need to source additional accommodation outwith the framework, which

will often not meet the requirements of the order. Further detail around homelessness risks and how these are being managed can be found in the Council's Corporate Risk Register (ELC CR2) presented to Audit and Governance on 13 June 2023.

- 3.15 The SHR expectation is that the Annual Assurance Statement is brief confirming compliance or otherwise. In the event of material non-compliance a statement of how this will be addressed must be included.
- 3.16 The statement when signed should be made available to tenants and service users.
- 3.17 In April each year the SHR publishes an engagement plan for each landlord. This is informed by the Annual Return on the Charter (ARC), Scottish Government homeless statistics, previous engagement with the landlord and the new Annual Assurance Statement going forward. East Lothian Council's current engagement plan can be found at: [Tenant participation and landlord performance | East Lothian Council](#)

4. POLICY IMPLICATIONS

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

5. INTEGRATED IMPACT ASSESSMENT

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

6. RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 Appendix 1 – Annual Assurance Statement

- 7.2 Appendix 2 – Internal Audit Annual Assurance Report
- 7.3 Appendix 3 – Summary requirements for Local Authorities and RSLs
- 7.4 Appendix 4 – Evidence List
- 7.5 Audit and Governance Committee – Corporate Risk Register – June 2023
- 7.6 Link to SHR web-pages on the Regulatory Framework: [Regulatory Framework | Scottish Housing Regulator](#)

AUTHOR'S NAME	Wendy McGuire
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DATE	

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

Appendix 1

Date: ... September 2023

Dear Sir/Madam,

East Lothian Council – Annual Assurance Statement

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

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

The following areas are highlighted:

Annual Gas Safety Inspections

During 2022/23, 12 properties failed to have a gas safety check completed within 12 months of a gas appliance being fitted or its last check. The worst case was missed by only 26 days. Each of these cases represent Covid-19 positive cases and a decision was made to manage and monitor these individually and only enter properties once the entire household were symptom free. All properties became fully compliant with Gas Safety Regulations by 23 January 2023.

Interlinked Fire Alarms and Electrical Safety Inspections

New legislation required all homes in Scotland to have interlinked fire alarms by February 2022 and full electrical safety checks by March 2022. The Council has continued to dedicate increased resource and spend to the respective fire and electrical safety programmes, however the Council is not yet fully compliant. At 31 March 2023, there were 84 (0.9% of total stock) non-compliant properties in respect of fire safety (Smoke, Heat & CO detection) and 155 (1.7% of total stock) non-compliant properties for electrical installation inspections (EICRs). These non-compliant properties represent the Council's most challenging stock both in terms of tenancy management and/or technical issues. For those properties subject to at least two planned failed access attempts, a compulsory access project was introduced in October 2022; access has now been gained to these properties and the wider housing division are working alongside social workers, Police Scotland and SPEN to complete the necessary works. As at the end of quarter 1 of 2023/24, there were only 12 alarm (0.13%) and 33 EICR (0.36%) non-compliant properties remaining, which the Council is continuing to pursue in conjunction with internal and external partners.

Reporting against all the protected characteristic groupings

The Council currently collects and holds data for some, but not all, of the protected characteristics detailed in the Equality Act 2010. Final guidance on "Collecting equality information: National guidance for Scottish social landlords" was produced in March 2022, and the Council has significantly

progressed work around reporting against all the protected characteristic groupings. The Housing IT systems have been modified to capture this information and the new Housing application form that will gather the information is currently in the final stages of production. Staff training around this requirement is also being organised over the coming months. Full compliance is anticipated by the end of the 2023 calendar year.

The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020

The Order came into effect on 1 October 2021 and from this date the Council was not able to meet its statutory obligations in respect of temporary accommodation provision and was in breach of the Order. The Scottish Government are fully aware of the challenges faced by East Lothian Council and the SHR's Engagement Plan in place for East Lothian Council is focused on the Council's provision of temporary accommodation to people who are homeless. There is ongoing and proactive engagement in this regard. The Council continues to work hard to mitigate these breaches through new supply (new build and open market acquisitions), high numbers of allocations to homeless households, use of the private rented sector where available, the use of shared tenancies etc. amongst a range of other initiatives. However, demand continues to outstrip supply and this pressure necessitates the need to source additional accommodation outwith the framework, which will often breach the order. For the period between 1 August 2022 and 31 July 2023, 743 new homeless cases had been opened and 133 breaches of the Unsuitable Accommodation Order had been reported.

General

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

We approved our Annual Assurance Statement at our Audit and Governance Committee on 26 September 2023.

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

Yours sincerely,

Duncan Stainbank
Service Manager – Internal Audit



East Lothian Council Internal Audit Assurance Report

From:	Duncan Stainbank, Service Manager – Internal Audit Stuart Allan, Senior Auditor
To:	Douglas Proudfoot, Executive Director for Place Wendy McGuire, Head of Housing James Coutts, Service Manager – Community Housing and Homelessness
Date:	05 September 2023

SHR Annual Assurance Statement

1. Background

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

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

This is the fifth year that the Council has been required to prepare an Annual Assurance Statement and submit it to the SHR. We note that on 31 August 2020, the SHR made further adjustments to its regulatory approach in response to Covid-19, including allowing landlords more time to complete their Annual Assurance Statement by extending the deadline from October 2020 to November 2020. The SHR also published new advice for landlords on completing Annual Assurance Statements and noted that the landlord should "have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services". We note that the deadline for submission for the Annual Assurance Statement reverted back to 31 October in 2021 and that the deadline for submission of this year's statement is 31 October 2023.

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

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

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

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

2. Findings

2.1 Assurance and Notification

Key findings are:

- The Council prepares an Annual Assurance Statement, which it submits to the SHR and makes available to tenants and service users.
- The service area has introduced a quarterly Assurance and Notification Self-Assessment Checklist, which requires to be signed off by appropriate managers/officers and is included as part of the evidence gathering regarding regulatory compliance. Three areas of non-compliance have been highlighted:
 - Annual Gas Safety Inspections – at the year end, the Council was fully compliant with Gas Safety Regulations. However during 2022/23, 12 properties failed to have a gas safety check completed within 12 months of a gas appliance being fitted or its last check. The worst case was missed by only 26 days. Each of these cases represent Covid-19 positive cases and a decision was made to manage and monitor these individually and only enter properties once the entire household were symptom free. All properties became fully compliant by 23 January 2023.
 - Interlinked Fire Alarms and Electrical Safety Inspections – new legislation required all homes in Scotland to have interlinked fire/heat alarms by February 2022 and full electrical safety checks by March 2022. The Council has continued to dedicate increased resource and spend to the respective fire and electrical safety programmes, however the Council is not yet fully compliant. At 31 March 2023, there were 84 (0.9% of total stock) non-compliant properties in respect of fire safety (Smoke, Heat & CO detection) and 155 (1.7% of total stock) non-compliant properties for electrical installation inspections (EICRs). These non-compliant properties represent the Council's most challenging stock both in terms of tenancy management and/or technical issues. For those properties subject to at least two planned failed access attempts, a compulsory access project was introduced in October 2022; access has now been gained to these properties and the wider housing division are working alongside social workers, Police Scotland and SPEN to complete the necessary works. As at the end of quarter 1 of 2023/24, there were only 12 alarm (0.13%) and 33 EICR (0.36%) non-compliant properties remaining, which the Council is continuing to pursue in conjunction with internal and external partners.
 - The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020 came into effect on 1 October 2021 and from this date the Council was not able to meet its statutory obligations in respect of temporary accommodation provision and was in breach of the Order. The Scottish Government are fully aware of the challenges faced by East Lothian Council and the SHR's Engagement Plan in place for East Lothian Council is focused on the

Council's provision of temporary accommodation to people who are homeless. There is ongoing and proactive engagement in this regard. The Council continues to work hard to mitigate these breaches through new supply (new build and open market acquisitions), high numbers of allocations to homeless households, use of the private rented sector where available, the use of shared tenancies etc. amongst a range of other initiatives. However, demand continues to outstrip supply and this pressure necessitates the need to source additional accommodation outwith the framework, which will often breach the order. For the period between 1 August 2022 and 31 July 2023, 743 new homeless cases had been opened and 133 breaches of the Unsuitable Accommodation Order had been reported.

- Confirmation was sought from the Council's Health & Safety Adviser and Insurance Manager and we were advised that they do not have a record of any HSE investigations relating to tenant or resident safety, nor have the Council had any notification from our insurers of any concerns.
- The SHR's Engagement Plan for East Lothian Council from 31 March 2023 to 31 March 2024 can be accessed via the Council's website.

2.2 Scottish Social Housing Charter Performance

Key findings are:

- The Council submitted the 2022/23 Annual Return on the Charter to the SHR on 31 May 2023 and the Council has involved tenants, and where relevant other service users, in the preparation and scrutiny of performance information through the East Lothian Tenants and Residents Panel (ELTRP), the umbrella organisation for tenants and residents in East Lothian.
- The deadline for landlords to report to their tenants and service users on their performance against the Scottish Social Housing Charter is 31 October 2023. We are advised that the draft of the Landlord Report to Tenants 2022/23, providing information on the performance of the Council as a housing provider has recently been consulted on. The responses from the consultation with stakeholders were due by 11 August 2023 and the final report will be published prior to the October 2023 deadline.
- The 2020-23 Tenant Participation Strategy was approved by Cabinet on 10 November 2020. We are advised that a review of the current Strategy will commence shortly, with a view to having a new Strategy in place for 2024.

2.3 Tenants and Service Users Redress

Key findings are:

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

2.4 Whistleblowing

Key findings are:

- The Council has a Whistleblowing Policy in place, which is available to employees in the Human Resources section of the Council's intranet. The Policy was last updated in 2022 and the updated version was approved by Cabinet on 27 September 2022.
- A dedicated whistleblowing hotline and whistleblowing email address are both in place.

2.5 Equality and Human Rights

Key findings are:

- The Council has a detailed "East Lothian Equality Plan 2021-2025" in place, dated November 2021.
- All Council, Cabinet and Committee reports require an Integrated Impact Assessment to be carried out if the subject of the report affects the wellbeing of the community or has a significant impact on equality, the environment or economy.
- The SHR states that to comply with its duties in respect of equality and human rights "landlords must collect data relating to each of the protected characteristics for their existing tenants, new tenants, people on waiting lists, governing body members and staff. Local authorities must also collect data on protected characteristics for people who apply to them as homeless." The nine protected characteristics, as per the Equality Act 2010, are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. We note that the Council currently collects and holds data for some, but not all, of the protected characteristics detailed in the legislation. Final guidance on "Collecting equality information: National guidance for Scottish social landlords" was produced in March 2022, and the Council has significantly progressed work around reporting against all the protected characteristic groupings. The Housing IT systems have been modified to capture this information and the new Housing application form that will gather the information is currently in the final stages of production. Staff training around this requirement is also being organised over the coming months. Full compliance is anticipated by the end of the 2023 calendar year.

3. Conclusions

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

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

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

- Annual Gas Safety Inspections – during 2022/23, 12 properties failed to have a gas safety check completed within 12 months of a gas appliance being fitted or its last check. The worst case was missed by only 26 days. Each of these cases represent Covid-19 positive cases and a decision was made to manage and monitor these individually and only enter properties once

the entire household were symptom free. All properties became fully compliant with Gas Safety Regulations by 23 January 2023.

- Interlinked Fire Alarms and Electrical Safety Inspections – new legislation required all homes in Scotland to have interlinked fire alarms by February 2022 and full electrical safety checks by March 2022. The Council has continued to dedicate increased resource and spend to the respective fire and electrical safety programmes, however the Council is not yet fully compliant. At 31 March 2023, there were 84 (0.9% of total stock) non-compliant properties in respect of fire safety (Smoke, Heat & CO detection) and 155 (1.7% of total stock) non-compliant properties for electrical installation inspections (EICRs). These non-compliant properties represent the Council's most challenging stock both in terms of tenancy management and/or technical issues. For those properties subject to at least two planned failed access attempts, a compulsory access project was introduced in October 2022; access has now been gained to these properties and the wider housing division are working alongside social workers, Police Scotland and SPEN to complete the necessary works. As at the end of quarter 1 of 2023/24, there were only 12 alarm (0.13%) and 33 EICR (0.36%) non-compliant properties remaining, which the Council is continuing to pursue in conjunction with internal and external partners.
- Reporting against all the protected characteristic groupings – the Council currently collects and holds data for some, but not all, of the protected characteristics detailed in the Equality Act 2010. Final guidance on "Collecting equality information: National guidance for Scottish social landlords" was produced in March 2022, and the Council has significantly progressed work around reporting against all the protected characteristic groupings. The Housing IT systems have been modified to capture this information and the new Housing application form that will gather the information is currently in the final stages of production. Staff training around this requirement is also being organised over the coming months. Full compliance is anticipated by the end of the 2023 calendar year.
- The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020 came into effect on 1 October 2021 and from this date the Council was not able to meet its statutory obligations in respect of temporary accommodation provision and was in breach of the Order. The Scottish Government are fully aware of the challenges faced by East Lothian Council and the SHR's Engagement Plan in place for East Lothian Council is focused on the Council's provision of temporary accommodation to people who are homeless. There is ongoing and proactive engagement in this regard. The Council continues to work hard to mitigate these breaches through new supply (new build and open market acquisitions), high numbers of allocations to homeless households, use of the private rented sector where available, the use of shared tenancies etc. amongst a range of other initiatives. However, demand continues to outstrip supply and this pressure necessitates the need to source additional accommodation outwith the framework, which will often breach the order. For the period between 1 August 2022 and 31 July 2023, 743 new homeless cases had been opened and 133 breaches of the Unsuitable Accommodation Order had been reported.

