



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

**TUESDAY 11 JUNE, 10AM
VIA DIGITAL MEETINGS SYSTEM**

1a

Committee Members Present:

Councillor McFarlane
Councillor McGuire
Councillor Menzies - Chair
Councillor McLeod

Other Councillors Present:

Councillor Allan

Council Officials Present:

Ms S Fortune, Executive Director for Council Resources
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
Ms A Glancy, Service Manager – Corporate Accounting
Ms N McDowell, Head of Education
Mr S Kennedy, Team Manager – Emergency Planning & Resilience
Ms L Byrne, Head of Childrens Services
Ms W McGuire, Head of Housing
Ms M Cockburn, Transformation & Digital Portfolio Manager
Mr P Ritchie, Service Manager – People & Council Support
Ms C Rodgers, Head of Communities & Partnerships
Ms F Wilson, Director of ELHSCP
Ms P Smith, Principal Officer, information & Research
Ms D Pringle, Corporate Accountant

External Audit:

Mr J Boyd – Audit Scotland

Clerk:

Ms M Scott

Apologies:

Councillor Bruce
Councillor Trotter

Declarations of Interest:

N/A

Councillor Menzies opened the meeting of the Audit and Governance Committee. She made Members and Officers aware the meeting would be rescheduled as it was inquorate and therefore no business could be discussed.

It was agreed a new date would be sought for the meeting to take place before the summer recess and an invite would be sent out to all Members and Officers in due course.

Signed

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

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

**TUESDAY 17 JUNE 2024, 9:30AM
VIA DIGITAL MEETINGS SYSTEM**

1b

Committee Members Present:

Councillor Bruce
Councillor Jardine
Councillor McFarlane
Councillor McGuire
Councillor McLeod
Councillor Menzies - Chair
Councillor Ritchie

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 A Glancy, Service Manager – Corporate Accounting
Ms N McDowell, Head of Education
Mr A Cruickshank, Service Manager - IT
Ms W McGuire, Head of Housing
Mr L Wright, Emergency Planning, Risk & Resilience Officer
Mr P Ritchie, Service Manager – People & Council Support
Ms M Cockburn, Transformation & Digital Portfolio Manager

External Audit:

Mr J Boyd – Audit Scotland

Clerk:

Ms M Scott

Apologies:

Councillor Trotter

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

Councillor McFarlane asked for the spelling of Pilmar to be amended as this was spelt incorrectly. The minutes of the Audit & Governance Committee from 19 December 2023 were then approved as an accurate record.

2. INTERNAL AUDIT REPORT: JUNE 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, provide details of Internal Audit's follow-up work undertaken 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 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. Mr Stainbank added the Adult Social Care Commissioned Services Forecasting, Bowles Report - Primary School Capacity Shortfall and Transformation Project Stage Gate Governance Review were not graded in accordance with normal internal audit procedures for assurance statements.

Mr Stainbank highlighted the levels of assurance for each completed audit and provided an update on key findings and recommendations noting the dates for completion for each.

Councillor Jardine asked if there were specific areas, we are more likely to require agency staff and if there was a particular focus on services provided to vulnerable clients and the risks surrounding that. Mr Stainbank confirmed there had been an increase in the use of agency staff within the Health and Social Care Partnership over the last few years and within the contracts we have in place there are strong contractors who are providing the agency workers. He stated test sampling completed in that area they were very good at ensuring that all of those processes were in place and the criticism was making sure we had a central registry system within the Council so there is one document to be able to identify all agency workers across the Council.

In response to a follow up question from Councillor Jardine, Mr Stainbank confirmed there were multiple reasons for using agency workers such as savings and to find the staff needed to run the service safely on a short-term basis. Paul Ritchie, Service Manager – People & Council Support explained there are two elements; high volume areas where agency staff are used short-term such as facilities management and care homes and also professional posts where there are recruitment issues therefore an agency worker could be provided for a longer period of time.

Michelle Cockburn, Transformation & Digital Portfolio Manager, Mr Stainbank and Ms Fortune proceeded to answer questions from Councillor McLeod, covering the stage gate process, how many managers are currently trained in the recruitment process and why the current grading for Agency Workers was sitting at limited assurance and the work being undertaken to improve this.

Councillor Ritchie asked if we have registers of the companies, we get agency staff from and what processes we had in place to ensure those companies are paying and treating their staff well. Ms Cockburn explained frameworks are in place for agency workers which are tendered so all relevant terms and conditions of fair work and practice are included in those. She added when a manager cannot recruit from one of the frameworks, they are required to speak to procurement to look at other national frameworks. Mr Ritchie stated his team are currently trying to gather this information so that a database will be available of who is in each service area.

Responding to a question from Councillor Menzies, Mr Stainbank stated all the recommendations within the report have timescales against them and by Autumn he would expect the vast majority of them to have been implemented.

Councillor Jardine asked for a ballpark figure on the timescale for Adult and Social Care Forecasting. Ms Fortune reassured Member the finance team had worked hard with IJB officers in order to ensure the finance information they are provided is accurate, robust and timely. She stated the process had very much improved and there were now clear timescales setting out what information will be provided and when. Ms Fortune stated we currently have a legacy that requires manual intervention which can cause delays within the process, this was the reason for the decision to look at a new finance system. Ellie Dunnet, Head of Finance then provided a further update on the new finance system project.

Mr Stainbank and Ms Nicola McDowell, Head of Education continued to answer questions from Members relating to the expected pupil ratio for schools within East Lothian and how the information regarding this will be merged with the Learning Estates Review. Ms McDowell agreed to provide Members with any specific data they wished to see that was not available within the Learning Estates Improvement Plan on the Members Library.

Councillor McFarlane asked if the lack of early learning places had been taken into account. Ms McDowell confirmed this was part of the Learning Estates Improvement Plan to take a strategic view of what provision was available in each area and the number of spaces will continue to be monitored closely. She was happy to have a discussion offline if Councillor McFarlane had any questions on specific areas.

Mr Stainbank continued the presentation of his report. He provided information on the follow-up reviews that had been completed since the previous Committee for the; Brunton Theatre Trust, Covid Recovery and Renewal Plan, HR, Payroll, Recruitment and New Starts, Climate Change, Risk Management and the Housing Management System Replacement Project.

Councillor McLeod asked if the completion date for the Housing Void Management was on target and if the work completed on roads was checked by an officer to make sure they are done to a high quality. Tom Reid, Head of Infrastructure explained roads officers carry out full inspections on all work completed by our contractors and any non-acceptable work would be immediately called back to the contractor to rectify, as was the case with an area Councillor McLeod had identified. He stated there had been issues with the previous contractor, so this contract was terminated so in terms of best value there is a clear audit trail to show the team have evaluated the quality of work and brought a new contractor in. Mr Stainbank explained internal audit will be meeting with the housing staff shortly to ensure they have the capacity to deal with that audit in time for September.

Responding to questions from Councillor Menzies, Mr Stainbank confirmed the delays with the climate change strategy are a result of the change in staffing, three recommendations had been partially implemented already and four were linked to target dates for reporting and these will be implemented for the next reporting period which is in a years' time. Ms Fortune provided assurance the transformation agenda had not been slowed up and it was right and proper to reset that portfolio and look at the key priorities. She added Ms Cockburn and her team had started to look at ensuring we've got suitable governance in place, and we are prioritising this appropriately and there is a clear focus on having a transformation programme which is supporting the Council going forward.

Councillor McLeod thanked Mr Stainbank for a thorough paper, and he was happy to hear of the issues highlighted and the work being done to resolve these.

Councillor Jardine stated internal audit are a critical friend and the level of positive response from officers can only improve services. She added she will always be an advocate for audit, governance and risk and thanked all officers involved.

Decision

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. COUNTER FRAUD ANNUAL REPORT

A report was submitted by the Service Manager – Internal Audit to inform the Audit and Governance Committee of the Counter Fraud and Whistleblowing prevention, detection and investigation work undertaken during 2023/24.

Duncan Stainbank, Service Manager for Internal Audit reported the Audit and Governance Committee approved the Shared Service arrangement with Midlothian Council in October 2022 and as part of the overall agreement the funds being received from Midlothian Council were utilised to recruit a Counter Fraud Officer. Mr Stainbank highlighted the four key areas of focus for the Counter Fraud Officer and provided information on the key successes from the NFI which has found £350,000 worth of future savings and £163,000 in incoming incorrect expenditure that is being recovered through Council processes. He added that through proactive fraud investigation £39,890 of recovery income had been identified with the majority already recovered and one council house has been brought back into use.

Councillor Bruce asked how a saving of over £200,000 is achieved by removing 50 people from the housing waiting list. Mr Stainbank explained this was the calculation the Council received from the National Fraud Initiative and they use the likelihood of waiting list cases being provided with a property when they shouldn't have, the duration for which a fraudulent case may continue undetected if it goes through and the cost of housing a family in temporary accommodation are both included within their calculation however, given the Council have very good processes for checking with tenants when they reach that point they are likely to be allocated a house he would assume those savings are overstated. Answering a follow up question from Councillor Bruce, Mr Stainbank explained in relation to the blue badges and the housing tenants element he highlighted the recovering figure rather than the

estimated figure as it is the important one to focus on as they will impact on the budgets of the Council. Wendy McGuire, Head of Housing added as she was not familiar with the NFI methodology she had queried those savings herself, but she reassured Councillor Bruce, in terms of the overall saving the team would try to quantify this more realistically.

Responding to another question from Councillor Bruce, Mr Stainbank explained the systems created could be continued on but the funding for this post is time limited. He added he would be arguing to continue this as we require someone in post to operate the systems.

Mr Stainbank continued to answer questions from Members relating to recouping financial costs and the impact this has within other teams in the Council, including the council tax team, HR and Housing and how shared staff resources from East and Midlothian Council could help the Counter Fraud Officer with savings in the future. He made Members aware the Council pay a small amount to a third party provider to give the Counter Fraud Officer access to a number of databases.

Councillor Menzies thanked Mr Stainbank for his report and was happy to see the positive outcomes for the Council.

Decision

The Committee agreed to note the contents of the report.

4. SHARED SERVICES WITH MIDLOTHIAN COUNCIL JUNE 2024

A report was submitted by the Service Manager – Internal Audit to provide 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.

Duncan Stainbank, Service Manager – Internal Audit reported during this period Internal Audit services had continued to be provided to both Councils in accordance with the Public Sector Internal Audit Standards and savings had been achieved in budgets across both Councils and these savings had been used to employ the Counter Fraud Officer.

Councillor Jardine asked to what extent did Mr Stainbank see shared behaviours, decision making and strategic thinking to influence how work has progressed. He confirmed there was a variety of benchmarks in terms of the control processes which allowed comparisons to be drawn between Councils and be able to provide efficiency in audit work.

Responding to a question from Councillor Bruce, Mr Stainbank explained there is potential for a service review within the East Lothian team over the next year, but this would be reported on at a later date.

Councillor McLeod asked who provided Mr Stainbank's salary and pension contributions. He explained the new SLA which is being signed up to by both Councils will take his budgeted costs for the year with a small additional administrative cost and then Midlothian is invoiced on a quarterly basis for half of these costs.

Councillor Menzies asked what Mr Stainbank, as the Service Manager, saw as the pros and cons of the shared service with Midlothian. Mr Stainbank said there were many pros; the ability to benchmark across the Councils and added resilience for staff

as both teams are small and felt the only con was his time being split across two Councils therefore, he did not have as much as he did previously to focus on solely on East Lothian elements but feedback, he has received shows both Councils feel the shared arrangement is working well.

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

Decision

The Committee agreed to:

- 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.

A roll call vote was carried out to approve the continuation of the Chief Internal Auditor shared service between East Lothian and Midlothian Councils on an ongoing basis.

The decision was to unanimously approve this recommendation. Councillor Ritchie confirmed her vote via email due to technical difficulties.

5. ANNUAL INTERNAL AUDIT REPORT 2023/24

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

Duncan Stainbank, Service Manager – Internal Audit highlighted the 12 completed reviews for 2023/24, two of which were graded limited assurance, six which were graded reasonable assurance and four that were not graded. Therefore there was an opinion of reasonable assurance for the year.

Councillor McLeod asked why some reviews were not graded. Mr Stainbank stated as per Internal Audit procedures, when completing assurance statements they are usually to look at control processes where there is a specific issue or renewing change processes and providing some assurance on those changes. He added this doesn't allow for testing against those processes in operation over a significant period of time therefore those specific pieces of work were not graded.

Decision

The Committee agreed to note the contents of the report.

6. CONTROLS ASSURANCE STATEMENT 2023/24

A report was submitted by the Service Manager for Internal Audit to provide the Audit and Governance Committee with the response from Internal Audit which has a responsibility to independently review the internal controls systems within East Lothian Council, make an assessment of the control environment and report annually on the

overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

Duncan Stainbank, Service Manager – Internal Audit drew Members attention to Internal Audit's opinion; *"It is 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."*

He highlighted the findings of the Brunton Theatre Trust audit, Agency Worker audit and ELC CR1 - Managing the Financial Environment and CR2 - Maintenance of Assets as very high risks on the Corporate Risk Register.

Responding to questions from Councillor McGuire, Mr Stainbank explained the case in question was now completed and it was following work from our Counter Fraud Officer in terms of an investigation which was brought to our attention by the service involved. He added there were controls in place which were not working as well as they normally would over the covid period which allowed that element of fraud to start and continue throughout however control processes have now been put in place in that area to ensure that fraud will not happen again, and they have been improved significantly to prevent that fraud from happening in the future. Mr Stainbank confirmed the money has now been fully recovered and further work on income reconciliations in smaller areas of the Council are currently being reviewed.

Councillor McFarlane asked if we were lacking staff to complete repairs on Council buildings. Mr Reid stated we had access to trades and contractors to complete work, but the main concern is around available budget both within the Council and external funding. He added we have a backlog of maintenance, and we are currently below the level of investment we require to remediate that, and no funding had been identified nationally to enable the Council to look at climate change and sustainability development of our assets. Mr Reid highlighted the specific assets of concern for Members.

Responding to a question from Councillor Menzies, Mr Stainbank explained there are certain controls we can influence but also an external environment partially in relation to financial environment.

Decision

The Committee agreed to note the contents of the report.

7. EAST LOTHIAN COUNCIL: ANNUAL AUDIT PLAN

A report was submitted by the Audit Director for Audit Scotland to present the East Lothian Council Annual Audit Plan 2023/24 to the Audit and Governance Committee.

John Boyd, Audit Director for Audit Scotland spoke to his report noting the plan itself formed two aspects; Audit Scotland's responsibilities as external auditors in relation to issuing an opinion on the financial statements as well as wider responsibilities under the code of audit practice. Mr Boyd highlighted key aspects of the financial statements audit which included the materiality levels for 2023/24 audit and significant risks of material misstatement. Mr Boyd advised in terms of audit planning, Audit Scotland used a risk based audit approach which involves understanding the organisation, systems and internal control and considering the risk of where there is material

misstatement in the financial statement. He made Members aware two areas had been identified which were classed as significant risk of material misstatement:

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

Mr Boyd then covered the focus of the wider scope audit work where Audit Scotland would consider the financial sustainability, vision, leadership and governance and the use of resources to improve outcomes. He added as part of the annual work on best value, his team would conduct thematic reviews on workforce innovation and will consider how the Council is responding to the current workforce challenge through building capacity, increasing productivity and innovation. Mr Boyd gave an update on the reporting arrangements and timelines for 2023/24 and explained how the audit fee is reached.

Responding to a questions from Councillor McLeod, Mr Boyd explained other reports are front end of accounts which includes the annual governance statement and making sure disclosures around that are appropriate. He added statutory requirements around this evolve over time and this would be reflected in the overall audit opinion. Mr Boyd also provided details of the significant risks to the material misstatement to the Council's accounts which was mentioned within his report and stated the fee contribution towards performance and best value team which is charged across all local authority audits to cover the cost of delivering detailed work they do. He added that element of the fee is calculated centrally to ensure there is an equal proportion across local authorities which is set based on their overall fee.

