



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

**TUESDAY 17 SEPTEMBER 2024, 10AMAM
COUNCILS HYBRID SYSTEM**

1

Committee Members Present:

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

Other Councillors Present:

N/A

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 C Grilli, Service Manager – Governance, Council Resources
Ms L Brown, Executive Director for Education & Children’s Services
Ms W McGuire, Head of Housing
Ms C Rodgers, Head of Communities & Partnerships
Ms H Barnett, Head of Corporate Support
Ms J Boyle, Quality Improvement Manager for Equity & Inclusion
Mr A Stubbs, Service Manager for Roads

External Audit:

N/A

Clerk:

Ms M Scott

Apologies:

Councillor McGuire

Declarations of Interest:

N/A

1.

a) MINUTE OF AUDIT & GOVERNANCE COMMITTEE ON 11 JUNE 2024

The minutes from the Audit and Governance Committee from 11 June 2024 were approved as an accurate record.

b) MINUTE OF AUDIT & GOVERNANCE COMMITTEE ON 17 JUNE 2024

The minutes from the Audit and Governance Committee from 17 June 2024 were approved as an accurate record.

2. INTERNAL AUDIT REPORT: SEPTEMBER 2024

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee and provide an update on progress made against the 2024/25 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 Additional Support Needs, Capital Expenditure Contract Cost Management, Musselburgh Flood Protection Scheme, Tyne and Esk Funding and Scottish Housing Regulator Annual Assurance Statement, Mr Stainbank added that Additional Support Needs, Capital Expenditure Contract Cost Management and the Musselburgh Flood Protection Scheme were all graded with reasonable assurance and Tyne and Esk Funding was graded with substantial assurance. The Scottish Housing Regulator Annual Assurance Statement was not graded.

Mr Stainbank provided an update of the key findings and recommendations for all completed audits, noting the completion dates for each.

Councillor Jardine asked if there was any evidence on why the number of pupils with ASN had increased by 84% between 2014 and 2023 compared to an 11% increase in overall pupil numbers and how did this compare to other localities. Jennifer Boyle, Quality Improvement Manager for Equity & Inclusion stated East Lothian's ASN numbers were comparable with national data and a number of factors contributed towards this, one of which were the conditions following the pandemic. She added there is also now better identification of children and young people with additional support needs and advances in medicine mean more young people are living with greater complexity in their lives.

Responding to a further question from Councillor Jardine, Mr Stainbank explained the process of maintaining a complete register of costs for each project that was under review fell out of practice due to workload and sickness within the team. He added there was a variety of processes being undertaken by individual officers which is now going to be reversed and go back to the previous process to ensure we have accurate details for each project. Tom Reid, Head of Infrastructure stated the main issue for him was not that officers were not being robust in the way they challenged the need for variations but instead the quality of the record keeping that demonstrated the robustness of the challenges that were put forward and the reasons for the variations had fallen down. He added they have reverted back to what was done historically and looked to see how this can be improved and made more simplistic with the resources we have available.

Councillor Jardine asked if it would be fair to say inflation, austerity and the impact of Brexit may have had an impact on the speed officers were trying to respond to things. Mr Reid said it could have impact in terms of variations, but it tends to be around scope and how things are designed. He provided an example of this regarding to an IT cooling system and was happy to send Councillor Jardine further

examples if this would be helpful. He added there can sometimes be a lack of availability of materials but usually when we are locked into a tender this has been covered and a fixed price is agreed.

Responding to multiple questions from Councillor McLeod, Ms Boyle stated traditionally places for specialist provision were agreed as a result of the child planning framework which would mean professionals and parents around that child would make a request for specialist provision but within the last year there has been a marked increase in the number of parents making placing requests which is in line with the national trend. She explained the child planning framework is used to determine the children and young people would meet the criteria for specialist provision and then would be considered by the Education Resource Group. Ms Boyle confirmed the staffing is generous within the specialist provision and is guided by the SNCT and is protected within the ASL budget but due to the increase in the number of requests and the number of children meeting that criteria staffing would have to increase to meet demand. Ms Boyle also confirmed complaints have always been tracked and learning has always been put in place within schools. She added the tracker in place this year is more robust, with changes in staffing but it is not a new process.