REQUIREMENTS FOR LOCAL AUTHORITIES AND RSLs

EACH LANDLORD MUST:

ASSURANCE & NOTIFICATION

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

SCOTTISH SOCIAL HOUSING CHARTER PERFORMANCE

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

SCOTTISH SOCIAL HOUSING CHARTER PERFORMANCE (CONTINUED)

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

WHISTLEBLOWING

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

TENANTS AND SERVICE USERS REDRESS

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

EQUALITY AND HUMAN RIGHTS

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

Appendix 4 - AAS 2023 - EVIDENCE LIST

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

REPORT TO: Audit & Governance Committee
MEETING DATE: 26 September 2023
BY: Executive Director for Council Resources
SUBJECT: Financial Management Code

7

1 PURPOSE

- 1.1 To provide Audit & Governance Committee with an assessment of compliance with CIPFA's Financial Management Code (the FM Code), and proposed actions to improve and enhance this.

2 RECOMMENDATIONS

- 2.1 The Council is recommended to:
- Note the assessment of compliance against the FM Code and proposed actions documented within Appendix 1.
 - Note the conclusion that overall, the council is complying with the 7 principles of the code, although there is scope for improvement / enhancements to compliance across of these areas, which has been identified through the assessment.

3 BACKGROUND

- 3.1 The Financial Management Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The Chartered Institute of Public Finance & Accountancy (CIPFA) has produced the code, which sets the standards of financial management for local authorities.
- 3.2 CIPFA has developed the FM Code in response to the challenges of reduced funding and increased demand for services, alongside the high-profile financial management issues which have faced a small number of local authorities in recent years, which have served to highlight the importance of robust financial management.

3.3 The Code itself is not prescriptive in nature, but centred around the following principles of good financial management:

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit and inspection.
- The long term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

3.4 The Code translates these principles into a series of standards, which are summarised within Appendix 1. Compliance with the standards is not prescribed in legislation, however it is the duty of each local authority to adhere to the principles of proper financial management. Compliance with the standards is established through self-assessment, which has been documented within the appendix. It should be noted that the financial management standards are minimum standards and, in some cases, may be exceeded.

3.5 CIPFA considers application of the FM Code to be a collective responsibility of each authority’s organisational leadership team.

3.6 The self-assessment documented within Appendix 1 concludes that the Council is complying or partially complying with the main principles of sound financial management. The current financial risk environment means that full compliance across some areas is extremely challenging, and actions which have been identified to enhance conformance with the standards are summarised below:

	Action	FM Code Section	Date	Lead Officer
1	Ensure that all decision reports are subject to review by the Chief Finance Officer, or suitable delegates.	CFO & Leadership Team	Ongoing	Executive Director for Council Resources

2	Conduct financial skills review and ensure that appropriate training is in place to support new Service Managers and Heads of Service, and to embed effective financial management across the council.	CFO & Leadership Team	Apr 2025	Head of Finance
3	Progress the review / replacement of the financial management system.	CFO & Leadership Team	Ongoing	Head of Finance
4	Progress maturity assessment of transformation projects.	Governance & financial management style	Jan 2024	Service Manager – Transformation & Digital
5	Agree further measures to close the budget gap for 2024/25 onwards.	The annual budget	Feb 2024	Executive Director for Council Resources
6	Progress budget consultation for the 2024/25 budget.	The annual budget	Oct 2024	Head of Finance
7	Consider the requirements of the IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal' within the Council's decision making processes.	Stakeholder engagement & business plans	April 2024	Head of Finance
8	Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making, and identify scope for improving these as appropriate.	Monitoring financial performance	July 2024	Head of Finance

4 POLICY IMPLICATIONS

4.1 There are no direct policy implications which arise from this report. However, they will support the Council's overall achievement of its aims by ensuring sound financial management.

5 INTEGRATED IMPACT ASSESSMENT

5.1 The recommendations do not propose any changes which would require an impact assessment.

6 RESOURCE IMPLICATIONS

6.1 Financial – There are no cost implications arising from this report. However, the recommendations are intended to support good financial management and financial sustainability.

6.2 Personnel - none

6.3 Other – none

7 BACKGROUND PAPERS

7.1 None

Author's Name	Ellie Dunnet
DESIGNATION	Head of Finance
CONTACT INFO	edunnet@eastlothian.gov.uk
DATE	11 September 2023

Ref	Description	Detail	Assessment & Actions Required	RAG
Section 1: The responsibilities of the chief finance officer and leadership team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money.	<p>The authority has a clear and consistent understanding of what value for money means to it and its leadership team.</p> <p>There are suitable mechanisms in place to promote value for money at a corporate level and at the level of individual services.</p> <p>The authority is able to demonstrate the action that it has taken to promote value for money and what it has achieved.</p>	<p>The council is committed to delivering value for money in all aspects of service delivery and financial implications are identified in all papers submitted for decision.</p> <p>Value for money is also subject to independent review through Best Value reporting by the council's external auditors. This will be reported on in 2023.</p> <p>Robust procurement processes and contract standing orders ensure that purchasing decisions deliver value for money for the council. This is underpinned by the Procurement Strategy which was agreed by Cabinet in January 2023, and incorporates delivery of best value as a key strategic objective.</p> <p>A refreshed Improvement to Excellence framework was approved by Cabinet in May 2023 to take account of the Council's new priorities as set out in the 2022-2027 Council Plan, and the experience and practice of operating the framework over the last few years.</p>	G

B	<p>The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.</p>	<p>In summary this Statement requires that the Chief Finance Officer (CFO):</p> <ul style="list-style-type: none"> • Is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation’s strategic objectives sustainably and in the public interest. • Must be actively involved in, and able to bring influence to bear on, all material business decisions • Must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively. • Must lead and direct a finance function that is resourced to be fit for purpose. • Must be professionally qualified and suitably experienced. 	<p>The responsibilities of the Chief Finance Officer (Executive Director for Council Resources) are set out within the council’s standing orders.</p> <p>The Chief Finance Officer is a member of the Executive Management Team (EMT) and reports directly to the Chief Executive. This facilitates appropriate influence over all material business decisions.</p> <p>The CFO is a CIPFA qualified accountant (2006), and is supported by the Head of Finance who is also CIPFA qualified (2013).</p> <p>Within the Finance Service there are currently 13 qualified accountants, and also 4 trainees who are working towards their professional qualifications.</p> <p>The financial strategy recognises some challenges in relation to the legacy finance systems, and promotes measures to address this. Work is underway to consider future options to deliver improvements in this area to improvement management information to support effective financial control.</p>	G
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			<p>Some actions to further enhance existing compliances have been identified below:</p> <p>Action: Ensure that all decision reports are subject to review by the Chief Finance Officer, or suitable delegates.</p> <p>Action: Conduct financial skills review and ensure appropriate training is in place to support new Service Managers and Heads of Service, and to embed effective financial management across the council.</p> <p>Action: Progress the review / replacement of the financial management system.</p>	
Section 2: Governance and financial management style				

C	<p>The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.</p>	<p>Actions and behaviours of the leadership team are guided by the Nolan principles.</p> <p>The authority has a clear framework for governance and internal control.</p> <p>The leadership team has established effective arrangements for assurance, internal audit and internal accountability.</p> <p>The leadership team espouses high standards of governance and internal control.</p> <p>The leadership team nurtures a culture of effective governance and robust internal control across the authority.</p>	<p>Job outlines for Heads of Service and the Chief Executive, set out within the council's standing orders reference the expectation that in all matters and at all times, the post holders will act according to the Nolan Principles for public life.</p> <p>The Corporate Management Team (CMT) are represented at board level for all key corporate projects, and regular board meetings assist with ensuring the effective delivery of work programmes which are critical to the delivery of the council's strategic objectives.</p> <p>The Officer Code of Conduct sets out the expected standards of behaviour for staff and where breaches are identified, these are dealt with through the appropriate channels.</p> <p>The framework for internal control is not explicitly codified but is considered to be adequate, and is subject to ongoing review and improvement. This is reflected in the Head of Internal Audit's annual opinion.</p> <p>Action: Implement the improvement action identified within the corporate governance</p>	G
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			self-evaluation (reported to Audit & Governance Committee June 2023).	
D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	<p>The Council is aware of the provisions of the CIPFA Delivering Good Governance Framework.</p> <p>The authority has sought to apply the principles, behaviour and actions set out in the Framework to its own governance arrangements.</p> <p>The authority has in place a suitable code of governance.</p>	<p>The Council has adopted the principles of Corporate Governance based on the CIPFA / SOLACE guidance, and the results of a corporate governance self-evaluation were reported to the Audit and Governance Committee in June 2023. This review identifies four areas for improvement.</p> <p>The Council sets out the actions it has taken or plans to take to ensure that high standards of governance are delivered within its Annual Governance Statement and action plan. Compliance against CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 is reviewed annually by the Audit and Governance Committee. This review is documented within the Annual Governance Statement which is subject to independent review by external audit.</p> <p>Action: as identified in the results of the corporate governance self-assessment 2023 (address four areas for improvement)</p>	G

E	<p>The financial management style of the authority supports financial sustainability.</p>	<p>Strong financial management is assessed against a hierarchy of:</p> <ol style="list-style-type: none"> 1. delivering accountability 2. supporting performance 3. enabling transformation <p>Criteria at each level must be met to enable progression to the next level of the hierarchy. This is broadly linked to economy, efficiency and effectiveness.</p>	<p>The council’s standing orders detail committee functions and member and officer delegations.</p> <p>Accountability in relation to budgetary performance is ensured through regular financial reporting to CMT and Council.</p> <p>There is an effective performance management framework in place including performance measures, customer satisfaction surveys, and monitoring of key strategic projects.</p> <p>The council has an established transformation programme, and the Financial Strategy is focussed on directing investment appropriate to enable this to be accelerated. A Transformation and Digital Manager has been newly appointed to support this.</p> <p>Action: Progress maturity assessment of transformation projects.</p>	G
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Section 3: Long to medium-term financial management

F	<p>The authority has carried out a credible and transparent financial resilience assessment.</p>	<p>The authority has undertaken a financial resilience assessment.</p> <p>That assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios.</p> <p>The authority has taken appropriate action to address any risks identified as part of the assessment.</p>	<p>Development of the current Financial Strategy incorporated scenario planning, with adverse and favourable assumptions being modelled and presented to decision makers.</p> <p>The strategy recognises that further action will be required in order to address the risks currently facing the council in relation to financial resilience, and sets out how the council plans to close the funding gap.</p> <p>This remains a key area of risk for the council and although some progress has been made in identifying and agreeing savings to close the budget gap, further action will be required in order for financial resilience to be achieved.</p> <p>Action: agree further measures to close the budget gap for 2024/25 onwards.</p>	A
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G	<p>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</p>	<p>The authority has a sufficiently robust understanding of the risks to its financial sustainability.</p> <p>The authority has a strategic plan and long-term financial strategy that addresses adequately those risks.</p> <p>The authority reports effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short and medium-term decision making.</p>	<p>Risks to financial sustainability are comprehensively documented within the corporate risk register, which is regularly updated and considered by CMT and Council.</p> <p>Alongside this, regular finance update reports also capture the emerging risk environment and impact on financial sustainability.</p> <p>Managing the financial environment represents the highest rated risk ever reported through the corporate risk register.</p> <p>While the response to this risk is developing and represents a huge ongoing challenge for the council, this risk is considered to be well understood by the leadership team and is clearly communicated to members on a regular basis.</p>	G
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H	<p>The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.</p>	<p>The authority is aware of its obligations under the Prudential Code.</p> <p>The authority has prepared a suitable capital strategy.</p> <p>The authority has a set of prudential indicators in line with the Prudential Code.</p> <p>The authority has suitable mechanisms for monitoring its performance against the prudential indicators that it has set.</p>	<p>The council complies with the requirements of the Prudential code, and prepares its Capital, Investment and Treasury Management strategies with reference to this.</p> <p>The Audit and Governance Committee receives reports on performance against the Treasury Management Strategy and Prudential Indicators twice a year, and quarterly updates are now also included within budget monitoring reports to Council.</p> <p>The council's capital strategy has been approved by Council and contains a range of indicators set with reference to the Prudential Code for Capital Finance. Capital spending is monitored through regular finance update reports, and individual project governance arrangements.</p>	G
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I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	<p>The authority has in place an agreed medium term financial plan. The medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy.</p> <p>The medium-term financial plan has been prepared on the basis of a robust assessment of the relevant drivers of cost and demand.</p> <p>The medium-term financial plan has been tested for resilience against realistic potential variations in key drivers of cost and demand.</p>	<p>The Council has adopted a 5 year financial strategy which will be updated and rolled forward annually.</p> <p>Consultation with officers, members, residents and external partners will place as part of budget development to ensure that it reflects up to date priorities and horizon scanning.</p> <p>Development of the financial strategy incorporates scenario planning, with adverse and favourable assumptions being modelled and presented to decision makers.</p> <p>Action: progress budget consultation for the 2024/25 budget.</p>	G
Section 4: The annual budget				