Councillor Jardine asked how many people were involved in carrying out the audit work for that amount of fee. Mr Boyd confirmed there were two aspects of the core audit team but there were eight people of various levels within this team which was over seen by the Senior Auditor Manager and himself.

Councillor Menzies asked what risks had been identified in setting the timetable and are the Council teams able to deliver the necessary work to the timetable. Ms Dunnet confirmed the finance team would work with external auditors to ensure the audit can be completed as smoothly and efficiently as possible and were open to plans having to be adapted should any challenges present themselves on either side. She added the later the audit goes on the greater the challenge for the team due to budget development work, but she hoped they would be able to return to the statutory timetable over the next couple of years and the team remained committed to working with external audit.

Councillor McLeod highlighted that in audit accounts from 2022/23 highlighted the Council had appropriate arrangements in place for prevention of fraud and corruption and was grateful this had been mentioned and dealt with today.

Councillor Menzies stated for the detection, assurances and complex work that external audit provide the Council is absolutely necessary. She thanked Mr Boyd and his team for the work they do and the report they provided.

Decision

The Committee agreed to note the contents of the report.

8. COUNCIL IMPROVEMENT PLAN: UPDATE JUNE 2024

A report was submitted by the Chief Executive to present the Audit and Governance Committee with an update on the 2024 Council Improvement Plan.

Mr Paolo Vestri, Service Manager – Policy presented his report and highlighted the 16 actions, three of which were carried forward from the 2021/22 plan. He stated when Council agreed the 2024 Council Improvement Plan, they agreed to add another action relating to climate change which is proposed 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.”* Mr Vestri drew members attention to action four in appendix one which was to report on reprioritising the Council Plan which was due to go to the Council meeting in June but has been pushed back to September due to the General Election. He noted six actions are either completed or scheduled to be completed and eight actions are ongoing.

Responding to a question from Councillor McLeod, Mr Vestri confirmed the two ongoing actions were related to the Council budget which has been approved since this report was drafted, therefore both of those actions are now complete.

Councillor Menzies stated the Council Improvement Plan was reported on at full Council recently which is why there has not been a great deal of questions. She also congratulated Mr Vestri on his upcoming retirement from East Lothian Council after 15 years of service.

Decision

The Committee were happy to note the report.

9. ANNUAL TREASURY MANAGEMENT REVIEW 2023/24

A report was submitted by the Executive Director for Council Resources to update the Audit and Governance Committee on the Treasury Management activity during financial year 2023/24.

Ann-Marie Glancy, Service Manager – Corporate Accounting made Members aware the figures contained with the report are based on the draft unaudited accounts which will be lodged with Members Library prior to submission for audit by 30 June, the figures therefore remain in draft until the audited accounts are complete and should any significant changes arise during this process, Members would be kept fully informed.

Ms Glancy presented her report providing Members with information on the Council's Capital Expenditure and Financing, Overall Borrowing Need and Treasury Position. She also took Members through the investment and borrowing strategy and control of interest rate risk, the investment activity for 2023/24 and prudential and treasury indicators.

Councillor Jardine asked what parameters we normally worked with within the HRA and was their scope for the rate to be increased. Ms Glancy stated it was based on what the HRA can afford so currently the CFR is just over 85% and is covered by actual external borrowing and the rest by internal funding and if you change that mix it would mean increase interest on the additional borrowing but also associated costs on the reduction of the under borrowing. She stated the Financial Strategy sets the parameters for HRA borrowing and the current controls cap the debt charges. These were self-imposed controls and are reviewed on an annual basis and the team do

recognise the need to balance capital investment in housing and feel the current level remains appropriate.

Responding to questions from Councillor McLeod, Ms Glancy explained the authorities mentioned have borrowed from us and we have invested so there has been no local authority borrowing. She also confirmed that Investec hold all of the Common Good and all mentioned Trusts.

Councillor Menzies thanked Ms Glancy for her report.

Decision

The Committee agreed to note the report.

10. CORPORATE GOVERNANCE SELF-EVALUATION AND ANNUAL GOVERNANCE STATEMENT 2024

A report was submitted by the Chief Executive to advise Members of the results of the Corporate Governance Self-evaluation 2024.

Duncan Stainbank, Service Manager – Internal Audit stated the Council adopted the principles of Corporate Governance based on the CIPFA/SOLACE guidance in 2010 and a newly published 'delivery 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.

Mr Stainbank highlighted the seven core principles of the framework which have been assessed by the Councils CMT and have all been assessed as either good or very good. He noted evidence of this work had also been drawn by Audit Scotland through the Councils Improvement Plan Monitoring and the new Councils Self-Evaluation Framework. The conclusion of the evaluation has left two actions to take forward; work to close the residual budget gap and continue to monitor the PRD assessment processed being completed and taking action to improve the percentage of them being completed on an annual basis.

Ms Dunnet, Mr Stainbank and Ms Fortune responded to questions from Councillor Menzies, providing information on the work officers will undertake to continue to close the residual budget gap and how they will work to increase the uptake on PRDs being completed throughout each service. Ms Fortune confirmed lack of resourcing was not an issue in completing PRDs, but a number of services did remain in business continuity so do continue to be challenged and the lack of completion was more based on the demands and obligations placed on all services which makes the PRD process difficult. Ms Dunnet confirmed the Council already scenario plan in terms of financial planning and provided further information on the types of variables which would be included in this planning.

Decision

The Committee agreed to note the report.

11. CORPORATE RISK REGISTER

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

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

The current Corporate Risk Register includes 5 Very High Risks, 9 High Risks, 6 Medium Risks and 1 Low Risk. In accordance with the Risk Management Strategy only Very High and High risks identified in the Corporate Risk Register will be subject to closer scrutiny by the Councils Management Team, the Cabinet and the Audit and Governance Committee.

Responding to a question from Councillor Jardine, Ms McGuire explained the level of risk around homelessness remained high due to new changes to legislation and although a number of things are being done within the team to improve the current situation there are still a number of factors to be considered. She confirmed the team were currently in the process of service transformation to align the team with changing legislation and more needed to be done to ensure improvement was long lasting therefore an action plan is being pulled together over the next few months which will be reviewed against the impact on homeless figures.

Councillor McLeod asked when we should expect to see change. Mr Wright explained the documents were live and when a risk mitigation was ready to be moved from a planned to a current it would be updated.

Councillor McFarlane asked if the changes to local connection had affected homelessness in East Lothian. Ms McGuire confirmed these have affected homelessness in East Lothian, but she did not have the exact data to hand but would provide this offline.

Responding to questions from Councillor Menzies, Ms Fortune stated there were a wide number of external risks which are out with our control which impact how we deliver Council services. She also confirmed as part of the transformation we are trying to reshape the portfolio to align and support how the Council will transform service delivery and ensure ongoing financial sustainability. Mr Reid provided specific examples of services going through transformation changes which included Estates and the tree team within Sport, Leisure and Countryside.

Decision

The Committee agreed to note:

- 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 Corporate risk 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 and are likely to be a feature of the risk register over a number of years.
- iv. Note that the Council Management Team will review all risks in the Corporate Risk Register on a regular basis.

Signed

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

DRAFT

REPORT TO: Audit and Governance Committee
MEETING DATE: 17 September 2024
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Report – September 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 and provide an update on progress made against the 2024/25 annual audit plan.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note:
- i. the main findings and recommendations from the Internal Audit reports issued during the period from June 2024 to September 2024 as contained in Appendix 1 and covered in the Scottish Housing Regulator Agenda Item; and
 - ii. Internal Audit's progress against the annual audit plan for 2024/25 as set out in Appendix 2.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: Additional Support Needs, Capital Expenditure Contract Cost Management, Musselburgh Flood Protection Scheme, Tyne & Esk Funding, and the Scottish Housing Regulator Annual Assurance Statement.
- 3.2 The main objective of the audits was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the Additional Support Needs, Capital Expenditure Contract Cost Management, Musselburgh Flood Protection Scheme and Tyne & Esk Funding audits are contained in Appendix 1. The Internal Audit Report on the Scottish Housing Regulator Annual Assurance Statement is covered later in the agenda.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Additional Support Needs – Reasonable Assurance
 - Capital Expenditure Contract Cost Management – Reasonable Assurance
 - Musselburgh Flood Protection Scheme – Reasonable Assurance
 - Tyne & Esk Funding – Substantial Assurance
 - Scottish Housing Regulator Annual Assurance Statement – Not Graded.

Progress Report 2024/25

- 3.4 A progress report attached as Appendix 2 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the revised annual audit plan for 2024/25, which is subject to the Audit & Governance Committee approval as part of the agenda.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 None

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DATE	9 September 2024

Conclusion: Reasonable Assurance

The Council has appropriate arrangements in place for the identification and assessment of Additional Support Needs (ASN) at an early stage and for the subsequent planning for, regular review and meeting of these needs, in line with the Child’s Planning Framework. Both the national and East Lothian contexts for ASN remain challenging with better identification of ASN, poorer mental health, increasing complexity of need and a near doubling of those with ASN in the past 10 years, and the Council is taking steps to mitigate these challenges, including a more holistic interpretation of ASN, development of a revised funding formula for pupils with ASN, increasing capacity for specialist provision and the newly formed Child Planning Framework Locality Teams.

Background

Children and young people may have additional support needs if they are unable to benefit from their school education without help beyond that which is normally given to children or young people of the same age. The Council, as the education authority, are responsible for making arrangements to identify additional support needs and aim to do this working in close co-operation with parents and other services in contact with children or young people. The Council has a detailed Child’s Planning Framework in place based on the Getting it right for every child (GIRFEC) policy statement (2022), which builds on existing processes for meeting learner’s additional support needs, but also takes account of the National Practice Model within the legislation of the Children and Young People (Scotland) Act 2014. The Framework is a staged intervention model with three levels (universal, additional and targeted) under which the additional support needs of children and young people are identified, assessed, planned for and met. The additional support needs and wellbeing needs of children at level 1 (universal) and level 2 (additional) will generally be met in mainstream schools. Children and young people who require targeted support (level 3) often have needs that are required to be met in specialist provision.

Summary of findings & recommendations

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

- Appropriate Council-wide priority should be given to ensuring there is sufficient capacity within the school estate for specialist ASN provision for 2025/26 and beyond. *Management have confirmed that Education will work collaboratively with the CMT and with colleagues across the Council to address the challenges of ensuring sufficient capacity for ASN provision across the school estate **by August 2025**.*
- Where Individualised Education Plans (IEPs) are in place, these should be fully completed to record the evaluation/next steps required and timeously updated to indicate if learning targets have been achieved. *Management have confirmed that reminders will be issued to schools **by September 2024** and Link Education Officers will work with schools on an ongoing basis to ensure all IEPs are fully completed and timeously updated.*
- Co-ordinated Support Plans (CSPs), which are in place for children and young people with the most complex and enduring additional support needs, should be reviewed and amended in line with statutory timescales. *Management have confirmed that timescales for completion of individual CSPs will be tracked and monitored **by September 2024**.*
- A comprehensive range of policy and guidance documentation is in place for ASN, however there is a need to ensure that information provided on the Council’s website is up to date. *Management have confirmed that all information will be updated **by September 2024**.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	4	1	5
Prior Report	n/a	n/a	n/a	n/a

Materiality

In East Lothian Council, the number of pupils with ASN increased by 84% between 2014 and 2023 (compared to an 11% increase in overall pupil numbers), 36% of children/young people have additional support needs, the predominant reason for ASN is now “social, emotional and behavioural difficulty” for both primary and secondary pupils, there has been a large increase in parental placing requests for specialist provision and movement into East Lothian is placing additional pressures on the Council.

Headlines

Objectives	Conclusion	Comment
1. The Council has an appropriate framework in place for the assessment and provision of required services for young people with additional support needs, including relevant policies, procedures and documented guidance, and complies fully with all relevant legislation.	Substantial	A Child's Planning Framework is in place based on the Getting it right for every child (GIRFEC) policy statement (2022), which takes account of the National Practice Model within the Children and Young People (Scotland) Act 2014. Child's Planning Framework Guidelines are in place (August 2017), although there is a need to ensure information on the Council's website is up to date.
2. Appropriate arrangements are in place for the identification and assessment of additional support needs at an early stage and for the subsequent planning for, regular review and meeting of these needs, in line with the Child's Planning Framework and the National Practice Model.	Substantial	A detailed Policy (August 2018) is in place on Identifying, Assessing and Providing for Additional Support Needs, together with a range of guidance, including for Child Planning Framework – Locality Teams and the Education Outreach Team. New Child Planning Framework training has been developed and sessions are being delivered in each locality.
3. Appropriate governance, planning and reporting processes are in place to ensure provision of required ASN services across the Council area on a best value basis.	Reasonable	The Council has appropriate arrangements in place for the provision of ASN services, however priority requires to be given to ensuring sufficient capacity within the school estate for specialist ASN provision for 2025/26 and beyond.
4. Appropriate processes are in place for the allocation of predictable needs funding and the provision of exceptional needs funding where required.	Reasonable	Existing processes are in place for the allocation of predictable and exceptional needs funding and development of a revised funding formula for pupils with ASN is ongoing with proposed implementation by August 2025.
5. There is evidence of appropriate planning arrangements for additional support needs, with an up to date Child's Plan and/or Individualised Education Plan (IEP) being in place for all children or young people with level 2 (additional) or level 3 (targeted) needs, and a Co-ordinated Support Plan (CSP) being in place for those children and young people at level 3 (targeted) with complex and enduring additional support needs, requiring a significant level of co-ordinated input to educational planning from different agencies.	Reasonable	The Council's Policy on Identifying, Assessing and Providing for Additional Support Needs of Children and Young People (August 2018) has a section on Planning for Additional Support Needs, which includes coverage of The Child's Plan, Individualised Education Plan (IEP) and Co-ordinated Support Plan (CSP). Our review of a sample of plans highlighted that all plans were comprehensive, however in some cases the evaluation/next steps section of IEPs were not completed, and the plans were not being updated timeously to indicate if learning targets had been achieved, while in two cases reviewed CSPs were not updated in line with the timescales contained in legislation.
6. There is clear, documented decision making at a senior level for those children and young people with the most complex additional support needs who may require specialist educational provision.	Substantial	The Education Resource Group (ERG), which comprises of senior managers from Education and Children's Services and allied Health Care professionals considers admissions to specialist educational provision both within and outwith East Lothian. The ERG meets regularly, and all decisions are clearly documented.
7. The Council has arrangements in place for resolving disagreements with young people and/or parents/carers in respect of how a child or young person is being supported and complies fully with the provisions of the Education (Additional Support for Learning) (Scotland) Act 2004.	Substantial	Information is available on resolving disagreements informally, the Council's formal complaints process and on ways of resolving disagreements provided by legislation. An Education Complaints Tracker is in place for 2024/25, while decision letters provided to parents following ERG decisions, clearly outline the reasons for the decisions made and the right to appeal to Tribunal.

Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	<p>The Council's website contains a comprehensive range of information on Additional Support for Learning, including sections on the Child's Planning Framework; Identifying additional support needs; Assessment of additional support needs; Providing additional support; Planning for additional support needs; Individualised Education Plans; Co-ordinated Support Plans; Role of the Education Resource Group; Resolving disagreements; Complaints; and Ways of resolving disagreement provided by the Education (Additional Support for Learning) (Scotland) Act 2004. In addition to the information on the Council's website, there is a specific GIRFEC in East Lothian website (accessed through edubuzz.com), which is updated regularly and contains a range of relevant content, including the National Policy and Legislative Context (including the National Practice Guidance 2022); sections on Child Protection, Neurodiversity and the Child's Planning Framework; and a wide range of planning documents and guidance, including on the Child/Young Person's Plan, Positive Support Plans (PCPs), Individualised Education Plans and Co-ordinated Support Plans.</p>
2.	<p>Processes are in place for the allocation of funding to support schools in meeting the additional support needs of children and young people. All schools in East Lothian currently receive a predictable needs budget based on school roll and level of deprivation (as determined by Free School Meals entitlement). In many cases this is used to fund Support for Learning staff who can assist class teachers to identify and address additional support needs. In addition, children and young people who have additional support needs that are so complex and of relatively low incidence can access exceptional needs (EN) funding. Comprehensive guidance is in place on the EN process, including EN criteria and measures, and how applications are moderated, scored and allocated a level of funding in hours. An Exceptional Needs Working Group has been established and development of a revised funding formula, to better reflect measures directly impacting on children/young people with additional support needs in each school, is ongoing with proposed implementation by August 2025.</p>
3.	<p>The Council has clear guidance on admission to specialist education provision (updated August 2024). The Education Resource Group (ERG) and Early Years Education Resource Group (EYERG), which comprise of senior managers from Education and Children's Services and allied Health Care professionals, consider admissions to specialist educational provision both within and outwith East Lothian. All support and interventions at levels 1 and 2 (including exceptional needs funding) should have been implemented and exhausted prior to the referral to the ERG. To allow appropriate transitions to be planned the ERG and EYERG consider referrals of children and young people at key transition stages of entry to pre-school, pre-school to P1 and P7 to S1. As part of the audit, we reviewed the key outcomes/action points from the minutes of the ERG meetings held in March 2024 and May 2024. In both cases, we found that the Group was chaired by the Quality Improvement Manager for Equity and Inclusion and was attended by the Principal Educational Psychologist, together with a wide range of staff from Education and Children's Services.</p>

Recommendation Grading/Overall opinion definitions

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

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

Executive Summary: Capital Expenditure Contract Cost Management

Conclusion: Reasonable Assurance

The internal controls in place for Capital Expenditure Contract Cost Management are generally reliable, however there are some improvements that can be made to provide a fully effective control process, including introducing formal procedures to assist staff with responsibility for capital contracts cost management, the arrangements in place for processing and monitoring contract variations and maintaining a record of the business case for capital projects following approval through an appropriate governance framework.

Background

The financial pressures on capital budgets have been growing due to higher interest rates, supply chain issues and the escalating costs of construction. These higher costs together with the ongoing limitations on spending have resulted in increased scrutiny of capital expenditure in local authorities, and on 13 December 2022 the Council formally approved the Capital Strategy for the period from 2023/24 to 2027/28. The Capital Strategy sets out how the Council will realise its strategic objectives through investment over the medium term, and the governance arrangements in place to help support these strategic objectives. Capital infrastructure projects have on-going revenue implications and the business case for any capital proposals should include consideration of revenue consequences and be submitted to an appropriate governance group prior to Council approval at the annual budget setting process, and once approved the projects will be passed to the Strategic Asset and Capital Plan Management Team for delivery within the appropriate timescales.

Summary of findings & recommendations

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

- While staff in the Strategic Asset and Capital Plan Management Team have access to a number of guidance documents, including the Council's Procurement Strategy and Procedures Working Instructions, the Local Development Plan Supplementary Guidance: Developer Contributions Framework and the SBCC (Scottish Building Contracts Committee) suite of contracts and conditions, there was a lack of formal procedures in place to provide clear guidance to staff with responsibility for capital contracts cost management. *Management have advised that a set of procedures are currently being drafted and will be completed by December 2024.*
- The existing arrangements in place for processing and monitoring contract variations require review – for some contracts, there was a lack of a clear audit trail and a consistent approach for the authorisation of contract variations, a cost estimate was not always undertaken prior to agreeing the change of contract and a spreadsheet had not been maintained for monitoring contract variations. *Management have advised that the reintroduction of the monthly cost reporting tool will help facilitate the monitoring of contract variations and ensure that a consistent approach is adopted by October 2024.*
- In some instances, there was a lack of a clear audit trail to confirm that a business case had been presented and approved through an appropriate governance framework, prior to the projects being included in the Capital Budget. *Management have advised that working practices have changed, and there has been a turnover in staff since the inception of a number of the projects selected for review, going forward the Finance Section will retain all supporting evidence for capital projects by October 2024.*

Recommendation Summary

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

Materiality

The Council had budgeted capital expenditure for 2023/24 of approximately £98.9 million for General Services and £33.96 million for the Housing Revenue Account. The budgets included 51 projects for General Services and 27 projects for the Housing Revenue Account.

* No prior report exists for Capital Expenditure Contract Cost Management. 21

Headlines

Objectives	Conclusion	Comments
1. Adequate policies and procedures are in place for administering Capital Expenditure Contract Cost Management.	Reasonable	Capital contracts are governed by the SBCC (Scottish Building Contracts Committee) suite of building contracts and conditions, and the Strategic Asset and Capital Plan Management Team also have access to a number of guidance documents, including the Council's Standing Orders, the Procurement Procedures Working Instructions, and the Local Development Plan 2018. However, there was a lack of formal procedures in place to provide guidance to staff with responsibility for capital contracts, including procedures on variations to the original contract value, which outline authorisation limits for staff and contract workers.
2. Capital projects are adequately assessed to ensure that the specifications can be achieved within the approved budget.	Reasonable	We found that the Strategic Asset and Capital Plan Management Team undertake appropriate assessments on capital projects to ensure that the specifications can be achieved within the approved budget, and budget cost estimates are carried out using the Scottish Futures Trust (SFT) metric costs for schools prior to completing the Procurement Initiation Document (PID). However, in one case the budget estimate had to be revised after an adjustment (increase) in the SFT metric costs. For the projects reviewed, the contracts were processed through the correct Procurement route based on the works value.
3. Adequate arrangements are in place to undertake value engineering, to allow a systematic approach in achieving the necessary outcomes for the project.	Reasonable	For the five contracts reviewed, we sought to establish if appropriate arrangements were in place to undertake value engineering where applicable, to ensure that the outcomes of the project could be achieved within the budgeted cost. We found that in four cases the Council accepted the value submitted by the lowest tenderer (after checking and corrections) or from the first ranked contractor on the ELC Joinery and Builderwork Framework, for the remaining case value engineering was carried out for the building of a new school, however in this case additional legislative requirements and the indexed S75 developer contributions (using the BCIS All-in TPI) not keeping pace with construction costs resulted in a significant funding gap.
4. All contract variations for capital expenditure are appropriately documented and properly authorised.	Limited	We found that there was a lack of a clear audit trail and a consistent approach for authorising contract variations, and a cost estimate was not always undertaken prior to agreeing the change of contract. In some instances, Contract Instructions were not held on file, and the existing arrangements in place for monitoring contract variations require review.
5. The viability for each stage of capital projects has been adequately reviewed and authorised through the appropriate governance bodies within the Council.	Reasonable	For the capital projects examined, we found that a formal statutory schools' consultation took place for the establishment of a new catchment area and primary school at Craighall and the closure of North Berwick Nursery School and redesignation to a nursery class at Law Primary School, and the proposals were formally approved by Council on 28 March 2017 and 24 April 2018 respectively. In addition, four of the five projects reviewed were approved through the Planning Service. In some instances, there was a lack of a clear audit trail to confirm that a business case had been presented and approved through an appropriate governance framework, prior to the projects being included in the Capital Budget. We found that all the projects had been included in the General Services Capital Budget and approved by Council during the relevant annual budget setting process.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	Capital projects are adequately assessed to ensure that the specifications can be achieved within the approved budget.
2.	Adequate arrangements are in place to undertake value engineering, to allow a systematic approach in achieving the necessary outcomes for the project.

Recommendation Grading/Overall Opinion Definitions

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

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

Executive Summary: Musselburgh Flood Protection Scheme

Conclusion: Reasonable Assurance

In accordance with the council legislative requirements to act with a view to achieving the objectives set out in the local flood risk management plan, the Council has put in place a project to develop a flood protection scheme for Musselburgh. Project documentation has been developed appropriately throughout this project, however the project commenced in 2016 and there is now a need to reconsider project roles and responsibilities. The Council approved an outline design of the flood protection scheme in January 2024. The council is now developing a full business case documenting the costs, benefits and objectives of this substantial scheme identified in the project to date.

Background

The Flood Risk Management (Scotland) Act 2009 required a full assessment of flooding around the Scottish coastline. A list of Flood Protection Scheme Programmes within Cycle 1 was drawn up and Musselburgh was ranked at 11 out of 42. Funding for the project is being split between the Scottish Government (80%) and East Lothian Council (20%). A project board was established in 2016 to oversee the flood protection project and hopefully the final implementation of the approved scheme. A professional services company have provided a Project manager who specialises in flood protection who is appointed to manage the project. When the Project was initially proposed reporting on progress was to the Council's Cabinet, but from 2022 ongoing reporting was to be done via the full Council. The outline design of the Musselburgh Flood Protection Scheme was approved by the Council in January 2024.

Summary of findings & recommendations

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

- The roles and responsibilities of the key member of the Project Board had been documented and approved at the beginning of the project, however these had not been updated to reflect the current roles and responsibilities of these key members of the Project Board. Management have agreed to review these roles and responsibilities **by September 2024**.
- Whilst significant project documentation has been created, including economic impact assessments, due to the current project stage a full business case has not yet been put in place clarifying the clear benefits, objectives and timelines against which the project can be monitored for success. *A Full business case will be put in place at the appropriate project stage in line with development of future project stages.*
- Appropriate procurement exercises have been undertaken for all contracts let as part of this project to date, one procurement initiation document (PID) was found to have been signed off by a manager slightly above their authorisation limit. Recommendations have been made and accepted immediately to ensure authorisation in line with council procedures going forward, with new more realistic authorisation limits updated for appropriate capacity.

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	2	3	5
Prior report	N/A	N/A	N/A	N/A*

Materiality

The estimated cost of the Scheme as reported in the Council report of January 2024 is approximately £53.9 million. The estimated cost of the Ash Lagoons seawall repair is £52.1 million. The Scottish Government will contribute 80% of the cost of the Scheme, in accordance with the Scottish Government's criteria the Scheme's cost would be confirmed when a Construction Works Contract is signed. The remainder of the 20% will need to come from ELC. There are approximately 3,200 residential and non-residential properties as well significant strategic infrastructure at risk of flooding in Musselburgh from the 0.5% AEP Flood Event, with an allowance for climate change, as determined by the hydraulic modelling and assessments undertaken by the Scheme.

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

Headlines

Objectives	Conclusion	Comment
1. Clear, accessible, relevant, and appropriate Governance arrangements are in place to oversee the development of the Musselburgh Flood Protection Scheme.	Reasonable	A project board was put together following the requirements of the Prince 2 methodology. Terms of reference, which include clear Roles & Responsibilities for members, have been approved by the Board. There is a project plan in place with stage gate approval processes for the project. Key final decisions on the project are made through the Council and therefore remain transparent in the Council decision making process.
2. A project board has been put in place to oversee the development of the overall project.	Substantial	The Project Board meets regularly to discuss all aspects of the project. To support the Project Board a series of Working Groups have been put in place to focus on specific topics which require professional support. Risk is a standing item on the Project Board agenda. A risk register is in place for this project and maintained on a regular basis and in a searchable manner.
3. Procurement procedures have been followed for procuring specialist contractors.	Reasonable	Appropriate procurement exercises have been undertaken for all contracts let as part of this project to date, one procurement initiation document (PID) was found to have been signed off by a manager slightly above their authorisation limit. Recommendations have been made and accepted immediately to ensure authorisation is always in line with council processes going forward.
4. Management have adequate controls in place to ensure that contract rates agreed following a procurement process are being correctly monitored during each stage of the project.	Substantial	The cost plan is a standing item on the Project Board meeting agenda, but this is not a topic that is raised at each meeting. A Financial Working Group was established in 2017, and detailed discussions are held within this group and a summary submitted to the Project Board. This process has been appropriate for the current stages of the project, however further control process will be required at construction phases due to the increased risk.
5. Adequate consultation has been undertaken.	Substantial	A total of 18 meetings and 2 exhibitions have been held between July 2019 and September 2023 which allowed the public to raise their concerns about the impact on their properties and the environmental impact across Musselburgh. The MFPS has its own website as well as submitting significant detail to Council and the Members library. Since the inception of the project there have been 2 meetings with the Cabinet between 2016 and 2020 and 5 with the Council between 2022 and 2024. There has been a significant amount of further consultation including substantial 'Drop in' sessions

Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	A Project Board has been put in place, consisting of appropriate staff members from all services who are involved with the development of the flood protection scheme. Regular meetings are held by the Project Board to monitor the progress of the Project.
2.	The flood protection project is regularly reported to the Council to provide assurance on this significant project.
3.	A detailed risk register has been put in place which details a wide variety of potential risks that could impact the progress of the project and this is managed and maintained on a regular basis.
4.	Over 50 public consultation events have been held with the over the last 5 years, ranging from exhibitions to formal meetings, to explain the aims and objectives of the project to the local residents and businesses.
5.	Fortnightly meetings between Senior Officers of the Board and the Project Manager and the Council Executive Team are held and provide a regular form of communication on this strategically important project.
6.	A total of 10 working groups have been put in place including Land & Legal, Procurement, Financial and Communications. All these groups feed into the Project Team and the board.
7.	Reporting to the Scottish Government on the financial situation has been carried out on a regular basis.
8.	A communications strategy and consultation plan has been put in place for the outline design stage of the project, and as part of this a dedicated website has been set up.

Recommendation Grading/Overall opinion definitions

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

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

Executive Summary: Tyne & Esk Funding

Conclusion: Substantial Assurance

An initial grant offer was made May 2023 of £173,768 for revenue grants, which was subsequently increased in January 2024 to £180,768 for revenue and an additional £150,000 for capital projects. A total of 21 projects were funded during the 2023/24 funding year across both East Lothian and Midlothian.

Background

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

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

Community Led Local Development funding offers:

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

Summary of findings & recommendations

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

- All five of the recommendations made in the previous audit completed in September 2023 have been implemented, specifically including the following:
 - A detailed register of all funding applications is now in place, including both successful and unsuccessful applications across all years;
 - For all five of the successful 2023/24 grant applications selected all applicants had provided all required documentation including constitution documents and bank statements to ensure an appropriate award;
 - The spreadsheet used to summarise scoring of each LAG member was calculating the correct totals for the 2023/24 grant assessments;
 - Scoring was being completed as per the scoring guidance provided for the 5 grant scores reviewed including LAG members not scoring when a declaration of interest had been made.
 - From the sample of 5 grants reviewed bank statements have been provided for all expenditure incurred.
- As a result of all the testing completed for 2023/24 all grants have been awarded and expenditure incurred appropriately to the grant terms and conditions as a result no recommendations for improvements have been made.

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	-	-	-
Prior report	-	5	-	5

Materiality

The LAG was offered grant funding for 2023/24 of up to £330,768, this allocation was split £180,768 for revenue and £150,000 for capital. In addition collaboration funding of £14,900 was also received this year. The final expenditure was £108,155 for revenue and £149,792 capital.

Headlines

Objectives	Conclusion	Comment
1. Agreements are in place to support the administration of the funding applications	Substantial	A revised Memorandum of Understanding was signed between East Lothian Council and the Community Led Local Development Action Group (LAG).
2. A complete and accurate contract register of all funding applications is maintained	Substantial	A detailed register of applications has been put in place setting out all the details of the applications received together with the funds paid to the successful applicants.
3. Management have adequate controls in place to ensure that all applications meet the funding requirements	Substantial	The application form details the evidence that needs to be supplied with the submission. For the sample of applications selected in all cases the required documentation had been provided.
4. Management have adequate controls in place to ensure that procedures are in place for assessing the funding applications	Substantial	An amended scoring spreadsheet had been created to evaluate the projects. The scores for each project, from the sample selected, were correctly calculated and then divided by the number of members who were scoring each project. An appeals process is in place and for the 2 appeals made for the 2023/24 grant applications they were both dealt with appropriately to conclusion.
5. Management have adequate controls in place to ensure that the partners comply with the Scottish Government Memorandum of Understanding	Substantial	The Memorandum of Understanding signed by the LAG and the Council sets out the responsibilities of each party. An Annual Report has been prepared by the LAG which sets out how the funding was distributed and met the objectives of the Tyne & Esk Rural Community Led Vision.
6. Adequate controls are in place to confirm that adequate documentation is supplied to confirm the funding application and payment	Substantial	Adequate bank statements were provided to confirm that payments had been made. Four claims were made to the Scottish Government for funding payments. The Community Led Local Development Officer visited a sample of projects to confirm that all had been completed.