Councillor Bruce asked for more details around the internal procurement document that was signed off by a manager for an amount above their authorisation. Mr Stainbank reported the officer in question had a £50,000 limit for resource expenditure and a higher limit for capital expenditure and signed off a document for £70,000 for a topographical survey. He added financial processes have now changed and that officer can now sign off documents with a £100,000 limit.

Responding to a further question from Councillor Bruce, Mr Stainbank noted the report was very specifically worded on the basis we have moved the right people round to be involved in that project board with the right skills and therefore it was catching the documentation up that was written in 2016 to match the skills and experiences of the individuals now on the project board. Alan Stubbs, Service Manager for Roads confirmed there are appropriate skill sets within the board with him being a certified civil engineer and is supported by other specialists in various areas along with external consultants who have been appointed who have the required skill sets and are part of the overall project team.

Councillor Bruce asked if the full business case for the Musselburgh Flood Protection Scheme will also consider the cost of the project given the financial cost has risen significantly. Mr Stainbank confirmed this to be correct. He also explained that the costs of the project had been brought up to Council and the escalating costs have been identified and within that we can have substantial assurance that the costs are being looked at and reviewed appropriately for the design that is being approved. Mr Reid reaffirmed that the project totally is entirely different from that in 2015/2016 as it has grown in the level of threat, impact and functionality so it would not be appropriate or realistic to compare the project today with the one that started. He explained the costs put forward are an assessment of where we are at with the current design, the final costs will not be known until full tender is completely but assured Members those costs are robustly interrogated as will the final designs.

Responding to a final question from Councillor Bruce regarding adequate consultation, Mr Stainbank confirmed it was a measurement of a number of events taken place and who was there to answer questions but as Internal Audit do not attend the events, he was unable to provide further insight.

Mr Stainbank, Ms Boyle and Nicola McDowell, Head of Education continued to answer questions from Members and provided information on how the Pupil Equity Fund was awarded to schools and confirmed that staff numbers would be increased if required to meet additional support needs.

Mr Stainbank provided further information on the audit evidence gathering process and how this is presented to Committee as requested by Councillor McMillan. He confirmed there was a system of control within the audit department around every report.

Councillor Menzies asked if there was any evidence on what was driving the higher number of referrals for ASN from parents. Ms Boyle stated there was no specific evidence for this but now there was more pressure from parental groups, social media and parents understanding it is their right to ask for this referral.

Councillor Jardine stated the scale of increase in needs over recent times it was reassuring that we have a reasonable assurance however she looked forward to seeing the impact of improvements and for us to be able to say we have improved the access and delivery to those with additional support needs. She commented the cost management report highlighted the need for consistency in how we administer important projects and the answers to questions today provided information on how those inconsistencies arose. Councillor Jardine thanked Mr Stainbank for his explanation on how he and his teams standards are required to be adhered to and this should give everyone a degree of comfort.

Councillor Menzies also thanked Mr Stainbank for his report which was insightful and had the right levels of comfort and awareness. She also stated the cost and controls element raised in questions is for Councillors to decide when the full business case comes forward and the rise in costs could not be compared as the project that came before Council years ago is vastly different to the one now. Councillor Menzies stated the Musselburgh Flood Protection Scheme is one of the most consulted on projects and Councillors need to draw the distinction between being listened to and agreeing with.

Decision

That the Audit and Governance Committee note:

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

3. REVISED INTERNAL AUDIT PLAN 2024/25

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

Duncan Stainbank, Service Manager for Internal Audit reported the annual audit plan had been prepared in accordance with Public Sector Internal Audit Standards (PSIAS) and key changes in the plan were the removal of the following auditable areas to the plan; PPP Contact Management, Performance Management, Comments and Complaints Management and Contact Centre/Council Contact resolution. This was a result of temporary reduction in resource due to the retirement of a senior internal auditor and a service review is ongoing to resolve the resource and a plan is included within the report.

