



MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

**TUESDAY 26 SEPTEMBER 2023
VIA DIGITAL MEETINGS SYSTEM**

Committee Members Present:

Councillor Bruce
Councillor McFarlane
Councillor McGuire
Councillor Menzies
Councillor Ritchie

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 C Grilli, Service Manager – Governance, Council Resources
Mr S Allan, Senior Auditor – Internal Audit
Mr T Reid, Head of Infrastructure
Mr L Wright, Emergency Planning, Risk & Resilience Officer
Ms L Brown, Executive Director for Education & Children's Services
Ms M Patterson, Chief Executive
Ms N Aitken, Digital Project Manager
Ms C McCorry, Service Manager – Connected Communities
Ms C Rodgers, Service Manger – Customer Services
Mr S Cooper, Service Manager - Communications
Mr J Baker, Service Manager – Economic Development
Mr G Marsden, Planning Obligation Manager
Mr P Forsyth, Project Manager – Growth & Sustainability
Ms L Crothers, Service Manager – Protective Services

External Audit:

Mr J Boyd, Audit Scotland

Clerk:

Ms M Scott
Ms F Currie (back up)

Apologies:

Councillor K McLeod
Councillor L Jardine
Councillor T Trotter

Declarations of Interest:

There were no formal declarations of interest but for transparency Councillor Menzies and Councillor Ritchie made Members aware they were appointed Members of the Board of Enjoy Leisure.

Councillor Forrest made Members aware is a Member of the Board of the Brunton Theatre Trust.

1. INTERNAL AUDIT REPORT: BRUNTON THEATRE TRUST

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of the recently issued audit report on the Brunton Theatre Trust.

This item was discussed in a private session.

2. MINUTE OF AUDIT & GOVERNANCE COMMITTEE ON 13 JUNE 2023

The minutes of the Audit & Governance Committee from 13 June 2023 were approved as an accurate record.

3. INTERNAL AUDIT REPORT: SEPTEMBER 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 and provide an update on progress made against 2023/24 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; Brunton Theatre Trust, Tyne & Esk Funding and Scottish Housing Regulator Annual Assurance Statement. The Brunton Theatre Trust was granted limited assurance, Tyne & Esk Funding was granted reasonable assurance and the Scottish Housing Regulator Annual Assurance Statement was not graded and this would be discussed further later on the agenda.

Mr Stainbank reported 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. He added that the delivery of the Rural Community Led Local Development funding was agreed in August 2022 with the completion deadline of March 2023.

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

Councillor Menzies asked if the full register applicants are in place now as the deadline was August 2023. Mr Stainbank confirmed there is a full register now in place but the publication of that has been slightly delayed as the team are reviewing exactly what information they wanted in it.

In response to a second question from Councillor Menzies, Mr Stainbank explained there were two items within the spreadsheet which caused issues; system problems with voting and a calculation issue with the sheet which meant in one case an

application was lower scored than it should have been. Mr Stainbank noted that in that particular case the application was also rejected for that particular year on the basis they wouldn't have been able to spend the funding within the timescales required.

Councillor Menzies asked if we could be assured no projects had been adversely impacted by the underspend on Capital. Mr Stainbank assured Members that no projects had been adversely impacted and the underspend was down to short term funding for this particular year and he hopes in years to come there will be more time for applications to come through and therefore more time for the money to be spent.

In response to questions from Councillor Ritchie, Mr Stainbank explained the spreadsheet would be fixed for the actual calculations earlier than March 2024, that date is to allow for the transfer to the system.

Mr Stainbank confirmed he was happy to take questions on the Annual Audit Progress Report at this time.

Councillor Menzies asked in what circumstances the Council would use agency staff. Mr Stainbank stated agency staff can be used in a number of areas, particularly where the Council has found the recruitment of specific skills difficult and we require them for a short period of time to keep Council services running especially within statutory services.

In response to a second question from Councillor Menzies in relation to the Musselburgh Flood Prevention Scheme, Mr Stainbank said there is a major decision due to be made in January 2024 which is taking all the resources from the team to complete a full audit exercise. Mr Tom Reid, Head of Infrastructure explained it is the intention to have a thorough audit of the process and the governance but as it is a small team we don't have the capacity or resource to engage all of the consultation feedback into the designs to make sure the designs and the report come forward in time for January therefore the full review would have to come after the January report.

Councillor McFarlane asked if external organisations have any restrictions or regulations on the amount of finance they receive from the Council. Ms Ferguson stated that the Council makes funding available to Community Councils for a number of purposes. She added they receive an annual grant to assist with their administration and running costs, they also receive other funding for particular purposes but as part of our general community funding to them they have wider discretion to spend on local matters they find appropriate.

Councillor Menzies said that there had been huge changes with Mr Stainbank's team and noted the huge amount of internal audits that had been undertaken. She thanked the team on behalf of all Members and members of the public for working so hard and appreciated all the work they had done to give assurance that the Council is trying to do the best by them.

Decision

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.

4. REVISED INTERNAL AUDIT PLAN 2023/24

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of Internal Audit's revised operational plan for 2023/24.

Duncan Stainbank, Service Manager for Internal Audit reported that the annual audit plan had been prepared in accordance with Public Sector Internal Audit Standards and highlighted the key additions of auditable areas and noted which items had been removed from the plan to make way for these new additions.

Councillor Menzies asked what the impact of reactive work has on the Internal Audit team. Mr Stainbank explained that reactive work often includes whistleblowing and investigation work which has an impact on the team if it requires a considerable amount of work so an allowance is made for this within the plan. He added that we now have a Counter Fraud Officer who can take on some of the investigation work going forward but it depends on the level of work coming through as there is still a training plan in place for that particular officer.

In response to a follow up question from Councillor Menzies, Mr Stainbank explained it does cover internal and external fraud and we will investigate things as they are highlighted as well as being proactively involved with the National Fraud Initiative which is a data matching initiative across public sector organisations across the UK. He added the team were working their way through a number of different matches including key areas in relation to the National Fraud Initiative including Council Tax matches to the electoral register in relation to single person discount, as well as matches in relation to creditors and housing. Mr Stainbank confirmed a report would be forthcoming about all of those activities to the June 2024 Audit and Governance Committee.

Decision

The Audit and Governance Committee were asked to approve the revised Audit Plan for 2023/24. A roll call vote was carried out and it was a unanimous decision to approve.

5. AUDIT AND GOVERNANCE COMMITTEE ANNUAL/END OF TERM REPORT 2022/23

A report was submitted by the Service Manager for Internal Audit to present the outcome of the 2022/23 Audit and Governance Committee self-assessment and seek approval from the Audit and Governance Committee to present the Annual/End of Term Report 2022/23 to the Council.

Duncan Stainbank, Service Manager for Internal Audit drew members attention to the agreed areas for improvement as part of the Audit and Governance Committee Annual/End of Term Report 2022/23. He highlighted that Members will receive a questionnaire from himself in October to 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.

Councillor Menzies asked how many Members were asked to complete the self-assessment. Mr Stainbank confirmed all Members were asked to complete a

questionnaire but unfortunately only 2 returns were received so the team will be looking at a different approach for taking the exercise forward in future years.

Councillor McGuire gave his thanks for setting up the training for Members and was looking forward to this taking place in December.

Councillor Menzies said this had been the steepest of learning curves and to be able to build on the confidence of the public we must be robust and unapologetic in our scrutiny as untimely we want departments, policies and people that are all aiming to make East Lothian a better, safer and more resilient place to work, stay and play. Councillor Menzies added that all Members have been invited to meet with Audit Scotland informally on the 6th of December to find out exactly what we don't know, what we should be asking and what good scrutiny looks like.

Decision

The Committee were asked to approve the Audit and Governance 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 agree that the Audit Committee Annual/End of Term Report 2022/23 should be presented to the Council.

A roll call vote was carried out and Members agreed to approve both points unanimously.

6. HOUSING ANNUAL ASSURANCE STATEMENT

A report was submitted by the Executive Director for Place 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 Auditor on behalf of the Council and to obtain approval for East Lothian Council's Annual Assurance Statement as laid out in Appendix 1.

Wendy McGuire, Head of Housing spoke to the report which highlighted the requirement for the Annual Assurance Statement to be submitted to the Scottish Housing Regulator by the end of October each year. The Regulator asked that the relevant committee was assured we were complying with all regulatory requirements and standards, however also asked to highlight areas we were not compliant and any measures taken to address these. Ms McGuire noted that the department have robust arrangements in place to support its governance with quarterly and annual checklists which are all signed off by each relevant service manager and in addition the Scottish Social Housing Charter Performance Group also consider the evident gathered from these areas and in the event of partial compliance this group would consider our action plans and monitor the progress to ensure full compliance.

Ms McGuire reported that the conclusion of the audit confirmed that the Council complied with the regulatory requirements with a few exceptions where areas of partial compliance were determined. These were related to the annual gas safety inspections, reporting against all the protected characteristic groups, interlinked fire alarms and electrical safety inspections as well as meeting the requirements of the Homeless Persons Unsuitable Accommodation Order. Ms McGuire noted the work undertaken to reduce the number of non-compliant properties and the ongoing work that is being done to become fully compliant in reporting against the protected characteristic groups. Ms McGuire added that the Council continued to be in breach of the Homeless Persons Unsuitable Accommodation Order but does continue to work hard to mitigate these

breaches as well as respond to homeless pressure generally through new supply of 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 as well as other initiatives.

Councillor Ritchie asked if it was more about lack of stock or specific things in the Unsuitable Accommodation Order that are leading to us having breaches. Ms McGuire confirmed there were a number of factors for this and the amendments made to the Accommodation have not helped. She added we do not have enough supply of suitable accommodation to meet the demand. Ms McGuire stated there are other factors the team are exploring, such as prevention.

In response to a question from Councillor Forrest, Ms McGuire explained as part of the process for gas safety checks the Council notify their tenants a couple of months in advance so they have warning of the appointment. She added that 3 letters are sent out before the Council would force access to the property. In a second question Councillor Forrest asked if the team felt the comprehensive letter that was sent out to tenants to explain how the electrical check would be carried out has made a difference to getting through these checks quicker. Ms McGuire said she does not have evidence to show that was the case but she would hope so.

Councillor McGuire asked how many homeless requests come from residents in East Lothian and how many come from out with East Lothian. Ms McGuire explained we have just started to receive a number of homeless applications from outside of East Lothian. She explained there was a change to the local connection test in November 2022 we are beginning to see more presentations from out with. In a follow up question Councillor McGuire asked if East Lothian Council had a legal obligation to accept and manage these requests. Ms McGuire confirmed there is now a legal obligation since the changes made in November 2022 so this has been an added pressure to the team.

Councillor Menzies asked how we ensure our managers are away of the regulatory requirements. Ms McGuire said regular team meetings are held with managers to ensure they are kept up to date and noted they would also be part of any consultation process with changes made to the framework.

In response to a second question from Councillor Menzies, Ms McGuire explained new standards were set out last year but some examples of unsuitable accommodation were property size, type, shared bathrooms and kitchens but she was happy to share the full list with Councillor Menzies outside of the meeting.

In a follow up question Councillor Menzies asked if the Council had anything in place to assist us. Ms McGuire reported the team work tirelessly to try and mitigate the risks but some will be medium to longer term as it will take a while to get solutions in place. Ms McGuire stated the team continue to look at ways to accelerate the delivery of affordable housing and exploring different options such as flat sharing and also review the allocations policy further down the line. Ms McGuire added that growth in the mid-market sector which is helping with some of our homeless clients. She stressed the pressure continues to the team with the changes that have been made.

Councillor Menzies asked if the team had been communicating with other local authorities to see if they were in the same position as East Lothian or if they have homes available and would like people to move there. Ms McGuire assured Members the team were working very closely with our partners across the region and wider and they would be writing back to the Scottish Government in light of the impact of local

connection in particular. She added the Housing Convener had also written to the Housing Minister setting out some of those areas of pressure.

In response to a question from Councillor Menzies, Ms McGuire confirmed we do measure our average time for homelessness assessment against other local authorities and the landlord and benchmarking reports show evidence of this. Ms McGuire was happy to share both of these with Members.

Decision

The Committee agreed to note;

- The regulatory framework and the requirement for the Senior Internal Auditor to sign-off the Annual Assurance Statement on behalf of the Council
- That the regulatory framework requires the submission of the AAS no later than the 31st October 2023

The Committee was asked to approve 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. A roll call vote was carried out and it was a unanimous decision to approve.

7. FINANCIAL MANAGEMENT CODE

A report was submitted by the Executive Director for Council Resources to provide the Audit and Governance Committee with an assessment of compliance with CIPFA's Financial Management Code (FM Code) and proposed actions to improve and enhance this.

Ellie Dunnet, Head of Finance reported the Financial Management Code was 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) produced the code, which sets the standards of financial management for local authorities. Ms Dunnet explained CIPFA 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.

Ms Dunnet stated the Code was a straight forward document based around 4 core principles. She drew Members attention to the one risk related to the budget setting process and compliance with the Council's statutory responsibility to set a balanced budget for the next year which reflects the significant challenge the Council is facing in relation to the scale of the funding gap for the next financial year.

Councillor Menzies asked how assured we can be that the Council will be able to set a balanced budget given the outside risks we have no control over and any political decisions that may be made within the groups. Ms Dunnet explained a significant amount of work was being done on this at the moment and she was hopeful they would be working towards achieving a balanced position for 2024/25 although that is likely to require some difficult decisions to be made by Council to close the funding gap for next year. Ms Dunnet added it has been highlighted as a red risk is as part of the Financial Management Code it did not feel appropriate at this point in the year to assume it would be likely we would be able to balance the budget given the risks being reported. Ms Dunnet made Members aware this was a challenge of a scale the Council has never seen before therefore it will continue to be a risk until the budget is

set for next year. She added it was important to recognise the wider challenges to managing the financial environment beyond the principles that are set out within the code that impact significantly on the financial health of the local authority and our capacity to manage that such as government funding and policy decisions.

Councillor Menzies thanked Ms Dunnet for being so honest and forthright when answering questions.

Decision

The Committee agreed to note:

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

8. HOUSING RISK REGISTER

9. DEVELOPMENT RISK REGISTER

10. COMMUNITIES RISK REGISTER

The Committee agreed to hear all three Risk Register reports together as the purpose, recommendations and background are duplicates across these Risk Register reports.

Reports were submitted by the Chief Executive to present to the Audit and Governance Committee the Housing Risk Register, the Development Risk Register and the Communities Risk Register for discussion, comment and noting. The Risk Registers are developed in keeping with the Council's Risk Management Strategy and are live documents, which are reviewed and refreshed on a regular basis, led by the Housing Local Risk Working Group (LRWG).

Lee Wright, Emergency Planning 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 Wright gave an update on the current Housing, Development and Communities Risk Registers which contained ;

- 12 High, 7 Medium and 3 Low Risks for Housing
- 3 High, 3 Medium and 6 Low Risks for Development
- 1 Very High, 6 High, 17 Medium and 6 Low Risks for Communities

As per the Council's Risk Strategy only the Very High and High risks are being reported to Committee.

Housing

In response to a question from Councillor Forrest, Ms McGuire confirmed that from 2024 the regulations will be changing so that new builds can no longer be connected to the gas grid but this is yet to be confirmed and she thinks this may be delayed slightly however, the Council are looking at alternative heating systems and communicating with tenants and there will be a training process with tenants and housing staff to ensure that tenants are making the best use of any new technology. Ms McGuire said she did have some concerns as gas is the cheapest fuel and new

forms of electric heating will be more expensive however, given the increase in building regulations in terms of fabric first she would hope this would balance things out and tenants would not have to use the heating as often.

In a second question Councillor Forrest asked if the problem we have is the amount of land we have available to build houses on which is the issue. Ms McGuire explained land supply is dealt with through the planning system but the main issue for the Council is around cost. She added that the issue is not land supply but the control of the land as the majority of affordable housing comes through land use planning policy and we rely on Section 75 which doesn't give us control on when these sights come forward. Ms McGuire explained if the market was to slow down it would have a huge impact on when affordable housing would then come forward but the Council will continue to work closely with the private sector and the Scottish Government to ensure we mitigate that risk as much as possible.

In response to a third question from Councillor Forrest, Ms McGuire confirmed the event was well attended by staff and tenants. The decision was made to invite colleagues from a variety of service areas based on some of the feedback and concerns received from our Tenants and Residents Panel. Ms McGuire hoped staff were able to provide some good information to tenants and feedback from the event will be reviewed to see if there are areas we need to improve on in our leaflets and Home Front booklet. She added that the revenues team had done significant work in reducing rent arrears and the financial inclusion team were working very closely with housing officers to try and bring that down even further.

Councillor Menzies asked if we had issues with mould within the county. Ms McGuire stated as a result of the publicity around the tragic death of a young boy down south last year the concern of mould and damp has increased amongst our tenants. She added the majority of issues around damp and mould are the result of life circumstances, this information had been picked up through the new workshop the Council have set up. Ms McGuire there have been cases of damp which have been picked up by the short life working group and looked at how we can monitor that more closely and bring in external contractors in that area. Ms McGuire made Members aware that work is coming to a close and Members Briefing would be held towards the end of October to give an update on this.

Councillor Menzies commented that she also attended the event and was pleased to see the amount of tenants and staff members who attended. Councillor Menzies said she received feedback from multiple tenants about the lack of response from the Council when complaints were made, even if work was being done to resolve the issue there was no communication with the tenant to advise them of this.

Development

Councillor Bruce asked if there had been substantial changes in our understanding of what needs to happen at Blindwells to make it deliverable that has caused that risk to change. Mr Graeme Marsden, Project Manager explained the increase of risk is mostly around the increase of capital costs and delivering a new development has significant capital costs in terms of infrastructure and the developed market. Mr Marsden added the risk has been highlighted further as we are engaging further with the land owners through the development of the business case.

In response to a follow up question from Councillor Bruce, Mr Marsden explained the work will be developed over the next year which gives sufficient time for LDP2s between the evidence based report and proposed plan stage which will be into 2025 so there will be enough time to reflect and compare costs and alternative strategies.

Councillor Bruce asked where the responsibility lies in terms of engagement between the Council and the developer. Mr Marsden stated the majority of the responsibility will come back to the developer but there is a role for local government to deliver services. He added that although it is a developer lead process but the Council wants to inform that process and help lead on it to deliver the best possible outcomes for the development.

Councillor Menzies asked for more of an understand of the possible risks around parking management projects failing. Mr Peter Forsyth, Project Manger stated the risks were varied and quite detailed. He added there are risks to not achieving what they hope to in regards of climate change, health and wellbeing and also risk to the Council in terms of income generation. Mr Forsyth noted the biggest risk to failing is the opposition from communities in respect to the introduction of charges where they feel they are being unfairly heard. He added significant work had been done in that area including survey work, economic impact assessments, consultation for North Berwick and mitigated a lot of this but unfortunately there still remains a high number of oppositions within the community. Mr Forsyth explained the Council may have to seek Government Ministers through the department of Planning and Environmental Appeals to adjudicate on this and have an appointed reporter if we cannot address some of the objections so it will be an ongoing issue.

In response to a second question from Councillor Menzies, Mr Forsyth explained the Council has taken regard of the potential route this could take within the programme so we have made some time concession within delivery for potential public hearings but we not aware of the timeframe it might take due to the level of objection so there is potential for further delay.

Councillor Bruce commented he was concerned to see the score for Blindwells increase as it plays a big part in how we deal with future growth and development in the county. Councillor Bruce added he would take his concerns to the Climate Change and Sustainability cross party group to see if there is something than can be done on a cross party basis to support our officers from a political side.

Councillor Menzies commented climate change should be at the heart of decisions made and put aside any political statement Councillors might want to make and instead ask if this is necessary for the planet and if yes, politics shouldn't play a part in the answer.

Communities

Councillor Menzies asked what was causing the very high item and what could be done to mitigate that. Caroline Rodgers, Service Manager explained the very high item was in relation to the Council's telephony system to fail. She highlighted the importance of the system operating as it should and stated over the past months there had been an increasing number of failures of the external telephony providers particularly around the alarm system and that is why the risk is currently very high. In terms of mitigation the Council are upgrading the alarm receiving softer and telephony system, both are underway and will be delivered within the next few months. Ms Rodgers stated the failures have been a nationwide as part the upgrade from analogue to digital telephony systems so we are working with the local government digital office and a working group to work with suppliers to find the root causes of the failures and address them.

In response to a question from Councillor Bruce, Ms Lynn Crothers, Service Manager explained this matter had been raised quite recently when civil servants from the

Scottish Government completed an audit on prepared East Lothian Council were for an outbreak of animal disease. She added that fortunately we are quite well prepared even with additional risks of being a coastal area and the civil servants were happy with the amount of work that has gone into making sure we are prepared for any possible outbreaks. Ms Crothers reported that during that meeting the lack of quarantine facilities was raised as a concern due to an incident this year where a dog brought over from Ukraine had to be allowed to quarantine at home as the only quarantine provider in Scotland did not have a van available to collect the pet. She assured Members these concerns had been raised but it still does remain a risk for ourselves and other local authorities in Scotland but she is hopeful to get some movement on it soon.

Decision

The Committee agreed to note:

- The relevant risk 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, Development and 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 Housing, Development and Communities and are likely to be a feature of the risk register over a number of years

Signed

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

REPORT TO: Audit and Governance Committee
MEETING DATE: 19 December 2023
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Report – December 2023

2

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee, provide details of Internal Audit's follow-up work undertaken and provide an update on progress made against the 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 October 2023 to December 2023 as contained in Appendix 1;
 - ii. the findings from Internal Audit's follow-up work, per Appendix 2;
 - iii. Internal Audit's progress against the annual audit plan for 2023/24 as set out in Appendix 3.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: Utilities Cost Management and Performance Indicators.
- 3.2 The main objective of the audits was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audits are contained in Appendix 1.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Utilities Cost Management – Reasonable Assurance
 - Performance Indicators – Reasonable Assurance
- 3.4 Internal Audit follows-up on recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management.

Detailed spreadsheets are maintained to monitor progress being made and this report provides a summary of the current status for five audits that were reported in previous years. Our findings are detailed below:

City Deal Governance and Monitoring

- 3.5 Internal Audit's report on City Deal Governance and Monitoring was issued in November 2022. Our follow-up review has highlighted that one of the three recommendations made has been implemented, the two recommendations that have not been implemented relate to an internal Programme/Project Board for the Innovation Hub being set-up and for this Board to receive regular reports. To ensure effective scrutiny arrangements within the Council, this Board should have received regular reporting of the project risk register. This Board was initially set up, however changes in senior staff in this area have resulted in no further meetings being held. This is now being resolved and Programme/Project Board meetings will recommence early in the new year.

Finance Business Partners and Budget Monitoring

- 3.6 Internal Audit's report on Finance Business Partners and Budget Monitoring was issued in September 2022. Our follow-up review has highlighted that five of the eight recommendations made have been fully implemented. Three recommendations are partially implemented, revised procedures have been drafted both for finance staff and budget holders and will be rolled out alongside training for budget holders in 2024, with all three remaining recommendations due to be complete by June 2024.

Performance Indicators

- 3.7 Internal Audit's report on Performance Indicators was issued in September 2022. Our follow-up review has highlighted that all three recommendations made have been fully implemented.

Prevent and Return Project

- 3.8 Internal Audit's report on the Prevent and Return Project was issued in February 2022. Our follow-up review has highlighted that 10 of the 16 recommendations made have been fully implemented. Six of the recommendations have been partially implemented and are now scheduled to be completed by May 2024, details of the recommendations are included in Appendix 2.

Waste Services Income

- 3.9 Internal Audit's report on Waste Services Income was issued in September 2022. Our follow-up review has highlighted that all 15 recommendations made have been fully implemented.

Progress Report 2023/24

- 3.10 A progress report attached as Appendix 3 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan for 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

AUTHOR'S NAME	Duncan Stainbank
DESIGNATION	Service Manager – Internal Audit
CONTACT INFO	dstainbank@eastlothian.gov.uk
DATE	8 December 2023

Appendix 1 Executive Summary: Utilities Cost Management

Conclusion: Reasonable Assurance

The Council benchmarks well in terms of performance, however, does not have either an energy or heating policy although there are procedures in place to monitor utility usage, however none of these procedures have been documented and set out formally. Contracts for electricity, gas and water put in place by the Scottish Government are utilised by the Council and the rates that the Council is charged are in line with the 2023/24 set rates. As part of the procurement and payment processes, checks have not been carried out to establish how the rates charged to the Council are calculated or to establish if the rates from the three other frameworks available to the Council would provide better value.

Background

As a local authority the Council has approximately 400 properties plus 155 charging points and stair wells within Council housing that are all supplied with some or all of gas, electricity, water and drainage. Using its purchasing power, the Scottish Government has put in place contracts covering all public sector buildings within Scotland, and it is these contracts that East Lothian are utilising. Regular updates on utility price increases have been received from Scottish Procurement with a schedule of prices from the suppliers before the start of each financial year.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager – Engineering Services & Building Standards and Transformation & Digital Portfolio Manager/Service Manager Procurement**:

- The Climate Change Strategy sets out high level requirements for the Council, whilst operational guidelines are in place these have not been formally documented into a Heating Policy or procedures. *Management have agreed to formalise policies and procedures by March 2024.*
- The current workload of the Energy Officer does not allow sufficient time to develop additional cost saving projects, whilst additional resource requirements have taken place at the Energy Board and CMT no business case has been developed. *Management have agreed to develop and present a business case for further support by March 2024.*
- No benchmarking work has been undertaken to confirm that the Council is receiving best value with the utility rates it is charged under the Scottish Government's contracts as opposed to the other three available frameworks, a management charge is now due to be applied to the use of these contracts, work now needs to be undertaken to ensure that they remain best value. *Management have agreed to carry out a benchmarking exercise prior to the new contracts coming into place during 2024.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	1	5	-	6
Prior report	N/A	N/A	N/A	N/A*

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

Materiality

In the year 2022/23 and the period to October 2023 East Lothian Council has spent on utilities approximately, the following amounts:

	2022/23 (£)	Year to 31 Oct 2023 (£)
Electricity	3.5 million	2.4 million
Gas	2.0 million	0.5 million
Water	<u>0.8 million</u>	<u>0.5 million</u>
Total	6.3 million	3.4 million

Headlines

Objectives	Conclusion	Comment
1. Clear, accessible, relevant and appropriate Council utilities usage monitoring, financial and environmental control policies and procedures are in place.	Limited	Usage monitoring is being completed on a regular basis across the Council estate, however the demands of this activity result in very limited resources being available to identify and implement further energy and cost saving improvements. In addition, formalised documentation of policies and procedures in relating to Council energy management are required; however, a Climate Change Strategy was approved by the Cabinet in 2020 and subsequent reports show that the Council is reducing its Carbon Dioxide emissions.
2. Utilities have been appropriately procured in line with best practice and relevant legislation and regulations have been complied with.	Reasonable	Utility contracts have been appropriately procured by the Scottish Government for gas, electricity and water and the Council makes use of each of these. However, no benchmarking work has been carried out to establish if best value could be achieved by utilising one of the other three frameworks that are available to the public sector.
3. Invoices are accurate, paid timeously, appropriately recharged to services and any changes to the Council's estate are accurately recorded and reflected in charges made.	Reasonable	As part of the Scottish Government contract the supplier provides a schedule of rates for the coming year. A review of the rates being charged confirmed that these are in line with the schedule of charges set out at the beginning of the year. However, documentation from these rate reviews is not being maintained to provide an audit trail an improvement recommendation has been made and accepted to maintain this audit trail.
4. Invoices paid on behalf of third-party usage are recharged correctly and timeously.	Reasonable	Where third parties rent properties from the Council and the Council supplies the utilities invoices are sent to the third parties on a monthly basis. The Council's Charging Policy states that a full cost recovery approach is expected to be taken to recover costs incurred by all services involved in issuing an invoice, which is not currently the case for these invoices.
5. Utilities usage is adequately managed and monitored and appropriate action is taken to ensure efficiency, best value and a reduction in carbon emissions on a timeous basis.	Reasonable	Utility usage is monitored on a monthly basis as part of the extraction of information from the Energy Management system that accumulates all the consumption figures together with the billing details. However, whilst appropriate checks are undertaken to confirm that invoices are being charged at the correct contract rates, evidence of these checks are not being retained.
6. Plans are developed with services to reduce utilities usage where relevant, and the action taken by services is reviewed and monitored to ensure achievement of appropriate outcomes.	Reasonable	As part of a wide-spread review the Council is looking at the properties it currently uses to review the ongoing use of some and the renovation of others. Where buildings are being redesigned consideration is given to improving their thermal efficiency, where funds are available, and when new buildings are being planned and built, up to date thermal efficiency standards are being implemented.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	Monthly billing reports are reviewed to identify any obvious increases in the billing amounts and these are examined by the Energy Officer. Where appropriate amendments are promptly made by the supply companies.
2.	As part of the ongoing monitoring and targeting of electricity consumption within buildings, the Energy Officer has been looking at how lighting is provided. The installation of both LED lights and passive infrared sensors, which turn the lights off once there has been no movement within a room, can make a significant reduction in electricity consumption.
3.	Benchmarks for the consumption of gas and electricity have been set out by the Scottish Government and the Council's review against these benchmarks identified that for primary schools electricity consumption in 94% of the buildings is better than typical and in 73% better than good practice and for heating 89% of buildings are better than typical and 54% better than good practice.

Recommendation Grading/Overall opinion definitions

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

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

Executive Summary: Performance Indicators

Conclusion: Reasonable Assurance

The remit and powers of the Policy and Performance Review Committee (PPRC), as delegated by the Council, covers all matters relating to the performance of the Council's services. It is recognised that for the PPRC to effectively carry out this scrutiny role they require to be provided with comprehensive and up to date performance reports, this in turn requires service areas within the Council to provide the Council's Policy & Performance team with timely performance information, together with a detailed commentary on the reported figures. From our review of the Performance Indicator (PI) reports provided to the PPRC it is clear that there is a mixed practice across the Council in this regard – there are some excellent examples of service areas providing up to date performance information together with a clear commentary, but in other areas there are gaps in the information being provided. The Council has an appropriate governance framework in place for the development and approval of performance indicators, however to ensure that the full benefits are realised, and to enhance effective scrutiny, improvements are required in the PI information currently being provided.

Background

The PPRC is scheduled to meet four times a year and the Committee considers two types of reports:

- Regular reports on performance including Performance Indicators quarterly reports and the annual report on the Council's key performance indicators, an annual report on the Local Government Benchmarking Framework (LGBF) and annual updates on the Council Plan Top 50 indicators; and
- Reports requested by Members of the Committee seeking further information on issues that have arisen out of the performance reports or are otherwise of particular interest to one or more elected members.