Areas where expected controls are met/good practice.

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

Recommendation Grading/Overall opinion definitions

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

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

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Procurement	Examine the processes in place to ensure appropriate contract management, particularly ensuring contracted goods and services are being provided at the price in the contracts, is in place across the Council to meet our statutory requirements and ensure that procurement continues to be monitored against achievement of the outcomes agreed during tendering, including best value and community benefits.	March 2025	In Planning
Adult Social Care Case Management, including Contract Award, Billing and Payment	Review the revised processes following upgrading of the Mosaic system to ensure that the case management processes have appropriate control over contract award, billing and payment processes, linked to professional assessment of need in line with appropriate procedures and guidelines.	March 2025	In Planning
Sickness and Absence Monitoring	Review the processes in place to record and manage sickness and absence across the Council to ensure that it is being effectively and consistently used and monitored to improve the efficiency and effectiveness of staff.	December 2024	In Planning
Housing voids	Carried over from the 2023/24 Internal Audit Plan. 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.	December 2024	In Planning

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Pupil Equity Funding/Strategic Equity Fund	Review the processes in place to identify appropriate outcomes, identify expenditure against these outcomes, manage and report this expenditure and report against outcomes from the Pupil Equity Funding provided to individual schools across the Council area.	March 2025	
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 2025	
Building Asset Data	Review the processes to maintain accurate, up to date and reliable information on building assets across the Council. Particularly examine the data cleansing and transfer processes that have been put in place as a result of the transfer of building data from Badger to CIPFA systems.	June 2025	
IT Education Software Purchasing	Review the processes in place to ensure that only appropriately vetted and authorised software is in use across the schools' network and that data is only uploaded into verified software.	December 2024	Draft Report Issued to Management
Roads	Brought Forward from the 2023/24 Audit Plan. Examine the Roads trading account operation and establish that this is operating in a best value format for the Council.	June 2025	

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
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 2024	Complete
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulator's Chapter 3 of the Regulatory Framework.	September 2024	Complete
Assurance Reviews	<p>Where resources allow, undertake assurance reviews on areas of key controls for new or evolving systems of control to provide support for developing systems. Potentially including the following:</p> <ul style="list-style-type: none"> ➤ Transformation Project Management Reviews; ➤ Financial Systems project reviews developing new processes; ➤ School Transport; and ➤ Asylum and Refugee scheme funding monitoring. 	Not yet scheduled, dependent upon in year resource availability.	

REPORT TO: Audit and Governance Committee
MEETING DATE: 17 September 2024
BY: Service Manager – Internal Audit
SUBJECT: Revised Internal Audit Plan 2024/25

3

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit's revised operational plan for 2024/25.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to approve the revised Audit Plan for 2024/25.

3 BACKGROUND

- 3.1 As advised to the Audit and Governance Committee, a revised Internal Audit Plan for 2024/25 is being presented to the Audit and Governance Committee to take account of the ever-changing Council risk profile, all audits remaining within the plan focus on areas that are linked to corporate risks 1 to 5. The revised plan takes into account the temporarily reduced resources within the Internal Audit team, following the retirement of a member of the team.

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

- PPP Contract Management;
- Performance Management;
- Comments and Complaints Management; and
- Contact Centre/Council Contact resolution.

- 3.3 Assuming further resources following the Internal Audit Review become available then these will be utilised to complete further assurance work in relation to supporting the controls being in put in place around the Council Transformation Strategy and specifically supporting the implementation of the new financial process within and around the implementation of a new financial ledger system.
- 3.4 In preparing the annual audit plan a range of factors have been taken into account, including:
- the Council Plan 2022-27, and reprioritisation in February 2024;
 - areas highlighted by Senior Officers;
 - corporate and service area risk registers;
 - the Council's performance and financial statements;
 - changes in service delivery;
 - the findings from previous years' audit work; and
 - the need to incorporate flexibility for reactive/investigatory work.
- 3.5 Internal Audit's primary role is to independently review internal control systems within the Council. Internal Audit will evaluate the adequacy and effectiveness of controls in responding to risks within the Council's governance, operations and information systems, regarding the:
- Achievement of the Council's strategic objectives.
 - Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations and programmes.
 - Safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.6 Internal Audit are required to give an opinion on the Council's control environment in the annual Controls Assurance Statement and the audit work carried out will contribute to this opinion.
- 3.7 The provision of the Internal Audit service is on an in-house basis by the Council's Internal Audit Unit. The resources available have been applied to individual audits and a detailed operational plan has been produced for 2024/25 (see Appendix A).
- 3.8 Internal Audit will adopt a risk based approach to audit assignments as the principal means of providing assurance on the adequacy, reliability and effectiveness of internal controls. Testing of controls will be carried out on a sample basis. Samples are selected according to an agreed sampling methodology.
- 3.9 For each individual audit, a detailed audit report is prepared for the relevant member(s) of the Council Management Team (CMT). Copies of the audit report are provided to the Chief Executive, External Audit and to members of the Audit and Governance Committee.
- 3.10 Follow-up audits will be carried out to review the implementation of the recommendations made.

AUDIT COVERAGE

- 3.11 Core Financial Systems, Risk Assessed Service and Corporate Audits – Internal Audit will review the Council’s systems to provide assurance on the adequacy and effectiveness of internal controls. The audit plan includes a range of risk assessed core financial systems and non-financial audits.
- 3.12 Statutory Audits – Internal Audit undertake audit work in respect of specific grant awards made to the Council by the Scottish Government, to ensure compliance with grant conditions in certain cases this provides a small income stream for the Internal Audit team. In addition work to provide assurances required by the Scottish Housing Regulator will also be completed.
- 3.13 Investigations – Time has been allocated to support the data collection required for the National Fraud Initiative 2024/25, and to allow a contingency to support the Counter Fraud Officer in Investigations when there is a requirement for more than one member of staff.
- 3.14 Integration Joint Board (IJB) – The Committee is asked to note that in 2024/25 internal audit services to the East Lothian IJB will be provided by East Lothian Council’s Internal Audit Unit and time has been allocated to carry out audit work for the IJB.

INTERNAL AUDIT PERFORMANCE INDICATORS

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

OTHER FACTORS

- 3.16 The Committee should note that reactive work may impact on the Internal Audit Unit’s ability to complete the audit plan. Contingency days are built in for 2024/25 but by its nature reactive work is difficult to predict, however the Audit & Governance Committee will be notified of significant contingency exercises being undertaken.
- 3.17 The plan and its completion have added importance, given its contribution to the annual Controls Assurance Statement to be prepared at the end of 2024/25.

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	5 September 2024

REVISED INTERNAL AUDIT PLAN 2024/25

Appendix A

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
CORE FINANCIAL SYSTEMS AUDITS			
Procurement	Examine the processes in place to ensure appropriate contract management, particularly ensuring contracted goods and services are being provided at the price in the contracts, is in place across the Council to meet our statutory requirements and ensure that procurement continues to be monitored against achievement of the outcomes agreed during tendering, including best value and community benefits.	High	6
Adult Social Care Case Management, including Contract Award, Billing and Payment	Review the revised processes following upgrading of the Mosaic system to ensure that the case management processes have appropriate control over contract award, billing and payment processes, linked to professional assessment of need in line with appropriate procedures and guidelines.	High	6
RISK ASSESSED SERVICE & CORPORATE AUDITS			
Sickness and Absence Monitoring	Review the processes in place to record and manage sickness and absence across the Council to ensure that it is being effectively and consistently used and monitored to improve the efficiency and effectiveness of staff.	High	5
Housing voids	Carried over from the 2023/24 Internal Audit Plan. Examine the processes in place within the Housing and Property Maintenance teams to manage the timely return of void properties to a compliant standard for operational use.	High	6
Pupil Equity Funding/Strategic Equity Fund	Review the processes in place to identify appropriate outcomes, identify expenditure against these outcomes, manage and report this expenditure and report against outcomes from the Pupil Equity Funding provided to individual schools across the Council area.	Medium	5

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Partnership Funding	Review the grant funding provided to external organisations by the Council and review the processes in place to ensure that funding is linked to specific outcomes and organisational sustainability is promoted.	Medium	5
Building Asset Data	Review the processes to maintain accurate, up to date and reliable information on building assets across the Council. Particularly examine the data cleansing and transfer processes that have been put in place as a result of the transfer of building data from Badger to CIPFA systems.	Medium	5
IT Education Software Purchasing	Review the processes in place to ensure that only appropriately vetted and authorised software is in use across the schools' network and that data is only uploaded into verified software.	Medium	5
Roads	Brought Forward from the 2023/24 Audit Plan. Examine the Roads trading account operation and establish that this is operating in a best value format for the Council.	Medium	5
Assurance Reviews	<p>Where resources allow, undertake assurance reviews on areas of key controls for new or evolving systems of control to provide support for developing systems. Potentially including the following:</p> <ul style="list-style-type: none"> ➤ Transformation Project Management Reviews; ➤ Financial Systems project reviews developing new processes; ➤ School Transport; and ➤ Asylum and Refugee scheme funding monitoring. 	–	TBC

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
STATUTORY AUDITS			
Miscellaneous Grants	For grants awarded to the Council by the Scottish Government, Internal Audit is required to provide a statement of compliance with grant conditions on an annual basis.	Medium	2
Scottish Housing Regulator (SHR) Annual Assurance Statement	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulators Chapter 3 of the Regulatory Framework.	Medium	4
INVESTIGATIONS			
Fraud & Irregularity	Internal Audit will assist in investigations of suspected fraud or irregularity to support the 1 FTE of Counter Fraud Officer availability over the next year when required.	High	5
National Fraud Initiative (NFI)	Time has been allocated for coordinating and submitting data for the 2024/25 National Fraud Initiative (NFI) exercise.	Medium	4
OTHER AUDIT WORK			
Integration Joint Board	Time has been allocated for work that will be undertaken by Internal Audit for the East Lothian Integration Joint Board (IJB). A separate audit plan will be prepared which will be presented to the IJB Audit and Risk Committee for approval.	Medium	15
Review of Previous Year's Work	Internal Audit will review the outcome of our previous year's work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.	Medium	8

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Attendance at Stocktakes	Internal Audit will attend the year-end stocktakes at Property Maintenance, Road Services and Waste Services. We will review the final stock sheets.	Medium	1
Advice and Consultancy	<p>Consultation on New Systems – for new systems implemented, Internal Audit will provide advice on internal control matters.</p> <p>Financial Reports – providing service areas with financial information about companies and offering advice where applicable.</p> <p>Consultancy – providing advice and consultancy on internal control issues.</p>	Medium	4
TRAINING			
Training	An adequate allocation of budget resources and time will be given to maintaining and improving the knowledge base and quality of the staff resource. This includes time to attend the Scottish Local Authority Chief Internal Auditor Group (SLACIAG) and Computer Audit Subgroup, also for staff to undertake continuous professional development (CPD).	–	4
Quality Assessment	The PSIAS requires the Internal Audit section to be subject to an External Quality Assessment (EQA) each five years, by appropriately qualified and independent reviewers. This EQA was completed by Dumfries & Galloway Council. Time is allowed to implement any improvements recommended and make any changes that are to be recommended from the upcoming changes to PSIAS. In addition an annual Internal Quality Assurance review is completed by the Service Manager – Internal Audit on an annual basis.	–	5

REPORT TO: Audit and Governance Committee

MEETING DATE: 17 September 2024

BY: Service Manager – Internal Audit

SUBJECT: Audit & Governance Committee Annual / End of Term Report 2023/24

4

1 PURPOSE

- 1.1 To present the outcome of the 2023/24 Audit & Governance Committee self-assessment and seek approval from the Audit & Governance Committee to present the Annual / End of Term Report 2023/24 to the Council.

2 RECOMMENDATION

- 2.1 The Audit & Governance Committee is asked to approve the Audit Committee Annual / End of Term Report 2023/24 (Appendix 1) and its self-assessments using the CIPFA Audit Committees Guidance (Appendix 2) and agrees that the Audit Committee Annual / End of Term Report 2023/24 should be presented to the Council.

3 BACKGROUND

- 3.1 The purpose of this report is to provide Members with the Audit & Governance Committee Annual / End of Term Report 2023/24, which sets out how the Audit & Governance Committee has performed against its remit and the effectiveness of the Audit & Governance Committee in meeting its purpose, based on a self-assessment of the Committee against best practice, and provides assurances to the Council.
- 3.2 It is important that the Council's Audit & Governance Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance of the Council.
- 3.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition (hereinafter referred to as CIPFA Audit Committees Guidance) includes the production of an annual report on the performance of the Audit & Governance Committee for submission to the Council. The Audit & Governance Committee

Annual / End of Term Report 2023/24 is appended to this report as Appendix 1 for consideration.

3.4 The Audit & Governance Committee Annual / End of Term Report 2023/24 includes the following assurances to the Council:

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

3.5 The areas of improvement that have been agreed as part of the Audit & Governance Committee Annual / End of Term Report 2023/24, are as follows:

- Complete the members Skills and Knowledge assessment already circulated and make recommendations on any areas of skills and knowledge that could be enhanced by having co-opted independent members, and which areas require further training or development by December 2024.
- Develop an approach for recruitment of co-opted independent members of the Audit & Governance Committee and implement this approach by March 2025.
- Ensure that this report is forwarded onto the Council as required by the CIPFA Audit Committees Guidance.
- Ensure consideration of the Draft Annual Governance Statement to be included in the Draft Annual Accounts is considered by the Audit & Governance Committee in full by June 2025.
- Consider adding specific questions to management assurance statements on an annual basis on the added value of the Audit & Governance Committee to the Council and reviewing other methods of obtaining feedback from those interacting with the Committee, these will be returned in May 2025.
- Consider reviewing the Audit & Governance Committee terms of reference to ensure that it meets the requirements of the CIPFA Audit Committees Guidance and reinforces the role and purpose of the Committee by June 2025.

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	3 September 2024

**EAST LoTHIAN COUNCIL
AUDIT & GOVERNANCE COMMITTEE
ANNUAL/END OF TERM REPORT FROM THE CHAIR – 2023/24**

This annual/end of term report has been prepared to inform East Lothian Council of the work carried out by the Council's Audit & Governance Committee during the year 2023/24. The content and presentation of this report meets the requirements of the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition (hereinafter referred to as CIPFA Audit Committees Guidance), to report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose to share lessons learned, and areas of improvement to inform the Audit & Governance Committee

Meetings

There were meetings of the Audit & Governance Committee four times during the financial year, namely meetings on 13 June 2023, 26 September 2023, 19 December 2023 and 26 March 2024 to consider reports pertinent to the audit cycle and its terms of reference. Additionally at the start of the 2024/25 financial year a meeting has been held on 17 June 2024.

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

The Audit & Governance Committee reviewed the annual accounts for 2022/23 at its meeting on 19 December 2023, alongside the Draft External Audit report on their annual audit 2022/23 to consider any concerns or improvements arising from the audit.

The Audit & Governance Committee approved the Internal Audit Charter and the Internal Annual Plan. It monitored Internal Audit's performance including progress against annual plan approving changes during the year, conformance with Public Sector Internal Audit Standards (PSIAS), and quality assurance and improvement plan (QAIP) arising from the External Quality Assurance Review reported to the Audit & Governance Committee on the 26 March 2024, and considered the statutory annual audit opinion within the Annual Internal Audit Report. It considered Internal Audit's reports which set out executive summaries of findings, audit opinions, good practice and recommendations associated with each assurance review, as well as other work. It monitored the implementation of agreed actions through receipt of regular reports during the year from Internal Audit.

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

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

The Audit & Governance Committee receives a report every 2 years on the activity undertaken as part of the National Fraud Initiative, this was incorporated into the annual fraud report reported in June 2024. This report was produced in accordance with the requirement from the Audit & Governance Committee self-assessment for 2022/23.