Councillor Bruce asked what the decision making process was for deciding what was removed from the plan, especially the decision for removal of PPP Contract Management. Mr Stainbank explained the team redo a risk assessment to look at where key risks are and in relation to PPP Contract Management, a new team has been put in place that are more proactively reviewing this and therefore the decision was to allow that to embed before completing a review on it. He added that the teams work on this had provided assurance the risk had reduced in relation to PPP Contract Management. Ms Lesley Brown, Executive Director for Education & Children's Services stated she is the Councils sponsor for the PPP Project which means she has oversight on the payment of invoices, the project management and monthly monitoring and she also attends the Innovate Board as part of the monitoring process. She hoped this gave Councillor Bruce reassurance that all aspects of the PPP Contract were scrutinised.

In response to a question from Councillor Jardine, Mr Stainbank stated there are numerous factors taken into account including the approved risk registers, when areas were last reviewed, both internally and externally and any findings that come from those are discussed with senior management across the Council to identify any causes for concern or changes likely to come through which then comes to the plan presented at Committee.

Councillor McMillan asked if the plan could be changed if the Audit and Governance requested it. Councillor Menzies stated that the plan would absolutely be changed if emerging risks arose and would react quickly otherwise the Committee cannot offer assurance to the public. Mr Stainbank added there are a number of ways the Committee could request changes to the plan such as contacting himself or the senior management of the Council which would then be filtered down and considered as appropriate. He explained the process has changed from setting an annual plan and sticking with it and now risks are assessed at least 6 monthly and monitoring risks as they change throughout the year.

Responding to a question from Councillor McLeod, Mr Stainbank provided information on the procurement process in general and highlighted the work of the procurement manager who works with each service to procure the goods and services required in an appropriate manner, providing the best value for the Council.

Councillor Menzies thanked Mr Stainbank for his report.

Decision

A roll call vote was carried out and the Audit and Governance Committee agreed to unanimously approve the revised Audit Plan for 2024/25.

4. AUDIT AND GOVERNANCE COMMITTEE ANNUAL/END OF TERM REPORT 2023/24

A report was submitted by the Service Manager – Internal Audit to present the outcome of the 2023/24 Audit and Governance Committee self-assessment and seek approval from the Audit and Governance Committee to present the Annual/End of Term Report 2023/24 to the Council.

Duncan Stainbank, Service Manager – Internal Audit highlighted the areas of improvement that have been agreed as part of the Audit and Governance Committee Annual / End of Term Report 2023/24. Councillor Menzies explained the job of this

committee is to scrutinise the Councils work which can only be done if members know what they are scrutinising and how to do this, which had been a steep learning curve. She felt the important part of self-evaluation was it allowed the public to have confidence that Members are scrutinising to the best of their ability and if any weaknesses are found they are willing to coopt people in to ensure that proper scrutiny is being done. Councillor Menzies highlighted the change Members voted to make, which is for senior officers to give feedback to the Committee on if the scrutiny has been effective and if they are doing the job well.

Councillor Jardine asked what extent we may need someone to be coopted into the Committee and what the opportunities and chances are of this happening. Mr Stainbank stated the key skills which are always useful in this type of Committee that often aren't there in totality are experience in technical experience in respect of audit and accountancy as well as legal experience. He noted finding people with those skills is extremely difficult in the current market and the guidance on coopted Members is for all Scottish local authorities and there are only a small number who have coopted Members. Mr Stainbank added Midlothian Council attempted to get independent Members in 2022 but were unable to get any applicants.

In response to a question from Councillor McMillan, Councillor Menzies stated the self-assessment has come first to be able to see clear skills gaps and then could tap into our own networks to see if the Committee does need someone to be coopted on. Mr Stainbank was in agreement with Councillor Menzies.

Councillor Jardine stated that while the scrutiny role was new to a few Councillors it is a core part of duties and all officers had allowed members to challenge themselves and explore a wide range of factors we need to take into consideration and try to represent inquiries of our constituents. She also looked forward to the outcome of the skills and knowledge assessment.

There were comments from Members in relation to the good scrutiny from the Committee and the relationship with officers to give the public confidence the Council are doing all the things they are required to do. Councillor Menzies added specific thanks to Audit Scotland and Mr Stainbank and his team.