Summary of findings & recommendations

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

- The Top 50 Council Plan Indicator Report, as provided to the PPRC, should provide complete and comprehensive information for each of the 50 indicators, including baselines and targets. *Management have agreed to have baselines and targets in place where appropriate by December 2023.*
- The quarterly performance reports presented to the PPRC should be complete and contain all relevant details, including up to date management comments for each indicator. *Management will seek to ensure that clear commentary is provided by service areas for all indicators by December 2023.*
- An action list of reports should be developed, to reflect requests from Members on specific areas that have arisen out of the performance data. *Management have agreed that requests from Members for additional reports will be reflected in the PPRC work programme on an ongoing basis from December 2023.*
- The PPRC should meet four times a year as scheduled and regular Member development and opportunities to refresh knowledge should be put in place for members of the Committee. *Management have agreed to ensure that this is available on an ongoing basis.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	10	-	10
Prior Report	n/a	n/a	n/a	n/a

Materiality

The Council is a complex organisation, providing a wide range of services and maintaining appropriate oversight of performance can be a challenge. The Council currently reports on 50 Council Plan indicators, 19 annual indicators, 26 newly developed additional Poverty and Equality indicators and 38 quarterly indicators. In addition, there are 104 Local Government Benchmarking Framework (LGBF) indicators and service areas have nationally benchmarked indicators specific to their individual service.

Headlines

Objectives	Conclusion	Comment
<p>1. An appropriate governance framework is in place for the development and approval of performance indicators, which is consistent with the Council Plan objectives.</p>	Reasonable	<p>An appropriate governance framework is in place for the development and approval of performance indicators. Following approval of the 2022-2027 Council Plan in August 2022, a new set of Top 50 Council Plan indicators was developed and approved by Council. The Top 50 indicators are reported on, together with other annual performance indicators, and quarterly performance indicator reports in respect of the performance of Council services.</p>
<p>2. There is regular review of the performance indicators that are being prepared and reported to ensure they remain appropriate and relevant to the Council's objectives, including the process for determining appropriate baselines and targets for each indicator.</p>	Reasonable	<p>The Council operates in a complex environment, and it is important that the indicators monitored reflect key strategic priority areas and risks, and that the Council is clear on the level of performance outcomes it aims to achieve. Measures are taken to ensure the continued relevance of the Council's performance information, including a new set of Poverty and Equality indicators, proposed changes to certain quarterly measures and the addition of new measures to be reported from Quarter 2. It is important that reasons for new or revised indicators are clearly outlined, that indicators measure against Council Plan objectives and are appropriately benchmarked.</p>
<p>3. The preparation and reporting of performance indicators ensures the provision of relevant and timely data, to enable effective scrutiny of key performance and outcomes, and there is clear evidence of Management providing comprehensive commentary, and where appropriate further explanation, on the reported performance indicators.</p>	Reasonable	<p>The Council Plan 2022-2027 Top 50 Performance Report, as presented to the PPRC meeting on 15 June 2023, only provided latest values (i.e. the current figures) for 23 indicators. For the 27 indicators for which current values were not provided, in some cases the comments section explained why the figures were not available (e.g. 2022/23 figures will be available later in the year) and provided a commentary on the previous (baseline) figures, however in other cases no explanations were provided as to why latest values were not included in the report. The annual "State of the Council" report which will be presented to Council in December 2023 will provide updates on these indicators, together with updated baselines and targets which are in the process of being developed for some indicators.</p>
<p>4. As required under the Council duty of Best Value, there is a clear mechanism for internal scrutiny by Members of performance and service outcomes.</p>	Reasonable	<p>The Council's Scheme of Administration outlines that the remit and powers of the Policy and Performance Review Committee (PPRC), as delegated by the Council, covers all matters relating to the performance of all the Council's services. The PPRC is scheduled to meet four times a year and considers two types of reports; regular reports on performance and reports requested by Members seeking further information on issues that have arisen out of the performance reports.</p>
<p>5. Where appropriate, remedial and/or recovery action is taken based on the reported performance indicators and the Council can clearly demonstrate that the preparation, reporting and scrutiny of performance indicators has led to measurable improvements in performance and service outcomes.</p>	Reasonable	<p>For the PPRC to effectively carry out their scrutiny role, they require to be provided with comprehensive and up to date performance reports. There are some excellent examples of service areas providing up to date performance information together with comprehensive commentary, and where appropriate further explanation, on the reported performance indicators, but in other areas there are gaps in the information being provided, in particular a lack of management comments to assist in interpretation. These gaps, which prevent a full picture of performance being presented, will inhibit the PPRC's ability to identify areas requiring further review or where remedial and/or recovery action is required.</p>

Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	<p>The 2022-2027 Council Plan was approved by Council on 23 August 2022 and on 27 October 2022 Council approved the 2022-2027 Council Plan Action Plan and agreed that a new set of Top 50 Council Plan indicators will be presented to the Policy and Performance Review Committee (PPRC) for consideration, before coming to Council for approval. The Top 50 Council Plan indicators were presented to the PPRC for comment on 15 December 2022 and on 28 February 2023 Council approved the Top 50 Council Plan indicators. The Indicators were based around six Council Plan objectives – Grow our Economy, Grow our People, Grow our Communities, Grow our Capacity, Reduce Poverty and Inequality and Respond to the Climate Emergency (no specific indicators were set against the seventh objective, Recovery and Renewal, as all the indicators were considered to contribute to meeting this objective). The Top 50 indicators included 29 indicators that were part of the 2017-2022 Council Plan Top 50 indicators and 21 new indicators. The Council also has several annual performance indicators that are not included in the Top 50, but which are also reported on. In addition to the Top 50 Council Plan indicators and annual indicators:</p> <ol style="list-style-type: none"> 1) The PPRC are provided with quarterly performance indicator reports in respect of the performance of Council services. 2) The Local Government Benchmarking Framework (LGBF) indicators are provided to the PPRC on an annual basis. 3) At the PPRC meeting of 21 September 2023, the Committee were provided with a recommended set of Poverty and Equality indicators, which they were asked to approve and note that work is ongoing to develop baselines and targets for some of the indicators that are still in development.
2.	<p>The PPRC is scheduled to meet four times a year and at the meeting of 9 June 2022, the first meeting of the PPRC after the Local Government elections, a Guide to Scrutiny and Review was presented, which highlighted that the work of the Committee focuses on the review of performance and considering reports on matters of concern to the Committee in seeking assurance that under performance is being addressed. The report also covered the principles of scrutiny, the work programme, selecting topics for scrutiny and review, scrutiny techniques, making sense of performance data and what to look for in a performance report. The report highlighted that performance indicators should be used to identify areas for further investigation and review. In addition, a Legacy Report was presented which highlighted that the Committee considers two types of reports:</p> <ul style="list-style-type: none"> • Regular reports on performance including Performance Indicators quarterly reports and the annual report on the Council’s key performance indicators, an annual report on the Improvement Service’s Local Government Benchmarking Framework (which includes over 100 indicators) and annual updates on the Council Plan Top 50 indicators; • Reports requested by Members of the Committee seeking further information on issues that have arisen out of the performance reports or are otherwise of particular interest to one or more elected members. The Legacy Report advised that over the last five years, the Committee has received reports on a wide range of subjects and provided examples of these, and that in scrutinising the quarterly performance reports, Members have asked for explanations and further information on a wide range of indicators (list provided).
3.	<p>Scrutiny is the term used to describe the way in which the performance, decisions and plans of the Council are examined by the Elected Members who are not part of the Cabinet. Internal scrutiny by Elected Members has taken on much greater significance following publication of the Crerar Review in 2007. The report recommended that rather than rely on the results of external scrutiny exercises “the primary responsibility for demonstrating compliance and performance should rest with the service provider”. The reporting of performance information helps the Council demonstrate that it is achieving Best Value regarding “Commitment and Leadership”, “Sound Governance at a Strategic, Financial and Operational Level” and “Accountability”. The scrutiny by Elected Members is part of “Commitment and Leadership” and the reporting of performance indicators is intended to assist in this process.</p>

Recommendation Grading/Overall opinion definitions

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

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

OUTSTANDING RECOMMENDATIONS
Prevent and Return

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED DATE OF COMPLETION	REVISED DATE OF COMPLETION
1.2	<p><u>Partly Implemented</u></p> <p>Consideration should be given to reviewing the existing procedures within Children's Services in respect of external residential care to ensure that the aims of the Prevent and Return Project are properly embedded.</p>	Medium	Head of Children's Services	With the new processes and governance measures working well, the written guidance needs to be further updated to reflect the changes made.	March 2022	May 2024
1.3	<p><u>Partly Implemented</u></p> <p>Management should ensure that the governance framework clearly outlines the roles and responsibilities of all relevant groups and how the decision-making process is co-ordinated for the Prevent and Return Project.</p>	Medium	Head of Education & Head of Children's Services	Guidelines for the Governance meetings including the new Tracking meeting were drawn up earlier in the year and need approval from CSMT in line with the revised guidance.	December 2022	May 2024
2.2	<p><u>Partly Implemented</u></p> <p>Management should ensure that regular analytical reviews are undertaken on the data sets maintained by Education and Children's Services in respect of vulnerable children and young people.</p>	Medium	Head of Children's Services	Tracking and other governance meetings review regular data sets however an annual summary will now be written to analyse the data. This will be passed to CSMT for review.	January 2023	January 2024

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED DATE OF COMPLETION	REVISED DATE OF COMPLETION
3.2	<u>Partly Implemented</u> Management should ensure that referrals to the SORG meetings include the minutes in respect of any funding/ support provided by the Internal Panel/MARG and the ERG.	Medium	Head of Children's Services	Whilst the SORG no longer operates referrals the new governance mechanism does include this information; however, this has not yet been formalised in written guidance.	March 2022	May 2024
3.3	<u>Partly Implemented</u> Management should ensure that children's referrals to the SORG meetings include the budgeted costs for all options being considered.	Medium	Head of Children's Services	Whilst the SORG no longer operates referrals the new governance mechanism does include this information; however, this has not yet been formalised in written guidance.	March 2022	May 2024
5.1	<u>Partly Implemented</u> Management should ensure that arrangements are in place for reporting on the success of outcomes for children returning to East Lothian at the SORG.	Medium	Head of Children's Services	Tracker meetings are reviewing this information on a six-monthly basis going forward, however the annual summary report will provide an analysis of data on the success of outcomes for returning young people.	September 2022	January 2024

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.	June 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.	March 2024	In Planning
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 Progress

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 Progress
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	
Utilities Cost 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	Complete
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 is 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	Complete

REPORT TO: Audit and Governance Committee

MEETING DATE: 19 December 2023

BY: Service Manager – Internal Audit

SUBJECT: Internal Audit Charter

3

1 PURPOSE

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require an Audit Charter to be in place in each local authority.
- 1.2 The PSIAS require the Internal Audit Charter to be reviewed periodically and presented to Senior Management and to the Audit and Governance Committee for approval.
- 1.3 East Lothian Council's Internal Audit Charter was approved by the Audit and Governance Committee in November 2022. The Charter has been reviewed and updated to include a mission statement as required by the March 2023 QAIP review against PSIAS standards. The updated Internal Audit Charter is being presented to the Audit and Governance Committee for approval.

2 RECOMMENDATION

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

3 BACKGROUND

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

4 POLICY IMPLICATIONS

4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Duncan Stainbank
DESIGNATION	Service Manager – Internal Audit
CONTACT INFO	dstainbank@eastlothian.gov.uk
DATE	8 December 2023

**EAST LoTHIAN COUNCIL
INTERNAL AUDIT**



**INTERNAL AUDIT
CHARTER**

INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 The work of East Lothian Council's Internal Audit activity is governed by the Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 and were revised from 1 April 2017. The PSIAS are mandatory for all internal auditors working in the UK public sector.
- 1.2 PSIAS defines that the mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
- 1.3 The Internal Audit Charter is a formal document that defines the Internal Audit activity's purpose, authority and responsibility. The Internal Audit Charter establishes Internal Audit's position within the Council, including the nature of the Service Manager-Internal Audit's functional reporting relationship with the Audit and Governance Committee and defines the scope of Internal Audit's activities.

2. Definitions

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

3. Purpose

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

- continuously improving the risk management, control and governance processes so they operate at optimum effectiveness and cost efficiency and reflect best practice.

4. Scope

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

5. Authority

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

6. Responsibility

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

- 6.4 Internal Audit is accountable for reporting its findings, conclusions and recommendations to the Audit and Governance Committee and to Senior Management. In addition, Internal Audit is responsible for ensuring timely follow-up on management actions.
- 6.5 Internal Audit assists as needed in the investigation of significant suspected fraudulent activities within the Council and notifies management and the Audit and Governance Committee of the results of any investigations. To provide greater resource in this area a specific Counter Fraud Officer is in place within the team.

7. Independence

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

8. Accountability

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

9. Management Responsibilities

- 9.1 An Internal Audit function can only be effective if it receives the full cooperation of management. By approving this Internal Audit Charter, the Audit and Governance Committee and the Chief Executive are mandating management to cooperate with Internal Audit in the delivery of the service by:
- providing Internal Audit with full support and cooperation, including complete access to all records, assets, personnel and premises relevant to the performance of their responsibilities at all levels of operations, without unreasonable delay, subject to all relevant legal obligations and restrictions;
 - responding to draft Internal Audit reports including provision of management responses to recommendations;
 - implementing agreed management actions in accordance with the agreed timescales and updating Internal Audit with progress made on management actions;
 - informing Internal Audit of proposed changes and developments in processes and systems and of newly identified risks.
- 9.2 Management is responsible for the effective identification of risk and the maintenance of adequate systems of controls. Management is responsible for corrective actions on reported weaknesses.
- 9.3 Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will assist management in the effective discharge of this responsibility.
- 9.4 In accordance with the Council's Strategy for the Prevention and Detection of Fraud and Corruption, management will notify Internal Audit of all suspected or detected fraud, corruption or impropriety, to inform the annual audit opinion and the risk-based plan.

10. Advisory Work

- 10.1 The Public Sector Internal Audit Standards (PSIAS) recognise that Internal Audit effort may sometimes be more usefully focused towards providing advice rather than assurance over core controls. Where appropriate, Internal Audit will act in a consultancy capacity by providing guidance and advice for strengthening the control environment within the Council, providing:
- the objectives of the consulting engagement address governance, risk management and control processes to the extent agreed upon with the Council;
 - the request has been approved by the Council Management Team;
 - Internal Audit is considered to have the right skills, experience and available resources;
 - Internal Audit's involvement will not constitute a conflict of interest in respect of maintaining an independent stance, and Internal Audit will not assume a management role in providing this advice.
- 10.2 When performing consulting services, Internal Audit staff must maintain objectivity and not take on management responsibility.

- 10.3 The Service Manager-Internal Audit is responsible for ensuring that all requests for consulting engagements are reviewed in accordance with the above criteria and for making the final decision.

11. Quality Assurance

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

Internal assessments

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

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

External assessments

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

12. Approval

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

Updated: December 2023

REPORT TO: **AUDIT AND GOVERNANCE COMMITTEE**

MEETING DATE: 19 December 2023

BY: Executive Director for Council Resources

SUBJECT: Annual Accounts 2022-23

4

1 PURPOSE

- 1.1 To provide the Committee with an update on any changes arising during the audit of the draft financial statements, and to ask the Committee to approve the audited accounts for 2022-23, noting some further changes to the accounts are still being finalised.

2 RECOMMENDATIONS

- 2.1 Members are recommended to;
- Approve the audited Accounts for the Council and Group components.
 - Delegate responsibility to the Council's Chief Finance Officer and Chair of the Audit & Governance Committee to make appropriate changes to the Accounts, subject to completion of audit work relating to asset valuations, and formal sign off from External Audit.
 - Approve the 2022-23 audited accounts for the Dr Bruce Fund.

3 BACKGROUND

- 3.1 The draft Accounts were formally submitted to Audit Scotland prior to the statutory deadline of 30 June 2023, and were formally considered at Council on the 29th August 2023. As previously indicated the audit was delayed due to external audit resource challenges and the audit commenced mid-October 2023 and was completed in December.

- 3.2 In accordance with statutory requirements, the draft accounts were made available for public inspection for a 3 week period concluding 21 July 2023. No objections were received during this period.
- 3.3 East Lothian Council's statutory accounts includes the financial results for both the Council and its group components. The audited financial accounts are set out in **Appendix 1**, and include an independent audit opinion on the financial statements, and as also highlighted in the auditor's draft annual audit report, I am pleased to report that an unmodified audit opinion has been presented signalling that the financial statements presented represent:
- A true and fair view of the affairs of the Council and the wider Group and were properly prepared in accordance with the financial reporting framework;
 - The audit part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.
- 3.4 Late in the audit process, a review of operational assets identified that incorrect data had been used in the valuation of around 200 assets. The issue appears to relate to floor space information underpinning the valuation of land and buildings initially undertaken as at 31 March 2021. The Council is consulting with the valuer to quantify the potential understatement of the affected assets and the impact on the 2022/23 annual accounts. These changes are not expected to change the Council's General useable reserves balance but may impact on the Council's unusable reserves. Members will be kept fully updated of any changes that arise, and full details of the changes and the audited accounts will be submitted into Members Library Service.
- 3.5 During the course of the audit, it was discovered that the actuarial assumptions applied to the Pension liability in respect of unfunded obligations had not been appropriately capped in accordance with IFRIC 14. After engagement with the actuary, a disclosure was made for £12.194 million in relation to the unfunded pension obligation.
- 3.6 One unadjusted misstatement remains within the Accounts relating to certain items of non-pay expenditure that had been fully charged to financial year 2022/23 that includes costs relating to 2023/24. This amount is not material to the Accounts and the Council applies a consistency approach of accounting for annualised 12 months expenditure.
- 3.7 In addition to the Council's financial statements, Audit Scotland also provide an audit opinion of the Dr Bruce Trust which is administered by the Council. The final audited accounts are included within **Appendix 2**, of this report for Members information, and an unqualified audit opinion has been issued.

- 3.8 In line with statutory guidance, following approval of the annual accounts by those charged with governance, the 2022-23 accounts will be formally signed by the Council (Chief Executive, Council Leader and Chief Finance Officer) as well as Audit Scotland once the valuation and associated Audit checks have been completed.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications associated with this report.

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

- 6.1 Financial – as described above
- 6.2 Personnel - none
- 6.3 Other – none

7 BACKGROUND PAPERS

- 7.1 Council 29 August 2023 – Draft Annual Accounts 2022-23 (Item 2)

Author's Name	Ann-Marie Glancy
DESIGNATION	Service Manager – Corporate Accounting
CONTACT INFO	aglancy@eastlothian.gov.uk
DATE	14 December 2023

Audit and Governance Committee

19 December 2023

5

East Lothian Council Audit of 2022/23 annual accounts

Independent auditor's report

1. Our audit work on the 2022/23 annual accounts is now substantially complete. Subject to the receipt of a revised set of annual accounts for final review and the outstanding matters detailed below, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 19 December 2023 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit and Governance Committee's consideration our draft Annual Report on the 2022/23 audit. The section headed "Significant findings and key audit matters" sets out the issues identified in respect of the annual accounts.

3. The report also sets out conclusions on the wider scope areas that frame public audit as set out in the Code of Audit Practice.

4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.

6. There were 4 unadjusted misstatements. If corrected, this would reduce net expenditure by £1.827 million and increase the net assets in the statement of financial position by the same amount.

Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Audit and Governance Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Section 95 Officer

8. As part of the completion of our audit, we are seeking written representations from the Executive Director for Council Resources as Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.

9. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

Outstanding matters

10. Our audit work is substantially complete subject to the following outstanding procedures/information as detailed below:

- a review of operational assets identified that incorrect data had been used in the valuation of around 200 assets. The issue appears to relate to floor space information underpinning the valuation of land and buildings initially undertaken as at 31 March 2021. The Council is liaising with the valuer to quantify the potential understatement of the affected assets and the impact on the 2022/23 annual accounts.
- final audit completion steps including conclusion of subsequent procedures up to the date of signing and written representations from the Council.

Appendix A: Proposed Independent Auditor's Report

Independent auditor's report to the members of East Lothian Council and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of East Lothian Council and its group for the year ended 31 March 2023 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Council and Group Movement in Reserves Statement, the Council and Group Comprehensive Income and Expenditure Statement, the Council and Group Balance Sheet, the Council and Group Cash Flow Statement, the council-only Housing Revenue Account, Movement in the HRA statement, the Common Good Comprehensive Income and Expenditure Statement, Common Good Balance Sheet, the Trust Movement in Reserves Statement, Trust Comprehensive Income and Expenditure Statement, Trust Fund Balance Sheet, the Council Tax Income Account and the Non Domestic Rate (NDR) Income Account and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 2022/23 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the council and its group as at 31 March 2023 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the council and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the council and its group. However, I report on the council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Executive Director for Council Resources and East Lothian Council for the financial statements

As explained more fully in the Statement of Responsibilities, the Executive Director for Council Resources is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Executive Director for Council Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Director for Council Resources is responsible for assessing the ability of the council and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the council and its group.

East Lothian Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the council and its group;
- inquiring of the Executive Director for Council Resources as to other laws or regulations that may be expected to have a fundamental effect on the operations of the council and its group;
- inquiring of the Executive Director for Council Resources concerning the policies and procedures of the councils and its group regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Executive Director for Council Resources is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

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

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

John Boyd FCPFA
Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Appendix B: Letter of Representation (ISA 580)

John Boyd, Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear John

East Lothian Council Annual Accounts 2022/23

1. This representation letter is provided about your audit of the annual accounts of East Lothian Council and its group (hereafter referred to as the Council), for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of the Council's annual accounts for the year ended 31 March 2023.

General

3. The Council and I have fulfilled our statutory responsibilities for the preparation of the 2022/23 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by the Council have been recorded in the accounting records and are properly reflected in the financial statements.

4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (2022/23 accounting code), and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Council and its Group at 31 March 2023 and the transactions for 2022/23.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2022/23 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All

accounting policies applied are appropriate to the Council's circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed the Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on the Council's ability to continue as a going concern.

Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2023 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

11. I carried out an assessment at 31 March 2023 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified. This has included consideration of the existence of Reinforced Autoclaved Aerated Concrete (RAAC) on the Council's estate. I am satisfied that there is no indication of impairment of assets held that requires to be recognised within the annual accounts.

12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2023.

13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.

14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

15. The pension assumptions made by the actuary in the IAS 19 for the Council have been reviewed and I confirm that they are consistent with management's own view. The pension asset has been capped to reflect the asset ceiling as determined through IFRIC 14. I am satisfied that the assumptions applied in the calculation are consistent with management's own view.

Liabilities

16. All liabilities at 31 March 2023 of which I am aware have been recognised in the annual accounts.

17. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2023 of which I am aware where the conditions specified in the 2022/23 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2023. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

18. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2023 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

19. The accrual recognised in the financial statements for holiday untaken by 31 March 2023 has been estimated on a reasonable basis.

20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

21. There are no significant contingent liabilities, other than those disclosed in Note 29 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the 2022/23 accounting code and IAS 37.

Fraud

22. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

23. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

24. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2022/23 accounting code. I have made available to you the identity of all the Council's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

25. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

26. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

27. I confirm that the Council has undertaken a review of the system of internal control during 2022/23 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

28. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2023, which require to be reflected.

Group Accounts

29. I have identified all the other entities in which the Council has a material interest and have classified and accounted for them in accordance with the 2022/23 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Common Good Fund

30. I confirm, to the best of my ability, that all material common good assets have been identified and correctly accounted for within the common good financial statements and where appropriate, common good assets in use by the Council have been assessed and accounted for in line with IAS 17.

Events Subsequent to the Date of the Balance Sheet

31. All events subsequent to 31 March 2023 for which the 2022/23 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Sarah Fortune

Executive Director for Council Resources

Section 95 Officer

East Lothian Council

2022/23 Annual Audit Report – PROPOSED

6



Prepared for the Members of East Lothian Council and the Controller of Audit
December 2023

Contents

Key messages	3
Introduction	6
1. Audit of 2022/23 annual accounts	8
2. Financial management	15
3. Financial sustainability	21
4. Best Value	27
5. Vision, leadership and governance	30
6. Use of resources to improve outcomes	35
Appendix 1. Action plan 2022/23	41
Appendix 2. Summary of uncorrected misstatements	48

Key messages

2022/23 annual accounts

- 1 Our audit opinions on the annual accounts of East Lothian Council (the Council), its group and the section 106 charity administered by the Council are unmodified, i.e. the financial statements and related reports are free from material misstatement.
- 2 The management commentary, annual governance statement and remuneration report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.
- 3 Adjustments have been made to the annual accounts as a result of the audit process as detailed in Exhibit 2 of the report.

Financial management and sustainability

- 4 The Council reported deficit on the provision of services of £16.154 million. The outturn position included planned use of reserves and the underlying overspend for the year was £5.986 million. The Council faces financial challenges through inflationary pressures on pay and non-pay costs, demand on services and supporting a growing population.
- 5 The Council has appropriate budget setting and monitoring arrangement in place but continues to face significant challenges to identify and agree the required future savings to balance its budget.
- 6 The Council should review the underlying reasons for reprofiling of the capital programmes to identify opportunities to improve the project management and budget setting procedures in place. Where the capital programme has been paused as a result of mitigation measures the Council should assess the affordability of delivering the current capital programme.
- 7 The Council faces unprecedented financial challenges, many of which are external and demand factors aligned to a growing population. While the Council recognise the scale of the financial pressures further work is required to find comprehensive plans to address these and deliver a financially sustainable operating model. It is important for the Council to focus on financial resilience including key indicators and measures.
- 8 The Council should continue to review the level of earmarked and uncommitted reserves to ensure these provide sufficient contingency and

continue to support financial sustainability over the short, medium and long term.

- 9 The Council recognises that to remain financially sustainable and resilient it faces difficult decisions around the services it provides in the future. The Council should continue to identify where it can progress transformational change in how services are delivered to address the longer-term financial pressures it faces.
- 10 The Council needs to prioritise where it can invest in digital services to deliver savings in the longer term. The Council needs to strengthen their digital strategy, cyber security, business continuity management and associated policies to address prior year audit recommendations.

Best Value

- 11 The Council's leadership has been effective in setting out a clear vision and priorities in the Council Plan 2022-27. The Council has set clear priorities but recognises that decisions need to be made urgently to ensure a sustainable approach to delivering those priorities.
- 12 A Best Value Assurance Report on East Lothian Council was published in November 2018, containing nine improvement recommendations. The Council has made good progress in prioritising and implementing what they believe are the key improvement actions. The Council should set a clear timescale for implementing the remaining actions.

Vision, leadership and governance

- 13 Governance arrangements are well established and are appropriate.
- 14 The Council demonstrates its commitment to leadership development including ongoing investment in a leadership development programme. However, there are opportunities to enhance the effectiveness of these by reviewing the collaborative working between members and officers.
- 15 Climate emergency is one of the overarching objectives within the Council Plan. It is too early to conclude whether the Council is on track to achieve its Net Zero ambition.

Use of resources to improve outcomes

- 16 The Council's vision is aligned to the community plan priorities with community empowerment a key principle within the Council Plan.
- 17 Maintaining oversight of performance is challenging across the range of council services. A new set of **Top 50 indicators** has been produced to reflect the new Council Plan. Currently 34 of these 50 measures have stated

targets. The Council needs to develop measures for the remaining indicators to clearly monitor the performance it wants to achieve in its priority areas.

Introduction

1. This report summarises the findings from the 2022/23 annual audit of East Lothian Council (the Council). The scope of the audit was set out in an annual audit plan presented to 13 June 2023 meeting of the Audit and Governance Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of the Council's annual accounts
- conclusions on the Council's performance in meeting its Best Value duties
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

2. This report is addressed to the Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

3. I, John Boyd, have been appointed by the Accounts Commission as auditor of the Council for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank councillors, audit committee members, senior management, and other staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Council is also responsible for compliance with legislation, and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

7. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of the Council from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £291,020 (including £1,000 in respect of Charitable Trusts) as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to the Council by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

Main judgements

Our audit opinions on the annual accounts of East Lothian Council (the Council), its group and the section 106 charity administered by the Council are unmodified, i.e. the financial statements and related reports are free from material misstatement.

The management commentary, annual governance statement and remuneration report were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

Audit opinions on the annual accounts are unmodified

11. The Council approved the annual accounts for the year ended 31 March 2023 on 19 December 2023. In addition to the Council's financial results, the group accounts consolidate the financial results of the Council and its subsidiaries and its investments in associates and interests in joint ventures. These include: East Lothian Land Ltd., East Lothian Mid-Market Homes LLP, Trust Funds and Common Good Funds, East Lothian Investments, Enjoy East Lothian Ltd., Brunton Theatre Trust, Lothian Valuation Joint Board and East Lothian Integration Joint Board.

12. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report was prepared in accordance with the financial reporting framework
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall group materiality was assessed as £9.2 million

13. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

14. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Council	Group
Overall materiality	£8.6 million	£9.2 million
Performance materiality	£6.5 million	£6.9 million
Reporting threshold	£250,000	£250,000

Source: Audit Scotland

15. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

16. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. We have used our professional judgement and set performance materiality at 75 per cent of overall materiality.

17. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

18. Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the council, including our view about the qualitative aspects of the body's accounting practices.

19. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance

in our audit of the financial statements. The significant findings and key audit matters are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p>1. Pension ceiling asset</p> <p>The unaudited accounts recognised the Council's share of its local government pension scheme assets and liabilities as at the balance sheet date. IFRIC 14 limits the measurement of the net defined benefit asset to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. In accordance with IFRIC 14, the pension asset derived through IAS 19 valuation should be capped in accordance with IFRIC 14 at the pension asset ceiling. This represents the economic benefit available as a reduction in future contributions.</p> <p>The Council engaged with the actuary, Hymans Robertson, to provide an actuarial valuation of the net pension asset ceiling (cap) in accordance with IFRIC 14.</p> <p>The unaudited accounts do not disclose a separate liability in respect of the unfunded pension obligations. Per the IAS 19 Results Schedule, the present value of the unfunded obligations at 31 March 2023 is £12.194 million. This is split £7.532 million in respect of LGPS unfunded pensions and £4.662 million in respect of Teachers' unfunded pensions. The following adjustment has been reflected within the unaudited accounts:</p> <p>Dr Unusable Reserves £12.194 million</p> <p>Cr Pension liability £12.194 million</p> <p>Narrative disclosures are also required in Note 31 - Defined Benefit Pension Schemes to explain that the pension liability is in respect of unfunded obligations.</p>	<p>The audit team have reviewed the actuarial assumptions applied and basis of calculation and satisfied that this is appropriate and that the net pension asset ceiling has been appropriately capped in accordance with IFRIC 14.</p>

Source: Audit Scotland

Our audit work responded to the risks of material misstatement we identified in the annual accounts

20. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant

risks of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Assessed the design and implementation of controls over journal entry processing.</p> <p>Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Tested journals at the year-end and post-closing entries and focus on significant risk areas.</p> <p>Considered the need to test journal entries and other adjustments during the period.</p> <p>Evaluated significant transactions outside the normal course of business.</p> <p>Assessed the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>Assessed any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p>	<p>Results: We found no instances of material misstatement due to fraud caused by management override of controls.</p>
<p>2. Estimation in the valuation of land and buildings.</p> <p>There is a significant degree of subjectivity in the valuation</p>	<p>Review the information provided to the external valuer to assess for completeness.</p>	<p>Results: [Subject to conclusion of audit procedures] Assurance has been gained that there are no material misstatements in the</p>

Audit risk	Assurance procedure	Results and conclusions
<p>of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>All non-current assets are revalued on a five-year rolling basis. Values may also change year on year, and it is important that ELC ensures the financial statements accurately reflect the value of the land and buildings.</p>	<p>Evaluate the competence, capabilities, and objectivity of external professional valuers.</p> <p>Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred.</p> <p>Critically assess the approach East Lothian Council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach.</p> <p>Challenge management's assessment of why it considers that the land and buildings not revalued in 2022/23 are not materially misstated. We will critically assess the appropriateness of any assumptions.</p> <p>Critically assess the adequacy of the accounting disclosures regarding the assumptions in relation to the valuation of land and buildings.</p>	<p>carrying value of land and buildings.</p> <p>It is recommended the Council should consider their approach to the valuation of land and buildings to ensure this is appropriate to assess whether asset values have moved materially in year and as at 31 March.</p>

Source: Audit Scotland

21. In addition, we identified “areas of audit focus” in our 2022/23 Annual Audit Plan where we considered there to be risks of material misstatement to the financial statements. These areas of specific audit focus were:

- **Pension liability:** The pension liability valuation due to the material value and significant assumptions used in the calculation of the liability. We will utilise the work of PwC as auditor expert in assessing the reasonableness of the methodology used and assumptions made by the Council's actuary, Hymans Robertson LLP, in arriving at the IAS 19 pension valuation as at 31 March 2023. See [Exhibit 2](#) above for details of adjustment.
- **Common Good assets:** The ongoing review of Common Good assets to identify those assets held by the Council but which are properly owned by

the Common Good to ensure these are appropriately disclosed in the accounts. A full review of all Common Good assets has been undertaken and a register has been established and published on the Council website. As a consequence of the review, a number of land sites previously recorded on East Lothian Council's general services balance sheet were transferred to Common Good Fund balance sheets. Where a building is on such a site but is being occupied and used by the Council for the provision of public taxpayer-funded services the building is still recorded on the Council's general services balance sheet on the basis that the use is equivalent to a finance lease.