The Audit & Governance Committee is the governance body responsible for scrutiny of the treasury management strategy, mid-term, and annual review, in accordance with the CIPFA Treasury Management Code of Practice. This scrutiny occurred during 2023/24 at Audit Committee meetings including the Annual Treasury Management Review 2023/24 in June 2024 and the Treasury Management Mid-Year Report 2023/24 in December 2023.

Membership

The Membership of the Audit & Governance Committee reflects the Council’s approved Standing Orders, and Scheme of Administration which states that *“Councillor membership of the Committee should be drawn only from non-Cabinet Members of the Council. In appointing Councillor members to the Committee, the Council shall seek to achieve political balance.”* The CIPFA Audit Committees Guidance states that *“Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.”* The Committee is intending to undertake a knowledge and skills review this year prior to considering an approach to recruiting independent members to the Committee. A questionnaire has been provided to all members to assist in this self-evaluation and will be summarised when members have returned the questionnaire. Recruitment of independent members will remain challenging and recruitment exercises at other Scottish Local Authorities have not always provided appropriate candidates.

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

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

Member	13 June 2023	26 Sep 2023	19 Dec 2023	26 Mar 2024
Cllr Menzies	X	√	√	√
Cllr Trotter	√	X	X	√
Cllr Bruce	√	√	√	√
Cllr Jardine	√	X	√	X
Cllr McFarlane	√	√	√	√
Cllr McGuire	√	√	√	√
Cllr McLeod	√	X	X	√
Cllr Ritchie	√	√	√	√

Every Audit & Governance Committee meeting in 2023/24 was quorate, it is noted however that the planned 11 June 2024 meeting was rescheduled until the 17 June 2024 due to the meeting not being Quorate. Group leaders have subsequently specifically stressed the importance of attendance to ensure that meetings are quorate going forward.

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

Skills and Knowledge

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

Self-Assessment of the Committee

A self-assessment questionnaire was issued to all members of the Audit & Governance Committee in July 2024, responses have been summarised and enhanced by the Service Manager - Internal Auditor, in conjunction with the Audit & Governance Committee Chair, using the self-assessment of good practice and the evaluating the impact and effectiveness of the audit committee from the CIPFA Audit Committees Guidance. This was useful for Members to ensure the Committee can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance of the Council.

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

- Complete the members Skills and Knowledge assessment already circulated and make recommendations on any areas of skills and knowledge that could be enhanced by having co-opted independent members, and which areas require further training or development by December 2024.
- Develop an approach for recruitment of co-opted independent members of the Audit & Governance Committee and implement this approach by March 2025.
- Ensure that this report is forwarded onto the Council as required by the CIPFA Audit Committees Guidance.
- Ensure consideration of the Draft Annual Governance Statement to be included in the Draft Annual Accounts is considered by the Audit & Governance Committee in full by June 2025.
- Consider adding specific questions to management assurance statements on an annual basis on the added value of the Audit & Governance Committee to the Council and reviewing other methods of obtaining feedback from those interacting with the Committee, these will be returned in May 2025.
- Consider reviewing the Audit & Governance Committee terms of reference to ensure that it meets the requirements of the CIPFA Audit Committees Guidance and reinforces the role and purpose of the committee by June 2025.

Assurance Statement to the Council

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

- The Council has access to the Minutes of the Audit & Governance Committee throughout the year.
- The Audit & Governance Committee has operated in accordance with its agreed terms of reference, covering the themes of Governance, Risk and Control, Internal Audit, External Audit, Financial Reporting, and Accountability Arrangements, and accordingly conforms to the Audit Committee principles within the CIPFA Position Statement for Audit Committees.
- It focused entirely on matters of risk management, internal control and governance, giving specialist advice to the Council on the value of the audit process, on the integrity of financial reporting and on governance arrangements, and acted as a bridge between the Council and

other stakeholders. It did this through material it received from Internal Audit, External Audit, Risk Management, Council Finance teams and reporting from Council Arm's Length Bodies and assurances from Management relevant to Audit Cycle of reporting.

- The Audit & Governance Committee has reflected on its performance during the year and has agreed areas of improvement to enable enhanced effectiveness to fulfil its scrutiny and challenge role.

Lee-Anne Menzies
Chair of Audit & Governance Committee
17 September 2024

East Lothian Council Audit & Governance Committee – self-assessment of Good Practice at August 2024

Audit committee purpose and governance	Yes/Partly/No	Comments
Does the authority have a dedicated audit committee?	Yes	The Council's Standing Orders identify the Audit & Governance Committee undertaking the Audit Committee role.
Does the audit committee report directly to full council?	Yes	All Minutes of Audit & Governance Committee meetings are circulated to full Council for noting and the Committee terms of reference state that: Decisions of the Committee on functions delegated to them shall be reported to the Council for information only unless the Committee resolved that a particular item of business should be referred to the council for decision. However Annual/End of Term report has not yet been forwarded formally to the Council for consideration.
Has the committee maintained its advisory role by not taking on any decision-making powers?	Yes	Yes, the Committee has no direct decision-making powers.
Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	Yes	Yes, the Terms of Reference of the Audit & Governance Committee identify responsibilities for Governance, Risk and Control Arrangements, Finance and Governance reporting, establishing appropriate and effective arrangements for audit and assurance.
Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	Yes	The role and purpose of the Audit & Governance Committee is set out in the Council's Standing orders including what it can do, the arrangements for meetings, required quorums etc. Attendance by Senior Officers including the Chief Executive and Executive Directors at every Committee meeting demonstrates the understanding. However, noted that ongoing training and development is required.
Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	Yes	The Audit & Governance Committee is well attended by Senior Officers including the Chief Executive and Executive Directors and escalation of issues to Council is covered in the terms of reference section G.
Does the governing body hold the audit committee to account for its performance at least annually?	Yes	The Audit & Governance Committee are now completing annual reviews however these are not yet being forwarded to the Council to demonstrate holding to account, although the review is available to the Council a public document.

East Lothian Council Audit & Governance Committee – self-assessment of Good Practice at August 2024

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

East Lothian Council Audit & Governance Committee – self-assessment of Good Practice at August 2024

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

East Lothian Council Audit & Governance Committee – self-assessment of Good Practice at August 2024

Membership and support

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

East Lothian Council Audit & Governance Committee – self-assessment of Good Practice at August 2024

Effectiveness of the committee	Yes/Partly /No	Comments
Are meetings effective with a good level of discussion and engagement from all members?	Yes	As reflected in the Minutes of the Committee.
Has the Committee maintained a non-political approach to discussions throughout?	Yes	As reflected in the Minutes of the Committee.
Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Yes	The Chief Executive and appropriate Executive Directors attend all Audit & Governance Committee meetings and respond to members' questions for the business being considered by the Committee to ensure action findings and action plans are acted upon. Corporate and Service Risk registers are presented to the Committee.
Does the committee make recommendations for the improvement of governance, risk and control arrangements?	Yes	Recommendations can be made by the Committee to Council in accordance with the business considered by the Committee. Recommendations made in Audit work are followed up with management and reported back to the Committee.
Do audit committee recommendations have traction with those in leadership roles?	Yes	The Chief Executive, Directors and the Section 95 Officer attend all Audit & Governance Committee meetings and respond to members' questions as appropriate for the business being considered by the Committee to ensure action findings and action plans are acted upon.
Has the committee evaluated whether and how it is adding value to the organisation?	No	Self-Evaluation by the Committee members confirmed that they agree value was being added but no formal evaluation has taken place.
Does the committee have an action plan to improve any areas of weakness?	Yes	An Action plan was created last year and refreshed this year.
Has this assessment been undertaken collaboratively with the audit committee members?	Yes	All members of the Audit & Governance Committee were asked to complete a questionnaire to provide an aggregate view for this self-assessment.

REPORT TO: **AUDIT & GOVERNANCE
COMMITTEE**

MEETING DATE: **17 September 2024**

BY: **Executive Director for Place**

SUBJECT: **Housing Annual Assurance Statement**



5

1 PURPOSE

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

2 RECOMMENDATIONS

- 2.1 That Audit and Governance Committee notes the regulatory framework and the requirement for the Senior Internal Auditor to sign-off the Annual Assurance Statement (AAS) on behalf of the Council.
- 2.2 That Audit and Governance Committee note that the regulatory framework requires the submission of the AAS no later than the 31st October 2024.
- 2.2 That Audit and Governance approves the Annual Assurance Statement as detailed in Appendix 1 noting that East Lothian Council was partially compliant with the regulatory requirements for the financial year 2023/24 and partially compliant for the first quarter of 2024/25. Areas of partial compliance are in relation to lead water pipe programme (due to non-access), interlinked fire alarms (one property) and meeting the requirements of the Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020.

3 BACKGROUND

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

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

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

- 3.10 The Council has determined that it has partially complied with the regulatory framework for the 2023/34 year and for the first quarter of 2024/25. The following paragraphs highlight the areas of partial compliance.
- 3.11 The Council's Lead Pipe Water Programme involves testing the water supply in Council houses for lead content, and enacting replacement of supply pipes where required. We recently established several more recently purchased open market acquisition properties had been missed. A programme was mobilised to address these, and we are all but complete, but there remain 61 properties where we have been unable to gain access. For each of these properties, tenants have been sent at least two access letters (followed up by actual visits), and housing officers have also sought to engage with their tenants but without success. Following some very recent advice from our Legal colleagues, we are in the process of re-engaging with tenants before issuing formal 24-hour notice letters advising we intend to force entry to complete the sampling / tests.
- 3.12 New legislation required all homes in Scotland to have interlinked fire/heat alarms by February 2022. The Council has one property without adequate fire detection provision (SHQS elements 11A and 11B). This represents a very complex case, and Property Maintenance continue to work with relevant internal colleagues (including Legal), the Police and the tenants to have the necessary work undertaken.
- 3.13 The Council continues to be in breach of the Homeless Persons (Unsuitable Accommodation Order), which it regularly reports to the Scottish Government on a monthly basis. The Council continues to work hard to mitigate these breaches as well as respond to homeless pressure generally through new supply, high numbers of allocations to homeless households, conversion of temporary accommodation to permanent accommodation, the use of shared tenancies etc. amongst a range of other initiatives. However, demand continues to outstrip supply and this pressure necessitates the need to source additional accommodation out with the framework, which will often not meet the requirements of the order. Further actions are being proposed, which are the subject of a report to Cabinet in relation to a revised Homelessness Action Plan.
- 3.14 The SHR expectation is that the Annual Assurance Statement is brief confirming compliance or otherwise. In the event of material non-compliance a statement of how this will be addressed must be included.
- 3.15 The statement when signed should be made available to tenants and service users.
- 3.16 In April each year the SHR publishes an engagement plan for each landlord. This is informed by the Annual Return on the Charter (ARC),

Scottish Government homeless statistics, previous engagement with the landlord and the new Annual Assurance Statement going forward. East Lothian Council's current engagement plan can be found at: [Engagement plan from 1 April 2024 to 31 March 2025 | Scottish Housing Regulator](#)

4. POLICY IMPLICATIONS

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

5. INTEGRATED IMPACT ASSESSMENT

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

6. RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 Appendix 1 – Annual Assurance Statement
7.2 Appendix 2 – Internal Audit Annual Assurance Report
7.3 Appendix 3 – Summary requirements for Local Authorities and RSLs
7.4 Appendix 4 – Evidence List
7.5 Cabinet Report – Homelessness Action Plan – September 2024
7.6 Link to SHR web-pages on the Regulatory Framework: [Regulatory Framework | Scottish Housing Regulator](#)

AUTHOR'S NAME	Wendy McGuire
DESIGNATION	Head of Housing
CONTACT INFO	James Coutts 07770 653162
DATE	September 2024

Scottish Housing Regulator
5th Floor
220 High Street
Glasgow
G4 0QW

Appendix 1

Date: XX September 2024

Dear Sir/Madam,

East Lothian Council – Annual Assurance Statement

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

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

The following areas are highlighted:

Lead Pipe Water Programme

The Council's Lead Pipe Water Programme involves testing the water supply in Council houses for lead content, and enacting replacement of supply pipes where required. We recently established several more newly purchased open market acquisition properties had been missed. A programme was mobilised to address these, and we are all but complete, but there remain 61 properties where we have been unable to gain access. For each of these properties, tenants have been sent at least two access letters (followed up by actual visits), and housing officers have also sought to engage with their tenants but without success. Following some very recent advice from our Legal colleagues, we are in the process of re-engaging with tenants before issuing formal 24-hour notice letters advising we intend to force entry to complete the sampling / tests.

Interlinked Fire Alarms

The Council has one property without adequate fire detection provision (SHQS elements 11A & 11B). This represents a very complex case, and Property Maintenance continue to work with relevant internal colleagues (including Legal), the Police and the tenants to have the necessary works undertaken.

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

The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020 came into effect on 1 October 2021 and from this date the Council was not able to meet its statutory obligations in respect of suitable temporary accommodation provision and was in breach of the Order. In addition, the Homeless Persons (Suspension of Referrals between Local Authorities) (Scotland) Order 2022 changed the rules on local connection in November 2022 meaning local authorities no longer had the power to refer an applicant to another local authority on the basis of their local connection status. It is in regard to both of these legislative changes that East Lothian Council face challenges regarding the provision of suitable temporary accommodation. The SHR's Engagement Plan in place for East Lothian Council focuses on the Council's provision of temporary accommodation to homeless households and

compliance with the Unsuitable Accommodation Order. The Council continues to work hard to mitigate these breaches through new supply, high numbers of allocations to homeless households, conversion of temporary accommodation to permanent housing, the use of shared tenancies etc. However, demand from predominately single homeless households (over 93% of live breaches are from single homeless households) continues to outstrip supply and this pressure necessitates the need to source additional accommodation out with the framework, which will often breach the order. For the period between 01 April 2023 and 31 March 2024, 810 new homeless cases had been opened and 149 breaches of the Unsuitable Accommodation Order were reported. Actions are ongoing to reduce existing breaches and minimise future breaches of the Unsuitable Accommodation Order.

General

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

We approved our Annual Assurance Statement at our Audit and Governance Committee meeting on 17 September 2024.

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

Yours sincerely,

Duncan Stainbank
Service Manager – Internal Audit



East Lothian Council Internal Audit Assurance Report

From:	Duncan Stainbank, Service Manager – Internal Audit Stuart Allan, Senior Auditor
To:	Lesley Brown, Executive Director for Education & Children’s Services Wendy McGuire, Head of Housing James Coutts, Service Manager – Community Housing and Homelessness
Date:	04 September 2024

SHR Annual Assurance Statement

1. Background

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

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

The deadline for submission of this year’s Annual Assurance Statement to the Scottish Housing Regulator (SHR) is 31 October 2024.

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

- Assurance and Notification – the Council is required to prepare an Annual Assurance Statement, submit it to the SHR and make it available to tenants and other service users; have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services, equality and human rights and tenant and resident safety; notify the SHR of any tenant and resident safety matters; and make its Engagement Plan easily available and accessible to its tenants and service users;
- Scottish Social Housing Charter Performance – the Council is required to report its performance in achieving or progressing towards the Charter outcomes and standards;
- Tenants and Service Users Redress – the Council provides tenants and other service users with the information they need to exercise their right to complain and seek redress;
- Whistleblowing – the Council has effective arrangements and a policy for whistleblowing by staff and elected members, which it makes easily available and which it promotes;

- Equality and Human Rights – there is assurance and evidence that the Council considers equality and human rights issues properly when making all of its decisions, in the design and review of internal and external policies and in its day-to-day service delivery.