Decision

A roll call vote was carried out and it was a unanimous decision to approve the Audit Committee Annual/End of Term Report 2023/24 and its self-assessments using the CIPFA Audit Committee Guidance and agreed that the Audit Committee Annual/End of Term Report 2023/24 should be presented to the Council.

5. HOUSING ANNUAL ASSURANCE STATEMENT

A report was submitted by the Executive Director for Place to advise the Audit and Governance Committee of the Scottish Housing Regulator's regulatory framework and in particular, the requirement for East Lothian Council to produce an Annual Assurance Statement, which requires to be signed off by the Senior Internal Auditor on behalf of the Council and to obtain approval for East Lothian Council's Annual Assurance Statement as laid out in appendix 1.

Wendy McGuire, Head of Housing reported in 2019 the Scottish Housing Regulator (SHR) revised its regulatory framework and therefore placed a requirement on all social landlords to formally submit an Annual Assurance Statement to the SHR by the end of October each year. She added this must confirm the relevant committee is assured that the landlord is complying with all regulatory requirements and standards

or highlight any areas of material non-compliance and how the landlord will address these. Ms McGuire explained 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 and the submitted report highlighted key evidence of where the Council demonstrates compliance with the new regulatory framework. She asked Members to note the robust processes in place with sign off at service manager level together with the Scottish Social Housing Charter and Performance Groups who also consider the evidence gathered as well as the scrutiny and performance structures in place to ensure going performance and service delivery together with appropriate governance structures.

Ms McGuire confirmed that as a result of this evidence gathering and assessment the Councils complies with the regulatory requirements set out in chapter 3 of the framework, subject to 3 exceptions; Lead Water Pipe Programme, Fire Heat Alarms and the continued breach of the Unsuitable Accommodation Order.

Councillor Bruce asked what legal implications the Council could face for breaching the Unsuitable Accommodation Order. Ms McGuire confirmed the Scottish Government do not issue fines or take punitive action and prefer to take a preventative approach and the Council continue to work closely with the Housing Regulator to mitigate the risks. She added a progress report has recently been submitted to the Housing Regulator showing significant improvement in that area. Ms McGuire noted the Council continued to face threat of judicial review from Shelter.

In response to a question from Councillor Jardine, Ms McGuire stated the Regulator has been happy with the positive progress the team have made and they will continue to work with us and monitor that. She added that the number of breaches last year was around 150 and this year has reduced to around 120. Ms McGuire also provided information on why East Lothian was one of six local authorities regularly breaching the Unsuitable Accommodation Order and the recently approved changes to the policy that will hopefully help to improve the situation of single person homeless households. She stated she was confident these policy changes would make a difference with improvements showing by the end of the financial year.

Ms McGuire continued to answer questions from Members providing information on why the Council had breached the order, that 32 of these breaches were families which were a mix of being out of area accommodation and bed and breakfasts. She also made Members aware there were 61 properties outstanding for lead water pipe checks which is due to no access to the property, but the team will be looking at forced entry to complete these checks if they are not able to gain access. Ms McGuire also confirmed there was only one property out of over 9000 that was outstanding for fire detection provision work which is a very complex case and there is a multiagency approach to ensure the necessary works are undertaken.

Councillor McLeod and Councillor Menzies thanked Ms McGuire for her report and comments.

Decision

The Committee agreed to note:

- i) The regulatory framework and the requirement for the Senior Internal Auditor to sign-off the Annual Assurance Statement (AAS) on behalf of the Council
- ii) The regulatory framework requires the submission of the AAS no later than the 31st October 2024.

A roll call vote was carried out and the Audit and Governance Committee agreed unanimously to approve the Annual Assurance Statement as detailed in appendix 1 noting that East Lothian Council was partially compliant with the regulatory requirements for the financial year 2023/24 and partially compliant for the first quarter of 2024/25.

6. HOUSING RISK REGISTER

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

Wendy McGuire, Head of Housing 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 Housing Risk Register includes 1 Very High Risks, 9 High Risks, 8 Medium Risks and 4 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. Ms McGuire noted the highest risk on the Housing Risk Register was also included in the Corporate Risk Register around Homelessness and the risk presented in this register are live and monitored continually and there is a risk that R70 will increase over the next few weeks.