There was unadjusted misstatement above our reporting threshold not reflected within the financial statements

22. There were misstatements above our reporting threshold which were not adjusted by management in the audited accounts, however none of these are above performance materiality as detailed below

- **Non pay expenditure:** audit work identified 10 items of expenditure that had been fully charged to the financial year 2022/23 that included costs that related to 2023/24. The total value of 2023/24 expenditure is £1.227 million. The Council did a further analysis of non-pay expenditure and confirmed that an additional £0.6 million of 2023/24 expenditure had been incorrectly recognised within 2022/23. The policy of annualising annual expenditure means the net impact on the accounts is likely to be immaterial.

23. As the difference is below Performance Materiality of £6.9 million the Council has not adjusted the updated accounts to reflect these misstatements. A summary of the adjusted and unadjusted misstatements is detailed in [Appendix 2](#).

The unaudited annual accounts were received in line with the agreed audit timetable

24. The unaudited annual accounts were received in line with our agreed audit timetable on 27 June 2023. As a result of external audit resource challenges the start of the statutory audit was delayed which resulted in the statutory deadline of 30 September 2023 being missed.

Our audit opinions on the Section 106 charity are unmodified

25. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of the Council are sole trustees, irrespective of the size of the charity.

26. The Council has one section 106 charity known as the Dr Bruce Fund which was set up to provide relief for the poor of Musselburgh. The Fund conducts minimal charitable activity; since 2016/17 the Dr Bruce Fund has provided a small award to the same two individuals. In 2022/23 a total of £80

was awarded (2021/22 and 2020/21 £70; 2019/20, 2018/19 and 2017/18: £60, 2016/17: £50).

27. The Council is conducting a review of its charitable trust funds including the Dr Bruce Fund. In June 2023 the Council considered a report setting out potential options arising from that review. Members agreed in principle to explore the transfer of stewardship and administration of the trust funds to a specialist third party. Some funds, particularly those with property assets, may be retained within the Council's stewardship.

28. If the Council retains stewardship and administration of the trust funds, it could consider the external appointment of a trustee to the Dr Bruce Fund. This would remove the Section 106 requirement for an audit and reduce the scrutiny requirement to an independent examination of the accounts and accounting records.

29. Our audit opinions on the Section 106 charity are unmodified. Under the current arrangements there is a continuing risk that the Dr Bruce Fund is not fully meeting its charitable objectives and that the trustees are not discharging their duties correctly. This is an issue that has been raised in previous years and is included again under 'follow up of prior year recommendations' in the Action Plan in [Appendix 1](#).

The Council continues to progress prior year recommendations

30. The Council continues to progress the audit recommendations identified by the Council's previous external auditor in line with their original deadlines due to the prioritisation of resources. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Main judgements

The Council reported deficit on the provision of services of £16.154 million. The outturn position included planned use of reserves and the underlying overspend for the year was £5.986 million. The Council faces financial challenges through inflationary pressures on pay and non-pay costs, demand on services and supporting a growing population.

The Council has appropriate budget setting and monitoring arrangement in place but continues to face significant challenges to identify and agree the required future savings to balance its budget.

The Council should review the underlying reasons for reprofiling of the capital programmes to identify opportunities to improve the project management and budget setting procedures in place. Where the capital programme has been paused as a result of mitigation measures the Council should assess the affordability of delivering the current capital programme.

The Council reported a deficit for 2022/23

31. The Council reported deficit on the provision of services of £16.154 million. The outturn position included planned use of reserves and the underlying overspend for the year was £5.986 million. The Council has reported that the overspend was due to a wide range of external financial pressures including: high inflation and contractual costs; funding for public sector pay awards; high interest rates; and significant increased demand for Council services aligned to cost of living pressures and a growing population.

32. Officers provided regular updates to the budget position through revenue budget monitoring reports presented to the Council throughout the year. These reports contained a good level of detail on the forecast outturn position. The Council had estimated recurring in year expenditure pressures of £12.537 million and took actions to mitigate the impact of these in the year. The more significant savings and mitigations are summarised in [Exhibit 4](#).

Exhibit 4**Summary of significant savings and mitigations against budget**

Area	£m
Savings / mitigation measures	
Use of loans fund repayment holiday	6.400
1140 hours surplus flexibility	1.750
Additional funding for teachers pay	0.779
Other service underspends	0.777
School strike action	0.840

Source: East Lothian Council 2022/23 Annual Accounts

A deficit of £2.548 million was reported against the Housing Revenue Account (HRA) budget

33. The Council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set a level which will at least cover the costs of its social housing provision.

34. The Council reported a deficit £2.548 million against the HRA budget for 2022/23 (2021/22: £2.740 surplus). The change reflects significant council dwelling revaluation gains in 2021/22 which were not repeated to the same extent in 2022/23. Additionally an increase in impairment provision charges for outstanding rent debtors arose. These changes were partially offset by an increase in capital grants received. The net impact was to reduce the Housing Revenue Reserve from £1.748 million in 2021/22 to £1.487 million in 2022/23.

The Council has appropriate budget setting and monitoring arrangement in place but continues to face significant challenges to identify and agree the required future savings to balance its budget

35. The Council's budget and savings plans are aligned to the Council's objectives, priorities and strategic goals, as set out in the 2022-2027 Council Plan.

36. The full council receives regular revenue and capital monitoring reports and, from a governance perspective, conducts detailed scrutiny of financial performance. From our review of these reports, and attendance at council meetings throughout the year, we concluded that these reports provide an overall picture of the budget position at service level. The reports contain good explanations for significant variances against budget to allow both members and officers to carry out scrutiny of the Council's finances. The Council

continues to face significant challenges to identify and agree the required future savings to balance its budget.

The level of General Fund reserves has increased. However the majority of these are earmarked for specific priorities leaving the Council with limited unearmarked reserves to meet unforeseen costs or spending pressures

37. One of the key measures of the financial health of a body is the level of reserves held. The General Fund is the largest usable reserve and is used to fund the delivery of services. It provides a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of such expenditure.

38. The Scottish Government's 2022 Resource Spending Review contained details of a Service Concession Arrangement (SCA) flexibility that related to the council's PPP schools. The flexibility permits councils to undertake internal accounting changes that extend the period over which the principal repayment of the unitary charge can be made, resulting in a one-off credit to the General Fund (shown in the Movement in Reserves Statement) and ongoing annual savings for a period of time. The Council will apply this for the 2023/24 financial year.

39. The level of usable reserves increased from £38.720 million in 2021/22 to £45.192 million in 2022/23 [exhibit 5](#). The General Fund balance is £26.414 million, however £19.214 million has been earmarked for a specific priority which leaves a residual £7.2 million of uncommitted general reserves. Against an expenditure budget of £328 million for 2022/2023, this unearmarked element represents a 2.1 per cent reserve.

40. The Council financial strategy sets the minimum unallocated balance at £7.2 million. However the updated financial strategy presented to the Council in December 2023 advised that given the current risk environment, along with the projected in year overspend it is appropriate as part of the financial strategy to work towards increasing the minimum unallocated balance on the general fund over the medium term.

41. As the Council moved out of the pandemic the Covid-19 opening reserve balance of £5.479 million was repurposed and fully utilised in 2022/23.

Exhibit 5

East Lothian Council usable reserves

Reserve	31 March 2021 £'million	31 March 2022 £'million	31 March 2023 £'million
General fund	28.328	29.685	26.414
Housing revenue account	2.009	1.748	1.487
Capital fund	2.446	4.603	14.607

Insurance fund	2.306	2.684	2.684
Total usable reserves	35.089	38.720	45.192

Source: East Lothian Council annual accounts 2020/21 to 2022/23

42. We are satisfied that reserves are being regularly reviewed to confirm that they remain at an appropriate level. However, there are ongoing sustainability challenges of using reserves to fund recurring expenditure. Difficult decisions will need to be taken in the future, with a clear plan and effective management of the Council's reserves key to maintaining financial sustainability. This is considered further at paragraphs 73-78 below.

The Council should assess the affordability of delivering the current capital programme

43. The Council approved the 2022/23 capital programmes on 1 March 2022. The general services programme for 2022/2023 originally totalled £94.759 million, with the housing capital programme amounting to £42.179 million.

44. At each Council meeting, capital programme monitoring reports are presented to members. Throughout the year these reports detailed the various movements in the general services programme budget. Revisions were made to the general services programme resulting in a revised budget of £111.310 million.

45. At the June 2023 Council meeting, the general services outturn capital programme spend was reported as £84.341 million for 2022/23, representing a slippage of 25 per cent against the revised budget. The underspend reflects mitigation measures agreed by the Council in November 2022 as well as a variation from the expected timing of spend across a number of projects within multi-year programmes, which have been reprofiled into 2023/24.

46. The housing capital programme outturn was reported as £40.350 million for 2022/23, against the budget of £42.179 million. Whilst capital spend at the year-end was in line with forecast there remain challenges in delivering the programme due to a shortage of labour resources, uncertainty in the housing market due to the current economic situation and challenges in awarding and mobilisation of contracts.

47. Capital programmes can be delayed through their complexity, pressing demands and involvement of third parties, however slippage in the capital investment programme increases the risk to the Council. Delayed investment can lead to inefficiencies in the existing estate with adverse impact on service delivery.

Recommendation 1

The Council should review the underlying reasons for reprofiling of the capital programmes to identify opportunities to improve the project management and

budget setting procedures in place. Where the capital programme has been paused as a result of mitigation measures the Council should assess the affordability of delivering the current capital programme.

The Council is continuing to undertake a review of its estate to identify any buildings containing Reinforced Autoclaved Aerated Concrete

48. Reinforced Autoclaved Aerated Concrete (RAAC) was widely used in the construction of floors and roofs from the 1950s to early 1990s. Recent investigations have identified that leaks or water exposure could lead to the deterioration of RAAC planks.

49. The Scottish Government are working in partnership with the UK Government on research into the extent of the use of RAAC in public buildings and public bodies, including the Council, have been advised to check as a matter of urgency whether any buildings in their estates have roofs, floors, cladding or walls made of RAAC.

50. During 2022/23 the Council commenced a review of the structural integrity of its property portfolio in relation to the use and condition of RAAC. The Council has been proactive in completing surveys of its property estate to determine the existence of RAAC. RAAC has been identified within two secondary schools but remedial works undertaken mean that no impairment is required for these assets. Uncertainty remains concerning a potential impairment to one asset within the group property portfolio. Work to determine this is ongoing and a conclusion regarding this is anticipated over the coming months.

51. Future impairment due to RAAC may arise, and the resolution of RAAC issues may affect future capital spending priorities. The Council has been engaging with SG officials to clarify future funding arrangements.

Our management report highlighted key control weaknesses identified during our interim audit work

52. Our responsibilities under the Code of Audit Practice requires us to assess the system of internal control put in place by management. We seek to gain assurance that the Council:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud, or corruption
- complies with established policies, procedures, laws, and regulations.

53. Our work included initial system reviews of the main financial systems to determine the extent to which we can rely on key internal controls to gain assurance over the processes and systems used in preparing the annual

accounts. We consider the results of this work when determining our approach to the audit of the 2022/23 annual accounts.

54. We identified several internal control weaknesses as summarised in our [2022-23 ELC Management Report](#). As a result we did not place reliance on these internal controls for our audit of the 2022/23 annual accounts. Instead, we increased our substantive audit testing of income and non-pay expenditure to obtain the required assurance to support our audit opinion.

55. An action plan, with our key findings, our recommendations and management actions and responses were agreed with officers together with a timetable for resolution. These will be followed up as part of our 2023/24 audit.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

56. The Council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery, and corruption. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

57. The Council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, counter fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

58. We have concluded that the Council has appropriate arrangements in place for the prevention and detection of fraud and corruption.

National Fraud Initiative

59. The Council continues to participate in the National Fraud Initiative (NFI). This is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The Revised Internal Audit Plan 2023/24 was presented to the Audit and Governance Committee in September 2023. The Plan confirmed that 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.

3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Main judgements

The Council faces unprecedented financial challenges, many of which are external and demand factors aligned to a growing population. While the Council recognise the scale of the financial pressures further work is required to find comprehensive plans to address these and deliver a financially sustainable operating model. It is important for the Council to focus on financial resilience including key indicators and measures.

The Council should continue to review the level of earmarked and uncommitted reserves to ensure these provide sufficient contingency and continue to support financial sustainability over the short, medium and long term.

The Council recognises that to remain financially sustainable and resilient it faces difficult decisions around the services it provides in the future. The Council should continue to identify where it can progress transformational change in how services are delivered to address the longer-term financial pressures it faces.

The Council needs to prioritise where it can invest in digital services to deliver savings in the longer term. The Council needs to strengthen their digital strategy, cyber security, business continuity management and associated policies to address prior year audit recommendations.

We have obtained audit assurances over the wider audit dimension risks relating to Financial Sustainability identified in our 2022/23 Annual Audit Plan

60. [Exhibit 6](#) sets out the wider scope risks relating to Financial Sustainability we identified in our 2022/23 Annual Audit Plan. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 6

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>Financial Sustainability</p> <p>The highest risk in the corporate risk register is that the council is operating in an increasingly complex financial environment and faces significant financial and demand pressures. The Council's Financial Strategy 2023-2028 scenario planning identifies a funding gap of £41-63 million over the 5-year period, inclusive of delivering existing approved savings.</p> <p>It is likely that the Council will face difficult decisions around service offering and performance if it is to remain within its resource constraints and achieve its planned priority outcomes.</p>	<p>Review and assess the Council's financial planning and reporting and progress on achievement of planned savings.</p> <p>Consider the decision-making that will be needed if the Council is to remain within its resource constraints and achieve its planned priority outcomes.</p>	<p>Results and conclusion:</p> <p>The Council recognises the financial challenges facing the organisation but measures have still to be put in place to achieve financial sustainability over the medium to longer term.</p>

Medium and longer-term financial plans reflect the Council's strategic priorities and outcomes

61. At the Council meeting in December 2023 management advised that before any corporate solutions, there is an estimated recurring financial gap in excess of £70 million over the next five years, which is equivalent to a quarter of the Council's annual running costs.

62. It was also reported that as at the end of period six, before applying the planned use of reserves there is a forecast overspend for the year of £20.2 million, which represents an improvement of £2.0 million since the period five report. The main reasons for the improvement include a reduction of:

- £0.6 million in the IJB overspend following a review of unused care commitments and improvements in the income forecast
- £1.1 million in the deficit on the property maintenance trading account following an increase to the schedule of rates to reflect the difference in underlying inflation and the national schedule of rates, and the pay award for 2023/24
- £0.3m in forecast spend for education, linked to lower than anticipated spend on funded early learning and childcare.

63. The planned use of reserves for 2023/24 is £12 million includes:

- Transformational Fund and other ring-fenced funds - £1.6 million

- Health & Social Care (IJB delegated services), £701,000
- Capital Funding for Pay Award relating to 2022/23 - £2.3 million
- General Fund reserve – £7.378 million.

64. The Council's unplanned overspend, after applying the planned use of reserves is currently forecast to be £8.2 million for 2023/24. The Council recognises that an overspend of this level cannot be met within the unallocated general fund reserve. Without further measures being taken by the Council, this overspend would result in a reduction in earmarked reserves which are aligned to supporting critical transformational activities with a view to deliver recurring savings.

65. The current forecast overspend is a significant risk to the financial sustainability of the Council and the delivery of the outcomes within the Council Plan. These estimations are being refreshed as part of the ongoing exercise and members will be updated later in the financial year. The current budget gap across the coming years is summarised below: 2023/24 to 2027/28 of £71.320 million, [exhibit 7](#).

Exhibit 7

Identified budget gap 2023/24 to 2027/28

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Budget gap £'million	11.593	27.124	£12.046	£8.749	£11.808	£71.320

Source: East Lothian Council: Financial Strategy update – December 2023

66. The Council should continue to identify where it can progress transformational change in how its services are delivered. The Council needs to address the immediate financial pressures while ensuring that it delivers a financially resilient operating model. This will require difficult decisions around the prioritisation of Council resources. It is important that the Council identify where recurring savings, rather than temporary solutions, can be made together with proposals to reduce costs. This, combined with robust longer-term financial plans, will be key to maintaining financial sustainability.

Recommendation 2

The Council should continue to identify where it can progress transformational change in how services are delivered to address the longer-term financial pressures it faces.

The Council is revisiting its options for financially sustainable service delivery given the ongoing significant financial challenges

67. The Council is keeping its delivery options under review given the ongoing financial pressures. The Finance Update report presented to the Council in December 2023 reiterated the mitigating actions being taken to deliver further savings to address an estimated £8.2 million funding gap in the current 2023/24 financial year and the temporary nature of these actions. The estimated recurring funding gap is now £71.320 million from 2023/24 to 2027/28. The Council approved temporary mitigation measures including controlling recruitment, reviewing operational assets to minimise costs and pausing some capital projects. More radical measures are needed for financial sustainability in the longer term. The Council must exercise strong leadership to make strategic decisions which are difficult and politically unpopular.

The Council needs to invest in digital technology to transform its services but financial constraints are driving very difficult choices

68. The Council has identified the need to invest in digital technology to drive transformation and this was reflected in the Financial Strategy considered by the Council in December 2022. There are many council systems which are older and have been identified as due for replacement. The use of new technology would increase efficiency of workflow, provide automation of administrative processes and reporting and free up staff resource. By way of example, the council financial ledger currently requires extensive manual intervention to ensure data flows correctly from the various feeder systems (e.g. payroll, accounts payable and accounts receivable) into the Council's financial records which is time consuming and increases the risk of error or fraud.

69. The Council has a Digital Strategy, approved in January 2023, structured around the key themes of the Council Plan (Growing our People, Growing our Communities, Growing our Economy and Growing our Capacity). The Digital Strategy outlines sixteen digital principles which form a framework for the development of Digital Services. Principle 4 states that "When designing a new service or transforming existing ones we will design them to be digital by default".

70. The Digital Transformation Board has been established to oversee performance against the Digital Strategy and provide the governance, prioritisation and allocation of resources. The Board is chaired by the Executive Director for Council Resources, and the Head of Finance is a member to ensure funding is an integral part of decision making. The Board reports to the Transformation Executive Team.

71. A Digital Transformation Work Plan is to be prepared annually with progress against the work plan monitored by the Digital Transformation Board and reported to the Transformation Executive Team. The first work plan is due in October 2023.

72. As part of our 2021/22 audit, the Council agreed to take part in an ICT pilot. This involved obtaining an overview of service delivery management and provision, and an understanding of the general IT control environment. Findings, recommendations and actions were shared with the Council who agreed to review these during 2022/23. As part of our follow up officers confirmed that little progress has been made since our 2021/22 report was issued.

Recommendation 3

The Council needs to prioritise where it can invest in digital services to deliver savings in the longer term. The Council needs to strengthen their digital strategy, cyber security, business continuity management and associated policies to address prior year audit recommendations.

The Council faces unprecedented financial challenges. While the Council recognises the scale of the financial pressures further work is required to find comprehensive plans to address these and deliver a financially sustainable operating model. It is important for the Council to focus on financial resilience including key indicators and measures

73. The Council recognises the financial challenges it faces in the coming years. As detailed in [exhibit 5](#), as at 31 March 2023, the Council had a total General Fund balance of £26.414 million with £7.073 million of uncommitted general reserves.

74. The Council's level of uncommitted general reserves as a percentage of overall budget was below the Scottish average as at 31 March 2022 of 3.48 per cent (LGBF financial sustainability indicators). We recognise that the level of unearmarked reserves is dependent on councils' approach to earmarking funds. However, as at 31 March 2022, the Council's overall total useable reserves as a percentage of budget was 8.05 per cent compared to the Scottish average of 24.44 per cent.

75. The Council faces significant challenges in 2023/24 onwards with inflationary pressures anticipated to continue. Changes in interest rates are also expected to affect the future borrowing costs of the Council for new and replacement debt.

76. Alongside these external challenges, the Council is facing a significant funding gap to meet the growing infrastructure and service requirements aligned to rapid population growth. Future service revenue expenditure and capital expenditure plans will need to address these challenges, but given the scale and size of the challenge, this will require some very difficult decisions in order to support the delivery of a balanced budget.

77. Improving the Council's financial sustainability, especially moving towards balancing recurring expenditure and recurring income, must now be a priority objective for the financial governance of the Council.

78. Looking forward, over the medium to longer term, the level of financial challenge facing the Council is unprecedented. The Council has an effective financial planning and monitoring arrangements in place, with regular reporting throughout the year. However, given the scale of the challenges there is an opportunity to enhance its focus on financial resilience, including greater emphasis on its reserves position; clear financial resilience indicators and measures; and alignment to risks ensuring there is a clear financial strategy to support a resilient council.

Recommendation 4

Given the scale of the financial challenges facing the Council it should ensure that in developing its financial strategy and annual budget there is a clear consideration around its financial resilience, including the level of reserves to allow the Council to meet unforeseen costs and pressures. The Council should also enhance the level of monitoring around financial resilience indicators and risks.

4. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

Main judgements

The Council's leadership have been effective in setting out a clear vision and priorities in the Council Plan 2022-27. The Council has set clear priorities but recognises that decisions need to be made urgently to ensure a sustainable approach to delivering those priorities.

A Best Value Assurance Report on East Lothian Council was published in November 2018, containing nine improvement recommendations. The Council has made good progress in prioritising and implementing what they believe are the key improvement actions. The Council should set a clear timescale for implementing the remaining actions.

Best Value work in 2022/23

79. For 2022/23 the scope of Best Value work included conclusions on:

- Leadership of the development of new local strategic priorities (2022/23 thematic work)
- Council service performance improvement
- Effectiveness of council performance reporting
- Progress made against Best Value improvement actions made in previous years.

80. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. Therefore, in addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts 3 to 6 of this annual audit report.

81. Annual thematic Best Value work is set by the Accounts Commission. The results of this work were reported to elected members at the Audit and Governance Committee on 19 December 2023. This report will be published on the Audit Scotland website in due course.

82. The audit recommendations from the thematic report, together with the management responses, are included in [Appendix 1](#) of this report.

Leadership of the development of new local strategic priorities

83. For the 2022/23 financial year, auditors were asked to focus on the councils' leadership of the development of new local strategic priorities. The key findings in this report are:

- The Council has set clear priorities but recognises that decisions need to be made urgently to ensure a sustainable approach to delivering those priorities.
- The Council's leadership have been effective in setting out a clear vision and priorities in the Council Plan 2022-27.
- The Council faces unprecedented financial challenges which is likely to require difficult decision making around priority services. The Council recognises the need to engage with members and the wider public to ensure that decisions are driven by the needs and priorities of the people of East Lothian. This is reflected through the cross party budget working group and acknowledged in the latest financial strategy and plans.
- Community engagement and working with local communities is a key element of the Council's vision. The Council drew on existing community engagement when developing its vision and priorities rather than consulting separately on its' Council Plan.
- The Council priorities clearly reflect the need to reduce inequalities and climate change. It is too early to assess if the strategic plans will successfully deliver these objectives.
- The Council has set out its Top 50 performance indicators to monitor delivery of its priorities. Not all performance indicators have specific targets set. It is important the Council is clear on the level of performance outcomes it aims to achieve. It is important that the indicators monitored continue to reflect strategic priority areas and risks.
- The Council is a complex organisation and has a range of plans and strategies which underpin the Council Plan. Its financial, workforce, asset and digital plans are aligned with the Council's priorities, but the Council is revisiting its delivery plans to address the increasing financial challenges it faces.
- There is evidence of collaborative working between members and with members and officers. However, this is an area for improvement. It is essential for members to work together to make strategic decisions when the Council faces increasingly hard choices to ensure financially sustainable service delivery.
- The Council has a clear commitment to leadership development to empower officers to make informed decisions.

Best Value improvement recommendations from the 2018 Best Value Assurance Report have not been fully addressed

84. The [Best Value Assurance Report](#) (BVAR) was issued in November 2018. The BVAR contained nine improvement recommendations, across three areas:

- Ensure that performance reporting arrangements are more coherent and better aligned to demonstrate the delivery of the council's vision, supporting objectives, service performance and savings plans
- Develop more detailed plans linked to its longer-term financial strategy and to delivering the savings required
- Continue to focus on working with communities.

85. In the 2021/22 AAR, the previous external audit team reported that the "2021-22 Improvement Plan incorporates outstanding actions from the BVAR report. However, limited progress has been made against improvement actions, as the Council has continued to operate in business continuity mode throughout 2020 and 2021. Actions not deemed critical activity have been put on hold. Revised timescales and deadlines have been given to all the actions to be completed in 2022."

86. The Council has now made good progress in prioritising and implementing what they believe are the key improvement actions with three actions categorised as 'ongoing'. The Council should set a clear timescale for implementing the remaining actions.

5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Main judgements

Governance arrangements are well established and are appropriate.

The Council demonstrates its commitment to leadership development including ongoing investment in a leadership development programme. However, there are opportunities to enhance the effectiveness of these by reviewing the collaborative working between members and officers.

Climate emergency is one of the overarching objectives within the Council Plan. It is too early to conclude whether the Council is on track to achieve its Net Zero ambition.

87. Effective leadership from councillors, chief executives and senior officers, is key to councils achieving their objectives and providing clear strategic direction. Councillors and officers must be clear on their roles in setting the vision and planning for its delivery.

88. Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. Working relationships between members and between members and officers should be constructive and productive.

The Council has set out a clear vision and priorities in the Council Plan 2022-27

89. The Council Plan 2022-2027 was approved by the Council on 23 August 2022. This has clear objectives and builds on the previous Council plan and the Recovery and Renewal Plan approved in 2021.

90. There are 3 overarching objectives:

- **Recovery and renewal** – recovering from the COVID pandemic by investing in regeneration and a sustainable future

- **Reduce poverty and inequality** - supporting our communities to deal with the growing levels of poverty and inequality
- **Respond to the climate emergency** - meeting our net zero climate change targets.

91. In response to the systemic long-term challenges it faces, the Council set out four thematic objectives continued from the previous Council plan:

- **Grow our economy** – increase sustainable and inclusive growth as the basis for a more prosperous East Lothian
- **Grow our people** - give our children the best start in life and protect vulnerable and older people
- **Grow our communities** - give people a real say in the decisions that matter most and provide communities with the services, infrastructure and environment that will allow them to flourish
- **Grow our capacity** - deliver excellent services as effectively and efficiently as possible within our limited resources.

92. The outline Council Plan was agreed in March 2022 before the local council elections and the final plan was approved in August 2022. Officers reviewed all political parties' election manifestos to incorporate key elements into the Council Plan.

93. The new Council Plan was communicated to the public through press releases and social media; the Local Area Partnerships and was communicated in the staff newsletter '*Inform*' and in team meetings as well as being part of new employees' induction programmes. Partners were advised through discussion at meetings such as the East Lothian Partnership Governance Group.

Collaborative working between members and officers could be reviewed to identify where improvements can be made

94. There is evidence of some effective collaborative working between members and with members and officers. There are cross-party working groups including the Budget Working Group and the Climate Change and Sustainability Forum. These foster cross-party discussion and exploration of options for priority areas in advance of formal decision making at council meetings. Officers engage with members on a one to one basis and directorates meet with relevant cabinet spokespersons on a regular basis. However, there is an opportunity to continue to develop collaborative working as not all members are engaged in these discussions and it is currently unclear how effectively the arrangements are working.

95. It is essential for elected members to work together as a collective body to make strategic decisions when facing increasingly difficult choices to ensure the Council's future financial sustainability.

Governance arrangements are well established but scrutiny arrangements could be improved

96. The Council's governance arrangements have been set out in the annual governance statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate.

97. The Council has appropriate governance arrangement in place which support effective scrutiny, challenge and decision making. Officers are responsive to elected members' requests for information. Briefings are regularly provided to give more detailed explanations than is possible in a formal Council meeting. Officers and members are mindful of the need to balance private briefings with public scrutiny and decision making.

98. We have concluded that overall, the Council has well established governance arrangements however effective scrutiny, challenge and decision making arrangements could be improved to ensure audit recommendations are implemented in a timely manner.

The Council demonstrates a clear commitment to continue to develop and strengthen its leadership

99. In 2022, East Lothian Council embarked on a leadership development programme for both the Corporate and Senior Management teams. The purpose of this programme was *'to further develop the Council as an enabling and empowering authority, where employees are able to use their initiative, take responsibility for their own learning and actions and have a real say in decisions and in the future work of the Council.'*

100. The Council was also keen to strengthen the collective leadership's capability and capacity and to demonstrate effective leadership behaviours and build a culture of continuous improvement. The Council Management team worked together to define leadership behaviours which reflected the values of the East Lothian Way.

101. The Corporate Management team and the Senior Management team (57 people) participated in 360 feedback and a series of 1:1 coaching sessions which explored the feedback and focused on the behaviours. The Council used behavioural science and changes techniques and training with the aim of improving individual and team performance, processes/systems and manage change.

102. The Council has reported that this has led to a number of improvements and ongoing work, for example in improving communication and engagement with elected members, managing workloads and approaches to core learning and support for staff.

103. The next phase of the programme for 2024 – 2025 will roll out the programme to the next level of leaders at the Council below the senior leadership team.