J	<p>The authority complies with its statutory obligations in respect of the budget setting process.</p>	<p>The authority is aware of its statutory obligations in respect of the budget setting process.</p> <p>The authority has set a balanced budget for the current year.</p> <p>The authority is likely to be able to set a balanced budget for the forthcoming year.</p>	<p>The council and officers are aware of the council’s statutory responsibilities with respect to setting a balanced budget.</p> <p>The budget for the current financial year (2023/24) was agreed by Full Council in February. Since the budget was set, a number of risks have emerged, which are anticipated to result in a significant unplanned overspend if action is not taken to mitigate this. This was reported to Council in August 2023, and a number of mitigating actions were agreed at this point.</p> <p>The corporate risk register sets out the significant financial challenges currently facing the council, and the acute challenges that this presents in setting a balanced budget for 2024/25 and beyond. This is an area of significant risk for the council and this has been communicated to councillors, staff, Scottish Government and internal and external audit.</p> <p>Action: agree further measures to close the budget gap for 2024/25 onwards.</p> <p>Action: progress budget consultation for the 2024/25 budget.</p>	R
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K	<p>The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.</p>	<p>The authority's most recent budget report includes a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</p> <p>The report accurately identifies and considers the most significant estimates used to prepare the budget, the potential for these estimates to be incorrect and the impact should this be the case.</p> <p>The authority has sufficient reserves to ensure its financial sustainability for the foreseeable future.</p> <p>The report sets out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is taking to address any shortfall.</p>	<p>The 5 year budget for 2023/24 onwards was agreed by Council on 28 February 2023.</p> <p>This sets out the estimated revenue and capital expenditure for the general services and housing revenue accounts, alongside the range of risks contained within the estimates.</p> <p>The budget for the current financial year (2023/24) incorporates planned use of reserves of £7.4m. The report to Council notes that it will not be possible to sustain this approach into the future.</p> <p>At this point in time, it is anticipated that reserves will be sufficient to cover expenditure for the forthcoming 12 months, however, the position beyond that remains uncertain.</p> <p>A number of mitigation measures have been introduced by Council in response to the current risks relating to the budget deficit and the adequacy of reserves, and the financial strategy incorporates a commitment to minimise the use of reserves in order to balance the budget.</p>	A
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			Action: agree further measures to close the budget gap for 2024/25 onwards.	
Section 5: Stakeholder engagement and business plans				

L	<p>The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.</p>	<p>The authority knows who its key stakeholders are.</p> <p>The authority has sought to engage with key stakeholders in developing its long term financial strategy, its medium term financial plan and its annual budget.</p> <p>The authority has assessed the effectiveness of this engagement.</p> <p>The authority has a plan to improvement its engagement with key stakeholders.</p>	<p>The Council has a Communications Strategy which identifies the key audiences which the Council will aim to reach through its communications, and highlights the importance of partnership working.</p> <p>Communications plans for individual campaigns also incorporate stakeholder engagement planning. In addition the Equality plan details the council’s plan for engaging with stakeholder groups.</p> <p>Residents’ surveys are conducted regularly in addition to specific consultation on the council’s budget.</p> <p>Engagement on financial planning and budgets take place with key stakeholders including the HSCP through regular meetings.</p> <p>To supplement formal engagement with elected members through public meetings, two cross party forums have been established, to enable cross party consideration around matters relating to the budget, and to sustainability. These groups were established in 2022 and continue to meet regularly. Their effectiveness will be monitored on an ongoing</p>	G
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			basis and appropriate adjustments will be made where necessary.	
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M	<p>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</p>	<p>The authority has a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal'.</p> <p>The authority offers guidance to officers as to when an option appraisal should be undertaken.</p> <p>The authority's approach to option appraisal includes appropriate techniques for the qualitative and quantitative assessment of options.</p> <p>The authority's approach to option appraisal includes suitable mechanisms to address risk and uncertainty.</p> <p>The authority reports the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s).</p>	<p>The Capital Strategy sets out the criteria for assessing schemes to be included on the capital programme.</p> <p>Investment appraisals are undertaken for development and construction schemes and property acquisitions.</p> <p>Recommendations made to decision makers for such schemes are based on the outputs of investment appraisal alongside qualitative factors including the achievement of strategic objectives. Risk management considerations are a feature of all decision reports, and members are presented with alternative options to consider as part of the recommendation.</p> <p>Action: Consider the requirements of the IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal' within the Council's decision making processes.</p>	A
Section 6: Monitoring financial performance				

N	<p>The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p>	<p>The authority provides the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability.</p> <p>The reports cover both forward and backward-looking information in respect of financial and operational performance.</p> <p>There are mechanisms in place to report the performance of the authority's significant delivery partnerships.</p> <p>The reports are provided to the leadership team in a timely manner and in a suitable format.</p> <p>The leadership team is happy with the reports that it receives and with its ability to use these reports to take appropriate action.</p>	<p>The budget monitoring position is reported to CMT and EMT on a quarterly basis. Finance updates to each meeting of CMT also provide forward looking information relating to the development of the budget for the forthcoming financial year, as well as discussion of planned mitigation measures in response to current year projected overspends. Regular risk updates also set out forward looking information.</p> <p>The reports are prepared and presented in a timely manner following the end of each quarter, allowing time for the relevant data to be collected. Timely reporting enables potential issues and opportunities to be identified early, and corrective action to be taken where necessary.</p> <p>CMT and EMT meet regularly, allowing for urgent matters to be raised outside of the quarterly reporting process if necessary.</p> <p>Financial reporting and management information could be enhanced by delivering improvements or replacing the council's financial management system.</p>	A
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			<p>Action: Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making, and identify scope for improving these as appropriate.</p> <p>Action: Progress the review / replacement of the financial management system.</p>	
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O	<p>The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.</p>	<p>The authority has identified the elements of its balance sheet that are most critical to its financial sustainability.</p> <p>The authority has put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet.</p> <p>The authority is taking action to mitigate the risk identified.</p> <p>The authority reports unplanned use of its reserves to the leadership team in a timely manner.</p>	<p>Quarterly financial updates to Council incorporate reporting on elements of the balance sheet including reserves, capital expenditure, treasury management and council tax collection.</p> <p>Key Performance Indicators also assess paid performance statistics, investment risk and recovery of sundry debts. Write offs of uncollectible debt are also reported transparent through Members Library Reports, with write-offs of individual debts in excess of £50,000 requiring Cabinet approval.</p> <p>The Corporate Asset Group meets regularly to oversee the implementation of the capital strategy and discuss future risks and opportunities.</p> <p>The Pension Fund is reviewed on a triennial basis and annual contributions are adjusted to ensure that deficits are repaid over the coming years.</p> <p>Recent budget monitoring information suggests that it is likely that there will be an unplanned drawdown of reserves for 2023/24. This was reported to the leadership team as part of the quarter one update and a number</p>	G
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			of actions have been agreed in order to try and mitigate this.	
Section 7: External financial reporting				
P	The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	<p>The authority's leadership team is aware of the CFO's responsibilities in terms of the preparation of the annual financial statements.</p> <p>The authority's CFO is aware of their responsibilities in terms of the preparation of the annual financial statements.</p> <p>These responsibilities are included in the CFO's role description, personal objectives and other relevant performance management mechanisms.</p>	<p>CMT receive regular budget monitoring information.</p> <p>The CFO is aware of the requirements of the financial statements, which are fully compliant with the Code of Practice on Local Authority Accounting.</p> <p>The council's standing orders set out the CFO's responsibilities regarding the statement of accounts. The Council has a long history of unqualified external audit opinions on its financial statements, usually with minimal requirement for audit adjustments which go beyond presentational improvements. To date, the Council has a track record of meeting the statutory deadlines set out in the Accounts and Audit Regulations.</p>	G

Q	<p>The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.</p>	<p>The authority's leadership team is provided with a suitable suite of reports on the authority's financial outturn and on significant variations from budget.</p> <p>The information in these reports is presented effectively.</p> <p>These reports are focused on information that is of interest and relevance to the leadership team.</p> <p>The leadership team feels that the reports support it in making strategic financial decisions.</p>	<p>The year-end outturn position is presented to CMT and Council in June, along with the draft unaudited accounts.</p> <p>Budget outturn information is also reported to CMT and to Council on a quarterly basis throughout the year. Although traditionally this information has been considered by Cabinet, in light of the significant risks currently facing the council in relation to the financial position, a decision was taken for finance updates to be considered at full Council.</p> <p>These reports set out variances against revenue and capital budgets, along with the forecast year end position and estimated impact on reserves. The reports also set out the reasons for the variances and mitigation actions proposed for addressing overspends.</p> <p>The information from these reports is also used to inform the budget setting process for the forthcoming financial year.</p> <p>Action: Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making, and</p>	G
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			identify scope for improving these as appropriate.	
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REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 26 September 2023

BY: Chief Executive

SUBJECT: Housing Risk Register

8

1 PURPOSE

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

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Housing 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 Housing 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 Housing 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 Housing 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 Housing Risk Register includes 12 High, 7 Medium and 3 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 Housing LRWG that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Register should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Corporate Management Team.

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 Appendix 1 – Housing Risk Register 2023-24

7.2 Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy	
DESIGNATION	Emergency Planning, Risk and Resilience Manager	
CONTACT INFO	skennedy@eastlothian.gov.uk	01620 827900
DATE	14 September 2023	

Housing Risk Register 2023-24

Date reviewed: 14th September 2023

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures in place) (currently	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		
H1	Financial	<p>Building material supply Issues</p> <p>Concurrent impacts of Brexit, COVID-19, war in Ukraine and other global supply chain factors are affecting building material supplies. There are currently inconsistencies in the supply of these materials across all trades.</p> <p>This is impacting on cost and repair timescales and ability to meet statutory repair duties and could result in emergency repairs not being carried out.</p> <p>This is also impacting on the affordable housing programme leading to delays on delivery, impacting on targeted spend profile and increasing costs which are becoming unaffordable.</p> <p>Subsidy has increased but the overall allocation has stayed the same resulting in more subsidy per unit but a reduction in overall completions.</p>	<p>Stockpiling of materials following Scotland Excel guidance issues during first Covid-19 lockdown.</p> <p>Maintaining a dialogue with suppliers to minimise impacts on repair timescales.</p> <p>This is also highlighted within the Corporate Risks on Supply Issues and Brexit and regularly discussed at CMT, who are aware of this issue.</p> <p>The Scottish Government have reviewed and increased the benchmark. Agreed to continually monitor and review to ensure level is correct and reflects current costs.</p> <p>Continue to monitor and follow national advice through Scottish Government, Scotland Excel, COSLA etc.</p> <p>Quarterly Programme Board meetings in place to monitor closely.</p>	4	4	16	Continue to liaise with the Scottish Government in relation to increasing costs and the new build benchmark for subsidy.	3	4	12	March 2024	Risk refreshed by Head of Service, August 2023 with no change to assessment of risk scores.
H2	Financial	<p>Property Maintenance Trading Operation</p> <p>Property Maintenance is a significant Trading Operation, which generates an annual surplus to the General Fund.</p> <p>If the operation fails to demonstrate Best Value, it could result in work possibly having to be outsourced and subsequent job losses.</p>	<p>Monthly review of Trading Accounts to ensure service is on target to meet budgeted surplus and regular financial health checks are undertaken out by departmental Finance Partner.</p> <p>Ongoing implementation of mobile working in Property Maintenance Services.</p> <p>Job costing aligned to a nationally benchmarked schedule of rates (SORs).</p> <p>Ongoing twice-yearly reconciliation of building material stock.</p> <p>HRA subsidy payment to cover ongoing operating costs has been approved for previous financial years and will be monitored for this year.</p> <p>A dedicated Income & Accruals officer role has been recruited, ensuring more frequent housekeeping of works orders, minimising accruals and realising trading turnover.</p>	4	4	16	<p>Further roll-out of mobile working and targeted efficiency improvements.</p> <p>Closely monitoring turnover levels to ensure accurate projections of year end surplus.</p> <p>Ensure methodology for SOR increase is correct and reflects current increase</p> <p>Monitor and consider further possible subsidy from HRA.</p>	2	4	8	<p>October 2023</p> <p>November 2023</p> <p>November 2023</p> <p>November 2023</p>	Risk refreshed by Service Manager – Property Maintenance, September 2023 with residual score reduced from 9 to 8.
H3	Financial	<p>Fuel Poverty</p> <p>Increase in fuel poverty due to a variety of factors:</p> <ul style="list-style-type: none"> - Increase in fuel prices - Impact of welfare reform - Changing householder economic / financial situation 	<p>All new homes that are fitted with ASHP are very well insulated while new trial projects using ASHP are ongoing.</p> <p>Energy Efficient Scotland: Area Based Scheme (EES: ABS) in place, offering targeted energy efficiency measures and fuel poverty</p>	4	4	16	<p>Scottish Government requirement for all local authorities to have LHEES in place by December 2023, in line with new Heat in Buildings Strategy.</p> <p>Local Heat and Energy Efficiency Strategy (LHEES) pilot complete</p>	3	3	9	December 2023	<p>Risk updated by Head of Service, August 2023 with no changes to risk scores.</p> <p>Risk refreshed by Service Manager</p>