Councillor Ritchie asked what structures and systems the Council has in place to deal with the budget pressures we are facing. Ms McGuire explained this area is under close monitoring and we have received resource allocation from the Scottish Government over the next three years and sets out affordability parameters but at the moment we are unable to fulfil all the projects coming forward. She provided examples of what the resource from the Scottish Government would be able to cover and added that the team continue to work with government to look at innovative forms of finance to ensure we can maximise of the delivery of units.

Responding to a question from Councillor Jardine, Ms McGuire confirmed the Council continue to work closely with the Scottish Government to better understand if there is likely to be any new investment in Scotland. She also stated that accessible housing is an area of concern as there is a limited amount of new stock that meets varying needs, and it is putting added pressure on existing stock and budgets to be able to adapt properties. This is something the Council are also working with government on to try and maximise investment as much as possible. In a follow up question Councillor Jardine asked if there was scope to require other developers to build properties to a higher standard. Ms McGuire said this was an area the Scottish Government are keen to see come through the new Local Development Plan (LDP) and this is something planners will consider, and robust evidence will be needed to back that up and the housing strategy and development team have done a huge amount of work around that. She stated there is some control over the affordable housing requirement and a percentage is set to ensure affordable units coming through private developers will meet housing for varying needs as a minimum.

Councillor Menzies asked if there was any progress with new MMR builds coming through in the foreseeable. Ms McGuire explained the team were continually looking

at opportunities for mid-market homes holding 60 to date. She added there is an investment tax force group and a short life working group looking at lease models as well as continuing to engage with Scottish Government to look at ways to maximise the delivery of mid-market rent going forward.

Councillor Jardine and Councillor Menzies made comments in relation to the pressures on the Scottish Government and the Council in regard to the housing crisis.

Decision

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

- i) The relevant risks had been identified and that the significance of each risk was appropriate to the current nature of the risk.
- ii) The total profile of the Housing risks could be borne by the Council at this time in relation to the Council's appetite for risk.
- iii) Although the risks presented 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.

7. THE BRUNTON THEATRE TRUST REPORT

A report was submitted by the Team Manager for Arts to provide the Audit and Governance Committee with an update on the Brunton Theatre Trust programme from March 2023 – 2024.

Richard Butt, Trustee highlighted the challenges the Trust have faced including the continued recovery from Covid and the discovery of RAC in the roof which resulted in the programme being moved to Loretto School Theatre and North Esk Church in Musselburgh and also later taking over the lease of Haddington Corn Exchange. He stated there were costs incurred to make sure these venues were the correct standard for programmes and also none of these venues held the same capacity as the Brunton therefore income was down. Mr Butt explained all of this meant reserves had to be used to maintain operations and the business models put them in a difficult situation.

He also highlighted what the Trust had been able to deliver including film screenings, drama performances and the continued offer of the arts service but this cannot be continued indefinitely because the forecasted deficit would take out half of remaining reserves and would bring the trust to £27,000 above the minimum three month reserve policy level. Mr Butt stated this was partly due to reduction in income and increased expenditure but also East Lothian Councils decision to reduce our grant by £200,000. He made Members aware that within the next financial year, if the reduction in funding from the Council continued, they would breach their reserves policy so serious discussions have taken place internally and with auditors to see if accounts can be signed off as an ongoing concern.

Michael Stitt, Chair of the Brunton Theatre Trust added the two critical messages he wanted to make to committee were the Trust urgently needs the funding reinstated and urgently needed transparency around where we are regarding RAC as it has been 18 months and there is huge frustration from the Trust and within the community. He said the Trust was unable to go on like this from a funding perspective but also from a transparency perspective.

Councillor Menzies informed all Members this Committee was not able to consider the RAC or funding issue at the Brunton but instead are there to scrutinise the Brunton Theatre Trust. Mr Reid confirmed consultants have been working flat out on the RAC issue, but the two high schools diverted some resource and capacity as they were statutory. He noted the Council are still not in a position to be able to give clarity on the options appraisal, but it is being worked on and the hope is to bring a report to Council in October, and he will reach out to Mr Stitt and Mr Butt to provide information on the levels of decay, the options available and the decisions the Members will have to look to take but the Council, but the Council position has to be updated first.