2. Findings

2.1 Assurance and Notification

Key findings are:

- The Council prepares an Annual Assurance Statement, which it submits to the SHR and makes available to tenants and service users.
- The service area has introduced a quarterly Assurance and Notification Self-Assessment Checklist, which requires to be signed off by appropriate managers/officers and is included as part of the evidence gathering regarding regulatory compliance. The following areas are highlighted:
 - Annual Gas Safety Inspections – at the year end, all properties were fully compliant with Gas Safety Regulations.
 - Interlinked Fire Alarms and Electrical Safety Inspections – new legislation required all homes in Scotland to have interlinked fire/heat alarms by February 2022 and full electrical safety checks by March 2022. The Council has continued to dedicate increased resource and spend to the respective fire and electrical safety programmes. At the end of 2022/23, the council had 84 non-compliant properties in respect of fire safety (SHQS elements 11A & 11B) and 155 non-compliant properties for electrical installation inspections known as EICRs (SHQS element 45). These non-compliant properties represented the council’s most challenging stock both in terms of tenancy management and/or technical issues i.e. illegally bypassed meters, no incoming earth, no power in quantum, hoarders etc. Over the last year, the wider housing division worked alongside social workers, Police Scotland and SPEN to complete the necessary works. At 2023/24 year-end, all properties were fully compliant in respect of EICRs. The Council’s access procedure for EICRs now aligns to that of the well-established gas safety programme, which will ensure no new properties fall out of time. The Council do however still have one property without adequate fire detection provision (SHQS elements 11A & 11B). This represents a very complex case, and Property Maintenance continue to work with relevant internal colleagues (including Legal), the Police and the tenants to have the necessary works undertaken.
 - The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020 came into effect on 1 October 2021 and from this date the Council was not able to meet its statutory obligations in respect of suitable temporary accommodation provision and was in breach of the Order. In addition, the Homeless Persons (Suspension of Referrals between Local Authorities) (Scotland) Order 2022 changed the rules on local connection in November 2022 meaning local authorities no longer had the power to refer an applicant to another local authority on the basis of their local connection status. It is in regard to both of these legislative changes that East Lothian Council face challenges regarding the provision of suitable temporary accommodation. The SHR’s Engagement Plan in place for East Lothian Council focuses on the Council’s provision of temporary accommodation to homeless households and compliance with the Unsuitable Accommodation Order. The Council continues to work hard to mitigate these breaches through new supply, high numbers of allocations to homeless households, conversion of temporary accommodation to permanent housing, the use of shared tenancies etc. However, demand from predominately single homeless households (over 93% of live breaches are from single homeless households) continues to outstrip supply and this pressure necessitates the need to source additional accommodation out with the framework, which will often breach the order. For the period

between 01 April 2023 and 31 March 2024, 810 new homeless cases had been opened and 149 breaches of the Unsuitable Accommodation Order were reported. Actions are ongoing to reduce existing breaches and minimise future breaches of the Unsuitable Accommodation Order.

- Revised guidance issued by the Scottish Housing Regulator in February 2024 requires the Council to confirm that it meets all duties in relation to tenant resident and safety, including in respect of damp and mould, water safety, lift safety and asbestos. In this regard, the following points are noted:
 - Damp and Mould – as part of our cyclical stock condition survey programme, the Council conducts mould, and damp checks as according to SHQS (element 2) guidance. Further, a cross service working group was established last year to implement the conclusions set out in the joint SHR, ALACHO, SFHA and CIH ‘Putting Safety First’ briefing note. The group oversaw staff training, a revised process in dealing with mould cases (which included a rapid response to mould removal) and the development of a new booklet “Don’t let condensation and mould ruin your home” a guide for tenants on minimising condensation, which has been found to be the cause of mould growth in the majority of cases.
 - Water Safety – the Council’s Lead Pipe Water Programme involves testing the water supply in Council houses for lead content, and enacting replacement of supply pipes where required. This programme was established some years ago; however, we recently established several more newly purchased open market acquisition properties had been missed. A programme was mobilised to address these, and we are all but complete, but there remain 61 properties where we have been unable to gain access. For each of these properties, tenants have been sent at least two access letters (followed up by actual visits), and housing officers have also sought to engage with their tenants but without success. Following some very recent advice from our Legal colleagues, we are in the process of re-engaging with tenants before issuing formal 24-hour notice letters advising we intend to force entry to complete the sampling / tests. This risk is also included and monitored through the housing services risk register. In terms of Legionella, the Council has management arrangements in place, which define responsible persons who are trained accordingly. Housing services are currently developing operating arrangements for the control of Legionella in Council housing, but we anticipate that further guidance from the Regulator is required around the specific measures that should be taken in this area.
 - Lift Safety – the Council has an adequate safety compliance regime in place for lifts in Council housing stock, including communal areas of sheltered complexes.
 - Asbestos – the Council has robust asbestos management arrangements with associated operating procedures, and Housing Services have a comprehensive asbestos register specifically covering all of our housing stock.
- In respect of RAAC (Reinforced Autoclave Aerated Concrete) the Council implemented a clear plan to manage all risks, which has now concluded.
- Confirmation was sought from the Council’s Health & Safety Adviser and Insurance Manager and we were advised that they do not have a record of any HSE investigations relating to tenant or resident safety, nor have the Council had any notification from our insurers of any concerns.
- The SHR’s Engagement Plan for East Lothian Council from 01 April 2024 to 31 March 2025 can be accessed via the Council’s website.

2.2 Scottish Social Housing Charter Performance

Key findings are:

- The Council submitted the 2023/24 Annual Return on the Charter to the SHR on 31 May 2024 and the Council has involved tenants, and where relevant other service users, in the preparation and scrutiny of performance information through the East Lothian Tenants and Residents Panel (ELTRP), the umbrella organisation for tenants and residents in East Lothian.
- The deadline for landlords to report to their tenants and service users on their performance against the Scottish Social Housing Charter is 31 October 2024. We are advised that a draft of the Landlord Report to Tenants 2023/24 is in place, providing information on the performance of the Council as a housing provider. The Council is currently awaiting Scottish average figures from the SHR and homeless data, both of which should be available very soon, and the final report will be published prior to the 31 October 2024 deadline.
- A 2024-27 Tenant Participation Strategy is in place and was approved by Cabinet on 14 May 2024.

2.3 Tenants and Service Users Redress

Key findings are:

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

2.4 Whistleblowing

Key findings are:

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

2.5 Equality and Human Rights

Key findings are:

- The Council has a detailed "East Lothian Equality Plan 2021-2025" in place, dated November 2021.
- All Council, Cabinet and Committee reports require an Integrated Impact Assessment to be carried out if the subject of the report affects the wellbeing of the community or has a significant impact on equality, the environment or economy.
- The SHR states that to comply with its duties in respect of equality and human rights "landlords must collect data relating to each of the protected characteristics for their existing tenants, new tenants, people on waiting lists, governing body members and staff. Local authorities must also collect data on protected characteristics for people who apply to them as homeless." The nine protected characteristics, as per the Equality Act 2010, are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual

orientation. We note that the Council previously collected and held data for some, but not all, of the protected characteristics detailed in the legislation. Final guidance on “Collecting equality information: National guidance for Scottish social landlords” was produced in March 2022. A Project for Protected Characteristics was instigated, and significant progress has been made in this regard. The new Housing Application Form, which is available on the Council’s website, now collects data on all nine protected characteristics (with additional sections being added for the six protected characteristics for which data was not previously collected); the nine protected characteristics have been set up on Orchard; and training has been provided to Housing staff on how to complete the new characteristics with the updated applications. In addition, for existing tenants and applicants who were on the waiting list prior to the new Housing Application Form being introduced, Housing Officers are updating records with protected characteristics as they become aware of them. All homeless households are required to complete a housing application covering the nine protected characteristics, and in addition, some of these characteristics are noted on the Council’s homelessness system.

3. Conclusions

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

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

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

- The Council’s Lead Pipe Water Programme involves testing the water supply in Council houses for lead content, and enacting replacement of supply pipes where required. We recently established several more newly purchased open market acquisition properties had been missed. A programme was mobilised to address these, and we are all but complete, but there remain 61 properties where we have been unable to gain access. For each of these properties, tenants have been sent at least two access letters (followed up by actual visits), and housing officers have also sought to engage with their tenants but without success. Following some very recent advice from our Legal colleagues, we are in the process of re-engaging with tenants before issuing formal 24-hour notice letters advising we intend to force entry to complete the sampling / tests.
- The Council has one property without adequate fire detection provision (SHQS elements 11A & 11B). This represents a very complex case, and Property Maintenance continue to work with relevant internal colleagues (including Legal), the Police and the tenants to have the necessary works undertaken.
- The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020 came into effect on 1 October 2021 and from this date the Council was not able to meet its statutory obligations in respect of suitable temporary accommodation provision and was in breach of the Order. In addition, the Homeless Persons (Suspension of Referrals between Local Authorities) (Scotland) Order 2022 changed the rules on local connection in November 2022 meaning local authorities no longer had the power to refer an applicant to another local authority on the basis of their local connection status. It is in regard to both of these legislative changes that East Lothian Council face challenges regarding the provision of suitable temporary accommodation. The SHR’s Engagement Plan in place for East Lothian Council

focuses on the Council's provision of temporary accommodation to homeless households and compliance with the Unsuitable Accommodation Order. The Council continues to work hard to mitigate these breaches through new supply, high numbers of allocations to homeless households, conversion of temporary accommodation to permanent housing, the use of shared tenancies etc. However, demand from predominately single homeless households (over 93% of live breaches are from single homeless households) continues to outstrip supply and this pressure necessitates the need to source additional accommodation out with the framework, which will often breach the order. For the period between 01 April 2023 and 31 March 2024, 810 new homeless cases had been opened and 149 breaches of the Unsuitable Accommodation Order were reported. Actions are ongoing to reduce existing breaches and minimise future breaches of the Unsuitable Accommodation Order.

REQUIREMENTS FOR LOCAL AUTHORITIES AND RSLs

EACH LANDLORD MUST:

ASSURANCE & NOTIFICATION

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

SCOTTISH SOCIAL HOUSING CHARTER PERFORMANCE

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

SCOTTISH SOCIAL HOUSING CHARTER PERFORMANCE (CONTINUED)

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

WHISTLEBLOWING

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

TENANTS AND SERVICE USERS REDRESS

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

EQUALITY AND HUMAN RIGHTS

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

Appendix 4 - AAS 2024 - EVIDENCE LIST

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

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 17 September 2024

BY: Chief Executive

SUBJECT: Housing Risk Register

6

1 PURPOSE

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

2 RECOMMENDATIONS

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

3 BACKGROUND

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

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

3.3 The current Housing Risk Register includes 1 Very High, 9 High, 8 Medium and 4 Low Risks. As per the Council's Risk Strategy, only the Very High and High risks are being reported to the Committee.

4 POLICY IMPLICATIONS

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

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 Appendix 1 – Housing Risk Register 2023-24

7.2 Appendix 2 – Risk Matrix

AUTHOR'S NAME	Lee Wright
DESIGNATION	Emergency Planning, Resilience Officer
CONTACT INFO	lwright@eastlothian.gov.uk 01620 827250
DATE	03 September 2024

East Lothian Council Housing Risk Register

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date
R70	Financial Impact	Affordable Housing Supply	<p>Supply of affordable housing is outstripped by need and demand influencing rising numbers on the Councils Housing Register and increased risk of rising Homeless applications. The impact of Covid, inflation and economic impacts on household incomes may result in an increase in people applying for council housing.</p> <p>The reduction in capital investment received by the Scottish Government for this financial year and beyond has been severe resulting in a high likelihood of losing affordable units.</p> <p>Insufficient Council owned land and constrained HRA budgets are also impacting on the ability to secure units and deliver much needed affordable housing. Much of the land in East Lothian is tied up in options to private housing developers, leading to an inability to control provision of new affordable housing and reliance on planning policy for affordable housing to deliver land. Pressure on the housing stock in East Lothian continues to increase with increasing homeless applications.</p> <p>Government Resource Planning Assumptions (RPAs) for East Lothian have been provided for the period 2024/25 – 2026/27 as follows: 2024/25 - £8.67m 2025/26 - £6.93m 2026/27 - £3.44m</p> <p>The government's affordable housing programme has been over committed for the last two years. This is even greater as a result of the reduced investment.</p> <p>There is rising concern about the impact of cost pressures emerging in the new supply programme, Grant benchmarks have been increased.</p> <p>Housing for Varying Needs (HFVN) Standards are being reviewed by the Scottish Government. These together with revisions to the Building Regulations and the Scottish Governments ambitious climate targets will lead to increased costs.</p> <p>There is also the increase pressure arising from the need to deliver Carbon Neutral Housing by 2045.</p>	4	5	20	16	161 - Supplementary Planning Guidance is under review 162 - Planning underway for Local Housing Strategy 2023-28, 163 - Updated SHIP completed October 2022 sets out future investment priorities. 164 - Supporting Local Investment Framework being developed. 165 - Programme for Governance key messages 166 - Regional Housing Programme proposed through Edinburgh and South East Scotland City Region Deal 167 - Continue to explore new opportunities to maximise the supply of affordable housing 168 - ALACHO and COSLA joint response to Housing and Planning Committee	28/02/2025
R71	Impact on Service Objectives	Lack of Accessible Housing	<p>Lack of accessible housing to meet needs of current and projected population leading to inability to meet needs of customers.</p> <p>Potential increased pressure on care and health services as customers remain in inappropriate housing and require additional inputs to sustain them while also increasing our homeless pressure</p> <p>Increase in funding for adaptations will be required to make best use of existing stock to meet customers' needs. It is also required to ensure the demand for adaptations in the private sector is met.</p>	4	4	16	12	169 - Holding statement provided to ELHSCP until Housing Contribution Statement can be refreshed	28/02/2025

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date
R67	Financial Impact	Fuel Poverty	<p>Increase in fuel poverty due to a variety of factors:</p> <ul style="list-style-type: none"> - Increase in fuel prices - Impact of welfare reform - Changing householder economic / financial situation - COVID impact - loss of employment. - cost of living <p>There may also be a lack of skilled workforce to install EWI due to Brexit.</p> <p>Energy Efficiency is a national infrastructure priority (SG's Infrastructure Investment Plan 2015). During 2017, the Scottish Government consulted on a range of related issues as part of the draft Climate Change Plan and draft Scottish Energy Strategy. Energy Efficiency Scotland Programme (EES) is currently under development and will be a co-ordinated programme to improve energy efficiency of homes alongside commercial, public and industrial sectors.</p> <p>The impact of living in fuel poverty can place additional pressure on existing services –health, social care, advice, rent income.</p> <p>New buildings consented from 2024 must use zero direct emissions heating. This could result in tenants having higher heating due to electric heating currently being more expensive to run than gas.</p> <p>Potential increased risk of damage to the fabric of buildings and impact on health and wellbeing of tenants as a result of tenants not being able to afford to heat their homes.</p> <p>There has been a significant increase in demand for the energy advice service, resulting in an increase in cost.</p>	4	4	16	8	<p>146 - Further roll-out of mobile working and targeted efficiency improvements.</p> <p>147 - Closely monitoring Scottish Governments Heat in Buildings Strategy</p> <p>148 - Housing Strategy and Development and Property Maintenance looking to develop an Energy Efficiency Policy</p> <p>149 - Local Heat and Energy Efficiency Strategy (LHEES) pilot complete</p> <p>150 - Scottish Government is in consultation on New Build Heat Standard Part 2</p> <p>151 - Scottish Government is planning to introduce a Heat in Buildings Bill to Parliament in 2024</p> <p>152 - Scottish Government is in consultation on New Build Heat Standard Part 2</p> <p>153 - New Local Housing Strategy is currently being drafted</p> <p>154 - Current Energy Efficiency advice service provision (via Changeworks) has been reviewed</p> <p>155 - Continue to explore and identify new innovative methods and solutions to improve energy efficiency</p> <p>156 - Develop some information and advice in relation to energy efficiency and maintenance of homes.</p> <p>157 - Low Carbon Energy Analysis and Report from Carbon Futures trust</p>	28/02/2025
R64	Financial Impact	Building material supply Issues	<p>Concurrent impacts of Brexit, COVID-19, war in Ukraine and other global supply chain factors are affecting building material supplies. There are currently inconsistencies in the supply of these materials across all trades.</p> <p>This is impacting on cost and repair timescales and ability to meet statutory repair duties and could result in emergency repairs not being carried out.</p> <p>This is also impacting on the affordable housing programme leading to delays on delivery, impacting on targeted spend profile and increasing costs which are becoming unaffordable.</p> <p>Subsidy has increased but the overall allocation has stayed the same resulting in more subsidy per unit but a reduction in overall completions.</p>	4	4	16	12	<p>140 - Continue to liaise with the Scottish Government in relation to increasing costs and the new build benchmark for subsidy.</p>	28/02/2025
R69	Financial Impact	Private Sector Housing Grant 2023 and risks associated with the delivery of private sector adaptations carried out by Care and Repair.	<p>Increased demand as well as increased cost of materials with no increase in the Private Sector Housing Grant is resulting in a backlog of adaptations for future years. This is also increasing pressure and demand for more accessible housing and for potential hospital admissions and delayed discharge.</p> <p>Where major adaptations cannot be carried out, East Lothian Council and UB will be failing to meet their statutory duties under Housing (Scotland) Act 2006 and the Public Bodies (Joint Working) (Scotland) Act 2014.</p>	3	5	15	12	<p>158 - Best value review of Care and Repair East Lothian.</p> <p>159 - Members Library Report setting out the challenges.</p> <p>160 - Liaise with Scottish Government to highlight the risk and the need to review the funding allocation.</p>	28/02/2025
R77	Financial Impact	HRA Income and Rent Arrears	<p>A fall in HRA income may impact on our ability to provide services and deliver on capital investment plans.</p> <p>Any increase in rent arrears would reduce income to the HRA.</p> <p>There continues to be a risk associated with the financial impacts of Covid-19.</p> <p>Times continue to be challenging and many households are facing financial hardship with cost of living pressures.</p>	3	4	12	9	<p>178 - A draft Rent Income Management Policy</p>	31/12/2024

