



MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

TUESDAY 26 MARCH 2024, 9AM
VIA DIGITAL MEETINGS SYSTEM

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Committee Members Present:

Councillor Bruce (joined at beginning of item 5)
Councillor McFarlane
Councillor McGuire
Councillor Menzies - Chair
Councillor Ritchie (joined at beginning of item 3)
Councillor Trotter

Other Councillors Present:

N/A

Council Officials Present:

Ms S Fortune, Executive Director for Council Resources
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 T Reid, Head of Infrastructure
Ms L Brown, Executive Director for Education & Children’s Services
Ms M Patterson, Chief Executive
Mr S Cooper, Service Manager - Communications
Mr J Baker, Service Manager – Economic Development
Ms L Deegan, Companies Manager – East Lothian Land Ltd
Ms A Glancy, Service Manager – Corporate Accounting
Ms N McDowell, Head of Education
Mr S Kennedy, Team Manager – Emergency Planning & Resilience
Ms S Saunders, Head of Communities & Partnerships
Mr A Cruickshank, Service Manager - IT
Mr P Ianetta, Service Manager – Engineering Services & Building Standards
Ms L Byrne, Head of Childrens Services
Ms W McGuire, Head of Housing
Mr D Hood, Health & Social Care Partnership
Ms Z Rathe, Team Manager – Information Governance
Ms N Sandford – Team Manager - Homelessness
Mr L Wright, Emergency Planning, Risk & Resilience Officer
Mr B Axon, Enjoyleisure – Chief Executive
Mr R Fennessy, Enjoyleisure - Finance Officer
Mr R Fox, Internal Audit at Dumfries & Galloway Council

External Audit:

Ms A Fitzpatrick – Audit Scotland

Clerk:

Ms M Scott

Apologies:

Councillor Jardine

Declarations of Interest:

There were no formal declarations of interest but for transparency Councillor Menzies made Members she is an appointed Member of the Board of Enjoy Leisure.

1. MINUTE OF AUDIT & GOVERNANCE COMMITTEE ON 19 DECEMBER 2023

The minutes of the Audit & Governance Committee from 19 December 2023 were approved as an accurate record.

2. INTERNAL AUDIT REPORT: MARCH 2024

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 since the last meeting of the Committee a final report had been issued for the Homelessness Audit, which provided management with Reasonable Assurance. Mr Stainbank highlighted the key findings, recommendations and the dates for completion for the Homelessness Audit. Mr Stainbank added Internal Audit had followed up on recommendations made in five previously issued audit reports for Data Protection, East Lothian Works, IT Asset Management, Sundry Accounts and Systems Data Backup & Recovery Testing, and highlighted the findings for each.

Responding to multiple questions from Councillor McLeod, Ms Nicky Sandford – Team Manager for Homelessness explained the Housing Options Team is split into three smaller teams; crisis response, homelessness prevention and then three accommodation officers who manage the temporary accommodation stock and all queries that come along with it. She reported Scottish Government changed legislation with regard to local connection at the end of 2022 which has resulted in significant impact of homelessness applications in recent months as it requires the department to accept people from out of area therefore has significantly increased homelessness numbers in East Lothian. Ms Sandford stated Housing First is a policy requirement of Scottish Government that was introduced in 2018 as part of the governments rapid rehousing agenda. She explained this requires the Council to provide housing as quick as possible for vulnerable homeless households and place them into permanent, settled homes, with support and to date there have been around 20 Housing First cases.

Alan Cruickshank, Service Manager – IT provided Councillor McLeod with information on why the IT services completion date had been revised to June 2024 and said at the moment he felt confident the department were on target to meet this date.

In response to a question on treasury management, Ms Ellie Dunnet, Head of Finance confirmed we cannot borrow to invest however the treasury management strategy looks at the cash balances overall and they fluctuate which results in surplus cash sitting for a short time. She explained when this happens the money is placed in accordance with the requirements set out in the treasury management strategy which priorities security, liquidity and yield in that order. If these requirements can be satisfied in terms of placing a deposit that is secure that can enable us to access that money when we need it then we may then look at yield to see what returns we can generate.

Councillor Menzies asked if there would ever be a time when a homelessness application would not be closed or completed within 28 days. Ms Sandford explained this would happen in cases where the team needed to obtain information from external parties who may not be forthcoming and also, we could have issues engaging with homeless clients and be unable to complete investigations. Ms Sandford also gave stats on homeless investigations and provided information on current open homeless cases which date back to 2017.

In response to questions from Council Trotter, Mr Cruikshank explained software had to be sought to instate the recommendations and the same staff who were involved in completing the recommendations were also needed to address the RAC issues in Preston Lodge High School and the opening of Rosehill which had to take priority.

Councillor McLeod thanked Mr Stainbank for the report and would like further updates in the future.

Councillor Menzies also thanked Mr Stainbank for his comprehensive report and was pleased to see the cost of growth being addressed. She also thanked all officers who assist internal audit with ensuring we have strong governance.

Decision

That the Audit and Governance Committee note:

- i. the main findings and recommendations from the Internal Audit reports issued during the period from December 2023 to March 2024 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. INTERNAL AUDIT PLAN 2024/25

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of Internal Audit's operational plan for 2024/25.

Duncan Stainbank, Service Manager for Internal Audit reported the plan had been prepared in accordance with Public Sector Internal Audit Standards and was attached to his report for Members viewing.

Councillor McLeod asked if Members could get an update or view anything regarding East Lothian's Council online procurement. Mr Stainbank stated what we are spending can be viewed online and the contracts the Council has with Scotland Excel are public knowledge.

Responding to questions from Councillor Menzies, Mr Stainbank reported there is currently a staff of three Senior Auditors who are all full time, a Senior Audit Assistant

who is on a 0.6 FTE contract and also half of his own time as he is also employed by Midlothian Council which is enough to complete the plan we have in place. He added on a regular basis throughout the year the team review the risk profile of the Council and in September will come back to Committee with a revised plan and at each meeting in between will give an update on how far through completing the plan the team are. He also assured Members of his departments independence however internal audit does not happen in a vacuum and senior officers are often the first to highlight areas they would like to be looked at, which is appropriate. Mr Stainbank added that it is recommended as best practice to take advice and guidance from senior officers when putting together an audit plan.

Councillor Menzies again thanked Mr Stainbank and his team for the report and plan.

Decision

That the Audit and Governance Committee were asked to approve the Audit Plan for 2024/25. A roll call vote was carried out and it was a unanimous decision to approve.

4. EXTERNAL QUALITY ASSESSMENT – INTERNAL AUDIT

A report was submitted by the Service Manager – Internal Audit to inform the Audit and Governance Committee of the findings from the recent external quality assessment of the Council's Internal Audit Service.

Richard Fox, Internal Audit Manager for Dumfries and Galloway Council reported a peer review was completed through the Chief Internal Auditors Group which is completed every five years. Mr Fox explained to Members how the review was carried out and said overall the findings were positive with the internal audit section meeting requirements.

Councillor Menzies asked what plans are in place to improve the four areas where we are generally conforming. Mr Stainbank reported there were detailed recommendations within the action plan which have been accepted and have management responses against them. He advised these will be completed between June and September 2024 with the final element being in place by November 2024 with minor changes to the Internal Audit Charter which will then come back to the Audit and Governance Committee in November 2024. Mr Stainbank said following on from that the team will also report against the Quality Assurance Improvement Programme in future years which will confirm all of these recommendations have been implemented.

In response to a question from Councillor McLeod, Mr Stainbank explained they will go through an appraisal process with each member of staff and find the correct route forward in terms of taking their data analytics experience forward. He added all of the audit team will be attending the Scottish Local Authority Chief Internal Auditors Data Analytics Group where best practice across Scotland is shared. Mr Stainbank reported he will continue to look at the best approach to upskilling the team with the best available data analytics for internal audit and is also looking at the possibility of bringing in a staff member to train across East Lothian and Midlothian to bring the cost down.

Councillor Trotter asked if this is reviewed regularly as the report is only compiled every five years. Mr Stainbank confirmed he reviewed against the Public Sector Internal Audit Standards annually and make changes as and when appropriate. He made Members aware the PSIAS are currently being revised therefore changes will be required under the new standards and these would be brought to this committee next year.

Councillor Menzies thanked Mr Fox and his team for carrying out this review and was happy to see on the whole internal audit is going what they should be.

Decision

The Committee agreed to note the contents of the report.

5. INFORMATION GOVERNANCE ANNUAL REPORT

A report was submitted by the Executive Director for Council Resources to report on the delivery of continuous improvement of East Lothian Council's compliance with regulatory regimes relating to Data Protection, Information and Records Management, and the Regulation of Investigatory Powers during 2023.

Zarya Rathe, Team Manager for Information Governance stated this is the first follow up report and there has been positive progress with the addition of a new Team Leader and Information Officer which has allowed us to significantly reduce backlogs and make proactive steps to improve compliance across the Council. She reported three of the four recommendations within the previous audit report have been completed with partial completion of the remaining recommendation.

Ms Rathe spoke to her report and provided an update on Data Protection, Records Management and Covert Surveillance.

In response to a question from Councillor McLeod, Ms Rathe confirmed there has never been legal action taken against East Lothian Council for a data incident nor had the Information Commissioner's Office taken any enforcement action, finding we have appropriate measures in place.

Councillor Menzies asked for the difference between a breach and a near miss and how did we compare to other local authorities of a similar size. Ms Rathe explained a data breach is defined by legislation and typically relates to a security breach involving information being disclosed to someone who shouldn't see it, someone accessing a system they shouldn't and/or the loss of personal data, whereas a near miss is similar but doesn't involve the actual inappropriate access to information, such as an email being sent to the incorrect recipient but it is recalled before being read. She noted near misses are still recorded as a learning point to see if any measures could be introduced to help reduce that risk. Ms Rathe stated there are no formal benchmarking measures between local authorities regarding data breaches, but it is a point of interest to all Scottish local authorities and as a result of this query it will be raised at the next meeting of the national group for Scottish local authority data protection officers (SOLAR) for consideration.

Councillor Menzies thanked Ms Rathe for her informative report.

Decision

The Committee agreed to note the contents of the report.

6. EAST LOTHIAN INVESTMENTS LTD

A report was submitted by the Companies Manager – East Lothian Investments Ltd to inform the Audit and Governance Committee of the work undertaken by East Lothian Investments Ltd in 2022/23.

Lisa Deegan, Companies Manager – East Lothian Investments Ltd spoke to her highlighting 378 loans had been awarded to the value of £3.5 million since its formation with around 900 new jobs created and 1900 existed jobs have been protected. She confirmed loans are unsecured however the East Lothian Investment Directors often require personal guarantee to be provided by business owners and the bad debt is currently low, sitting at 2.91%. Ms Deegan reported between 2022-2023 EL Investments received 17 applications, 13 of which became approved loans to the value of £210,000 and was spread between all the key industry sectors. She added within this period 22 new jobs were created, and 43 jobs were protected and at the end of the 2023 period there were 27 active loans with an outstanding balance of £347,000. Ms Deegan drew Members attention to the post period note of her appointment as Companies Manager in July 2023 and has successfully been approved under the senior managers certification regime. Ms Deegan provided Members with a history of the set up of East Lothian gift cards and drew their attention to the post period note that in April 2023 EL Investments Ltd terminated the contract with Mykinex and transferred the scheme to East Lothian Council.

Councillor Trotter asked if we received feedback from companies who have benefited from this scheme. Ms Deegan confirmed EL Investments reach out to businesses to see if the project they have invested in delivered what the applicant said it would and track the number of jobs created and protected as well as constant dialogue with the business as they make their loan repayments. She added that the number of jobs quoted within the report are actuals and not forecast but if Members would like more feedback, then she was happy to take that on as an action.

In response to a question from Councillor McLeod, Ms Deegan explained the 2.91% is the bad debt rate on the scheme as a whole but she would look into the actual numbers and pass this on. She added that this figure was from March 2023 and since then EL Investments have seen companies under pressure due to the economic environment, so this is something they are keeping an eye on at board meetings.

Councillor Bruce asked what the rationale is behind £25,000 being the current arrangement for loans. Ms Deegan stated out of the 14 loans given this period four of those were at the £25,000 cap and this is something actively discussed at board level. She explained directors are keen to have the minimum level set in a way that's useful for businesses but also need to look at the amount of funds in the investment fund to lend. Ms Deegan said EL Investments gather in loan repayments each month but as they are starting to see some businesses under pressure in the challenging economic environment that it could become more difficult to recover the full loan amount.

Ms Deegan agreed to supply information on how much the gift card scheme costs to administer as she did not have these figures to hand. She noted going forward the scheme is now sitting with East Lothian Council, so she does not know about future arrangements, only the historical contract which has now terminated. Sarah Fortune, Executive Director for Council Resources was happy to gather this information and share with Members of the Committee.

Councillor Menzies asked what percentage of overall funding is loaned at any one time. Ms Deegan explained there is no formal cap on that but tends to hover around the 80% mark to keep 20% of the total loan fund in the bank at any given time due to ongoing administration costs.

Ms Deegan agreed to find out the geographical placement of loans and feedback to the Committee.

Councillor Menzies thanked Ms Deegan for her report.

Decision

The Committee agreed to note the contents of the report.

7. ENJOYLEISURE

A report was submitted by the Chief Executive of Enjoyleisure to set out the financial and operational performance of Enjoyleisure (enjoy) since March 2022, the challenges that enjoy faces in light of the cost-of-living crises and the successes that enjoy has achieved through this period.

Bill Axon, Chief Executive of Enjoyleisure spoke to his report and highlighted the successes and challenges enjoy has faced following COVID including recruitment and energy costs. Robert Fennessy, Finance Officer - Enjoyleisure provided figures for the financial year 2022/23 and confirmed an audit was carried out with an unqualified opinion with five recommendations, four of which have been implemented and one was discussed with the Board and rejected. Mr Fennessy also gave an update on the enjoy budget reporting a healthy position.

Council Trotter asked for examples on what the financial benefits will be to the Council given the ten-year extension to the funding agreement. Mr Axon stated the extension of services enjoy provide with a reduced cost to the council taxpayers of East Lothian along with support they provide to the Council in terms of service delivery and increasing community benefit. He added the access to leisure scheme has been maintained at a level far superior to most other local authorities and groups such as Active Schools and Ageing Well were able to use the facilities at no or very reduced cost.

Responding to a second question from Councillor Trotter, Mr Axon confirmed percentage wise enjoy was in the top quartile in terms of returns and memberships are now close to the higher level of memberships we had pre-covid.

Councillor Bruce asked if Mr Axon thought visitor numbers would return to their pre-covid levels and if so, how long would this take. Mr Axon stated it was hard to know this for casual use but in terms of memberships they were not short of pre-covid levels. He also provided Councillor Bruce with some information on how they have continued to market enjoy and gain new members in the future as well as compile data to show the number of people from the new housing estates using enjoy facilities.

In response to a question from Councillor McFarlane, Mr Axon stated work is being undertaken at the Pilmer Smith Pavilion for it to become fully operational and the hope is it will be open shortly.

Responding to multiple questions from Councillor Menzies, Mr Axon provided information on the strategic partnership between enjoy and the Council to manage issues and customer expectations and explained there will never be a time the Council are not paying something towards the provision of leisure services as it is critical towards its success but enjoy have been working towards reducing that liability from 60% to 30%. He stated enjoy are also partnership working with the NHS have financial and resource investment from them and with their support they hope to expand the scheme which has been trialled in Dunbar. Mr Axon confirmed the Board agreed a general 9.5% increase in charges so enjoy have been able to maintain a reduced rate increase for less active areas to engage in sport and increase costs in busier areas where it is believed this is affordable.

Councillor Bruce thanked him and his team for hosting the Preston Lodge pupils during the times of school closure as this was greatly appreciated by pupils, parents and staff.

Councillor McLeod thanked Mr Axon, Mr Fennessy and Mr Reid for the updates on the Loch Centre.

Councillor Menzies also thanked Mr Axon and Mr Fennessy for their report and information provided today. She also thanked Mr Reid for answering her questions on the Loch Centre during its time of closure. Councillor Menzies highlighted the positivity of the in-house training provided by enjoy.

Decision

Committee agreed to note the contents of the report.

- 8. HEALTH AND SOCIAL CARE PARTNERSHIP RISK REGISTER**
- 9. EDUCATION RISK REGISTER**
- 10. CHILDRENS SERVICES RISK REGISTER**

Reports were submitted by the Chief Executive to present to the Audit and Governance Committee the Health and Social Care Partnership Risk Register, Education Risk Register and Childrens Services 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 Corporate Support Local Risk Working Group, Finance Local Risk Working Group and Infrastructure Local Risk Working Group (LRWG).

Scott Kennedy, Team Manager – Emergency Planning & Resilience 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.

Health and Social Care Partnership

Mr Kennedy updated Members on the current Health and Social Care Partnership Risk Register which contained 15 High and 7 Medium risks. As per the Council's Risk Strategy only the High risks are being reported to Committee.

Councillor Bruce asked what impact the medically assisted treatment standards were having on the number of drug related deaths. David Hood, Health and Social Care Partnership reported the national trend and Lothian are similar so whilst the rate of increase in terms of drug death is lowering there is still a high number of drug deaths. He did not have exact East Lothian figures to hand but agreed to share these after the meeting. Mr Hood stated staff have done well implementing stages one to five and in the process of implementing six to 10 but it remains a challenge reaching the most vulnerable people and unfortunately a number of people have lost their lives without being known to the service. He highlighted the importance of implementing the next steps for trauma and mental health support and stated it was difficult to evidence the correlation between the standards and reduction as the numbers are still not where they would want them.

Responding to a further question from Councillor Bruce, Mr Hood reported on the multiagency work to identify people especially with the police looking at the vulnerable people data base and sharing this information so the outreach team from

the Esk Centre can proactively make contact with people to build relationships and try to get them to engage. He also highlighted the work of third sector workers within the Esk Centre who have lived experience and better links with the community than statutory services may have.

Mr Hood explained at this stage there had been no formal review since the announcement of the draft bill proposed by the Scottish Government and will be completed through the normal risk and review process.

Education

Mr Kennedy updated Members on the current Education Risk Register which contained 8 High, 6 Medium and 1 Low risks. As per the Council's Risk Strategy only the High risks are being reported to Committee.

There were no questions or comments on the Education Risk Register.

Childrens Services

Mr Kennedy updated Members on the current Infrastructure Risk Register which contained 1 Very High, 3 High, 2 Medium and 1 Low risk. As per the Council's Risk Strategy only the Very High and High risks are being reported to Committee.

Councillor McLeod asked if the uplift in foster carer fees would cause a reduction in the risk and can East Lothian now compete with Edinburgh. Ms Lindsey Byrne, Head of Childrens Services stated she would hope for a reduction in the risk, but this would not be instant due to the time it takes to recruit new foster carers. She was confident East Lothian is now in a better position to compete with other local authorities.

In response to a question from Councillor Bruce, Ms Byrne stated she has started to see a change in the Childrens Services budget but it is a demand led service and cannot be predicted but she was confident the department were doing the best they could to reduce the demand in social work and reduce in the number of children who are required to be looked after. She highlighted recruitment is now at a steady rate and the team are committed to the early intervention and prevention strands which will hopefully see a reduce in demand overall.

Councillor Menzies thanked all staff involved in these departments as the need for services is growing while resources are not growing anywhere near the level needed to keep up with demand.

Decision

The Committee agreed to note that:

- i. the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.
- ii. the total profile of the Health and Social Care Partnership/Education/Childrens Services risks can be borne by the Council at this time in relation to the Council's appetite for risk.
- iii. although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer-term risks for Health and Social Care Partnership/Education/Childrens Services 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: 11 June 2024
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Report – June 2024

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 March 2024 to May 2024 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: Agency Workers, CIPFA FM Code and Internal Audit Assurance Statements on Adult Social Care Commissioned Services Forecasting, Bowles Report – Primary School Capacity Shortfall, and Transformation Project Stage Gate Governance Review.
- 3.2 The main objective of the audits were to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audits is contained in Appendix 1.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Agency Workers – Limited Assurance
 - CIPFA FM Code – Reasonable Assurance

- Adult Social Care Commissioned Services Forecasting – Not Graded
- Bowles Report – Primary School Capacity Shortfall – Not Graded
- Transformation Project Stage Gate Governance Review – Not Graded

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

Brunton Theatre Trust

3.5 The Internal Audit report on the Brunton Theatre Trust was issued in September 2023. The report made seven recommendations and progress has been made in implementing all the recommendations. It was agreed that the Council and Trust would move to operate in partnership under a Service Level Agreement (SLA) for 2024/25 and 2025/26. This was to allow the Council and Trust to work together to support the Trust deliver an arts programme outwith The Brunton reflecting the challenges placed on the Trust through the closure of many areas within The Brunton Hall, particularly the theatre and ancillary areas. An initial draft SLA, outlining the partnership arrangements and with performance measures included, was shared by the Council with the Trust in March 2024 and, following feedback from the Trust and amendments made, an updated version was shared in May 2024. It is hoped to have the final agreed SLA in place early in June 2024. The Trust have entered into a new lease with the Council for the use of Haddington Corn Exchange through to 31 March 2025. Onward review of the Trust’s use of remaining spaces within The Brunton Hall, and viability of continuation of the current lease now impacted by the closure of The Bistro/restaurant area within their lease footprint, and use of other stand-alone storage facilities, will progress during 2024/25 linked to review of the Trust’s business plan and financial model for 2024/25 through to 2026/27.

Covid-19 Recovery and Renewal Plan

3.6 The Internal Audit report on the Covid-19 Recovery and Renewal Plan was issued in June 2023. The report made three recommendations, which have all been implemented. The Covid-19 Recovery and Renewal Plan is now closed, and ongoing actions attributed to East Lothian Council have been incorporated into the 2022-2027 Council Plan. We are advised that ongoing actions attributed to the East Lothian Partnership and its strategic or supporting groups will be incorporated into the revised East Lothian Plan (Local Outcome Improvement Plan) when it is revised later in 2024.

HR/Payroll – Recruitment and New Starts

3.7 Internal Audit’s report on HR/Payroll – Recruitment and New Starts was issued in June 2023. Our follow-up review has highlighted that seven of the nine recommendations made have been fully implemented, a recommendation in relation to undertaking a review of the Recruitment and Selection Policy has been delayed until December 2024, the other recommendation on ensuring that Recruiting Managers have completed appropriate training will be considered as part of this review, although existing guidance that at least the panel chair is required to have undertaken recruitment and selection training remains in place.

Climate Change

- 3.8 Internal Audit's report on Climate Change was issued in June 2023. Our follow-up review has highlighted that two of the nine recommendations made have been fully implemented, three have been partially implemented and four have not yet been implemented. It should be noted that the Officer who was responsible for the implementation of many of these recommendations left Council employment during this period and the new Officer appointed was unable to complete a formal handover of responsibilities, as a result some of the recommendations had not been fully explained to the new Officer. However Appendix 2 contains the outstanding recommendations and the new target dates that have been agreed for implementation.

Risk Management

- 3.9 Internal Audit's report on Risk Management was issued in June 2023. Our follow-up review has highlighted that all three of the recommendations made have been implemented.

Housing Management System Replacement Project

- 3.10 Internal Audit's report on the Housing Management System Replacement Project was issued in June 2023. Our follow-up review has highlighted that all four of the recommendations made have not been implemented, however the recommendations are now being superseded by the implementation of the new Project Management Assurance process. The recommendations all related to the required revision of the project business case and approval of this revised business case, this has not been completed, however completion will now be monitored through the stage gate processes being implemented.

Progress Report 2023/24

- 3.11 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
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DATE	31 May 2024

Appendix 1 Executive Summary: Agency Worker & Contractor Use Management

Conclusion: Limited Assurance

The Council has policies, procedures and processes in place to manage the use of agency workers however these do not clearly set out procedures to be followed where an agency worker is required at short notice. Framework contracts are in place through the Scottish Government and Scotland Excel and these are used by the Council, however agency workers are sourced from non-contracted agencies, in some cases as contracted agencies are unable to provide the resource required. No central record is maintained of the agency workers working for the Council nor the length of time they have been employed and there is a risk that agency workers are employed for significant lengths of time without review. The agencies carry out the pre-employment checks on behalf of the Council, however the Council has no compliance process in place to ensure that this always happens.

Background

Where the Council has difficulty in employing or requires short-term staff agencies can be used to fill these gaps in staffing. Approval should be given by senior management before an agency worker can be engaged and a record of how long each worker is employed should be maintained centrally. Agency workers have the same rights as permanent employees in relation to the use of shared facilities and services provided by the employer and that after 12 weeks in the job they qualify for the same rights as someone employed directly and these include amongst others, automatic pension enrolment and paid annual leave.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager – People & Council Support and the Transformation & Digital Portfolio Manager/Service Manager Procurement:**

- There is a need to revise guidance for managers wanting to use agency workers to ensure clear identification of need and clarity on compliance with the authorisation and procurement processes which is inconsistent including 7 of the 14 agencies being employed not being part of the recognised framework contracts and a small number of authorisation forms being submitted in only one directorate of the Council. *Management have agreed to revise the policies, procedures and detailed guidance to be communicated to all council managers by September 2024.*
- While the agencies being used by East Lothian Council state that the pre-employment checks have been carried out effectively, no central list of the required checks is provided to agencies and no regular sample compliance requests for documentation are carried out. *Management have agreed to provide a listing of the required checks and regularly request a sample of supporting documentation to ensure that the checks are being carried out by September 2024.*
- Whilst an authorisation process exists for agency workers this is rarely completed and as a result the Council has no complete list of Agency Workers being utilised and no review is being undertaken of the length of Agency worker use and associated risks. Agency workers have been utilised almost continuously in some Council services for significant periods. *Management have agreed to put in place an appropriate control framework by June 2024.*
- Procedures have not been put in place to ensure that agency workers have to undertake induction or mandatory e-learning modules. *Management have agreed to put procedures in place to ensure the appropriate training is undertaken by June 2024.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	2	6	-	8

Materiality

In the financial year 2022/23 the Council spent approximately £1.6 million on agency staff and in the period to 31/01/24 approximately £2.2 million had been spent on agency staff.

Headlines

Objectives	Conclusion	Comment
1. Clear, accessible, relevant, and appropriate Council policies and procedures are in place, establishing how agency employment is identified, agreed, approved and monitored to meet legislative requirements and reduce financial commitment and risk.	Limited	Detailed guidance does exist covering the framework contracts that the Council should be using to obtain agency workers, the off-Payroll worker (IR35) assessments that are required and an authorisation form that should be completed. However, there is no complete policy or procedural guidance in place and as a result compliance with the guidance is limited and not monitored resulting in significant control risks.
2. Appropriate contracts are in place to provide agency workers when required for all Council services.	Reasonable	The Council has access to appropriately procured agency worker contracts, which are clearly identified on the council intranet, through the Scottish Government and Scotland Excel for Admin, Catering & Manual staff, Professional and IT staff and Social Care staff. However, of the 14 agencies used to 31 October 2023 only 7 of these are contracted through these frameworks. Without appropriate policies and procedures that are monitored the Council is not effectively operating within its control processes.
3. Responsibility for pre-employment checks are clear between the Council and the employing agency within the contracts being used and that compliance with required pre-employment checks are reviewed on a regular basis, all pre-employment checks are at least as high quality as the Council would complete for directly employed staff in the same role.	Limited	All of the contract's state that the public bodies need to set out their own pre-employment validation of worker requirements and we found that in none of the contracts had this been formally notified by the Council. Evidence was available in one service area that a six-monthly form had to be completed by the council to the preferred agency this however was instigated by this agency. Documentation was obtained from a sample of agencies to confirm that the pre-employment checks were being carried out prior to staff working for the Council despite not formally requesting this. No monitoring was being completed by the Council of these checks and reliance was placed purely on agency internal controls.
4. Validation of the employment requirement is authorised appropriately and employing segregation of duties for service management, finance and HR prior to engagement by the Council.	Limited	An Agency Worker Application Form should be authorised by the Head of Service for every agency worker being utilised, however we found that only 11 of these had been completed during 2022/23 and 2023/24. No register of employed agency workers is maintained as a result of this non-compliance with Council processes.
5. Adequate processes are in place to ensure that the use of agency workers is being monitored to ensure that no additional financial risks on National Insurance, Taxation or Pensions are incurred without appropriate authorisation and that agency staff do not accrue permanent employment status	Limited	Following any initial authorisation process undertaken there is no Council process or procedure in place for any regular review of the continued use of agency workers and without a register of agency workers no capability to monitor compliance with reviews if put in place. Recommendations have been made and accepted to ensure that both a regular review process is put in place and the creation and maintenance of a list of agency workers that have been utilised by the Council.

Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	Three contracts have been put in place covering Admin, Catering & Manual staff, Professional & IT staff and Social Care staff. Each of the non-social work contracts contain 4 agencies and the social work contract contains 16 agencies.
2.	Management informed all services once the new contracts had been agreed and in some cases the former agencies themselves informed services that they could no longer provide staff.
3.	As part of the pre-employment checks process the agencies carry out PVG checks, residence checks and confirmation of SSSC and HCPC where appropriate.

Recommendation Grading/Overall opinion definitions

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

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

Executive Summary: Financial Sustainability – CIPFA FM Code

Conclusion: Reasonable Assurance

The internal controls in place for Financial Sustainability – CIPFA FM Code are generally reliable, however there are some improvements that can be made to provide a fully effective control process, including formally adopting the principles of the CIPFA FM Code, a folder of supporting evidence or a lead schedule being maintained for the assessment of the Council’s compliance with the CIPFA FM Code and the development of a review process to ensure that all actions are appropriately followed up and reported to the Audit and Governance Committee.

Background

The Financial Management Code (FM Code) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the CIPFA FM Code sets out the standards of financial management for local authorities. CIPFA considers compliance with the requirements of the FM Code to be the collective responsibility of each local authority’s leadership team and the Council has undertaken an assessment of their compliance with the CIPFA FM Code, with the findings being reported to the Audit and Governance Committee on 26 September 2023. This audit will confirm the extent to which the CIPFA FM standards are embedded within East Lothian Council’s financial management processes.

Summary of findings & recommendations

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

- East Lothian Council has been working to the CIPFA FM Code to support good practice in financial management and to assist with demonstrating financial sustainability, however it has not formally adopted the CIPFA FM Code. *Management have agreed to prepare a report to the Audit and Governance Committee recommending that the Council formally adopts the principles of the CIPFA FM Code **by September 2024**.*
- While an assessment of the Council’s compliance with the CIPFA FM Code has been undertaken, a folder of evidence or a lead schedule had not been maintained by the Finance Section in support of the assessment. *Management have agreed to update the assessment of the CIPFA FM Code with hyperlinks that are cross referenced to the relevant documentation for each standard **by September 2024**.*
- The Finance Section have yet to review that the actions approved are appropriately implemented and report to the Audit and Governance Committee. *Management have agreed to undertake a review of the proposed actions, which will be presented to the Audit and Governance Committee **by September 2024**.*
- A review of three CIPFA FM standards highlighted scope for improvement and in each case a recommendation was made to enhance conformance. *Management have agreed to further improve compliance with the standards and will implement the recommendations **by February 2025**.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	7	-	7
Prior Report	N/A	N/A	N/A	N/A*

* No prior report exists for Financial Sustainability – CIPFA FM Code.

Materiality

The Council had a General Services Revenue budget of approximately £286 million for financial year 2023/24. The budgeted surplus for the Housing Revenue Account for 2023/24 was forecast at £1.5 million. The budgeted capital expenditure for 2023/24 was approximately £98.9 million for General Services and £33.96 million for the Housing Revenue Account.