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures in place) (currently	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>- COVID impact - loss of employment. - cost of living</p> <p>There may also be a lack of skilled workforce to install EWI due to Brexit.</p> <p>Energy Efficiency is a national infrastructure priority (SG's Infrastructure Investment Plan 2015). During 2017, the Scottish Government consulted on a range of related issues as part of the draft Climate Change Plan and draft Scottish Energy Strategy. Energy Efficiency Scotland Programme (EES) is currently under development and will be a co-ordinated programme to improve energy efficiency of homes alongside commercial, public and industrial sectors.</p> <p>The impact of living in fuel poverty can place additional pressure on existing services – health, social care, advice, rent income.</p> <p>New buildings consented from 2024 must use zero direct emissions heating. This could result in tenants having higher heating due to electric heating currently being more expensive to run than gas.</p> <p>Potential increased risk of damage to the fabric of buildings and impact on health and wellbeing of tenants as a result of tenants not being able to afford to heat their homes.</p> <p>There has been a significant increase in demand for the energy advice service, resulting in an increase in cost.</p>	<p>advice to private sector stock. £1.16m secured for this financial year</p> <p>Survey works ongoing to identify suitable areas re-East Lothian's EES/ABS programme. While we continue to deliver a fabric first approach, there are less properties in need of insulation resulting in other measures being explored such as installation of Solar PV and battery.</p> <p>Energy advice and fuel debt support in place, but increasing evidence that scale of the fuel poverty crisis may present service delivery challenges in months ahead.</p> <p>Capital Programmes in place for council housing and Registered Social Landlords to increase energy efficiency measures. Social rented tenure must meet EESSH 2 by December 2032. EESSH2 guidance is currently under review and has been delayed</p> <p>£3.255M was invested in energy efficiency measures to ELC owned stock in 2019/20 raising EESSH compliance to 82% of all stock.</p> <p>Local Housing Strategy is now in place with associated actions in relation to energy efficiency of existing housing stock, fuel poverty and climate change.</p> <p>Improving knowledge of the levels, extent and nature of fuel poverty and target resources to the worst affected areas. Prioritise areas most at risk of fuel poverty using data from Home Analytics.</p> <p>Additional funding has been drawn from EES:ABS fund to help this year.</p> <p>Govt. have increased funding per property in EES; ABS to help with the increase in costs.</p>				<p>Closely monitoring Scottish Government's Heat in Buildings Strategy, revising modernisation programmes and upskilling of in-house workforce accordingly.</p> <p>Housing Strategy & Development and Property Maintenance looking to develop an Energy Efficiency Policy to set out asset management/investment priorities in the short term whilst linking with LHEES over the longer term.</p> <p>Scottish Government is planning to introduce a Heat in Buildings Bill to Parliament in 2024, which will enshrine the Scottish Government's ambition to eradicate fuel poverty including regulation, LHEES, National Public Energy Agency and potentially removing barriers to retrofit. The Scottish Government published Fuel Poverty Strategy for Scotland in December 2021 outlining its strategic approach to tackling fuel poverty in Scotland.</p> <p>Scottish Government is in consultation on New Build Heat Standard Part 2, and Housing Strategy & Development is leading the response for ELC, coordinating with other departments.</p> <p>New Local Housing Strategy is currently being drafted which will include actions to tackle fuel poverty</p> <p>Current Energy Efficiency advice service provision (via Changeworks) has been reviewed in light of rising demands within EL population, with additional funding injection from SG via EES:ABS.</p> <p>Continue to explore and identify new innovative methods and solutions to improve energy efficiency once all fabric upgrades have been carried out, possibility of Solar PV and battery.</p> <p>Develop some information and advice in relation to energy efficiency and maintenance of homes.</p> <p>ELC in conjunction with WLC have commissioned a Low Carbon Energy Analysis/ Report from Carbon Futures trust to undertake an Energy Performance analysis of various new build house types and provide a comparison between the different low carbon energy approaches we should be considering when developing our</p>				<p>October 2024</p> <p>October 2024</p> <p>December 2023</p> <p>October 2023</p> <p>January 2024</p> <p>March 2024</p> <p>December 2023</p> <p>December 2023</p> <p>October 2023</p>	<p>August 2022 with impact score increased to 4 to reflect growing severity of fuel poverty crisis, and risk rating increased to 16.</p>

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures in place) (currently	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		
						individual Low Carbon Net Zero (LCNZ) New Build Housing Strategies.						
H4	Financial / legislative	<p>Private Sector Housing Grant 2023 and risks associated with the delivery of private sector adaptations carried out by Care and Repair.</p> <p>Increased demand as well as increased cost of materials have resulted in the Private Sector Housing Grant being fully committed for this financial year as at the end of Period 4.</p> <p>Should no major adaptations be carried out between July 2023 and March 2024, East Lothian Council and IJB will be failing to meet their statutory duties under Housing (Scotland) Act 2006 and the Public Bodies (Joint Working) (Scotland) Act 2014.</p> <p>If adaptations were to wait until the new financial year in 2024/25, a significant backlog would cause increased delayed discharge times, a potential rise in the housing list as people can no longer live safely at home.</p>	<p>Revision of OT criteria on life and limb basis.</p> <p>RAG system in place for individuals who have been assessed by an OT but are waiting on grant funding being confirmed.</p> <p>Ongoing review / discussions between Housing, C&R and HSCP.</p> <p>Interim review of Care & Repair currently in process.</p> <p>Report being drafted for EMT setting out proposed recommendations.</p> <p>Briefing being drafted for members.</p> <p>Communication drafted to ensure all applicants are aware with ongoing support and advice in place from C&R.</p> <p>Frequent meetings with finance to monitor the budget.</p>	5	3	15	<p>Best value review of Care & Repair East Lothian.</p> <p>Members Library Report setting out the challenges.</p> <p>Liaise with Scottish Government to highlight the risk and the need to review the funding allocation.</p>	4	3	12	<p>April 2024</p> <p>April 2024</p> <p>April 2024</p>	New risk established by Head of Service August 2023 and reviewed by Executive Director.
H5	Financial	<p>Affordable Housing Supply</p> <p>Supply of affordable housing is outstripped by need and demand influencing rising numbers on the Councils Housing Register and increased risk of rising Homeless applications. The impact of Covid, inflation and economic impacts on household incomes may result in an increase in people applying for council housing.</p> <p>Insufficient land in control of affordable housing providers due to limited amount of Council owned land and difficulty in competing on the open market to purchase land due to high land prices. Much of the land in East Lothian is tied up in options to private housing developers, leading to an inability to control provision of new affordable housing and reliance on planning policy for affordable housing to deliver land. Pressure on the housing stock in East Lothian may increase due to people wanting to move out of cities.</p> <p>Government Resource Planning Assumptions (RPAs) for East Lothian have</p>	<p>Scottish Government have announced a new ambition to deliver 110,000 affordable homes across Scotland by 2032, with at least 70% in the social rented sector. This is accompanied by support to fund more off the shelf purchases. An increase in funding at a national level allocated to support this and is reflected in increased RPAs at a local level and a new benchmark is being reviewed in light of increasing standards and costs.</p> <p>The adopted LDP and significant land use allocations therein, providing land through planning policy to deliver an increase supply of affordable homes.</p> <p>Current LHS 2018-2023 in place with an action plan that is continually monitored. The plan for the development of the Local Housing Strategy 2023-28 was approved by Cabinet in January 2022 and will include associated actions in relation to delivery of affordable housing.</p> <p>SHIP Strategic Housing Investment Plan for 2022/23 to 2026/27 was submitted in October 2021</p> <p>Supplementary planning guidance for affordable housing has been approved and adopted.</p>	5	3	15	<p>Supplementary Planning Guidance is under review</p> <p>Planning underway for Local Housing Strategy 2023-28, aligning with Housing to 2040 and NPF4.</p> <p>Updated SHIP completed October 2022 sets out future investment priorities. Next SHIP due October 2023.</p> <p>Supporting Local Investment Framework being developed.</p> <p>Programme for Governance key messages are ambition to deliver a further 100,000 affordable homes, and set out a 20 year vision for energy efficient zero carbon housing with access to outdoor space, transport links, digital connectivity and community services.</p> <p>Regional Housing Programme proposed through Edinburgh & South East Scotland City Region Deal to explore further opportunities.</p> <p>Continue to explore new opportunities to maximise the supply of affordable housing.</p> <p>ALACHO is making a joint response with COSLA to the Housing and Planning</p>	3	3	9	<p>December 2023</p> <p>October 2023</p> <p>October 2023</p> <p>December 2023</p> <p>December 2023</p> <p>October 2023</p> <p>April 2024</p> <p>September 2023</p>	Risk updated by Head of Service, August 2023 with no changes to risk scores.

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures in place) (currently	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
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				L	I	L x I		L	I	L x I		
		<p>been provided for the period 2021/22 – 2025/26 as follows:</p> <p>2021/22 - £13.651m 2022/23 - £11.767m 2023/24 - £11.773m 2024/25 - £11.774m 2025/26 - £11.969m</p> <p>The government programme is over committed for this year due to disruption the previous year.</p> <p>There is rising concern about the impact of cost pressures emerging in the new supply programme, Grant benchmarks have been increased. However the annual overall resource allocation has not increased which will result in less completions.</p> <p>Housing for Varying Needs (HFVN) Standards are being reviewed by the Scottish Government. These together with revisions to the Building Regulations and the Scottish Governments ambitious climate targets will lead to increased costs.</p> <p>There is a need to deliver Carbon Neutral Housing by 2045.</p>	<p>Section 75 Co-ordinator recruited to project manage delivery of strategic sites, including affordable housing contribution.</p> <p>The Council continues to pursue opportunities to acquire land and units /bring forward private projects for affordable housing. The Scottish Government are supportive of off the shelf opportunities where possible</p> <p>The Council continues to deliver and to discuss with RSLs and other organisations unsubsidised affordable housing models. HRA Programme Board in place.</p> <p>The Council has an LLP East Lothian Mid-Market Homes to deliver mid-market rent units.</p>				<p>Committee - pre-budget scrutiny in early September regarding local authorities' abilities to deliver their AHSP which will set out the issues surrounding increased build costs, lack of sufficient Scottish Government grant and constraints on the HRA to also bring existing stock up to EESSH2 standards, all while making budget savings and trying to keep rent rises to a minimum.</p>					