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date
R79	Financial Impact	Housing Quality falling below SHQS	<p>Our houses are required to meet the Scottish Housing Quality Standard (SHQS) and will be required to meet the Energy Efficiency Standard in Social Housing (EESHS). Delivery of these Standards is a significant contributor to the achievement of several of the National Outcomes the Scottish Government aims to achieve.</p> <p>The Scottish Housing Regulator (SHR) is monitoring progress against these Standards and failure to clearly demonstrate compliance may involve intervention by the SHR on the management of stock quality. It could also lead to loss of reputation to the Council as a service provider and the largest landlord in East Lothian.</p> <p>While a rolling stock condition survey programme is in place, the data is incomplete.</p> <p>Procurement rules negate our ability to enter into building contracts on s75 obligations which involve the transfer of completed units. This also prevents the ability to influence the specification which can result in poor quality products and increased resources in relation to resolving defects. This can in turn result in an impact on future repairs and maintenance costs.</p>	4	3	12	8	<p>181 - Housing Asset Management Strategy to be developed</p> <p>182 - Support the development of an Affordable Housing Design Guide.</p> <p>183 - Housing Compliance framework to be developed in conjunction with new HMS</p>	31/03/2025
R81	Impact on Service Objectives	Mobile Working	<p>Current mobile working hardware, within Property Maintenance, is dated and does not meet PSN requirements. This has resulted in a switch-off of existing hardware, and reverting to paper-based job ticketing, placing increased pressure on administrative resources.</p> <p>A project to implement Windows 8 tablet technology was terminated due to the supplier failing to meet expectations.</p> <p>Further issues with integration to Orchard HMS have furthered hindered user acceptance testing.</p> <p>Delays in implementing this new system results in more labour intensive processes and delays in the progression from practical job completions to ledger payments, negatively impacting on the efficient running of the trading activity.</p>	3	4	12	6	184 - Implementation of phase 2 mobile working	09/02/2025
R83	Legal	Solid Fuel Installations and Safety	<p>Failure to Manage Solid Fuel safety on all Solid Fuel Installations in ELC Housing Properties leading to potential CO poisoning of tenants, increased risk of house fires and potential risk of prosecution.</p> <p>Chimneys flues are generally in poor condition and the Council are unable to directly control fuels burnt in solid fuel appliances.</p> <p>Solid fuel systems are generally less efficient and higher carbon emitting than other alternative domestic fuel types.</p>	5	2	10	5	188 - Programme for removal and replacement of solid fuel systems in remaining 30 properties.	31/03/2025
R80	Impact on People	Risk of Work at Height Injury	<p>Work at Height remains the biggest cause of fatal injury in the workplace for certain Property Maintenance employees.</p> <p>A fatal injury could expose the council and/or individuals to criminal charges and subsequent civil actions. Any fatal injury could have a major impact on the victims' family and potentially damaging to the Council's reputation.</p>	5	2	10	5	<p>185 - Proposed restructure to include a dedicated HandS Team within Property Maintenance.</p> <p>186 - Competency frameworks to be identified to ensure supervisors attend training courses</p>	09/02/2025

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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7

**THE BRUNTON THEATRE TRUST REPORT
For Audit and Governance Committee For the year ended 31 March 2024**

Charity No SC022422

1. INTRODUCTION

1.1 From April 2022, The Brunton was in a recovery period post Covid. Audiences were slowly beginning to return to the Brunton. Touring companies and promoters were beginning to offer artistic product again and the programme at The Brunton was able to be re-established.

1.2 As the year progressed, audience attendance at events grew until from autumn 2022 onwards they were back at pre-Covid levels, and the programme was being well received by audiences.

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

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

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

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

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

1.7 In March 2023, during regular maintenance checks on the building by the Council, structural issues were discovered in the roof of the Brunton due to RAAC. This resulted in the Council taking the decision to close the performance spaces to enable further surveys to take place.

1.8 This meant that the programme at The Brunton was suspended, and the team started to move all of the programme to alternative venues in Musselburgh and beyond to enable the programme to continue. This action received huge support from audiences.

1.9 In September 2023, The Trust took over the lease of Haddington Corn Exchange to present its re-located programme along with renting Loretto School Theatre and Northesk Church in Musselburgh as and when required. The Brunton team launched a programme at all three venues during 2023-24.

1.10 The cost leasing Haddington Corn Exchange, the equipment required to support the performance programme and renting the other 2 venues was an unexpected cost to the Trust.

1.11 In addition there was a loss of some of the programming and audiences due to the change in the venues.

1.12 This unplanned situation impacted on the Trust’s finances resulting in the Trust using reserves to enable their programme to continue.

1.13 Financial support from Creative Scotland during this period helped to support the performance programme and some of the infrastructure costs.

2. PROGRAMME OUTCOMES 2023/24

In 2023/24, the programme was transferred to alternative venues due to RAAC in the roof of The Brunton. This impacted on the programme and resulted in a reduction in the number of performances and screenings. Despite this situation the programme still delivered the following outcomes.

Live Performances and Film Screenings

There were 33 film screenings with a total attendance of 1957.

There were 36 Panto performances including performances in schools and in Loretto Theatre with a total attendance of 6,875.

There were 10 drama performances with a total attendance of 536.

There were 44 music performances with a total attendance of 8,7198.

There were 8 children's theatre performances with a total attendance of 474.

There were 3 comedy performances with a total attendance of 391.

There was 1 event with a total attendance of 352.

There were 4 performances from commercial hires with a total attendance of 613.

There were 52 performances or events from voluntary and nonvoluntary groups with a total attendance of 11,188.

In addition, there were 12 performances from the Brunton's community performing arts network activities with a total attendance of 1,507.

Participatory Arts

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

In 2023-24 BPAN, the Performing Arts network of youth theatre, dance and musical theatre, classes enabled 305 people to attend on a weekly basis to learn new skills and have fun within a creative environment. Funding from Creative Scotland enabled targeted work to be undertaken with Council services for key groups including the provision of supported places which widened access to the programme.

The 2023/24 the community arts programme presented a successful re-staging of The Steamie at Loretto Theatre with community participants. The Musical Theatre Summer School was also presented in Loretto Theatre with 50 participants presenting Bugsy in August and this was followed by 13 The Musical in February with 25 young people.

These productions enabled local performers to be supported by the Brunton's team of creative staff to present high quality work for an audience of 1507.

3. IMPACT OF RAAC ON BTT'S BUSINESS MODEL

3.1 During 2023/24 the Brunton team sourced alternative venues, moved performances to these venues and postponed or cancelled performances that were unable to be moved. The work involved to do this was complex as it included keeping customers and promoters up to date with changes, viewing potential venues, booking venues, arranging licences, risk assessments, fire evacuation procedures, marketing materials, installing technical equipment, setting up bars and refreshments and undertaking staff briefings.

3.2 In September 2023, the Trust leased Haddington Corn Exchange as an alternative venue which also provided the opportunity to develop new audiences for the programme from the East of the county. Feedback from the programme that was presented in the alternative venues was gathered and was very encouraging.

3.3 However the restrictions in technical facilities at the alternative venues and with some audiences not keen to go to the alternative venues due to location, there was an overall reduction over the year in programming and audiences.

3.4 During 2023/24 when the performance spaces had to close, the impact on the Brunton Bistro's business was considerable. The Brunton team continued to work with the Bistro where possible to offer its catering for classical lunchtime concerts and pre-show suppers if shows were presented in a local venue.

3.5 However there was a reduction in the number of opportunities for these linked meals and with a general downturn in business due to the partial closure of the Brunton building, the Bistro managers took the decision to close.

3.6 In 2023/24 as the Trust navigated its way through a challenging period following the discovery of RAAC in the building the Trust secured financial support from Creative Scotland to support key projects and infrastructure costs during this crisis.

3.7 The main source of public funding was the annual contract payment from East Lothian Council which was maintained at the same level in 2023/24.

3.6 However despite best efforts, operating costs increased due to the need to hire alternative venues, and this coupled with the additional unplanned costs and a reduction in earned income through box office due to the changes that had to be made to the programme, resulted in the Trust using a large portion of its reserves to maintain the programme.

4. THE FUTURE

4.1 In January 2024, East Lothian Council made the decision that due to budget pressures it would reduce the annual payment to BTT by £200,000 from 2024/25 onwards.

4.2 The Trust will therefore require to use further reserves to maintain its programme during 2024/25.

4.3 The Trust's current reserves policy is that the unrestricted funds not committed or invested in tangible fixed assets ('the free reserves') held by the charity should be equivalent to three months of the resources expended.

4.4 The Trust has identified 4 key risk areas going forward:

- **Reduction in Earned Income**

Income generation is a principal risk factor for the Trust and risks associated with raising sufficient income to deliver the aims of the Trust has been considered.

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

This annual payment is crucial to the effective delivery of the Service Level Agreement on behalf of the Council for the residents of East Lothian and the reduction of £200,000 from 2024/25 onwards will have an impact on the delivery of the services provided.

- **Reduction in Programme**

The reduction in the programme will impact on earned income levels and a corresponding saving on expenditure is required to be made. The reduction in the programme would impact on the breadth of programme presented and the Brunton's role as a key receiving house in the Scottish cultural landscape.

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

Earned income is the largest percentage of the Trust's income and a reduction in the ability to generate sufficient funds from ticket sales and bars would prove detrimental to the cultural aims of the organisation.

4.5 The Trust is working with the Brunton Team and Council Officials to mitigate against the risks which will impact the Trust over the next 4 years.

4.6 From 2024/25 onwards the Trust has created plans to increase its income and raise additional funding to enable the Charity to continue as a going concern.

4.7 A funding application has been submitted to Creative Scotland for 2025/26.

4.8 The Trust has also prepared a fairly ambitious Income Generation and Diversification Action Plan to increase its income from other sources.

4.9 The Trust has prepared its future budget on the basis of presenting its programme in the alternative venues including Haddington Corn Exchange.

5. CONCLUSION

5.1 The aim of the work presented by the BTT is to provide a widely accessible programme for the enrichment and enjoyment of audiences and participants.

5.2 2023/24 was a particularly challenging year for the Trust and the Brunton team with the sudden loss of its performance spaces and the need to transfer the whole programme into alternative venues.

5.3 This has impacted hugely on the Trust's financial position through the resulting increased costs that the Trust has had to bear and the Trust's ability to raise income from a reduced programme of activities.

5.4 However during this time the Brunton team demonstrated its resilience and flexibility in the face of adversity, ensuring that the programme continued to be presented to a high standard in alternative spaces for the benefit and enjoyment of East Lothian residents.

5.5 It is crucial to the Trust that it continues to work in partnership with East Lothian Council and receives support to deliver arts services on behalf of the Council for East Lothian residents.

REPORT TO: Audit & Governance Committee

MEETING DATE: 17 September 2024

BY: Executive Director for Council Resources

SUBJECT: Financial Management Code Update

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1 PURPOSE

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

2 RECOMMENDATIONS

- 2.1 That the Audit and Governance Committee:
- Note the updated assessment of compliance against the FM Code and proposed actions documented within Appendix 1.
 - Note the conclusion that overall, the council remains compliant with the 7 principles of the code.
 - Note the progress that has been made to implement agreed actions at paragraph 3.8 and agree the further actions at paragraph 3.9.
 - Recommend that a report is taken to Cabinet proposing that the principles of CIPFA's Financial Management Code should be formally adopted by the Council.

3 BACKGROUND

- 3.1 The Financial Management Code (FM Code) sets the standards of financial management for local authorities and is designed to support good practice and financial sustainability. The Chartered Institute of Public Finance & Accountancy (CIPFA) produced the code in the context of the significant financial and demand pressures facing all local authorities, alongside the high-profile financial management issues which have faced a small number of local authorities in recent years.

- 3.2 CIPFA considers application of the FM Code to be a collective responsibility of each authority's organisational leadership team.
- 3.3 In September 2023, Audit and Governance Committee considered officers' initial assessment of compliance with the FM Code, noting that the council is broadly complying with the standards set out in the code, with some areas in which this could be enhanced.
- 3.4 The Code itself is not prescriptive in nature, but centred around the following principles of good financial management:
- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
 - **Accountability** – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
 - Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.
 - Adherence to professional **standards** is promoted by the leadership team and is evidenced.
 - Sources of **assurance** are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit and inspection.
 - The long term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.
- 3.5 The Code translates these principles into a series of standards, which are summarised within Appendix 1. This report provides members with an updated assessment of compliance against these standards, which builds on the initial assessment undertaken in September 2023, and also an update on the actions that were agreed previously.
- 3.6 Compliance with the standards is not prescribed in legislation, however it is the duty of each local authority to adhere to the principles of proper financial management. Compliance with the standards is established through self-assessment, which has been documented within the appendix. It should be noted that the financial management standards are minimum standards and, in some cases, may be exceeded.
- 3.7 An internal audit review of Financial Sustainability in May 2024 provided reasonable assurance in this area but noted that the principles of the CIPFA FM Code had not been formally adopted by the council. Although it is not within the remit of this committee to adopt the code on behalf of

the councils, this report recommends that a report is taken to Cabinet proposing that the principles of the Code are formally adopted.