104. The Council has reviewed and refreshed its Workforce Plan. The 2023-27 Workforce Plan supports new ways of working including hybrid working and improved digital skills. As part of the Best Value thematic work for 2023/24 the topic will be looking at **Workforce Innovation - how councils are responding to workforce challenges.**

Tackling Climate change

105. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

106. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

107. The Climate Change Act 2019 committed Scotland to Net Zero by 2045. The Public Bodies Climate Change Reporting Duties place a legal requirement on public bodies to set target dates for zero direct emissions and indirect emission reductions. They must also report on how spending and resources will contribute to these targets, and report on the body's contribution to Scotland's Climate Change Adaptation Programme.

Climate emergency is one of the overarching objectives within the Council Plan. It is too early to conclude whether the Council is on track to achieve its Net Zero ambition

108. The Council Plan overarching objective to 'Respond to the climate emergency' is underpinned by the Climate Change Strategy 2020-25. This strategy sets out the Council's commitment to tackling the Climate Emergency at a local level, both internally as a 'Net Zero Council' and across the county as a 'Carbon Neutral East Lothian'. It links with other relevant strategies (e.g. local housing strategy, economic development strategy) and sets out specific outcomes, key priority areas and actions over an initial five-year period towards achieving the longer-term overall aims. There is a cross-party Climate Change and Sustainability Forum.

109. There have been three annual updates on progress against the Climate Change Strategy; the latest was in March 2023. This sets out some of the key annual achievements including a 15.2 per cent year on year reduction in the Council's carbon emissions, an increase from 86 per cent to 90 per cent achievement of the energy efficiency standard for social housing and making certified training in Carbon Literacy available to all Council staff.

110. Not all the actions in the Climate Change Strategy include specific targets for improvement. While it may not be relevant to set a SMART target in all cases; providing targets or additional context makes it easier to assess whether the reported progress against the strategy is enough to deliver the strategic

aims. It is too early to tell whether the Council's actions will deliver its strategic aim to achieve Net Zero.

111. The Council's Climate Change Strategy also links to partners and the local community. The annual update highlighted that the Sustainability and Climate Change officer was working closely with community groups and was in regular contact with Local Area Partnerships and Community Councils.

112. The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

The Council's vision is aligned to the community plan priorities with community empowerment a key principle within the Council Plan.

Maintaining oversight of performance is challenging across the range of council services. A new set of **Top 50 indicators** has been produced to reflect the new Council Plan. Currently 34 of these 50 measures have stated targets. The Council needs to develop measures for the remaining indicators to clearly monitor the performance it wants to achieve in its priority areas.

113. Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a council will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement.

114. Recovery from the pandemic requires councils to work alongside their local communities. Councils, with their community planning partners, have a responsibility to ensure that people and communities are able to be fully involved in the decisions that affect their everyday lives.

115. Early and meaningful engagement and effective collaboration with communities should be a core part of determining a council's vision and priorities. This is essential both to identify and understand local needs, and to inform decisions that affect the planning and delivery of services.

The Council's vision is aligned to the community plan priorities

116. The Council's objectives are aligned to the priorities set out in the East Lothian Plan 2017-2027 (the Local Outcomes Improvement Plan) prepared by the East Lothian Partnership. The Council has a significant role in delivering these priorities given the range of services it provides. The new Council Plan goes further than the East Lothian Plan in explicitly referencing climate change.

117. The three key themes of the East Lothian Plan are

- ‘Prosperous, Community-minded, and Fair,’ focused on ‘Reducing inequalities across our area
- Tackling poverty;
- Working to prevent problems - and acting quickly when problems start’.

118. The Council is a key community planning partner in the East Lothian Partnership. Each partner should have its priorities aligned to the East Lothian Plan, but each partner has a different role in delivering the partnership’s priorities. Partners were not directly involved in the development of the Council Plan but the vision, objectives and key priorities were shared through the East Lothian Partnership and in discussions with the Integration Joint Board.

119. Some key plans including the Recovery and Renewal Plan and East Lothian Poverty Plan have been adopted by both the Council and East Lothian Partnership, with governance of the Recovery and Renewal Plan overseen by the East Lothian Partnership Governance Group. Key partners have been engaged through the development of these to ensure partners help shape and inform council planning.

120. The East Lothian Plan was due to be reviewed but this work was delayed by the pandemic. A review of the East Lothian Plan is now due to take place later in 2023 following an update on the Strategic Needs Assessment that is underway and will inform the review work.

Community empowerment is a key principle within the Council Plan 2022-27

121. The Council Plan and its underlying plans and strategies set out community empowerment as a key principle of the Council’s vision.

122. The Connected Communities Service has a key role in delivering the Council’s community empowerment objectives, encompassing the Community Learning and Development Service, support for Local Area Partnerships, Community Councils and grant funding for community organisations. There are six locally based Connected Communities teams with a significant focus on taking a place-based approach.

123. There are six Local Area Partnerships in East Lothian. These are chaired by local residents and supported by the Council via Connected Communities managers. Elected members from the relevant wards attend the partnerships but recognise the partnerships’ independence. The partnerships foster good engagement and communication between local communities and the Council.

124. The Council has delegated a £200,000 budget to each partnership (Musselburgh £250,000) and the partnerships can also seek external funding. The Area Partnership can allocate:

- £50,000 on general projects in the area (£100,000 in Musselburgh)
- £50,000 of the Roads Service budget for the area

- £100,000 of the Amenity Services budget for the area.

125. Communities had the opportunity to put forward their views on Council priorities through public consultation for the 2023/24 budget. Further community engagement will be needed so that local citizens understand the difficult decisions needed to ensure financial sustainability of public services.

Existing community consultation was used to inform the Council Plan rather than a separate consultation exercise

126. The Council did not carry out a separate public consultation specifically on the Council Plan but used existing consultations for other relevant plans including the Poverty Plan to obtain public views on strategic priority areas. Ongoing council engagement with community groups and Local Area Partnerships also provided local input.

127. Public consultation to inform the Local Development Plan 2 and other strategies is ongoing and this should give valuable information from local citizens and community groups on priority areas.

The Council's Covid-19 recovery and renewal plans support those most affected and address inequalities

128. Following the pandemic the concept of community wealth building has gained momentum and received support from the Scottish Government and COSLA as a model for local economic development.

129. The Council's overarching objective to 'reduce poverty and inequality' is supported by a range of plans including the Poverty Plan 2021-23 and the Equality Plan. The need to consider the equalities impact of policies and council decisions is embedded in the policy- and decision-making process. The Council's latest Mainstreaming Equalities report is due to be published in Autumn 2023.

130. The Covid-19 pandemic has exacerbated and deepened existing inequalities in Scotland and the Recovery and Renewal Plan 2021 recognises this. Its action plan includes:

- support our communities to tackle inequality and social exclusion
- support business, employment and promote inclusive economic growth
- help our children and young people achieve their full potential
- invest in regeneration and a sustainable future
- develop our people and future ways of working
- maintain and develop resilient and sustainable services
- deliver improved connectivity & digital innovation to ensure the effective use of resources

- climate and ecological emergency.

131. The Recovery and Renewal Plan action tracker of performance indicators is reported to elected members; the latest version was provided to members in February 2023. A single set of poverty and equality performance indicators was approved in September 2023 by the Policy and Performance Review Committee.

132. The Fairer Scotland Duty requires councils to consider how they can reduce inequalities of outcome caused by socio-economic disadvantage. The Poverty Plan was drawn up by a multi-agency group and is based on a prevention and early intervention approach to tackling poverty. Local Area Partnerships also identify tackling poverty as a local priority.

133. The Poverty Plan 2021-23 is now due for review and renewal. The consultation to inform the Local Development Plan 2 will cover this and other areas. A series of joint consultation events on related subjects were held across East Lothian in June 2023 for residents and partners to find out more about preparations for the Council's Local Development Plan 2, Local Heat and Energy Efficiency Strategy, Poverty Plan, Local Economy Strategy and Forestry Woodland Draft Strategy. Online consultation and paper consultation surveys are also available.

134. The Accounts Commissions [Local Government in Scotland: Overview 2022](#) highlights that those experiencing inequality have felt the impacts of both the pandemic and service disruption most strongly over the past two years. Initiatives such as CWB are recognised as being a good example of new ways in which councils can support local economic development and tackle poverty.

Maintaining oversight of performance is challenging across the range of council services. The Council needs to clearly set out the performance it wants to achieve in its priority areas

135. The Council is a complex organisation which delivers a wide range of services. Delivery of the Council Plan and its objectives is carried out through key strategies and plans. The Council has a range of 18 plans and strategies underpinning the Council Plan's vision and objectives. These include the Recovery and Renewal Plan, the Poverty Plan, the Equality Plan, the Climate Change Strategy, the Integration Joint Board Strategic Plan and the Economic Development Strategy.

136. The number of actions involved (290 actions in the first four plans alone) make it challenging for members to obtain oversight of the overall performance. A Council Plan Action Plan containing 68 actions was approved in October 2022 and includes the implementation of each of the relevant strategies/plans as single actions.

137. Monitoring and reporting on the Action Plan is through existing reporting mechanisms for the relevant key strategies and plans. The 'State of the Council' report presented to Council at end of each year provides a summary of progress against the Action Plan and a review of the Plan's performance indicators.

138. A new set of Top 50 indicators has been produced to reflect the new Council Plan including Covid-19 recovery and renewal and climate change. Currently 34 of these 50 measures have stated targets. The indicators were reported to the Policy and Performance Review Committee and approved by Council in February 2023.

139. As reported last year, the Council has effective performance management arrangements in place. The Policy and Performance Review Committee receives quarterly performance reports. The report on key performance indicators is grouped under the Council's four key objectives. The 2022/23 Quarter 4 Performance Report, the 2022/23 Top 50 Council Plan indicators Report, the 2022/23 Council Plan Annual Indicators Report and the 2021/22 Local Government Benchmarking Framework performance report were considered at the June 2023 Policy and Performance Review Committee meeting.

140. Given the financial challenges the Council faces it needs to set clear performance outcomes targets for each of its priority areas to ensure resources are allocated appropriately. As resources are aligned to the priority areas, the Council also needs to be clear on what is an acceptable level of performance in non-priority areas.

The Council's overall performance per national benchmarking has declined slightly compared to its prior year results

141. The Council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them. The Council notes that the use of the LGBF allows it to self-assess its performance across years, and to compare performance with peers against an agreed suite of performance indicators, which will assist in achieving best practice and efficiencies.

142. The most recent [National Benchmarking Overview Report 2021-22](#) (improvementservice.org.uk) by the Improvement Service was submitted to the Council's Policy and Performance Review Committee in June 2023. When comparing the indicator's reported, the Council's overall performance has declined with its own prior year performance.

143. Across the 90 reported indicators in 2021/22, the Council's performance has improved against 26, declined against 32 and remained static against 32. In terms of the Council's figures relative to the Scottish average, performance was better than Scottish average for 45 indicators. Overall, 54 per cent of the Council's indicators are in quartile 1 and 2 compared to 57 per cent in 2020/21.

Service performance is not being fully reported in line with the expectations of the statutory performance indicators (SPIs)

144. The Accounts Commission issued a new [Statutory Performance Information Direction](#) in December 2021 which applies for the three years from 2022/23. It requires a council to report its:

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on Local Government Benchmarking Framework and/or other benchmarking activities)
- own assessment and audit, scrutiny, and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

145. Our work in 2022/23 has reviewed the Council's performance reporting arrangements. The Council's website covers all the requirements set out in the SPI direction issued by the Accounts Commission. As detailed above only 34 of the Council's new Top 50 measures have stated targets. We will continue to monitor this in future years.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Capital programme</p> <p>At the June 2023 Council meeting, the general services outturn capital programme spend was reported as £84.341 million for 2022/23, against a revised in year budget of £111.310 million representing a slippage of 25 per cent.</p> <p>Risk – Delayed investment can lead to inefficiencies in the existing estate with adverse impact on service delivery.</p>	<p>The Council should review the underlying reasons for reprofiling of the capital programmes to identify opportunities to improve the project management and budget setting procedures in place. Where the capital programme has been paused as a result of mitigation measures the Council should assess the affordability of delivering the current capital programme.</p> <p>Paragraph 47</p>	<p>Management Response:</p> <p>Agreed</p> <p>Responsible officer:</p> <p>Head of Finance / Executive Director for Council Resources</p> <p>Agreed date:</p> <p>February 2024</p>
<p>2. Transformational change</p> <p>The Council should continue to identify where it can progress transformational change in how its services are delivered. This should identify where recurring savings, rather than temporary solutions, can be made together with proposals to reduce costs.</p>	<p>The Council should continue to identify where it can progress transformational change in how services are delivered to address the longer-term financial pressures it faces.</p> <p>Paragraph 66</p>	<p>Management Response:</p> <p>The Council is currently undertaking a review of its Transformational priorities, and this is set in the context of the Financial Strategy and Council Plan</p> <p>Responsible officer:</p> <p>Executive Management Team</p> <p>Agreed date:</p> <p>On-going</p>
<p>3. Information and Communication Technology (ICT)</p> <p>Public sector bodies are increasingly dependent on</p>	<p>The Council needs to prioritise where it can invest in digital services to deliver savings in the longer term. The Council needs to</p>	<p>Management Response:</p> <p>A digital pipeline prioritisation project remains on-going and</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>ICT systems for the provision of services and management information. The Council has identified the need to invest in digital technology to drive transformation.</p> <p>Risk: There is a risk of key policies and processing not keeping pace with internal demands and external risks and digital services do not deliver required savings.</p>	<p>strengthen their digital strategy, cyber security, business continuity management and associated policies to address prior year audit recommendations.</p> <p>Paragraph 72</p>	<p>will be determined through Digital Transformation Board IT to provide a response</p> <p>Responsible officer: Executive Director for Council Resources / IT Service Manager</p> <p>Agreed date:</p>
<p>4. Financial resilience</p> <p>Given the scale of the challenges there is an opportunity to enhance its focus on financial resilience, including greater emphasis on its reserves position; clear financial resilience indicators and measures; and alignment to risks ensuring there is a clear financial strategy to support a resilient council.</p>	<p>Given the scale of the financial challenges facing the Council it should ensure that in developing its financial strategy and annual budget there is a clear consideration around its financial resilience, including the level of reserves to allow the Council to meet unforeseen costs and pressures. The Council should also enhance the level of monitoring around financial resilience indicators and risks.</p> <p>Paragraph 78</p>	<p>Management Response: Agreed</p> <p>Responsible officer: Head of Finance / Executive Director for Council Resources (Chief Financial Officer)</p> <p>Agreed date: On-going</p>

2022/23 recommendations from the BV thematic report

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Performance monitoring targets</p> <p>The Council has not set targets for all of its Top 50 performance indicators (or for all of the performance measures in its delivery plans). This makes it difficult to assess whether the</p>	<p>The Council should be clear on the level of performance outcomes it aims to achieve against its priorities. It should also be clear on acceptable reductions in performance in non-priority areas as resources are aligned to priorities.</p>	<p>Management Response: Agreed. A number of the indicators were new this year and take time for the council to embed and set realistic, measurable targets. The Council aim to have these in place for the Top 50 performance indicators by December 2023. The Service Management Policy,</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>Council is on track to deliver its strategic priorities.</p>		<p>Performance and Organisational Development will work with Services to have the remainder in place by June 2024.</p> <p>Responsible Officer:</p> <p>Service Manager Policy, Performance and Organisational Development</p> <p>Target date: June 2024</p>
<p>2. Financial planning to address increasing challenges</p> <p>The Council faces uncertainty over future funding and increasing financial pressures. Radical solutions are needed to deliver sustainable services and robust long term financial planning is needed to support strategic decision making.</p>	<p>The Council should develop its longer-term financial planning including scenario planning using a range of assumptions to identify service delivery options as future funding remains uncertain.</p>	<p>Management Response:</p> <p>Agreed. The Council already sets out medium term scenario planning to support financial planning. This is set out annually in the Financial Strategy and updated regularly to Council. Officers will keep this ‘live’ during the year and give further consideration to extending this beyond the 5 year period.</p> <p>Responsible Officer:</p> <p>Executive Director for Council Resources (CFO) + Head of Finance</p> <p>Target date: December 2023</p>
<p>3. Investment needed to deliver sustainable services</p> <p>The Council has identified the need to invest in digital technology to drive transformation. There are many council systems which are older and identified as due for replacement but the resources to fund this are not available. Difficult decisions are needed to prioritise where investment will have the greatest benefit.</p>	<p>The Council should review and prioritise the investment needed to support sustainable service delivery into the future. Investment in new technologies needs to be well managed and requires well planned investment as pressures to cut costs could lead to failure and increased costs in the longer term.</p>	<p>Management Response:</p> <p>Agreed. A review of current Transformational Priorities is on-going and includes Digital pipeline and prioritisation work. The Council has agreed an updated Reserves strategy which includes Digital support as a key enabler to support transformational change. The Digital Strategy Board is chaired by the Exec Director for Council Resources and will consider and prioritise</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>critical digital investment and future plans.</p> <p>Responsible Officer:</p> <p>Executive Director for Council Resources (CFO) + Head of Finance</p> <p>Target date: April 2024</p>

Follow-up of prior year recommendations 2021/22 and 2020/21

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Information and Communication Technology (ICT)</p> <p>Public sector bodies are increasingly dependent on ICT systems for the provision of services and management information.</p> <p>Risk: There is a risk of key policies and processing not keeping pace with internal demands and external risks.</p>	<p>We have highlighted a number of improvements that could be made to strengthen the digital strategy, cyber security, business continuity management and associated policies.</p>	<p>Management response: Officers are currently considering all recommendations, and progress has been made with updating strategies and relevant policies.</p> <p>Responsible officer:</p> <p>Service Manager - IT</p> <p>Agreed date:</p> <p>Ongoing</p> <p>See recommendation 1 for 2022/23</p>
<p>2. Dr Bruce Fund</p> <p>Minimal payments are being paid out of the Fund.</p> <p>Risk: There is a continuing risk that the trust fund is not operating effectively to meet its objectives (e.g. lack of provision of grants annually) and the trustees are not discharging their duties correctly.</p>	<p>The Council and the Dr Bruce Fund Trustees should work together to ensure the Fund is being actively managed and used for the purposes intended.</p>	<p>Management response and revised action:</p> <p>The Council considered a Trust Funds Review report in June 2023. Members agreed in principle to explore the transfer of stewardship and administration of the trust funds, including the Dr Bruce Fund, to a specialist third party.</p> <p>Responsible officer:</p> <p>Executive Director for Council Resources / Head of Finance</p> <p>Revised date:</p> <p>Ongoing</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>3. Common Good (CG) review</p> <p>Following a review by the council's legal team, a significant number of council assets (land and buildings) have now been identified as belonging to the common good. This was despite an annual corporate review arrangement and the council's formal five year valuation cycle both of which were intended to identify common good assets.</p> <p>Risk: There is a continuing risk that not all common good assets have been identified.</p>	<p>Processes for identifying and confirming assets held should be reviewed and amended. The formal valuation cycle itself is insufficient to gain the appropriate assurances that assets are classified correctly. The council should continue to progress the CG review. Having recognised that the council is using common good assets for the provision of council services, the council should ensure that suitable financial recharging for use by Council Services should be set-up.</p>	<p>Management response and revised action:</p> <p>Although limitations due to business continuity arrangements, including specifically Finance and Legal services continued, a report on the progress of the Common Good review was submitted to the Council on 23 August 2022.</p> <p>The Council is currently in the process of appointing a Graduate Intern, on a one-year basis. This post is intended to assist and support the capacity of the council to achieve progress in relation to the Common Good and Trust Funds audit actions (including Dr Bruce).</p> <p>Responsible officer:</p> <p>Executive Director for Council Resources / Service Manager – Governance</p> <p>Revised date:</p> <p>Ongoing</p>
<p>4. Trust funds review</p>	<p>We repeat our recommendation that the Council should progress and conclude on their review of common good and trust funds including an exercise to consider whether there is scope to consolidate any/all of the 46 trusts.</p> <p>This should include a review of the method(s) used to promote the Dr Bruce Fund and other charitable trusts to ensure that the potential availability of these funds is known to the wider community.</p>	<p>Management response and revised action:</p> <p>The Council considered a Trust Funds Review report in June 2023. Members agreed in principle to explore the transfer of stewardship and administration of the trust funds to a specialist third party. Some funds, particularly those with property assets, may be retained within the Council's stewardship.</p> <p>Responsible officer:</p> <p>Executive Director for Council Resources / Head of Finance</p> <p>Revised date:</p> <p>Ongoing</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>5. Reporting outcomes against improvement actions</p> <p>The Council monitors performance through its annual Corporate Governance Self-evaluation and Annual Governance Statement (CGSAGS) with the most recent report presented to the Audit and Governance Committee in June 2020.</p> <p>The corporate governance self-evaluation tends to list policy documents or assurance frameworks, rather than evaluate evidence of their effectiveness of delivering against improvement actions.</p> <p>The report contains comprehensive detail on what the Council does / has in place, without evidencing what results have been achieved.</p> <p>The report against the Council's improvement action plan focuses more on the number of actions completed, rather than the improved ways of working or delivery of services through improvement actions, such as implementation of the Council's workforce plan.</p>	<p>The Council's reporting and monitoring against its improvement plan could be further improved to update members on what has been achieved through its improvement actions.</p>	<p>Management response and revised action:</p> <p>The Council considered and approved the East Lothian Council 2021 Annual Performance and 'State of the Council' report, How Good Is Your Council in December 2021.</p> <p>In March 2022, the Outline of the Council Plan 2022-27 was approved and included an update on progress with strategic goals, commitments and actions set out in the 2017-2022 Council Plan.</p> <p>In June 2022, the Audit and Governance Committee considered the progress in achieving the Council Improvement Plan 2021-2022. Subsequently in August 2022, the Council approved the 2022-2027 Council Plan.</p> <p>A detailed Action Plan supporting implementation of the new Council Plan 2022-2027 will be presented to East Lothian Council on 25 October 2022.</p> <p>Work is in progress to review the Council Plan's Top 50 Performance Indicators, taking account of the recently approved Council Plan, and these will be presented to the Policy and Performance Review Committee for consideration before coming to full Council for approval in the coming months.</p> <p>The Annual State of the Council 2022 report, which is presented to Council at the end of each year, will provide a summary of progress of the Council Plan 2022-2027, Action Plan and review Council Plan Performance Indicators.</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>Responsible officer: Council Management Team / Service Manager Policy, Improvement & Partnership</p> <p>Revised date: Ongoing</p>

Appendix 2. Summary of corrected and uncorrected misstatements

We report all corrected and uncorrected misstatements in the annual accounts that are individually greater than our reporting threshold of £250,000.

The table below summarises misstatements that were **corrected** in the financial statements.

Narrative	Account areas	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr	Cr	Dr	Cr
Single Entity		£000	£000	£000	£000
Pension – unfunded liability adjustments	Pension reserve			12,194	
	Pension liability				12,194

The table below summarises misstatements that were **uncorrected** within the financial statements.

Narrative	Account areas	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr	Cr	Dr	Cr
Single Entity		£000	£000	£000	£000
Non pay expenditure	Non pay expenditure		1,827		
	Prepayments			1,827	

East Lothian Council

Proposed 2022/23 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or [subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

DRAFT Leadership of the development of new local strategic priorities

Best Value thematic work in East Lothian Council 2022-23

7



Prepared by Audit Scotland
November 2023

Contents

Key messages	3
Scope of the audit	5
Council vision and priorities	7
Citizen and community engagement	12
Reducing inequalities and tackling climate change	14
Alignment of delivery plans	18
Leadership	22
Appendix 1	25

Key messages

- 1** The council has set clear priorities but recognises that decisions need to be made urgently to ensure a sustainable approach to delivering those priorities.
- 2** The council's leadership have been effective in setting out a clear vision and priorities in the Council Plan 2022-27.
- 3** The council faces unprecedented financial challenges which is likely to require difficult decision making around priority services. The council recognises the need to engage with members and the wider public to ensure that decisions are driven by the needs and priorities of the people of East Lothian. This is reflected through cross party budget working group and acknowledged in the latest financial strategy and plans.
- 4** Community engagement and working with local communities is a key element of the council's vision. The council drew on existing community engagement when developing its vision and priorities rather than consulting separately on its Council Plan.
- 5** The council priorities clearly reflect the need to reduce inequalities and climate change. It is too early to assess if the strategic plans will successfully deliver these objectives.
- 6** The council has set out its Top 50 performance indicators to monitor delivery of its priorities. Not all performance indicators have specific targets set. It is important the council is clear on the level of performance outcomes it aims to achieve. It is important that the indicators monitored continue to reflect strategic priority areas and risks.
- 7** The council is a complex organisation and has a range of plans and strategies which underpin the Council Plan. Its financial, workforce, asset and digital plans are aligned with the council's priorities, but the council is revisiting its delivery plans to address the increasing financial challenges it faces.
- 8** There is evidence of collaborative working between members and with members and officers. However, this is an area for improvement. It is essential for members to work together to make strategic decisions when the council faces increasingly hard choices to ensure financially sustainable service delivery.

- 9 The council has a clear commitment to leadership development to empower officers to make informed decisions.
- 10 The council's improvement actions from this review are included at [Appendix 1](#) of this report. It sets out the council's response to audit recommendations made. Progress will be reported through Annual Audit Reports.

Scope of the audit

1. When discussing the Local government in Scotland Overview 2022, William Moyes, Chair of the Accounts Commission said: “Councils are operating in a complex and increasingly volatile, unprecedented and unpredictable environment. Strong leadership from councils is needed now more than ever, with new and returning councillors being able and willing to make difficult decisions about where and how to spend highly pressurised resources.”
2. This report concludes on the effectiveness of the council’s leadership of the development of the council’s strategic priorities, following the recent local government elections.
3. [The Accounts Commission’s Strategy \(2021-26\)](#) sets out its priorities to focus on inequalities, funding, communities and recovery. The Code of Audit practice sets out the Best Value work required to report on these priorities.

Code of Audit Practice 2020 Best Value reporting requirements

Best Value reporting – extract from the Code

87. The Accounts Commission’s approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports:

- As part of their integrated wider-scope annual audit work appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations.
- The Accounts Commission also requires the Controller of Audit to report to the Accounts Commission on each council or Integration Joint Board (IJB) at least once over the five-year audit appointment on the body’s performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate. ¹
- The Accounts Commission reports nationally on thematic aspects of local government bodies’ approaches to, and performance in, meeting their Best Value and community planning duties. Local government appointed auditors report locally on any such Best Value thematic work prescribed by the Accounts Commission.

¹ The Controller of Audit will report the first tranche of council BV reports to the Commission between October 2023 and August 2024 on Moray, Falkirk, Dundee City, Orkney Islands, South Ayrshire, Dumfries and Galloway, Clackmannanshire and West Dunbartonshire.

4. This report covers the thematic aspect of the Best Value audit requirements. The Commission has directed auditors to report on the effectiveness of the leadership of the development of the council's strategic priorities.



5. In carrying out the work auditors have considered the following questions:

- How clear is the new council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the council?
- How effectively do the council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

6. This report reflects upon and includes an update on the areas covered by recommendations in the [East Lothian Council Best Value Assurance Report \(BVAR\)](#) published in November 2018.

7. An improvement action plan is included at [Appendix 1](#) of this report. This sets out audit recommendations in key areas, and the council's planned response including responsible officers and dates for implementation.

8. The coverage of the work is in line with the expectations for council's arrangements for the seven Best Value themes in the [Local Government in Scotland Act 2003, Best Value Statutory Guidance 2020](#).

Council vision and priorities

The council's leadership have been effective in setting out a clear vision and priorities in the Council Plan 2022-27.

9. A council focused on achieving Best Value in how it operates will be able to demonstrate that elected members and officers have a clear vision and priorities for their area.

10. The Council Plan 2022-2027 was approved by East Lothian Council on 23 August 2022. This has clear objectives and builds on the previous council plan and the Recovery and Renewal Plan approved in 2021.

11. There are 3 overarching objectives:

- Recovery and renewal – *recovering from the COVID pandemic by investing in regeneration and a sustainable future.*
- Reduce poverty and inequality - *supporting our communities to deal with the growing levels of poverty and inequality.*
- Respond to the climate emergency - *meeting our net zero climate change targets.*

12. In response to the systemic long-term challenges it faces, the Council set out 4 thematic objectives continued from the previous council plan:

- Grow our economy – *increase sustainable and inclusive growth as the basis for a more prosperous East Lothian.*
- Grow our people - *give our children the best start in life and protect vulnerable and older people.*
- Grow our communities - *give people a real say in the decisions that matter most and provide communities with the services, infrastructure and environment that will allow them to flourish.*
- Grow our capacity - *deliver excellent services as effectively and efficiently as possible within our limited resources.*

13. The outline Council Plan was agreed in March 2022 before the local council elections. The final plan was approved in August 2022. Officers reviewed all political parties' election manifestos to incorporate key elements into the Council Plan.

The council's vision is aligned to the community plan priorities

14. The council's objectives are aligned to the priorities set out in the East Lothian Plan 2017-2027 (the Local Outcomes Improvement Plan) prepared by the East Lothian Partnership. The new Council Plan goes further than the East Lothian Plan in explicitly referencing climate change. The three key themes of the East Lothian Plan are 'Prosperous, Community-minded, and Fair,' focused on 'Reducing inequalities across our area; Tackling poverty; and Working to prevent problems - and acting quickly when problems start'. The council is a key community planning partner in the East Lothian Partnership. Each partner should have its priorities aligned to the East Lothian Plan, but each body has a different role in delivering the partnership's priorities. The council has a significant role in delivering these priorities given the range of services it provides.

15. Partners were not directly involved in the development of the Council Plan. However, the Plan's vision, objectives and key priorities were shared through the East Lothian Partnership and in discussions with the Integration Joint Board. In addition, some key plans including the Recovery and Renewal Plan and East Lothian Poverty Plan have been adopted by both the Council and East Lothian Partnership, with governance of the Recovery and Renewal Plan overseen by the East Lothian Partnership Governance Group. Key partners have been engaged through the development of these to ensure partners help shape and inform council planning.

16. The East Lothian Plan was due to be reviewed but this work was delayed by the pandemic. A review of the East Lothian Plan is now due to take place later in 2023 following an update on the Strategic Needs Assessment that is underway and will inform the review work.

Existing community consultation was used to inform the Council Plan rather than separate consultation on the plan

17. The Council did not carry out separate public consultation specifically on the Council Plan but used existing consultation for other relevant plans including the Poverty Plan to obtain public views on strategic priority areas. Ongoing council engagement with community groups and Local Area Partnerships also provided local input. The Outline Council Plan approved pre-election was communicated in press releases and on the council's website.

18. Public consultation to inform the Local Development Plan 2 and other strategies is ongoing and this should give valuable information from local citizens and community groups on priority areas.

The council communicated the publication of the new Council Plan to citizens, staff and partner agencies

19. The new Council Plan was communicated to the public through press releases and social media; the Local Area Partnerships and The Plan was communicated to staff in an article in the staff newsletter '*Inform*' and in team meetings as well as being part of new employees' induction programmes.

Partners were advised through discussion at meetings such as the East Lothian Partnership Governance Group.

Maintaining oversight of performance is challenging across the range of council services. The council needs to clearly set out the performance it wants to achieve in its priority areas.