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H6	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>There continues to be a risk associated with the financial impacts of Covid-19.</p> <p>Times continue to be challenging and many households are facing financial hardship with cost of living pressures.</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 as low as possible.</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 Financial Support and Financial Inclusion colleagues and other Council services has ensured that Council tenants are further supported and assisted to apply for any benefits or grants where eligibility exists.</p> <p>Improved joint working and information sharing between Revenues and Housing staff (via EDRMS etc.) and other Council services.</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>	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 been working with Housing Quality Network (HQN) Consultant, Tony Newman in relation to staff training.</p>	3	3	9	<p>March 2024</p> <p>December 2023</p>	<p>Risk refreshed August 2023 by Service Manager – Revenues with no change to assessment of risk scores.</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 F2</p>
H7	Legal & regulatory	<p>Housing Quality</p> <p>Our houses are required to meet the Scottish Housing Quality Standard (SHQS) and will be required to meet the Energy Efficiency Standard in Social Housing (EESH). Delivery of these Standards is a significant contributor to the achievement of several of the National Outcomes the Scottish</p>	<p>Annual monitoring and reporting to SHR (via Social Housing Charter) and Audit Scotland.</p> <p>Annual Housing Capital Investment Programme review. The Capital Programme funds planned programmes of work has been targeted at continued compliance with the requirements of the SHQS.</p>	3	4	12	<p>Housing Asset Management Strategy to be developed, extending housing investment strategy to detailed 10-year programmes and outlining broader 30-year objectives.</p> <p>Support the development of an Affordable Housing Design Guide.</p>	2	4	8	<p>April 2024</p> <p>April 2025</p>	<p>Risk refreshed by Service Manager – Property Maintenance, July 2023 with no change to assessment of risk scores.</p>

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures in place) (currently	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
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		<p>Government aims to achieve.</p> <p>The Scottish Housing Regulator (SHR) is monitoring progress against these Standards and failure to clearly demonstrate compliance may involve intervention by the SHR on the management of stock quality. It could also lead to loss of reputation to the Council as a service provider and the largest landlord in East Lothian.</p> <p>While a rolling stock condition survey programme is in place, the data is incomplete.</p> <p>Procurement rules negate our ability to enter into building contracts on s75 obligations which involve the transfer of completed units. This also prevents the ability to influence the specification which can result in poor quality products and increased resources in relation to resolving defects. This can in turn result in an impact on future repairs and maintenance costs.</p> <p>New technical guidance issued May 2020 bring new smoke, fire and heat detection programmes into SHQS compliance by February 2021. . Further extension of deadline due to Covid-19 to end March 2022.</p> <p>The new guidance also confirms the requirement to undertake electrical condition checks on a maximum 5-year cycle.</p>	<p>Supplementary Planning Guidance now adopted which sets out minimum design and quality requirements for new build stock.</p> <p>Keystone domestic asset management software system in place ensuring robust information held on the condition of Council housing stock. Data validation checks of information held on Keystone.</p> <p>Dedicated asset surveyors in place and rolling programme of stock condition surveys has commenced to keep data up to date.</p> <p>Housing Asset Management Team established to oversee delivery of HRA Capital modernisation programme.</p> <p>Regular monitoring and reporting as part of Balanced Scorecard.</p> <p>Intelligence-led 10-year investment budget established.</p> <p>Detailed 5-year investment programme now developed on basis of stock condition intelligence and aligned to regulatory standards.</p> <p>Team Manager (Housing Assets) recruited to oversee collection and recording of housing stock intelligence including energy performance and delivery of key aspects of the capital modernisation programme.</p> <p>In-house asset surveyors are now in place, with a 5-year rolling stock condition survey regime implemented.</p> <p>Keeping SHR regularly updated on progress towards meeting the Standards. Keystone housing asset management system informs future planning of annual programme of modernisation work.</p> <p>Closer alignment of development of modernisation programme and delivery.</p> <p>The Council ensures Quality Assurance is carried out at all stages of development.</p>				Housing Compliance framework to be developed incorporating Tenant Safety Policy in conjunction with new Housing Asset Compliance team and supported by new CX Compliance database (part of new HMS system).				April 2024	
H8	Service Objectives	<p>Mobile Working</p> <p>Current mobile working hardware, within Property Maintenance, is dated and does not meet PSN requirements. This has resulted in a switch-off of existing hardware, and reverting to paper-based job ticketing,</p>	<p>A new iOS-based mobile working platform has been procured.</p> <p>A paper-based contingency has been implemented to cover the intervening period between PSN 'switch-off' and go-live of the new platform.</p>	4	3	12	Implementation of phase 2 mobile working, encompassing iOS Smartphone technology has commenced. ELC IT included in project planning to ensure resources and supporting system architecture is in place.	2	3	6	April 2024	Risk refreshed by Service Manager – Property Maintenance, September 2023 with no change to assessment of risk scores.

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		<p>placing increased pressure on administrative resources.</p> <p>A project to implement Windows 8 tablet technology was terminated due to the supplier failing to meet expectations.</p> <p>Further issues with integration to Orchard HMS have furthered hindered user acceptance testing.</p> <p>Delays in implementing this new system results in more labour intensive processes and delays in the progression from practical job completions to ledger payments, negatively impacting on the efficient running of the trading activity.</p>	<p>Security vulnerabilities identified in penetration testing of replacement solution (2018), representing a considerable obstacle to implementation.</p> <p>Software was upgraded by supplier August 2019 to overcome security vulnerabilities. User acceptance testing commenced.</p> <p>ELC IT officer assigned to project. Liaising with both main supplier and Orchard HMS to progress integration issues</p>									
H9		<p>Reinforced Autoclaved Aerated Concrete (RAAC) in Council Housing</p> <p>The Local Government Association (LGA) has recently issued advice/warnings about Reinforced Autoclaved Aerated Concrete (RAAC) which is also known as Siporex. While this material has been commonly used in Public Buildings constructed between the 1960's and late 1980's, it has also been used in some domestic properties.</p> <p>Due to the relative lightweight nature of the material and limited durability there has been a number of roof failures in the past and as a result East Lothian Council require to determine the extent and location of RAAC in our housing stock, and then ensure a robust inspection process is undertaken to determine its condition, level of risk and undertake any action deemed necessary to mitigate the risk to occupants and to avoid any catastrophic failure.</p> <p>Use of part of buildings subject to inspections may be restricted or unavailable for a period of time following assessment.</p> <p>Residual risk – extensions built in RAAC year build window on properties built out with risk window.</p>	<p>A Desktop Assessment has been carried out involving:</p> <p>Liaison with relevant officers to ascertain if they are aware of RAAC being present within any housing assets.</p> <p>Procurement for a Structural Engineer to investigate RAAC issues has been completed.</p> <p>Known RAAC built properties (1Nr asset) has been vacated and is earmarked for demolition.</p> <p>An initial desktop review of the housing asset system has been undertaken to identify dwellings constructed between the 1960's and the late 1980's when RAAC may have be used.</p> <p>Buildings/Extensions constructed out with the above period have been excluded from a further assessment.</p> <p>Where desktop assessment identifies the possible presence of RAAC, a sample building-type inspection will be carried out of building types by a Building Surveyor / Structural Engineer to confirm presence or otherwise.</p> <p>Areas where further investigation is required, or where there is any indication of risk to users, will be vacated pending consideration of remedial actions required.</p>	3	4	12	<p>Seek feedback from regional partners. SHN network query raised 28/06/2023.</p> <p>Seek further advice from structural consultants.</p> <p>Identify property groups to inform sample surveys</p> <p>Case by case risk assessment of extensions to be included in 5-yearly stock condition surveys.</p>	1	4	4	<p>August 2023</p> <p>September 2023</p> <p>October 2023</p> <p>To be developed once above actions concluded</p>	New risk added by Service Manager – Property Maintenance, July 2023.

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H10	Legal & Regulatory Financial Reputation	<p>Damp, Condensation & Mould</p> <p>While fungal mould can be caused by external water ingress including rising or penetrating damp, most cases of domestic fungal growth are the result of condensing moisture i.e. condensation.</p> <p>The recent steep increase in domestic energy prices, resulting in poorly heated homes has resulted in a significant increase in reports of damp and mould as colder homes result in higher levels of condensation.</p> <p>The recent Coroner's report and subsequent media coverage into the death of 2-year-old Awaab Ishak in Rochdale has highlighted the potential risks to health resulting from domestic fungal mould.</p> <p>SHQS incorporates the Tolerable Standard which is set out in the Housing (Scotland) Act 1987. Under the Tolerable Standard, all social houses must be substantially free of rising and penetrating damp.</p> <p>Under SHQS, various visual indicators of penetrating damp are given, which includes fungal growth.</p> <p>Any negligence on the Council's part to reasonably identify and/or manage mould growth could result in:</p> <ul style="list-style-type: none"> • Possible chronic illness to householders • Public liability claims pertaining to health impacts or damage to belongings. • Damage to our reputation • Failures in compliance with the regulatory framework and enhanced scrutiny from the Scottish Housing Regulator <p>Remedial works to resolve serious mould and/or dampness can be costly and intrusive, requiring decants which places further pressure on an already pressured housing supply.</p>	<p>Housing Services have a long standing householder advice booklet entitled 'Dealing with Damp, Condensation and Mould Growth in Your Home' available as printed booklet and on the Council's website.</p> <p>Housing Services have experienced front-line staff who are familiar with indicators of condensation, mould and possible dampness.</p> <p>Property Maintenance undertake a physical stock condition survey of all properties on at least a 5-yearly basis.</p> <p>Full property surveys are also undertaken at any change of tenancy (e.g. void or mutual exchange).</p> <p>Property Maintenance has an in-house fungicidal wash resource available to timeously remove surface mould.</p> <p>The Council has a property survey framework which allows quick access to independent condition surveyors.</p> <p>A rapid response mould removal team is in place.</p>	3	4	12	<p>Review of processes with a particular focus on</p> <ul style="list-style-type: none"> • Response times • Sequencing of mould removal/surveys/works • Role of CHO • Ongoing monitoring • Record keeping and analysis of hot spots and associated targeted interventions • Procurement of an independent consultant for complex/serious cases. <p>Targeted communications to support householders in managing condensation and minimising mould growth.</p> <p>Full review of householder information incorporating best practice from peer groups</p> <p>Development and implementation of action plan around Housing Ombudsman spotlight report recommendations on damp and mould.</p>	1	4	4	<p>March 2024</p> <p>Nov 2023</p> <p>Nov 2023</p> <p>Nov 2023</p>	<p>New risk created by Service Manger – Property Maintenance December 2022 and reviewed September 2023 with current score increased to 12 from 8.</p>

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H11	Legal & Regulatory	<p>Solid Fuel Installations and Safety</p> <p>Failure to Manage Solid Fuel safety on all Solid Fuel Installations in ELC Housing Properties leading to potential CO poisoning of tenants, increased risk of house fires and potential risk of prosecution. Chimneys are generally in poor condition while the Council are unable to control fuels burnt in solid fuel appliances.</p>	<p>Programme for Solid Fuel Servicing terminated end of 2018. New servicing contractor in place from April 2019.</p> <p>Heating replacements to energy efficient, low carbon alternative fuels are available and being installed but implementation is difficult due to customer refusals.</p> <p>Contractor in place for removal and replacement of solid fuel systems.</p> <p>Policy in place that properties are replaced upon becoming vacant.</p>	2	5	10	<p>Programme for removal and replacement of solid fuel systems ongoing in remaining 30 properties. Gas supplies have been installed to all Council houses in gas areas to enable rapid replacement when consent received.</p>	1	5	5	March 2024 to review numbers installed.	Risk refreshed by Service Manager – Property Maintenance, July 2023 with no change to assessment of risk scores.
H12	Physical Impact on People	<p>Risk of Work at Height Injury</p> <p>Work at Height remains the biggest cause of fatal injury in the workplace for certain Property Maintenance employees.</p> <p>A fatal injury could expose the council and/or individuals to criminal charges and subsequent civil actions. Any fatal injury could have a major impact on the victims' family and potentially damaging to the Council's reputation.</p>	<p>Dynamic risk assessments may also apply, to consider changing local/environment conditions (traffic/weather etc).</p> <p>All working at height operatives (excl. 'mop up') have received training. Training for specific equipment. PASMA, IPAF provided to relevant Operatives on 5 year cyclical basis.</p> <p>All staff are provided with Working at Heights training on induction while refresher training is provided every 4 years.</p> <p>Staff and workforce receive ongoing training/development to encourage a managing safety culture and the implementation of safe working practice.</p> <p>Trade based supervisors (with responsibility for ensuring safe working practices) in place and all IOSH accredited.</p> <p>Works on public buildings have been restricted to 'make safe' only w.e.f. March 2022.</p> <p>High risk/complex works are outsourced via Roofing & Rendering framework.</p> <p>External review of Property Maintenance working at height arrangements completed by Gallagher Basset as part of ELC risk management contract. Various recommendations implemented according to perceived seriousness.</p>	2	5	10	<p>Proposed restructure to include a dedicated H&S Team within Property Maintenance.</p> <p>Competency frameworks to be identified to ensure supervisors attend training courses to ensure they have a good understanding of their role with regards to the duty of care imposed on them by current H&S Regulations.</p>	1	5	5	<p>December 2023</p> <p>December 2023</p>	Risk refreshed by Service Manager – Property Maintenance, July 2023 with no change to assessment of risk scores.