Headlines

Objectives	Conclusion	Comments
1. The CIPFA FM Code has been formally adopted by East Lothian Council.	Reasonable	The Financial Management Code (FM Code) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) is designed to support good practice in financial management and to assist local authorities in demonstrating financial sustainability. A report was presented to the Audit and Governance Committee on 26 September 2023 requesting that members note the assessment undertaken on the Council's compliance with the Financial Management Code and the proposed actions for improvement, however the report did not recommend that the Council formally adopts the principles of the CIPFA FM Code. We found instances of other local authorities in Scotland reporting on the adoption of the CIPFA FM Code at an earlier stage e.g. West Lothian Council formally adopted the CIPFA FM Code in February 2021 with the target of full compliance by financial reporting year 2021/22.
2. Arrangements are in place to comply with the relevant CIPFA financial management standards.	Reasonable	The CIPFA FM Code has 17 financial management standards in total, we selected a sample of three standards and checked to ensure that the Council has appropriate arrangements in place to comply. FM standard K requires that the budget report includes a statement by the Chief Finance Officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves. We found that there was in depth analysis and reporting on reserves in both the Council's Financial Strategy and the Budget Development Report for 2023/24 – 2027/28, however there was no specific statement from the Chief Finance Officer on the robustness of estimates or a statement on the adequacy of the proposed financial reserves. FM standard D states that the authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). The Council have adopted the principles of good governance by undertaking a self-evaluation based on the principles of the framework, however the Council have not developed and maintained an up-to-date local code of governance for CIPFA FM standard D. FM Standard G states that the authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members. The Council has a Financial Strategy in place for the period from 2023 to 2028, however the CIPFA FM Code suggests that a longer-term strategic financial vision should be developed.
3. Regular reviews are undertaken to assess the Council's ongoing compliance with the CIPFA FM Code.	Reasonable	A report on the Council's compliance with the CIPFA FM Code was presented to the Audit and Governance Committee on 26 September 2023, which concluded that the Council was complying with the seven principles of the CIPFA FM Code, however scope for improvement was identified in some areas. We were informed that a folder of evidence or a lead schedule (cross referenced to the key documents) had not been maintained by the Finance Section in support of the assessment.
4. Processes are in place to enhance controls where the Council has identified areas of non-compliance.	Reasonable	The report assessing the Council's compliance with the CIPFA FM Code identified a total of eight actions for improvement, which were each allocated a responsible officer and target date. However, a review process requires to be developed to ensure that the actions are followed-up and reported to an appropriate governance forum in the Council e.g. the Audit and Governance Committee.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	A review of the Council's compliance with the CIPFA FM Code has been undertaken and the findings were reported to the Audit and Governance Committee on 26 September 2023.
2.	The self-assessment concluded that the Council was complying with a number of the standards in the CIPFA FM Code, including the CIPFA Prudential Code for Capital Finance in Local Authorities.

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.



East Lothian Council Internal Audit Interim Assurance Statement

From:	Duncan Stainbank, Service Manager – Internal Audit Stuart Allan, Senior Auditor Liz Gray, Senior Audit Assistant
To:	Sarah Fortune, Executive Director for Council Resources Fiona Wilson, Chief Officer ELIJB Ellie Dunnet, Head of Finance David Hood, Head of Operations
Date:	28 May 2024

Adult Social Care Commissioned Services Forecasting

1. Background

Issues in providing accurate forecasting of expenditure in relation to commissioned services within Adult Social Care within East Lothian Council (ELC) have been reported during both the 2022/23 and 2023/24 financial years and in previous years. Whilst additional resources have been put in place within the central finance and the adult social care finance teams coming towards the 2023/24 year-end concerns over the forecasting remain from Health & Social Care Partnership (HSCP) Management.

Concerns have been expressed that forecast expenditure for the final two months of the year appear to be higher than the current running rate for expenditure for the year. Expenditure on Commissioned Services to end of Month 10 was £30.8m with a year-end projection of £47.65m. In a number of areas there appear to be delays in expenditure being recognised e.g. expenditure invoicing that impacts on certainty of forecasting.

At a meeting on 19 February 2024, it was agreed that there would be two key Internal Audit actions in relation to resolving this issue, being:

1. Internal Audit would review the current year-end forecasts in depth to establish if assumptions made in year-end forecasting can be accurately verified to base documentation or require to be altered, including:
 - Is the care package information recorded in Mosaic and used to inform the year-end forecast up to date and changes recorded in a timely manner;
 - Is the process of accounting for variations in care packages actually delivered sufficiently robust to inform accurate year-end forecasts; and
 - Is the reporting information and processes used to inform year-end forecasts sufficiently robust to provide accurate year-end forecasts.
2. Internal Audit will review processes to ascertain any delays in invoicing to understand if there are delays and request expedited invoices and reasons for any delays.

2. Forecasting Process

Adult Social Care expenditure forecasting begins with commitments that have been raised in the Social Care Mosaic system. Commitments are packages of care that have been authorised for expenditure through external provision of care services and associated costs including transport costs. These committed costs change as new clients are assessed for packages of care and existing clients stop receiving packages or they are altered. A series of adjustments are then made to the committed costs that are recorded in Mosaic in arriving at an overall forecast for the end of the year, these are:

- a) When invoices have been received for care provided then variations on the invoices, either higher than expected payments, or more often lower than expected payments will be reflected in the forecast. Finance will extrapolate changes when clear that they will continue in the forecast to the end of the financial year, until Social Care management and staff make appropriate permanent changes to care packages. These variations are reflected within the forecast, with 2023/24 being the first year that they have been included within the forecast and this is a significant improvement.
- b) Specific finance adjustments will be made when they are aware of specific changes such as Direct Payment clawbacks, client transitions (children to adults), additional costs not yet paid (interim care beds) or larger packages of care that are not being delivered or have not yet been invoiced for. These changes are based on advice from the service areas as part of regular ongoing discussions but remain only as accurate as the information available.
- c) Information provided from quarterly reconciliations of commitments against the invoices being received that identify some of the adjustments that are made in b) above. This was last completed for information at the end of period 9 of the 2023/24 financial year.

One of the key items of financial processing that impacts on these adjustments is that actual expenditure is recognised on payment of an invoice. As invoice provision only occurs after the care has been provided and is mostly on a four weekly or monthly basis with the Council having a target of paying invoices within 30 days (with LGBF showing a 2022/23 achievement of 88% against this target up from 83% for the prior year), this results in expenditure recorded as actual in period 10, being mainly expenditure incurred in period 9 or prior periods. Variations identified also then relate to this earlier period, however Finance use these previous variations to predict future variations to amend the overall forecast accordingly but can only complete this when invoices are processed.

3. Findings

Internal Audit reviewed a small sample of the variations on the invoices and found them to be correct to the variations identified. However, it is noted that there are issues with this process in that this only adjusts for variations for current invoices received. Therefore, if commitments are not adjusted as a result of the identified variations, then this still carries forward incorrect information within the future period commitments, this cannot be assumed by Finance as variations in a prior period may be as a result of slow set up of care package, breaks in the package or staff shortages that will not continue into future periods. In addition, the variation report will not pick up variations if no invoice has been received. One example for the P11 forecast highlights the issue in that the client has a forecast expenditure of £37,753 with actual expenditure for the year of £40. On review a care package of £688.45 a week for 1:1 support from a provider had been put in place for this client totalling £35,799.40. As this care plan had not been reviewed the social worker was unaware that this package was not being provided and the provider has recently confirmed that it was not required. However, no variations were identified as no invoicing has been received.

In a further case, there was P11 forecast expenditure of £77,477 with actual expenditure of £22,656. Variations had not been identified as no invoices have been paid since April 2023. However, there are invoices that are in dispute for this client, but no adjustments have been made to the forecast and there is no register of disputed invoices that would provide further information to review the current forecast against these clients. Internal Audit understand that invoice payments may be made on this client shortly so actual figures can be updated.

Adult Social Care service managers receive regular budget information on a monthly basis, however they are only requested to confirm that they agree with their service forecasts at months 3, 6 and 9. Interviews with Social Work service managers indicated that whilst they may sign-off on the forecasts they were not suitably knowledgeable concerning the information that they were being provided with to understand fully the implications of the forecasts that they are being asked to comment upon. However, they did indicate that they found regular meetings with Finance staff to be more useful.

It is noted that Social Work managers do meet with their appropriate Finance contact on a monthly basis and financial overview meetings are held on a monthly basis. Opportunities are provided for appropriate discussion and agreement of forecasts provided.

We do not believe that there is a full set of procedures identifying timelines for completing systems updates in place across Social Work and Finance to provide month end clarity on forecast processes.

During the course of the work completed Internal Audit staff noted that some of the budgets for commissioned services had not been set in accordance with the realised expenditure, for example Learning Disabilities External Hire has a budget of £100k, but actual expenditure of £499K and a P11 forecast of £610K. The overall Support Services budget was £1.64 million however the P11 forecast is £3.2 million, although this potentially mirrors the Care at Home service that had a budget of £21.9 million yet has a P11 forecast of £20.1 million. It is understood that there is no in-year process to vary budgets formally in order to make budget reports more meaningful.

4. Conclusions

The East Lothian Council Adult Services commissioned services expenditure forecast process can identify a larger than likely forecast expenditure at the beginning of the year based on full provision of all commissioned services as recorded on Mosaic. As awareness increases of the actual expenditure incurred then the overall forecast for year-end expenditure is reduced.

As actual expenditure is based on paid invoices and not accrued expenditure estimates, then actual expenditure recorded will remain out of date and inaccurate against expenditure that has been actually incurred, this increases the reliance on an accurate forecast. Genuine increases or decreases in client numbers and care package changes will be reflected in the forecast when these have been added to the Mosaic system.

Improvements have been made in 2023/24 in the forecasting being completed, however further improvements are required that will require the full support of both Adult Social Care and Finance management and staff. It is vital that information in Mosaic on care packages is up to date and accurate, with monitoring of invoices not being received and packages with lower or no expenditure being reconciled and reviewed by Social Work management on a monthly basis.

East Lothian Council finance systems require significant upgrading and do not support a full commitment accounting process currently, however if this is implemented even more reliance will be

placed on Social Work data from the Mosaic system to provide accurate forecasts of actual expenditure on a monthly basis.

5. Recommendations

Recommendation 1: Following monthly variations reporting of invoices Social Work management should be required to review and update all care plans on Mosaic for invoices showing significant variances, Senior Social Work management should oversee completion of this exercise on a monthly basis.

Responsible Officer: David Hood, Head of Operations

Management Response & Timescale: Head of Operations will establish an initial working group including HSCP and Finance colleagues to review monthly reporting of variations, agree thresholds for reviewing of significant variances and timely update of Mosaic. **Timescale: 30 June 2024**

Recommendation 2: Mosaic to invoice reconciliations should be completed on a monthly basis and Social Work Management should be required to review and update all care plans on Mosaic for care plans showing significant variances, including where no invoices have been received, Senior Social Work management should oversee completion of this exercise on a monthly basis.

Responsible Officer: David Hood, Head of Operations

Management Response & Timescale: Head of Operations will establish an initial working group including HSCP and Finance colleagues to review monthly reporting of invoice reconciliations and outstanding invoices, agree thresholds for reviewing of significant variances and timely update of Mosaic. **Timescale: 30 June 2024**

Recommendation 3: Adult Social Work should maintain a listing of disputed invoices including the forecast values, estimated values that should be paid and currently invoiced values being disputed. This listing should be shared with Finance as part of a month end process.

Responsible Officer: David Hood, Head of Operations

Management Response & Timescale: HSCP Mosaic Team will update current reporting arrangements to include those invoices in dispute. These will then be reviewed by value and if material reviewed and Mosaic updated if required. **Timescale: July 2024**

Recommendation 4: A month end timetable should be developed between Adult Social Work and Finance staff indicating when tasks are expected to be completed in order to provide the most up to date forecast back to management with accurate and up to date data.

Responsible Officer: David Hood, Head of Operations & Ellie Dunnet, Head of Finance

Management Response & Timescale: Revised month end timetables are being developed within Finance for the beginning of the 2024/25 financial year. Updated Commissioning reporting timetable will also be developed in conjunction with Finance and HSCP teams to include outputs of other recommendations: **Timescale: August 2024**

Recommendation 5: Planned improved forecasting reporting should be implemented by Finance with Adult Social Care management and be brought in with enhanced training on forecast reporting and management, with both Finance and Adult Social Work Management training on new processes together.

Responsible Officer: David Hood, Head of Operations & Ellie Dunnet, Head of Finance

Management Response & Timescale: Finance are developing a package of training for the 2024/25 financial year that will incorporate this. This will be supported through the HSCP management team and training on roll out of any new processes. **Timescale: Autumn 2024**

Recommendation 6: As part of the month 6 meetings in relation to budget monitoring in Adult Social Care consideration of viring budget from one code to another should be given where significant variances in the expected use of budgets are noted, this process will not increase the overall social care budget in any way. Future budget monitoring reports should be against the revised budget.

Responsible Officer: David Hood, Head of Operations & Ellie Dunnet, Head of Finance

Management Response & Timescale: Finance are ensuring that budgets being entered onto the ledger are as accurate as possible and will work with Social Care Management to consider any in-year adjustments that may be required. **Timescale: Ongoing**

Recommendation 7: As part of any new finance system implementation within East Lothian Council a system should be purchased that allows for a full commitment-based accounting, in conjunction with Mosaic changes, as required to provide a pathway to obtain more accurate actual expenditure on a monthly basis.

Responsible Officer: Ellie Dunnet, Head of Finance

Management Response & Timescale: This will be considered as part of any financial systems project.



East Lothian Council Internal Audit Memo

From:	Duncan Stainbank, Service Manager – Internal Audit Andrew Steven, Senior Auditor
To:	Sarah Fortune, Executive Director for Council Resources Lesley Brown, Executive Director for Education and Children’s Services
Date:	03 rd June 2024

Bowles Report – Primary School Capacity

1. Background

The housing development at Dargavel in Renfrewshire progressed into one of the largest housing developments in Scotland and following a report presented to the Education and Children’s Services Policy Board of Renfrewshire Council highlighting a significant projected shortfall in the capacity at Dargavel Primary School, an independent external review was requested by the Chief Executive of Renfrewshire Council.

The independent review was subsequently undertaken by David Bowles and a report on the Dargavel Primary School Capacity Shortfall was issued in June 2023, an action plan was developed with all the recommendations being agreed by Management. However, following a review of the 2022/23 Annual Audit Report for Renfrewshire Council and the findings of the independent review, the Controller of Audit referred the issues identified to the Accounts Commission.

The referral by the Controller of Audit, resulted in a report being issued by the Accounts Commission in January 2024, which concluded that the Commission was concerned that significant risks remain in relation to actions the Council was taking in response to the acknowledged failings and that its governance and scrutiny arrangements would continue to be monitored. Local authorities in Scotland have been urged to note the findings from the reports and consider how improvements can be made to their own processes.

Following discussions with the Executive Director for Council Resources and the Executive Director for Education and Children’s Services, Internal Audit were asked to review the approach adopted by the Council when projecting the required future school capacity relating to any proposed new housing developments in East Lothian.

This assurance review will consider the failings identified in the Bowles Report, together with the associated recommendations and will measure them against the governance, risk and control framework within East Lothian Council.

2. Findings

For the key objectives, the following points were noted:

The Methodology for Forecasting Pupil Numbers

When assessing planning applications for major housing developments, Education use the most up to date information available within the MIS (SEEMIS) system for relevant schools and catchment areas. This data includes the latest school rolls, pupil enrolments/leavers (including pre-school as relevant), pupil address data, potential P1 deferrals, and P1 and S1 intake data.

The main annual pupil roll projections are produced from the latest validated baseline data for each data source and the Council's Housing Land Audit (HLA), which is based on completion rates from sites and discussions with developers and landowners in respect of individual housing sites – either with planning permission or allocated in the East Lothian Local Development Plan (LDP).

The projections will include any updates from the NHS on data relating to births across East Lothian, (this has a significant impact on the baseline birth to P1 migration rate in the catchment areas), the trends for the migration of people into East Lothian from other areas are also factored into the projections.

The new build/child house ratio applied in East Lothian is 0.356 for primary schools where there is no denominational school in the cluster and 0.16 for secondary schools, which are fed into the annual pupil roll projections, whilst taking into consideration a number of the variables highlighted above. However, we are informed that a review has not been undertaken of the new build/child house ratios for approximately ten years. For comparison the Bowles Report stated that an average of 0.136 pupils per residential unit had been applied in the projections for Dargavel Primary School in Renfrewshire.

When forecasting the pupil numbers for major new housing developments, Education receives the latest projections for expected yearly house completions and will use past experience from housing developments of a similar size as a guide for the calculation of the P1 intake rate from the number of houses e.g. the Letham Mains actual year 4 rate of 0.024 had been applied for the year 4 primary school projections at Blindwells.

We found that the projected year 6 P1 intake rate for Blindwells was 0.043, however the figure subsequently dropped to 0.031 in year 7, this did not appear to be in line with some other similar housing developments and following discussions with relevant staff it was agreed that the P1 intake rate for year 7 at Blindwells and potentially the following two years (year 8 – 0.030 and year 9 – 0.026) may require review and that this will be undertaken as part of the annual review process.

Currently Education use a formula when calculating the number of new pupils expected from the yearly housing completions in any given year as follows – expected number of house completions for the year multiplied by the new build/child house ratio divided by seven. This implies an even spread of new pupils between classes P1 to P7, however this will not necessarily be the case and a more nuanced approach may be required moving forward (weighted to earlier pupil year groups where applicable).

For projections relating to major new housing developments in school catchment areas with no existing pupil demographic including Blindwells, Education use a much lower new build/child house ratio in the earlier years, again drawing from past experience (e.g. for years 2024/25 and 2025/26 projections at Blindwells, the new build/child house ratio applied was based on Letham Mains – 0.14 and 0.19 respectively). However, we were informed that the new build/child house ratio for years 2026/27 and 2027/28 at Blindwells of 0.22 and 0.28 will be reviewed further and this will be undertaken as part of the annual review process. In addition, we were advised that the new build/child house ratio from 2028/29 onwards of 0.336 is based on the standard new build/child house ratio of 0.356 less 0.020 for a denominational school being in the cluster.

A further adjustment is carried out once the P1 intake has been established and the projected number of new pupils is added (split between classes P1 to P7), we found that Education apply a net stage migration rate to the end of session rolls, which predicts the percentage of pupils that will transfer to the next academic year in the school (this migration rate excludes the new pupils calculated in the earlier formula using the new build/child house ratio to avoid double counting). Again, this is based on past experience from similar housing developments (e.g. the Letham Mains actual year 3 net stage migration rate of 0.95 had been applied for the year 3 projections at Blindwells). However, in the year the new primary school building is anticipated to open (2025), a higher migration rate of 1.05 has been applied to factor in pupils already living in the catchment area potentially moving from other schools.

The mainstream classes for Blindwells excluded any projected specialist provision classes that may also be required, we were advised that the Council did not initially plan for specialist ASN provision at Blindwells, however the ASN profile has grown and changed across the county and the projections will now need to track ASN needs (stages 1, 2 and 3) to establish what additional class spaces may be required for such provision.

From our review of the Blindwells' pupil roll projections, we found that independent checks had not been undertaken on the underlying assumptions and calculations, and currently the Council is reliant on one member of staff for predicting the required future school capacity relating to major new housing developments.

Different Types of Development and Housing

A developer may specify that a percentage of properties will be built for older people, and these houses will not be taken into consideration when projecting pupil numbers.

The Local Development Plan requires developers to build at least 25% of the units as affordable housing, for Blindwells 30% of the new build residential units will be affordable housing. The Bowles Report suggested that social housing units may produce a higher pupil yield, well in excess of the average, however, the specific impact of social housing was not factored into the projections undertaken by Education for Blindwells. For different housing types (e.g. terraced houses, semi-detached houses, detached houses and blocks of flats), no distinction is made between the size of the properties in the pupil roll projections, and they are all included when calculating the developer contributions required for Education.

The Council has a specialised skills set for projecting pupil numbers in comparison to some other local authorities in Scotland, however Senior Management and Governance Frameworks should continue to consider whether the Council could utilise specialist analytical support specifically for large or unusual housing developments.

Expected Pupil Capacity and Educational Need

Education will consider any planning application from a housing developer in respect of its impact on the provision of educational capacity.

The Council has a duty under the Education (Scotland) Act 1980 to secure for their area adequate and efficient provision of school education. In addition, the Council also has a duty under the Local Government etc. (Scotland) Act 1994 to make proper arrangements for securing economy, efficiency and effectiveness in their use of resources.

We were informed that the Council will only permit new developments where the developer makes appropriate provision for the infrastructure, educational and community facilities that are required as

a consequence of their development, and any planning permission granted will place a limit on the developer's annual housing completion rate.

The pupil roll projections have a major impact in assessing the developer contributions and for sites where no educational facilities exist (e.g. Blindwells), the S75 agreement requires the developer to contribute towards new permanent pre-school and primary school facilities. The latest projections at Blindwells for primary school pupils predict a peak capacity of 510 pupils in year 2035/36 requiring a total of 19 classes, in later years the numbers are forecast to reduce reaching 354 pupils (14 classes) by 2041/42.

For the development of 1,600 housing units at Blindwells the developer contributions required were £15,795,000 in respect of the primary school, with £30,000 for the temporary Blindwells Primary School hosted at Cockenzie Primary School and £125,000 for the provision of additional educational capacity at St Gabriel's RC Primary School.

The building of the new Blindwells Primary School will only include 14 classes in the first phase, however the dining room and sports facilities etc. will be of sufficient size to accommodate a further five classes in a second phase if necessary.

Within the constraints of the current financial climate, we were advised that the Learning Estate Project Board actively considers whether temporary units can be utilised to cover or partially cover short term peak capacity (assuming there are adequate other facilities available), rather than building a permanent extension to meet the full peak capacity.

Where educational facilities exist within the catchment area, the pupil projections from the new housing development will be compared with the existing educational capacity. The projections for secondary education at Blindwells were incorporated into Preston Lodge High School and the estimated peak capacity was forecast at 1,254 pupils by 2042/43, taking into consideration Blindwells, the housing development at Longniddry and other feeder schools. For the extension relating to the Blindwells development, the developer was required to make contributions of £6,346,688 towards the provision of additional secondary education accommodation at Preston Lodge High School.

Developer Contributions Supplementary Guidance

The planning system allows mitigation to be sought from developers towards delivering infrastructure capacity as a result of their development or to make the development more acceptable. The Council approved the Local Development Plan Supplementary Guidance: Developer Contributions Framework in 2018.

The Supplementary Guidance was prepared to assist landowners, developers and applicants, and sets out the items and circumstances for which financial contributions will be sought to make the proposed development acceptable in planning terms, including capacity for a transport network, education facilities, affordable housing, sports facilities, environmental mitigation and health and social care facilities, however from our review we found that the guidance requires to be brought up to date and there is no provision within the guidance relating to education for ASN.

We found that paragraph 4.17 of the Supplementary Guidance enables the Council to review educational contributions costs and recently the School Estate Planning Officer, the Infrastructure Service Manager and the Planning Obligations Officer liaised to update the contribution levels for Musselburgh Secondary cluster schools and Whitecraig Primary School based on actual contract costs, which will be applied to all new planning applications within these catchments on a proportional basis. The indexation for the updated costs will be applied from the new assessment date, rather than from Q1 2019 when the Supplementary Guidance was adopted.

Internal Governance Structures and Local Community Consultation

A formal statutory schools' consultation took place for the establishment of a new primary school at Blindwells and the proposed change to the Preston Lodge High School catchment area in accordance with the Schools (Consultation) (Scotland) Act 2010, and the proposals were formally approved by Council on 28 March 2017.

The Blindwells education catchment area was agreed during the development of the Local Development Plan (LDP1), and where a major housing development is proposed, the applicant must firstly undertake pre-application consultation with the local community. We were informed that it is the responsibility of the Planning Service to decide if the proposals for pre-application consultation contained in the Proposal of Application Notice are acceptable or not.

Once a planning application has been registered, the Planning Service will notify neighbours and consult with the local Community Council where a proposed development is likely to affect the amenity in the area. The Planning Service also undertake extensive engagement with local communities, in respect of the development of the Local Development Plan and other strategies.

When a planning application is submitted to the Council for a housing development, the Council's Planning Service will consult with the relevant service areas (e.g. Education, Environmental Health, Housing, Roads and Amenity Services) by informing them of the planning application and requesting comments on the application within 14 days. The School Estate Planning Officer within Infrastructure liaises with the Principal Officer (Performance Analysis and Research) and the Planning Obligations Officer on pupil roll projections and capacity requirements. Education formally respond by letter to the Planning Service, and if they deem that additional capacity is required for education, they will specify that the applicant must be willing to commit to a S75 developer agreement tied specifically to increasing education capacity (this response specifies pupil projections and costs following liaison with the Strategic Asset and Capital Plan Management Team). The Planning Service may also consult with external organisations including SEPA, Scottish Water and Transport Scotland.

The Planning Service collate all the responses from service areas into an Officer's Report, which is provided to members to assist in making the final planning decision. The application will be determined in accordance with the Council's Standing Orders, and where the application goes to the Planning Committee any parties who have submitted representation will have the opportunity to make a five-minute presentation to the Committee before a decision is taken (a maximum of three objecting and three in support). In addition, Community Councils will be given the opportunity to address the Committee, regardless of whether they have submitted a written representation on the planning application under consideration. Planning permission will not be granted until any necessary S75 developer agreement has been concluded and registered.

We were informed that once the application for the new housing development is approved through the Planning Framework any recommendations for live projects are passed through the Learning Estate Project Team (LEPT) and up to the Learning Estate Project Board for approval. Furthermore, some decisions from the Learning Estate Project Board feed into the Corporate Asset Group (CAG).

Management of the Risks in S75 Developer Agreements

The Council has a framework in place in relation to major housing developments for identifying and monitoring the associated risks, including changes in pupil roll projections, non or lower payment of developer contributions, inflationary costs or additional asset requirements.

The pupil projections for major housing sites are reviewed annually following the agreement of S75 developer contributions and we are advised that the pupil roll projections for Blindwells are lower

than initially expected. We were informed that this does not impact on the S75 developer contributions, however any unspent contributions will have to be returned to the applicant if the contributions date expires.

The Learning Estate Project Team review and support the operational teams with live capital projects to their completion. We were advised that Service Managers on this group ensure that proper consideration is given to the development of school provision for pupils ranging from three years old to eighteen years old in line with the Council's Learning Estate Strategy (LES).

Any issues or concerns regarding major housing developments can be raised by officers at the Education funding meetings held between the Planning Obligations Officer and Finance or at the meetings of the Learning Estate Project Team. Where the issues are serious or require to be escalated, they will be passed up to the Learning Estate Project Board and a paper may be prepared and circulated to all Learning Estate Project Board members for consideration and a decision.

The S75 developer contributions are subject to indexation using the BCIS All-in Tender Price Index. In estimating the costs of new schools and extensions, the Council uses the Scottish Futures Trust (SFT) metric costs – the SFT metric costs have been adjusted twice since the Council initially estimated the costs for a number of school projects in LDP1, and these increases in costs have significantly outweighed the increases in indexation.

This has resulted in significant funding gaps for new schools at Blindwells, Craighall and Whitecraig, where developer contributions were secured at approximately £3,000 per m², while construction costs have risen to approximately £5,800 per m² in Q4 of 2023. However, we were informed that S75 developer agreements do not include a clause to protect the Council against the risk of any unexpected or unusual increases in construction costs.

3. Conclusion

Based on our review, the approach adopted within the Council for pupil roll projections from major housing developments is considered reasonable, however some improvements can be made to ensure that the Council has a fully effective process in place.

4. Recommendations

Recommendation 1: Management should undertake a review of the new build/child house ratios used in the annual pupil roll projections to ensure that they remain accurate and up to date.

Management Response

Agreed – a review is planned; however, we continue to benchmark our new build/child house ratios with other local authorities in Scotland.

Responsible Officer and Target Date

Principal Officer (Performance Analysis and Research)

September 2024

Recommendation 2: For projections of new primary school pupils expected from the yearly house completions in any academic year, consideration should be given to applying a more nuanced approach (weighted to earlier pupil year groups where applicable), rather than assuming an even spread between classes P1 to P7.

Management Response

Agreed – a review of the projections will be undertaken, however the approach adopted will be dependent on the relevant catchment area.

Responsible Officer and Target Date

Principal Officer (Performance Analysis and Research)

December 2024

Recommendation 3: Consideration should be given to incorporating ASN needs into the pupil roll projections to ensure that any additional class spaces required are identified.

Management Response

Agreed – due to changes in the ASN profile, processes are already being developed for tracking ASN needs and this provision will be incorporated into the Blindwells' pupil roll projections.

Responsible Officer and Target Date

Head of Education

December 2024

Recommendation 4: A person independent of processing should review the underlying assumptions and calculations used in the pupil roll projections for new housing developments.

Management Response

Agreed – appropriate checks on the assumptions and calculations will be undertaken by a person independent of processing.

Responsible Officer and Target Date

Head of Education

December 2024

Recommendation 5: Consideration should be given to training an additional member of staff on pupil roll projections to ensure the Council is not solely reliant on one member of staff.

Management Response

Agreed – as part of the upcoming service review, an additional member of staff will be provided with refresher training on pupil roll projections.

Responsible Officer and Target Date

Head of Education

December 2024

Recommendation 6: Senior Management and Governance Frameworks should continue to consider whether the Council could utilise specialist analytical support for large or unusual housing developments.

Management Response

Agreed – the Learning Estate Project Board will consider the size and type of housing developments that would potentially trigger the use of specialist analytical support.

Responsible Officer and Target Date

Executive Director for Education and Children’s Services

December 2024

Recommendation 7: Management should undertake a review of the Supplementary Guidance: Developer Contributions Framework to ensure that it is brought up to date and includes the education provision for ASN.

Management Response

Agreed – the guidance will be updated in conjunction with the development of LDP2.

Responsible Officer and Target Date

Planning Obligations Officer/LDP Team

April 2026

Recommendation 8: Consideration should be given to including a clause in S75 developer agreements to protect the Council against the risk of any unusual or unexpected increases in construction costs e.g. large increases in the price of materials or additional legislative requirements for climate change.

Management Response

Agreed – we will liaise with our external legal consultant on the possibility of including a clause in S75 developer agreements.

Responsible Officer and Target Date

Service Manager – Planning/Planning Obligations Officer

Ongoing



Draft East Lothian Council Internal Audit Assurance Statement

From:	Duncan Stainbank, Service Manager – Internal Audit Stuart Allan, Senior Auditor
To:	Sarah Fortune, Executive Director for Council Resources Ellie Dunnet, Head of Finance Michelle Cockburn, Transformation & Digital Portfolio Manager
Date:	29 May 2024

Transformation Project Stage Gate Governance Review

1. Background

The East Lothian Council Executive Transformation Team identified that they wished to develop an updated governance process for their Transformation Projects during 2024. This governance process would implement stage gate reviews for ongoing transformation projects to ensure that the projects had appropriate challenge and authorisation before moving to the next stage of project delivery.

To assess the current transformation projects the Transformation & Digital Portfolio Manager agreed with the Executive Transformation Team that the projects currently in development would be assessed against an appropriate stage to identify any gaps between current project management methodology and the proposed new framework. To ensure greater assurance in the process undertaken, the first group of projects assessed were completed in partnership with Internal Audit.

The following projects formed part of the initial assessment group:

- Housing Management Systems Replacement Project
- Redesign of Print & Mail
- TSfC: One Council Commissioning
- TSfC: Aftercare – Positive Destinations
- Let's & Bookings
- Parking Charges
- Brunton Theatre Trust
- Corporate Asset Review

This includes the Corporate Asset Management Project that had originally been planned for an internal audit review of project management. This assessment, as agreed at the March 2024 Audit and Governance Committee meeting, supersedes the need for an internal audit as the project governance has been covered as part of this process.

2. Findings

Each project selected was assessed in relation to the stage gate prior to the assessed stage of the project. Assessment was based on submitted information provided by the project manager for each project and a short report was provided to each project manager with suggested actions to meet the

new requirements of the governance process and recommended to be in place prior to the next project stage.