20. The Council is a complex organisation which delivers a wide range of services. Delivery of the Council Plan and its objectives will be carried out through key strategies and plans. The council has a range of 18 plans and strategies underpinning the Council Plan's vision and objectives. These include the Recovery and Renewal Plan, Poverty Plan, Equality Plan, Climate Change Strategy, Integration Joint Board Strategic Plan and the Economic Development Strategy. The number of actions involved (290 actions in the first 4 plans alone) make it challenging for members to get oversight of performance. A Council Plan Action Plan containing 68 actions was approved in October 2022. It includes the implementation of each of the relevant strategies/plans as single actions.

21. Monitoring and reporting on the Action Plan's 68 actions will be through existing reporting mechanisms for the relevant key strategies and plans rather than create a new reporting framework. The 'State of the Council' report presented to Council at end of each year will provide a summary of progress against the Council Plan Action Plan and a review of the Plan's performance indicators.

22. A new set of Top 50 indicators has been produced to reflect the new Council Plan including Covid-19 recovery and renewal and climate change. The indicators were reported to the Policy and Performance Review Committee then approved by Council in February 2023.

23. As reported last year, the council has effective performance management arrangements. The Policy and Performance Review Committee receives quarterly performance reports. The report on key performance indicators is grouped under the council's four key objectives. The 2022/23 Quarter 4 Performance Report, the 2022/23 Top 50 Council Plan indicators Report, 2022/23 Council Plan Annual Indicators Report and the 2021/22 Local Government Benchmarking Framework performance report were submitted to the June 2023 Policy and Performance Review Committee meeting.

24. The council's 'Top 50 Indicators' are reported annually in the 'State of the Council' report. Currently 34 of these 50 measures have stated targets. The council should be clear on the level of performance outcomes it is aiming for across its priority areas. Given the financial challenges faced, this could mean the council is unable to maintaining current performance with reduced resources and therefore increasingly important that resources are allocated to priority areas. As resources are aligned to priorities, the council should be clear on the acceptable level of impact on performance in non-priority areas.

Recommendation 1

The council should be clear on the performance outcomes it is aiming for across its priority areas. It should also be clear on the acceptable level of performance in non-priority areas.

The council faces unprecedented financial challenges which is likely to require difficult decision making around priority services. The council will need to engage with members and the wider public to ensure that decisions are driven by the needs and priorities of the people of East Lothian and aligned to available resources.

25. The council faces significant financial challenges. For 2023/24, the council has recently reported unplanned overspends of £14.6 million in year and a longer term estimated budget gap in excess of £71 million between 2024/25 and 2028/29. The council has recognised that financial sustainability is a serious challenge and these pressures are reflected within the council's risk register, highlighting the significant potential impact this may have on the achievement of the council's priorities. The financial challenge facing the council emerge from a range of factors including the impact of the cost-of-living crisis, pay and non-pay inflation rates, higher interest rates and service demands alongside the level of revenue and funding available to the council. The risk to the council is made more acute due to the significant level of growth in the region and the cost implications of this growth not being fully met through available funding.

26. The council is facing difficult decisions as to how to prioritise resources. This may require consideration of the council's strategic priorities and level and type of services provided as the council look to operate in a financially sustainable manner. It becomes increasingly important that the council engage with members and wider stakeholders, including the public, to inform decision making process. It is also important that there is careful consideration and understanding of the impact and risks associated with decisions being made, particularly where there is disinvestment in services.

The council made good early progress against the BVAR recommendations but the Covid-19 pandemic stalled some work and continuing resource constraints limit further progress. The 2018 Best Value Assurance Report acknowledged the improvements made by the council since the previous best value audit in 2007 and made recommendations for improvement across 3 areas:

- Ensure that performance reporting arrangements are more coherent and better aligned to demonstrate the delivery of the council's vision, supporting objectives, service performance and savings plans
- Develop more detailed plans linked to its longer-term financial strategy and to delivering the savings required

- Continue to focus on working with communities.

27. Progress against the BVAR recommendations has been reported in Annual Audit Reports since the publication of the BVAR. The Council Improvement Plan contains seven actions based on the BVAR recommendations and was updated to add seven actions arising from the 2019 Corporate Governance Self-evaluation.

28. Last year the auditor reported that the “2021-22 Improvement Plan incorporates outstanding actions from the BVAR report. However, limited progress has been made against improvement actions, as the council has continued to operate in business continuity mode throughout 2020 and 2021. Actions not deemed critical activity have been put on hold. Revised timescales and deadlines have been given to all the actions to be completed in 2022.”

29. Some services within the council continued to operate in business continuity mode during 2022/23 which has constrained progress in implementing improvements and progress in implementing improvement actions is aligned to the risks and challenges facing the council.

Citizen and community engagement

The council used feedback from existing public engagement with citizens and communities when developing the Council Plan priorities

30. Councils, with their community planning partners, have a responsibility to ensure that people and communities are able to be fully involved in the decisions that affect their everyday lives. There must be a focus on getting the services people need in place, to have the best impact on the lives of individuals and communities.

31. Early and meaningful engagement and effective collaboration with communities to identify and understand local needs, and in decisions that affect the planning and delivery of services, should be a core part of determining a council's vision and priorities.

Community empowerment is a key principle in the Council Plan 2022-27

32. The Council Plan and its underlying plans and strategies set out community empowerment as a key principle of the council's vision.

33. The Connected Communities Service has a key role in delivering the council's community empowerment objectives, encompassing the Community Learning and Development Service, support for Local Area Partnerships, Community Councils and grant funding for community organisations. There are 6 locally based Connected Communities teams with a significant focus on taking a place-based approach.

34. There are 6 Local Area Partnerships in East Lothian. These are chaired by local residents and supported by the council via Connected Communities managers. Elected members from the relevant wards attend the partnerships but recognise the partnerships' independence. The partnerships foster good engagement and communication between local communities and the council.

35. The council has delegated a £200,000 budget to each partnership (Musselburgh £250,000) and the partnerships can also seek external funding. The Area Partnership can allocate:

- £50,000 on general projects in the area (£100,000 in Musselburgh)
- £50,000 of the Roads Service budget for the area

- £100,000 of the Amenity Services budget for the area.

36. Communities had the opportunity to put forward their views on council priorities through public consultation for the 2023/24 budget. Further community engagement will be needed so that local citizens understand the difficult decisions needed to ensure financial sustainability of public services.

The council has made good progress in implementing the BVAR recommendations to continue to focus on working with communities

37. The 2018 BVAR recommended that the council ‘coordinate consultation activity through its People’s Voice framework and tell local people how it has used their feedback’. The Consultation Hub on the council website gives online public access to consultations and includes a “we asked, you said, we did” section to give clarity on how feedback has been used. The council has also coordinated current consultation activity to obtain views covering several strategies in one exercise.

38. The BVAR also recommended that the council ‘continue to support Local Area Partnerships to focus on priority actions within their local area plans’. The six Local Area Partnerships are led by local people and supported by the council through Connected Communities Managers. Each Local Area Plan has priorities for the local area: tackling poverty is a key theme across all the plans.

39. The BVAR also recommended that the council ‘ensure community and third sector organisations, such as charities and voluntary groups, have the opportunity to shape council strategic planning at an earlier stage’. The third sector are part of the Community Planning Partnership Governance Board. However, it is not clear the extent to which this has shaped strategic planning.

Reducing inequalities and tackling climate change

The council's priorities have a focus on the need to reduce inequalities and on tackling climate change

40. Council priorities are expected to reflect the Best Value expectations that all activity should contribute to tackling poverty, reducing inequality and promoting fairness, respect and dignity for all citizens, alongside a focus on sustainable development, including climate change.

41. The Accounts Commission's [Local government in Scotland Overview 2022](#) report highlights that the impact of the pandemic and service disruption have been felt most strongly by those already experiencing inequality. Councils have worked hard and adapted to maintain service delivery but those most in need of support are still being affected. Councils must evaluate these impacts so that recovery and renewal supports those most affected and addresses inequalities to create a fairer, more socially just economy for their citizens.

42. Around two-thirds of councils have formally declared a climate emergency, and COSLA's Blueprint for Local Government states that climate change is a 'greater threat than Covid'. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

43. The Council Plan 2022-27 and Action Plan clearly reflect sustainability of the environment and climate change as well as reducing inequalities and poverty. Both documents mention poverty, inequalities and climate change throughout.

44. The community planning partnership's East Lothian Plan 2017-27 has a clear focus on reducing inequalities and poverty but not on climate change and the environment. The East Lothian Partnership has started work on a new Strategic Needs Assessment to inform a revised East Lothian Plan in 2023. This is an opportunity to develop a more explicit focus on climate change actions at Partnership level.

The Council Plan 2022-27 includes addressing inequalities as one of its overarching objectives.

45. The Council's overarching objective to 'reduce poverty and inequality' is supported by a range of plans including the Poverty Plan 2021-23 and the Equality Plan. The need to consider the equalities impact of policies and council

decisions is embedded in the policy- and decision-making process. The council's latest Mainstreaming Equalities report is due to be published in Autumn 2023. The Covid-19 pandemic has exacerbated and deepened existing inequalities in Scotland and the Recovery and Renewal Plan 2021 recognises this. Its action plan includes: support our communities to tackle inequality and social exclusion; support business, employment and promote inclusive economic growth; help our children and young people achieve their full potential; and invest in regeneration and a sustainable future; in addition to 'develop our people and future ways of working; maintain and develop resilient and sustainable services; deliver improved connectivity & digital innovation to ensure the effective use of resources; and climate and ecological emergency.

46. The Recovery and Renewal Plan action tracker of performance indicators is reported to elected members; the latest version was provided to members in February 2023. A single set of poverty and equality performance indicators was approved in September by the Policy and Performance Review Committee.

47. The Fairer Scotland Duty requires councils to consider how they can reduce inequalities of outcome caused by socio-economic disadvantage. The Poverty Plan was drawn up by a multi-agency group and is based on a prevention and early intervention approach to tackling poverty. Local Area Partnerships also identify tackling poverty as a local priority.

48. The Poverty Plan 2021-23 is now due for review and renewal. The consultation to inform the Local Development Plan 2 will cover this and other areas. A series of joint consultation events on related subjects were held across East Lothian in June 2023 for residents and partners to find out more about preparations for the Council's Local Development Plan 2, Local Heat and Energy Efficiency Strategy, Poverty Plan, Local Economy Strategy and Forestry Woodland Draft Strategy. Online consultation and paper consultation surveys are also available.

49. We will consider over the course of the audit appointment how effective the council is in addressing inequalities and improving its equalities outcomes.

The council has a process in place to consider if its policies affect human rights

50. There is legislation which covers human rights. Taking a human rights-based approach is about making sure that people's rights are put at the centre of policies and practices and giving people opportunity to realise those rights.

51. Councils should make explicit reference to the work they do to promote this or reflect it as part of their plans to reduce inequalities.

52. As set out in paragraph 11, 'Reduce Poverty and Inequality' is one of the Council Plan's three overarching objectives and one of the four thematic objectives is 'Growing our People' and this includes supporting the most vulnerable and in need. The Council Plan explicitly refers to human rights and outlines the person-centred approaches embedded into council policies and practices including trauma-informed practice and incorporating the United Nations Convention on the Rights of the Child.

53. The Plan goes on to say that a key aspect of the approach will be engaging in meaningful dialogue with young people and children in identifying ongoing priorities and refers to a new Youth Strategy for East Lothian that was developed with and by young people, youth work organisations and strategic partners: the Children's Services Plan 2023-26 for East Lothian.

54. The Council's Integrated Impact Assessment process asks policy makers to consider the promotion of equality and human rights; reducing poverty; and protecting the environment when assessing a policy.

55. The council works with NHS Lothian and the other Lothian councils to improve the integrated impact assessment process and share good practice. The integrated impact assessment process has been standardised across the Lothian councils. The council holds quarterly quality assurance meetings with colleagues from partner agencies where a sample of completed assessments is considered, and recommendations are made. Integrated impact assessments are published on the council's website. We have not assessed the integrated impact assessment process.

The Council Plan 2022-27 includes responding to the climate emergency as one of its overarching objectives. It is too early to tell if the council's actions will deliver its strategic aim of achieving Net Zero.

56. The Council Plan overarching objective to 'Respond to the climate emergency' is underpinned by the Climate Change Strategy 2020-25. This strategy sets out the council's commitment to tackling the Climate Emergency at a local level, both internally as a 'Net Zero Council' and across the county as a 'Carbon Neutral East Lothian'. It links with other relevant strategies (e.g. local housing strategy, economic development strategy) and sets out specific outcomes, key priority areas and actions over an initial five-year period towards achieving the longer-term overall aims. There is a cross-party Climate Change and Sustainability Forum.

57. There have been 3 annual updates on progress against the Climate Change Strategy; the latest was in March 2023. This sets out some of the key annual achievements including a 15.2% year on year reduction in the Council's carbon emissions, an increase from 86% to 90% achievement of the energy efficiency standard for social housing and making certified training in Carbon Literacy available to all Council staff.

58. Not all the actions in the Climate Change Strategy include specific targets for improvement. While it may not be relevant to set a SMART target in all cases, providing targets or additional context makes it easier to assess whether the reported progress against the strategy is enough to deliver the strategic aims. It is too early to tell whether the council's actions will deliver its strategic aim to achieve Net Zero.

59. The Council's Climate Change Strategy also links to partners and the local community. The annual update highlighted that the Sustainability and Climate Change officer was working closely with community groups and was in regular contact with Local Area Partnerships and Community Councils.

60. Local Area Plans all refer to either climate related strategies such as the Council's Climate Change Strategy (Preston, Seaton, Gosford Area, Haddington and Lammermuir and Dunbar and East Linton Area Plans) or to protecting the environment for future generations and have actions that link to the climate/environmental issues (North Berwick Coastal Area Plan, Fa'side & Musselburgh Area Plans). This demonstrates an awareness of the climate emergency being considered an issue for local communities even before the current Council Plan was approved. Workshops have been held with some Local Area Partnerships to integrate climate change into the Local Area Plans and help identify the actions these communities are best equipped to take.

Alignment of delivery plans

Delivery plans are in place and aligned to the council's priorities. Implementation has been delayed by the Covid-19 pandemic and increasing financial pressures are putting delivery at risk.

61. Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a council will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement.

62. The council has a suite of plans to support the delivery of its priorities through best use of its resources: workforce plan, asset management strategy, digital strategy, and 5-year financial plans for revenue and capital spend.

63. Service transformation is at the heart of delivering financially sustainable public services fit for the future. The Covid-19 pandemic paused some service transformation work although it enabled some very quick transformation especially in the use of technology: for example, technology enabled care and online services including education. The Council has taken opportunities to utilise remote working practices and reduce the asset base. Organisations and local communities worked together to ensure services were delivered to those most in need during lockdown; it is important that these positive aspects are retained as the council and its partners recover from and address the impact of the pandemic and other challenges like the cost-of-living crisis.

64. East Lothian Council is still to fully implement the actions set out in key delivery plans, having paused some work during the pandemic to focus on the emergency response. Some services in the council continued to operate on a business continuity basis and will need to find new ways to deliver services with the resources it has available. The financial constraints it faces mean difficult choices must be made to ensure sustainable service delivery.

The council is revisiting its options for financially sustainable service delivery given the significant financial challenges it faces.

65. The council is keeping its delivery options under review given the financial pressures on the council. In August 2023 the council considered mitigating actions to deliver further savings to address an estimated £14.6 million funding gap in the current 2023/24 financial year. The estimated recurring funding gap is now £71 million from 2024/25 to 2028/29. The council approved temporary mitigation measures including controlling recruitment, reviewing operational assets to minimise costs and pausing some capital projects. More radical

measures are needed for financial sustainability in the longer term. The council must exercise strong leadership to make strategic decisions which are difficult and politically unpopular.

The council has established financial planning arrangements but needs to secure sustainability of its services into the longer term

66. The council has well established financial management and reporting arrangements including a 5-year financial strategy for revenue and capital spend. It has a track record of delivering within its annual budget but financial pressures are increasing significantly, future funding levels are uncertain and the council needs to take more radical steps to secure sustainable service delivery. Longer term financial planning with robust scenario planning is needed to support strategic decision making.

Recommendation 2

The council should develop its longer-term financial planning including scenario planning using a range of assumptions to identify service delivery options as future funding remains uncertain.

The council needs to invest in digital technology to transform its services but financial constraints are driving very difficult choices.

67. The council has a Digital Strategy, approved in January 2023, structured around the key themes of the Council Plan (Growing our People, Growing our Communities, Growing our Economy and Growing our Capacity). The Digital Strategy outlines sixteen digital principles which form a framework for the development of Digital Services. For example, principle 4 states that "When designing a new service or transforming existing ones we will design them to be digital by default".

68. The Digital Transformation Board has been established to oversee performance against the Digital Strategy and provide the governance, prioritisation and allocation of resources. The Board is chaired by the Executive Director for Council Resources, and the Head of Finance is a member to ensure funding is an integral part of decision making. The Board reports to the Transformation Executive Team.

69. A Digital Transformation Work Plan is to be prepared annually with progress against the work plan monitored by the Digital Transformation Board and reported to the Transformation Executive Team. The first work plan is due in October 2023.

70. The council has identified the need to invest in digital technology to drive transformation. There are many council systems which are older and identified as due for replacement. New technology could increase efficiency of workflow,

increase automation of administrative processes and reporting, and free up staff resource to concentrate on more complex tasks. One example is the financial ledger, which requires extensive manual intervention to ensure data flows through correctly from feeder systems (e.g. payroll, accounts payable and accounts receivable) into the council's financial records. This intervention is time consuming and increases the risk of error or fraud.

71. The council needs to prioritise where it can invest in digital services to deliver savings in the longer term.

Recommendation 3

The council should review and prioritise the investment needed to support sustainable service delivery into the future. Investment in new technologies needs to be well managed and requires well planned investment as pressures to cut costs could lead to failure and increased costs in the longer term.

The council has a workforce plan which has been recently refreshed

72. The council has reviewed and refreshed its Workforce Plan. The 2023-27 Workforce Plan supports new ways of working such as hybrid working and improved digital skills.

73. The 2018 BVAR recommended that the council 'prepare individual service workforce plans to support the high-level Workforce Plan Implementation Plan to help the council consider in more detail how it will manage changes in services and staffing levels.' This recommendation was implemented by the council in support of the Workforce Plan 2018-2022.

74. Innovative working practices tend to be small scale and driven by resource shortages, like the shared internal audit management between East Lothian Council and Midlothian Council.

75. The council should explore more innovative practices, working with partners who face similar challenges. Our best value thematic work next year will focus on workforce innovation.

76. The Asset Strategy and Management Plan 2018–23 sets out the council's plans for how asset management contributes to the council's long-term goals and objectives. It is now due for review and refresh. During the period of this asset strategy, the Covid pandemic changed working practices and office use, with staff moving to remote working during lockdown. Following the pandemic many staff continue to work on a hybrid basis so there is a much smaller demand for office space and the council's asset review and rationalisation reflects this. Relocation of staff into fewer buildings offers an opportunity to sell or repurpose surplus properties.

77. We will continue to monitor how well the council allocates and aligns resources to its new priorities and secures sustainability of its services into the longer term.

Leadership

The council's leadership has been effective in setting clear priorities but now needs to demonstrate sustainable plans for delivering them

78. Effective leadership from councillors, chief executives and senior officers, is key to councils achieving their objectives and providing clear strategic direction. The complex local government environment means collaborative leadership, working with partners, communities and citizens to improve outcomes is more important than ever.

79. Leaders need to be skilled in effective strategic thinking, decision-making and collaborative working and able to learn lessons from new ways of working. Councillors and officers must be clear on their roles in setting the vision and planning for its delivery.

80. Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. Working relationships between members and between members and officers should be constructive and productive. Councillors should show a commitment to agreed council priorities and work together to achieve them.

81. The council has a stable executive management team in place with considerable experience and few changes at the most senior level. Following the 2022 election half of councillors were newly elected members.

82. There is evidence of some effective collaborative working between members and with members and officers. There are cross-party working groups including the Budget Working Group and the Climate Change and Sustainability Forum. These foster cross-party discussion and exploration of options for priority areas in advance of formal decision making at council meetings. Officers engage with members on a one to one basis and directorates meet with relevant cabinet spokespersons on a regular basis. However, there is an opportunity to continue to develop collaborative working as not all members are engaged in these discussions and it is currently unclear how effectively the arrangements are working.

83. It is essential for elected members to work together as a collective body to make strategic decisions when facing increasingly hard choices to ensure the council's financial sustainability.

84. Training and development is available to all elected members. An induction programme was provided to newly elected members after the May 2022 elections. Appropriate arrangements for standards of conduct, including codes

of conduct, are in place. Officers are responsive to elected members' requests for information. Briefings are regularly provided to give more detailed explanations than is possible in a formal council meeting. Officers and members are mindful of the need to balance private briefings with public scrutiny and decision making.

85. Officers recently opted to take some detailed papers including a finance update and the corporate risk register to full council rather than presenting them for committee consideration. Whilst we recognise the rationale on this occasion, given the scale of the financial challenges faced by the council, there is an opportunity for the council to reflect on the effectiveness of its committees which should be considering issues in detail which can then be escalated to full council. Council meetings and agendas are already very long which can inhibit effective scrutiny and decision making.

86. The Council's continuous improvement framework 'Improvement to Excellence' is based on five-inter-related elements:

- Setting clear outcomes and objectives – what we need to do to achieve our vision and ambitions
- Service improvement planning and management – setting out how we are going to deliver and manage our services, resources and improvement
- Performance management, monitoring and reporting – monitoring how we are doing so we know what we need to improve
- Self-evaluation – measuring how we are doing and what we need to improve
- External assessment and accreditation – how others see us and gaining external validation.

87. This framework has been reviewed and revised. The council is rolling out a refreshed corporate self-evaluation process based on the Public Sector Improvement Framework (PSIF) across all services. This new PSIF self-evaluation framework was piloted with the Council Management Team in early 2023 and will be rolled out to all services over a three-year rolling programme. It is currently too early to comment on the effectiveness of these new arrangements. We will consider these arrangements as part of future audit work.

88. As reported above, the council has set clear priorities and has delivery plans aligned to those priorities but increasing financial pressures mean more radical solutions are needed to ensure financially sustainable services. Strong leadership is required to make these difficult decisions. Working with partners and the community will be important in finding innovative ways to deliver sustainable services.

89. We will review the effectiveness of strategic decision making over the course of the audit appointment and report in our annual audit reports.

The Council has a clear commitment to leadership development to empower officers to make informed decisions

90. In 2022, East Lothian Council embarked on a leadership development programme for both the Corporate and Senior Management teams. The purpose of this programme was to further develop the council as an enabling and empowering authority, where employees are able to use their initiative, take responsibility for their own learning and actions and have a say in decisions and in the future work of the Council. Given the challenges facing the Council, officers were also keen to strengthen the collective leadership's capability and capacity and to demonstrate effective leadership behaviours and continue to foster culture of continuous improvement.

91. In the first instance, the Council Management team worked together to define leadership behaviours which reflected the values of the East Lothian Way. Both the Corporate Management team and the Senior Management team (57 people) then participated in 360 feedback and had a series of 1:1 coaching sessions which explored the feedback and focused on the behaviours. The council has embraced behavioural science and changes techniques and training to improve individual and team performance, improve processes/systems and manage change. The council has reported that this has led to a number of improvements and ongoing work, for example in improving communication and engagement with elected members, looking at how they manage workloads and approaches to core learning and support for staff.

92. The next phase of the programme for 2024 – 2025 is to continue to roll out the programme to the next level of leaders at the Council below the senior leadership team.

Appendix 1

Improvement Action plan

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Performance monitoring targets</p> <p>The council has not set targets for all of its Top 50 performance indicators (or for all of the performance measures in its delivery plans). This makes it difficult to assess whether the council is on track to deliver its strategic priorities.</p>	<p>The council should be clear on the level of performance outcomes it aims to achieve against its priorities. It should also be clear on acceptable reductions in performance in non-priority areas as resources are aligned to priorities.</p>	<p>Agreed. A number of the indicators were new this year and take time for the council to embed and set realistic, measurable targets. The Council aim to have these in place for the Top 50 performance indicators by December 2023. The Service Management Policy, Performance and Organisational Development will work with Services to have the remainder in place by June 2024.</p> <p>Responsible Officer: Service Manager Policy, Performance and Organisational Development</p> <p>Target date: June 2024</p>
<p>2. Financial planning to address increasing challenges</p> <p>The council faces uncertainty over future funding and increasing financial pressures. Radical solutions are needed to deliver sustainable services and robust long term financial planning is needed to support strategic decision making</p>	<p>The council should develop its longer-term financial planning including scenario planning using a range of assumptions to identify service delivery options as future funding remains uncertain.</p>	<p>Agreed. The Council already sets out medium term scenario planning to support financial planning. This is set out annually in the Financial Strategy and updated regularly to Council. Officers will keep this 'live' during the year and give further consideration to extending this beyond the 5 year period.</p> <p>Responsible Officer: Executive Director for Council Resources (CFO) + Head of Finance</p> <p>Target date: December 2023</p>

3. Investment needed to deliver sustainable services

The council has identified the need to invest in digital technology to drive transformation. There are many council systems which are older and identified as due for replacement but the resources to fund this are not available. Difficult decisions are needed to prioritise where investment will have the greatest benefit.

The council should review and prioritise the investment needed to support sustainable service delivery into the future. Investment in new technologies needs to be well managed and requires well planned investment as pressures to cut costs could lead to failure and increased costs in the longer term.

Agreed. A review of current Transformational Priorities is on-going and includes Digital pipeline and prioritisation work. The Council has agreed an updated Reserves strategy which includes Digital support as a key enabler to support transformational change. The Digital Strategy Board is chaired by the Exec Director for Council Resources and will consider and prioritise critical digital investment and future plans.

Responsible Officer:

Executive Director for Council Resources (CFO) + Head of Finance

Target date: April 2024

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or [subscribe to our email alerts.](#)



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

REPORT TO: **AUDIT AND GOVERNANCE COMMITTEE**

MEETING DATE: 19 December 2023

BY: Executive Director for Council Resources

SUBJECT: Treasury Management – Mid Year Review 2023-24

8

1 PURPOSE

- 1.1 An update to the Committee on Treasury Management activity during the first six months of 2023-24.

2 RECOMMENDATIONS

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

3 BACKGROUND

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

performance consistent with those risks. This mid-year report is reviewed against the current Treasury Management Strategy that was approved by Council in February 2023.

- 3.4 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- A. An economic update for the first part of the 2023-24 financial year;
 - B. A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - C. The Council's capital position (prudential indicators);
 - D. A review of the Council's investment portfolio for 2023-24.
 - E. A review of the Council's borrowing strategy for 2023-24.
 - F. A review of any debt rescheduling undertaken during 2023-24.

Part A – Economic Update

- 3.5 The Monetary Policy Committee (MPC) increased interest rates by a further 1%, taking Bank rate from 4.25% in March to 5.25% in August as inflation remained high. Although inflation fell to 6.7% in August, its lowest rate since February 2022, where it remained in September, it is still the highest across the G7 countries.
- 3.6 Interest rates are thought to have peaked and they are expected to remain at 5.25% until the second half of 2024 in line with the Bank of England strategy to for managing inflation, although they have not ruled out further tightening if there are persistent inflation pressures. Over the next six months the impact of the higher interest rates on businesses and individuals is expected to intensify.
- 3.7 The MPC's thoughts and the economic conditions have informed our Treasury advisors forecast for the period December 2023 to December 2026 as shown in Table 3.1. It shows Bank Rate remaining at 5.25% until June 2024 with predicted falls of 0.50% each quarter to 3.50% in June 2025, then projecting to fall at a slower pace of 0.25% until reaching 3.00% in December 2025 onward for the forecast period.

Table 3.1

Link Group Interest Rate View	07.11.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.25	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.30	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.40	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.50	3.30	3.30	3.30	3.30	3.30
5 yr PWLB	5.00	4.90	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.60	3.50	3.50	3.50
10 yr PWLB	5.10	5.00	4.80	4.70	4.40	4.20	4.00	3.80	3.70	3.70	3.60	3.60	3.50
25 yr PWLB	5.50	5.30	5.10	4.90	4.70	4.50	4.30	4.20	4.10	4.10	4.00	4.00	4.00
50 yr PWLB	5.30	5.10	4.90	4.70	4.50	4.30	4.10	4.00	3.90	3.90	3.80	3.80	3.80

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

- 3.8 The Treasury Management Strategy Statement (TMSS) sets out the wider Treasury and Investment Strategy and was approved by Council on 28 February 2023. The Strategy includes a number of key treasury management indicators. This report provides an update on the Treasury Management activity undertaken by the Council relative to the approved strategy taking account of the updated economic position and budgetary changes already approved.
- 3.9 Table 3.2 below provides a summary of the current position relative to approved indicators, with more details around the position on each indicator set out in the remainder of this report.

Table 3.2

Prudential Indicators 2023-24	Approved £m	Current Estimated Prudential Indicator £m
Capital Financing Requirement	669	618
Operational Boundary	669	618
Authorised Limit	711	659

Includes long term liabilities for PPP arrangements and finance leases

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

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

Capital Expenditure and Financing of the Capital Programme

- 3.11 Table 3.3 below sets out the current projected outturns for the Council's capital investment programmes for 2023-24 relative to the approved budget set on 28 February 2023.

The table sets out how the programme is financed, highlighting the supported and unsupported elements and the expected financing arrangements.

The borrowing requirement increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR). This in part will be offset by any revenue charges for the repayment of debt.

Table 3.3

Capital Expenditure	2023-24 Approved Budget £m	2023-24 Projected Outturn * £m
General Services	98.9	58.4
HRA	34.0	43.1
Total capital expenditure	132.9	101.5
Financed by:		
Capital receipts	15.6	11.9
Capital Grants	24.1	26.8
CFCR	1.2	1.2
Total financing	40.9	39.9
Borrowing requirement	92	61.6

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

Impact on Prudential Indicators

- 3.12 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. Table 3.4 below, sets out the CFR and the expected debt position over the period, which is termed the Operational Boundary.
- 3.13 Overall the Council is currently projecting to be under the approved limits for both CFR and Operational Boundary. General Services capital expenditure was £14 million less than forecast for 22-23 which brought the opening CFR down. The expected closing CFR for General services is also lower due to in year expenditure being reduced by £35 million. HRA are projecting an increase in grants received (£4m) and also increased expenditure (£9m). The opening CFR was lower due to a £5m reduction in spend compared to forecast in 22-23. Future years Treasury indicators have been updated to take cognisance of the 2022-23 outturn, and the Council is expected to remain well within the Authorised Limit.

Table 3.4

Prudential Indicators	2023-24 Approved Limits £m	2023-24 Projected Outturn £m
Capital Financing Requirement		
CFR – General Services	403	352
CFR – HRA	266	266
Total CFR	669	618
Operational Boundary for external debt		
Borrowing	638	587
Other long term liabilities*	31	31
Total debt (year-end position)	669	618

** PPP arrangements and finance leases*

Limits to Borrowing Activity

- 3.14 One of the main key controls over the treasury activity is to ensure that over the medium term, net borrowing (borrowing less investments) will only be for a capital purpose. Gross external borrowing should not, (except in the short term), exceed the total of CFR in the previous year plus the estimates of any additional CFR for 2023-24 and next two financial years. This allows some flexibility for limited early borrowing for future years should the need arise.
- 3.15 Table 3.5 below sets out that the Council is currently managing to operate within this limit and maintain an under-borrowed position. The table below shows that at the end of this financial year the Council is currently forecasting to have external borrowings of £490 million and to utilise £97 million of cash flow funds (under-borrowing) in lieu of borrowing. This is the most prudent and cost effective approach in the current economic climate and remains consistent with the approved Treasury Management Strategy.