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				
	Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
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REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 26 September 2023

BY: Chief Executive

SUBJECT: Development Risk Register

9

1 PURPOSE

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

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Development Risk Register and in doing so, the Committee is asked to note that:
 - the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.
 - the total profile of the Development 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 Development and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Development LRWG. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) producing an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).
- 3.2 The Council's response in relation to adverse risk or its risk appetite is such that:
 - Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;

- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;
- Medium risk is tolerable with control measures that are cost effective;
- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

3.3 The current Development Risk Register includes 3 High, 3 Medium and 6 Low risks. As per the Council’s Risk Strategy, only the one High risk is being reported to the Committee.

3.4 Please also note that within Development there are three Project Risk Registers covering the Cockenzie Site, Blindwells and the Innovation Hub. Each of these have one summary of the overall risk within the Development Risk Register.

4 POLICY IMPLICATIONS

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

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 Appendix 1 – Development Risk Register 2023-24

7.2 Appendix 2 – Risk Matrix

AUTHOR’S NAME	Scott Kennedy	
DESIGNATION	Emergency Planning, Risk and Resilience Manager	
CONTACT INFO	skennedy@eastlothian.gov.uk	01620 827247
DATE	14 September 2023	

Development Risk Register 2023-24

Date reviewed: 14th September 2023

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures in place) (currently	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		
D1	Service Objectives Financial	<p>Failure of Parking Management Project</p> <p>Parking demand in many of East Lothian's town centres can be high, especially at peak periods. Growth in car ownership and a lack of spaces for short stay parking makes it difficult for people to access amenities and local businesses. Improving the availability of short stay parking in the town centre increases turn-over making it easier to access the town centre and local services. Opposition raised from the business community stating parking charges will deter shoppers.</p> <p>Income from parking charges can help support the setting of a balanced council budget and maintaining provision of services. This would be alongside delivering the investment required to introduce and maintain parking management arrangements and to achieve safer streets, parking space turnover and wider investment in active travel and sustainable transport provision.</p> <p>Income generated can be used to encourage greater use of public transport and promote active travel such as walking and cycling to address the Climate Emergency.</p> <p>Resources are required to implement and manage the project timeously to avoid delay and disruption in the delivery of proposed interventions (infrastructure and personnel) on a yearly basis.</p> <p>Political and public opposition to the proposals may increase levels of challenges, scrutiny and objections elongating delivery or potentially abandoning the project.</p>	<p>Reports to Council in June 2022 and April 2023 approved.</p> <p>Economic impact assessment undertaken for North Berwick providing detailed analysis and assessment of growth opportunities.</p> <p>Resources deployed from other service areas to support Project Manager and consultant commissioned to provide technical support.</p> <p>Meetings held and guidance given to Elected Members, local community council in North Berwick to inform and support their understanding of technical matters, process and delivery.</p> <p>Parking management Project Board formed. Meetings occur monthly to monitor progress and agreed operational matters going forward.</p> <p>This risk is supported by a full project risk register.</p>	4	3	12	<p>Undertake full economic impact assessments, demand assessments and technical work for all East Lothian towns.</p> <p>Provide consistent approach to consultation on an individual town by town basis commencing in Musselburgh.</p> <p>Engage with community leaders, businesses, area partnerships early to explore their concern. Keep dialogue open.</p> <p>Identify partners and allies to keep messages positive.</p> <p>Exploring and identifying additional off street parking intervention(s) where appropriate.</p> <p>Report to Council February 2024 on North Berwick objection status, and Musselburgh consultation status.</p>	3	3	9	<p>September 2023</p> <p>October 2023</p> <p>October 2023</p> <p>September 2023</p> <p>October 2023</p> <p>February 2024</p>	<p>New risk created by Project Manager - Growth & Sustainability, August 2023.</p>
D2	Service objectives	<p>Failure to facilitate supportive business formation, recovery, and growth environment</p> <p>Failing to facilitate a conducive environment for business formation, recovery, and growth in the short to medium term would lead to a lack of opportunity / encouragement to new start-ups, businesses with growth potential, and relocation of businesses to East Lothian. Opportunity cost in terms of prosperity and employment as well as risk of business failure and job losses. Reputational risk to East Lothian as a business location and consequently to the Council. Impact on the revenue of the Council through reduced income from business rates, rents, and council tax. Would also lead to higher costs of service</p>	<p>Delivery of Business Gateway by specialist advisers enables staff to engage with, support and monitor business performance and confidence.</p> <p>Monitor developments regarding the national review of business support environment including national Business Gateway review.</p> <p>Ongoing monitoring of commercial / employment land availability and planning support to developers bringing forward plans for allocated sites.</p> <p>Continue to monitor economic situation and work with national partners via CEG and BSP, carry out 'business base survey' to gather further intelligence and inform ongoing delivery / scope of support funds.</p>	3	4	12	<p>Long term planning for provision / development / enablement by ELC of land to allow for business growth and expansion. This is linked to the LDP and its identified employment sites and a review of potential sites through the preparation of LDP2.</p> <p>Develop new 10 year Local Economy Strategy and Action Plan.</p> <p>Deliver remediation (through Levelling Up funded works) and masterplan for former Cockerzie power Station site to unlock development / employment land.</p> <p>Explore individually and with others the identification of alternative funding streams (e.g. Visitor Levy, UKSPF,</p>	2	4	8	<p>January 2026</p> <p>March 2024</p> <p>April 2025</p> <p>March 2024</p>	<p>Risk reviewed by Service Manager, Economic Development August 2023 with no change to risk scores.</p> <p>Risk further reviewed by Head of Service, September 2022 with current risk score reduced from 16 to 12.</p> <p>Risk refreshed August 2022 by Service Manager – Economic Development combining three risks into one with no change to risk scores.</p>

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures in place) (currently	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
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		<p>provision e.g. welfare support to tackle growing inequalities.</p> <p>There are:</p> <p>Ongoing issues with the availability of commercial space and rising rents within the County. Recent commercial needs review highlights full occupancy and older business units coming to the end of their effective life. Lack of new developments coming forward, due to difficulties with delivering development on allocated sites.</p> <p>Significant and increasing ongoing risks to viability and growth of businesses due to increasing inflationary impact on cost base (rising costs of resources / utilities / transportation / new commercial development etc.), linked cost of living increases/wage inflation, as well as issues finding and retaining skilled staff as result of very low unemployment levels and shifting attitudes to work.</p> <p>Ongoing issues in terms of shifting buying patterns, loss of confidence, and debt burden following COVID-19 increasing the risk of business failure, job losses, and increased personal debt.</p> <p>Increased pressure on ELC budgets resulting in reduction of existing support for business and discretionary funding for business sector groups.</p>	<p>Deliver UK Shared Prosperity Investment Plan providing additional support for communities, businesses, and skills development.</p> <p>LUF2 bid secured funds for remediation of future employment land at former Cockenzie Power Station site.</p> <p>Ongoing development of QMU Hub to support business formation and innovation.</p>				LUF3) and alternative delivery arrangements.					
D3	Service Objectives	<p>Future development of the Blindwells expansion proves technically undeliverable, unviable or unaffordable</p> <p>Larger new town is a long term project that is likely to span several economic and political cycles, and generate significant capital and revenue requirements and additional demands for services and facilities as it is developed and once operational.</p> <p>Work that is currently being undertaken on the business case for expansion will consider technical requirements, and capital and revenue impacts of the development, and may demonstrate that there is no technically sound, viable or affordable future for the expansion area or no technical, viable or affordable future without public sector financial support from either or both Governments. The level of potential solution, including capital and revenue support to be identified, quantified and agreed with both Governments as a commitment through business case</p>	<p>The Edinburgh and South East Scotland City Region Deal and Regional Prosperity Framework Delivery Plan provide the context for business case development in collaboration with both Governments to seek place-based capital and revenue solution for site. Also, ongoing engagement with UKG and SG to ensure that shared benefits and challenges of Larger Blindwells are understood in terms of ambition and constraints, and to reflect the need for shared solutions and actions as a priority.</p> <p>Ensure solution to capital and revenue issues and approach to delivery and risk management identified before any project allocation, consent or commencement, linked to business case development stages with prior approval of those relative to LDP process, with OBC to be approved by both Governments prior to any further land allocation proposal in a draft LDP as a minimum.</p>	4	3	12	<p>Ministerial engagement with UKG (Lord Offord) and SG (Minister Gray) is planned to set out 'asks' at regional level to that could support business case and delivery as part of on-gong engagement.</p> <p>Locally, engagement with the Depute First Minister started a dialog to consider challenges, ambitions and potential solutions, including for Larger Blindwells.</p> <p>Ensure landowners base all proposals, including for business case development, on sound technical work, and delivery and financial model that can be resilient to economic cycles, and takes account of viability and affordability parameters.</p> <p>Test the robustness of the viability model prepared by the landowners and subsequently agree clear development programme and phasing model.</p> <p>Understand the scope and timing of any public sector intervention required to enable the development to proceed,</p>	4	2	8	<p>26th September 2023 (and on-going)</p> <p>23rd August 2023 (and on-going)</p> <p>Before LDP2 adopted winter 2028</p> <p>Before LDP2 Evidence Report at spring 2024</p>	<p>Risk reviewed and updated July 2023 by Exec Director Place with Current Score increased from 9 to 12 and residual score from 6 to 8.</p>

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures in place) (currently	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
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		<p>development, if required, before any expansion scheme is committed to by ELC.</p> <p>May lead to development requirements needing to be met elsewhere in East Lothian in whole or part.</p>	<p>Blindwells Business Case Board established and meeting quarterly with inception June 2023 with landowners.</p> <p>Ensure relevant internal and external service and infrastructure providers engaged as and when required, including UK Government and Scottish Government and Key Agencies as well as ELC Legal, Estates and Finance and other relevant departments as required, to ensure technical matters addressed in terms of deliverability.</p> <p>This risk is supported by a full project risk register.</p>				<p>working with SFT, including revenue and affordability parameters / solutions.</p> <p>Encourage equalisation agreement between landowners.</p> <p>Consider if any need for shared control of land for shared infrastructure.</p> <p>If BW2 site allocated by LDP2, identify and quantify additional revenue and public loan or grant investment required, facilitate arrangements between public/private/third sectors if needed. Could include UKG/SG/City Deal/SNIB as appropriate. To be in line with the business case being prepared by landowners, once it is approved at each stage of its development.</p> <p>Identify method to protect any public loan investment, including through engagement with SFT.</p>				<p>SOC at Spring'24</p> <p>OBC at Autumn 2025</p> <p>As LDP2 adopted and FBC approved at end of 2028</p> <p>As LDP2 adopted and FBC approved at end of 2028.</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				
	Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost Certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Low	Medium	High	Very High
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REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 26 September 2023

BY: Chief Executive

SUBJECT: Communities Risk Register

10

1 PURPOSE

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

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Communities Risk Register and in doing so, the Committee is asked to note that:
 - the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.
 - the total profile of the Communities 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 Communities and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

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

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

3.3 The current Communities Risk Register includes 1 Very High, 6 High, 17 Medium and 6 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 Communities LRWG that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Register should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Corporate Management Team.