Key summary findings that related to many of the projects are as follows:

- Written business cases were not in place for all, apart from two of the projects as a whole and in these cases (Housing Management System, TSfC: Aftercare – Positive Destinations) the business cases required to be updated following significant changes to the project. Business cases have been written for phases of the parking charges project, but not for the project as a whole. Approaches on utilising business case documentation by project boards has been inconsistent, however business cases provide the documented consideration of the continued benefits of any project and should be updated following significant changes, to demonstrate that due consideration has been given to continuing with any project. It should however be noted that some of the projects are at stages where a business case cannot yet be developed in full as more information on project benefits and outcomes are required before development of a business case.
- Most projects had regular project board meetings and communication within the project teams was regular and informed by a project update briefing from the project manager.
- Communication plans were in place when communication was a key element of the project.
- As a result of business cases not being developed for projects, few projects had up to date SMART objectives, particularly lacking a timing element for the expected benefits. Maintaining open timescales on outcomes is appropriate within the project initiation documentation (PID) used in the initial project phases, however many of the projects had project plans focusing on specific deliverables without timescales on specific objective outcomes, and as such the success of project delivery cannot be assessed.
- Project risk management logs were found mainly to be in place, however best practice project management would recommend use of a RAID log combining Risks, Assumptions, Issues and Dependencies. East Lothian Council operates a RAID log template; however, this was rarely used beyond risk management, which is well embedded within the project management processes.

3. Conclusions

Project management across the Council has been completed with a specific expectation of the project documentation to manage against. Each project reviewed had substantial documentation on the project process and assurance had been provided through a Project Board. The implementation of the stage gate review process across all transformation projects should raise the standard of documentation produced and provide a firm basis for the consistent consideration of project progression.

Key to this progression should be the acceptance and use of business cases for all projects that are assessed, updated and approved by project or programme boards as the projects develop. This will document detailed consideration of the ongoing benefits of the project under consideration and provide a rationale to scope development of projects when this is necessary.

To allow progression to take place, training of both project managers and project Senior Responsible Officers (SROs) will be required to ensure consistency is achieved.

4. Recommendations

Recommendation 1: A template for business cases should be developed and agreed by the Executive Transformation Team and then used in all Council projects.

Management Response

Agreed – As part of the ETT approval on 26th April, the overarching Portfolio Management Framework was approved including templates which included the Business case template that is based on the Hm Treasury green book 5 case model.

Responsible Officer and Target Date

Transformation & Digital Portfolio Manager

Completed

Recommendation 2: As part of the implementation of the new project governance methodology, training sessions should be held with both project managers and project SROs to ensure a consistent understanding of project methodology, management and documentation, including use of a RAID log.

Management Response

Agreed – With regards to training, the intention is to develop intranet toolkits for self-service, provide support from PMO and to develop standard role-based training.

Responsible Officer and Target Date

Transformation & Digital Portfolio Manager

December 2024

OUTSTANDING RECOMMENDATIONS
Climate Change

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
3.1	<p><u>Partly Implemented</u></p> <p>Management should ensure that the latest Climate Change Strategy action plan provides updated figures for emissions or targets where applicable, together with a percentage increase or decrease for the year.</p>	Medium	Service Manager – Planning	Some actions have no quantitative target and cannot be reported on as recommended, however the Climate Change Strategy 2025 - 2030 will aim to have quantitative targets and KPIs which can be reported on as raw data or as a percentage completed, including 1.4a, 3.1a & 6.1c.	February 2024	February 2025
3.2	<p><u>Awaiting Implementation</u></p> <p>Management should develop a process for considering the use of interim targets in the Climate Change Strategy, for monitoring the Council’s current actions with the target of achieving net zero emissions by 2045.</p>	Medium	Service Manager – Planning	There are still no interim targets in the Climate Change Strategy. Some actions in the Action Plan have target dates before the end of the Strategy cycle, so progress on the Strategy can be partially tracked by how many of these actions have been marked complete by their owners. Development of the next Climate Change Strategy 2025 - 2030 will begin before June 2024 and this Strategy will, alongside Management consider using interim targets.	June 2024	February 2025

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
3.3	<p><u>Awaiting Implementation</u></p> <p>Consideration should be given to defining the carbon emissions categories in the Climate Change Strategy that should be included within the target of achieving net zero emissions by 2045.</p>	Medium	Service Manager – Planning	‘Net Zero’ still needs to be better defined by listing all the emissions categories that are currently included in the net zero target. This will be considered, alongside Management as part of the development of the next Climate Change Strategy 2025 - 2030.	June 2024	February 2025
4.1	<p><u>Partly Implemented</u></p> <p>Management should ensure that appropriate evidence is retained on file to support each identified action in the updated Climate Change Strategy.</p>	Medium	Service Manager – Planning	For the 2024 Climate Change Strategy Update, owners of actions self-reported progress on their actions. Most actions were updated by action owners receiving a copy of the Action Plan, updating their actions, and returning it to the Sustainability and Climate Change Officer. These actions were then collated into a single master spreadsheet and individual action updates were not retained. However, late respondents whose action updates were collected by the Sustainability and Climate Change Officer after the handover. This will now continue to be the case and implement the recommendation for the next update.	February 2024	February 2025

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
4.2	<p><u>Awaiting Implementation</u></p> <p>Management should ensure that appropriate checks are undertaken to confirm that the information reported in the updated action plan is accurate and complete.</p>	Medium	Service Manager – Planning	<p>For the 2024 Climate Change Strategy Update, owners of actions self-reported progress on their actions. The accuracy of these reports were not checked because the handover caused a delay in delivering the Update and it was deemed important to deliver the Update at the first available opportunity. However, it is expected that the Climate Change Planning and Monitoring Group (which will be renamed to reflect the Council declaring a Nature Emergency) will have more opportunity to check the accuracy of the Update for the 2025 Update.</p>	February 2024	February 2025
5.2	<p><u>Awaiting Implementation</u></p> <p>Management should ensure that a formal summary is retained of the discussions held at the annual meeting to review and validate the data in the Public Bodies Climate Change Duties report.</p>	Medium	Service Manager – Planning	<p>Minutes were taken of the Climate Change Planning and Monitoring Group meetings in September 2023 and December 2023, but there appears to be no detailed notes regarding discussion of the PBCCD Report. This will be amended this year, perhaps by recording the call using the record function on Teams.</p>	Dec 2023	Dec 2024

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
5.3	<p><u>Partly Implemented</u></p> <p>A person independent of processing should check the Public Bodies Climate Change Duties report and sign the summary sheet as evidence of the checks being carried out.</p>	Medium	Service Manager – Planning	The Service Manager – Planning, signed off on the Report, however no summary sheet of checks was created, this will be implemented for next year.	Dec 2023	Dec 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	Complete
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.	September 2024	In Progress
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.	September 2024	In Progress
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.	September 2024	Terms of Reference Drafted
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	Complete

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.	September 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.	September 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	Replaced with HSCP expenditure forecasting review, now Complete.
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	Replaced with providing assurance assistance to transformation gate reviews across the Council, now Complete.
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

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
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	Complete, following advice from the Monitoring Officer this will now be submitted to the September 2024 meeting.
Roads	Examine the Roads trading account operation and establish that this is operating in a best value format for the Council.	June 2024	Carried forward to 2024/25 and replaced with assurance review of Council school projections following Renfrewshire Council reports, which is now Complete.
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	Carried forward to 2024/25
Education Additional Support Needs	Examine the processes around assessment and provision of additional support needs for children.	September 2024	In Progress
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

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
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: 11 June 2024
BY: Service Manager – Internal Audit
SUBJECT: Counter Fraud Annual Report

3

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the Counter Fraud and Whistleblowing prevention, detection and investigation work undertaken during 2023/24.

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 The Audit and Governance Committee approved the Shared Service arrangement with Midlothian Council in October 2022. As part of the overall agreement the funds being received from Midlothian Council were utilised to recruit a Counter Fraud Officer. This Officer was then recruited on a two-year contract and started work in May 2023. This report provides an update on the work completed by the Counter Fraud Officer who is supported by the Internal Audit team and many other services within the Council, including in particular: Revenues, People & Council Support and Housing.
- 3.2 The work of the Counter Fraud Officer has 4 key areas of focus, which are the following:
- National Fraud Initiative (NFI) investigation work;
 - Fraud investigations undertaken following reporting from service teams either through counter fraud reporting processes or whistleblowing;
 - Proactive fraud detection processes and further data matching analysis; and
 - Preventative processes with communication of Council counter fraud processes, procedures, risk management and reporting best practice.
- 3.3 The NFI is a UK wide data matching exercise, coordinated in Scotland by Audit Scotland and runs every two years. The purpose of the exercise is to match electronic data (e.g. names, addresses, Dates of Birth, National Insurance Numbers), both within and between participating bodies, to detect fraud and overpayments. East Lothian Council, along with other local authorities and public sector bodies, participates in the NFI data matching exercise. NFI seeks to help participating bodies identify possible

cases of fraud and detect and correct any over or under payments. The data for NFI in Scotland is processed by the Cabinet Office on behalf of Audit Scotland.

3.4 As part of the 2022/23 NFI exercise, the Council submitted data for the following areas:

- Housing (Current Tenants and Waiting Lists)
- Payroll
- Residents Parking Permits
- Council Tax and Electoral Register
- Creditors (Standing Data and Payment History)
- Taxi Driver Licences
- Council Tax Reduction Scheme
- Non-Domestic Rates Small Business Bonus Scheme

In addition, Benefits details are submitted by the DWP and HMRC, while Blue Badge details are submitted directly by the Blue Badge Digital Service.

3.5 Appendix 1 provides a summary of the counter fraud outcomes achieved, which includes the NFI outcomes that have been delivered. Of the core 83 reports received 77 have been fully investigated with 2,151 matches, 7 matches remain to investigate fully and are in progress. From these core matches the following areas of error were identified:

- 50 deceased individuals were removed from the Housing waiting list with NFI estimated savings of £214,150;
- 96 deceased individuals had Blue Badges cancelled with NFI estimated savings of £62,400;
- 5 Duplicate invoice payments that had not already been returned were identified with a recovery of £48,999 that has now been received back by the Council.

3.6 In addition to these matches the NFI process also provides Council Tax single person discount matches with the electoral register, identifying when data suggests more than one individual lives in a property. A process has been developed by the Counter Fraud Officer to review the households identified against existing Council information and then write to households for further details when required. Following either receipt of further information or non-response to reminder communication a request is made for the Revenues team to remove single person discount or make further amendments based on current household situation. From the 2,055 properties identified 1,128 households have been reviewed resulting in 171 amendments to single person discount. This has resulted in £114,364 of additionally billed Council Tax with the NFI estimating additional future increased income to the Council of £107,661, creating an estimated £222,025 of further income for the Council.

3.7 In addition to the NFI developed matches within the Council the Counter Fraud Officer has completed Counter Fraud training with housing teams across the Council and developed processes to review potential further fraud issues, the following have been the key detected and resolved outcomes of this work:

- One Council property was recovered following investigation of potentially abandoned tenancies using information obtained by the Counter Fraud Officer from the National Anti-Fraud Network (NAFN) and a Local Authority from England, the NFI estimates this as a saving to the Council of £78,300; and
- Further reporting of Household composition mismatches reported from various Council service teams has resulted in further increased billed Council Tax of £14,303 from 21 cases.

- 3.8 In addition, the Counter Fraud Officer and other Internal Audit staff have been involved in 16 investigations. One of the investigations has resulted in identifying fraud and in conjunction with HR staff this has resulted in the recovery of £25,588, internal control advice has been provided in relation to several other investigations.
- 3.9 Within the last year the Counter Fraud Officer has investigated a total of 1,165 cases and provided estimated savings of £665,764 and the Council has or is actively recovering £203,253 of income/wrongly paid expenditure and has brought back into use one Council property.
- 3.10 In conclusion the NFI exercise remains a useful and appropriate way of detecting fraud. The case for continuing to support a Counter Fraud Officer is strong and enhances the capability to detect and recover underpaid income and overpaid expenditure. The targets that were set for the 2023/24 financial year have been exceeded and the overall budget saving target of £250,000 over the 2023/24 and 2024/25 financial year is expected to both be met and exceeded.

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
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DATE	31 May 2024

Appendix 1 Counter Fraud Savings 2023/24

Saving Type	Total Estimated future Savings *	Recovering	TOTAL
NFI - Blue Badge Parking Permit to DWP Deceased	£62,400.00		£62,400.00
NFI - Waiting List to DWP Deceased	£214,150.00		£214,150.00
NFI - Duplicate Creditors Payment		£48,999.04	£48,999.04
NFI Council Tax Single Person Discount Exercise (September 2023 - Date)	£99,595.10	£107,593.64	£207,188.74
NFI Council Tax Rising 18's Single Person Discount Exercise (January 2024 - Date)	£8,065.68	£6,770.19	£14,835.87
Council Service Team Reported Fraud (Single Person Discount services notified)		£14,302.80	£14,302.80
Reported Tenancy Fraud (Tenancy Abandonment - Property Reclaimed) *	£78,300.00		£78,300.00
Internal Corporate Fraud Investigation Recoveries		£25,587.60	£25,587.60
TOTALS	£462,510.78	£203,253.27	£665,764.05

*Recovery value based on NFI Outcome Calculations.

REPORT TO: Audit and Governance Committee
MEETING DATE: 11 June 2024
BY: Service Manager – Internal Audit
SUBJECT: Shared Services with Midlothian Council June 2024

4

1 PURPOSE

- 1.1 This report provides the Audit and Governance Committee with the appraisal of the first 18 months of the shared service arrangement for the Chief Internal Auditor service between East Lothian and Midlothian Councils.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee:
- I. Note the agreement of the East Lothian Council Executive team and the Midlothian Council Executive team, following the 18-month initial period, to the continuation of the Chief Internal Auditor shared service on an ongoing basis.
 - II. Approve the continuation of the Chief Internal Auditor shared service between East Lothian and Midlothian Councils on an ongoing basis.
 - III. Note that flexibility will be considered as part of the ongoing annual planning process for Internal Audit to widen the agreement to the potential sharing of Internal Audit and Counter Fraud resource staffing.

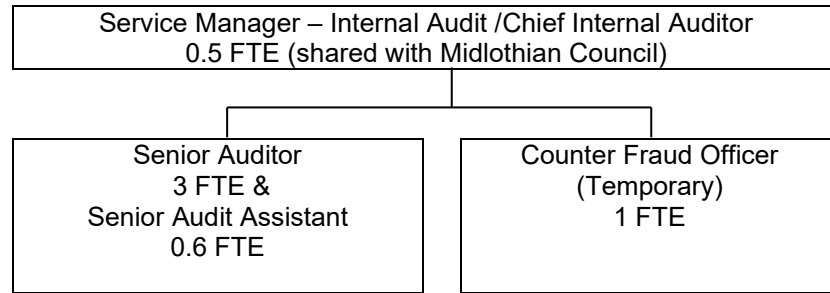
3 BACKGROUND

- 3.1 For the five years to 30 June 2022 Midlothian Council had a shared service arrangement for Chief Internal Auditor services with Scottish Borders Council. Following this arrangement ending on 30 June 2022, and an unsuccessful recruitment process for an Internal Audit Manager, East Lothian Council were approached to consider a shared service. During 2022 a shared service was approved between East Lothian and Midlothian Councils and the service commenced on 1 January 2023.
- 3.2 During this period Internal Audit services have continued to be provided to both Councils in accordance with the Public Sector Internal Audit Standards. Savings have been achieved in budgets across both Councils. In East Lothian these savings have been used to employ a Counter Fraud Officer who has been able to increase the savings levels by identifying and recovering a greater value of fraud, see item 3 on the Audit and Governance Committee agenda.

3.3 Both East Lothian and Midlothian Councils continue to have Internal Audit Plans approved by the Audit and Governance Committee and the Audit Committee respectively on a risk basis, including length of time since last assurance review of an area. Whilst some risks are specific to each Council, some are shared between the Councils, which allows for efficiencies in sharing audit programmes and methodologies, with the potential for further savings if staffing is shared.

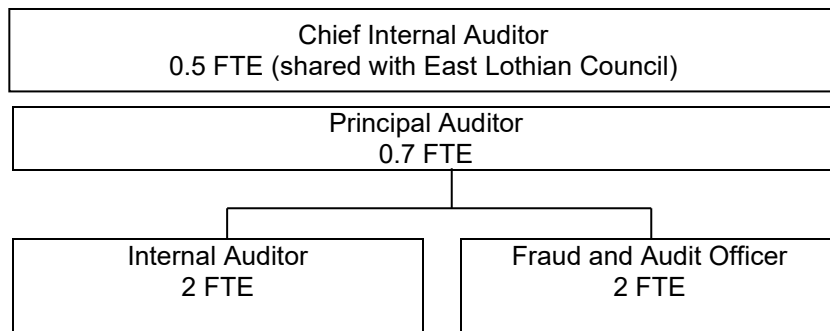
3.4 The Internal Audit teams are structured as shown in the following diagrams:

East Lothian Council



The Service Manager – Internal Audit for East Lothian’s Internal Audit Unit provides Internal Audit and Counter Fraud services for both the Council and the East Lothian Integration Joint Board and reports administratively to the Executive Director for Council Resources, functionally to the Audit and Governance Committee and has direct access to the Chief Executive, the Section 95 Officer and the Monitoring Officer.

Midlothian Council



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

3.5 Overall resources are anticipated to remain as they are currently available with the expectation of creating some cross working opportunities for staff when approved by the Audit and Governance Committee. Cross working in certain audit areas will be more efficient and create greater resilience across these small teams. Any cross working will be approved prior to implementation and be dependent on appropriately available staffing for both Councils.

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 – No further implications form this report as there is a continuation from the trial period of additional income for the Internal Audit team.

6.2 Personnel – As identified in the report.

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	31 May 2024

REPORT TO: Audit and Governance Committee
MEETING DATE: 11 June 2024
BY: Service Manager – Internal Audit
SUBJECT: Annual Internal Audit Report 2023/24

1 PURPOSE

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit prepares an annual internal audit opinion and report to support the Council's Annual Governance Statement.
- 1.2 This report provides a summary of the work undertaken by East Lothian Council's Internal Audit team in 2023/24 and supports both the Council's Annual Governance Statement and the Internal Audit Controls Assurance Statement.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to note the contents of the Annual Internal Audit Report 2023/24.

3 BACKGROUND

- 3.1 Internal Audit is an independent appraisal function established by the Council to review its governance, risk management and control systems. East Lothian Council's Internal Audit team seeks to operate in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 3.2 Internal Audit reports administratively to the Executive Director for Council Resources, functionally to the Audit and Governance Committee and has direct access to the Chief Executive, the Section 95 Officer and the Monitoring Officer.
- 3.3 The Public Sector Internal Audit Standards (PSIAS) require that the annual report must incorporate a statement on Internal Audit's conformance with the PSIAS and Local Government Application Note and the results of the Quality Assurance and Improvement Programme (QAIP) that covers all

aspects of the internal audit activity. Internal Audit is continuously seeking to improve its service and aims to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. This was achieved in 2023/24 through the following processes:

- Compliance with PSIAS.
- A tailored audit approach using a defined methodology for financial audits.
- A programme of quality control measures, which include the supervision of staff conducting audit reviews and the detailed review of working paper files and audit reports.
- The development of personal and training plans – Internal Audit staff members are required to undertake a programme of Continuous Professional Development (CPD).

3.4 The PSIAS require the development of a Quality Assurance and Improvement Programme (QAIP). The QAIP is designed to enable evaluation of Internal Audit's conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards. The QAIP must include both internal and external assessments. An External Quality Assessment of the Council's Internal Audit service was undertaken by the Chief Internal Auditor of Dumfries and Galloway Council and reported to the March 2024 Audit and Governance Committee. A further QAIP will be reported to the March 2025 Audit and Governance Committee.

Delivery of the Internal Audit Service

3.5 In February 2023, the Audit and Governance Committee approved the Internal Audit Plan for 2023/24. The plan was scoped to address the Council's key risks and strategic objectives.

3.6 In order to ensure a constant review of ongoing concurrent risks to the Council and confirmation of approval by the new membership a revised Internal Audit Plan for 2023/24 was then approved by the Audit and Governance Committee in September 2023. Subsequent changes to the audit plan were also notified to the Audit and Governance Committee in March 2024 as part of this ongoing review.

3.7 Four reviews are not fully complete however they have all been progressed and will be reported later in 2024 when fully complete. However, some assurance has been received that has been used to inform the annual assurance of East Lothian Council, in the areas where work is substantially complete.

3.8 In 2023/24, Internal Audit completed 12 audit reviews. Table A (see section 3.10 below) outlines the audit work undertaken in 2023/24. For each audit, Internal Audit has provided Management with an assessment of the adequacy and effectiveness of their systems of internal control. Of the 12 audit reviews undertaken in 2023/24:

- In 2 cases, Internal Audit provided Limited assurance.
- In 6 cases, Internal Audit provided Reasonable assurance.
- In 4 cases, Internal Audit did not grade the overall report.

3.9 For the 12 audit assignments finalised, a total of 73 recommendations were made – 49 recommendations were graded as medium (i.e. recommendations which will improve the efficiency and effectiveness of the existing controls); 7 recommendations were graded as 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); 17 recommendations have not been graded as is Internal Audit procedure for assurance statements. Our recommendations sought to address the weaknesses identified in the design of controls and/or their operational effectiveness.

3.10 We have completed the following reviews in 2023/24:

Table A

Audit Assignment	Level of Assurance
Brunton Theatre Trust	Limited
Tyne & Esk Funding	Reasonable
Scottish Housing Regulator Annual Assurance	Not Graded
Utilities Cost Management	Reasonable
Performance Indicators	Reasonable
Homelessness	Reasonable
Agency Workers	Limited
HSCP Commissioned Services Forecasting	Not Graded
Musselburgh Flood Prevention Scheme	Reasonable
Transformation Project Stage Gate Reviews	Not Graded
Bowles Report – Primary School Capacity Shortfall	Not Graded
CIPFA FM Code	Reasonable

3.11 Internal Audit has also undertaken 16 Whistleblowing/Fraud and Irregularity or management request investigations/reviews in 2023/24, see the Counter Fraud Annual report for further details.

3.12 Internal Audit has also undertaken follow-up reviews of previous years' work to ensure that recommendations have been implemented by Management and have prepared reports for the East Lothian Integration Joint Board (IJB) Audit and Risk Committee.

Conflicts of Interest

3.13 There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Performance Indicators

3.14 We have undertaken our audit work in accordance with the agreed plan and each of our final reports has been reported to the Audit and Governance Committee. Performance information for 2023/24 covers:

- Completion of the annual Audit Plan – 75%
- % of recommendations accepted by Management – 100%
- % of staff with CCAB accounting qualifications – 80%

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	31 May 2024

REPORT TO: Audit and Governance Committee
MEETING DATE: 11 June 2024
BY: Service Manager – Internal Audit
SUBJECT: Controls Assurance Statement 2023/24

1 PURPOSE

- 1.1 Internal Audit has the responsibility to independently review the internal control systems within East Lothian Council, make an assessment of the control environment and report annually on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

2 RECOMMENDATION

- 2.1 The Committee is asked to note that the Controls Assurance Statement is a formal confirmation of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2024.

3 BACKGROUND

Sound Internal Controls

- 3.1 The Council's senior management has responsibility for establishing a sound system of internal control and for monitoring the continuing effectiveness of these controls. The main objectives of the Council's internal control systems are:
- Achievement of the Council's strategic objectives;
 - Reliability and integrity of financial and operational information;
 - Effectiveness and efficiency of operations and programmes;
 - Safeguarding of assets; and
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.2 A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls or the occurrence of unforeseen

circumstances. The Council is continually seeking to improve the effectiveness of its system of internal control.

The Work of Internal Audit

- 3.3 Internal Audit is an independent appraisal function established by the Council to review its internal control systems. Internal Audit objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources.
- 3.4 In 2023/24, the Internal Audit team operated in accordance with the Public Sector Internal Audit Standards (PSIAS). All internal audit reports identifying system weaknesses or non-compliance with expected controls were brought to the attention of the Chief Executive, the Council's External Auditor and the Audit and Governance Committee.
- 3.5 The weaknesses outlined in our audit reports are those that have come to our attention during the course of our normal audit work and are not necessarily all of the weaknesses, which may exist. It is the responsibility of Management to ensure an appropriate system of internal control operates and ensure that proper consideration is given to internal audit reports with appropriate action taken on audit recommendations.

Basis of Opinion

- 3.6 Our evaluation of the control environment is informed by a number of sources:
1. The policies and procedures of the Council, including:
 - Standing Orders and Financial Regulations;
 - Strategy for the Prevention and Detection of Fraud and Corruption;
 - Information Security Policy;
 - IT Acceptable Use Policy;
 - Code of Conduct;
 - Disciplinary Code;
 - Disciplinary Procedure; and the
 - Whistleblowing Policy.
 2. The planning, monitoring, review and reporting arrangements within the Council, including:
 - The Budget Setting Process;
 - Budget Monitoring Statements;
 - Policy and Performance Review Committee;
 - Performance Management Framework;
 - The work of the Council Management Team.

3. The work undertaken by Internal Audit during 2023/24 including planned audits, investigations, follow-up reviews and one-off exercises.
- 3.7 Internal Audit's opinion does not cover the internal control systems of other organisations that are included in East Lothian Council's 2023/24 Statement of Accounts under the Group Accounts section.

Assessment of Controls and Governance

- 3.8 The Annual Internal Audit Report 2023/24 presented to the Audit and Governance Committee summarises the work of Internal Audit during the year. For all areas reviewed, an Executive Summary is submitted to the Audit and Governance Committee summarising the work completed, assurance provided and the agreed actions to be undertaken by management.
- 3.9 The majority of Internal Audit recommendations made in 2023/24 were categorised as medium risk (i.e. recommendations which will improve the efficiency and effectiveness of the existing controls). A summary of all recommendations made during 2023/24 is outlined below:

Recommendations Priority Level	Number of Recommendations	Recommendations %
High	7	10
Medium	49	67
Not Graded	17	23
Total	73	100

- 3.10 During 2023/24, areas identified with scope for improvement included the following:
- The Governance and Control processes covering the legal, financial and operational processes between the Council and the Brunton Theatre Trust had substantial gaps that required to be resolved. Work is almost complete on resolving the key elements of these gaps in agreeing a Service Level Agreement and reviewing and updating lease agreements.
 - The Council requires to improve its control processes in relation to Agency Workers in particular to ensure that a control list of agency workers is maintained, that an authorisation process is in place for agency workers that is utilised across the Council consistently, and that a process for agency worker review is in place to ensure adequate challenge of ongoing agency contracts.

- 3.11 The implementation by Management of agreed actions to address the weaknesses identified should provide assurance that the system of internal control is operating as intended. The follow-up work completed during 2023/24 identified that 83% of the 122 recommendations made during 2022/23 have been fully implemented.
- 3.12 The Council has highlighted risk ELC CR1 Managing the Financial Environment as a Very High risk on the Corporate Risk Register which also remains Very High following mitigations. This indicates that the Council is currently operating beyond the risk tolerance of the Council. The risk identifies that: the Council is currently forecasting an overspend in the 2023/24 financial year of £19.3 million, of which £7.3 million is unplanned, which is likely to result in a significant reduction to reserves balances. In addition, the Council faces a significant funding gap, estimated to be in excess of £55.8 million over the next 5 years. This is compounded by a growing range of external cost and demand pressures, policy and legislative obligations and financial pressures aligned to population growth. The level of unallocated reserves being held by the Council as a contingency to mitigate any unforeseen events remains very low relative to the concurrent risks the Council is currently facing. Given the current level of in year overspend and future financial projections, there remains a high degree of risk that this may not be sufficient to meet current / future unplanned events.
- 3.13 The Council has also highlighted risk ELC CR2 Maintenance of Assets as a Very High risk on the Corporate Risk Register which also remains Very High following mitigations. The risk highlights that the Council may not have the available financial resource and staffing requirement to carry out essential repairs and maintenance programmes to ensure buildings are maintained in a good condition, and that the on-going capital investment required to ensure suitability and condition of buildings remain appropriate and aligned to national conditions. Both of these risks highlight concerns that the current financial position may start to impact the key control processes of the Council.
- 3.14 The opinion is restricted by the assurance work that has not yet been completed, however 75% audit plan full completion, in conjunction with additional assurance work completed, allows a formal assessment to be made on substantial evidence.

Opinion

- 3.15 It is Internal Audit's opinion, subject to the weaknesses outlined in section 3.10 above and the comments made in 3.12 and 3.13 above, that reasonable assurance can be placed on the overall adequacy and effectiveness of East Lothian Council's framework of governance, risk management and control for the year ended 31 March 2024.

4 POLICY IMPLICATIONS

4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	Duncan Stainbank
DESIGNATION	Service Manager – Internal Audit
CONTACT INFO	dstainbank@eastlothian.gov.uk
DATE	31 May 2024

East Lothian Council: Annual Audit Plan

7



 AUDIT SCOTLAND

Prepared for East Lothian Council
April 2024

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Reporting arrangements, timetable, and audit fee	15
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Introduction

Summary of planned audit work

1. John Boyd has been appointed by the Accounts Commission as external auditor of East Lothian Council for the period from 2022/23 until 2026/27. The 2023/24 financial year is therefore the second of his five-year audit appointment. A brief biography of the audit team is provided at [Appendix 1](#).

2. This document summarises the work plan for the 2023/24 audit. The main elements of the audit include:

- an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement
- an audit opinion on other statutory information published with the financial statements in the annual accounts, including the Performance Report, the Annual Governance Statement, and the Remuneration Report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- consideration of Best Value arrangements
- providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return and the Whole of Government Accounts (WGA) return
- review of the Council's arrangements for preparing and publishing statutory performance information
- provision of an Independent Auditor's Report expressing opinions on the different elements of the annual accounts and an Annual Audit Report setting out conclusions on the wider scope areas.

Respective responsibilities of the auditor and East Lothian Council

3. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and the East Lothian Council. Key responsibilities are summarised below.

Auditor responsibilities

4. The auditor's responsibilities are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

5. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts. We also review and report on the wider scope arrangements in place at East Lothian Council. In doing this, we aim to support improvement and accountability.

East Lothian Council's responsibilities

6. East Lothian Council is responsible for maintaining adequate accounting records and internal controls, and preparing financial statements for audit that give a true and fair view. They are also required to produce other reports in the annual accounts in accordance with statutory requirements.

7. East Lothian Council has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation, and establishing effective arrangements for governance, propriety, and regularity that enable them to deliver their objectives.

Adding Value

8. Throughout the audit we aim to add value by: tailoring audit work to the circumstances of East Lothian Council and the audit risks identified; being constructive and forward looking; providing independent conclusions; attending meetings of the Audit and Governance Committee; and by recommending and encouraging good practice. In so doing, we will help East Lothian Council promote improved standards of governance, better management and decision making, and more effective use of resources.

Annual accounts

Introduction

9. The annual accounts are an essential part of demonstrating East Lothian Council's stewardship of resources and its performance in the use of those resources.

10. The appointed auditor is required to perform an audit of the financial statements, consider other information within the annual accounts, and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 from the Public Audit Forum which interprets the ISAs for the public sector, and guidance from Audit Scotland.

11. We focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

12. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We plan the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2023/24 audit

13. We assess materiality at different levels. The materiality values for East Lothian Council and its group are set out in [Exhibit 1](#).

Exhibit 1

2023/24 Materiality levels for East Lothian Council and its group

Materiality	Amount	Group
<p>Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the Council's operations. For the year ended 31 March 2024, we have set our materiality at 2 per cent of gross expenditure, adjusted for IJB contributions, based on the audited financial statements for 2022/23.</p>	£8.9 million	£9 million

Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 65 per cent of planning materiality.	£5.8 million	£6 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£445 thousand	£500 thousand

Source: Audit Scotland

Significant risks of material misstatement to the financial statements

14. Our risk assessment draws on our cumulative knowledge of East Lothian Council, its major transaction streams, key systems of internal control, and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees, and a review of supporting information.

15. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management, and where relevant, report them to those charged with governance.

16. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risks, management's sources of assurance over these risks, and the further audit procedures we plan to perform to gain assurance over the risks.