Table 3.5

	2022-23 Estimate	2022-23 Actual	2023-24 Original Estimate	2023-24 Revised Estimate
	£m	£m	£m	£m
External borrowing	491	441	573	490
Other long term liabilities*	32	32	31	31
Total external debt	523	474	604	521
CFR* (year end position)	607	568	669	618
Under-borrowing	84	94	65	97

** Includes PPP arrangements and finance leases etc.*

- 3.16 The Authorised Limit is a statutory requirement that represents the limit beyond which borrowing is prohibited and sets an overall control on the level of borrowing. This limit reflects the level of borrowing which while not desired, could be afforded in the short term, but is not sustainable in the longer term. The approved Authorised Limit for 2023-24 is £711 million and as highlighted in Table 3.2 above, the Council continues to operate well within approved limits, and therefore there is no change to the overall strategy required.

Part D - Investment Portfolio 2023-24

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

remain at 5.25% for the remainder of the financial year and given this, investment returns will be higher than in 2022-23.

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

Table 3.6

Counterparty	Date	Principle	Maturity	Interest rate
DMO	12/07/23	£5m	12/09/23	5.12%
Standard Chartered Sustainable Deposit	12/07/23	£5m	12/10/23	5.42%
Cheshire East Council	24/08/23	£5m	25/10/23	5.32%

3.19 An external investment management company, Investec, manages East Lothian Council Common Good funds and Charitable Trust funds in two separate portfolios. The returns on these investments continue to be closely monitored during the year. At 30 September 2023:

- The East Lothian Charitable Trust portfolio was valued at £3.487m, which represents a decrease of £0.076m over the 6-month period. The performance of this portfolio for the first 6 months is below the benchmark.
- The Common Good portfolio was valued at £3.512m, a decrease of £0.087m over the 6 month period. performance of this portfolio for the first 6 months is lower than the benchmark.

Part E – Borrowing Strategy 2023-24

3.20 In recent years, the Council has predominately used PWLB as its main source of funding partly due to the level of risk and interest rates available. Consideration is given to both the maturity profile and interest rates to manage cost and refinancing risk. With regard to the interest rate forecast discussed in Part A, while increases in interest rates were included within the current approved capital investment and borrowing plans, that forecast was much lower than the actual increases in rates. The subsequent estimated reduction in interest rates were in an earlier timeframe than now forecast and has had an impact on interest on new borrowing undertaken and due to be taken in the current financial year.

Looking forward, the Council will need to consider further both the affordability of capital investment plans and potentially seek alternative

sources and/or methods of borrowing in order to achieve the best rates and terms. Whilst it remains unclear as to the extent of any further increase in borrowing rates or the duration of any peak, the Council's treasury advisor, Link Asset Services provides regular forecasting of PWLB rates so that an informed decision can be made on the timing of the borrowing for the capital programme.

- 3.21 Two long term external loans were taken in the first 6 months of the financial year. Due to the overall financial position and the underlying need to borrow for capital purposes (the capital financing requirement – CFR, currently £618 million) it is currently estimated that additional new external borrowing of £87 million will be required during the second half of this financial year.

4 Table 3.7

Loan	Date	Principal	Maturity	Interest rate
PWLB - Maturity	18/08/23	£10m	6 years	4.19%
PWLB – EIP	18/04/23	£10m	11	4.18%

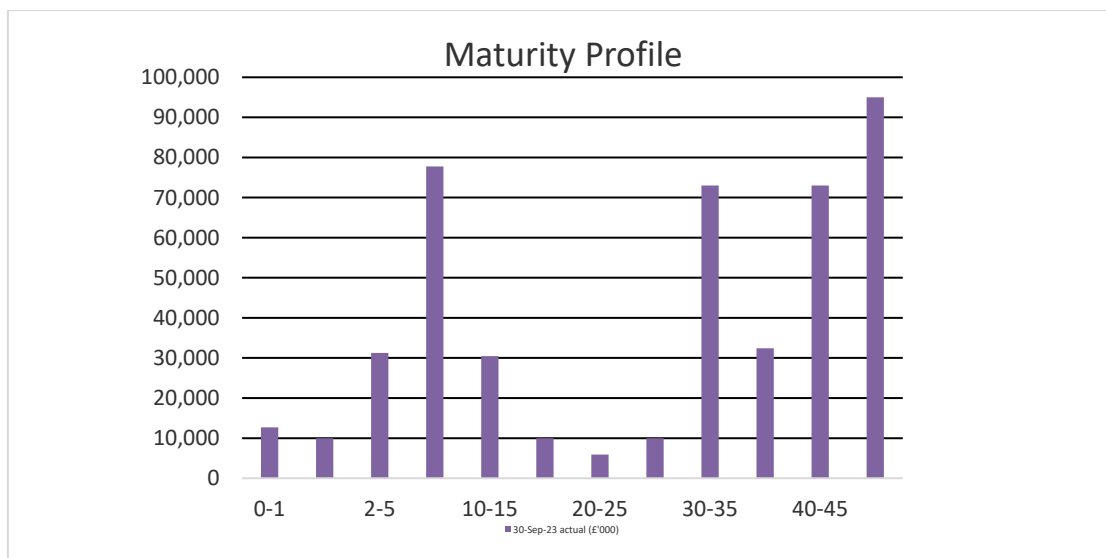
- 4.1 Three PWLB loans matured during the first six months and was repaid as set out in Table 3.8 below

Table 3.8

Loan	Date repaid	Principal	Maturity	Interest rate
PWLB	14/09/23	£0.662m	30 years	7.875%
PWLB	14/09/23	£0.129m	30 years	7.875%
PWLB	24/09/23	£10m	12 years	3.47%

Current Loan Maturity Profile

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



Part F – Debt Rescheduling

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

Part G - Introduction of Reporting Standard IFRS16

- 4.4 International Financial Reporting Standard 16 – Leases has been further delayed and will now come into operation from 1 April 2024. The standard brings the value of assets where the Council has the right of use including lease agreements onto the Council's balance sheet. The standard also requires that these values are reflected in both capital and debt calculations. This standard has implications on treasury prudential indicators, particularly the Capital Financing Requirement as well as the Operational Boundary and Authorised Limit.
- 4.5 Work is progressing on the implementation of the new standard and an update of the likely implications will be incorporated into future reporting and in the 2024-25 Treasury Strategy.

5 POLICY IMPLICATIONS

- 5.1 There are no direct policy implications associated with this report, however the Council's treasury management activity is determined by the policy framework set out in the approved Treasury Management Strategy. No changes to the current strategy are recommended on the basis of this mid-year review.

6 INTEGRATED IMPACT ASSESSMENT

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

7 RESOURCE IMPLICATIONS

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

8 BACKGROUND PAPERS

- 8.1 Treasury Management Strategy 2023-24 to 2026-27 – East Lothian Council 28 February 2023

Author's Name	Ann-Marie Glancy Doreen Pringle Karen Duff
DESIGNATION	Service Manager – Corporate Accounting Principal Accountant – Capital, Treasury and Banking Treasury and Banking Officer
CONTACT INFO	aglancy@eastlothian.gov.uk
DATE	8 December 2023

REPORT TO: Audit and Governance Committee

MEETING DATE: 19th December 2023

BY: Lisa Deegan, Company Manager, East Lothian Land Ltd

SUBJECT: East Lothian Land Ltd 2022/23

9

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the work undertaken by East Lothian Land Ltd in 2022/23

2 RECOMMENDATIONS

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

3 BACKGROUND

- 3.1 East Lothian Council established East Lothian Land Ltd (ELL) in 2000, a company limited by guarantee (SC208723), through the transfer of undeveloped employment land in council ownership at Macmerry (Opposite the industrial estate) in return for 100% equity in the company.

The transferred employment land at that time was viewed by the private sector as undevelopable providing insufficient return on investment.

No additional financial support was provided to the company by East Lothian Council (ELC). ELL went to the financial market to fund the development costs of the Macmerry Business Park as well as self funding through selling plots as they were serviced.

In 2016/17 the company developed the empty council building located at Brewery Park, Haddington into 10 individual offices spaces – since opening in October 2016 it has run at between 85% and 100% occupancy.

The company has a board of 2 directors comprising of two elected members. (Note – Following the retirement of Alex McCrorie, Depute Chief Executive, the senior council officer directorship became vacant from 19th March 2021). The board recognise that a key priority is to further strengthen the East Lothian Land board, following the departure of past members, broadening the Board's expertise across a number of disciplines (Legal, Finance). This is considered essential to support East Lothian Land's ambition to more actively drive economic development through 2024 and beyond building a portfolio of commercially viable properties to support the growth of businesses across East Lothian.

Richard Baty, was the Company Secretary and Manager of the company for the duration of the financial year. However, having now retired, Lisa Deegan has been appointed to the role of Company Manager. The manager is supported by the Economic Development Business Development assistant.

The board act on a “*Pro Bono*” basis and do not receive payment. The Company Manager and Business Development assistant undertake the work under ELC job remits.

Board meetings are held on a regular basis linked to ongoing business requirements and commercial developments. Decisions made are taken by a majority with the Chair having the casting vote on any tied outcome.

Minutes of any board meetings are taken and approved at subsequent board meeting by the chair.

Financial / Legal

- 3.2 ELL has appointed Greaves West & Ayre as auditor for the year to 2022/23. End of Year accounts are approved by the board and signed off accordingly and provided to ELC for group accounting purposes. (See appendix 1 End of year accounts).

ELL auditor opinion is that the financial statements for the company give a true and fair view of the state of the company affairs as at 31st March 2023 and of its loss before taxation of £8,648 for the year then ended.

ELL use the online cloud accounting platform – Xero. The company banks with Handelsbanken. Legal Advice is provided by Addleshaw Goddard.

2022/23 Projects considered

- 3.3 Amisfield Stables office development was not progressed as a result of prohibitive development costs.

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

2022/23 Projects commenced

- 3.2 No projects were commenced in 2022/23.

Future projects

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

4 POLICY IMPLICATIONS

- 4.1 The two strategic goals of the refreshed East Lothian Council Economic Development Strategy 2012 to 2022 are :-
- To increase the number of businesses in East Lothian with growth potential
 - To increase the proportion of East Lothian residents working in and contributing to East Lothian's economy.

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

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
- 6.2 Personnel - Companies Manager, EDSI's Business Development assistant and senior ELC officer.
- 6.3 Other – none

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Lisa Deegan
DESIGNATION	Companies Manager
CONTACT INFO	Tel 07854 191597 lideegan@eastlothian.gov.uk
DATE	

Company registration number SC208723 (Scotland)

EAST LOTHIAN LAND LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023
PAGES FOR FILING WITH REGISTRAR

EAST LOTHIAN LAND LIMITED

COMPANY INFORMATION

Directors	Mr N Hampshire Mr J McMillan
Secretary	Mr R Baty
Company number	SC208723
Registered office	John Muir House Room 2.19 Brewery Park Haddington East Lothian EH413HA
Auditor	Greaves West & Ayre (Haddington) 8 St. Ann's Place Haddington East Lothian EH41 4BS
Business address	John Muir House Room 2.19 Brewery Park Haddington East Lothian EH413HA
Bankers	Handelsbanken 18 Charlotte Square Edinburgh EH2 4DF
Solicitors	Addleshaw Goddard LLP Exchange Tower 19 Canning Street Edinburgh United Kingdom EH3 8EH

EAST LOTHIAN LAND LIMITED

CONTENTS

	Page
Balance sheet	1
Notes to the financial statements	2 - 7

EAST LOTHIAN LAND LIMITED

BALANCE SHEET

AS AT 31 MARCH 2023

		2023		2022 as restated	
	Notes	£	£	£	£
Fixed assets					
Investment property	4		100,000		100,000
Current assets					
Debtors	5	30,151		59,781	
Cash at bank and in hand		533,658		511,908	
		<u>563,809</u>		<u>571,689</u>	
Creditors: amounts falling due within one year	6	<u>(6,010)</u>		<u>(2,600)</u>	
Net current assets			<u>557,799</u>		<u>569,089</u>
Total assets less current liabilities			<u>657,799</u>		<u>669,089</u>
Provisions for liabilities			<u>(14,433)</u>		<u>(17,255)</u>
Net assets			<u>643,366</u>		<u>651,834</u>
Capital and reserves					
Called up share capital	7		800,000		800,000
Non-distributable profits reserve	8		82,745		82,745
Distributable profit and loss reserves			<u>(239,379)</u>		<u>(230,911)</u>
Total equity			<u>643,366</u>		<u>651,834</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

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

The financial statements were approved by the board of directors and authorised for issue on 19 June 2023 and are signed on its behalf by:

Mr J McMillan
Director

Company Registration No. SC208723

EAST LoTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

Company information

East Lothian Land Limited is a private company limited by shares incorporated in Scotland. The registered office is John Muir House Room 2.19, Brewery Park, Haddington, East Lothian, EH413HA.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention, modified to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the date of signing these financial statements the company has cash reserves which are more than sufficient to meet its day to day expenditure, net current assets and net assets.

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. Changes in fair value are recognised in profit or loss.

1.4 Cash and cash equivalents

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

1.5 Financial instruments

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

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

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

EAST LoTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

1.6 Equity instruments

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

1.7 Taxation

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

Current tax

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

Deferred tax

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

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

EAST LOTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Investment Property valuation

Investment property is measured at fair value at each reporting date with changes in fair value recognised in profit or loss account. The Board of Directors determine the fair value of investment property using the assistance of an independent expert, DM Hall LLP. DM Hall LLP is an independent firm of Chartered Surveyors and property experts. Their valuation is prepared in accordance with RICS Valuation - Professional. The valuation methodology considers the area, selling price and comparable sales of similar properties in order to derive the Fair Value of the subject property.

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2023 Number	As Restated 2022 Number
Total	-	-

4 Investment property

	2023 £
Fair value	
At 1 April 2022 and 31 March 2023	100,000

Investment property comprises of land held west of Satellite Business Park, Macmerry. The fair value of the investment property has been arrived at on the basis of a valuation carried out 22nd May 2023 by DM Hall Chartered Surveyors, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

EAST LOTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

4 Investment property (Continued)

The land held has a negligible historic cost due to its size and a previous disposal of the majority of the site. If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would therefore have been included as follows:

	2023	2022
	£	£
Cost	-	-
Accumulated depreciation	-	-
Carrying amount	<u>-</u>	<u>-</u>

5 Debtors

	2023	2022
	£	£
Amounts falling due within one year:		
Amounts owed by group undertakings	22,991	57,920
Other debtors	744	1,861
	<u>23,735</u>	<u>59,781</u>

	2023	2022
	£	£
Amounts falling due after more than one year:		
Amounts owed by group undertakings	6,416	-
	<u>6,416</u>	<u>-</u>

Total debtors	<u>30,151</u>	<u>59,781</u>
----------------------	---------------	---------------

6 Creditors: amounts falling due within one year

	2023	2022
	£	£
Other creditors	6,010	2,600
	<u>6,010</u>	<u>2,600</u>

7 Called up share capital

	2023	2022	2023	2022
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	800,000	800,000	800,000	800,000
	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>

EAST LOTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

8 Non-distributable profits reserve

	2023 £	2022 £
At the beginning of the year	82,745	-
Non distributable profits in the year	-	82,745
	<u>82,745</u>	<u>82,745</u>
At the end of the year	<u>82,745</u>	<u>82,745</u>

Non-distributable reserves relate to fair value gains in the remeasurement of investment property in excess of the asset's historical cost.

9 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

Senior Statutory Auditor: Stuart Millar CA
Statutory Auditor: Greaves West & Ayre (Haddington)

10 Parent company

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

11 Prior period adjustment

During the period, it was noted that a valuation over a small parcel of land still owned by the company had not been valued in several years. It was noted that there is potential development value to this land and so a valuation was instructed as per Note 4. It was noted that the increase in carrying value was likely also attributable to the land in the comparative period and so, due to its material nature, a prior period adjustment has been posted to reflect this.

Additionally, there is a deferred tax liability to recognise on this fair value increase and the associated liability has therefore also been adjusted for in the comparative period, calculated at the effective tax rate the fair value gains are likely to be exposed to at the point of disposal in future.

Changes to the balance sheet

	As previously reported £	Adjustment £	As restated at 31 Mar 2022 £
Fixed assets			
Investment properties	-	100,000	100,000
Provisions for liabilities			
Deferred tax	-	(17,255)	(17,255)
Net assets	<u>569,089</u>	<u>82,745</u>	<u>651,834</u>

EAST LoTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2023

11 Prior period adjustment

(Continued)

	As previously reported £	Adjustment £	As restated at 31 Mar 2022 £
Capital and reserves			
Profit and loss reserves	(230,911)	82,745	(148,166)

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 19 December 2023

BY: Chief Executive

SUBJECT: Corporate Support Risk Register

10

1 PURPOSE

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

2 RECOMMENDATIONS

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

3 BACKGROUND

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

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

3.3 The current Corporate Support Risk Register includes 1 Very High, 4 High, 14 Medium and 11 Low risks. As per the Council’s Risk Strategy, only the Very High and High risks are being reported to the Committee.

4 POLICY IMPLICATIONS

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

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 Appendix 1 – Corporate Support Risk Register 2023-24

7.2 Appendix 2 – Risk Matrix

AUTHOR’S NAME	Scott Kennedy	
DESIGNATION	Team Manager, Emergency Planning and Resilience	
CONTACT INFO	skennedy@eastlothian.gov.uk	01620 827247
DATE	07 December 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
				Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating		
				L	I	L x I		L	I	L x I		
Corp 1	Reputational	<p>External IT Security Threats</p> <p>Council IT systems are compromised by criminal 3rd party (e.g. hacker, terrorism) - causing the loss of a system, virus/Trojan/ransomware infection or loss/disclosure of data.</p> <p>The Council's increased participation in shared services escalates this risk as the council's network boundaries are being opened up to enable data sharing with other agencies.</p> <p>Due to the current conflicts in Ukraine and the Middle East there is a continuous risk of Nation State led cyberattacks on the UK which could potentially affect National Infrastructure in a way that has a direct impact on East Lothian Council.</p>	<p>Firewalls in place.</p> <p>External facing systems are vulnerability tested at least once a year.</p> <p>Security logs are reviewed daily.</p> <p>Comprehensive change control and IT security measures also in place.</p> <p>Information security awareness training for employees provided council wide and awareness sessions carried out in schools.</p> <p>Regular software and data backups are taken.</p> <p>Work with National Cyber Security Centre to keep up to date with new and emerging threats.</p> <p>Ensure purchase of secure systems and maintain security through system life cycle.</p> <p>The Council complies with ISO27001 the International standard for Information Security.</p> <p>Security systems under continuous review and patching.</p> <p>Intrusion Detection System implemented.</p> <p>All Council Services advised to review and update Business Continuity Plans to allow for potential period of up to 2 weeks without IT systems.</p> <p>Updated Acceptable Use Policy in operation.</p>	5	4	20	Recruit to the vacant IT Specialist – IT Security Post.	4	4	16	February 2024	<p>Risk reviewed and updated by Service Manager – IT, October 2023 with residual score increased from 12 to 16.</p> <p>Risk reviewed and updated by IT Management in March 2022 in light of war in Ukraine with Current Impact reduced to 4 thanks to the Intrusion Detection System, however, Likelihood increased to 5 due to conflict in Ukraine. Residual score reduced from 15 to 12.</p>

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Target Date	Evidence held of Regular Review
				Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating		
				L	I	L x I		L	I	L x I		
Corp 2	Reputational	<p>Internal IT Security Threats</p> <p>Council IT systems are compromised by the actions of an internal employee - causing the loss of a system, virus/trojan/ransomware infection or loss/disclosure of data.</p>	<p>Internal IT Systems are protected by antivirus, group policy etc.</p> <p>Security logs are reviewed daily</p> <p>Comprehensive change control and IT security measures also in place.</p> <p>Information security awareness training of employees provided council wide and awareness sessions held in schools.</p> <p>Regular software and data backups.</p> <p>Work with National Cyber Security Centre to keep up to date with new and emerging threats.</p> <p>Ensure purchase of secure systems and maintain security through system life cycle</p> <p>The Council complies with ISO27001 the International standard for Information Security</p> <p>Continual vulnerability testing.</p> <p>Security systems under continuous review and patching.</p> <p>Intrusion Detection System implemented.</p> <p>Updated Acceptable Use Policy in operation.</p>	4	4	16	Recruit to the vacant IT Specialist – IT Security Post.	3	4	12	February 2024	<p>Risk reviewed and updated by Service Manager – IT, October 2023 with no change to risk scores.</p> <p>Risk reviewed and updated by IT management August 2019 with current score reduced from 20 to 16.</p>
Corp 3	<p>Reputational</p> <p>Financial</p> <p>Psychological impact (data subjects)</p>	<p>Data Breaches / Compliance</p> <p>Breach of personal data through:</p> <ul style="list-style-type: none"> accidental disclosure or loss of personal data in transmission lack of staff awareness intentional or malicious misuse of personal data lack of appropriate provisions for storage or disposal of personal data <p>Risks include:</p> <ul style="list-style-type: none"> Breach of relevant laws Breach of duty of care Harm to individuals Legal action and fines Requirement to pay compensation Adverse publicity Damage to the council's reputation <p>The risks initially posed by the COVID 19 pandemic have reduced as staff have settled into new ways of working. The Council's pandemic response has fundamentally shifted the workforce to more digital service delivery in the longer term, and changes to working practices continue to evolve, meaning approaches to information governance must remain resilient.</p> <p>Ongoing changes such as the Asset Review require significant information governance input to support secure destruction, transfer and digitisation of the high</p>	<p>Data Protection Policy, IT Acceptable Use Policy and associated guidance/procedures available to all staff via ELnet;</p> <p>Data Breach Procedure addresses timely containment, reporting and recording of breaches;</p> <p>Records Management Plan / Information and Records Management Policy, including confidential waste procedures/bins;</p> <p>Information Security Management System (ISMS) in line with ISO27002;</p> <p>Updated Acceptable Use Policy in operation.</p> <p>Mandatory e-learning for all staff in Data Protection and Information Security, refreshed every 2 years; newly recruited Team Leader-Information Governance leading training & awareness programme, currently undertaking consultation with Services to identify gaps.</p> <p>Data Protection Impact Assessments completed and assessed by DPO/Information Security for all business processes involving personal information; DPIA templates revised with new DPIAs being addressed by Team Leader, allowing Team Manager to address backlog.</p> <p>Data Sharing Agreements put in place for all regular sharing of personal data;</p>	4	4	16	<p>Information Asset Register continues to be developed via workshops with Service Areas.</p> <p>Data Sharing Agreement revised and under review by Legal/Information Governance teams.</p> <p>Revise our disciplinary policy and procedures to ensure that a deliberate data breach is a clear disciplinary matter attracting major sanctions as gross misconduct.</p> <p>Data Breach Dashboard currently in development to support high-level reporting to senior managers re: trends in data breaches and contributing factors.</p> <p>Undertake procurement exercise to identify best value for Digital Strategy document management services to improve storage, security and service improvement.</p>	3	3	9	<p>April 2024</p> <p>January 2024</p> <p>January 2024</p> <p>January 2024</p> <p>April 2024</p>	<p>Risk reviewed and updated by Team Manager-Information Governance September 2023 with no change to risk scores.</p> <p>Risk refreshed October 2021 by Team Manager-Information Governance with increase in Current Score from 12 to 16 based on COVID-19 impact.</p>

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement 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>volume of paper records still held by the Council and application of security and records management controls.</p> <p>Paper records storage facilities (excluding the Council Archives) do not currently have sufficient access, file tracking or disaster management controls to prevent unauthorised access or accidental loss of personal data. Paper records storage procedures are not consistently applied across the Council.</p> <p>Any breaches could result in loss of PSN connection or fines from the Information Commissioner.</p> <p>A recent internal audit of the Council's Data Protection processes found limited assurance in relation to completion of the Information Asset Register due to shortage of staff time.</p> <p>Failure to improve records management arrangements could result in non-compliance with the Public Records (Scotland) Act 2011.</p>	<p>Recruitment to additional Information Officer post to support Information Governance input into corporate projects and establish digital preservation provisions. New Digital Preservation Policy drafted and digital archival asset register created.</p> <p>Data Protection/Information Security awareness campaign under development jointly by Information Governance, Information Security and Communications teams;</p> <p>Annual PUR update on Records Management arrangements submitted to the national regulator (the Keeper);</p> <p>Short-term contract in place with document management Supplier Oasis to manage storage/retrieval of high volume of records being transferred out of offices due to Asset Review.</p> <p>An additional Information Officer post and Team Leader-Information Governance post have been created and recruited to support corporate projects and release time for the Team Manager-Information Governance.</p> <p>Team Manager progressing Information Asset Register workshops: Economic Development workshop newly completed.</p> <p>CMT has approved proposals to contract out paper document management services, including records storage, retrievals, metadata management, scan-on-demand and secure destructions.</p>									
Corp 4	Business Continuity Service Objectives	<p>Legal Service Staffing</p> <p>An unplanned loss of a key employee or employees due to resignation, long-term sickness absence etc. such as Senior Solicitors may affect the quality and scope of the legal service resulting in a failure to meet statutory objectives and provide an adequate legal service.</p> <p>Following a number of recruitment exercises and service reviews there remain two vacant posts of Principal Solicitor – Commercial and Solicitor – Litigation. Despite repeated recruitment campaigns it has not been possible to recruit to these posts.</p> <p>Due to this lack of resource and increased demand for Legal Services the team continue to find it difficult to fulfil service requests timeously without considering outsourcing at an additional cost to the Council.</p> <p>The increased workload falling on the remaining members of the team may result in further absence due to stress.</p>	<p>Succession planning has been developed and rolled out to share the knowledge ensuring there are now at least two team members in each area of work with sufficient knowledge to ensure continuity of the service.</p> <p>An ability to employ temporary employees if required and an ability to outsource to acquire external legal advice. In addition if further advice/specialist advice is required there is access to the Edinburgh's Legal Services Framework to obtain appropriate external legal support.</p> <p>An expedited Service Review has been conducted to improve capacity across the team which included a new Property Solicitor to support the asset rationalisation project which will provide additional capacity to the team, if it can be filled.</p> <p>To ensure there is a clear record of transactions being carried out the legal team maintain individual work plans, which are reviewed by the Service Manager monthly.</p> <p>Standard Processes are in place which the team are able to follow. These processes are also</p>	4	4	16	<p>On a temporary basis consideration will be given to bringing in suitably qualified solicitors through agencies and/or outsourcing to external legal firms. While these may assist these people may require training etc. which will take some time.</p> <p>To ensure capacity within the team remains on a long-term basis the priority is to fill the two vacant posts.</p>	3	3	9	<p>Ongoing</p> <p>February 2024</p>	<p>Risk Reviewed and updated by Service Manager – Governance November 2023 with no change to risk scores.</p> <p>Risk Reviewed and updated by Service Manager – Governance September 2022 with Current Score increased from 9 to 16 due to loss of staff.</p>

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		
		Outsourcing legal work to external firms incurs unbudgeted costs for client services, which can be significant for complex matters.	<p>agreed with the relevant Services to ensure that there remains consistent processes between the Legal Department and the Service and vice versa (primarily within the litigation side of the team).</p> <p>Additional capacity has been created within the legal services team with a refocus of one solicitor's post to assist with increased requirement of legal work for Commercial and Property.</p> <p>East Lothian Council is able to access legal services through the Edinburgh Legal Services Framework arrangement.</p>									
Corp 5	Legal & Regulatory	<p>Legal Advice</p> <p>Giving inaccurate or incorrect legal advice or failing to give appropriate legal advice could result in the Council failing to comply with its statutory duties and/or acting ultra vires leading to legal action and loss of reputation.</p> <p>Due to current staff shortages the team may not have the resource to comply with all of the mitigation measures at any given time which may lead to mistakes being made either in advice or in process.</p> <p>Due to financial pressures, client services may be unable to meet the cost of specialist external legal advice.</p>	<p>Access to relevant on line legal sources such as Westlaw, Nexis Lexis, Practical Law Company etc.</p> <p>Regular monitoring of Scottish Government/Scottish Parliament websites together with checks on Scottish Courts, Sherriff Officer and Scottish Law Society websites for any updates on legislation or guidance.</p> <p>Participation in the Society of Local Authority Regulators (SOLAR) working groups and sub-committees.</p> <p>Retaining a full complement of qualified employees.</p> <p>An expedited Service Review has been conducted to improve capacity across the team which included a new Property Solicitor to support the asset rationalisation project which will provide additional capacity to the team, if it can be filled.</p> <p>East Lothian Council is able to access legal services through the Edinburgh Legal Services Framework arrangement. As part of this arrangement there is are seminars made available to East Lothian Council legal team and relevant services at no additional cost, which assists in continuing professional development for the legal team.</p> <p>There is standard protocol and methods in place to deal with day to day business with services to ensure consistent approach is adopted from all members of the team. There are regular team meetings (twice per week) providing a strong team awareness of what each member of the team is working on in any particular week. Also discussing approach and seeking comments from the team as necessary.</p> <p>Regular monitoring of workloads.</p> <p>Succession/Leave planning, sharing the knowledge amongst all employees.</p> <p>Outsourcing for appropriate specialist advice when applicable.</p> <p>Maximising access to free training events.</p>	3	4	12	<p>On a temporary basis consideration will be given to bringing in suitably qualified solicitors through agencies and/or outsourcing to external legal firms. While these may assist these people may require training etc. which will take some time.</p> <p>To ensure capacity within the team remains on a long-term basis the priority is to fill the current two vacant posts of Principal Solicitor – Commercial and Solicitor – Litigation.</p>	3	3	9	<p>Ongoing</p> <p>February 2024</p>	<p>Risk Reviewed and updated by Service Manager – Governance November 2023 with no change to risk scores.</p> <p>Risk Reviewed and updated by Service Manager – Governance September 2022 with current score increased from 8 to 12.</p>

East Lothian Council Risk Matrix

Likelihood Description

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

Impact Description

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

Risk	Impact				
	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
------	-----	--------	------	-----------

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 19 December 2023

BY: Chief Executive

SUBJECT: Finance Risk Register

1 PURPOSE

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

2 RECOMMENDATIONS

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

3 BACKGROUND

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

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

3.3 The current Finance Risk Register includes 1 Very High, 6 High, 5 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 Finance LRWG that the recurring costs associated with the measures in place for each risk are proportionate to the level of risk. The financial requirements to support the Risk Register should be met within the proposed budget allocations. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Corporate Management Team.