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 Appendix 1 – Communities Risk Register 2023-24

7.2 Appendix 2 – Risk Matrix

AUTHOR’S NAME	Scott Kennedy	
DESIGNATION	Emergency Planning, Risk and Resilience Manager	
CONTACT INFO	skennedy@eastlothian.gov.uk	01620 827247
DATE	14 September 2023	

Communities Risk Register 2023-24 Date reviewed: 14th September 2023

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
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				L	I	L x I		L	I	L x I		
C1	Service Objectives	<p>Failure of Customer Services / Contact Centre I.T. Systems or failure of external telephony systems</p> <p>Failure of IT customer interface systems (including Telephony) would render the Council:</p> <ul style="list-style-type: none"> Unable to deliver customer services some of which are vital 'life and limb' services i.e. community alarm/telecare services for 3 Councils and 2 Housing associations/adult and children's social work calls/out-of-hours emergency calls Data unable to be inputted onto databases Customers unable to access self-service and get on-line Services unable to meet customer expectations resulting in reputational damage, service level breach, poor publicity and failure to provide essential services. <p>Digital enabled telecare</p> <p>Risk of failure of ELC to provide digitally enabled 24/7/365 telecare alarms and periphery to vulnerable health and social care clients when client telephony systems are transferred from analogue to digital by 2025 could result in alarm failure or delay in connecting when vulnerable client needs assistance.</p> <p>As Telephony companies are now replacing fibre from analogue to digital in East Lothian "failed" calls continue to rise, causing delays in answering and helping clients.</p> <p>Digital community alarms are less stable than analogue resulting in the risk of more frequent service outages. This could result in alarm failure or delay in connecting when vulnerable clients need assistance.</p>	<p>Business continuity plan in place, tested annually and any actions implemented. Any short term system outages/incidents test resilience and inform BC Plan.</p> <p>Regular meetings with staff to ensure they are aware of business needs; staff procedure up to date, staff trained and aware of outcomes and controls.</p> <p>3rd party provider support and BC plans held ESS/Overdrive//MODES).</p> <p>Manual 'back-up' procedures in place to support service provision, where possible: Social work service advised of any telephony problems in order that they can check on most vulnerable clients and make contacts, carers and emergency response service aware.</p> <p>Alternative backup solutions identified where possible e.g. Netcall 2nd server, Assure (libraries) etc.</p> <p>Customer Service Platform developed and services transferred over from CRM.</p> <p>ELC is participating in the national digital Office A2D scheme but progress slow. Awaiting costs from supplier to upgrade ARC platform to be able to accept Digital Alarms.</p> <p>Digital mobile alarms are in place but don't operate as they should so that there can be delay until it finds mobile signal to connect with.</p> <p>CCTV system upgrade and review of static and mobile camera use in progress.</p> <p>ELC has a Customer Services Systems Team available 24/7 to support during an outage. The team undertakes lessons learned after each outage in conjunction with suppliers and customers.</p> <p>Public Network refreshed. Funding identified by IT to upgrade/replace PN hardware and support.</p>	5	4	20	<p>Work ongoing to simplify and improve interfaces between systems to reduce technical failures.</p> <p>Replacement of analogue with digital enabled alarms (won't work with existing ARC system).</p> <p>Upgrade of Netcall Telephony Management System is underway, due for completion by October 2023. This will alleviate many of the internal risks.</p> <p>Complete planned upgrade of existing Digital system to cope with both analogue and digital alarms.</p> <p>The Local Govt Digital Office is setting up a group to work on this national issue and ELC will be part of that. ELC is also looking at technology solutions that may enable bulk communication to end users to advise them of a fault and help to prioritise support to those who need help urgently.</p> <p>Full replacement and upgrade of CCTV.</p>	4	4	16	<p>August 2023</p> <p>December 2025</p> <p>October 2023</p> <p>September 2023</p> <p>December 2025</p> <p>December 2023</p>	<p>Risk refreshed by Service Manager – Customer Services – July 2023 – no change to scores.</p> <p>Risk refreshed and scores increased by Service Manager – Customer Services due to ongoing technical challenges CR 22 Feb 2023</p>
C2	Business Continuity	<p>Loss or damage of assets</p> <p>Loss or damage or delayed repair of assets due to fire, explosion, storm, flood, malicious damage, theft, lack of repair/maintenance, lack of adequate security measures, loss of utility supply or lack of facility support could result in (using Brunton Hall as an example):</p> <ul style="list-style-type: none"> Inability to access office accommodation, equipment, data; 	<p>Business continuity planning in place and alternative operating premises identified; plans and training records reviewed annually.</p> <p>Key equipment and maintenance contracts are kept up to date and in good working order.</p> <p>Ensure Condition and other data is maintained up to date to inform the planned delivery of works required to ensure buildings comply</p>	4	4	16	<p>The Council's overarching Health & Safety Policy and Arrangements re Head of Establishment remit and Guidance are under review. An increased focus on the Audit and Inspection role of the H&S team will also be part of this review and an Audit Programme will be developed.</p> <p>Exploration of CCTV for Prestongrange site.</p>	3	3	9	<p>September 2023</p> <p>December 2023</p>	<p>Risk refreshed July 2023 by Service Manager Customer Services and then September 2023 by Head of Service with current score increased from 12 to 16 and residual score from 6 to 9.</p>

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				L	I	L x I		L	I	L x I		
		<ul style="list-style-type: none"> Damage to equipment including our irreplaceable heritage assets e.g. museum objects, paintings and/or all other assets held within these premises; Inability to retrieve data; Serious injury to staff/members of public; Long term absences. Loss of Income Damage to the public reputation of the BH as a professionally managed and safe high class public service centre and events/theatre venue Loss of income to Brunton Theatre Trust and to ELC if customers are discouraged from using facilities due to anti-social and inappropriate behaviour. <p>Prestongrange Museum at risk of vandalism/unauthorised encampment and antisocial behaviour due to openness and un-staffed nature of large areas of the site.</p>	<p>with statutory and legal requirements and are maintained in a good condition.</p> <p>Regular fire drills carried out, H&S workplace inspections and Risk Assessments, while staff are trained in aspects relating to good working practices and in relation to fire drills and security procedures.</p> <p>Emergency planning procedures in place and regularly tested e.g. service disaster plans for Museums.</p> <p>Inventory held of all Council paintings, recording values, locations and conservation needs in accordance with the Councils Museum Collections Policy. Although these are uninsured – see risk on Ineffective Insurance Cover.</p> <p>Prestongrange staff undertake regular patrols of the site during working hours with Community Wardens supporting.</p> <p>Alarm systems and CCTV systems in place for some Council buildings e.g. John Muir House, museums and libraries.</p> <p>Tri-annual accreditation governing the quality of care for collections and museum buildings received from the Museums Association.</p> <p>All Museums have had security surveys carried out by Police Scotland, which are be refreshed every five years.</p> <p>Regular reporting and investigation of incidents and remedial action taken and highlighted to management if necessary, while all incidents reported on Sphera.</p> <p>Authorised building access and egress routes operate securely and are monitored.</p> <p>Problem solving partnership operate in respect of key buildings/locations when necessary e.g. Brunton Hall.</p> <p>Parking enforcement now in place in the immediate vicinity of Brunton Hall, reducing the risk of fire/terrorism attack from a vehicle.</p> <p>'Trusted Keyholder Scheme', approved by ELC insurers, to enable controlled and limited community access to a limited number of named community buildings out of hours.</p> <p>Audit completed in relation to the Council's Artworks Catalogue and Museum Collection to scope potential insurance cover arrangements.</p> <p>User Groups meet regularly at Penston House, Brunton Hall, Library and Museum HQ, John Muir House, Bleachingfield and John Gray Centre.</p>				<p>Exploration of appropriate insurance cover and insurance quotations for ELC Arts and Museum collections.</p> <p>Fencing will be installed around a number of buildings at Prestongrange to further reduce the risk of unauthorised access, damage and loss.</p>				<p>September 2023</p> <p>December 2023</p>	<p>Risk updated by Service Manager – Customer Services, March 2022 with current score increased from 8 to 12.</p>

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				L	I	L x I		L	I	L x I		
C3	Financial	<p>Appropriate Insurance Cover</p> <p>Failure to identify, source and secure effective insurance cover for the Council e.g. public liability and employers' liability, property and vehicle assets (both ELC owned and leased) insurance cover etc. would leave the Council vulnerable to significant risk in respect of claims received. This could lead to financial loss and reputational damage.</p> <p>Should the Council's Insurance Service fail to operate effectively, risks may increase regarding effective management of insurance claims handling, policy compliance and accurate information being provided to the insurers (as required under the Insurance Act 2015). This, in turn, could lead to fraudulent claims, uninsured financial loss and reputational damage.</p> <p>Failure to declare accurately the risks within the Council to our insurers could result in cover being withdrawn and / or additional premiums or deductibles being incurred (leaving the Council at greater financial risk)</p> <p>Failure to maintain and implement / audit policies and procedures, including appropriate insurance MIS and records management and safeguarding of insurance claims data, could lead to a deterioration in the Council's claims experience. This will increase the premiums that the Council will have to pay. This may impact on the value of the Corporate Insurance Fund held within the Council's Reserves.</p> <p>The Council has never held insurance for the Council's museum/art collection or for items exhibited in museums or libraries.</p> <p>Any damage to or loss of these items due to water/fire damage etc. may result in request for no compensation and / or cause reputational damage.</p> <p>This could mean the loss of items of local/national significance, which could not be replaced, impacting on the ability of the Museums Team to meet service objectives.</p>	<p>Documented procedures in place as well as Corporate Risk Assessment, Insurance Renewal Timetable and Insurance Administration.</p> <p>Insurance Policies renewed/replaced in a timely manner. New Shared Insurance Service has identified several areas where ELC has been exposed without insurance coverage – this is now being addressed.</p> <p>Documented procedures in place, Corporate Risk Assessment, Insurance Renewal Timetable and Insurance Administration all reviewed and updated during 2022.</p> <p>System set up to ensure that incidents are monitored and shared with Insurance.</p> <p>Linking Risks meetings also attended and issues raised / discussed and actioned as appropriate.</p> <p>Insurance Broker can assist with any queries in relation to existing policies and arrange for any new or changes in insurance cover</p> <p>External Claims Handlers handle all claims to ensure independence of process and consistency as service levels and scrutiny of claims internally prior to the Shared Insurance Service were not upheld.</p> <p>Robust claims handling process in place through the use of external claims handling agents.</p> <p>Procedure in place to check for possible fraudulent claims received by the council; all claims are checked rigorously by internal and external claims staff.</p> <p>A number of disclaimer forms for museum exhibitors are being collated into one T&C document, which will include a section on insurance. This is being done in collaboration with the Insurance team.</p> <p>Fleet Review undertaken in summer 2023.</p> <p>Insurance Fund in place within Council Reserves budget. External reviews undertaken every 3 years to ensure adequacy of fund – concluded August 23, this will now be presented to Finance and the wider implications reported on.</p> <p>Regular CMT and Members' annual performance reports submitted to update on service improvements, most recently in August 2023.</p> <p>Strategic Insurance Market context, ELC claims history and cover arrangements and</p>	4	4	16	<p>Focus on the Service Management Team (SMT) re lessons learned to be delivered directly and preventative measures to be shared in the form of insurers guidance via the proposed insurance pages to be published this financial year.</p> <p>Gallagher Bassett risk review days have been promoted internally to all service areas: following the Fleet grading in May 2023, potential for first use to be to promote improvements in this area. Further plans to be put in place as / when service risks require support from insurers.</p> <p>Development of Insurance e-learning for all staff including information about the policies in place, requirements for annual declarations and also emerging insurance risks.</p> <p>Working with IT security team to secure software provider to safeguard data held by the insurance team.</p> <p>Work is in progress to evaluate the worth of the museum/arts collection and identify any particular items of significant financial (over £1000.00) or heritage importance in order for a fine arts insurance policy to be scoped and procured.</p>	2	4	8	<p>March 2024</p> <p>March 2024</p> <p>March 2024</p> <p>December 2023</p> <p>March 2024</p>	<p>Risk further reviewed by Head of Service – September 2023 with no change to scores.</p> <p>Risk refreshed by Service Manager – Customer Services – June 2023 – no change to scores, library exhibits risk added.</p> <p>Risk fully reviewed by Ruth Kydd, Insurance April 2022 with current risk score increased from 8 to 16 and residual score from amended 3 to 8.</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		
			<p>corporate risk management improvements arising.</p> <p>Service Level Agreement for outsourced Insurance Service to City of Edinburgh Council in place to increase resilience and capacity and ensure ELC has experienced and knowledgeable team operating the service.</p> <p>A data sharing protocol is operating between insurers with a contract in place for the claims handling agents.</p>									
C4	Service Objectives	<p>Service Capacity – Staffing</p> <p>Breadth of Community Services service delivery across East Lothian and ongoing staffing pressures, underpinned by budgetary constraint and enhanced recruitment controls, stretches resources leading to an inability to sustain services which may impact on the ability to safely deliver priority 'back-office' and frontline services e.g. Customer Services and Libraries, Contact Centre, Community Centres, Food Safety Inspections etc.</p> <p>Freezing of vacancies and / or unsuccessful recruitment campaigns may impact on the Council's reputation as an employer and may impact on service delivery and project deadlines.</p> <p>This risk is heightened by the workforce profile and demographic which may lead to increased vacancy rate, staff absence and staff turnover. Service continuity and succession planning may be challenged where services are delivered by single specialist post-holders.</p> <p>Failure to address this risk could lead to:</p> <ul style="list-style-type: none"> Inability to develop service and staff skills/knowledge Inability to effectively meet stakeholder and customer demand Reduced ability to introduce legislative changes effectively Challenge in appropriately resourcing services (staffing and equipment) e.g. new school library Workforce capacity pressures (e.g. attendance management, role redesign) resulting from service developments to meet strategic priorities e.g. new ways of working, digital strategy, asset management, financial strategy, within budget allocation. <p>Connected Communities and Customer Services staff and manage a large no. of buildings which means constant moving of staff to cover and large amount of supervisory/management time looking after the buildings reducing capacity in their own service.</p>	<p>Service Plans and Business Continuity Plans in place: service development staff sessions ensure staff understand business priorities.</p> <p>Customer Services partnership working with Midlothian and Scottish Borders Council expanding service provision and generating service sustainability and income; continuing exploration of further business opportunities and income streams.</p> <p>Effective operational and staff management, deploying ongoing service reviews, service development, increased use of technology, and staff management, policies and procedures.</p> <p>Provision of effective staff Induction and ongoing training and support e.g. Digital training, Mental Health, Health and safety etc. with access to appropriate professional development/qualifications informed by PRDs.</p> <p>Flexible deployment of staff and Locum/casual/relief posts, and engaging with volunteers e.g. within the Museum Service, to meet peaks and troughs of service demand.</p> <p>Daily monitoring of staffing and resource capacity leading to interim operational arrangements regarding service provision and operating hours in response to staffing pressures.</p> <p>Daily review of front-line staffing capacity and decision making re-reducing opening hours of some facilities e.g. libraries, community centres, ensuring community and partner services are advised as early as possible.</p> <p>Reviewing opening hours in some community buildings to manage within existing resources, to manage challenge of no budget uplift and rising staffing costs.</p> <p>Recruiting relief Community Development Assistants within Connected Communities Service to provide greater capacity and flexibility, working across community centres to improve knowledge of how different facilities operate and increase flexibility of staff available. This will enable reduced reliance on</p>	4	4	16	<p>Explore graduate intern/KickStart opportunities to meet service professional requirements.</p> <p>Roll-out of service offering within the Customer Platform improving linkages to other systems and enabling access to self-serve for customers, and over time, reducing resource demand within services – this is an ongoing process which will be regularly reviewed.</p> <p>Service Reviews in Customer Services and Protective Services with inputs from HR and Finance to ensure appropriate role and grading definitions within the service and broader corporate context.</p> <p>Review Customer Services and Connected Communities Service physical assets in the context of the Corporate Asset Strategy as regards Asset Rationalisation and Place Making Project.</p> <p>Review of Head of Establishment role and remit and Guidance, including emergency Call Out arrangements to minimise demands on front line staff, within context of Asset Strategy.</p> <p>Attendance of senior management at Association of East Lothian Community Councils during 2023 to explain ELC's budget challenges placing additional pressure on frontline staff to manage public expectations.</p>	2	3	6	<p>December 2023</p> <p>December 2023</p> <p>December 2023</p> <p>March 2024</p> <p>October 2023</p> <p>September 2023</p>	<p>Risk refreshed by Service Manager – Customer Services – July 2023 and then September 2023 by Head of Service with current score reduced from 20 to 16.</p>