3.8 The self-assessment documented within Appendix 1 concludes that the Council remains broadly compliant with the main principles of sound financial management. The current financial risk environment means that full compliance across some areas continues to be extremely challenging, and the table below provides an update on previously agreed key actions to achieve full compliance:

	Action	FM Code Section	Date	Lead Officer	Update
1	Ensure that all decision reports are subject to review by the Chief Finance Officer, or suitable delegates.	CFO & Leadership Team	Ongoing	Executive Director for Council Resources	This remains ongoing.
2	Conduct financial skills review and appropriate training are in place to support new Service Managers and Heads of Service, and to embed effective financial management across the council.	CFO & Leadership Team	Apr 2025	Head of Finance	Partially implemented.
3	Progress the review / replacement of the financial management system.	CFO & Leadership Team	Ongoing	Head of Finance	Ongoing (project now live)
4	Progress maturity assessment of transformation projects.	Governance & financial management style	Jan 2024	Service Manager – Transformation & Digital	Complete
5	Agree further measures to close the budget gap for 2024/25 onwards.	The annual budget	Feb 2024	Executive Director for Council Resources	Complete
6	Progress budget consultation for the 2024/25 budget.	The annual budget	Oct 2024	Head of Finance	Complete
7	Consider the requirements of the IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal' within the Council's decision making processes.	Stakeholder engagement & business plans	April 2024	Head of Finance	Complete
8	Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making and identify scope for improving these as appropriate.	Monitoring financial performance	July 2024	Head of Finance	Ongoing

3.9 A small number of additional actions have been identified through the updated review and summarised below:

	Action	FM Code Section	Date	Lead Officers
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9	Agree further measures to close the budget gap for 2025/26 onwards.	The annual budget	Ongoing	Executive Director for Council Resources & Head of Finance
10	The budget setting report will include a clear declaration around the level of reserves and adequacy of these, along with a statement on the robustness of estimates from the section 95 officer.	The annual budget	Apr 2025	Executive Director for Council Resources & Head of Finance

4 POLICY IMPLICATIONS

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

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

6.2 Personnel - none

6.3 Other – none

7 BACKGROUND PAPERS

7.1 None

Author's Name	Ellie Dunnet
DESIGNATION	Head of Finance
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DATE	9 September 2024

East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

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

East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

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

Assessment of compliance against CIPFA's Financial Management Code

			Managers and Heads of Service, and to embed effective financial management across the council.	
Section 2: Governance and financial management style				
	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	<p>Actions and behaviours of the leadership team are guided by the Nolan principles.</p> <p>The authority has a clear framework for governance and internal control.</p> <p>The leadership team has established effective arrangements for assurance, internal audit and internal accountability.</p> <p>The leadership team espouses high standards of governance and internal control.</p> <p>The leadership team nurtures a culture of effective governance and robust internal control across the authority.</p>	<p>Job outlines for Heads of Service and the Chief Executive, set out within the council's standing orders reference the expectation that in all matters and at all times, the post holders will act according to the Nolan Principles for public life.</p> <p>The Corporate Management Team (CMT) are represented at board level for all key corporate projects, and regular board meetings assist with ensuring the effective delivery of work programmes which are critical to the delivery of the council's strategic objectives. EMT also form part of a Corporate Risks sub group to review risks, governance and internal control.</p> <p>The Officer Code of Conduct sets out the expected standards of behaviour for staff and where breaches are identified, these are dealt with through the appropriate channels.</p> <p>The framework for internal control is not explicitly codified but is considered to be adequate and is subject to ongoing review and improvement. This is reflected in the Head of Internal Audit's annual opinion.</p> <p>Action: Implement the improvement action identified within the corporate governance self-evaluation (reported to Audit & Governance Committee June 2023).</p>	G

East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

D	<p>The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).</p>	<p>The Council is aware of the provisions of the CIPFA Delivering Good Governance Framework.</p> <p>The authority has sought to apply the principles, behaviour and actions set out in the Framework to its own governance arrangements.</p> <p>The authority has in place a suitable code of governance.</p>	<p>The Council has adopted the principles of Corporate Governance based on the CIPFA / SOLACE guidance, and the results of a corporate governance self-evaluation were reported to the Audit and Governance Committee in June 2023. This review identifies four areas for improvement.</p> <p>The Council sets out the actions it has taken or plans to take to ensure that high standards of governance are delivered within its Annual Governance Statement and action plan. Compliance against CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 is reviewed annually by the Audit and Governance Committee. This review is documented within the Annual Governance Statement which is subject to independent review by external audit.</p> <p>CMT members are asked to complete internal control assurance statement and CMT also annually undertake a self-assessment of internal control.</p> <p>Action: as identified in the results of the corporate governance self-assessment 2023 (address four areas for improvement)</p>	G
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East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

E	The financial management style of the authority supports financial sustainability.	<p>Strong financial management is assessed against a hierarchy of:</p> <ol style="list-style-type: none"> 1. delivering accountability 2. supporting performance 3. enabling transformation <p>Criteria at each level must be met to enable progression to the next level of the hierarchy. This is broadly linked to economy, efficiency and effectiveness.</p>	<p>The council's standing orders detail committee functions and member and officer delegations.</p> <p>Accountability in relation to budgetary performance is ensured through regular financial reporting to CMT and Council. In August 2024, CMT approved a refreshed budget monitoring framework and procedures to underpin effective financial management.</p> <p>There is an effective performance management framework in place including performance measures, customer satisfaction surveys, and monitoring of key strategic projects.</p> <p>The council has an established transformation programme, and the Financial Strategy was approved by Council in August 2024. The Financial Strategy is focussed on directing investment appropriate to enable this to be accelerated.</p>	G
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East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

Section 3: Long to medium-term financial management				
F	The authority has carried out a credible and transparent financial resilience assessment.	<p>The authority has undertaken a financial resilience assessment.</p> <p>That assessment tested the resilience of the authority's financial plans to a broad range of alternative scenarios.</p> <p>The authority has taken appropriate action to address any risks identified as part of the assessment.</p>	<p>Initial work to develop budgets for 2025/26 onwards incorporates scenario planning, with adverse and favourable assumptions being modelled and presented to decision makers.</p> <p>The financial strategy recognises that further action will be required in order to address the risks currently facing the council in relation to financial resilience and sets out how the council plans to close the funding gap.</p> <p>This remains a key area of risk for the council and although some progress has been made in identifying and agreeing savings to close the budget gap, further action will be required in order for financial resilience to be achieved.</p> <p>Action: agree further measures to close the budget gap for 2025/26 onwards.</p>	A

East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

G	<p>The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.</p>	<p>The authority has a sufficiently robust understanding of the risks to its financial sustainability.</p> <p>The authority has a strategic plan and long-term financial strategy that addresses adequately those risks.</p> <p>The authority reports effectively to the leadership team and to members its prospects for long-term financial sustainability, the associated risks and the impact of these for short and medium-term decision making.</p>	<p>Risks to financial sustainability are comprehensively documented within the corporate risk register, which is regularly updated and considered by CMT and Council.</p> <p>Alongside this, regular finance update reports also capture the emerging risk environment and impact on financial sustainability.</p> <p>Managing the financial environment represents the highest rated risk ever reported through the corporate risk register.</p> <p>While the response to this risk is developing and represents a huge ongoing challenge for the council, this risk is considered to be well understood by the leadership team and is clearly communicated to members on a regular basis.</p>	G
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East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

H	<p>The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.</p>	<p>The authority is aware of its obligations under the Prudential Code.</p> <p>The authority has prepared a suitable capital strategy.</p> <p>The authority has a set of prudential indicators in line with the Prudential Code.</p> <p>The authority has suitable mechanisms for monitoring its performance against the prudential indicators that it has set.</p>	<p>The council complies with the requirements of the Prudential code, and prepares its Capital, Investment and Treasury Management strategies with reference to this.</p> <p>The Audit and Governance Committee receives reports on performance against the Treasury Management Strategy and Prudential Indicators twice a year, and quarterly updates are now also included within budget monitoring reports to Council.</p> <p>The council's capital strategy has been approved by Council and contains a range of indicators set with reference to the Prudential Code for Capital Finance. Capital spending is monitored through regular finance update reports, and individual project governance arrangements.</p>	G
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East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

I	<p>The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans</p>	<p>The authority has in place an agreed medium term financial plan. The medium-term financial plan consistent with and integrated into relevant service plans and its capital strategy.</p> <p>The medium-term financial plan has been prepared on the basis of a robust assessment of the relevant drivers of cost and demand.</p> <p>The medium-term financial plan has been tested for resilience against realistic potential variations in key drivers of cost and demand.</p>	<p>The Council has adopted a 5 year financial strategy which will be updated and rolled forward annually.</p> <p>Consultation with officers, members, residents and external partners will have taken place as part of budget development and through the residents survey to ensure budget plans reflect up to date priorities and horizon scanning.</p> <p>Development of the financial strategy incorporates scenario planning, with adverse and favourable assumptions being modelled and presented to decision makers.</p>	G
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East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

Section 4: The annual budget				
J	The authority complies with its statutory obligations in respect of the budget setting process.	<p>The authority is aware of its statutory obligations in respect of the budget setting process.</p> <p>The authority has set a balanced budget for the current year.</p> <p>The authority is likely to be able to set a balanced budget for the forthcoming year.</p>	<p>The council and officers are aware of the council's statutory responsibilities with respect to setting a balanced budget.</p> <p>The budget for the current financial year (2024/25) was agreed by Full Council in February. Since the budget was set, a number of risks have emerged, which are anticipated to result in a significant unplanned overspend if action is not taken to mitigate this. This was reported to Council in August 2024, and a number of mitigating measures remain in place.</p> <p>The corporate risk register sets out the significant financial challenges currently facing the council, and the acute challenges that this presents in setting a balanced budget for 2025/26 and beyond. This is an area of significant risk for the council and this has been communicated to councillors, staff, Scottish Government and internal and external audit.</p> <p>Action: agree further measures to close the budget gap for 2025/26 onwards.</p>	A

East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

K	<p>The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.</p>	<p>The authority's most recent budget report includes a statement by the CFO on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves.</p> <p>The report accurately identifies and considers the most significant estimates used to prepare the budget, the potential for these estimates to be incorrect and the impact should this be the case.</p> <p>The authority has sufficient reserves to ensure its financial sustainability for the foreseeable future.</p> <p>The report sets out the current level of the authority's reserves, whether these are sufficient to ensure the authority's ongoing financial sustainability and the action that the authority is taking to address any shortfall.</p>	<p>The 5 year budget for 2024/25 onwards was agreed by Council on 20 February 2024.</p> <p>This sets out the estimated revenue and capital expenditure for the general services and housing revenue accounts, alongside the range of risks contained within the estimates.</p> <p>The budget for the current financial year (2024/25) incorporates some planned use of reserves, to be replenished in 2025/26.</p> <p>At this point in time, it is anticipated that reserves will be sufficient to cover expenditure for the forthcoming 12 months, however, the position beyond that remains uncertain.</p> <p>A number of mitigation measures have been introduced by Council in response to the current risks relating to the budget deficit and the adequacy of reserves, and the financial strategy incorporates a commitment to minimise the use of reserves in order to balance the budget.</p> <p>Action: Agree further measures to close the budget gap for 2025/26 onwards.</p> <p>Action: The budget setting report will include a clear declaration around the level of reserves and adequacy of these, along with a statement on the robustness of estimates from the section 95 officer.</p>	A
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East Lothian Council

Assessment of compliance against CIPFA’s Financial Management Code

Section 5: Stakeholder engagement and business plans				
L	<p>The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.</p>	<p>The authority knows who its key stakeholders are.</p> <p>The authority has sought to engage with key stakeholders in developing its long term financial strategy, its medium term financial plan and its annual budget.</p> <p>The authority has assessed the effectiveness of this engagement.</p> <p>The authority has a plan to improvement its engagement with key stakeholders.</p>	<p>The Council has a Communications Strategy which identifies the key audiences which the Council will aim to reach through its communications and highlights the importance of partnership working.</p> <p>Communications plans for individual campaigns also incorporate stakeholder engagement planning. In addition the Equality plan details the council’s plan for engaging with stakeholder groups.</p> <p>Residents’ surveys are conducted regularly in addition to specific consultation on the council’s budget.</p> <p>Engagement on financial planning and budgets take place with key stakeholders including the HSCP through regular meetings.</p> <p>To supplement formal engagement with elected members through public meetings, two cross party forums have been established, to enable cross party consideration around matters relating to the budget, and to sustainability. These groups were established in 2022 and continue to meet regularly. The effectiveness of the cross party budget working group was reviewed informally in 2024, following agreement of the 2024/25 budget and a number of actions were agreed to enhance the cross party working approach in this area.</p>	G

East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

M	<p>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</p>	<p>The authority has a documented option appraisal methodology that is consistent with the guidance set out in IFAC/PAIB publication 'Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal'.</p> <p>The authority offers guidance to officers as to when an option appraisal should be undertaken.</p> <p>The authority's approach to option appraisal includes appropriate techniques for the qualitative and quantitative assessment of options.</p> <p>The authority's approach to option appraisal includes suitable mechanisms to address risk and uncertainty.</p> <p>The authority reports the results of option appraisals in a clear, robust and informative manner that gives clear recommendations and outlines the risk associated with any preferred option(s).</p>	<p>The Capital Strategy sets out the criteria for assessing schemes to be included on the capital programme.</p> <p>Investment appraisals are undertaken for development and construction schemes and property acquisitions.</p> <p>Recommendations made to decision makers for such schemes are based on the outputs of investment appraisal alongside qualitative factors including the achievement of strategic objectives. Risk management considerations are a feature of all decision reports, and members are presented with alternative options to consider as part of the recommendation.</p>	G
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East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

Section 6: Monitoring financial performance				
N	<p>The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</p>	<p>The authority provides the leadership team with an appropriate suite of reports that allow it to identify and to correct emerging risks to its budget strategy and financial sustainability.</p> <p>The reports cover both forward and backward-looking information in respect of financial and operational performance.</p> <p>There are mechanisms in place to report the performance of the authority's significant delivery partnerships.</p> <p>The reports are provided to the leadership team in a timely manner and in a suitable format.</p> <p>The leadership team is happy with the reports that it receives and with its ability to use these reports to take appropriate action.</p>	<p>The budget monitoring position is reported to CMT and EMT on a quarterly basis. Finance updates to each meeting of CMT also provide forward looking information relating to the development of the budget for the forthcoming financial year, as well as discussion of planned mitigation measures in response to current year projected overspends. Regular risk updates also set out forward looking information.</p> <p>The reports are prepared and presented in a timely manner following the end of each quarter, allowing time for the relevant data to be collected. Timely reporting enables potential issues and opportunities to be identified early, and corrective action to be taken where necessary.</p> <p>CMT and EMT meet regularly, allowing for urgent matters to be raised outside of the quarterly reporting process if necessary.</p> <p>Financial reporting and management information could be enhanced by delivering improvements or replacing the council's financial management system.</p> <p>Action: Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making and identify scope for improving these as appropriate.</p>	A

East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

O	<p>The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.</p>	<p>The authority has identified the elements of its balance sheet that are most critical to its financial sustainability.</p> <p>The authority has put in place suitable mechanisms to monitor the risk associated with these critical elements of its balance sheet.</p> <p>The authority is taking action to mitigate the risk identified.</p> <p>The authority reports unplanned use of its reserves to the leadership team in a timely manner.</p>	<p>Quarterly financial updates to Council incorporate reporting on elements of the balance sheet including reserves, capital expenditure, treasury management and council tax collection.</p> <p>Key Performance Indicators also assess paid performance statistics, investment risk and recovery of sundry debts. Write offs of uncollectible debt are also reported transparent through Members Library Reports, with write-offs of individual debts in excess of £50,000 requiring Cabinet approval.</p> <p>The Corporate Asset Group meets regularly to oversee the implementation of the capital strategy and discuss future risks and opportunities.</p> <p>The Pension Fund is reviewed on a triennial basis and annual contributions are adjusted to ensure that deficits are repaid over the coming years.</p> <p>Recent budget monitoring information suggests that it is likely that there will be an unplanned drawdown of reserves for 2024/25. This was reported to the leadership team and Council as part of the quarter one update and actions to try and mitigate this remain ongoing.</p>	G
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East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

Section 7: External financial reporting				
P	<p>The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.</p>	<p>The authority's leadership team is aware of the CFO's responsibilities in terms of the preparation of the annual financial statements.</p> <p>The authority's CFO is aware of their responsibilities in terms of the preparation of the annual financial statements.</p> <p>These responsibilities are included in the CFO's role description, personal objectives and other relevant performance management mechanisms.</p>	<p>CMT receive regular budget monitoring information.</p> <p>The CFO is aware of the requirements of the financial statements, which are fully compliant with the Code of Practice on Local Authority Accounting.</p> <p>The council's standing orders set out the CFO's responsibilities regarding the statement of accounts. The Council has a long history of unqualified external audit opinions on its financial statements, usually with minimal requirement for audit adjustments which go beyond presentational improvements. To date, the Council has a track record of meeting the statutory deadlines set out in the Accounts and Audit Regulations.</p>	G

East Lothian Council

Assessment of compliance against CIPFA's Financial Management Code

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