Councillor Jardine asked if the Trust had taken into consideration the steps noted in their report to maximise income. Mr Butt confirmed the Trust had submitted an application to Creative Scotland, but they have faced their own challenges and funding is not guaranteed. He added that the accounts included receiving a grant from Creative Scotland therefore the deficit would be similar to the size of this year. Mr Butt said the Trust could reduce their programme, but this would affect the likelihood of them receiving a grant from Creative Scotland.

Responding to a question from Councillor Bruce, Mr Reid explained whatever the fix is on the Brunton it will not be short term and he will make this clear within the options appraisal. Mr Stitt agreed the solution to the RAC issue will not be fixed any time soon but highlighted the move of the programme to Haddington Corn Exchange, Loretto School and North Esk Church was a good solution to keep the Brunton Theatre Trust going but they require support to do so.

Councillor Ritchie asked for more information on the Trusts plan going forward and for a timeline on the Creative Scotland grant application. Mr Stitt confirmed they would hear the result of the Creative Scotland application by late October. He said in the future the Trust want to build on what has worked well such as community arts groups and the Brunton youth theatre programme and the opportunity to engage new audiences from having multiple venues across East Lothian. Mr Stitt highlighted the work of Kirsty Sommerville developing screen work and working with local festivals, but he said creative ambition is difficult to deliver in current circumstances but the team wherever they can.

Responding to questions from Councillor Menzies, Mr Stitt stated the arts sector is under siege in regard to funding and it is not realistic to have a service like the Brunton that relies on that exclusively. He said there needs to be critical grant support from the local authority to make things happen and he felt it was extremely important that message was driven home. Mr Stitt felt the business model will work in the longer term but when applying to trusts and foundations it requires a more independent governance structure. He added while he has been Chair, they have tried to apply for more funding, but a resource is needed within the team to be dedicated to raising funds for the Brunton and this is something they are trying to prioritise. Mr Stitt also confirmed there were barriers to the Trust being an arm's length body of the Council and this has been shown by auditors each year as they want to see tangible independence. He felt public funding for Trusts went hand in hand and stated it was the reality for many others but that the Brunton was in unique position in terms of RAC as the coverage they have received is very negative which could spook a lot of funders.

Members praised the Trust and thanked them for their hard work as many people within the community benefit from their services and shows they provide. They felt there had been a real adaptability over the last four years which was worth noting

and praising and they looked forward to continued work between the Trust and the Council.

Councillor Bruce highlighted the power of work that has to go into finding out the extent of RAC issues and the options to deal with it but if the report was not available for the October Council meeting that a special meeting should be arranged to discuss this in terms of governance for the future of the Trust.

Councillor Menzies stated our language around this will be vitally important as the Bruton Theatre Trust is alive and well and have acts ongoing but is a growing concern and we need to ensure we do all we can to support it. She explained there are major concerns with the Brunton Theatre building itself but that doesn't necessarily make the whole picture.

Decision

The Committee agreed to note the contents of the report.

8. FINANCIAL MANAGEMENT CODE UPDATE

A report was submitted by the Executive Director for Council Resources to provide the Audit and 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.

Ellie Dunnett, Head of Finance reported in September 2023 the Audit and Governance Committee considered officers initial assessment of compliance with the FM Code and that this report provided an update on the assessment and the progress of the agreed actions.

She stated we remain broadly compliant with the principals of the code and highlight were in the report Members could find the steps taken to enhance this. Ms Dunnett explained a recent internal audit of financial management identified that the Council hadn't formally adopted the code, and this would be within the remit of Cabinet to make this decision and therefore this report recommends that it is taken to Cabinet proposing that the code is formally adopted which will support effective financial management and sustainability.

There were no questions or comments on this report.

Decision

The Committee agreed to note:

- i) The updated assessment of compliance against the FM Code and proposed actions documented within Appendix 1.
- ii) The conclusion that overall, the Council remains compliant with the seven principles of the code.
- iii) The progress that has been made to implement agreed actions at paragraph 3.8 and agree the further actions at paragraph 3.9

A roll call vote was taken, and the Audit and Governance Committee unanimously agreed to 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.