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				L	I	L x I		L	I	L x I		
			<p>FM staff; in some cases FM staff shortages have affected our ability to open, operate buildings safely and deliver our services.</p> <p>Active monitoring of staffing budgets with Finance to move staffing resource to where it is needed</p> <p>Close monitoring of Sphera (H&S MIS) in relation to staff incidents/accidents/stress and risk assessments completed.</p> <p>Performance Indicators analysed informing service delivery and management and supporting external funding bids for service development/redesign.</p> <p>Promote alternate customer service options i.e. channel shift to increase online service delivery, and reduce face-to-face and cash handling service provision.</p> <p>Continue to Identify critical 'specialist' work and contingency measures such as cross training, shadowing, alternative 'backup' provision and support arrangements: staff encouraged to work jointly, where appropriate, with Project team approach to some areas of work.</p> <p>Cross team training on issues such as project management and good relations with partner organisations such as the Improvement Service which allows for secondment of staff with specialist skills.</p>									
C5	Financial and Reputational	<p>Arm's Length External Organisation (ALEO) – Brunton Theatre Trust (BTT)</p> <p>BTT the Council's ALEO partner delivering theatre, culture and arts services on behalf of the Council.</p> <p>The Council is required to ensure appropriate governance controls are in place to monitor the partnership arrangements and delivery, including lease and service level agreements. If this were not carried out or monitored the Council would be failing in its duty as identified by previous national Audit Scotland reports in respect of ALEOs.</p> <p>Lack of progress on negotiations with the Board of BTT to renew outdated lease terms and establish service level terms could undermine ELC's ability to reach an agreed operating model and financial relationship with BTT.</p> <p>Current RAAC structural issues with Brunton Hall requiring immediate decanting of BTT to alternative venues with loss of income and costs incurred to BTT potentially impacting on business viability for the Trust.</p>	<p>BTT hold their own Risk Register which is developed and signed off by their board of Trustees. Project underway to develop new Lease and Memorandum of Understanding between BTT and ELC to inform onward financial arrangements between BTT and ELC.</p> <p>BTT present an Annual Report to the Council's Audit and Governance Committee.</p> <p>The Council provided BTT a letter of support in principle and without prejudice to assist BTT with its financial challenges as a result of the Pandemic.</p> <p>The BTT is recharged for the services of the Council staff involved in the day to day management of BTT's business activities.</p> <p>The Council is represented at the BTT board through two elected members as Trustees and two senior Council officials as board observers.</p> <p>The BTT Board meets monthly, with alternate monthly meetings being held in Private i.e. with no Council observers in attendance.</p> <p>Revised Lease and Minute of Agreement developed, issued to BTT in March 2022 for</p>	4	3	12	<p>Internal Audit are conducting a scrutiny exercise over the operational, financial and governance arrangement operating between the Brunton Theatre Trust and ELC: report and recommendations will be presented to Audit & Governance Committee on 25 September 2023. Project Team will re-establish following Audit & Governance Committee decisions.</p> <p>Arts Team rearranging bookings and developing dispersed arts programme aiming to maintain BTT service and preserve income.</p> <p>Options appraisal for Brunton Hall relating to RAAC, in progress.</p>	3	3	9	<p>March 2024</p> <p>Ongoing</p> <p>Ongoing</p>	<p>New risk created April 2023 by Service Manager – Connected Communities and further reviewed August 2023 and then finalised September 2023 by Head of Service.</p>

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				L	I	L x I		L	I	L x I		
			<p>consideration; still not finally agreed, paused due to need for emergency Brunton decant.</p> <p>Internal Audit scrutiny of the BTT/ELC operating and financial arrangements and governance will be reported to Audit and Governance Committee on 26 September 2023.</p> <p>Insurance position for BT and the Trust from a Council perspective has been clarified for the Trust, with the Council being responsible for the insurance of the building only. The Trust has been encourage to engage with their insurance providers around any losses arising from the closure of BT.</p> <p>BTT operating a dispersed Arts Programme across a number of venues, including pilot theatre offer in Haddington Corn Exchange wef 25 September 2023 until 31 March 2024.</p>									
C6	Physical and/or Psychological Impact on People	<p>Fatality / Major Injury / Serious Incident in ELC enforced Workplace</p> <p>Under the Health & Safety at Work Act 1974, ELC is the enforcing authority for a significant number of workplaces in East Lothian. In the event of a fatality, major injury or serious incident, officers from Protective Services will be required to investigate and identify any legislative breaches which may result in prosecution. Officers may also be required to give evidence at a Fatal Accident Enquiry. Failure to meet these obligations could lead to significant reputational damage for ELC.</p> <p><u>Risk Factors:</u></p> <ul style="list-style-type: none"> In 2010, UK Gov significantly reduced pro-active inspections of workplaces. This has reduced experience of officers and therefore competency levels. Investigations are time consuming and resource intensive adding pressure to existing team to deliver other statutory duties. There is currently a national shortage of qualified Environmental Health Officers which may have future implications for resourcing levels. Investigation processes and procedures need to be as most prosecutions are taken on summary indictment. Increased media attention / Information requests Third party insurance claims made against the Council. Depending upon the nature of the incident, the area may require evacuation and/or decontamination. 	<p>Business Continuity Plans may have to be enacted should a serious incident occur that requires a council response.</p> <p>Appointment, development and retention of sufficient authorised staff, designated inspectors to investigate incidents. Enforcement is conducted by trained and competent Environmental Health Officers. As part of the membership of the Professional Institute (REHIS), each individual officer is required to complete a required amount of CPD every year.</p> <p>Whilst there is currently a national shortage of qualified EHO's the service continues to engage in national professional networks, promoting investment in professional capacity.</p> <p>Specialist knowledge/expertise sought from partners (HSE) if and when appropriate. Regular liaison with the Health and Safety Executive.</p> <p>Environmental Health disseminates information to the general public through Face to Face engagement and the ELC website to advise them of the risks and any appropriate precautions they should take to mitigate any risks.</p> <p>Of prime importance in an incident is the communication of the message, whether this message is primarily the responsibility of East Lothian Council, National Health Service, Scottish Government, Scottish Water, and Food Standards Scotland. Therefore, the ELC Corporate Comms team has a vital role.</p>	3	4	12	<p>Business Continuity Plan to be reviewed to include actions where resource is deployed into a major investigation.</p> <p>Annual Service Plan to include initiatives that will increase pro-active activities e.g. topic visits, table-top scenarios, consistency exercises etc.</p> <p>Competency Framework and Matrix to be developed to ensure required skills and knowledge are gained and maintained.</p> <p>Any competency gaps to be identified and addressed vis PRD process.</p> <p>Out of hours provision requires review.</p>	2	4	8	<p>December 2023</p> <p>March 2024</p> <p>March 2024</p> <p>March 2024</p> <p>December 2023</p>	<p>Risk refreshed August 2023 by Service Manager with current risk score increased from 8 to 12.</p>

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				L	I	L x I		L	I	L x I		
C7		<p>Outbreak of Animal Disease</p> <p>Any major animal health and welfare incident or disease e.g. avian influenza, foot and mouth, rabies, could have significant impact on local farms and business and on East Lothian as a whole (transport, rural schools, tourism etc.).</p> <p>An incident has the potential to close down parts/all of the county and restrict movement of animals or the public.</p> <p><u>Risk Factors:</u></p> <ul style="list-style-type: none"> The trend of Avian Flu outbreaks nationally since October 2022 is higher than previous years with six outbreaks confirmed including significant outbreak in cases of Avian Flu around the North Berwick area managed by various Council teams. An Avian Influenza Prevention Zone (AIPZ) in place since 17 October 2022 was lifted on 4 July 2023. There is an ongoing lack of import checks at borders e.g. increasing numbers of trafficked puppies which then require quarantine. Increased risk of pets being introduced to the country via Ukrainians moving to the UK due to ongoing conflict with Russia. UK and Scottish Government are aware of the issue and putting in place additional quarantine facilities, however, lack of import checks could see animals missing quarantine requirements. Lack of quarantine facilities in Scotland. This matter has been raised with Scottish Government. 	<p>The Council has a major incident plan in place to activate if an incident occurs.</p> <p>Trading Standards employees are trained and deploy enforcement responsibilities under animal health and welfare legislation. Added Resilience from the Safer Communities Team (Dog Warden) where deemed necessary.</p> <p>Ongoing monitoring of Avian Flu outbreaks nationwide as they occur. National Group set up and Scottish RRP have devised a Local Authority Avian Influenza Response Guide which is to be approved.</p> <p>Attendance at the East of Scotland Animal Health & Welfare panel.</p> <p>Regular contact between EL Countryside Rangers and Trading Standards teams with fortnightly Avian Influenza monitoring patrols reported to Nature Scot.</p> <p>Established liaison/incident response arrangements with the Animal and Plant Health Agency (APHA).</p> <p>As part of the Animal Health & Welfare Framework with APHA, risk assessed visits carried out annually to certain high risk premises. APHA also conduct their own visits.</p> <p>Public and industry information and advice placed promptly on website, social media.</p> <p>Pets and animals are checked as part of the property checks carried out on Ukrainians moving to East Lothian.</p>	3	4	12	<p>Protective Services Service Review may lead to an increase in staffing levels, providing increased capacity in respect of inspections and animal welfare checks and compliance.</p> <p>Contribution to national Trading Standards review of professional pathways and efforts to address national shortage of qualified officers.</p> <p>Business Continuity Plan to be reviewed to include actions where resource is not available or unable to provide service.</p> <p>Competency Framework and Matrix to be developed to ensure required skills and knowledge are gained and</p> <p>Out of hours provision requires review.</p>	2	3	6	<p>September 2023</p> <p>December 2023</p> <p>December 2023</p> <p>March 2024</p> <p>December 2023</p>	<p>Risk refreshed August 2023 by Service Manager, Protective Services with no change to scores.</p> <p>Risk refreshed by Service Manager, Protective Services, April 2022 due to heightened risks with likelihood increased from 2 to 3.</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				
	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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