Exhibit 2

2023/24 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance</p>	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>otherwise appear to be operating effectively.</p>		<ul style="list-style-type: none"> • Test journals at the year-end and post-closing entries and focus on areas of significant risk of fraud. • Consider the need to test journal entries and other adjustments throughout the year. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.
<p>2. Estimation in the valuation of land and buildings.</p> <p>ELC held land and buildings with a NBV in excess of £1,000 million as at 31 March 2023, with land and buildings revalued on a five-year rolling basis. An external valuer carries out valuations of land and buildings.</p> <p>There can be a significant degree of subjectivity in the valuation 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>Valuations should reflect conditions at 31 March 2024 including those subject to valuation and those not revalued.</p> <p>There is a risk the carrying valuation of land and buildings</p>	<ul style="list-style-type: none"> • Due to the uncertainty arising from the in-house extrapolation exercise, an independent extrapolation by a RICS qualified person is being undertaken (over summer) on operational and non-operational asset portfolios and there is therefore a high likelihood that some correction / adjustment to the draft accounts figures may be required. • Council Dwellings have been revalued during 2023/24. 	<ul style="list-style-type: none"> • Review the information provided to the external valuer to assess for completeness. • Evaluate the competence, capabilities, and objectivity of the professional valuer. • Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred. • 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. • Challenge management's assessment of why it considers that the land and buildings not revalued in 2023/24 are not materially misstated. We will critically assess the appropriateness of any assumptions.

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
does not reflect the current value at 31 March 2024.		<ul style="list-style-type: none"> Critically assess the adequacy of East Lothian Council's disclosures regarding the assumptions in relation to the valuation of land and buildings.

Source: Audit Scotland

17. As set out in ISA (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.

18. We have rebutted this risk as funding received from the Scottish Government is clearly communicated and can be readily agreed to third party confirmations. In addition, we have considered East Lothian Council's other income streams, and we have concluded there is limited opportunity or incentive to manipulate the recognition of income in the financial statements.

19. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition.

20. We have rebutted this risk as the main expenditure streams of East Lothian Council can be readily forecast based on a predictable pattern of spend and mainly comprise a high volume of relatively low value items. We also consider there to be limited incentive and opportunity for the manipulation of expenditure recognition in the financial statements.

21. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

22. As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risks, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses.

23. The areas of specific audit focus are:

- The pension valuation due to the material value and significant assumptions used in the calculation of the carrying value. 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 2024.

- Review of the accounting adjustments and disclosures within the financial statements with regards to implementation of the statutory accounting treatment for Service Concession arrangement flexibilities as set out in Finance Circular 10/22 in relation to the Council's PPP contracts.

24. As part of our risk assessment, we have also identified the following areas where further work will be performed. These are not audit risks but areas we will keep under review:

- IFRS 16 takes effect for local government bodies from 2024/25. This will change the way in which the Council accounts for operating leases, including recognising assets and liabilities for the rights and obligations arising from leases previously capitalised as operating leases. We will assess the Council's preparedness for this and review any disclosure made in relation to the new standard in line with guidance.
- The statutory override relating to valuation of infrastructure assets is due to end for the 2024/25 financial statements. We will review the progress made by the Council in preparing for this.

Group Consideration

25. As group auditors, we are required under ISA (UK) 600: *Audits of group financial statements (including the work of component auditors)* to obtain sufficient appropriate audit evidence on which to base our audit opinion on the group financial statements.

26. Alongside East Lothian Council, East Lothian Council has a group which comprises component entities. [Exhibit 3](#) details the structure of the group.

Exhibit 3

East Lothian Council Group Structure

Subsidiaries	Joint Ventures	Associates
East Lothian Land Ltd	East Lothian Integration Joint Board	East Lothian Investments
East Lothian Mid-Market Homes LLP	Edinburgh Innovation Park Joint Venture	Enjoy East Lothian Ltd
Trust Funds and Common Good Funds		Brunton Theatre Trust
		Lothian Valuation Joint Board

Source: Audit Scotland

27. Our planned audit approach for the components is informed by our assessment of risk at the component bodies and our consideration of the size and nature of assets, liabilities, and transaction streams.

28. The audits of the financial information of some of the components are performed by other auditors. These components have been assessed as being not significant through our audit planning processes. No reliance will be placed on the work of these other auditors.

29. We will obtain sufficient appropriate audit evidence in relation to the consolidation process and the financial information of the components on which to base our group audit opinion.

Audit of the trusts registered as Scottish charities

30. The Charities Accounts (Scotland) Regulations 2006 require charities to prepare annual accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Therefore, a full and separate audit and Independent Auditor's Report is required for each registered charity where members of the council are sole trustees, irrespective of the size of the charity.

31. Members of East Lothian Council are sole trustees for one trust registered as a Scottish charity, the Dr Bruce Fund, with total assets of some £20,331 as at 31 March 2023. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

32. Other than a significant risk of management override of controls, which has also been identified as a significant risk in respect of the council's annual accounts, no specific planning risks were identified in respect of the charity's accounts.

Materiality levels for the 2023/24 audit of the Dr Bruce Fund

33. Materiality levels for the Dr Bruce Fund are set out in [Exhibit 4](#).

Exhibit 4

2023/24 Materiality levels for charitable trusts

Charitable trust	Planning Materiality	Performance Materiality	Reporting Threshold
Dr Bruce Fund	£400 (Based on 2% of audited 2021/22 net asset value)	£300 (Based on 75% of planning materiality)	£20

Source: Audit Scotland

Wider Scope and Best Value

Introduction

34. Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit, and requires auditors to consider and conclude on the effectiveness and appropriateness of the arrangements in place for each wider scope area in audited bodies.

35. In summary, the four wider scope areas are:

- **Financial management** – this means having sound budgetary processes. We will consider the arrangements to secure sound financial management, including the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error, and other irregularities.
- **Financial sustainability** – we will look ahead to consider whether the body is planning effectively to continue to deliver services, also comment on financial sustainability in the medium (two to five years) to longer term (longer than five years).
- **Vision, leadership, and governance** – we conclude on the clarity of plans in place to deliver the vision, strategy, and priorities adopted by East Lothian Council. We also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** – we will consider how the East Lothian Council demonstrates economy, efficiency, and effectiveness through the use of financial and other resources.

Wider scope risks

36. We have identified significant risks in the wider scope areas set out in [Exhibit 5](#). This exhibit sets out the risks, management's sources of assurance for the risks, and the further audit procedures we plan to perform to gain assurances over the risks (if there are no significant risks then this must be explicitly stated).

Exhibit 5

2023/24 wider scope risks

Description of risk	Management's sources of assurance	Planned audit response
<p>1. Financial Sustainability</p> <p>East Lothian Council continues to operate in an increasingly complex and challenging environment, aiming to provide the best possible service within the resources available.</p> <p>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. The current funding gap for 2024/25 before applying budget efficiencies, increases to the council tax charge or use of reserves is £17.289m. This rises to £55.859m by 2027/28.</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>	<ul style="list-style-type: none"> • The updated financial strategy for 2024/25 onwards was agreed by Council in December and sets out the Council's approach to achieving financial sustainability. • Council has agreed three new short-term priorities which include ensuring the financial sustainability of the Council through the delivery of approved savings and transforming the way we deliver services. • The Transformation Strategy, which is a key critical enabler for service redesign will be considered by Council in June 2024. • The cross party budget working group will continue to meet to support the budget development process. 	<ul style="list-style-type: none"> • We will review and assess the council's financial planning and reporting and progress on achievement of planned savings. • We will 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>2. Vision, Leadership and Governance</p> <p>The Council's leadership have been effective in setting out a clear vision and priorities in the Council Plan 2022-27. However, the Council also recognises that decisions need to be made urgently to ensure a sustainable approach to delivering those priorities.</p> <p>The Council has set out its Top 50 performance</p>	<ul style="list-style-type: none"> • Targets have now been set for all of the top 50 performance indicators. 	<ul style="list-style-type: none"> • We will follow up on the recommendations and management responses made within our 2022/23 Annual Audit report as part of our 2023/24 audit. • We will review the minutes and paper of the policy, performance and review committee, audit and governance committee and the Council meetings.

Description of risk	Management's sources of assurance	Planned audit response
<p>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.</p> <p>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.</p>		

Source: Audit Scotland

37. Our planned work on the wider scope areas is risk based and proportionate, and in addition to local risks, we may be asked by the Accounts Commission to consider specific risk areas which are impacting the public sector as a whole. We have not been asked to consider specific risks for 2023/24 audits, but we will remain cognisant of challenges identified in prior years such as climate change.

Best Value

38. Under the Code of Audit Practice, the audit of Best Value in councils is fully integrated within our annual audit work. Auditors are required to evaluate and report on the performance of councils in meeting their Best Value duties.

39. The arrangements to secure Best Value at East Lothian Council will be assessed over the period of the audit appointment and will include an annual evaluation of risks and improvement areas and public performance reporting. We will also follow up findings reported previously on Best Value to assess the pace and depth of improvement. This work will be integrated with the wider scope audit areas discussed above.

40. As part of our annual work on Best Value, we conduct thematic reviews as directed by the Accounts Commission. In 2023/24, the thematic review across the sector will be on workforce innovation and will consider how councils are responding to the current workforce challenge through building capacity, increasing productivity, and innovation. Our conclusions and judgements will be reported in a separate report to management and summarised in our Annual Audit Report.

41. At least once every five years, the Controller of Audit will report to the Accounts Commission on East Lothian Council's performance in meeting its Best Value duties. The second year of the programme is from October 2024 to August 2025. East Lothian Council is included in that programme.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

42. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with the relevant officers to confirm factual accuracy.

43. We will provide:

- an Independent Auditor's Report to East Lothian Council and the Accounts Commission setting out our opinions on the annual accounts
- East Lothian Council and the Accounts Commission with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit and conclusions on wider scope areas.

44. [Exhibit 6](#) outlines the target dates for our audit outputs set by the Accounts Commission. In determining the target reporting date, due regard is paid to the dates for approving the annual accounts set out in regulations of 30 September 2024.

45. We will be unable to achieve the target date outlined above. This is due to prioritising the delivery of high-quality audits over meeting target dates as required by the Accounts Commission, and consistent with messaging from the Financial Reporting Council which has made clear that audit quality takes precedence. We are working towards completion of the audit by the later date at the end of November. We will work towards delivering the audit and audit outputs by target dates over the period of the audit appointment.

Exhibit 6

2023/24 Audit outputs

Audit Output	Target date	Audit and Governance Committee Date
Annual Audit Plan	17/06/2024	17/06/2024
Best Value Thematic Report	17/09/2024	17/09/2024
Independent Auditor's Report	29/11/2024	29/11/2024
Annual Audit Report	29/11/2024	29/11/2024

Source: Audit Scotland

46. All Annual Audit Plans and the outputs detailed in [Exhibit 6](#), and any other outputs on matters of public interest, will be published on our website: www.audit-scotland.gov.uk.



Timetable

47. To support an efficient audit, it is critical that the timetable for producing the annual accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 7](#) that has been discussed with management.

48. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 7

Proposed annual accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual accounts by those charged with governance	17 June 2024
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package.	30 June 2024
Latest date for final clearance meeting with the Executive Director for Council Resources	15 November 2024
Issue of draft Letter of Representation and proposed Independent Auditor's Report	18 November 2024
Agreement of audited and unsigned annual accounts	18 November 2024
Issue of Annual Audit Report to those charged with governance.	18 November 2024
Signed Independent Auditor's Report	29 November 2024
Certified Non-Domestic Rates Return	20 December 2024
Certified Housing Benefit subsidy claim	31 January 2025
Latest date for WGA assurance (if required)	To be confirmed

Source: Audit Scotland

Audit fee

49. In determining the audit fee, we have taken account of the risk exposure of East Lothian Council and the planned management assurances in place. Fee

levels are also impacted by inflation which increases the cost of audit delivery. The agreed audit fee for 2023/24 is £308,410 as set out in [Exhibit 8](#).

Exhibit 8

Audit fees (including VAT)

Fee component	Fees (£)
External Auditor Remuneration	236,890
Pooled costs	8,630
Contribution to Performance and Best Value	63,350
Sectoral Cap Adjustment	(1,460)
2023/24 Audit fee	307,410
Audit of Charitable Trusts	1,000
Total 2023/24 fee	308,410

Source: Audit Scotland

50. In setting the fee for 2023/24, we have assumed that East Lothian Council has effective governance arrangements and will prepare a comprehensive and accurate set of annual accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

51. It is the responsibility of East Lothian Council to establish adequate internal audit arrangements. We will review the internal audit plan and the results of internal audit's work.

52. While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Independence and objectivity

53. The audit team is independent of East Lothian Council in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors.

54. Audit Scotland has robust arrangements in place to ensure compliance with Ethical Standard including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

55. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. I am not aware of any such relationships pertaining to the audit of East Lothian Council.

Audit Quality

56. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. A document explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

57. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM consists of a variety of components, such as: our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit through our engagement performance and resourcing arrangements, and ensuring we have robust quality monitoring arrangements in place. Audit Scotland carries out an annual evaluation of our SoQM and has concluded that we comply with this standard.

- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not involved in the audit to review significant judgements and conclusions reached by the audit team, and the appropriateness of proposed audit opinions of high-risk audit engagements.

58. To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews.

59. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan which is used to support continuous improvement. Progress with implementing planned actions is regularly monitored by Audit Scotland's Quality and Ethics Committee.

60. Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

Appendix 1: Your audit team

The audit team involved in the audit of East Lothian Council have significant experience in public sector audit.

John Boyd

Audit Director

jboyd@audit-scotland.gov.uk

John has overall responsibility for the Audit Engagement. He has considerable audit experience across public sector audits including local government, IJB, pension, health and central government sectors. John is the Audit Scotland Audit Services Group Lead for local authority audit and is a member of the Local Authority (Scotland) Accounting Advisory Committee (LASAAC).

Mark Ferris

Senior Audit Manager

mferris@audit-scotland.gov.uk

Mark has over 30 years of public sector audit experience and has delivered external audit services to a range of bodies including local authorities, health boards and central government bodies.

Amanda Fitzpatrick

Senior Auditor

afitzpatrick@audit-scotland.gov.uk

Amanda has considerable experience in planning and delivering audits. Amanda will manage the team and work alongside the Senior Audit Manager and Audit Director to deliver the audit.

Claire Richards

Best Value Senior Auditor

crichards@audit-scotland.gov.uk

Claire has experience across a range of local government and central government audits, including Best Value audits and annual overview reporting. Claire will work with the core team and lead on the work for the BV Thematic in 2024.

61. The local audit team is supported by a specialist technical accounting team, all of whom have significant experience of public bodies and work with accounting regulatory bodies.

East Lothian Council

Annual Audit Plan 2023/24

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

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REPORT TO: **AUDIT & GOVERNANCE COMMITTEE**

MEETING DATE: 11th June 2024

BY: Chief Executive

SUBJECT: 2024 Council Improvement Plan: Update June 2024

1 PURPOSE

- 1.1 To present the Audit & Governance Committee with an update on the 2024 Council Improvement Plan.

2 RECOMMENDATIONS

- 2.1 Members are asked to note the update on the 2024 Council Improvement Plan (Appendix 1).

3 BACKGROUND

- 3.1 The 2024 Council Improvement Plan was approved by Council in February 2024.
- 3.2 The 2024 Plan included three actions that were carried forward from the 2021/22 Council Improvement Plan (Actions 1, 2 & 3).
- 3.3 In preparing the 2024 Council Improvement Plan consideration was given to the results of, and recommendations made in, external and internal evaluations on governance, leadership and strategic policy and practice:
 - Best Value Leadership Audit carried out by the Council’s external auditors, Audit Scotland (draft presented to Audit & Governance Committee, 19th December 2023)
 - The auditors’ 2022/23 Annual Audit Report (draft presented to Audit & Governance Committee, 19th December 2023)
 - 2023 Corporate Governance Self-evaluation (presented to Audit & Governance Committee, 13th June 2023)

- Council Management Team’s Public Service Improvement Framework (PSIF) Self-evaluation.
- 3.4 The Best Value Leadership Audit undertaken by Audit Scotland in 2023 made three recommendations. Two of these were included in the 2024 Council Improvement Plan (Actions 4 & 5). The other recommendation relating to developing longer term financial planning has already been acted on, as reported in the 2024-2029 Financial Strategy.
 - 3.5 The 2022/23 Annual Audit Report prepared for the members of the Council and the Controller of Audit by the council’s auditors identified four areas where improvement is required. Three of these were incorporated into the 2024 Council improvement Plan (Actions 5, 6, & 7). The fourth recommendation relating to reprofiling of the capital programmes has been acted on and completed through the 2024/25 Council Capital programme.
 - 3.6 The 2022/23 Annual Audit report found that several recommendations from the 2021/22 Annual Audit report have not been fully completed and/ or are ongoing. Therefore, these recommendations were included in the 2024 Council Improvement Plan (Actions 8, 9, 10 & 11).
 - 3.7 The council carried out a Corporate Governance Self-evaluation exercise in spring 2023, the results of which were reported to Audit & Governance Committee in June 2023. The self-evaluation found that the council complies well with the principles of the Corporate Governance framework and identified many strengths and areas of good practice. However, four improvement actions were identified, and these were included in the 2024 Council Improvement Plan (Actions 4, 12, 13, & 14).
 - 3.8 The council has adopted a new self-evaluation framework, replacing How Good is Our Council Service with the Public Service Improvement Framework (PSIF). This was piloted by the Council Management Team (CMT) in early 2023. The CMT’s PSIF exercise resulted in seventeen recommended actions under four objectives. As of February 2024, ten of the actions had been completed and five were due to be completed by June 2024, following the adoption of the 2024/25 Council Budget. Commencement of two actions is dependent on completion of other actions. The 2024 Council Improvement Plan includes an action (Action 15) to continue to monitor and ensure delivery of the CMT’s self-evaluation improvement plan.
 - 3.9 Appendix 1 provide an update on the 15 actions in the 2024 Council Improvement Plan.
 - 3.10 In agreeing the 2024 Council Improvement Plan Council agreed to add another action to the Plan relating to Climate Change. It is proposed that the following action be added to the Plan as Action 16:

In order to ensure that the Council meets its climate change and net zero commitments, the Council should enhance its monitoring of its Climate Change Strategy and the Climate Change Action Plan. Progress will be reported to the PPR Committee twice a year.

4 POLICY IMPLICATIONS

- 4.1 The 2024 Council Improvement Plan will assist the Council in demonstrating that it is achieving Best Value. It will provide the necessary focus to improve key areas of the Council at a corporate level, thus aiding delivery of the Council Plan. Moreover, it will support East Lothian Council in its striving for continuous improvement, to continue improving the quality and delivery of its services and to meet Council Plan objectives.

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 directly, although certain actions within the Plan are likely to require the commitment of staff resources.
- 6.3 Other – none.

7 BACKGROUND PAPERS

- 7.1 Appendix 1: 2024 Council Improvement Plan Update, June 2024

AUTHOR'S NAME	Paolo Vestri
DESIGNATION	Service Manager Policy, Performance and Organisational Development
CONTACT INFO	pvestri@eastlothian.gov.uk
DATE	14 th May 2024

Appendix 1: 2024 Council Improvement Plan Update: June 2024

2024 Council Improvement Plan				
	ACTION	OUTCOME/ OBJECTIVE/ IMPACT	LEAD OFFICER / DEADLINE	COMMENT
1	In order to ensure the council continues to have relevant governance policies, guidance, regulations and internal controls that are reviewed and kept up to date, a register of such documentation will be prepared and reviewed annually. Source: carried forward from 2021/22 Council Improvement Plan	Grow our Capacity – meet the council’s commitment to the principles of openness, accountability and transparency	Service Manager Policy, Performance & Organisational Development June 2024	Work has begun on the creation of a database of council plans and strategies identifying those that are statutory and including timescales for renewal. This project is scheduled to be completed by June 2024
2	Establish formal mechanism for evaluating partnership working and the effectiveness of partnerships based on an agreed partnership self-evaluation framework. Source: carried forward from 2021/22 Council Improvement Plan	Grow our Capacity – review of the governance arrangements of the East Lothian Partnership	Service Manager Policy, Performance & Organisational Development June 2024	The East Lothian Partnership was to undertake a self-evaluation exercise drawing on frameworks developed by Audit Scotland, the Improvement Service and EFQM in Spring 2020. This project was put on hold as this area of work is not deemed critical within Business Continuity Plans. The self-evaluation of the Partnership will take place in spring 2024.
3	The Council will ensure it meets any additional requirements to further develop community participation in decision-	Grow our Communities – extend community engagement and decision	Chief Executive Ongoing	Work on the Local Governance Review was interrupted by the public sector response to Covid-19 and was further postponed as a

	<p>making arising from the Local Governance Review</p> <p>Source: carried forward from 2021/22 Council Improvement Plan</p>	<p>making and increase community and individual resilience.</p>		<p>result of Scottish Government and COSLA resources being redeployed to deal with other priorities.</p> <p>The Scottish Government and COSLA have launched the next round of the 'Democracy Matters' conversations to explore community empowerment and decision-making. However, progress with other elements of the review have stalled.</p> <p>The outcome of the Review and its implications will be reported to Council once it is completed.</p>
4	<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>Source: Best Value Leadership Audit 2023</p> <p>In light of the growing financial challenges faced by the council further work is required to make the link between how resources are targeted to achieve the Council's policy and performance priorities more explicit.</p> <p>Source: 2023 Corporate Governance Self-Evaluation</p>	<p>Grow our Capacity – deliver excellent services as efficiently and effectively as possible within our limited resources and demonstrate Best Value</p>	<p>Executive Director for Council Resources / Head of Finance / Service Manager Policy, Improvement & Partnership</p> <p>Target date: June 2024</p>	<p>All Top 50 Council Plan indicators have been reviewed and all will have targets in place by June 2024.</p> <p>The Council has adopted three new short-term priorities: to <i>ensure its financial sustainability through the delivery of approved savings and transforming the way we deliver services; whilst targeting resources on statutory services and focussing on the highest risks and those most in need; and delivering key infrastructure, economic development and environmentally sustainable projects within available council resources and maximising external funding.</i></p> <p>A review of Council Plan priorities to reflect these new priorities will be reported to the June Council meeting.</p>

5	<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>Source: Best Value Leadership Audit 2023</p> <p>The Council needs to prioritise where it can invest in digital services to deliver savings in the longer term. The Council needs strengthen their digital strategy, cyber security, business continuity management and associated policies to address prior year audit recommendations.</p> <p>Source: 2022/23 Annual Audit Report</p>	Grow our Capacity – deliver excellent services as efficiently and effectively as possible within our limited resources and deliver transformational change.	<p>Executive Director for Council Resources / Head of Finance</p> <p>Target date: April 2024</p> <p>Executive Director for Council Resources / IT Service Manager</p> <p>Agreed date: Ongoing</p>	<p>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.</p> <p>The Digital Strategy Board is chaired by the Exec Director for Council Resources and will consider and prioritise critical digital investment and future plans.</p> <p>A digital pipeline prioritisation project remains on-going and will be determined through Digital Transformation Board IT.</p> <p>A report on the new Transformation Strategy will be considered at the June Council meeting.</p>
6	<p>The Council should continue to identify where it can progress transformational change in how services are delivered to address the longer-term pressures it faces.</p> <p>Source: 2022/23 Annual Audit Report</p>	Grow our Capacity – deliver transformational change	<p>Executive Management Team</p> <p>Agreed date: Ongoing</p>	<p>The Council is currently undertaking a review of its Transformational priorities set within the context of the Financial Strategy and Council Plan.</p> <p>A report on the new Transformation Strategy will be considered at the June Council meeting.</p>
7	Given the scale of the financial challenges facing the Council it should ensure that in developing its financial strategy and	Grow our Capacity – deliver excellent services as efficiently and effectively as	Head of Finance / Executive Director	The Financial Strategy and 2024/25 Council Budget papers set out the Council's

	<p>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>Source: 2022/23 Annual Audit Report</p>	<p>possible within our limited resources.</p>	<p>for Council Resources</p> <p>Agreed date: Ongoing</p>	<p>approach to ensuring financial resilience including the level of reserves required.</p> <p>Regular, detailed and comprehensive budget monitoring reports including financial resilience and risk will be presented to Council.</p>
8	<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>Source: 2022/23 Annual Audit Report Carried forward from 2021/22 Annual Audit Report</p>	<p>Grow our Capacity – deliver excellent services as efficiently and effectively as possible within our limited resources.</p>	<p>Executive Director for Council Resources / Head of Finance</p> <p>Ongoing</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. Alternative options to retain this work inhouse are also being considered.</p>
9	<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 Common Good 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>Source: 2022/23 Annual Audit Report</p>	<p>Grow our Capacity – deliver excellent services as efficiently and effectively as possible within our limited resources.</p>	<p>Executive Director for Council Resources / Service Manager – Governance</p> <p>Ongoing</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. 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>

	Carried forward from 2021/22 Annual Audit Report			
10	<p>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. 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>Source: 2022/23 Annual Audit Report Carried forward from 2021/22 Annual Audit Report</p>	<p>Grow our Capacity – deliver excellent services as efficiently and effectively as possible within our limited resources.</p>	<p>Executive Director for Council Resources / Head of Finance</p> <p>Ongoing</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. Alternative options to retain this work inhouse are also being considered.</p>
11	<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>Source: 2022/23 Annual Audit Report Carried forward from 2021/22 Annual Audit Report</p>	<p>Grow our Capacity – deliver excellent services as efficiently and effectively as possible within our limited resources and meet the council's commitment to the principles of openness, accountability and transparency.</p>	<p>Council Management Team / Service Manager Policy, Improvement & Partnership</p> <p>Ongoing</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>The Council approved the 2022-2027 Council Plan in August 2022. A detailed Action Plan supporting implementation of the Council Plan was presented to East Lothian Council on 25 October 2022. Subsequently a new set of Top 50 Council Plan Performance Indicators was approved.</p> <p>The 2023 State of the Council report provides a summary of progress of the</p>

				Council Plan Action Plan Council Plan Performance Indicators.
12	<p>Given the scale of the financial challenges it faces the council needs to be open and clear with communities and staff about the recurring savings that will be required to fill budget gaps, and how council resources will need to be targeted to achieve long-term policy and performance priorities, and the impact this will have on services and the priorities set out in the Council Plan.</p> <p>Source: 2023 Corporate Governance Self-Evaluation</p>	<p>Grow our Communities - empowering and enabling individuals and communities to have a real say in the decisions that matter most to them.</p>	<p>Executive Director for Council Resources / Head of Finance</p> <p>Ongoing</p>	<p>The consultation on the 2024/25 Council budget conducted in December 2023 provided the public with a detailed explanation of the financial challenges faced by the council the options being considered to make savings / fill the budget gap.</p> <p>The 2024 Residents Survey also incorporates some focussed questions relating to options for closing the budget gap.</p>
13	<p>Improve the levels of Annual PRDs that are completed.</p> <p>Source: 2023 Corporate Governance Self-Evaluation</p>	<p>Grow our Capacity – sustain a skilled, flexible resilient and motivated workforce.</p>	<p>Council Management Team / Service Manager Policy, Improvement & Partnership</p> <p>Ongoing</p>	<p>The PRD process and guidance has been reviewed to make it easier to use and relevant to all staff and re-issued to managers.</p> <p>Levels of PRD completion will be monitored through the annual staff engagement survey.</p>
14	<p>Ensure that Service Plans are updated in line with the revised Service Planning guidance.</p> <p>Source: 2023 Corporate Governance Self-Evaluation</p>	<p>Grow our Capacity – deliver excellent services as efficiently and effectively as possible within our limited resources</p>	<p>Council Management Team / Service Manager Policy, Improvement & Partnership</p> <p>June 2024</p>	<p>Service Planning guidance was reviewed and re-issued to managers in autumn 2023.</p> <p>Further revised guidance was issued in March 2024.</p>

15	<p>Continue to monitor and ensure delivery of the CMT's self-evaluation improvement plan's four objectives.</p> <p>Source: CMT Self-evaluation</p>	<p>Grow our Capacity – deliver excellent services as efficiently and effectively as possible within our limited resources</p>	<p>Council Management Team / Service Manager Policy, Improvement & Partnership</p> <p>15 actions have been completed and two are ongoing.</p>	<p>The CMT's PSIF self-evaluation identified 17 actions under four themes:</p> <ul style="list-style-type: none"> • Clarify the budget challenges facing the Council in order to develop a cross-service approach to identify savings. • Delivery and accelerating work around the Council's asset review and rationalisation strategies post-pandemic to ensure they are linking to longer term plans and the Council's key priorities. • Look at ways to ensure that driving transformational change is embedded across the Council to support the Council priorities and plans. • Consider how the Council makes better use of staff feedback to drive change and improvement. <p>15 actions have been completed and two actions are ongoing.</p>
16	<p>In order to ensure that the Council meets its climate change and net zero commitments, the Council should enhance its monitoring of its Climate Change Strategy and the delivery of the Climate Change Action Plan. Progress will be reported to the PPR Committee twice a year.</p> <p>Source: East Lothian Council meeting, 27th February 2024</p>	<p>Respond to Climate Emergency - meeting our net zero climate change targets</p>	<p>Executive Director for Place</p> <p>Ongoing</p>	<p>This is a new action added in June 2024. Progress will be reported to the PPR Committee twice a year.</p>

REPORT TO: **AUDIT AND GOVERNANCE COMMITTEE**

MEETING DATE: 11 June 2024

BY: Executive Director for Council Resources

SUBJECT: Annual Treasury Management Review 2023-24

1 PURPOSE

- 1.1 To update the Committee on Treasury Management activity during financial year 2023-24.

2 RECOMMENDATIONS

- 2.1 Members are asked to note the report.

3 BACKGROUND

- 3.1 The Council is required by regulations issued under the Local Government Scotland Act 2003 to produce an Annual Treasury Management Review, in accordance with the CIPFA Treasury Management Code of Practice and Prudential Code.
- 3.2 The review set out in **Appendix 1** updates members on the Treasury Management activity during 2023-24 and reported relative to the indicators set out in the Treasury Management Strategy approved in February 2023. The figures contained within the report are based on the draft unaudited accounts, and therefore remain subject to change during the course of the audit. Members will be kept informed should there be any significant change arising during this period.

4 POLICY IMPLICATIONS

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

5 INTEGRATED IMPACT ASSESSMENT

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

7 BACKGROUND PAPERS

- 7.1 Treasury Management Strategy 2023-24 to 2027-28 – East Lothian Council 28 February 2023.
- 7.2 Treasury Management Mid-Year Review 2023-24 – Audit & Governance 19 December 2023.

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DATE	04 June 2024



Annual Treasury Management Review 2023-24

Annual Treasury Management Review 2023-24

1. Introduction

This Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023-24. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code). The review is based on figures contained within the draft unaudited accounts and should any significant and material changes arise during the course of the audit, updated information will be made available and communicated to members.

The minimum Treasury Management reporting requirements are that members of the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 28 February 2023)
- a report on performance against all forward-looking indicators at least quarterly as part of the authority's integrated revenue and capital monitoring
- a mid-year (minimum) treasury update report (Audit and Governance 19 December 2023)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit and Governance Committee with the annual strategy approved by Council.

2. The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), with expenditure in excess of these resources giving rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed. The results from 2022-23 are shown for illustrative purposes.

	2022-23 Actual £m	2023-24 Budget £m	2023-24 Actual £m
General Services			
Capital expenditure	87.955	98.916	51.589
Financed in year	(50.179)	(32.960)	(29.262)
Net borrowing need in year	37.776	65.956	22.327
HRA			
Capital expenditure	40.349	33.964	42.849
Financed in year	(14.983)	(7.896)	(11.788)
Net borrowing need in year	25.366	26.068	31.061
Total Net Borrowing need in year	63.142	92.024	53.388

3. The Council's Overall Borrowing Need

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and deemed only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022-23) plus the estimates of any additional capital financing requirement for the current (2023-24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure but allows the Council some flexibility to borrow in advance of its immediate capital needs if required.

The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2023 Actual £m	31 March 2024 Budget £m	31 March 2024 Actual £m
General Services			
CFR	295.377	372.650	313.376
External borrowing position	243.555	334.556	267.200
(Under) / over funding of CFR	(51.822)	(38.094)	(46.176)
HRA			
CFR	240.066	265.974	265.745
External borrowing position	197.948	238.785	226.589
(Under) / over funding of CFR	(42.118)	(27.189)	(39.156)
Total			
(Under) / over funding of CFR	(93.940)	(65.283)	(85.332)

The use of fiscal flexibility for PPP assets has created a difference between the external borrowing position and the CFR (previously these were equal). An under-borrowing has been created and will change annually. The PPP CFR reflects the new profile for repayment. The under-borrowing is created when comparing this to the balance outstanding on the PPP contract.