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 Appendix 1 – Finance Risk Register 2023-24

7.2 Appendix 2 – Risk Matrix

AUTHOR’S NAME	Scott Kennedy	
DESIGNATION	Team Manager, Emergency Planning and Resilience	
CONTACT INFO	skennedy@eastlothian.gov.uk	01620 827247
DATE	07 December 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
				Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating		
				L	I	L x I		L	I	L x I		
F1	Financial Service Objectives	<p>Market Conditions and Supply Chain Disruption</p> <p>There is a risk that suppliers may not participate in tenders or request that response periods be extended due to lack of market/supplier/internal resource availability. This could result in returned tender proposals exceeding allocated budget.</p> <p>There is a risk that the Care at Home providers are not able to recruit to deliver complex care packages and may seek to hand back packages or stop operating in EL.</p> <p>There is a risk to the supply of roads materials due to 60% of Bitumen supply coming through Russia, resulting in delays and price uplifts between 20-40%.</p>	<p>Planning – assessing project programmes and possible procurement options.</p> <p>Reporting – providing information to funding bodies, Council management and other services.</p> <p>Monitoring – Continuing to liaise with industry bodies, working groups, other local authorities, the Scottish Government, suppliers and contractors to keep the Council informed.</p> <p>Regular contact with our suppliers and framework providers.</p> <p>ELHSCP are RAG rating care packages to prioritise care.</p> <p>Scotland Excel and SCOTS Executive are monitoring the situation closely. Issue being escalated to Transport Scotland/Scottish Govt. TS looking at future mutual aid arrangements in case of significant disruption.</p> <p>Prioritisation – deciding which works are essential, balancing time, cost and risk, possibly delaying works until the market settles.</p>	5	4	20	<p>Enhanced value engineering.</p> <p>Reviewing the opportunity to phase planned works.</p> <p>Consideration to delaying capital and revenue projects where appropriate.</p> <p>Capital Plan review and prioritisation - using what we have differently to deliver essential projects only.</p> <p>Work on recruitment with EL works and further consideration to procurement options for care packages.</p>	4	4	16	<p>March 2024</p> <p>March 2024</p> <p>March 2024</p> <p>March 2024</p> <p>March 2024</p>	Risk reviewed by Service Manager – Procurement September 2023 and further updated by Head of Service, November 2023, with no changes to risk scores.
F2	Financial Impact	<p>HRA income and Rent Arrears</p> <p>A fall in HRA income may impact on our ability to provide services and deliver on capital investment plans.</p> <p>Any increase in rent arrears would reduce income to the HRA.</p> <p>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>	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 H6</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>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>									
F3	Financial	<p>Loss of General Services Income</p> <p>A reduction in income via reduced collection of Council revenue, including Council Tax, Business Rates and Sundry Accounts could impact adversely on the Council's ability to provide quality services.</p> <p>Many households and businesses now face an unprecedented cost of living crisis with soaring energy prices, rising inflation and an increase in National Insurance while the conflict in Ukraine is pushing energy prices even higher.</p> <p>Individuals who fraudulently claim Council Tax Single Person Discount have a major detrimental impact on the revenue coming into the Council, directly affecting funding for vital services for local people.</p> <p>Council tax banding reviews present a risk to the level of income which the council is able to collect. Recent revaluations in Dunbar and Haddington have resulted in adverse impact on income and there is a risk that further banding reviews could be undertaken in other areas.</p>	<p>The Council's Revenues Service continues to respond well to the impact of current challenges. The teams' mitigating work has ensured that collection levels have remained high, given that they had the potential to be severely affected.</p> <p>Performance management is well embedded within the Service and in addition to statutory reporting, Performance Management Frameworks are in place to ensure collection levels are monitored and communicated monthly to management, staff and other key stakeholders.</p> <p>Processes and procedures are in place to comply with legislation and other Council/Service standards.</p> <p>After a temporary suspension due to Covid-19, debt recovery work has fully resumed and although automated and robust, those facing financial hardship are encouraged to engage with the Revenues teams to ensure they are fully support and any income maximised where entitlement exists.</p> <p>Collection/enforcement by Sheriff Officers/Debt Collection Agency using range of options for litigation against debtors. Again, those needing additional support are asked to engage with teams so that additional, tailored help can be provided.</p> <p>The Council's Financial Inclusion service is providing advice and support for households and businesses experiencing financial difficulties.</p> <p>The Revenues Service, in conjunction with the Corporate Communications team, have developed a Helping with the Cost-of-Living Crisis leaflet, outlining support available to anyone in need of help. The leaflet has been widely distributed and promoted digitally also.</p> <p>A review of resources and business need within the Revenues Service has seen a permanent transfer of 1FTE from the Financial Support team to the Council Tax & Debt Management team.</p> <p>Regular liaison with LVJB to discuss emerging issues.</p>	4	3	12	<p>East Lothian Council's Corporate Fraud Officer is carrying out work, in conjunction with the Council Tax & Debt Management team, through the National Fraud Initiative (NFI) data matching system. This match identifies addresses where the householder is claiming a Single Person Discount on the basis that they live alone yet the Electoral Register suggests that there is more than one person in the household aged 18 or over.</p> <p>A new Business Rates empty property relief policy is being developed which will rate empty properties consistently, encourage long term empty properties back into use and increase council income.</p>	3	3	9	<p>March 2024</p> <p>April 2024</p>	<p>Risk refreshed October 2023 by Service Manager – Revenues with no change to risk scores and further updated by Head of Service, November 2023, with no changes to risk scores.</p> <p>Risk refreshed September 2022 by Service Manager – Revenues and key staff and then November 2022 by Head of Finance with current risk score increased from 6 to 12 and residual score from 6 to 9.</p>

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		
F4	Financial	<p>Scottish Welfare Fund</p> <p>The level of administration funding received from the Scottish Government does not reflect the actual level of resource deployed by the Council to administer the SWF scheme (crisis grants and community care grants).</p> <p>Demand has increased throughout the pandemic and continues to remain high as a result of the cost-of-living crisis.</p> <p>The level of programme funding received from the Scottish Government does not reflect the increased demand for SWF payments.</p> <p>It may become unsustainable for the Council to continue to provide top up funding to meet the demand for crisis and community care grants.</p>	<p>From September 2023, the eligibility criteria for CCG has moved to 'high and most compelling'. For CG this remains 'High Priority' however may also move to 'High and Most Compelling' if necessary.</p> <p>The Scottish Government review of the SWF scheme is now complete, and an action plan has been agreed. As part of this action plan, the SG has agreed to review future funding arrangements.</p>	3	4	12	<p>Participate in Scottish Government led Practitioner groups and work with SG and CoSLA colleagues to review the current funding model.</p> <p>Consider moving to 'high and most compelling' for crisis grants, possibly from December 2023, to reduce risk of current year overspend.</p> <p>More diligent in considering SWF applications – increasing evidence requirements and applying a higher level of scrutiny for claimants who have already had 3 payments in the last 12 months. Also working with stakeholders in the local area to increase awareness of the adoption of the 'high and most compelling' priority level, to help ensure customers are adequately supported and expectations are managed.</p>	2	4	8	<p>March 2024</p> <p>March 2024</p> <p>March 2024</p>	<p>Risk refreshed by Service Manager – Revenues in October 2023 with no change to risk score.</p> <p>Risk refreshed by Service Manager – Revenues September 2022 with current risk rating increased from 5 to 12 and residual from 3 to 8.</p>
F5	Financial	<p>Key Financial Controls</p> <p>Lack of key financial controls which may cause an instance of serious financial fraud or corruption resulting in financial loss and wider reputational loss to the authority.</p> <p>There is an increased risk of fraud as a result of changes in processes linked to new ways of working, limited staff resources in some services, and the impacts of the cost-of-living crisis.</p>	<p>The whole system of financial controls across the Council.</p> <p>Annual assurance and testing of internal financial controls through annual Governance statement.</p> <p>System of Internal Audit & statutory reporting framework.</p> <p>CMT undertake a self-evaluation framework of Corporate Governance including preparing an annual assurance statement which confirms how internal financial controls are operating within their respective service areas.</p> <p>Financial authorised signatories' scheme is in place with appropriate level of financial authorisation delegated to respective managers.</p> <p>Financial "risk rating" of services through quarterly reports with the ability to exercise enhanced financial controls.</p> <p>Internal Audit plan is being regularly reviewed to ensure appropriate coverage of risks continue to be prioritised on an appropriate basis.</p> <p>Whistleblowing Policy in place.</p>	3	4	12	<p>Processes continue to be explored as we continue to support a new way of working.</p> <p>NFI data matching exercises underway for 2022/23 including key financial systems data to provide detection if key financial frauds have been undertaken.</p> <p>A Corporate Fraud officer has been employed in Internal Audit to provide greater detective and proactive capabilities in relation to fraud activity weaknesses in control as a result of this work will feed back into internal audit planning and follow up work. This is for a 2-year period only as a trial currently.</p>	2	3	6	<p>Ongoing</p> <p>June 2024</p> <p>April 2025</p>	<p>Risk refreshed October 2023 by Service Manager - Internal Audit with no changes to risk scores.</p>
F6	Financial	<p>Key Financial Systems</p> <p>A failure of key financial systems e.g. Pecos, Capita and Great Plains due to technical problems and/or supplier failure or loss of key staff could lead to service failure and incomplete management information.</p> <p>Statutory functions may not be completed on the back of a system failure to Great Plains or Capita.</p>	<p>Contract management arrangements in place with Great Plains supplier, working closely with IT colleagues.</p> <p>Great Plains will be with major upgrades.</p> <p>Current robust contract in place for Pecos which is a government selected supplier.</p> <p>Both systems are regularly backed up as part of ELC IT processes, including a daily download from the financial system.</p>	3	4	12	<p>Purchase 2 Pay review is ongoing, which will review our strategic approach to procuring and paying goods and services.</p> <p>Working with Procurement & the Transformation team, a new financial system will be procured to ensure information held is secure and fit for purpose. This will also aid in future reporting for decision making. Recruitment for a project manager to progress this is ongoing.</p>	2	3	6	<p>October 2024</p> <p>June 2026</p>	<p>Risk Register reviewed by Service Manager – Corporate Accounting October 2023 with no change to risk scores and further updated by Head of Service, November 2023, with no changes to risk scores.</p> <p>Risk reviewed and refreshed by Finance Managers October 2021</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		
			Sharing of knowledge and documentation of procedures within ELC, and clear procedural notes in place. Key system controls reviewed and tested regularly to support audit requirements.				Project to implement cloud-based solution for the revenues system – approved by Digital Transformation Board.					with current score increased from 8 to 12 and residual risk score increased from 4 to 6.
F7	Service Objectives	<p>Finance Staffing Issues</p> <p>Loss of key finance staff, external recruitment pressures, and on-going complexity and continuing financial challenges and complexity of finances may result in the Finance service not being able to provide an appropriate level of financial support to the Council and wider services. The team may not have the appropriate skills, and due to the increasing obligations may not be able to meet statutory financial accounting requirements such as completion of statutory annual accounts.</p> <p>There has also been an increasing number of staff turnover including ill health and retirements of experienced staff members. Turnover of staff also means that knowledge is leaving the team and it will take time for new staff to get up to speed and the current controls on recruitment may result in an increased number of vacancies within the team.</p>	<p>On-going development of skills across the team to enhance knowledge and ensure the workforce have the appropriate financial skills to meet on-going requirements.</p> <p>Work has and will continue to be progressed to review the ongoing support which can be provided to service areas, introducing standardised procedures to financial management provision where possible and provide training and support to services to allow them to manage their budgets as effectively as possible.</p> <p>Support on-going training for Finance staff ensuring the team have the appropriate skills to support the Council and financial accounting requirements.</p> <p>Trainee Accountant posts have been set up to ensure that we have some succession planning in place for the future.</p>	4	4	12	Enhance the number of relevant qualified accountancy staff to meet statutory accounting requirements.	2	3	6	December 2025	<p>Risk Register reviewed by Service Manager – Corporate Accounting October 2023 and further updated by Head of Service, November 2023, with no changes to risk scores.</p> <p>Risk Register reviewed by Executive Director and current risk score increased from 9 to 12.</p>

East Lothian Council Risk Matrix

Likelihood Description

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

Impact Description

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

Risk	Impact				
	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
------	-----	--------	------	-----------

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 19 December 2023

BY: Chief Executive

SUBJECT: Infrastructure Risk Register

12

1 PURPOSE

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

2 RECOMMENDATIONS

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

3 BACKGROUND

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

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

3.3 The current Infrastructure Risk Register includes 3 Very High, 15 High, 34 Medium and 15 Low risks. As per the Council’s Risk Strategy, only the Very High and High risks are being reported to the Committee.

4 POLICY IMPLICATIONS

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

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 Appendix 1 – Infrastructure Risk Register 2023-24

7.2 Appendix 2 – Risk Matrix

AUTHOR’S NAME	Scott Kennedy	
DESIGNATION	Team Manager, Emergency Planning and Resilience	
CONTACT INFO	skennedy@eastlothian.gov.uk	01620 827247
DATE	07 December 2023	

Infrastructure Risk Register 2023-24

Date reviewed: 1st December 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
				Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating		
				L	I	L x I		L	I	L x I		
INF 1	Assets	<p>Reduction in Purchase of Council vehicles</p> <p>A reduction in future purchase of Council vehicles would result in revenue / maintenance expenditure costs rising.</p> <p>Requirement for the fleet to move to Ultra Low Emission Vehicles (ULEV) cost impact to meet climate change objectives and government legislation – Public Fleet sector target of 2025 for all cars/small vans to be ULEV, no purely fossil fuelled vehicles available to purchase from 2030.</p> <p>Capital Freeze on procurement spend for new vehicles and plant in budget 23-24 from Sept 2023</p> <p>No further Transport Scotland funding coming forward for vehicle procurement - limited to EV charging infrastructure.</p>	<p>Regular discussion with user departments on their individual requirements and within the capital budget set for replacement vehicles.</p> <p>Continued evaluation of existing fleet.</p> <p>Regular contact with vehicle suppliers to demonstrate new items available.</p> <p>Transport and Waste have worked proactively with Finance to draw up a planned capital budget for 5 years to enable to replace to Euro6 standard and some EV replacement vehicles. This will minimise cost increase impact and secure vehicle orders in line with the fleet replacement strategy. There will be additional cost pressures to meet the 2030 SG objectives.</p> <p>Fleet strategy approved by Council January 2023.</p>	5	4	20	To allow the Council to migrate to an alternative fuel solution SG investment will be required as the cost is currently beyond the capital fund available.	4	4	16	2024/25	<p>Risk reviewed by Service Manager - Transport & Waste September 2023 with no change to risk scores.</p> <p>Risk refreshed August 2022 with current score increased from 16 to 20 and residual from 9 to 16.</p>
INF 2	Service Objectives	<p>Reduced Taxi Provision Council Wide</p> <p>Taxis are becoming difficult to source/procure due to the aftereffects of COVID19 and the current economic status. All taxi operators are facing recruitment issues with pressure on wage and working pattern/hours.</p> <p>There is a potential risk of enhanced contracts being offered from other user areas out with ELC as there is a financial benefit to taxi provider moving to cancellation / handback of ELC contract.</p> <p>Alongside this taxi escort provision is scarce due to the limited hours and salary level.</p> <p>The last series of tenders completed by Transport Services resulted in a nil return or a 40% - 100% price increase depending on operator where we received a response.</p> <p>Operators are leaning to Home to School as their primary work and everything else has to fit around that. The main reason for this is the stability of the routes versus the constant changes involved with other taxi hires.</p> <p>Taxi operators are struggling with supply chain for supply of vehicles and spare parts for maintenance.</p> <p>The main Council Services affected by this reduced availability are Education, Children & Families, Adult Services and Homelessness and potential impacts are:</p> <ul style="list-style-type: none"> • Routes cannot be fulfilled due to unavailability. 	<p>Taxi framework in place</p> <p>Transport Services Framework covers adhoc taxi hire within the Council. The companies on this list have been pre-checked as part of tender process and meet the T&C's required by the Council.</p> <p>Transport Services review transport solutions and where possible utilise other forms available – taxi to bus.</p> <p>PVG checks in place for all operators.</p> <p>Home to School Framework in place for School Transport.</p> <p>ASN Framework.</p> <p>Model shift to carry out more ASN work on our ELC buses.</p> <p>Any request for Taxi transport will require a minimum of one week notice to run a tender, with an operational estimate of three weeks if we have a response.</p>	5	4	20	Market intelligence, monitor and engage regularly with providers and work with them pro-actively.	4	4	16	Ongoing	<p>Risk reviewed by Service Manager - Transport & Waste September 2023 with no change to risk scores.</p> <p>New risk created by Service Manager – Transport August 2022 and reviewed September 2022.</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		
		<ul style="list-style-type: none"> Services hire their own taxis which may not be compliant and the drivers/escorts may not be PVG checked leaving ELC & clients exposed. The cost of finding taxis will see an increase in cost of tenders up to 75-100% <p>All of the above is a reputational risk to the Council.</p> <p>Taxi provision throughout East Lothian has declined by an estimated 45% since 2019.</p>										
INF 3	Physical and/or Psychological Impact on People	<p>Ash Dieback</p> <p>Failure to adequately plan for and manage the implications and effects of Ash Dieback tree disease across East Lothian, and particularly in high risk areas including alongside roads, paths/core paths, and in parks, woodlands, open spaces and housing areas.</p> <p>The risks to the Council associated with Ash Dieback are:</p> <ul style="list-style-type: none"> Health & Safety impacts – the potential for death or injury as a result of Ash Dieback related accidents, both to professionals working on trees, and to the general public; risks to statutory functions or service delivery such as retaining safe schools, public open spaces or roads; risks from falling ash to infrastructure such as houses, buildings, structures; Economic impacts – the cost implications for local authorities (financial / resource / staff capacity; direct and indirect costs; increased liabilities and insurance premiums) are anticipated to be significant, and the costs escalate the longer the problem is left unresolved; Reputational damage – political and reputational risks as a result of negative press over Ash Dieback management and public outrage and/or anxiety, particularly in light of Climate Emergency declaration and Climate Forest tree planting initiative; potential for disruption as a result of Ash Dieback management e.g. widespread road closures to deal with potentially dangerous trees; potentially strained relationships with land owners and managers as Ash Dieback spreads, particularly in relation to costs; Environmental impacts – landscape changes with impacts on tourism and recreational opportunities; losses to ecosystem services such as reductions in air quality, potential for increased flooding, loss of shade; risks to Protected Species/ sites (e.g. bats); losses of carbon storage and sequestration; loss of biodiversity. 	<p>An internal Ash Dieback risk management group is in place. Briefings provided to CMT.</p> <p>An ELC Ash Dieback Action Plan (ADAP) has been drafted, following national guidance.</p> <p>Surveys undertaken in 2021, 2022 and 2023 of ash trees on Council land and alongside the roads network, identified thousands of ash trees across the county infected with Ash Dieback, including 1,912 high priority diseased ash trees requiring urgent felling.</p> <p>Priority diseased ash trees on Council land are being dealt with in-house by the Council's Forestry Squad. Advice taken from Legal on roadside Ash Dieback-diseased trees on private land.</p> <p>On 26/01/2023, Forestry Squad placed into Business Continuity mode due to dealing with Ash Dieback, and are prioritising Ash Dieback tree works and emergency tree works only.</p> <p>ELC website has been updated accordingly. Ongoing public messaging, working with Comms, around Ash Dieback works.</p> <p>Forestry staff have appropriate qualifications and training for dealing with diseased ash trees, and have been trained in use of the new specialised equipment required for Ash Dieback tree works.</p> <p>In August 2021 we purchased hand-held digital GPS devices to enable surveying and recording of ash trees on Council land, which includes an improved record keeping system. Ongoing monitoring underway.</p> <p>SOPs and Risk Assessments for all arboriculture and forestry work relevant to dealing with infected trees will continue to be regularly reviewed and updated as needed.</p> <p>Tree Officer is keeping abreast of any developments in national guidance / training relating to Ash Dieback tree works, and took part in a presentation</p>	4	5	20	<p>Complete initial survey of ash trees on Council land, including Housing land and Estates land.</p> <p>Forestry Squad to continue programme of felling highest risk priority ash trees on Council land as identified in survey.</p> <p>Identify best solution for felling high-priority ash trees in road verges, which are Council's responsibility.</p> <p>Identify ownership of all priority roadside diseased ash trees on private land. Work with Roads Services and Legal to send letters to private landowners of priority roadside ash trees.</p> <p>Pursue national funding for local authorities to tackle Ash Dieback via COSLA, SOLACE, and APSE.</p> <p>Finalise Ash Dieback Action Plan and prepare monitoring framework based on survey findings and national best practice guidelines.</p> <p>Risk Assessments and SOPs to be regularly reviewed / updated for all arboriculture and forestry work relevant to dealing with infected trees, and particularly if any specific national guidance for Ash Dieback works is produced, to ensure we are aware and continue to employ the correct procedures.</p> <p>Monitoring for supply chain issues (availability of skilled arboriculturalists who can undertake the works needed), particularly as the disease becomes more prevalent across Scotland, through liaison at national level and with national agencies.</p> <p>Linking with national communications / publicity around Ash Dieback. Communication, collaboration and active engagement with communities.</p>	2	3	6	<p>November 2024</p> <p>Ongoing</p> <p>September 2024</p> <p>September 2024</p> <p>Ongoing</p> <p>March 2024</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Risk refreshed by Team Manager – Strategy, Policy & Development (Amenity Services) October 2023 with no change to risk scores.</p> <p>Risk refreshed by Team Manager – Strategy, Policy & Development (Amenity Services) January 2023. Current Risk score increased from 16 to 20 due to scale of high-risk diseased ash trees identified in surveys requiring to be dealt with.</p> <p>Risk refreshed by Team Manager – Strategy, Policy & Development (Amenity Services) September 2022 with no change to risk scores.</p> <p>New risk added by Team Manager – Strategy, Policy & Development</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>to The Ash Dieback Risk Group for Scotland (convened by Scottish Forestry) on how local authorities are dealing with Ash Dieback and the need for Government funding.</p> <p>Ongoing liaison with national agencies who are leading on the national response to Ash Dieback in Scotland, including Scottish Forestry and The Tree Council. Ongoing liaison with other local authorities on best practice and monitoring frameworks, including potential for regional collaboration.</p>				Preparation of landscape recovery / tree re-planting programme and implement following removal of diseased ash trees.				July 2024	(Amenity Services), June 2021 and refreshed by CMT November 2021.
INF 4	Financial	<p>Education Estate – Changes to Projects</p> <p>Risk of unanticipated changes within Projects resulting in project cost overruns and potential delays to the project with financial consequences for the Council as well as a reputational risk.</p> <p>Recent projects have seen increases in scope due to suitability, condition, upgrades to catering kitchens, safer routes to school and other factors. Mitigation has not been possible resulting in costs increasing.</p> <p>A full survey of all catering kitchens throughout Council properties is required which is not included in the current condition survey work and needs to be resourced.</p> <p>Scottish Government have announced the intention to introduce free school meals for all primary aged children by 2022 as part of the 100 day commitment. Work has been initiated by SG to consider the cost and logistical implications of implementing this policy intent.</p>	<p>Cost planning and financial monitoring processes are in place. Change control process manages the approvals process for additional budget arising from client changes.</p> <p>Review project risk contingency and identify a risk value in future projects.</p> <p>Ensure Project briefing, budgets and cost plans are robust and include realistic allowance for further development of scope meaning few unanticipated changes during projects.</p> <p>Close liaison with clients throughout project process.</p> <p>Data updated regularly throughout the year and Annual Report submitted re-School Core Facts.</p> <p>Regular monitoring of information for reporting to auditors.</p> <p>Meetings have taken place with Scottish Futures Trust (SFT) and Scottish Government officials to ensure there is a clear understanding of the degree of logistical challenge and impact along with providing costed returns.</p> <p>SACPM summarising costs for variations to recent Learning Estate projects, for discussion with Head of Infrastructure and Head Of Education, to agree mitigations for future works.</p> <p>Summary of high level costs for improving property estate to achieve 'Net Zero' issued by Property Asset Review team to Council Management.</p>	4	4	16	<p>Ensure Condition and other data is maintained up to date to inform the planned delivery of works required to ensure buildings comply with statutory and legal requirements and are maintained in a good condition.</p> <p>Learning Estate Strategy approved by Council. Draft Learning Estate Improvement Plan prepared and circulated for comment – to be approved by Learning Estate Project Board and lodged in Members' Library. This summarises and highlights the data but does not resolve Condition and Suitability issues.</p> <p>Delivery and implementation programme to be directly linked to school condition and suitability.</p> <p>Budgeted, programmed plan of work for all existing property assets required to confirm how these will be improved from Condition C/D to B or maintained as Condition A/B for their lifetime.</p> <p>The property estate has been assessed at high level against Scottish Government targets to address Climate Change. A planned programme of works to improve performance of buildings is needed but cannot be progressed without external funding.</p> <p>Ongoing engagement with Head Of Infrastructure and Executive Directors for Place, Education & Children's Services and Council Resources regarding project changes and mitigating against potential financial/reputational risks.</p> <p>Service Manager – SA&CPM to engage with Head of Infrastructure, Executive Director for Education & Children's Services (PPP</p>	3	4	12	<p>Improvement Plan to be approved in late 2023 and lodged in Members' Library.</p> <p>As above.</p> <p>May 2024</p> <p>Improvement Plan to be approved in late 2023 and lodged in Members' Library. Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Risk refreshed October 2023 by Service Manager – Strategic Asset & Capital Plan Management with no changes to risk scores.</p> <p>Risk amalgamated with School Core Facts September 2021 to create this updated risk.</p> <p>Risk refreshed June 2021 with current scores increased from 9 to 16 and residual score from 8 to 12.</p>

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		
							Project Sponsor) regarding resources and risk mitigation. Head Of Finance to review risks against level of Property Renewals Budget and advise how programme of works for improvements in Condition and Suitability can be achieved.				February 2024	
INF 5	Financial	<p>Maintenance of Non-Operational Properties, Non-Operational Property Portfolio and Voids</p> <p>Failure to maintain non-operational properties in compliance with statutory legislation, particularly in relation to Public Buildings Statutory Electrical Testing and inspections due to insufficient resources may expose the Council to legal proceedings, financial loss, service reduction, damage to its reputation and potential Health and Safety incidents in properties.</p> <p>Failure to maintain rental income of non-housing property portfolio due to disrepair of properties, poor financial checks on tenants, poor debt retrieval, poor implementation of rent reviews and recession. This would result in deteriorating properties, loss on rental income and increase in the number of void properties.</p> <p>This could result in injury/loss of life of public building users and legal action against the Council. Failure to make sufficient finance available to carry out testing and implement recommendations may result in all of the above.</p> <p>Scottish Government targets to address Climate Change and imminent changes to energy performance requirements for properties will require significant work to assess the current status and plan works to bring buildings up to the required standard.</p> <p>If voids are not kept to a minimum due to disrepair of property, delay in safety checks, and the undertaking of repairs and improvements it could lead to loss of income.</p>	<p>Funding required from limited Property Renewals budget to address identified remedial works in public buildings.</p> <p>Condition surveys carried out on all Common Good properties during 2021 as part of review of Common Good review.</p> <p>Programme of Fixed Electrical Installation in place in accordance with statutory requirements.</p> <p>Contractors' reports reviewed on an ongoing basis.</p> <p>Close liaison with and monitoring performance of framework electrical contractor to ensure inspections, reports, cost estimates, works and certification are completed timeously.</p> <p>Close liaison with Property Maintenance, in-house financial checks, regular debt meetings, rent review programme and early warning system in Badger asset management system.</p> <p>Liaise with Property Maintenance and Engineering Services to ensure prompt undertaking of safety checks, necessary repairs and refurbishment works as required.</p> <p>Providing support to local businesses, administering government grants and rent holidays, as required.</p> <p>Planned maintenance and liaison with Projects to programme resources and works.</p> <p>Estates team continue to communicate with and provide support to tenants, endeavouring to manage situations and maintain high level of occupancy in commercial portfolio.</p> <p>Survey of RAAC (Reinforced Autoclaved Aerated Concrete), combined with asbestos checks carried out by Engineering Services team for non-operational properties with desktop checks and site surveys completed.</p>	4	4	16	<p>Plan a programme of condition surveys and an audit of statutory compliance including dealing with remedial works identified during EICR testing in place.</p> <p>Review and identify inspection and management resource required within SACPM (including Estates) and Engineering Services. Service review ongoing.</p> <p>Consider wider strategic review of commercial portfolio post COVID-19, including the potential reinvestment of income generated from commercial properties into an improvement programme.</p> <p>Continue asset rationalisation work to reduce surplus assets, non-efficient assets and reduce our carbon footprint. Aim for a focus of staffing resource and maintenance budgets on a reducing number of more efficient buildings. This will be an ongoing workstream over a number of years.</p>	3	4	12	December 2024 April 2024 April 2024 April 2024	Risk reviewed by Service Manager SA&CPM October 2023 with no change to risk scores.