Signed

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

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 17th December 2024

BY: Chief Executive

SUBJECT: Communities, Corporate Support, Development and Finance Risk Registers

2

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Communities, Corporate Support, Development and Finance Risk Registers for discussion, comment and noting.
- 1.2 These Risk Registers are developed in keeping with the Council's Risk Management Strategy and are live documents, which are reviewed and refreshed on a regular basis, led by the Local Risk Working Groups (LRWG) within each service.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes these Risk Registers 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 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 and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Risk Registers has been compiled by the respective LRWGs. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 5) 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 four risk registers presented include the following number of risks.

- Communities Risk Register includes 1 Very High, 6 High, 17 Medium and 3 Low risks.
- Corporate Support Risk Register includes 1 Very High, 4 High, 14 Medium and 10 Low risks.
- Development Risk Register includes 3 High, 3 Medium and 5 Low risks.
- Finance Risk Register includes 8 High, 5 Medium and 6 Low risks.

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

4 POLICY IMPLICATIONS

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

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

6.1 Financial - It is the consideration of the respective LRWGs 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 Registers 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 Council Management Team.

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 Appendix 1 – Communities Risk Register

7.2 Appendix 2 – Corporate Support Risk Register

7.3 Appendix 3 – Development Risk Register

7.4 Appendix 4 – Finance Risk Register

7.5 Appendix 5 – Risk Matrix

AUTHOR'S NAME	Lee Wright
DESIGNATION	Emergency Planning and Resilience Officer
CONTACT INFO	lwright@eastlothian.gov.uk 01620 827250
DATE	5 th December 2024

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
------	-----	--------	------	-----------

East Lothian Council Corporate Support Risk Register

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Latest Update	Review Date
R127	Impact on Reputation	External IT Security Threats	<p>Council IT systems are compromised by criminal 3rd party (e.g. hacker, terrorism) - causing the loss of a system(s) and/or loss/disclosure of data due to a virus/Trojan/ransomware infection.</p> <p>The Council's increased participation in shared services escalates this risk as the council's network boundaries are being opened up to enable data sharing with other agencies.</p> <p>Due to the current conflicts in Ukraine and the Middle East there is a continuous risk of Nation State led cyberattacks on the UK which could potentially affect National Infrastructure in a way that has a direct impact on East Lothian Council.</p>	4	5	20	16	310 - Recruit to the vacant IT Specialist IT Security Post.	01/11/2024	31/01/2025
R128	Impact on Reputation	Internal IT Security Threats	<p>Council IT systems are compromised by the actions of an internal employee - causing the loss of a system, virus/trojan/ransomware infection or loss/disclosure of data.</p>	4	4	16	12	311 - Recruit to the vacant IT Specialist IT Security Post.	02/10/2024	31/01/2025
R129	Impact on Reputation	Data Breaches and Compliance	<p>Breach of personal data through:</p> <ul style="list-style-type: none"> - accidental disclosure or loss of personal data in transmission; - lack of staff awareness - intentional or malicious misuse of personal data; - lack of appropriate provisions for storage or disposal of personal data; <p>Risks include:</p> <ul style="list-style-type: none"> - breach of relevant laws; - breach of duty of care; - harm to individuals; - legal action and fines; - requirement to pay compensation; - adverse publicity; - damage to the Council's reputation. <p>The Council has shifted its focus to digital Service delivery and changes to working practices continue to evolve, Information Governance controls must remain resilient and responsive.</p>	4	4	16	12	<p>314 - Revise our disciplinary policy and procedures to ensure that a deliberate data breach is a clear disciplinary matter attracting major sanctions as gross misconduct.</p> <p>315 - Data Breach Dashboard currently in development to support high-level reporting to senior managers re: trends in data breaches and contributing factors.</p> <p>316 - Undertake procurement exercise to identify best value for Digital Strategy document management services to improve storage, security and service improvement.</p>	06/11/2024	09/05/2025