	31 March 2023 Actual £m	31 March 2024 Budget £m	31 March 2024 Actual £m
PPP			
CFR	32.214	30.686	45.919
Outstanding Debt	32.214	30.686	30.688
(Under) / over funding of CFR	-	-	(15.231)

4. Treasury Position as of 31 March 2024

At the beginning and the end of 2023-24 the Council's treasury, (excluding borrowing by PPP and finance leases), position was as follows:

£m	31 March 2023 Principal	Average Rate/ Return	Average Life yrs	31 March 2024 Principal	Average Rate/ Return	Average Life yrs
CFR	535			579		
Over / (under) borrowing	(93)			(85)		
Total debt	442	3.28%	29	494	3.36%	25
Total investments	(24)	4.12%	7	(23)	2.58%	6
Net debt	418			471		

- **The authorised limit** - the Council has kept within its authorised external borrowing limit as shown in the table below.
- **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. This indicator is set at the start of the financial year and is as per the Treasury Strategy.

	2022-23 Actual £m	2023-24 Budget £m	2023-24 Actual £m
Authorised limit	601	680	621
External Debt	442	573	494
Operational Boundary	535	638	579

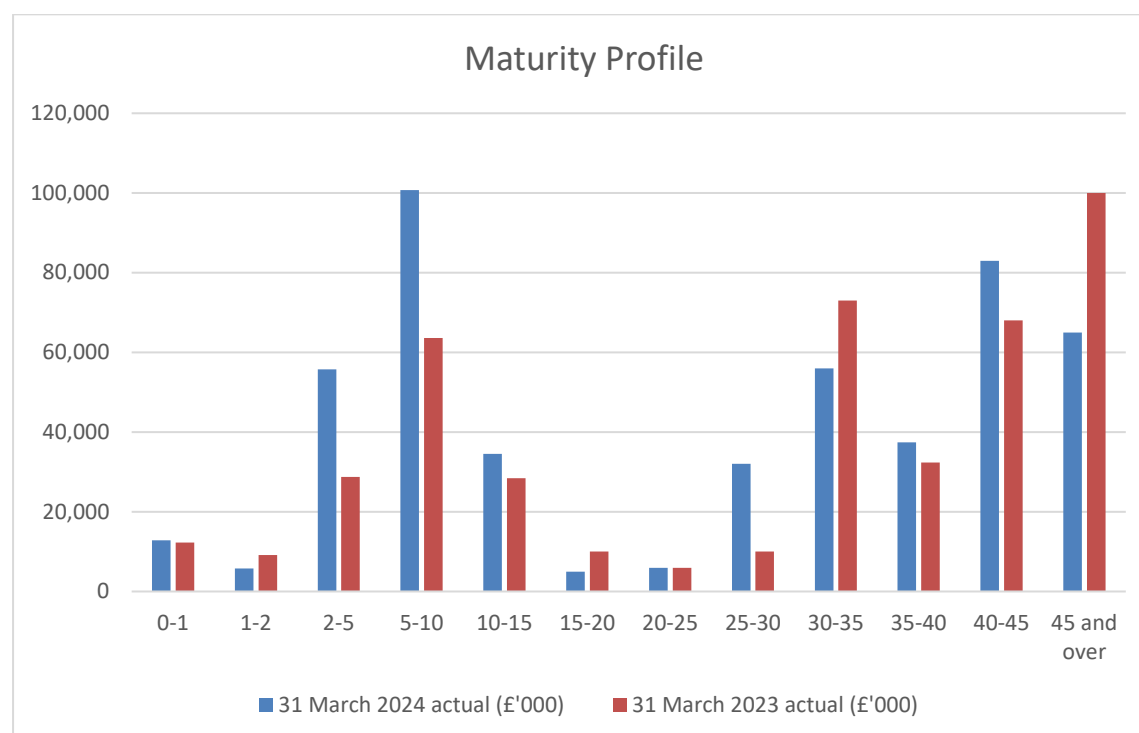
As of 31 March 2024, the average interest rate for all external debt was 3.36% (3.28% as of 31 March 2023). The average life across all loans is 25 years (29 years as of 31 March 2023).

The maturity structure and profile of the debt portfolio is set out in the tables below:

	31-Mar-23 Actual £m	(Paid) or New Loan* 2023-24 £m	31-Mar-24 Actual £m	Net movement** 2023-24 £m
Under 12 months	12.28	(18.64)	12.81	0.53
12 months and within 24 months	9.16	3.65	5.73	(3.43)
24 months and within 5 years	28.77	40.95	55.70	26.93
5 years and within 10 years	63.60	23.26	100.75	37.15
10 years and within 15 years	28.39	3.07	34.50	6.11
15 years and within 20 years	10.00		5.00	(5.00)
20 years and within 25 years	5.90		5.90	0.00
25 years and within 30 years	10.00		32.00	22.00
30 years and within 35 years	73.00		56.00	(17.00)
35 years and within 40 years	32.40		37.40	5.00
40 years and within 45 years	68.00		83.00	15.00
45 years and over	100.00		65.00	(35.00)
Total	441.50	52.29	493.79	52.29

* More detail on this is set out in Section 6 below

** Net movement shows the change between the maturity bands for existing loans



5. The strategy for 2023-24

5.1 Investment strategy and control of interest rate risk

The Council's approved investment strategy prioritises security, liquidity and then return. The Council adopts a prudent approach to managing risk and followed the approved 2023-24 Strategy where investments were only considered where the type of investment and exposure to risk was low or very low. Limits were set for fixed and variable interest rate exposure which were not exceeded during the year.

Investment returns picked up throughout 2023-24 as the Bank of England continued to respond to inflationary pressures that were not transitory, meaning that ongoing tighter monetary policy was required.

5.2 Borrowing strategy and control of interest rate risk

During 2023-24 the Council continued to maintain an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded by external borrowing as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This was a prudent strategy as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter are expected to fall back through 2024 and 2025 as inflation concerns are dampened.

The policy of avoiding new borrowing where possible by close monitoring of cash balances is kept under continual review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Interest rate forecasts initially suggested further gradual rises in fixed borrowing rates during 2023-24. Bank Rate had initially been forecast to peak at 4.5% but it is now expected to have peaked at 5.25%.

By January 2024 it was clear that inflation was moving down significantly from its 40-year high, and the Bank of England signalled in March 2024 that the next move in Bank Rate would be down, so long as upcoming inflation and employment data underpinned that view. The CPI measure of inflation is expected to fall materially below 2% over the summer months and to stay stable at that level in 2025 and 2026. There are still ongoing significant risks in relation to this forecast.

Forecasts from our Treasury advisors at the end of March 2024 suggest interest rates will fall slightly during 2024-25 and continue to gradually reduce over the subsequent 2 years. This remains a very challenging position, and the forecast and planning of borrowing will remain under review during 2024-25 and beyond.

Link Group Interest Rate View	25.03.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

PWLB rates are based on gilts (UK Government bonds) yields through H.M. Treasury who determine a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, the ongoing impact of the Ukraine war, inflationary pressures (especially energy and food) and labour market factors.

The margins over gilt yields are:

- **PWLB Standard Rate** - gilt plus 100 basis points
- **PWLB Certainty Rate** - gilt plus 80 basis points
- **PWLB HRA Standard Rate** - gilt plus 100 basis points
- **PWLB HRA Certainty Rate** - gilt plus 80 basis points
- **Local Infrastructure Rate** - gilt plus 60 basis points

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate falls and inflation (on the Consumer Price Index (CPI) measure) moves below the Bank of England's 2% target.

High/Low/Average PWLB Rates during 2023-24 over indicative borrowing terms:

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.54%	4.99%	4.97%	5.34%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

5. Borrowing Activity during 2023-24

Borrowing – the following loans were taken during the year:-

Lender	Principal £m	Type	Interest Rate	Maturity	Date
PWLB	10	Fixed interest rate	4.19%	6 years	18/04/2023
PWLB	10	EIP	4.19%	11 years	18/04/2023
PWLB	10	EIP	4.48%	10 years	23/11/2023
PWLB	20	EIP	4.83%	11 years	11/12/2023
PWLB	20	Fixed interest rate	4.43%	6 years	11/12/2023
PWLB	5	Fixed interest rate	4.66%	6 years	27/03/2024
Total	75				

As PWLB rates have remained at an elevated level during 2023-24 the Council has, in conjunction with our Treasury advisors decided to undertake borrowing at shorter durations than in recent preceding years as well as repaying principle in instalments over the period of the loan. This is to lessen interest costs in future as per Section 5.2 above, as interest rates are expected to reduce in the coming years.

Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Repayments

The following loans were repaid in full during the year: -

Lender	Principal £m	Type	Interest Rate	Maturity	Date
PWLB	0.66	Fixed Interest rate	7.875%	17	14/09/2023
PWLB	0.13	Fixed Interest rate	7.875%	17	14/09/2023
PWLB	10.0	Fixed interest rate	3.47%	12 years	24/09/2023
Commerzbank	10.0	Lenders Option Borrowers Option	4.030%	Option exercised	24/11/2023
Total	20.79				

Instalments of £1.90m were also paid on 7 loans which are payable as an Annuity or EIP (equal instalments of principal) basis rather than on maturity.

6. Investment Activity for 2023-24

Investment Policy

The Council's investment policy is governed by Scottish Government investment regulations which have been implemented in the annual investment strategy approved by the Council on 28 February 2023. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy as set.

Investments held by the Council

During 2023-24 and in accordance with the approved strategy 23 short term investments were made and repaid. Any other surplus cash balances were held in the Council's bank account, which is an interest-bearing account.

Date of Investment	Borrower	Amount £m	Interest rate	Date repaid
12/07/2023	Standard Chartered (Sustainable Deposit)	5.0	5.42%	12/10/2023
12/07/2023	DMADF (UK Government)	5.0	5.12%	12/09/2023
24/08/2023	Cheshire East Borough	5.0	5.32%	25/10/2023

03/10/2023	DMADF (UK Government)	10.0	5.17%	31/10/2023
03/10/2023	DMADF (UK Government)	3.0	5.17%	04/10/2023
04/10/2023	DMADF (UK Government)	5.0	5.17%	05/10/2023
05/10/2023	DMADF (UK Government)	6.0	5.17%	06/10/2023
06/10/2023	DMADF (UK Government)	8.0	5.17%	09/10/2023
09/10/2023	DMADF (UK Government)	6.0	5.17%	13/10/2023
17/10/2023	DMADF (UK Government)	10.0	5.17%	20/10/2023
26/10/2023	DMADF (UK Government)	5.0	5.18%	27/11/2023
26/10/2023	DMADF (UK Government)	4.0	5.18%	13/11/2023
02/11/2023	DMADF (UK Government)	9.0	5.17%	03/11/2023
03/11/2023	DMADF (UK Government)	5.0	5.17%	13/11/2023
03/11/2023	DMADF (UK Government)	4.0	5.17%	06/11/2023
13/12/2023	DMADF (UK Government)	10.0	5.19%	18/12/2023
13/12/2023	DMADF (UK Government)	10.0	5.19%	21/12/2023
13/12/2023	DMADF (UK Government)	5.0	5.20%	25/01/2024
15/12/2023	Cheltenham Borough	5.0	5.45%	15/01/2024
13/12/2023	Lloyds Banking Group	5.0	5.38%	10/01/2024
16/02/2024	DMADF (UK Government)	10.0	5.19%	26/02/2024
16/02/2024	Lloyds Banking Group	5.0	5.15%	25/01/2024
01/03/2024	DMADF (UK Government)	5.0	5.19%	08/03/2024

The Council also has the following loans to third parties which fall under the scope of the Council's approved Investment Strategy.

	Loan balance on 31 March 2023 £m	Loan balance on 31 March 2024 £m
East Lothian Housing Association	8.189	7.914

Under accounting standard IFRS9, an expected credit loss for all loans to third parties must be obtained and recognised in the Council's Income and Expenditure account within Surplus/Deficit on Provision of Services.

This was £0.065m for 2022-23 and was decreased to £0.055m for 2023-24 to reflect the risk profile of the debt in the current financial environment.

Investments held by Fund Managers

The Council uses Rathbones (previously known as Investec) as external fund managers to invest cash balances on behalf of the 4 Common Good Funds and the ELC Charitable Trusts. The performance of the managers against the benchmark return was:

£m	Investments held 31 March 2023	Investments held 31 March 2024	Return	Benchmark
Charitable Trusts	3.563	3.807	9.74%	11.47%
Common Good Funds	3.425	3.850	9.99%	11.47%
Total	6.988	7.657	£0.669m	

The Council's investment advisors have reported that the portfolio has performed strongly for 2023-24 with a net return of 10% for the Common Good and 9.7% for the Charitable Trusts as global equity markets performed strongly. This was driven by expectation of better growth as inflation started to fall and this will lead to lower interest rates later in the calendar year that should further support economic growth. There are continued geopolitical risks with a number of ongoing conflicts globally and the upcoming elections in the USA. These are mitigated by having investments in companies with strong balance sheets.

Officers continue to engage with the Investment Advisers, and consider any necessary action aligned to the Treasury Investment Strategy should there be any significant change to fund projections. The need to ensure the on-going viability of the funds is essential to ensure the long-term benefits of these investments.

The return achieved was lower the benchmark for both portfolios.

Appendix 1: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2022/23	2023/24	2023/24
	Actual £m	Budget £m	Actual £m
Capital Expenditure			
General Services	87.955	98.916	51.589
HRA	40.349	33.964	42.849
TOTAL	128.304	132.880	94.438
Ratio of financing costs to net revenue stream			
General Services	2.72%	4.37%	4.26%
HRA	30.10%	36.24%	33.13%
Gross borrowing requirement - General Services			
brought forward 1 April	257.927	309.114	295.377
carried forward 31 March	295.377	372.650	313.376
in year borrowing requirement	37.449	63.536	17.999
Gross borrowing requirement - HRA			
brought forward 1 April	219.522	245.305	240.066
carried forward 31 March	240.066	265.974	265.745
in year borrowing requirement	20.544	20.669	25.679
Gross Debt	£m	£m	£m
CFR			
General Services	295.377	372.650	313.376
HRA	240.066	265.974	265.745
TOTAL	535.443	638.624	579.121
Annual Change in Capital Financing Requirement			
General Services	37.449	63.536	17.999
HRA	20.544	20.669	25.679
TOTAL	57.993	84.205	43.679
Annual Impact of Capital Investment Decisions			
General Services – Debt per Band D Equivalent	£4,943	£6,086	£5,118
HRA – Debt per dwelling	£26,254	£28,652	£28,389

2. TREASURY MANAGEMENT INDICATORS	2022/23	2023/24	2023/24
	Actual £m	Budget £m	Actual £m
Authorised Limit for External Debt -			
Borrowing	601.000	680.000	636.000
Other long-term liabilities	33.000	31.000	31.000
Total	634.000	711.000	667.000
Operational Boundary for External Debt -			
Borrowing	535.442	638.623	594.352
Other long-term liabilities	32.214	30.686	30.688
Total	567.656	669.309	625.040
Actual External Debt			
Borrowing	441.503	573.341	493.789
Other long-term Liabilities	32.214	30.687	30.688
Total	473.717	604.028	524.477

	31 March 2023 Actual £m	31 March 2024 Budget £m	31 March 2024 Actual £m
3. LOANS FUND			
General Services			
Opening balance	258	309	295
Add advances	38	66	22
Less repayments	(0)	(2)	(4)
Closing balance	295	373	313
HRA			
Opening balance	220	245	240
Add advances	25	26	31
Less repayments	(5)	(5)	(5)
Closing balance	240	266	266
Total			
Opening balance	477	554	535
Add advances	63	92	53
Less repayments	(5)	(7)	(9)
Closing balance	535	639	580

ABBREVIATIONS USED IN THIS REPORT

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

GDP: gross domestic product – a measure of the growth and total size of the economy.

HRA: housing revenue account.

MPC: the Monetary Policy Committee is a committee of the Bank of England. which meets for one and a half days. eight times a year. to determine monetary policy by setting the official interest rate in the United Kingdom. (the Bank of England Base Rate. commonly called Bank Rate). and by making decisions on quantitative easing.

PPP: Private Public Partnership – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation.

CPI. Consumer Price Index. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 11 June 2024

BY: Chief Executive

SUBJECT: Corporate Governance Self-evaluation and Annual
Governance Statement 2024

1 PURPOSE

1.1 To advise Members of the results of the Corporate Governance Self-evaluation 2024.

2 RECOMMENDATION

Committee is asked to:

2.1 Note the results of the self-evaluation carried out using the Framework (Appendix 1) and consider whether any additional improvement actions should be added.

3 BACKGROUND

3.1 The Council adopted the principles of Corporate Governance based on the CIPFA / SOLACE guidance in 2010. CIPFA / SOLACE published a new 'delivering good governance' framework in 2016. This is based on Section 3.7 of the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom which governs the preparation and publication of an Annual Governance Statement. The framework defines the principles that should underpin the governance of each local government organisation. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the framework.

3.2 The Framework has seven core principles:

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

- B: Ensuring openness and comprehensive stakeholder engagement
- C: Defining outcomes in terms of sustainable economic, social and environmental benefits
- D: Determining the interventions necessary to optimize the achievement of the intended outcomes
- E: Developing the council's capacity, including the capability of its leadership and the individuals within it
- F: Managing risks and performance through robust internal control and strong public financial management
- G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

3.3 These seven core principles are supported by 21 sub-principles each of which has a set of behaviours and actions against which good governance in practice can be assessed.

3.4 A self-evaluation exercise based on this framework has been undertaken by the Council Management Team, testing the Council's governance arrangements against the Good Governance Framework. The self-evaluation has drawn on extensive evidence from Council policies and practices and from the 2023 Audit Scotland Best Value thematic work.

3.5 During 2022/23 external audit work, Audit Scotland identified several control weaknesses in relation to income and non-pay expenditure and as a result did not place reliance on these internal controls as part of their audit of the annual accounts. All recommendations made have now been implemented. The 2022/23 Annual Audit report from Audit Scotland had some significant key messages in relation to financial management and sustainability including the following:

- The Council 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.
- The Council faces unprecedented financial challenges and further work is required to find comprehensive plans to address these and deliver a financially sustainable operating model.
- The Council needs to strengthen their digital strategy, cyber security, business continuity management and associated policies to address prior year audit recommendations.

- 3.6 The self-evaluation (Appendix 1) provides evidence to show how the council complies with each of the sub-principles. A self-evaluation score from 1 – 6, where 1 = Unsatisfactory (major weaknesses), and 6 = Excellent (outstanding, sector leading), has been given against each sub-principle.
- 3.7 The Council Improvement Plan 2021-2022 was approved by Council in February 2021. The 16 actions in the Plan included seven actions carried forward from the 2018-2020 Plan and nine new actions identified in the 2020 Corporate Governance Self-evaluation and the auditors' 2019/20 Annual Audit Report (October 2020). The last update report on the Plan considered by the Audit and Governance Committee in February 2023 showed that nine actions in the Plan had been completed, four were ongoing and three have been carried forward into the 2024 Council Improvement Plan which was approved by Council in February 2024.
- 3.8 The Council has adopted a new self-evaluation framework, replacing How Good is Our Council Service with the Public Service Improvement Framework (PSIF). This was piloted by the Council Management Team (CMT) in early 2023. The CMT's PSIF exercise resulted in seventeen recommended actions under four objectives:
- Clarify the budget challenges facing the Council in order to develop a cross-service approach to identify savings.
 - Delivery and accelerating work around the Council's asset review and rationalisation strategies post-pandemic to ensure they are linking to longer-term plans and the Council's key priorities.
 - Look at ways to ensure that driving transformational change is embedded across the Council to support the Council priorities and plans.
 - Consider how the Council makes better use of staff feedback to drive change and improvement.
- 3.9 The 2024 Corporate Governance self-evaluation has found that the Council continues to comply well with the principles of the framework. Most sub-principles have been scored as 5 (very Good – major strengths) and the remainder as 4 (Good – important strengths with areas for improvement).
- 3.10 The self-evaluation has not identified any additional improvement actions over and above those already included in the 2024 Council Improvement Plan. However, the Council is committed to Continuous Improvement and as well as ensuring that the Plan's improvement actions are concluded as planned over the next year it will continue to review its policies and practices.
- 3.11 The Council has a duty under the Scottish Regulator's Strategic Code of Practice to publish an annual statement on compliance with the Code (arising from section 5 of the Regulatory Reform (Scotland) Act 2014). The Council fulfils this requirement by incorporating a statement of compliance within the Corporate Governance self-evaluation.

4 POLICY IMPLICATIONS

4.1 The corporate governance code and self-evaluation framework detailed in Appendix 1 complement the Council's *How Good is Our Council* self-evaluation. The corporate governance self-evaluation fulfils the Council's commitment to assess whether it meets the principles and requirements set out in the guidance on Delivering Good Governance in Local Government. The addition of the summary of the self-evaluation to the Internal Financial Control statement will fulfil the remit to include an Annual Governance Statement in the Council's Annual Accounts.

5 INTEGRATED IMPACT ASSESSMENT

5.1 This report is not applicable to the wellbeing of equalities groups and an Integrated Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – none

6.2 Personnel – none

6.3 Other – none

7 BACKGROUND PAPERS

7.1 Appendix 1: Corporate Governance Self-Evaluation 2024

7.2 Delivering Good Governance in Local Government Framework; CIPFA/SOLACE, 2016

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DATE	31 May 2024

Appendix 1: Corporate Governance Self-Evaluation 2024

[Evaluation scored on a scale of 1 – 6: where: 1 = Unsatisfactory – major weaknesses; 2 = Weak – important weaknesses. 3 = Adequate – strengths just outweigh weaknesses; 4 = Good – important strengths with areas for improvement; 5 = Very Good – major strengths; 6 = Excellent – outstanding, sector leading]

PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

A.1 Behaving with integrity	
A.1.1 Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	
A.1.2 Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	
A.1.3 Leading by example and using the above standard operating principles and values as a framework for decision making and other actions	
A.1.4 Demonstrating, communicating and embedding standard operating principles and values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	
Evidence	Evaluation
<ul style="list-style-type: none"> • Council Standing Orders and Schemes of Administration and Delegation and are reviewed regularly or when required – last review took place in 2023 and revised Standing Orders were approved by Council, 25th April 2023 • Councillors’ Code of Conduct (and members training on the Code), and Officers’ Code of Conduct included in Scheme of Administration. Elected members made aware of Code of Conduct as part of the members induction held following May 2022 council elections • Council Values and East Lothian Way Behaviours understood by senior management and staff – included as integral parts of the 2022-27 Council Plan • Policies and procedures in place for key activities including Procurement, Treasury Management, Complaints, Health and Safety and HR • External Audit and Internal Audit audits and reports provide assurance, and the council responds positively to any recommendations arising from external and internal audits. 	5. Very Good

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| <ul style="list-style-type: none">• The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, concluded that:<ul style="list-style-type: none">○ <i>The Council's leadership have been effective in setting out a clear vision and priorities in the Council Plan 2022-27.</i>○ <i>The Council's vision is aligned to the community plan priorities.</i>○ <i>The Council's leadership has been effective in setting clear priorities but now needs to demonstrate sustainable plans for delivering them.</i>• In February 2024 the Council approved a reprioritisation of the Council Plan following multiple changes in risk factors and this translated into three interlinked, complementary priorities which are aligned to the Council Plan's overarching and long-term thematic objectives.• Council adopted an Improvement Plan to respond to the recommendations arising from the Best Value Assessment and R4E assessment. The Improvement Plan was last reviewed, updated and approved by the Council in February 2024 to take account of any uncompleted actions and a further update is being presented to Audit and Governance Committee in June 2024. | |
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A.2 Demonstrating strong commitment to ethical values	
A.2.1 Seeking to establish, monitor and maintain the organisation's ethical standards and performance	
A.2.2 Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture	
A.2.3 Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	
A.2.4 Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation	
Evidence	Evaluation
<p>As above and in addition:</p> <ul style="list-style-type: none"> • Whistleblowing Policy updated and approved by Cabinet, September 2022 • Staff Code of Conduct approved by Cabinet in March 2020 • Customer Feedback policy and procedure • Contract conditions and monitoring • Council values and behaviours are embedded in the PRD process and guidance has been reviewed to make it easier to use and relevant to all staff and reissued to managers. 	5. Very Good

A.3 Respecting the rule of law	
A.3.1 Ensuring members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations	
A.3.2 Creating the conditions to ensure that the statutory officers, other key post holders, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirement	
A.3.3 Striving to optimise the use of the full power available for the benefit of citizens, communities and other stakeholder	
A.3.4 Dealing with breaches of legal and regulatory provisions effectively	
A.3.5 Ensuring corruption and misuse of power are dealt with effectively	
Evidence	Evaluation
<p>As A.1 and A.2 and in addition:</p> <ul style="list-style-type: none"> • Statutory Officers job outlines included in Scheme of Administration • Statutory Officers are members of CMT or SMT and attend relevant Council, Cabinet and Committee meetings • Internal Audit used to investigate any alleged incidents of breaches of legal and regulatory provisions, corruption or misuse of power • Elected members have received training from the Standards Commission on the Code of Conduct • A comprehensive elected members' induction programme was held following the May 2022 Council elections. The programme included a session on the Councillors Code of Conduct. 	5. Very Good

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

B.1 Openness	
B.1.1 Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness	
B.1.2 Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	
B.1.3 Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear	
B.1.4 Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	
Evidence	Evaluation
<ul style="list-style-type: none"> • Compliance with the Freedom of Information Act and Data Protection Act as demonstrated in the Information Governance Annual report to the March 2024 Audit and Governance Committee meeting • Council, Cabinet and Committee meetings held in public • Agendas for meetings, minutes and reports published on the Council website. By exception, some items are held in private and the reasons for this are documented • Press releases and social media used to inform the public of Council policies and decisions • Community Asset Transfer and Participation Request processes in place with open and transparent decision making which can be challenged • Community Participation Opportunities Guide 2018 provides comprehensive list of ways in which the Council consults and engages with citizens, communities and service users • Extensive public consultation continues to be carried out through the Council’s consultation hub • The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, concluded that: <ul style="list-style-type: none"> ○ The council’s vision is aligned to the community plan priorities; ○ The council communicated the publication of the new Council Plan to citizens, staff and partner agencies. • Council Standing Orders will be reconsidered following the successful implementation of the Hybrid meeting system. 	<p>5. Very Good</p>

B.2 Engaging comprehensively with institutional stakeholders (including other public and third sector organisations and commercial partners)	
B.2.1 Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder are clear so that outcomes are achieved successfully and sustainably	
B.2.2 Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	
B.2.3 Ensuring that partnerships are based on: <ul style="list-style-type: none"> - Trust - A shared commitment to change - A culture that promotes and accepts challenge among partners And that the added value of partnership work is explicit	
Evidence	Evaluation
<ul style="list-style-type: none"> • The 2017-2027 East Lothian Plan clearly sets out the objectives and outcomes for the East Lothian Partnership and each member; as do the Children and Young People Plan, Community Justice Outcome Improvement Plan and various other joint strategies • The City Region Deal is a clear example of how effectively the Council works in partnership with institutional stakeholders requiring trust, a shared commitment to change and a culture that promotes and accepts challenge among partners • The Council has been an active partner in the education regional collaborative • The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that: <ul style="list-style-type: none"> ○ Community empowerment is a key principle in the Council Plan 2022-27 ○ 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. ○ 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. and ○ 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. 	5. Very Good

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| <ul style="list-style-type: none">• Partnership and collaborative working are integral elements of any options appraisal carried out by the Council. Examples of partnership and collaborative working to achieve best value include the proposal to co-locate police in John Muir House; partnering with HubCo South East in various capital projects; the development of the Food and Drink Hub in partnership with Queen Margaret University
The Council had extensive engagement with statutory partners, in particular the NHS and Police Scotland• The Council has a strong and positive working relationship with VCEL, East Lothian's Third Sector Interface• The East Lothian Partnership took responsibility for overseeing and monitoring progress with the East Lothian Recovery and Renewal Plan and Action Plan• The East Lothian Partnership are undertaking a strategic needs assessment which will inform a review of the East Lothian Plan in 2024. | |
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B.3 Engaging with individual citizens and service users effectively	
B.3.1 Ensuring a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other provision) is contributing towards the achievement of intended outcome	
B.3.2 Ensuring that communication methods are effective, and that members and officers are clear about their roles with regard to community engagement	
B.3.3 Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	
B.3.4 Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account	
B.3.5 Balancing feedback with more active stakeholder groups with other stakeholder groups to ensure inclusivity	
B.3.6 Taking account of the impact of decisions on future generations of taxpayers and service users	
Evidence	Evaluation
<ul style="list-style-type: none"> • The Council Improvement Plan 2018-2020 included an action to review the Consultation and Engagement Strategy. A revised strategy has been developed and the Community Participation Opportunities Guide 2018 providing information on the ways in which the Council consults and engages with citizens, communities and service users has been published on the Council website • The Community Participation Opportunities Guide 2018 provides comprehensive list of ways in which the council consults and engages with citizens, communities and service users • Communications Strategy 2022-27 • Complaints procedures and monitoring reports • The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that: <ul style="list-style-type: none"> ○ <i>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.</i> • The Council received a Recognised for Excellence Good Practice Award in 2018 which provided a high degree of assurance: <i>“This organisation clearly has a culture of working in partnership that is deployed right across the organisation. Reviews take place to assess the approaches taken both by the organisation and their strategic partners and staff are encouraged through workshops to look at how they can better work with others both inside and outside the organisation.”</i> • The Council provided regular communications with the general public and briefings for elected members and staff on its response to the COVID-19 emergency 	5. Very Good

PRINCIPLE C: Defining outcomes in terms of sustainable economic, social and environmental benefits

C.1 Defining outcomes	
C.1.1 Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions	
C.1.2 Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	
C.1.3 Delivering defined outcomes on a sustainable basis within the resources that will be available	
C.1.4 Identifying and managing risks to achievement or outcomes	
C.1.5 Managing service users’ expectations effectively with regard to determining priorities and making the best use of resources available	
Evidence	Evaluation
<ul style="list-style-type: none"> • The Council has a clear vision which has been set out in Council Plans • The 2022-2027 Council Plan and East Lothian Plan 2017-27 set out clear objectives, strategic goals and outcomes that are clearly linked to the vision and form the basis of overall strategy, other strategic plans and service plans. • As part of East Lothian Council’s 2023 ‘State of the Council’ and Annual Performance Report in February 2024 the Council agreed a reprioritisation of the Council Plan in order to respond to the new challenges and the limited resources it has the Council focusing on delivering a smaller number of priorities. • The Council has identified Top 50 Council Plan indicators to map out progress against the Council Plan objective, strategic goals and outcomes • The Council’s financial strategy 2024-29 approved by Council in December 2023 is based on delivering the Council Plan’s outcomes on a sustainable basis within the resources that will be available however has been in the context of the most challenging financial environment this Council has ever faced • Capital and Revenue Budgets paper presented to Council in February 2024 noted the extremely challenging context within which budget proposals for 2024/25 onwards have been developed, and the factors which have contributed to the gap between forecast income levels and expenditure demands. 	4. Good

- The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that:
 - *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.*
 - *The council's priorities have a focus on the need to reduce inequalities and on tackling climate change.*
- Corporate and Service risk registers identify the risks and mitigating actions. The Corporate risk register is reported to Council on at least an annual basis, more often currently due to the risks associated with financial pressures and the Audit & Governance Committee reviews Corporate and Service risk registers on an annual basis.
- The City Region Deal provides significant inward investment in East Lothian's infrastructure that will support the achievement of the Economic Development Strategy and Local Development Plan
- Utilisation of £11.3m of Levelling Up Funding for site preparation works at the former Cockenzie power station site will allow the progression of the masterplan of the site to be developed for economic use
- The Council commissioned consultants to produce a new local economic strategy during 2023 and the East Lothian Local Economy Strategy 2024-2034 was approved at the April 2024 Council Meeting setting out a shared vision and a set of shared objectives, actions, and performance measures for East Lothian Council and its partners to work towards over the next ten years.