Risk ID	Risk Category	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Planned Control Target Date	Evidence held of Regular Review
				Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating		
				L	I	L x I		L	I	L x I		
INF 6	Financial	<p>Capital Programme</p> <p>Risk of adverse financial implications for the Councils capital programme in the light of unpredictable tender price indices. This is likely to result in tender returns being higher than cost plans.</p> <p>Tender and construction costs continue to rise nationally and to the impacts of international events such as Brexit, COVID, the Ukraine War, Suez Canal etc. have resulted in higher costs levels, which are a 'new normal'. Escalation of the current conflict in Gaza poses a risk.</p> <p>East Lothian Council have received several national reports, information from other local authorities and notifications from contractors regarding labour and skill shortages. There is a trade shortage in Scotland. Although availability of construction materials has improved recently and price inflation appears to be stabilising, this is not equitable across all materials. Key subcontract packages are witnessing significant cost increases. Furniture and IT component shortages/lead-in times are also a continuing challenge.</p> <p>This is particularly relevant in respect of the School Estate Expansion where growth and school capacities require delivery of statutory provision by specific deadlines.</p> <p>If capital projects do not proceed, this could result in insufficient accommodation for pupils within schools, with consequent appeals from parents and reputational damage.</p>	<p>Monitoring Tender prices and benchmarking with other authorities and contracting partners e.g. Hub South East.</p> <p>Risk allowance incorporated within cost planning but not sufficient to deal with real cost rises experienced.</p> <p>Continue to monitor and adjust allowance to reflect market activity.</p> <p>Keep Council Management teams informed regarding costs and availability of materials.</p> <p>'Lessons Learned' summary prepared by SACPM for infrastructure projects arising from current Local Development Plan, circulated to key services and discussed at meetings to identify and possible mitigations for future planning.</p> <p>Prioritise essential works and agree to re-programme other planned works.</p> <p>Updated school roll projections are reviewed against school capacities.</p> <p>School expansion programme prepared and costed to inform Capital Plan. Changes in established roll projections are highlighted to Education if school capacities projected to be breached.</p> <p>Strategy for managing risk agreed if no provision/budget in place for expansion.</p> <p>Regular cross service School Estate management meetings held where the baseline demographic information and the impact of development on school rolls and capacities are reviewed.</p> <p>Current staff resourcing issues in Education present challenges.</p>	4	4	16	<p>Continue to monitor national situation with ELC Procurement, other local authorities and contractors.</p> <p>Prioritise capital projects according to need.</p> <p>Prioritise and programme Capital Plan according to need and prioritise need and timescales.</p> <p>All census and revised roll projections prepared by Education. Revisions for some sites are ongoing due to changes in phasing of new housing by developers. Revised projections to be prepared and issued by November 2023.</p> <p>Housing Land Audit is being progressed by Planning.</p> <p>Sufficient staffing and financial resource to be allocated to projects generated by unforeseen breach of school capacities.</p> <p>Capital Plan interventions and S75 alongside the opportunity to refresh the capital plan and phase to match pupil product and expansion requirements.</p>	3	4	12	<p>April 2024</p> <p>February 2024</p> <p>February 2024</p> <p>December 2023</p> <p>February 2024</p> <p>February 2024</p> <p>February 2024</p>	Risk reviewed by Service Manager SA&CPM October 2023 with no change to risk scores.
INF 7	Financial	<p>Failure to meet Waste and recycling targets and legislation</p> <p>The Waste (Scotland) Regulations 2012 set out a number of provisions which help Scotland move toward the objectives and targets set out in the Scotland's Zero Waste Plan and help transition toward a circular economy. These provisions include a ban on biodegradable municipal waste going to landfill from the 1 January 2021 – ban has been delayed until 2024.</p>	<p>Waste Strategy was implemented April 2015 with a view to achieving a minimum 50% recycling & composting target.</p> <p>Recycling and residual collections to all domestic and commercial properties covering mixed waste, DMR, food and garden.</p>	4	4	16	<p>To reduce disposal costs and increase recycling to meet charter obligations – residual collection service to move to 3 weekly service from April 24.</p> <p>Charging for garden waste model being introduced July 24 – moving frequency from monthly to fortnightly for those that subscribe.</p>	3	4	12	<p>April 2024</p> <p>July 2024</p>	Risk refreshed September 2023 by Service Manager – Transport & Waste with no change to assessment of scores and element added

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>Meeting the ban will have a negative impact on the revenue budget due to increases in gate fees.</p> <p>The Scottish Government has delayed the Deposit Return Scheme until 2025.</p> <p>The scheme is likely to result in a significant loss of high value materials to the Waste Service therefore impacting on the cost effectiveness of delivering kerbside recycling services.</p> <p>The Scottish Government within the context of the circular economy bill is proposing a move away from the current voluntary approach to Scotland's Household Recycling Charter towards a more mandated approach, whereby implementation of the Charter and its supporting Code of Practice becomes a statutory obligation, placing aspects of the Scottish Household Recycling Charter and its supporting Code of Practice on a statutory footing, specifying materials to be targeted for collection or mandating how they are collected, to accelerate improvements to both the quality and quantity of recycling that local authorities are collecting in Scotland and the provision of more consistent collections.</p> <p>Changes to global commodities markets have drastically altered following China's National Sword Policy which instigated strict quality controls on the materials it would accept through import. This has led to huge quantities of poorer quality material without end destinations being retained within the national county of origin. In the UK this has led to an oversupply of material and has reduced the rebate values paid, while East Lothian has in the most part been protected from the worst of the market decline as the box collection system allow us to monitor the material we collect for recycling and ensure it is of sufficiently high quality to attract a value from reprocessors, this continued market uncertainty is likely to increase the cost of procuring kerbside collections going forward.</p>	<p>A new kerbside collection Contract was completed and implemented November 2021 to a new weekly service.</p> <p>Bring site provision including 4 Community Recycling Centres.</p> <p>Monitoring of national and local indicators.</p> <p>Waste Data Flow reporting to Waste Regulatory body.</p> <p>The scope of the Deposit Return Scheme announced in May 2019 is all PET, metal and glass drinks containers, effectively removing these higher value commodities from our kerbside collection, and reducing the income generated from the commodity sales, which is at present used to offset the current cost of providing the collection services. This scheme has been delayed until June 2025.</p> <p>Additional modelling work has been carried out to take account of the changes the Deposit Return Scheme will make to both the composition and the volume of the packaging materials that will remain within our kerbside collection system.</p> <p>Monitoring of kerbside collection systems and targeted intervention to offer support to residents using these services.</p> <p>Continue reviewing supply chain for procurement of bins, boxes and bags to source best lead times and cost.</p> <p>Long term treatment contract started November 2019 which will allow for additional recovery and enables East Lothian to be compliant with the ban on biodegradable municipal waste going to landfill in Scotland and not have to seek alternative arrangements outwith EL.</p> <p>New kerbside recycling service procured with weekly service being implemented Nov'21. Council retains ownership of all materials and any associated cost related to receipt, haulage and processing. Placing all risk on the Council for sale of the materials.</p> <p>Service procuring larger volumes of stock to ensure supply level is maintained and sourced at most competitive price. Recycling service change requires additional supply of containers and new weighted bag.</p>								<p>on Management of Waste Upholstered Domestic Seating (WUDS) containing Persistent Organic Pollutants (POPs).</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>Following the introduction of the Management of Waste Upholstered Domestic Seating (WUDS) containing Persistent Organic Pollutants (POPs) producers and waste holders must comply with the following duties, any failure to do so would be deemed an offence under the regulations:</p> <ul style="list-style-type: none"> Producers and holders of waste shall undertake all reasonable efforts to avoid, where feasible, contamination of other wastes with POPs waste (Reg. 7(1)). POPs waste shall be disposed of or recovered, without undue delay, in such a way as to ensure that the POP content is destroyed or irreversibly transformed so that the remaining waste and releases do not exhibit the characteristics of POPs (Reg. 7(2)). Disposal or recovery operations that may lead to recovery, recycling, reclamation or re-use on their own of POPs shall be prohibited. (Reg. 7(3)). 	<p>Commodity document rolled out to all merchants to ensure auditable trail of pricing/selling of material recorded.</p> <p>ELC does not use landfill for disposal, however it is the responsibility of FCC environmental for whom our disposal contract is provided to ensure any outage of the incineration plant does not result in POPS/WUDS material going to landfill.</p>				<p>Remodelling of the collection process for bulky uplifts will potentially mitigate POPS/WUDS impact along with a review of the disposal process within the waste transfer station.</p> <p>Work continues with our disposal partner FCC Environmental on developing a strategy for long term disposal of POPS and WUDS materials.</p>				<p>January 2024</p> <p>January 2024</p>	
INF 8	Reputation	<p>Maintenance of Burial Grounds</p> <p>Failing to maintain the Council's burial grounds could result in a serious injury/death to the public or ELC employees from falling headstones/memorials and a resulting financial loss due to insurance claims. There is also the risk of losing part of East Lothian's cultural heritage through the loss of family history records on headstones and memorials and failure to comply with the Equalities Act if access paths aren't maintained.</p> <p>Annual programme of consolidation continues however number of memorials considered as presenting significant risk remains at around 20% of stock. Scottish Government have now published guidance on inspecting and making safe memorial stones which places a clear burden on the Council to demonstrate a duty of care in this regard.</p> <p>Risk levels may increase if staffing levels are not maintained as a result of financial measures agreed by Council.</p>	<p>Responsibility for maintenance of facilities shared with Property Maintenance. Inspection of all headstones now complete</p> <p>ELC staff now responsible for installation of foundations for all new memorial stones.</p> <p>Additional equipment purchased to assist with roll out of headstone safety works and improve output. Priority for safety works now moved over to Amenity Services Staff from Criminal Justice Team</p> <p>Four years in to an ongoing programme to Dig and Deepen unstable headstones. Programme will be ongoing as further dangerous memorials become known through subsequent inspections. Labels and posts are now being put on all high risk stones asking relatives to contact SC&L.</p> <p>Programme of Consolidation works ongoing on a yearly basis.</p> <p>Toolbox talks for staff completed to cover safety aspects of working in and around headstones and to ensure consistent approach towards consolidation works.</p> <p>New burial sites being developed will include Pre-formed reinforced strip foundations that should prevent this risk from presenting with headstones installed thereafter.</p>	4	4	16	<p>Ongoing programme of consolidation works scheduled over winter 2023/24 based on revised risk assessment.</p> <p>Round 3 of Headstone Inspection Programme to be completed by March 2024 according to agreed rolling programme.</p> <p>Project to commence on West area headstones to intensify number of headstone checks complete.</p>	3	4	12	<p>March 2024</p> <p>March 2024</p> <p>March 2024</p>	<p>Risk refreshed by Team Manager – Operations (Amenity Services) September 2023 with no change to risk scores.</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		
INF 9	Reputation	<p>Burial Service</p> <p>Inability to provide an efficient burial service and sufficient land for burial purposes would mean that the Council is unable to undertake its statutory duties, and create distress to family and mourners.</p> <p>An audit highlighted there is less available burial space than indicated previously.</p> <p>The service experiences increased demand for burial services in certain clusters while the remaining clusters activity continues. This can produce waiting times of up to 20 working days during winter as opposed to our acceptable target of 4-5 working days. Staff efficiencies and medical absence place further risk on our ability to maintain an acceptable standard of service delivery.</p> <p>Risk levels may increase if staffing levels are not maintained as a result of financial measures agreed by Council.</p>	<p>Burial Administration now centralised and revised procedures from service review now operating. Risk Assessments and SOPs are in place, regularly updated and employees are aware of them.</p> <p>Training programme in place to ensure employees are qualified and induction session delivered for all burial staff on current procedures and updated regularly by programme of Toolbox Talks.</p> <p>Burial Strategy now adopted by ELC.</p> <p>Communication procedure with the Registration Service in place.</p> <p>Procedures for management of burials are now operational.</p> <p>Working towards local provision where suitable land is available.</p>	4	4	16	<p>In Prestonpans there was a delay due to neighbouring housebuilding completions. Completion of cemetery construction is anticipated Winter 2023.</p> <p>In Dunbar completion of cemetery construction is anticipated Winter 2023.</p> <p>Potential site identified for Tranent Cluster, initial desktop study identified land possibly suitable for development. Purchase in principle agreed. Final land purchase is subject to suitable site investigations and all SEPA and Planning approvals.</p>	3	4	12	<p>February 2024</p> <p>February 2024</p> <p>Winter 2024</p>	Risk refreshed by Team Manager – Operations (Amenity Services) September 2023 with no change to risk scores.
INF 10	Financial Impact and impact on Assets	<p>Failure to inspect and maintain road infrastructure including (road structures, network and street lighting)</p> <p>These are all major issues for the council given its responsibility for key routes. Any failure in provision/maintenance may lead to closures, disruptions, adverse public reaction in terms of expectation. A healthy road network aids in enabling a vibrant economy and future economic development.</p> <p>The level of investment in street lighting replacement and maintenance is linked into the holistic road service budget.</p> <p>Following the financial update report to the full East Lothian Council meeting in August 2023, the challenging financial situation put forward measures, including pausing the Council's non-committed capital expenditure budget for 2023/24.</p> <p>This includes restrictions on the Council's capital budgets for Roads and we have been advised this also applies to the delegated budget for Area Partnerships to influence Roads investment, and as such no expenditure can be undertaken by Area Partnerships which has not already been committed through contract.</p> <p>Failure to adequately plan maintenance activities on the public road network could lead to conflict with the requirements of other roads users, including public utilities, events and members of the public. Also failure to comply with the requirements of the Scottish Roads Commissioner such as keeping the gazetteer up to date and other statutory obligations under the Transport</p>	<p>Appropriate inspection & assessment regimes in place.</p> <p>Continuous review of Procurement and cost escalation.</p> <p>Register of road bridges, underpasses, footbridges and culverts completed.</p> <p>Partnering in the Scottish National Road Condition Survey.</p> <p>Consultation with Councillors and constituents in place on annual maintenance plan and Roads Asset Management Plan in place.</p> <p>Annual programme of roads maintenance works in place aimed at reducing the percentage of the roads network in amber/red condition.</p> <p>Regular monitoring of the condition of street lighting units.</p> <p>An electronic system to log all complaints and reports of road defects/lighting faults is in place in conjunction with the call centre system (LAGAN) at Macmerry. This ensures all reports are recorded, actioned and monitored under the Road Network Management ISO:9001 Quality System.</p> <p>Report annually to PPRC titled "Roads Asset Management - Annual Status and Options Report". This report presents a summary of the council's road assets and:</p>	4	4	16	<p>Review capital programme, prioritise repairs based on needs assessment.</p> <p>Consider delaying non-essential capital works to allow backlog of works to be reduced.</p> <p>Pay close attention to announcements from Government to ensure we continue to comply with all relevant guidance and requirements.</p> <p>Attend PPRC to lobby for additional funding.</p>	3	3	9	<p>December 2023</p> <p>Ongoing</p> <p>Ongoing</p> <p>December 2023</p>	Risk refreshed by Service Manager for Roads October 2023 with no change to assessment of current score and amalgamated with former risk on Ineffective maintenance of the Road Network.

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		
		Scotland Act and the New Roads and Street Works Act could result in fines from the Scottish Roads Commissioner (as occurred this year) as well as a reputational impact on ELC if events have to be cancelled.	<ul style="list-style-type: none"> Describes the status of the asset, its current condition, and performance. Defines the value of the assets. Details the service that the asset and current budgets are able to provide. Presents the options available for the future. 									
INF 11	Financial	<p>PPP Project</p> <p>Failure to adequately resource contract management arrangements will have subsequent issues related to contract compliance, financial risks and deterioration in asset base.</p> <p>Compliance issues include, but are not limited to: asbestos, fire, water quality, building fabric and building services (significant safety and reputational risks). Contract management issues at risk include, but are not limited to: contract guidance for users, benchmarking, Education PPP Specification and curriculum development (modernisation).</p> <p>Asbestos treatment at pre/post of PPP Contract and changes to legislation again form significant risks for ELC including statutory/legislative/management and financial risks. The agreed process is in place however appropriate resources require review. This is also a reputational risk.</p> <p>Fire – Full review of Fire Plans etc. required due to changes in ELC PPP Estate. The agreed process is in place however appropriate resources require review.</p> <p>PPP Future Risk items including Handback preparations.</p> <p>Treasury guidance for the management of PPP Contracts state a minimum of 2% of Contract Value to be spent on Contract management (and this is the basis on which ELC received Government support). Currently the PPP Contract Monthly Unitary Charge is £1,042,021.54 per month or £12,504,258.43 per annum.</p> <p>Expansion of Secondary Schools leased to Innovate under PPP Project Agreement.</p> <p>Failure to conclude Supplemental Agreements in sufficient time to meet timescales for the completion of the extensions resulting in insufficient capacity for pupils.</p> <p>This could result in future reputational risk to the Council.</p>	<p>Formation of Learning Estate Project Team and Learning Estate Project Board to governance of significant capital projects.</p> <p>PPP Project Officer and PPP Project Assistant now in service establishment. PPP Project Assistant post currently vacant – recruitment progressing.</p> <p>Return of Schools Estate Planning Officer post to Strategic Asset & Capital Plan Management team completed to increase capacity for Team Manager – Schools Estate & PPP Project. Officer in post.</p> <p>Application of Lessons Learned from experience of preparing documentation for recent expansions.</p> <p>Allocation of sufficient time for process and ensure Council approval for procurement route for extensions.</p> <p>Although in place in principle, this measure is not wholly within the control of the Council and requires input from IML legal and technical advisors at the appropriate time.</p> <p>A report on Procurement of Secondary School extensions was approved by Council which set out the procurement route for all extensions and the associated risks.</p> <p>Ensure Project Agreement is implemented and Unitary Charge paid timeously.</p> <p>Reviewing lifecycle expenditure to ensure investment in the PPP leased buildings is maintained at an acceptable level.</p> <p>Financial accounts provided by IML at Innovate Board Meeting. ELC Finance to comment at monitoring meetings.</p> <p>ELC Finance reviewed and reported on financial status of Innovate.</p>	4	4	16	<p>Governance around separate contracts for installation, maintenance and lifecycle replacement of equipment or approve instruction through the PPP contract.</p> <p>Financial approval required to address compliance risks highlighted. An updated procurement report is required, revising key programme dates and incorporating what has been carried out to date, as well as recommending procurement for remainder of growth projects.</p> <p>Recent processes completed for Ross High School and North Berwick High School expansions are to be reviewed by educational, technical and legal teams to identify any possible improvements and mitigation of risks. 'Lessons Learned' meeting to be held with stakeholders.</p>	2	4	8	<p>Ongoing</p> <p>Ongoing</p> <p>April 2024</p>	<p>Risk reviewed by Service Manager SA&CPM October 2023 with no change to risk scores.</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>Risk of PPP Provider falling into financial difficulty or insolvency.</p> <p>PPP Provider IML employ FM service staff, apart from Catering, for the 6 secondary schools, the Mercat Gait Centre and the Musselburgh Community Centre and are contracted to carry out maintenance and lifecycle works on the buildings until 2035.</p> <p>If IML were to fail there is a risk that schools and other buildings would not operate and the Council would need to step in.</p> <p>RAAC (Reinforced Autoclaved Aerated Concrete): Surveys identified RAAC at two schools – Preston Lodge High School and Ross High School.</p>	<p>RAAC: Preston Lodge High School - 23 classrooms, circulation and gym hall closed at PLHS due to safety. Dining Hall at Ross High School closed due to safety. Engineering solutions prepared and agreed with Council. Legal agreement prepared and signed for PLHS. Legal agreement to be prepared for RHS. Works progressing at PLHS and due for overall completion in March 2024. Education contingency plan in operation. First phase of works at RHS progressing, with completion due in November 2023, Catering contingency plan operating. Further works planned in summer 2024, subject to legal agreement.</p> <p>Regular meetings with Innovate regarding RAAC and also covered in ELC internal meetings and Innovate Board Meeting.</p>				<p>RAAC: ELC are to monitor ongoing works at Preston Lodge High School until completion and transition from Education contingency plan to resume full normal operation.</p> <p>RAAC: ELC are to monitor ongoing works at Ross High School and transition to normal catering operation. ELC are to progress legal agreement with Innovate.</p> <p>Financial implications minimised through negotiations with Innovate regarding capital spend and formalising in legal agreement. Education responsible for minimising revenue spend in contingency plan.</p>				<p>April 2024</p> <p>December 2023</p>	
INF 12		<p>Current Asset Data</p> <p>Asset data for operational properties requires continual review otherwise insufficient information is held to prioritise planned investment in buildings and potential risk to occupants, contractors and members of the public from failure of building elements or systems.</p> <p>Asset data requires continual updating and aligned to financial information. The risk being if not updated and accurate it is not possible to use the data to inform decisions regarding future of properties. A recent Finance audit identified that the Council would benefit from investment in an integrated IT system recording all assets. A comprehensive, maintained asset database is required with full access for all relevant parties.</p>	<p>Limited annual desktop updates carried out on existing data informed by feedback from maintenance team.</p> <p>Building Surveyor working on accuracy of Asset Condition information.</p> <p>School Condition surveys completed 2023 and external contract in place by SACPM to pick up other Public Building Assets on a priority basis.</p>	4	4	16	<p>A new cycle of building surveys has commenced. Internal & External resources have been allocated to enable these surveys and comprehensive 5 yearly reviews.</p> <p>Implement a comprehensive asset management database for non-operational property, with access available to all relevant services e.g. Finance, E&BS, SACPM. This will require staff and financial resource to deliver in key services, with input by IT and Improvement. The transition from Badger to CIPFA is subject to ongoing work by the Estates team.</p>	2	4	8	<p>June 2026</p> <p>April 2024</p>	<p>Risk refreshed October 2023 by Service Manager – ES & BS with no change to risk scores.</p> <p>Risk refreshed June 2021 with current scores increased from 12 to 16.</p>
INF 13		<p>Tree Estate</p> <p>Failure to manage and maintain the Council's tree estate including a failure to monitor for the current risk from tree diseases resulting in potential damage to people and or property. Also potential negative impact on the landscape and character of East Lothian and its towns and villages, biodiversity, health & wellbeing of residents and the local economy and tourism, as well as</p>	<p>Regular inspections, as well as monitoring for tree diseases within the tree estate with record kept of trees inspected, have reduced due to focus on Ash Dieback and other emergency (reactive) tree works. Record kept of arboriculture work undertaken.</p> <p>Annual programme of tree planting and record kept of trees planted has reduced due to focus on Ash Dieback and other emergency tree works. However, 'TreeTime East Lothian' partnership project in place</p>	4	4	16	<p>Regular inspections undertaken as well as monitoring for tree diseases within the tree estate with record kept of trees inspected. Resourcing for this is currently limited.</p> <p>Survey of all Council owned trees on their condition and location has commenced and a rolling inspection programme to be set up. Resourcing issues are such that survey</p>	2	4	8	<p>April 2024</p> <p>10-year strategy to 2031 with annual review.</p>	<p>Risk updated by Team Manager – Strategy, Policy & Development (Amenity Services) October 2023 with Current</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>ability to achieve climate change targets in the Council's Climate Change Strategy through carbon offsetting.</p> <p>A separate risk on Ash Dieback tree disease has been added to the Risk Register (INF 3) due to its difference in level of risk management and overall tree management responsibility.</p> <p>As the Council's Forestry Squad is currently in Business Continuity mode to focus on priority Ash Dieback tree works and other emergency (reactive) tree works and have reduced capacity for proactive management & maintenance of the rest of the Council's tree estate, this increases this Risk.</p>	<p>with Edinburgh & Lothians Greenspace Trust (ELGT) whereby donations are received from the public for tree planting, and planting is undertaken by ELGT on our behalf.</p> <p>All forestry staff have appropriate qualifications, training, and experience.</p> <p>Risk Assessments and SOPs in place and regularly updated for all arboriculture and forestry work which employees are aware of.</p> <p>Specialised Tree Management software purchased to allow mapping and detailed recording of condition & history intended.</p> <p>Woodland Action Plan in the Biodiversity Action Plan.</p> <p>Draft Tree & Woodland Strategy identifies best locations and tree species for new tree planting.</p> <p>Advice provided to volunteer groups on tree planting around the county, on an ongoing basis.</p>				<p>progress will be limited and completion will take an extended period of time.</p> <p>Policy intent approved by Cabinet (January 2021) for an East Lothian Climate Forest; currently being taken forward by an in-house Climate Forest Steering Group which includes the Tree Officer.</p>				10-year strategy to 2031 with annual review.	Score increased from 12 to 16.
INF 14	Financial	<p>Harbours</p> <p>Failure to maintain harbours could lead to damage to the fabric of the harbour and to boats on moorings and in dinghy parks (where appropriate).</p> <p>Increase in storm events and increased force of wave action could and has led to damaged walls and infrastructure.</p> <p>Potential risk of injury to harbour users, water pollution, vessels sinking and danger from heights should people / equipment fall.</p> <p>Failure to warn of the dangers of the operation of the boom crane (North Berwick only) resulting in HSE / MCA (Marine and Coastguard Agency) involvement.</p> <p>All could lead to bad publicity for the Council and financial loss through insurance claims from the public.</p>	<p>Regular visual inspection of harbour areas by harbour masters.</p> <p>Lifebelts in place and regularly inspected whilst safety barriers are erected in areas of highest risk.</p> <p>Provision of pollution spill kit (N Berwick only).</p> <p>Training provided for boom operators and provision of personal protective clothing (N Berwick only).</p> <p>Risk Assessments and guidance in place for the boom operation at each harbour with each Trust/Association responsible for lift in/out.</p> <p>Ladder and raft installation work at Fisherrow Harbour has commenced.</p>	4	4	16	<p>Inter-Agency Partnership approach with a cocktail funding of investment and recovery.</p> <p>Work with local trusts and empowerment orders.</p> <p>Full coastal survey to commence 2024-25 of climate change impact funded by Scot Gov grant.</p>	2	4	8	<p>March 2024</p> <p>March 2024</p> <p>December 2024</p>	<p>Risk refreshed by Principal Countryside Officer</p> <p>November 2023 with current risk score increased from 8 to 16 due to recent and increasing storm events.</p>
INF 15	Service Objectives Reputation	<p>Non delivery of Musselburgh Flood Protection Scheme (MFPS)</p> <p>MPFS is a major project being advanced under the Local Flood Risk Management Plan (Forth Estuary) and funded at a rate of 80% under the Scottish Government's Flood Protection Scheme Programme.</p> <p>The review on the overall Flood Risk Management financial implications is continuing to be undertaken. This is being done by an officer group which includes</p>	<p>MFPS is being advanced by a Project Management Team under a formal PRINCE2 Project Management System, therefore financial exposure is always only to the current stage which ends at a formal stage gateway before the next stage.</p> <p>The project has a risk management process and a Risk Register.</p>	3	4	12	<p>In June 2023, the first vision of the Outline Design was presented to the public. We received a lot of feedback regarding the Scheme's outline design and the project team are reviewing all feedback and considering changes to the outline design which will be confirmed when we present the final outline design to Full Council in Jan 2024.</p>	2	4	8	January 2024	Risk refreshed by Service Manager for Roads October 2023 with no change to assessment of current score.

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		
		COSLA, LA Directors of Finance and practitioners, together with Scottish Government and SEPA officers. The group is reporting to the joint officer Settlement & Distribution Group, which advises Leaders and Scottish Ministers on matters affecting funding in the Settlement. We are expecting to take a further report on progress of the review to Leaders during November/December 2023.	The project regularly updates with the Scottish Government's Flooding Policy Team and liaises with them on any key developments on the Scheme				The Project Team will continue to liaise with SG's Flooding Policy Team. It is currently assumed that due to existing legal contractual commitments the Scheme will not need to pause before the end of the current stage 4. The Project Team have responded to a request for information from the 'Pause & Review' management team. Evidence confirming the: (i) scale of flood risk; (ii) the value for money; (iii) the robustness of the project team, systems, programme and approach to consultation; (iv) the preparedness to deliver; and (v) the scale of multiple-benefits to Musselburgh, ELC and regionally through their Scheme being delivered in partnership – is being prepared. It is assumed this Scheme will present near the top of any new national prioritisation.				March 2024 March 2024	
INF 16		Building Standards Team Recruitment constraints faced by the Council could lead to the Building Standards Team not being able to maintain a level of staff that is adequately qualified, trained and competent to carry out the Building Standards duties of verification, enforcement, licensing etc. to the targets expected in BSD's new performance framework. BSD recent audit resulted in 6 year extension to the verification role subject to maintaining successful completion of Improvement Plan. Failure to improve could lead to the Council losing the verification role. Increase in Dangerous buildings being reported and increasing requirement to implement enforcement to be addressed.	Monitoring of workload to fee income, performance to staffing levels and project complexity to staff abilities and training. Involvement with the Local Authority Building Standards Scotland (LABSS) and the BSD to influence delivery of the new performance framework of 9 performance outcomes and a risk based inspection regime for Reasonable Inquiry to deliver compliance with the building regulations. Work continues to be outsourced to Argyll & Bute Council to minimise backlog. Commitment made to re-invest Building Standards Income within the service. Continue to measure BS performance against set KPO's. Scottish Government (BSD) recognise the national shortage of suitably qualified and experienced Building Standards staff and launched a Workforce Strategy to create a sustainable BS workforce for the future. ELC have attended workshops on this.	3	4	12	Looking to implement new enforcement measures.	2	4	8	April 2024	Risk refreshed October 2023 by Service Manager – ES & BS with no change to risk scores. Risk Refreshed November 2014 and residual risk score reduced from 12 to 8.
INF 17		Dangerous Buildings Higher enforcement workload in terms of dangerous buildings for Officers due to various reasons (including increasing instances of severe weather and owners unable to maintain their properties) resulting in increased risk to members of the public. Service Reviews were carried out during 2016 and 2019 and implemented; however, there is an ongoing inability	Climatic and financial factors are outwith East Lothian Council's control. No contractual obligation for staff to provide an out of hours dangerous buildings service which therefore relies on the goodwill of the BS Manager and two Senior BS Surveyors to provide cover outwith office hours. Further review carried out and 3 new Posts filled March 2019 (Surveyor, Inspector & Technician).	3	4	12	Continue to monitor situation with revised workforce in place and potential for a further Service Review to take place whilst working with Head of Service to potentially establish new enforcement post	2	4	8	April 2024	Risk refreshed October 2023 by Service Manager – ES & BS with no change to risk scores. Risk Refreshed February 2015 with current

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		
		to recruit suitably qualified BS Surveyors resulting in inability to meet targets.	Two new Building Standards Surveyors commenced June 2021. Work outsourced to Argyll & Bute Council to minimise backlog. Commitment made to re-invest Building Standards Income within the service.								score reduced from 15 to 12 and residual score from 10 to 8.	
INF 18	Service Objectives	<p>IT systems (e.g. server, AutoCAD)</p> <p>Failure of these systems to support service delivery due to power failure or other IT issues would impact on ability to carry out design work and to monitor and control contractors operations. Inability to vet contractors' competences, carry out financial control, communicate over IP telephony and produce contract documentation.</p> <p>These complex software systems have faced significant challenges during remote working due to Covid. Staff have been unable to operate at normal productivity levels. The CAD systems affected include Autodesk AutoCAD and Revit. Other systems have also been affected e.g. Mail Manager, Badger, causing significant productivity/business continuity challenges. Issues caused by IT 're-imaging' of laptops have also been challenging, in terms of productivity and business continuity.</p> <p>Availability of hardware is a significant risk to business continuity – Current lead-in time for standard laptops is six months. This is a challenge for recruitment of new staff and for lifecycle replacement of existing equipment.</p> <p>Due to remote working being required during the pandemic, staff have had to take Council IT equipment home in order to meet Display Screen Assessments to comply with Health & Safety legislation. This leaves office spaces deficient and will require to be addressed corporately if a 'blended' model is the future return to workplaces.</p> <p>It has been highlighted by the IT service the Bracken server which houses all the technical files for the SA&CPM and Engineering Services teams is close to capacity. High risk of non-operation and data loss, resulting in catastrophic failure of business continuity and reputational damage. High financial risk to contract management and project delivery.</p> <p>Increased data storage requirements are inevitable due to transformation, 'New Ways Of Working' (scanning of paper files), Building Information Modelling and value of capital projects.</p> <p>There have been significant issues regarding IT software and hardware for technical teams in 2022, including interruptions of access to Autodesk software and connectivity.</p>	<p>IT are aware of the need to return SACPM IT systems operational if there was an incident affecting them.</p> <p>The timescale for this would depend upon the scale of the incident.</p> <p>Systems are backed up and mentioned within the SACPM Business Continuity Plan. New Business Continuity software will allow for linking of risks between services.</p> <p>Replacement of some systems initiated but not fully completed as yet e.g. Badger transition to CIPFA.</p> <p>Ongoing communication with IT service for awareness. Raised at 'Working Differently' Group and Infrastructure Management Team meetings. Implemented in 'New Ways Of Working' projects, completed at Penston House and ongoing at John Muir House.</p> <p>Raised at 'Working Differently' Group and Infrastructure Management Team meetings.</p> <p>IT arranged replacement of the Bracken server providing sufficient digital storage for files.</p>							<p>IT service to resolve availability of hardware and lead-in times for delivery (subject to international market). Continue to monitor with IT.</p> <p>IT and Transformation/ Improvement resources required to support the service through changes. Continue to monitor with IT.</p>	<p>April 2024</p> <p>April 2024</p>	<p>Risk reviewed by Service Manager SA&CPM October 2023 with no change to risk scores.</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
------	-----	--------	------	-----------