C.2 Sustainable economic, social and environmental benefits	
C.2.1 Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision	
C.2.2 Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	
C.2.3 Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	
C.2.4 Ensuring fair access to services	
Evidence	Evaluation
<ul style="list-style-type: none"> • The 2022-2027 Council Plan was set within the context of the social, economic and environmental challenges faced by East Lothian and in February 2024 the Council agreed a reprioritisation of the Council Plan in order to respond to the new challenges and the limited resources it has the Council focusing on delivering a smaller number of priorities. • The Council's Integrated Impact Assessment covers protected characteristics, human rights, sustainability, corporate parenting and the Fairer Scotland Duty. This will be adapted to take account of children's rights in line with the new UNCRC legislation in 2024. • Poverty Commission report led to the adoption of a 50-point Poverty Action Plan in 2017. The plan was reviewed in 2021 and a new East Lothian Poverty Plan 2021-2023 was adopted in late 2021. Consultation is currently underway on the draft East Lothian Poverty Plan 2024-2027 for both the public and East Lothian Council staff. • Reducing inequalities is an overarching objective of the 2022-2027 Council Plan and 2017-2027 East Lothian Plan, the revised priorities continue to make the commitment to <i>'Target resources on statutory services and focus on the highest risks and those most in need'</i>. • Five-year financial strategy, and revenue and capital budgets are based on a longer-term view and balance wider public interest with conflicting interests • The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that: <ul style="list-style-type: none"> ○ <i>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.</i> • The Council has undertaken budget consultation exercises to gauge public opinion on the 'hard choices' and 'trade-offs' it needs to make to balance budgets when resources are constrained and demand for service is rising • Corporate and Service Risk Registers take account of the social, economic and environmental challenges 	4. Good

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| <ul style="list-style-type: none">• 2020 Action to monitor the implementation of the Climate Change Strategy Action Plan: Implementation of the Climate Change Strategy Action Plan is carried out by the Climate Change Planning Group and reported to Council annually.• The latest Climate Change Strategy Annual update to Council in April 2024 concluded that the Council is making good progress on its Climate Change Strategy and Action Plan. However, the Council faces a challenge to balance its sustainability goals with financial constraints. It will also be difficult to make all of East Lothian climate resilient and zero emissions when a rising population and new developments necessitate greater Council activity• The Budget Development & 2024-25 Council Tax and Rent levels paper approved by Council in February 2024 also stated that:<ul style="list-style-type: none">○ <i>Even with these levels of assumed Council tax, further budget efficiency plans and indicative council tax rises proposed as part of this budget will only partially close the gap, leaving a residual budget gap of £13.074m to close over the next five years.</i> | |
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Action: Continue to work to close the identified residual budget gap for the next five years whilst continuing to maintain sustainable services.

PRINCIPLE D: Determining the interventions necessary to optimize the achievement of the intended outcomes

D.1 Determining interventions	
D.1.1 Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore, ensuring best value is achieved however services are provided	
D.1.2 Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts	
Evidence	Evaluation
<p>As B.1 and in addition:</p> <ul style="list-style-type: none"> • Capital projects, new income charge proposals and transformation change projects are mainly accompanied by business cases which include options appraisal, outcome or benefits projection and risk assessment • Customer feedback, user surveys, and Residents Survey are all used to inform decisions about services • Council has undertaken budget consultation exercises to gauge public opinion on the 'hard choices' and 'trade-offs' it needs to make to balance budgets when resources are constrained and demand for service is rising • The Council has established an all-party budget working group that will consider budget proposals and attempts to reach consensus on proposals to meet significant budget reductions to achieve a balanced budget over the next five years. 	<p>5. Very Good</p>

D.2 Planning interventions	
D.2.1 Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	
D.2.2 Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	
D.2.3 Considering and monitoring risks facing each partner when working collaboratively, including shared risks	
D.2.4 Ensuring arrangements are flexible and agile so that mechanisms for delivering goods and services can be adapted to changing circumstances	
D.2.5 Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is measured	
D.2.6 Ensuring capacity exists to generate the information required to review service quality regularly	
D.2.7 Preparing budgets in accordance with objectives, strategies and the medium-term financial plan	
D.2.8 Informing medium- and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	
Evidence	Evaluation
<p>As C1 and C2 and in addition</p> <ul style="list-style-type: none"> • The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that: <ul style="list-style-type: none"> ○ 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. • The 2022/23 Audit Scotland East Lothian Council Annual Audit Report stated that: <i>‘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.’</i> and, <i>‘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.’</i> • As well as the Top 50 Council Plan indicators the Council has an extensive and comprehensive set of key performance indicators covering all services which are reported quarterly and / or annually to the Policy Performance and Review Committee (PPRC) including a suite of Poverty and Equality Indicators. 	5. Very Good

D.3 Optimising achievement of intended outcomes	
D.3.1 Ensuring the medium-term financial strategy integrates and balances service priorities, affordability and other resource constraints	
D.3.2 Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	
D.3.3 Ensuring the medium-term financial strategy sets the context for ingoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	
D.3.4 Ensuring the achievement of 'social value' through service planning and commissioning	
Evidence	Evaluation
<p>As D2 and in addition</p> <ul style="list-style-type: none"> • Quarterly financial reports are presented to Council highlighting variations between expenditure and budget and associated risks • Financial and Capital Strategies 2024 to 2029 were both approved at Council in December 2023 • Annual Audit Report presented by the Council's auditors • Recovery plans are put in place to address areas of significant overspend and these are monitored by chief officers • Cabinet Approved the Improvement to Excellence: East Lothian Council's Continuous Improvement Framework in May 2023 covering 5 interrelated elements: <ul style="list-style-type: none"> ○ Setting clear outcomes and objectives ○ Service improvement planning and management ○ Performance management, monitoring and reporting ○ Self-evaluation ○ External assessment and accreditation. • The Budget development & 2024-25 Council Tax and Rent levels paper approved by Council in February 2024 also stated that: <ul style="list-style-type: none"> ○ <i>Even with these levels of assumed Council tax, further budget efficiency plans and indicative council tax rises proposed as part of this budget will only partially close the gap, leaving a residual budget gap of £13.074m to close over the next five years.</i> <p>Action: Continue to work to close the identified residual budget gap for the next five years whilst continuing to maintain sustainable services.</p>	<p>4. Good</p>

PRINCIPLE E: Developing the council’s capacity, including the capability of its leadership and the individuals within it

E.1 Developing the council’s capacity	
E.1.1 Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	
E.1.2 Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently	
E.1.3 Recognising the benefits of partnerships and collaborative working where added value can be achieved	
E.1.4 Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	
Evidence	Evaluation
<ul style="list-style-type: none"> • Performance indicators are reviewed quarterly or annually • The Council uses the Local Government Benchmarking Framework and takes part in relevant benchmarking exercises run by the Improvement Service, APSE and other networks • All services undertake annual reviews of three-year Service Plans • The 2018-2022 Workforce Plan was reviewed and revised in 2022 and a new 2023-2027 Workforce Plan was adopted by the Council in January 2023 • Cabinet Approved the Improvement to Excellence: East Lothian Council’s Continuous Improvement Framework in May 2023 which included moving from the How Good is our Council/ Service self-evaluation framework to the Public Service Improvement (PSIF) framework. This was piloted with the CMT in early 2023 and will be rolled out across all services over a three-year period. • The 2022/23 Audit Scotland East Lothian Council Annual Audit Report stated that: <i>‘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.’</i> and, <i>‘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.’</i> 	5. Very Good

E.2 Developing the capability of the council's leadership and other individuals

E.2.1 Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding on roles and objective is maintained

E.2.2 Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body

E.2.3 Ensuring the leader and chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority

E.2.4 Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successively to changing legal and policy demands as well as economic, political and environmental changes and risks by:

- ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
- ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
- ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external

E.2.5 Ensuring that there are structures in place to encourage public participation

E.2.6 Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections

E.2.7 Holding staff to account through regular performance reviews which take account of training or development needs

E.2.8 Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

Evidence	Evaluation
<ul style="list-style-type: none"> • Council Standing Orders, Officers and Councillors Codes of Conduct set out the roles and responsibilities of elected members and senior officers • The Scheme of Delegation clearly specifies the remits of Council, Cabinet and Committees and specifies what is delegated to officers • CMT and Service managers have undertaken a Management and Leadership Development programme, which is now being rolled out across all levels of management on a service-by-service basis. • The Council has a rigorous annual Personal Review and Development (PRD) process in place whereby all staff should have a PRD session which takes account of training or development needs. 59% of staff who responded to the 2024 staff survey said they had had a PRD in the previous 12 months – up from 55% in the 2023 survey • Community Participation Opportunities Guide 2018 provides a comprehensive list of ways in which the Council consults and engages with citizens, communities and service users • Healthy Working Lives activities and renewed emphasis on initiatives aimed at improving the mental wellbeing and resilience of staff • The Council has a Staff Charter setting out its commitments to all staff and the behaviours that staff are expected to follow • The 2023-2027 Workforce Plan has 32 actions based around three themes: <ul style="list-style-type: none"> ○ Sustain a skilled, flexible, resilient and motivated workforce ○ Support and initiate transformational change, encouraging and supporting staff to work in a more agile way ○ Build and sustain leadership and management capacity <p>Action: Continue to monitor improvement in the participation rates in the annual Personal Review and Development (PRD) process and take action to improve participation if required.</p>	<p>4. Good</p>

PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

F.1 Managing risk	
F.1.1 Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	
F.1.2 Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	
F.1.3 Ensuring that responsibilities for managing individual risks are clearly allocated	
Evidence	Evaluation
<ul style="list-style-type: none"> • Risk Strategy reviewed every four years • Corporate and Service Risk Registers – reviewed and revised regularly by Corporate and Service risk groups and CMT before being presented to Council or Audit & Governance Committee • CMT has established a risk sub-group • Responsibilities for risks are set out in the registers • The Corporate Risk Register were reviewed to take account of and reflect the risks arising from the COVID-19 emergency • The Council will continue to review its policies and processes to support its continuous improvement 	5. Very Good

F.2 Managing performance	
F.2.1 Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	
F.2.2 Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risk inherent in the organisation's financial, social and environmental position and outlook	
F.2.3 Ensuring an effective scrutiny and oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making	
F.2.4 Providing members and senior management with regular reports on service delivery plans and progress towards outcome achievement	
F.2.5 Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)	
Evidence	Evaluation
<ul style="list-style-type: none"> • Service Plans take account of improvement actions arising from the self-evaluation • Performance against service Key Performance Indicators are taken into account in the self-evaluation • The Council's three scrutiny committees – Police Performance and Review; Audit & Governance; and Police, Fire and Community Safety – operate effectively and provide challenge to senior officers and the Administration • The Guide to Scrutiny encourages constructive challenge and debate • The Cabinet has approved the revised Improvement to Excellence Continuous Improvement Framework in May 2023. • Quarterly and Annual Performance Reporting • The Council adopted a new set of Top 50 Council Plan Indicators based on the 2022-2027 Council Plan. These will be reported on to PPRC in June and then to Council as part of the annual State of the Council report each December • Quarterly financial statements considered by Council detail the variances against the budget • The 2022/23 Audit Scotland East Lothian Council Annual Audit Report stated that: <i>'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.'</i> • The Council has adopted the Public Service Improvement Framework (PSIF) as its self-evaluation framework. This has been piloted by CMT and will be rolled-out to all services over the next three years. 	5. Very Good

F.3 Robust internal control	
F.3.1 Aligning the risk management strategy and policies on internal control with achieving objectives	
F.3.2 Evaluating and monitoring risk management and internal control on a regular basis	
F.3.3 Ensuring effective counter fraud and anti-corruption arrangements are in place	
F.3.4 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	
F.3.5 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and that its recommendations are listened to and acted upon	
Evidence	Evaluation
<p>As F.1 and in addition</p> <ul style="list-style-type: none"> • The Council has in place a Strategy for the Prevention and Detection of Fraud and Corruption and takes part in the National Fraud Initiative (NFI) exercise with activity reported to the Audit & Governance Committee every two years • Counter fraud and anti-corruption arrangements are audited by external and internal auditors • Following recent review of the Counter Fraud provision a Counter Fraud Officer has been appointed within the Internal Audit team • External and Internal auditors provide assurance on the adequacy and effectiveness of all control measures, Internal Audit review risk management arrangements on an annual basis • The Audit & Governance Committee is independent of the Executive. It is chaired by a member of the Opposition, has a majority of opposition members and no Cabinet members • Annual reporting is completed by Internal Audit to the Audit & Governance Committee on the overall effectiveness of the framework of governance, risk management and control of the Council. 	5. Very Good

F.4 Managing data

F.4.1 Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data

F.4.2 Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies

F.4.3 Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring

Evidence	Evaluation
<ul style="list-style-type: none">• GDPR policy and processes• Information Governance Annual report to the March 2024 Audit & Governance Meeting• Records Management Policy• Data sharing protocols are in place• Performance data is audited by Internal Audit• Data sharing agreements and arrangements had to be reviewed / put in place as a result of the COVID-19 emergency, in particular around managing the personal data of over 3,600 shielded people.	5. Very Good

F.5 Strong public financial management

F.5.1 Ensuring financial management supports both long term achievement of outcomes and short term financial and operational performance

F.5.2 Ensuring well developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

Evidence	Evaluation
<ul style="list-style-type: none"> • Financial Management Strategy updated and approved by Council, December 2023 • The 2022/23 Audit Scotland East Lothian Council Annual Audit Report stated that: <i>‘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.’</i> • The 2023 Audit Scotland Best Value thematic work in East Lothian Council covering Leadership of the development of new local strategic priorities, stated that: <ul style="list-style-type: none"> ○ <i>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. And</i> ○ <i>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.</i> <p>Action: 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>4. Good</p>

PRINCIPLE G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

G.1 Implementing good practice in transparency	
G.1.1 Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate	
G.1.2 Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	
Evidence	Evaluation
<ul style="list-style-type: none"> The 2018 Best Value Assurance Report provided a high level of assurance. It concluded: <i>“In 2007, we reported that there was an informal approach to conducting business and many meetings were held in private. Council business is now conducted in public and in a formal manner. Agendas, minutes and reports are available on the council website. By exception, some items are held in private and the reasons for this are documented. Working relationships between officers and councillors are professional and constructive.”</i> <i>“Council business and decision are clearly documented. The standard of scrutiny by members of the two main scrutiny committees is good. The council’s decision-making processes are clear and open. Performance management is thorough, and elected members and officers make good use of reports to evaluate performance. It could be improved by linking the various reports and explaining more clearly whether performance is on track against target.”</i> 	5. Very Good

G.2 Implementing good practice in reporting	
G.2.1 Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way	
G.2.2 Ensuring members and senior management own the results reported	
G.2.3 Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)	
G.2.4 Ensuring this Framework is applied to jointly managed or shared service organisations as appropriate	
G.2.5 Ensuring the performance information that accompanies the financial statement is prepared in a consistent and timely basis and the statements allow for comparison with other similar organisations	
Evidence	Evaluation
<ul style="list-style-type: none"> • The Council produces quarterly performance reports and an Annual Public Performance Report which are reported to PPR Committee • The Council Management Team (CMT) reviews the quarterly and annual performance reports • The CMT reviews the Corporate Governance Framework and self-evaluation before it is reported to Audit & Governance Committee • The Council participates fully in the Local Government Benchmarking Framework and the annual LGBF report which includes a wide range of performance benchmarking data is considered by CMT and then the PPR Committee. 	5. Very Good

G.3 Assurance and effective accountability	
G.3.1 Ensuring that recommendations for corrective action made by external audit are acted upon	
G.3.2 Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon	
G.3.3 Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	
G.3.4 Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	
G.3.5 Ensuring that when working in partnership arrangements for accountability are clear and the need for wider public accountability has been recognised and met	
Evidence	Evaluation
<ul style="list-style-type: none"> • Actions identified by External Audit are reported to members via the Audit & Governance Committee and are acted on • All Internal Audit reports are reported to members via the Audit & Governance Committee follow-up reporting against each report is provided to provide assurance that recommendations are acted upon. • Education Scotland Inspection reports and follow up visits are presented to the Education and Children's Services Committee • All ALEO organisations report on an annual basis to the Audit & Governance Committee. 	5. Very Good

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 11 June 2024

BY: Chief Executive

SUBJECT: Corporate Risk Register

11

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Corporate Risk Register (Appendix 1) for discussion, comment and noting.

The Corporate Risk Register has been 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 Risk Working Group (RWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Corporate Risk Register and in doing so, 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 risk can be borne by the Council at this time in relation to the Council's appetite for risk.
 - although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks and are likely to be a feature of the risk register over a number of years.
 - note that the Council Management Team will review all risks in the Corporate Risk Register on a regular basis.

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Corporate RWG on behalf of and in consultation with Council Management Team. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) which involves multiplying the likelihood of occurrence of a risk (scored 1-5) by its potential impact (scored 1-5). This produces 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.
- 3.4 The 2024-25 Corporate Risk Register as updated, currently includes 5 Very High Risks, 9 High Risks, 6 Medium Risks and 1 Low Risk. All most recent updates to risk text are highlighted in red.
- 3.6 In accordance with the Risk Management Strategy 'Very High' and 'High Risks' identified in the Corporate Risk Register will be subject to closer scrutiny by the Council Management Team, the Cabinet and the Audit and Governance Committee.
- 3.7 The CMT sub-group on Risk Management meets on a bi-monthly basis to monitor and drive Risk Management council-wide and to review the Corporate Risk Register. This group includes the Executive Directors and ensures that Risk is given prominence by CMT.
- 3.6 Risk CR1 on 'Managing the Financial Environment' continues to have both current and residual risk scores of 25 (this continues to be the highest risk scoring the Council has reported), due to the very significant external pressures the Council is facing, including a wide and significant range of external and inflationary cost and demand pressures, significant increased cost of borrowing and consequences of national pay awards
- 3.7 The former Corporate Risk titled Information Security and Data Protection has been split into two risks now titled 'Cyber Security Threats' CR6 and 'Data Protection Threats' CR11 on the Register. This is due to the differing nature of these risks and the varying control measures for them whilst they also have differing risk scores.
- 3.8 The Council remains in emergency response with business continuity plans invoked within four council services at the time of this report; these are Facilities, Estates, Housing and Sport, Countryside & Leisure (Forestry Team). These services' Business Continuity Plans are invoked predominantly in response to staffing pressure arising from a very challenged employment market, limited volume and calibre of response to recruitment campaigns and increased demand for services. Activation of Business Continuity Plans for these services results in the available staffing resource being deployed to deliver 'business critical' activities as priority.
- 3.9 Committee can be reassured that CMT, its Risk Management Sub-Group, the Corporate Risk Management Group and its Linking Risks Sub-Group, continue to closely monitor all Corporate Risks. Informed by global and national risks, via the annual Global Risk Report produced by the World Economic Forum in January each year, and by the Scottish Government's National Risk Assessment (NRA) produced annually, every effort is made to

ensure that the Corporate Risk Register reflects current and future risks with appropriate mitigations in place.

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 –The financial impact of the associated risks and measures remain under regular close monitoring and review. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Council Management Team, and if required will be reported to Council.
- 6.2 Personnel – There are no immediate implications, however, given the current significant staffing challenges and operational impacts resulting, this area is under constant review.
- 6.3 Other – Effective implementation of the Corporate Risk Register will require the support and commitment of the risk owners identified within the register.

7 BACKGROUND PAPERS

- 7.1 Appendix 1 – Corporate Risk Register
7.2 Appendix 2 – Risk Matrix

AUTHOR'S NAME	Scott Kennedy
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DATE	30 May 2024

East Lothian Council Corporate Risk Register 2024-25

Risk Ref.	Risk Category	Risk Description	Existing Risk Control Measures	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Timescale for Completion / Review Frequency	Evidence held of Regular Review
				Likelihood	Impact	Total		Likelihood	Impact	Total		
				L	I	L x I		L	I	L x I		
ELC CR 1	Financial Service Objectives	<p>Managing the Financial Environment</p> <p>The Council continues to face unprecedented levels of challenge and risk within the financial environment. The provisional revenue outturn for 2023/24 is likely to result in a significant reduction to reserves balances. In addition, the Council faces a significant funding gap, estimated to be in excess of £55.8 million over the next 5 years. This represents approximately a fifth of the council's annual running costs.</p> <p>This is compounded by a growing range of external cost and demand pressures, policy and legislative obligations and financial pressures aligned to population growth.</p> <p>These wide range of external risks and demands are wholesale and include:</p> <ul style="list-style-type: none"> The level and complexity of national funding with current resources being made available not keeping pace with these growing demands, and around 70% of national funding being made available 'directed' to support specific policy obligations and specific settlement conditions. Impact of national settlement conditions including Council Tax freeze continues to have an adverse and recurring impact on resources available to the Council to fund sustainable local services. Significant increased cost of service delivery arising from high inflation and pay settlements. Growing demands for services aligned to on-going cost of living challenges and legislative change Increased cost of supporting services aligned to significant sustained and projected population growth, including the cost of new associated infrastructure such as new schools. Significant challenges in supporting capital infrastructure requirements including: <ul style="list-style-type: none"> Higher interest rates Significantly higher costs of construction Increased gap between approved S75 contributions and cost of infrastructure aligned to growth Investment needed to support an aged and wide-ranging asset base, including servicing on-going maintenance of these assets, and emerging challenges posed through the identifications of RAAC Meeting the cost of enhanced infrastructure policy obligations including net zero. There remains on-going uncertainty relating to the proposed national capital accounting review, 	<p>The Council has approved a budget for 2024/25 and identified future financial projections for the next 5 years, which includes the delivery of in excess of £15million of planned savings.</p> <p>The Council has an approved financial strategy which is refreshed annually and sets out a series of critical enablers aligned to supporting transformation and future sustainability of service provision.</p> <p>The budget development framework incorporates a cross party budget working group, which meets regularly throughout the year to progress budget development options.</p> <p>The Council annually refreshes the Financial Strategy, Capital Strategy and Treasury Management Strategy to take cognisance of any new / emerging financial risks. These documents support the medium-term financial planning for the organisation.</p> <p>The Council has an approved reserves strategy, which sets out the current level of reserves and associated commitments, including a requirement to maintain a minimum level of uncommitted reserves to support any unforeseen event.</p> <p>The Council has a wide range of on-going cost control and financial management arrangements to manage in year budget performance and delivery of planned efficiencies. This includes regular management information to CMT and quarterly financial reporting to Council.</p> <p>The Council has an enhanced range of urgent cost control measures aimed at mitigating and limiting the scale of these rising costs.</p> <p>Significant national lobbying and stakeholder discussions highlighting the specific challenges being faced by this Council aligned to a growing population continues at both political and officer level.</p> <p>The Council continues to actively support discussions and lobbying at both political and officer level setting out the scale of the funding challenge facing Local Government.</p> <p>Continue to prioritise and support the statutory annual audit process. The accounts for 2022/23 were signed on 20 March 2024.</p>	5	5	25	<p>Enhanced programme of monitoring of Council's budget aligned to risk currently being developed.</p> <p>On-going review of Capital Planning and capital infrastructure priorities.</p> <p>Conclude the review and prioritisation of Transformation programme aligned to supporting financial sustainability and shaping services for the future.</p> <p>The Council 'reset' the Council Plan to 3 overarching key priorities at its meeting on 27 February 2024 and officers are currently progressing work to develop an action plan aligned to focus resources and service delivery to be reported to Council in June.</p> <p>Continue to support national discussions through CIPFA Directors of Finance aligned to ensuring the on-going financial sustainability of local government.</p> <p>On-going engagement with Scottish Government and COSLA on local government funding and distribution to support a fair and adequate allocation of resources to deliver local services.</p> <p>Continue to review the budget development proposals and financial modelling and seek to identify further budget savings which will support sustainable service delivery.</p> <p>Continue to engage with Scottish Government and COSLA to adequately resource the funding requirements associated with population growth arising from the Local Development Plan, taking into consideration both revenue and capital costs.</p> <p>Continue to support regional placed based funding discussions with City Region Deal Partners.</p> <p>Continue to seek urgent national agreement with DFM for additional place-based revenue funding for East Lothian.</p> <p>Provide regular updated public information for communities and residents explaining the financial pressures and impacts on services.</p>	5	5	25	<p>Actions ongoing and under continuous review while monitoring arrangements will continue to be applied.</p>	<p>Risk fully reviewed by Executive Director Council Resources (CFO) and Head of Finance, May 2024, with no changes to risk scores.</p> <p>Risk reviewed by Head of Finance and Executive Director Council Resources, August 2023 with residual score increased to 25 given the scale of the current financial challenge.</p> <p>Risk refreshed November 2022 by CMT Sub-Group on Corporate Risks with current score increased from 20 to 25 and residual from 16 to 20 due to the current climate.</p>
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Risk Ref.	Risk Category	Risk Description	Existing Risk Control Measures	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Timescale for Completion / Review Frequency	Evidence held of Regular Review
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				L	I	L x I		L	I	L x I		
		<p>which could result in changes in accounting for capital infrastructure and may ultimately result in significantly increased cost to local taxpayers.</p> <p>The level of unallocated reserves being held by the Council as a contingency to mitigate any unforeseen events remains very low relative to the concurrent risks the Council is currently facing. The Council aims to hold a minimum level of reserves of £7.6 million. Given the current level of in year overspend and future financial projections, there remains a high degree of risk that this may not be sufficient to meet current / future unplanned events.</p> <p>The Council approved a budget for 2024/25 and forward financial plans on 20 Feb 2024 which includes the delivery of £8.1m savings in 2024/25 and over £15 million over the next 5 years. In addition, the Council approved savings plans which includes an anticipated delivery of £20m of capital receipts over the next 5 years. The need to deliver these savings remains an essential part of current and future financial strategy, but the timing and delivery of this scale will be challenging. Should these savings not be deliverable, alternative proposals will need to be quickly identified to close the financial gap.</p> <p>The IJB has a very significant funding gap being faced in 2023/24 and in future years. There remains enhanced risks relating to the ability for the IJB to meet the level of planned savings aligned to delegated Council budgets and wider demand. Should this materialise and the IJB remain unable to meet the wider savings gap, this may result in an additional financial pressure for the Council.</p> <p>Given the significance of the financial pressures, there is a risk that the Council will not be able to continue to deliver all of its current and future obligations within the resources which are now available. The financial resilience and sustainability has now reached a critical stage, and the Council must now focus on redesigning services, and reprioritise and refocus Council priorities to ensure on-going financial sustainability.</p>										
CR 2	Financial	<p>Maintenance of Assets</p> <p>The Council has a significant asset base covering a wide range of services. Many of these physical assets require significant capital investment to ensure they meet both condition and suitability asset requirements and will also require significant on-going maintenance to ensure they can be maintained to an appropriate condition.</p> <p>There is a risk that the Council will not have the available financial resource and staffing requirement to carry out essential repairs and maintenance programmes to ensure buildings are maintained in a good condition, and on-going capital investment is required to ensure suitability and condition of buildings remain appropriate and aligned to national conditions.</p>	<p>Annual update of programme of works based on Condition, Suitability and Statutory Compliance assessments to inform budget requirement and prioritised aligned to available resources.</p> <p>A wider asset review is being progressed by the Council which includes exploring opportunities to repurpose, dispose of, or rationalise assets, and undertake a place-based asset review of existing assets.</p> <p>The Council has in place a Corporate Asset Group, chaired by the Head of Infrastructure, which receives regular reports on any risks which identify impact on the operation or safety of the assets to enable planned action to be considered and implemented.</p>	5	5	25	<p>On-going monitoring of condition and other data to inform the planned delivery of works required to ensure buildings comply with statutory and legal requirements and are maintained in a safe operating condition.</p> <p>Progress with further lifecycle costing as part of project/business plan and review on a project basis for future capital bids and budget setting.</p> <p>The service continues to regularly evaluate the current situation as regards material availability and works to mitigate any adverse effects of cancelled or delayed orders for this year's major summer works programme.</p>	4	5	20	<p>All measures are ongoing and under constant review as to when they will be in place by.</p>	<p>Risk reviewed by Executive Director Council Resources and Service Manager – Strategic Asset & Capital Plan Management May 2024 and by Head of Infrastructure and Service Manager - Engineering Svcs & Building Stds, February 2024 and with no changes to risk scores.</p> <p>Risk reviewed by Head of Infrastructure, June 2023 and scores</p>

Risk Ref.	Risk Category	Risk Description	Existing Risk Control Measures	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Timescale for Completion / Review Frequency	Evidence held of Regular Review
				Likelihood	Impact	Total		Likelihood	Impact	Total		
				L	I	L x I		L	I	L x I		
		<p>Failure to carry out repairs and maintenance programmes could result in unavailability of buildings e.g. school closure and reputational damage to the Council and could ultimately result in a failure of building elements and impacts on safe operation of an asset with the risk of closure or enforcement by Statutory or Regulatory authorities.</p> <p>Failure to carry out repairs and maintenance programmes could result in injury/loss of life of public building users and legal action against the Council. There is also a high risk to health and safety and of reputational damage.</p> <p>The risks posed through the identification of RAAC/Siporex and subsequent costs from the implications in respect of management, remediation and or total loss of assets.</p> <p>There remains significant cost pressures aligned to on-going cost of construction including challenges around availability and supply of goods/ services.</p> <p>There are a growing range of new policy requirements aligned to public infrastructure and funding including net zero and energy targets, which require additional monitoring, specification requirements and costs. These require significant additional finance commitment and staff resource is required to achieve this, assess the current status, and plan works to bring buildings up to the required standard.</p>	<p>The Learning Estate Project Board continues to be in operation and chaired by Executive Director for Education and Childrens service to review and plan appropriately for the effective use and future strategy for Education estate.</p> <p>Management and survey work to identify RAAC/Siporex and wider investigation / review.</p> <p>RAAC / Siporex risk continue to be highlighted at ELC PPP Monthly Meetings and at Innovate Board Meetings. Structural works have been carried out at Preston Lodge High School, removing the requirement for ongoing monitoring of RAAC panels, and all teaching areas are now fully operational. Remedial works have been carried out at Ross High School to enable re-occupation of the dining and kitchen areas, with ongoing monitoring of RAAC panels.</p> <p>Transformational work progressing to move to a Corporate Landlord Model and a fully functional, comprehensive property asset management system, possibly by expanding the capability of the existing CIPFA modules held by Engineering Services and Finance.</p> <p>The Learning Estate Strategy was approved by full Council in December 2022. The associated Learning Estate Improvement Plan has been completed and was lodged in the Members' Library in March 2024. This will be used to support works and decision-making associated with the learning estate.</p> <p>Regular engagement with Care Inspectorate re-quality of care environment.</p> <p>Effective repairs and maintenance reporting and health & safety workplace inspections and incident reporting inform asset maintenance programme and response.</p>				<p>Review and identify staffing resource required within SACPM, Education and Engineering Services. Service review ongoing.</p> <p>Assess property estate against Scottish Government targets to address Climate Change. Plan programme of works to improve performance of buildings.</p> <p>Identification and management of assets affected by RAAC and Siporex with option appraisals to identify remediation and or demolition and future provision.</p> <p>Further structural works in the dining hall of Ross High School in the summer break 2024. Upon completion, the requirement for ongoing monitoring will be removed.</p> <p>Contingency plans are being prepared to mitigate restricted use or unavailability of parts of buildings following assessments. Council Management and Executive Team to be made aware of emergency planning proposals.</p> <p>The security of secondary school grounds will be reviewed with Education and will be prioritised in terms of risk and available capital and revenue budget. Work is ongoing.</p> <p>The security of primary school grounds will be reviewed with Education and will be prioritised in terms of risk and available capital and revenue budget.</p> <p>Progress with work to support the asset review including Place Based Asset Review which will assist in prioritising future place-based assets and will inform future capital investment opportunities.</p>				<p>increased from 20 and 16 to 25 & 20 due to ongoing RACC / Siporex issues and subsequent costs.</p> <p>Risk reviewed by Head of Infrastructure, April 2023 with risks posed through the identification of RACC/Siporex and subsequent costs added. Risk also moved to Corporate Risk Register due to heightened issue. Current risk score increased from 16 to 20 and residual score from 12 to 16.</p>	
ELC CR 3	<p>Impact on Service Objectives</p> <p>Financial</p> <p>Legal</p>	<p>Homelessness</p> <p>Rapid rehousing policy requires the Council to transform homelessness services, place people quickly into permanent accommodation, negating the use of temporary accommodation and requiring a significant reduction in temporary accommodation stock. Resource allocation, further exacerbated by a series of legislative change has been insufficient for service transformation and the approach has resulted in an inability to accommodate those in need, forcing use of non-contracted B&Bs / B&Bs out-with county.</p> <p>Scottish Government require the implementation of a Housing First approach as a key priority, although no funding is available for this.</p> <p>Legislative change regarding local connection came into force November 2022 and requires the Council to accept rehousing responsibility for additional</p>	<p>Housing Options preventative approach to provision of advice.</p> <p>Continued monitoring of RSL nomination process (new build and routine turnover).</p> <p>Allocation Policy reduced number of offers for each Homeless applicant to 1, to encourage quicker throughput in temporary accommodation.</p> <p>Cabinet approved recommended actions to address pressures re-lack of affordable housing supply and address homelessness pressures via delivery of agreed action plan.</p> <p>Cabinet approval of allocations targets to general needs / homeless applicants. Performance to targets kept under ongoing</p>	5	4	20	<p>Further iterations of Rapid Rehousing Transition Plans (RRTP) with clear plans to transform homelessness services kept under regular review in context of resource allocation and changing legislation.</p> <p>Continue new build activity to increase housing stock, exploring potential to further increase supply within context of the growth agenda.</p> <p>Significant growth in mid-market rent properties coming forward.</p> <p>Housing Options Training Toolkit is being rolled out to Community Housing and Homelessness staff to improve homelessness prevention and complement new Prevention Duty anticipated 2024/25</p>	5	4	20	<p>December 2024</p> <p>March 2025</p> <p>March 2025</p> <p>December 2024</p>	<p>Risk updated by Head of Housing and Service Manager - Comm Housing & Homelessness May 2024 with no changes to risk scores.</p> <p>Decision to move risk H1 to Corporate Risk Register following update by Service Manager – Comm Housing & Homelessness October 2022 with residual score increased from 16 to 20.</p>
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				L	I	L x I		L	I	L x I		
		<p>The policy area of migrant homelessness and destitution is becoming increasingly complex within the context of limited Scottish Government Guidance.</p> <p>There are ongoing concerns regarding limited flow through the housing system and inability to accommodate people in emergency accommodation, due to lack of supply. This can impact upon the ability to source emergency accommodation at times of crisis, which can be particularly stressful for staff on call and leave homeless households without adequate shelter.</p> <p>The Regulators recent risk assessment as a result of our recent engagement, has highlighted ELC is at heightened risk from systemic failure.</p> <p>There is increasing homelessness and housing demand pressure arising from a number of Resettlement schemes, primarily Ukraine refugee schemes, with host arrangements breaking down and pressure from the Scottish Government re-entry policy. These demands are likely to increase with further UK and Scottish Government commitments anticipated, particularly in respect of the move in focus from a 'warm Scots welcome' to a 'warm Scots future'. There are also other humanitarian schemes including but not limited to the Afghan schemes and asylum seeker dispersal scheme which involves procurement of properties within council areas.</p> <p>Reduction/slowdown in the Affordable Housing programme can be expected given the recent reduction in SG investment meaning less affordable housing properties coming forward to meet the needs of homeless households.</p> <p>The Homelessness Service is at risk of being unable to operate within budget going forward, due to a combination of rising costs generally, procurement of emergency accommodation which resulted in increasing costs, rising numbers of homeless presentations, and lengthy periods of time in temporary accommodation.</p>				<p>The City Region is looking to take more of a regional holistic approach to reviewing and understanding the pressures across the region, particularly in relation to Homelessness and Ukraine to help find a more joined up solution</p> <p>Monthly review meetings with Finance.</p> <p>Regulator to engage with us to gather further information and assurance about our homeless service with an ask to keep them updated on capacity to meet our statutory duty re-temporary accommodation and the UAO. This will involve quarterly meetings</p>				<p>April 2025</p> <p>April 2025</p> <p>June 2024</p>		
ELC CR 4	Capacity	<p>Workforce Challenges</p> <p>Maintaining a stable and skilled workforce is essential to efficient, effective and safe delivery of services.</p> <p>The Council continues to face on-going workforce challenges to meet the diverse range of services including:</p> <ul style="list-style-type: none"> - Recruitment and retention of staff - High level of sickness absence in some service areas, placing pressure on service delivery and many areas remain in business continuity resulting in some service closure /impact - Impact of pay and grading structure and annual pay awards - Attractive employment opportunities in other sectors risks staff migrating out of Council services 	<p>The 2023-2027 Workforce Plan was approved by Cabinet (Jan 2023). The 2023-2027 Workforce Plan actions are being implemented.</p> <p>There is a corporate action plan resulting from the Employee Engagement Survey 2023 which has been integrated into the Workforce Plan and actions will be monitored through the Workforce Plan Action Plan, of which CMT has oversight.</p> <p>Regular assessment of staffing capacity within services enables redeployment of available resources to maintain frontline service delivery, reducing service provision when essential in non-statutory services.</p>	5	4	20	Update Management Arrangements on Fire Safety and First Aid	5	3	15	June 2024	<p>Risk reviewed and updated by Executive Director Council Resources May 2024 with no change to risk scores.</p> <p>Risk updated February 2024 by Service Manager – Customer Services and November 2023 by Service Managers – CP&I and Customer Services with no change to risk scores.</p>
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				L	I	L x I		L	I	L x I		
		<p>ongoing discussion between SG, COSLA, Home Office and local authorities</p> <ul style="list-style-type: none"> Being clear on different funding arrangements, scope and operational deployment Understanding the scale of and resourcing the challenge in the context of existing commitments to the global refugee scheme, Afghan schemes, Asylum dispersal scheme. Clarity as to whether funding will continue going forward at what level and in what form Potential increased homeless and housing demand, with almost all existing hosts wishing to withdraw from providing assistance and no additional hosts available) Service resource demands on all affected teams but particularly Community Housing & Homelessness Additional demands continue to emerge through extensions and variations to all the schemes – including the rise in unaccompanied minors and associated responsibilities Implementation of mandatory national transfer scheme means East Lothian must accept an allocation of unaccompanied asylum-seeking young people set by the Home Office. Notification will be at short notice and the frequency is dependent on their rate of arrival in the UK. This presents a significant resource challenge in terms of providing accommodation, potentially a care placement, housing and social work support. The national local crisis in fostering resources is compounding the service risk. A change in Scottish Government policy focus from a 'warm Scots welcome' to delivery of a 'warm Scots future' within the context of wider homelessness and housing pressures, with associated changes / extensions to visas to 2026. 	<p>Unaccompanied Asylum-Seeking Children (UASC) are currently being supported by the Aftercare Team in children's services, making use of accommodation within the My Place project. Managers attend regular national meetings to ensure we understand best practice.</p> <p>Clarity on funding at national level, notwithstanding ongoing changes.</p> <p>Successful recruitment of two Tenancy Support Officers, however posts have since ended in November 2023 and February 2024, with no dedicated resource to deal with this client group.</p> <p>Refurbishment of seven properties in Haddington (Brown Street) for a small number of Ukraine households.</p>									
ELC CR 6	Reputational	<p>Cyber Security Threats</p> <p><u>External Cyber Security Threats</u></p> <p>There is a risk that the Council suffers a cyber-attack by a 3rd party (e.g. hacker, terrorism, nation state) causing the loss of access to or the destruction of all or part of its IT infrastructure and / or information systems.</p> <p>This could be caused by a direct attack on the Council or indirectly via an attack on a trusted supplier or element of national infrastructure.</p> <p>The attack vectors continue to evolve and in recent months the supply chain has become a favoured route.</p> <p>The current conflicts in Ukraine and the Middle East combined with the requirement for a UK General Election in 2024 are resulting in 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>Policy controls in place to dictate the standards for operation and security of our IT assets.</p> <p>Physical controls in place to prevent unauthorised access to ELC data centres.</p> <p>Technical controls in place to obfuscate and prevent unauthorised access to our infrastructure and information systems.</p> <p>Procedural controls in place to ensure access is only permitted where required.</p> <p>Change and patch control processes in place.</p> <p>Follow and apply industry best practice for securing IT Infrastructure and Information Systems.</p> <p>Follow advice and guidance from the National Cyber Security Centre, UK and Scottish</p>	4	4	16	<p>Recruit to the IT Specialist – Information Security Officer post.</p> <p>Contract a 24x7 Network Operations Centre to monitor our network logs.</p>	3	4	12	<p>July 2024</p> <p>September 2024</p>	<p>May 2024 Cyber Security and Data Protection risks separated. Cyber Security Risk updated by Service Manager – IT.</p>
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				L	I	L x I		L	I	L x I			
		<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>Risks currently exacerbated due to difficulties recruiting to IT Specialist – Information Security</p>	<p>Governments, Local Government Digital Office, Scottish Local Authority Security Group and react accordingly.</p> <p>Online cyber awareness staff training programme in place for all staff and the Council continue to highlight the importance of vigilance with staff.</p> <p>Annual IT health checks on the existing infrastructure.</p> <p>New systems are risk assessed and security checked prior to introduction to ensure they meet expected criteria.</p> <p>Digital Strategy and moving services to cloud.</p>										
ELC CR 7	Reputation Financial	<p>Climate and Nature Emergency</p> <p>Climate change will increase the severity, duration, and frequency of extreme weather events that will disrupt service delivery and reshape the East Lothian area. The same human activity that causes climate change also causes devastation to the natural environment, which further endangers the quality of our area. The Scottish Government's Climate Change Act (2009) requires the Council to support the delivery of the national net zero targets and adaptation programmes.</p> <p>The risks associated with the responsibilities are:</p> <ul style="list-style-type: none"> • Failure to meet our statutory duty under Scotland's Climate Change Act (2009). • Failure to meet our statutory duty under the Nature Conservation (Scotland) Act 2004. • Lack of financial and staff resources to respond to the climate and nature emergency. • Reputational damage and failure in corporate social responsibility if climate action and biodiversity conservation are not mainstreamed across the Council. • There are no clear funding paths to meet the budgeted costs to reduce greenhouse gas emissions and adapt to climate change. This includes moving all our energy in buildings and our fleet and supporting infrastructure to zero emission sources. To meet the challenge, investment for Buildings is estimated at £1bn. Fleet is more difficult to calculate at present due to the emerging technology and changes in market costs, but it is noted as a significant investment. Both cannot be met through existing core funding or grant availability. <p>The latest IPCC sixth assessment reports show that we have reached a tipping point where we will face extreme weather and climate change impacts despite efforts to mitigate greenhouse gas emissions. These will be cascading risks that can lead to power outages, shortages of water and supplies, and disruptions to transportation. The Council must reduce its emissions to mitigate the severity of climate</p>	<p>Climate Change Strategy in place which guides our response to the climate crisis and Local Biodiversity Action Plan (in development). This is reported on annually to Council.</p> <p>Annual reporting to the Scottish Government to track CO₂e reductions and delivery of adaptation programmes.</p> <p>Reporting to the Scottish Government every three years on the actions the Council has taken to meet our Biodiversity Duty.</p> <p>Intra-Council groups, including an officer working group and a cross-party political group, which meet quarterly to track our response to the climate and nature emergency.</p> <p>Bi-monthly Energy Transformation Board meetings, to deliver a Local Heat & Energy Efficiency Strategy for the county, improve innovation and energy supply from renewable sources while generating income from installing low carbon technologies across the Council's estate.</p> <p>Climate change is embedded in the Council by being one of the Council Plan's 3 Outcomes and with members of staff undertaking Carbon Literacy Training.</p> <p>The Council works collaboratively with other local authorities and national bodies including NatureScot and through professional networks such as the Scottish Biodiversity Officers' Network and Sustainable Scotland Network through regional and national Strategies for implementation.</p> <p>East Lothian Climate Action Hub and Community groups, supports public engagement to reach net zero.</p> <p>Work is currently progressing with stakeholders through the East Lothian Biodiversity Partnership</p>	4	4	16	153	<p>Identify budget and funding streams to continue delivering transformational change to Fleet and Asset Management (e.g. staff resources to chase funding opportunities and support services to access them).</p> <p>Secure the tools, powers and resources to enable the delivery of a 'Net Zero Council' and a Climate-ready Council.</p> <p>Identify interim emission reduction targets across Council Services. Identify effective and necessary climate adaptation measures for Council assets & services. Implement a monitoring & evaluation framework for both.</p> <p>Engage East Lothian Partnership to include carbon emissions reduction targets in review and update of the East Lothian Plan.</p> <p>Re-engage with the Resilient Communities initiative, to prepare East Lothian residents for emergencies and severe weather events in alignment with the Scottish National Adaptation Plan. To include work with Community Councils and Community Groups to raise awareness of the nature emergency and identify local actions.</p> <p>Monitoring and reporting to be set up to track progress following the Council's declaration of Nature Emergency in October 2023, including a report to Council and monitoring and discussion on an ongoing basis after this by the cross-party Climate Change and Sustainability Forum.</p> <p>Identify funding streams and partners to continue delivering projects to conserve and enhance biodiversity on a local and landscape scale.</p>	3	4	12	<p>Ongoing with annual review</p> <p>2045 with annual review</p> <p>2030 with annual review</p> <p>2027</p> <p>May 2026</p> <p>August 2024</p>	<p>Risk updated May 2024 by Sustainability & Climate Change Officer and Biodiversity Officer with no change to risk scores.</p>

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				L	I	L x I		L	I	L x I		
		<p>change and have robust climate adaptation measures to respond to this growing crisis.</p> <p>The State of Nature Scotland Report (2019) found that 49% of Scottish species have decreased in abundance and 11% are under threat from extinction. Failure to halt biodiversity loss and restore nature will have a detrimental impact on our environment, economy, jobs, health and wellbeing and impact our capacity to adapt to and mitigate the climate crisis.</p> <p>The Council is making progress in reducing the Climate and Nature Emergency risks. However, there is an urgent need to secure the funding, resources, tools and powers to enable us to deliver net zero and become nature positive. Until then, our capability for transformational change to reduce these risks is uncertain.</p>	<p>to develop and update the East Lothian Biodiversity Action Plan, to identify priorities for action to reverse biodiversity loss and identify interim targets for nature recovery.</p> <p>The Council works to protect and enhance species and habitats within its land holding through the work of the Countryside Rangers and Amenity Services, including the development of Nature Networks within its urban landholding, and works closely with partners, community groups and through the planning & development process to protect and enhance biodiversity and green networks across the county. Deliver actions set out in the Green Networks Strategy SPG, Open Space Strategy, Climate Change Strategy, Countryside Site Management Plans and Nature Networks in Parks & Greenspaces Action Plan.</p> <p>The East Lothian Biodiversity Partnership has been re-convened.</p>									
ELC CR 8	Legal & Regulatory	<p>Limitation (Childhood Abuse) (Scotland) Act 2017</p> <p>The Act covers the period prior to 2004 for civil actions arising from allegations of childhood abuse for children who have been in the care system.</p> <p>The Scottish Child Abuse Inquiry is currently in its 8th Phase, with a 9th identified. Survivors may continue to come forward for the period from 1964 to 2004. Historic and current insurers are put on notice where claims are received. The level of deductible or excess is the financial pressures if historic claims of child abuse are made and upheld against East Lothian Council as the statutory successor.</p> <p>The Council's insurers have indicated that where the policy can respond, they will cover appropriate external legal costs and compensation payments subject to the deductible in force. However, the requirements to comply with SCAI S21 requests are placing significant strain on internal resources within the legal, social work and records management teams for which there is no additional budget.</p> <p>Redress Scotland established to provide survivors with an avenue to compensation where they do not wish to submit a claim directly to a successor organisation. Where the Redress Scheme is not used, any legitimate claimant may still raise action against ELC.</p> <p>Note that there remains a period from 2004 to present which is not covered by Scottish Government proposals/legislation for compensation schemes and as such any legitimate claim arising would need to be taken forward through ELCs Insurers.</p>	<p>It is a requirement under the act that the abuse occurred at a time when the individual was a child which is defined as being under 18.</p> <p>Child Abuse Claims Group and SCAI Overview Group – East Lothian co-ordination of responses, reported strategically, managed flow and collaboration.</p> <p>Close monitoring of the work of the Scottish CAI itself and review of any published materials. Scotland-wide networking and information sharing on SCAI between authorities.</p> <p>Council has appointed external solicitors to provide legal support for the public fostering inquiry.</p> <p>Records Management expertise allows us to respond effectively to SAR requests and information requests / provide evidence. However, increase in volume of SAR requests received, not just in this area, are placing more pressure on the Information Governance team to be able to coordinate further work as required throughout the Council, to improve our records management systems to make them more efficient.</p> <p>Cross Lothian collaboration on Lothian Region period 1975 to 1996 (and predecessor authorities) re-records management and retrieval etc occurs regularly when a claim is received. Accurate records post 1996 relating to East Lothian Council clients.</p> <p>Council Financial Reserve – may reduce the impact to service provision if claims extend beyond budget. 2024 update: further discussions have been held between successor LRC local authorities due to emerging risks of limits of</p>	4	4	16	4	3	12	<p>All measures reviewed quarterly at cross service catch up meeting and will be ongoing for some time.</p>	<p>Risk reviewed May 2024 by Insurance, Legal and CSWO with no changes to risk scores.</p> <p>Risk reviewed May 2022 by Chief Social Work Officer with planned score increased from 9 to 12.</p>	

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			<p>indemnity and future allocation of claims. Unanimous decision to put formal agreement in place to cover from 1996 to date (and beyond)</p> <p>The Scottish Government redress schemes is available for potential claimants to pursue. Where a survivor submits a claim to the redress scheme and accepts the compensation offered, a waiver is signed so that they are no longer permitted to submit a civil litigation claim. The maximum amount of compensation through Redress Scotland is £100,000.</p> <p>Regular discussions are held with Council's Insurance providers and brokers to ensure risk continues to be covered and/or mitigated to allow regular review for sufficient budgetary provision for any additional costs/claims that may not be covered by insurance.</p>									
ELC CR 9	Physical and/or Psychological Impact on People Service Objectives Legal & Regulatory	Flooding and Coastal Erosion As the incidence of flooding and coastal erosion increases as an impact of Climate Change, there is an increased risk of disruption and damage to road and path networks, impact on public and community safety, property, businesses, harbours and natural heritage sites and an associated increase in claims against the Council.	<p>In December 2021, a Flood Risk Management Plan covering the Forth Estuary catchment over the 2022-28 (Cycle 2) period was published. In March 2023, the Forth Estuary Local Flood Risk Management Plan covering 2022-28 was published. This publication outlines the specific objectives and actions to be undertaken to mitigate flood risk in the East Lothian area and complies with East Lothian Council's duties under the Flood Risk Management (Scotland) Act 2009.</p> <p>The Forth Estuary Local Flood Risk Management Plan (LFRMP) 2022-28 identifies actions such as river and coastal flood studies, awareness raising and maintenance which are subject to funding.</p> <p>Musselburgh Flood Protection Scheme (MFPS) is proposed to be funded 80% by Scottish Government. The delivery of flood protection schemes is reliant on funding.</p> <p>In January 2024, East Lothian Council approved the MFPS to move to Stage 5 (Statutory Approvals). This approval allowed the Scheme to move to publishing ("notifying") its Outline Design in March 2024.</p> <p>Community consultation has progressed throughout the project and a large-scale community consultation event took place to present the preferred outline design in June 2023; this outline design has been refined and a final outline design completed for the Statutory Approval stage.</p> <p>In January 2024, MFPS Project Team presented an Executive Summary Report on Coastal Change in Musselburgh at a Council meeting. This report identified that coastal erosion is a current and growing concern in Musselburgh. East Lothian Council agreed in the January 2024 meeting that further investigation of erosion should take place.</p>	4	4	16	<p>Flood studies for Dunbar, West Barns & North Berwick (Coastal), Cockenzie, Port Seton, Longniddry & Prestonpans, and Tranent & Macmerry have been included in the 2021-28 Flood Risk Management Plan and the 2022-28 Forth Estuary LFRMP.</p> <p>As part of the 2022-28 Local Flood Risk Management Plans Flood Protection Schemes for Musselburgh and Haddington are included in the list of actions for the Forth Estuary Local Plan District.</p> <p>ELC have undertaken Flood Studies for Musselburgh and Haddington within the 2016-2022 FRM cycle and are currently progressing the Musselburgh Flood Protection Scheme which is a fully established project.</p> <p>Musselburgh FPS is not yet approved under the Flood Risk Management (Scotland) Act 2009. In January 2024, East Lothian Council approved the Scheme to move to Stage 5 (Statutory Approvals) of the Scheme Design in accordance with the project's PRINCE2 Project Management System. The statutory approvals process, which includes publishing the final Outline Design, commenced in March 2024.</p> <p>A full report on Coastal Change in Musselburgh was completed and published in March 2024. MFPS will continue to work with organisations such as Dynamic Coast to assess coastal change risks. East Lothian wide, a Coastal Change Adaptation Plan (CCAP) is proposed for 2024-25.</p>	3	3	9	2024-2028 2024-2028 2024 2024-2026 2024-2026	Risk reviewed and updated February 2024 by Senior Engineer - Flood Protection, with no change to assessment of current scores.
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				L	I	L x I		L	I	L x I		
			<p>Flood risk and drainage issues are considered when processing planning applications and within long-term development planning. This assessment is aligned to new policy within National Planning Framework 4 (NPF4), published February 2023.</p> <p>The Severe Weather Response Plan has been developed and ensures a co-ordinated and consistent multi-agency response across the county.</p> <p>Emergency surface water, coastal and river flooding procedures are in place and have proven effective.</p> <p>A Shoreline Management Plan is in place.</p> <p>Advice on dealing with flooding is available on the Council website and directs people to the relevant websites.</p> <p>The Council is working with various organisations to promote and progress "Resilient Communities" as per the Scottish Government initiative "Ready Scotland".</p> <p>Communication with vulnerable groups regarding access and assistance during severe weather events.</p> <p>Maintain existing flood protection schemes.</p> <p>Improvements to introduce a risk-based process of undertaking watercourse inspections and delivering appropriate clearance and repair of watercourses was implemented in 2022.</p>									
ELC CR 10	Financial Service Objectives & Legal Regulatory	<p>The Impact of the National Care Service on East Lothian Council</p> <p>The Scottish Government proposal to establish a National Care Service, which could extend to all adult social work and social care services, children's services, justice social work services will result in the largest re-organisation of local government since the creation of single tier local authorities in 1995/96.</p> <p>The National Care Service (Scotland) Bill was published as at 22nd June 2022. The Bill sets out principles for the NCS and places a duty on Scottish Ministers to promote a Care Service designed to secure improvements in the wellbeing of the people of Scotland. The full scope of the NCS is still to be determined, although, the inclusion of Adult Social Work and Social Care must be assumed. There will be a period of formal research and consultation to inform the decision about the inclusion of Children and Justice Social Work Services. The Bill states that the NCS will be up and running by 2026. On the 12th July 2023, SG and COSLA confirmed that they had reached an initial consensus agreement that accountability for the NCS would be a partnership between SG / LG and NHS. This included that the</p>	<p>The council provided a detailed and comprehensive response to the Scottish Government's consultation on its proposals, outlining the concerns and risks involved in the creation of a National Care Service (report to Members Library, November 2021).</p> <p>Council officers will actively engage in National Professional networks and feedback any relevant information to the working group.</p> <p>CMT will continue to monitor the development of the proposal and report as appropriate to the Council.</p> <p>Council agreed to delegate authority to the Exec Dir of E&CS to respond to consultation exercises, and submit evidence, in respect to the Scottish Government's proposal for a National Care Service for Scotland and the National Care Service (Scotland) Bill.</p>	5	3	15	156	<p>The Council has established a working group that will consider the scope and impact that the NCS may have on Council Services. The working group will also monitor ongoing developments and respond to any request for information and engage in the consultation.</p>	4	3	12	<p>In line with Scottish Government decisions</p> <p>Risk reviewed May 2024 by Executive Director, Education & Children's Services and April 2024 by Director of ELHSCP and Chief Social Worker with no change to risk scores.</p> <p>Risk reviewed July 2023 by Executive Director, Education & Children's Services and reviewed by CMT August 2023 with current score reduce from 20 to 15 and residual score from 20 to 12.</p>

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		<p>workforce and assets currently within local authorities, would remain there in the new NCS. In November 2023, COSLA reported some emerging uncertainties including that SG intended to retain as much of the NCS Bill as possible and were taking a 'maximalist approach' to NCS integration and delegation including for Children's Services and Justice Social Work.</p> <p>At its inception, the council detailed concerns at the risk involved in this proposal which were detailed in the Council's response to the Scottish Government's consultation on its proposals (report to Members Library, November 2021).</p> <p>The potential for elements of the proposed changes to lead to improved outcomes for vulnerable people is acknowledged. However, there remains uncertainty on any unintended consequences of the changes on how effectively and efficiently the council can continue to meet its statutory obligations.</p> <p>The bill has passed through stage 1 (29/2/24) and is in the stage 2 process.</p>										
ELC CR 11	Reputational	<p>Data Protection Threats</p> <p>Under the Data Protection Act 2018 and the UK GDPR, the Council is required to ensure that personal data is processed lawfully, fairly and securely. Breaches of the Data Protection Act / GDPR could result in:</p> <ul style="list-style-type: none"> - harm to individuals; - legal action; - fines of up to £17.5 million or 4% of turnover, whichever is higher; - requirement to pay compensation; - adverse publicity; - damage to reputation <p>The Council has a mandatory 72-hour window in which to report relevant breaches to the Information Commissioner's Office.</p> <p>Limited security, procedural and environmental controls at the Dunbar Road records store mean that records and personal data are at risk of security breach and/or accidental loss or destruction. The shift to home/digital working has also placed additional pressures to digitise paper records management systems and ensure new ways of working remain secure.</p> <p>Requests for personal data (SARs) and other information (FOIs) continue to increase persistently in both number and complexity (average increase of 28% every year since 2021). Staffing challenges and disproportionate impact of frequent requesters mean the Council is at higher risk of missing statutory timescales for responses.</p> <p>DP compliance is dependent on good records management. The Council's Records Management Plan 2014-2019 needs to be formally updated to account for GDPR/DPA18 as well as changes to</p>	<p>Data Protection</p> <p>The Council has a comprehensive suite of measures to ensure compliance, including the retention of a statutory Data Protection Officer (DPO), the Data Protection Policy, Data Breach Procedure and multiple procedures governing the creation, use and disposition of records and personal data.</p> <p>DP and Records Management Awareness training is a mandatory part of induction and must be refreshed every two years. E-learning module content was refreshed and redesigned in May 2022. The ELNet pages for Information Governance also include templates, guidance and information to support corporate compliance. A new Team Leader-Information Governance took up her post on 31 July 2023, whose brief includes leading the Information Governance training and awareness programme.</p> <p>The Council's Records Management Plan (RMP) covers how the Council manages its records and includes links to our IS, DP policies and retention schedule. There is an annual assessment of Progress of Records Management Plan by The Keeper's office. The Council is planning formal re-submission of its RMP for the Keeper's approval (date tbc).</p> <p>The Council has a close working relationship with SOLAR (Society of Local Authority Lawyers and Administrators) and attends meetings regularly. These meetings are also attended by the Information Commissioners office. The Council also attends and currently chairs ASLAWG (Archivists of Scottish Local Authorities Working Group) to share best practice with other record keeping professionals.</p>	3	4	12	<p>Data Protection</p> <p><u>Training & awareness:</u> The DPO, Team Manager- IT Infrastructure & Security and Communications teams are progressing a Communications Plan including Inform briefings, e-mail updates and other training and briefings to reinforce awareness of data protection and information security across the Council; Newly recruited Team Leader is commencing consultation with Council Services to identify training gaps/needs.</p> <p><u>Information Transformation Strategy:</u> the Team Manager-Information Governance and Team Manager-IT Infrastructure & Security are drafting an Information Transformation Strategy and associated Action Plan to underpin the Digital Strategy and Business Transformation agendas and 'to ensure the right information gets to the right person, at the right time, and in the right format'.</p> <p><u>Records Management Plan:</u> All 14 elements of the Council's RMP will be reviewed and updated, focusing particularly on secure destruction, digital preservation, application of retention schedules and changes to ways of working.</p> <p><u>Paper document management:</u> Procurement exercise to identify best value for document management services for all paper records. Existing contract has been extended with supplier Oasis by six months to allow for completion amidst other service pressures.</p>	2	4	8	<p>June 2024</p> <p>Ongoing</p> <p>Ongoing</p> <p>October 2024</p>	<p>May 2024 -Cyber Security and Data Protection risks separated. Cyber Security Risk updated by Team Manager - Information Governance.</p>
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		<p>recordkeeping practice across the Council. This is also a requirement of the Public Records (Scotland) Act 2011 (PRSA).</p> <p>Current pressures on Registration service and increased demand from Services for review of Data Sharing Agreements / Data Protection Impact Assessments are impacting capacity to address Records Management.</p>	<p>Records Management Plan: Retention schedules and BCS have been updated in line with national models. Initial phase of Digital Preservation Plan currently underway to identify/register digital information assets, and procure baseline software/hardware. A Digital Preservation Policy has been drafted and prepared for review by relevant stakeholders. 5 departments have completed reviews of the Retention Schedule to map to their own records with support from the Information Governance Team.</p> <p>Information Asset Register: workshops are held quarterly to identify information assets and data flows within Council Service areas. This is a key compliance measure under Article 30 of the UK GDPR and the Council's Records Management Plan.</p> <p>DSA/DPIA Process Reviews completed: DSA and DPIA processes have been reviewed and simplified, with reduced waiting times. Team Leader now taking on new DPIA requests allowing Team Manager to address backlog.</p> <p>Dunbar Road Options Paper: CMT has approved proposals to contract out paper document management services, including records storage, retrievals, metadata management, scan-on-demand and secure destructions.</p> <p><u>Information Strategy</u> Work continues to implement Microsoft 365 across corporate Council Services;</p> <p>Data Protection/Records Management training delivered as needed by individual Services and teams.</p>										
ELC CR 12	Physical and/or Psychological Impact on People	<p>Public Protection – Risk of Harm</p> <p>The Council has a legal responsibility to address concerns that may require a Child or Adult protection response. The Council also has an obligation to manage offenders through the Justice Social Work service and contribute to MAPPAs arrangements. It should be noted that by the very nature of the work involved in Child Protection, Adult Protection, management of offenders and people experiencing domestic abuse this is a high risk business even with all the controls and measures in place.</p> <p>Any failure to adequately respond to concerns may negatively impact on children and adults, who may be at risk of harm. This could also result in serious harm/death to an individual/s, prosecution, having to pay compensation and have a negative impact on the reputation of the Council.</p> <p>A failure to secure efficient and effective Public Protection arrangements, covering Child Protection, Adult Support and Protection, local MAPPAs arrangements, Violence against Women and Girls</p>	<p>Strategic Structure The East and Midlothian Public Protection Committee (EMPPC) is the local strategic partnership responsible for the overview of policy and practice in relation to Adult Protection, Child Protection, Offender Management and Violence Against Women and Girls. The primary aim of the Committee is to provide leadership and strategic oversight of Public Protection activity and performance across East Lothian and Midlothian. It discharges its functions through four sub-groups which meet quarterly:</p> <ul style="list-style-type: none"> Performance and Quality Improvement sub-group maintains overview of work through the door and performance in relation to CP and ASP work Learning and Practice Development sub-group takes forward our 2021-23 strategy for Multi-agency training, and oversees our training programme. Training needs on aspects of Public Protection are considered by this group and are informed by Training 	3	4	12	158	<p>Awaiting feedback from Scottish Government.</p> <p>L&D Work has begun to refresh the knowledge and understanding of both CMT and SMT that child protection is everyone's responsibility and to ensure that this key message is communicated and understood by all staff.</p> <p>The East Lothian Partnership's establishment of the new Community Safety and Justice Partnership, and creation of its 3 supporting groups – Community Safety Group, Community Justice Group and Equally Safe Group – will see a renewed focus on community safety and justice priorities during 2023/24. Community Justice Group self-assessment against appropriate standards completed and action plan to be taken forward.</p>	2	4	8	August 2024	<p>Risk reviewed February 2024 by Director of ELHSCP and Chief Social Worker.</p> <p>Risk refreshed October 2022 by General Manager - Adult Social Work and Public Protection Team Manager with current score reduced from 16 to 12 and residual score from 12 to 8.</p> <p>Risk reviewed and refreshed by Public Protection Team Manager, March 2022. Risk reduced from 20 and 20 to 16 and 12 due to an improving picture.</p>

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		<p>(VAWG) and Substance Misuse services, may see the Council being unable to fulfil its statutory duties/duty of care which could contribute to a service user suffering harm/death or detriment. This would in turn result in reputational damage to and increased scrutiny of the Social Work services.</p> <p>There are continuing issues with the delivery of Social Care Services within the Care Home and Care at Home sector. There is the potential for a service failure which could place vulnerable adults at risk of harm.</p> <p>There has been a long standing waiting list for an Outreach Service from Women's Aid Mid and East Lothian which is the specialist service provider for Women experiencing or having experienced domestic abuse. There is a funding gap created by non-recurring revenue streams and increased demand.</p> <p>In the context of rising demand for domestic abuse supports in the county, the council's arrangements for delivering Equally Safe, the national strategy to eradicate violence against women and girls requires a stronger strategic and partnership focus. Without this, East Lothian will not reduce the numbers of people experiencing harm through domestic abuse.</p> <p>Police Scotland had proposed unilateral changes to information sharing arrangements within MAPPa that would have had serious repercussions for the safe operation of MAPPa and the council's ability to deliver its duties as a responsible authority. Whilst the imminence of this risk has been reduced by extending the deadline for the change, the underlying barriers have not been resolved and some uncertainties remain around operational joint working between ELC and Police Scotland. East Lothian has no access to ViSOR.</p> <p>There are currently a small number of vacancies at senior leadership level arising from the Head of Operations, H&SCP and General Manager - Adult Social Work moving on to new posts. This loss of experience presents a risk and has the potential to create some uncertainty amongst staff teams.</p>	<p>Needs Analyses undertaken by the East Lothian Workforce Development Officers in Children's Services and the HSCP.</p> <ul style="list-style-type: none"> VAWG delivery group keeps oversight of services for gender based violence East and Midlothian MAPPa Group (EMMG) oversees MAPPa arrangements. <p>Level 1 training for Child Protection and Public Protection training are available via Learn-Pro.</p> <p>Critical Services Oversight Group (CSOG), Provides governance and leadership of EMPPC on a quarterly basis.</p> <p>The CSWO is chair of the local Strategic Oversight Group for MAPPa and actively involved in national and local discussions around MAPPa information sharing, supported by ELC legal and justice services. The East and Midlothian MAPPa Group provides oversight and assurance of local MAPPa performance and practice.</p> <p>The CSWO remains actively engaged in national meetings aimed at achieving a long-term solution to the MAPPa information sharing / ViSOR issue ahead of the implementation of the replacement system MAPPs. The CSWO will continue to provide regular assurance of the safety of MAPPa practice to the CEO.</p> <p>The CSWO and Chief Executive are fully sighted on the current situation regarding ViSOR. Access to ViSOR requires Non-Police Personnel Vetting L2 or L3 and this is a highly intrusive process and colleagues in legal, Information Governance and HR have advised that JSW staff cannot be instructed to undertake this vetting and have confirmed that JSW need access to the information that ViSOR holds only, not the system itself, to fulfil their duties under the Management of Offenders (Scotland) Act 2005 on which MAPPa is based.</p> <p>Acting Up' arrangements have been put in place whilst the recruitment process is underway to fill the permanent posts.</p> <p>Marac (Multi-agency risk assessment conferences) continues to operate on a four weekly basis, by Microsoft Teams, with additional meetings scheduled to respond to increase in demand, ensuring that the needs of and supports to highest risk victims of domestic abuse are planned for on a multi-agency basis.</p> <p>East Lothian Safe and Together implementation group will continue to meet to review and maintain oversight of training and embedding S&T in practice in East Lothian. This will also be monitored via EMPPC Learning and Development Sub-group.</p>									

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			<p>A Joint Strategic Needs Assessment for Public Protection has been progressed and is monitored by CSOG. This project increased demand for services and makes a number of recommendations for the future delivery of Public Protection services.</p> <p>ELC H&SCP Management attend NHS Gold meetings where the capacity gap is detailed and set in the context of the wider system risk caused by challenges facing NHS Lothian acute sites</p> <p>ELC H&SCP have regular Care at Home Oversight Group Meetings to monitor the levels of provision of essential care at home. The councils' CSWO attends this meeting to ensure discharge of assuring the quality of care. This will remain in place until there is assurance of stability.</p> <p>Care at Home service provision continues to be monitored via East Lothian and Midlothian Public Protection Committee and Critical Services Oversight Group which both meet quarterly.</p> <p>A risk management tool has been developed in relation to Care at Home to provide consistency in how the providers are assessing their capacity to respond and deliver their required level of service.</p> <p>Policies, Protocols, Procedures and Guidance are in place, subject to ongoing review and update and available on Public Protection website: www.emppc.org.uk.</p> <p>Chief Social Work Officer (CSWO) fulfils statutory role and responsibilities, overseeing and reporting on Public Protection issues to Chief Executive and Elected Members, reporting annually to Council giving oversight of Public Protection performance including assessment of risks and pressures.</p> <p>The Council, through the CONTEST Oversight working Group, Chaired by Head of Communities, continues to work towards delivering the UK Government's Counter Terrorism strategy, known as CONTEST, of which Prevent is a key element. EMPPC has a Prevent referral pathway which has been reviewed.</p> <p>The Lead Officer for Adult Protection leads the Council Officer forum, to support learning and practice and process consistency in Adult Protection.</p> <p>All Regulated Services e.g. Care homes for older people, residential units for young people, Schools are inspected by Care Inspectorate and Education Scotland. Improvement plans are implemented following all Regulated Services inspections. A weekly Care at Home Oversight</p>									

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			<p>Group has been established to oversee and manage risks in relation to staffing</p> <p>Both the Lead Officer for Child Protection and Adult Protection participate in the Inter-agency Referral Discussion Overview Group, which reviews and provides quality assurance of the decisions taken to manage vulnerable children and adults' risks.</p>									
ELC CR 13	Service Objectives & Legal Regulatory	<p>Duty of Care to Public</p> <p>The Council has a responsibility to provide care and support for the people of East Lothian and East Lothian's environment. Any breach of this duty of care may compromise legislative duties, health, safety and wellbeing, impacting on, for example, the protection of children and adults.</p> <p>Failure to fulfil the duty of care could also result in serious harm/death to an individual/s, prosecution, having to pay compensation and have a negative impact on the reputation of the Council.</p> <p>Additional pressure within this area caused by external providers struggling to deliver through staffing issues.</p> <p>The Council took out QBE policy in 2021 with Medmal, which now includes cover for some intrusive medical intervention (e.g. tube feeding or assistance with diabetic pumps). However, prior to this there is a 5 year period where the Council was without any cover, the claims for which may not be submitted for many years (particularly if it relating to children) meaning this risk will remain for some time.</p> <p>Members of the public access services in many public buildings which require to operate within statutory health and safety requirements relating to the building itself, and spaces within it. Some services are provided in the outdoor public realm. Failure to operate services safely both within ELC buildings and in outdoor spaces could risk harm to members of the public and staff, resulting in injury, financial liability and reputational damage.</p> <p>Serious and Organised Crime (SOC) poses a physical and virtual threat, be that human trafficking, drug supply, sexual exploitation, fly-tipping, fraud, unsafe consumer sales et al. These risks can include cyber-attacks, corruption, bribery, IT system infiltration, human 'plants' into organisations. SOC poses risks to our communities through targeting of vulnerable people and their properties e.g. to act as conduits for drug supply, door-step fraud, on-line crime et al.</p>	<p>Prioritise maintenance of safe staffing levels for all statutory services the partnership delivers.</p> <p>Briefing sessions, specialist training and supports are in place.</p> <p>Regular formal supervision in place for all staff including completion of PRD's and e-KSF, focusing on specific and agreed development needs.</p> <p>Clinical & Care Governance Committee established which is to provide strategic oversight within the Partnership. Chief Social Work Officer, Chief Nurse, Clinical Director, AHP Lead oversight and review of practice to assess workload allocation and risk management.</p> <p>Specific oversight groups established for example Care Home, Health & Safety and Risk Management.</p> <p>Review ongoing through bi-weekly Care at Home meetings chaired by General Managers.</p> <p>Services comply with required professional registration standards for all staff, e.g. SSSC, HCPC, NMC etc.</p> <p>"Safer Recruitment" practices and PVG checks embedded.</p> <p>LSI mechanism in place with reporting structure through PPC.</p> <p>Regular engagement with the Care Inspectorate reviewing services in place</p> <p>Risk assessment documentation shared with providers with client RAG in place to ensure services are prioritised for those most at risk.</p> <p>Council owned buildings and open spaces subject to strict management and maintenance regimes, with all requisite risk assessments and safe operating arrangements in place.</p>	3	4	12	<p>Review of oversight and governance arrangements for assessment.</p> <p>Alteration of the workforce model for delivery of care at home service including expansion of internal delivery.</p> <p>Utilisation of SDS option 3 to support delivery of care at home.</p> <p>Comprehensive pathway modelling underway lead by Head of Operations HSCP.</p> <p>Continual recruitment underway for care at home with recruitment events designed and held including media, open days etc to encourage applications.</p> <p>Review of existing CAH packages underway to identify any capacity that can be released and support unmet needs at home or currently waiting at hospital</p> <p>Refresh of Serious and Organised Crime Multi-Agency Plan, aligned to review of Anti-social Behaviour Strategy.</p>	2	4	8	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>June 2024</p> <p>June 2024</p> <p>June 2024</p>	<p>Risk reviewed February 2024 by Director of ELHSCP and Chief Social Worker.</p> <p>Risk reviewed September 2023 by Director of ELHSCP, Head of Communities and the Head of Children's Services/Chief Social Worker with SOC Risk and mitigations moved from Communities Service Risk Register by CMT Risk Sub-Group</p> <p>Risk reviewed April 2023 by Head of Operations, H&SCP with no change to risk scores.</p> <p>New risk created November 2022 by Head of Operations, H&SCP.</p>

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			<p>Effective Partnership working with Police Scotland, immigration and HMRC.</p> <p>Anti-social Behaviour Oversight Group operates and oversees Serious Organised Crime Multi-Agency Action Plan.</p> <p>Effective oversight of all aspects of Public Protection through the East and Midlothian Public Protection Committee.</p> <p>Trading Standards oversight of safe consumer practices and promotion of call blocking devices. Trusted Trader Scheme in operation.</p> <p>CONTEST and Prevent counter-terrorism arrangements in operation overseen by East and Midlothian Public Protection Committee.</p>									
ELC CR 14	Physical and/or Psychological Impact on People Service Objectives	<p>National Power Outage</p> <p>The National Electricity Transmission System (NETS) transports electricity across Great Britain. Total failure of this system would cause a nationwide loss of electricity supplies instantaneously and without warning. This would cause cascading failures across multiple sectors including telecoms, water, gas, sewage, food, health and fuel, and cause significant disruption to public service provision and most businesses and households. These disruptions could lead to physical and psychological casualties or fatalities due to the loss of the services relied upon by many, especially those with health and wellbeing vulnerabilities.</p> <p>ELC must be prepared, as best we can, to respond and recover should widespread electricity failure ever occur. Communications will be seriously interrupted, the care of vulnerable people will become hugely challenging and the continued provision of our critical activities, highlighted within our Business Continuity plans, will be seriously tested.</p>	<p>Backup generator at Penston House with Fuel to power essential emergency facilities for up to 8 days.</p> <p>Fuel Plan in place for the provision of fuel to backup generators and essential vehicles.</p> <p>Critical services have up to date business continuity plans, exercised annually.</p> <p>IT Back-up generator at JMH for vital server equipment. IT has completed a significant amount of upgrade work to the IT infrastructure to remove single points of failure.</p> <p>Lothian and Borders NPO Response Framework (resilience.gov.uk) in place.</p> <p>3 x Airwave Radios Terminals are available for our use. These terminals are currently stored at Haddington Police Station and allow for communications with other category 1 emergency responders during incidents. Airwave Terminals are tested by the emergency planning team every 3 months.</p> <p>Deployable Space X Starlink Satellite system purchased and installed at Penston House which allows for internet connectivity at ELC facilities remote to Penston house such as Offices, Depots, Rest Centres and Media Briefing centres.</p> <p>RAYNET UHF radio capability now installed at Penston House enabling communication with other LAs and Police Scotland.</p>	2	5	10	<p>Complete ELC NPO framework Plan to assist the Council, should an NPO occur, to have processes in place to deal with the ongoing challenges and recover from the impacts of the power outage. Linking in with the Lothian and Borders Local Resilience Partnership (LRP) completed NPO framework of 16/2/24 which outlines the multi-agency considerations for L&B LRP in the event of an NPO. Training exercise and incorporating in to ELC response documentation to be completed.</p> <p>All services to carry out an annual BC test based on NPO.</p> <p>Purchase power banks to allow for charging of mobile phone and laptops and powering 230V devices.</p>	2	3	6	<p>July 2024</p> <p>August 2024</p> <p>December 2024</p>	New risk created by Emergency Planning & Resilience Team, May 2024.
ELC CR 15	Physical and/or Psychological Impact on People	<p>Severe Weather</p> <p>There is a risk that severe winter weather will lead to an increase in demand for gritting and snow clearing of roads/footpaths which exceeds normal capacity and supplies of salt.</p> <p>This could result in travel disruption, difficulties for</p>	<p>East Lothian Councils Winter Maintenance Plan has been in place for some time and ensures that the main transport routes are treated as priority.</p> <p>The Council has a Severe Weather and Adverse Events Policy in place for all staff while the</p>	3	3	9	<p>Upskill CMT and Service Manager cohort to increase response capacity in the event of any incident enduring more than 1 day.</p> <p>Facilitate Resilient Communities workshop to include Severe Weather element and</p>	3	3	9	<p>Spring 2025</p> <p>March 2025</p>	Risk reviewed and updated May 2024, with no change to assessment of current scores.

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		<p>people in accessing services, failure to maintain refuse collection timetable and school closures at short notice as well as a possible increase in insurance claims related to pothole damage.</p> <p>Communities may become isolated, particularly in rural areas, due to heavy and prolonged snow. In such cases communication with residents within these isolated areas may become difficult as they become cut off, possibly aligned to power failure caused by strong winds and/or the weight of snow on the lines.</p> <p>There are limitations to the service the council can offer. The Council Roads team focus on treatment and snow clearing of the main priority road network, made up of the major routes where the majority of vehicle movements take place and also includes accesses to hospitals, ambulance stations, fire stations, other emergency service establishments, railway stations and schools. Primary Routes are treated and cleared of ice and snow first and then the Roads team move onto Secondary Routes and finally tertiary and minor routes which include residential areas, cul-de-sacs. During periods of extreme weather and heavy snowfall when roads and footways are affected by significant levels of lying snow, priority will be given to primary carriageway routes and primary footpath routes with resources deployed on these specified routes continuously until satisfactory snow clearance has been achieved before resources are deployed to any secondary routes and tertiary routes, so it maybe some time before we can attend to these areas.</p>	<p>Council has its own mitigating measures for its own estates/property during severe weather.</p> <p>During Severe Weather events our Contact Centre becomes the first point of contact for any issues to be raised and responded to whilst our Communications team shares warnings and other relevant information with the public as this becomes available.</p> <p>The ELC Severe Weather Response Plan has been developed over many years and ensures a co-ordinated and consistent multi-agency response across the county. This plan is reviewed annually in conjunction with partner agencies.</p> <p>The ELC Severe Weather Response plan includes reference to and improvements learned from the 'Beast from the East' (snow) incident in 2018 and Storm Arwen.</p> <p>The Council's Salt Barn has a capacity of 8,000 tonnes to meet demand arising from severe cold weather.</p> <p>A fourth-generation SXL framework was approved by Executive Sub Committee in August 2022. This framework has commenced for salt for winter road maintenance for the period 1 November 2022 until 31 October 2026.</p> <p>Snow clearing equipment has been supplied to Primary Schools. Community Councils through Resilient Communities are able to request winter response equipment from the Council. These requests are considered as per their need. A number of grit bins are provided to enable self-help gritting of adopted roads and footways. Resilient Communities are encouraged to survey the grit bins in their area and report back to the Council if new bins or grit is required.</p> <p>Winter Maintenance operatives are trained to SVQ or equivalent in winter gritting and snow clearing. Winter Maintenance Duty officers trained as Winter Service Supervisors to City and Guilds level.</p> <p>The majority of Community Councils have Resilient Community Groups who have created their own emergency response plans or asset registers of volunteers/skills available at a time of crises. Each Resilient Community has its own Single Point of Contact (SPOC) and deputy for resilient matters including severe weather. Communication and good working relationships have been created and maintained with these SPoCs/deputies by ELC Emergency Planning staff.</p> <p>Work continues with the Resilient Communities and also involves other voluntary groups such as Tenants and Residents Groups. ELC organises</p>				resilient community plans.					

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			<p>an annual workshop for Resilient Communities which allows lessons learned and best practice to be discussed and progressed. It also allows for the public to meet responder agency staff such as the 'blue lights', SEPA and the utility companies.</p> <p>ELC finances all 20 Community Councils' annual insurance premiums ensuring that Insurance is not perceived as a barrier to invoking such plans.</p> <p>Training and awareness sessions, related to the activation of the ELC Severe Weather response plan, are completed on a regular basis. Partner agencies are often involved.</p>									
ELC CR 16	Physical and/or Psychological Impact on People Legal & Regulatory	<p>Threat of Terrorism</p> <p>Delivering the UK Government's Counter Terrorism (CT) strategy, known as CONTEST (comprised of four components - Prevent, Protect, Prepare and Pursue).</p> <p>All Local Authorities in Scotland are required to comply with the statutory legislation issued under section 24 of the Counter Terrorism and Security Act 2015 that relates to Prevent.</p> <p>Failure to discharge this duty could mean sufficient steps are not taken to prevent an incident taking place, under Prevent, and could result in the Secretary of State issuing a direction to the Council via the powers within the act and would also result in a loss of reputation and negative publicity.</p>	<p>Multi agency 'J' Division CONTEST Meeting attended by East Lothian Council representatives.</p> <p>ELC has established a CT WG chaired by the Head of Communities with members consisting of CMT, key senior managers, Police Scotland and a QMU representative.</p> <p>ELC has appointed senior members of staff as SPoC (Head of Children's Services) and Deputy SPoC (Head of Education) for Prevent as per statutory guidelines.</p> <p>A SPoC for Prepare and Protect although not a statutory requirement, has also been appointed (Emergency Planning, Risk and Resilience Manager).</p> <p>Under Protect the CMT are prepared should the Government raise the Security Level to Critical. Service Business Continuity plans take this into account. This includes staff working from home as a result of council facilities being closed during any emergency response.</p> <p>ELC follows and contributes towards the 'J' Division Contest group implementation plan.</p> <p>The SPOC Prevent Group in the East of Scotland is attended by the ELC SPoC.</p> <p>Prevent Multi-Agency Panels Chair (SPoC) and Depute (Service Manager Adult Social Work and General Manager Children's Services respectively) identified to chair multi-agency meetings established to discuss any referrals.</p> <p>Regular internal and external communication of any national counter-terrorism updates. Information regarding Protect and Prepare is received from the National Counter Terrorism Security Office. This information is then circulated to appropriate key ELC staff and local businesses.</p> <p>A Prevent working group, chaired by the Head of Children's Services, meets regularly and a</p>	3	3	9	<p>Awareness-raising sessions are being arranged with Police colleagues with independent service providers operating in East Lothian.</p> <p>CT police are offering bespoke Prevent training across other council services and supporting managers to update paper-based training materials for manual staff.</p> <p>Further service specific Prevent training is being arranged for children's and justice social work services.</p>	2	3	6	<p>September 2024</p> <p>September 2024</p> <p>September 2024</p>	<p>Risk refreshed by Head of Communities, Contest Working Group Chair, May 2024 – no change to risk scores.</p>
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Risk Ref.	Risk Category	Risk Description	Existing Risk Control Measures	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Timescale for Completion / Review Frequency	Evidence held of Regular Review
				Likelihood	Impact	Total		Likelihood	Impact	Total		
				L	I	L x I		L	I	L x I		
			<p>Prevent reporting process has been established. A refreshed Prevent Delivery Plan has been completed and has been approved by the ELC Contest group. Progress of the Prevent delivery plan will be monitored through quarterly Prevent working group meetings and reporting to EL Contest group.</p> <p>Elected Members were briefed in January 2022.</p> <p>Joint training (with Midlothian) for PMAP members was undertaken.</p> <p>Home Office PMAP training was provided for managers in justice, children's and adult social work services.</p> <p>ELC have submitted an annual assurance statement of compliance with Prevent to Scottish Government in relation to the new statutory guidance for Prevent and PMAP (Feb 2021).</p> <p>Education personnel are fully engaged with Prevent and appropriate filters have been installed on the Education infrastructure.</p> <p>Updated Prevent referral pathway has been agreed with EMPPC and communicated on the intranet, including the new national Prevent referral form.</p> <p>A Prevent – Counter Terrorism e-learning module is available on Learn Pro and is a mandatory learning module for staff. Uptake of mandatory Prevent e-learning is reported to the Prevent working Group.</p> <p>UK Government Home Officer e-learning for the new Protect Duty rolled out from March 2023, signposted to services/staff working in complex public buildings/venues and in outdoor arenas.</p> <p>ELC Emergency Planning, Risk and resilience and members of CMT attended Exercise Safe Steeple, March 2023, led by SGov Resilience to exercise multi-agency response to a marauding terrorist attack.</p> <p>The ELC Prepare and Protect SPoC liaises with Police Scotland and in particular the CT team to ensure current information on these areas is circulated to appropriate ELC key staff and staff in general if required. The SPoC also ensures important information is uploaded onto the ELC Intranet.</p>									
ELC CR 17	<p>Service Objectives</p> <p>Legal & Regulatory</p> <p>Physical and/or Psychological Impact</p>	<p>Business Continuity</p> <p>Failure to ensure currency of Business Continuity Plans could lead to services not having a robust response to an incident affecting their service area or critical services may not be maintained, while critical services for the public could be affected and statutory requirements not completed.</p>	<p>Business Continuity Framework Plan in place and regularly reviewed.</p> <p>Business Continuity Plans are maintained for all service areas, giving details of minimum levels of staff, alternate locations, exercise and review</p>	2	4	8	<p>Progress Business Continuity Plans with Education and H&SCP in order that each School and Care Home has a plan.</p>	2	3	6	July 2024	Risk refreshed May 2024 noting changes to risk description and mitigation measures whilst no change to risk scores.

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				L	I	L x I		L	I	L x I		
	on People	<p>Non availability of:</p> <ul style="list-style-type: none"> premises, through fire, flood or other unexpected incident; key staff or significant numbers of front-line staff for any reason e.g. a Pandemic; systems (IT, telephony, power failure etc.); any form of transportation due to a fuel shortage. <p>The occurrence of any of these may have an adverse effect on the Council to function fully and to complete critical services and statutory requirements.</p>	<p>dates and version control.</p> <p>The Chief Executive has a statutory responsibility for the ELC BC process. The Heads of Service remain responsible for ensuring the BC process is completed within their area of work.</p> <p>Each service area now has a Single Point of Contact (SPoC) and deputy who are responsible for, their services BC Plan, exercising this plan and ensuring it is maintained. All BC Plans are managed through Continuity² Software.</p> <p>The Council carried out a Council Wide Business Continuity Exercise in November 2019 which successfully tested the BC capabilities of the Council. Each Service carries out an annual BC exercise.</p> <p>ELC staff have access to an e-learning package on Business Continuity which was reviewed and refreshed during March 2021.</p> <p>Business Continuity Plans are invoked as Services suffer BC issues with a fortnightly update of those plans invoked provided to CMT.</p> <p>An IT Disaster Recovery Plan is in place and will be regularly updated when any changes take place in the main data centres. For single server failure - there are over 100 systems now running on virtual servers which automatically fall over to another server if there are hardware issues. Specific disaster recovery arrangements are in place for the critical systems of telephony, e-mail and social care.</p> <p>Controls that are in place to prevent and limit the effects of IT system unavailability including firewalls, anti-virus software, system/data backup routines, and resilience in the form of a back-up generator for the main data centre at JMH.</p> <p>All Services asked to consider a National Power Outage as part of their BC Plan.</p> <p>ELC services are encouraged to take all risks that may impact on East Lothian into account when completing their Business Continuity (BC) plans as an example, severe weather or electricity failure or extreme staff shortages. BC plans are key to ensure ELC services continue to provide their critical activities.</p>									
ELC CR 18	Legal & Regulatory	<p>Failure to maintain, review & exercise Emergency Planning, Incident Response and Management</p> <p>Failure to maintain, review and exercise Emergency Contingency Plans and to comply with current guidance and legislation or to contravene current legislation, which may result in severe penalties as well as an ineffective response to an emergency.</p> <p>Any ineffective preparation and planning for potential crises and disruptive events such as those reflected</p>	<p>Contingency plans in place, to address risks as identified in the UK National Risk Register and that are most likely to impact on East Lothian, including generic, site, event and response specific. Incident response processes and resources are identified in contingency plans.</p> <p>Training and exercises to ensure emergency arrangements remain 'fit for purpose' and to test the robustness of contingency plans.</p>	2	4	8	<p>Ongoing communication with ELC 'Resilient Communities'. Several more Community Councils are considering creating Resilient Communities plans following their response to COVID-19.</p> <p>Future Emergency/Resilience training will be progressed with ELC staff, strategic, tactical and operational.</p>	1	4	4	<p>September 2024</p> <p>August 2025</p> <p>June 2024</p>	<p>Risk reviewed by EP, R & R Manager, May 2024 with no change to risk assessment scores.</p>
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				L	I	L x I		L	I	L x I		
			<p>seasonality. The vaccination programme continues to be reviewed.</p> <p>H&SCP continues to support delivery of the COVID19 vaccination programme. In spring 2024, the Joint Committee on Vaccination and Immunisation (JCVI) advises that a COVID-19 vaccine should be offered to;</p> <ul style="list-style-type: none"> adults aged 75 years and over residents in a care home for older adults individuals aged 6 months and over who are immunosuppressed <p>EL H&SCP have a well-established vaccination programme and resilience to react to most anticipated scenarios. New Spring programme and the new RSV vaccination starting in Summer 2024.</p> <p>Resilience Direct continues to be available for use to share information on a multi-agency basis.</p> <p>Business Continuity Plans in place in all services leading to staff continuing to work from home unless it is essential for them to be in their place of work.</p> <p>Resilient Communities Groups exist in each Community Council area and Groups are ready to stand-up when required.</p> <p>Volunteer Centre East Lothian collaboration over support for local Third and Voluntary sector organisations able to respond to consequences across communities.</p> <p>The Council provides a prime source of local EL public information, constantly updated, in the Council Website as well as regular updates on Social Media platforms.</p>									
ELC CR 20	Legal & Regulatory	<p>Equality</p> <p>Failure to meet duties and legislative requirements of the Single Equality Act 2010.</p> <p>The Single Equality Act 2010 and related guidance places a general duty on public authorities to be active in promoting equality, eliminating unlawful conduct and fostering good relations. It also places specific duties on public authorities to</p> <ul style="list-style-type: none"> report on mainstreaming the equality duty; publish equality outcomes and report progress; assess and review policies and practices; gather and use employee information; publish gender pay gap information; publish statements on equal pay; consider award criteria and conditions in relation to public procurement; publish in a manner that is accessible. 	<p>ELC Equality Plan 2021-2025 was adopted in November 2021 and is now being implemented. This includes the commitments made by East Lothian Council as a Licensing Board and as an Education Authority. The plan outlines our commitments:</p> <ul style="list-style-type: none"> Continue to lead a culture where respect, choice and understanding is fostered and diversity positively valued; Maintain a working environment where unlawful discrimination, harassment, victimisation or bullying is not tolerated; Continue to develop our understanding of the needs of different individuals and communities in a time of rapid change; Continue to embed the equality agenda in all our work, and contribute to the early 	2	3	6					<p>Risk reviewed and updated April 2024 by Service Manager - Policy, Performance & Organisational Development with no change to assessment of current scores.</p>	

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		<p>The Scottish Government has introduced the Fairer Scotland (socio-economic) duty. This will require the Council to consider the impact of our work on those living in poverty. The Council will need to respond to the full requirements of this new duty and raise awareness of the requirements on the Council.</p> <p>There is a risk that the Council may not be able to meet its general or specific duties and in particular at a time when difficult budget decisions are having to be made that there will be cuts in services or increases in charges that have a disproportionate impact on people who may need those services most because of their equality background.</p> <p>The Council would be open to legal challenge of not meeting its duties and in particular of not carrying out adequate assessment of impact of policies and budget decisions.</p>	<p>intervention and prevention approach adopted by the Council and its Partners;</p> <ul style="list-style-type: none"> • Improve understanding of the impact of poverty and inequality on people's lives; and • Ensure that we plan and deliver services which meet modern standards of delivery and that are inclusive of a wide range of different needs from digital services to face to face interactions <p>The Poverty Plan has been reviewed and produced for the period 2023 – 2027. Delivery will be monitored by the Poverty Working Group and the new East Lothian Partnership Governance Group.</p> <p>The Integrated Impact Assessment Process is embedded and is now widely used. This includes consideration of poverty which should allow us to meet the requirements of the new socio economic duty. A programme of support, including training on the new IIA process is ongoing.</p> <p>Continue to embed the use of the Scottish Government's Sustainable Procurement Tools into procurement procedures.</p> <p>The Health & Social Care IJBs (East & Midlothian and City of Edinburgh) along with NHS Lothian will use the 'checklist and IIA form' package, with East and Midlothian Councils using the IIA form only package.</p> <p>As per our statutory obligation, HR is annually capturing the Employment Monitoring information required under the Act. This is reported publicly alongside the requirement to publish an annual Equal Pay Report.</p> <p>ELC Equalities Mainstreaming Annual Report 2022-23 published.</p> <p>eLearning equalities modules are available on Learn Pro and 'Get in on the Act' guides to the Council's legal responsibilities are available for all employees and Elected members. A new e learning package 'Understanding Poverty' has been added to support employees to understand about taking poverty into account when designing services and will be updated once details of the Socio-Economic duty are known.</p>									
ELC CR 21	Reputation & Legal Regulatory	<p>Standards in Public Life</p> <p>Failure of corporate governance or to meet standards in public life.</p> <p>Failure of the Council's corporate governance or of officials or members to meet standards in public life could result in reputational damage.</p>	<p>Standing Orders (the Schemes of Administration and Scheme of Delegation) are regularly reviewed and revised. The most recent review took place in April and June 2023, with two reports to Council.</p> <p>The Council has an adopted Code of Conduct for its employees which gives all employees greater clarity around the standards of behaviour expected of them. Breach of the Code may amount to a disciplinary offence.</p>	2	2	4	169	2	2	4	September 2024	Risk Reviewed by Head of Corporate Support April 2024 with no change in risk scores.

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				L	I	L x I		L	I	L x I		
			<p>Training on the Councillors' Code of Conduct is offered to Members periodically with regular updates from the Standards Commission circulated to Members.</p> <p>The Council's Monitoring Officer and Depute Monitoring Officers provide advice as required.</p> <p>An induction programme for new Councillors was delivered to both new and returning Members. This included training on standards in public life and, specifically, on compliance with the requirements of the Councillors' Code of Conduct.</p> <p>A 100-day review took place with our Elected Members in August 2022. This was carried out by way of face-to-face meetings with Elected Members and covered the Elected Member Induction Programme, the Councillors' Code of Conduct, PA support, office accommodation, Access to Council officers, committee papers, surgeries, and further training and development.</p>									

East Lothian Council Risk Matrix

Likelihood Description

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

Impact Description

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

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

Key

Risk	Low	Medium	High	Very High
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