R132	Business Continuity	Legal Service Staffing	<p>Unplanned loss of a key employee or employees due to resignation, long-term sickness absence etc. may affect the quality and scope of the legal service resulting in a failure to meet statutory objectives and provide an adequate legal service.</p> <p>Following a number of recruitment exercises and service reviews there remain one vacant post of Principal Solicitor – Commercial remains vacant. Despite repeated recruitment campaigns it has not been possible to recruit to this posts.</p> <p>Due to this lack of resource and increased demand for Legal Services the team continue to find it difficult to fulfil service requests timeously without considering outsourcing at an additional cost to the Council.</p> <p>The increased workload falling on the remaining members of the team may result in further absence due to stress.</p> <p>Outsourcing legal work to external firms incurs unbudgeted costs for client services, which can be significant for complex matters.</p>	4	4	16	9	317 - On a temporary basis consideration will be given to bringing in suitably qualified solicitors through agencies and/or outsourcing to external legal firms. While these may assist these people may require training etc. which will take some time.	06/11/2024	31/03/2025
R135	Legal	Legal Advice	<p>Giving inaccurate or incorrect legal advice or failing to give appropriate legal advice could result in the Council failing to comply with its statutory duties and/or acting ultra vires leading to legal action and loss of reputation.</p> <p>Due to current staff shortages/work load the team may not have the resource to comply with all of the mitigation measures at any given time which may lead to mistakes being made either in advice or in process.</p> <p>Due to financial pressures, client services may be unable to meet the cost of specialist external legal advice.</p>	4	3	12	9	<p>321 - On a temporary basis consideration will be given to bringing in suitably qualified solicitors through agencies and/or outsourcing to external legal firms. While these may assist these people may require training etc. which will take some time.</p> <p>322 - To ensure capacity within the team remains on a long-term basis the priority is to fill the current two vacant posts of Principal Solicitor – Commercial and Solicitor – Litigation.</p>	06/11/2024	09/06/2025

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 17th December 2024

BY: Chief Executive

SUBJECT: Communities, Corporate Support, Development and Finance Risk Registers

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Communities, Corporate Support, Development and Finance Risk Registers for discussion, comment and noting.
- 1.2 These Risk Registers are developed in keeping with the Council's Risk Management Strategy and are live documents, which are reviewed and refreshed on a regular basis, led by the Local Risk Working Groups (LRWG) within each service.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes these Risk Registers 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 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 and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Risk Registers has been compiled by the respective LRWGs. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 5) 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 four risk registers presented include the following number of risks.

- Communities Risk Register includes 1 Very High, 6 High, 17 Medium and 3 Low risks.
- Corporate Support Risk Register includes 1 Very High, 4 High, 14 Medium and 10 Low risks.
- Development Risk Register includes 3 High, 3 Medium and 5 Low risks.
- Finance Risk Register includes 8 High, 5 Medium and 6 Low risks.

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

4 POLICY IMPLICATIONS

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

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

6.1 Financial - It is the consideration of the respective LRWGs 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 Registers 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 Council Management Team.

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 Appendix 1 – Communities Risk Register

7.2 Appendix 2 – Corporate Support Risk Register

7.3 Appendix 3 – Development Risk Register

7.4 Appendix 4 – Finance Risk Register

7.5 Appendix 5 – Risk Matrix

AUTHOR'S NAME	Lee Wright
DESIGNATION	Emergency Planning and Resilience Officer
CONTACT INFO	lwright@eastlothian.gov.uk 01620 827250
DATE	5 th December 2024

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
------	-----	--------	------	-----------

East Lothian Council Finance Risk Register

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date	Latest Update
R248	Financial Impact	Market Conditions and Supply Chain Disruption	<p>There is a risk that suppliers may not participate in tenders or request that response periods be extended due to lack of market/supplier/internal resource availability. This could result in returned tender proposals exceeding allocated budget.</p> <p>There is a risk that the Care at Home providers are not able to recruit to deliver complex care packages and may seek to hand back packages or stop operating in EL.</p> <p>There is a risk to the supply of roads materials due to 60% of Bitumen supply coming through Russia, resulting in delays and price uplifts between 20-40%.</p>	4	4	16	12	477 - Enhanced value engineering.	28/02/2025	06/11/2024
R254	Financial Impact	Finance Staffing Issues	<p>Loss of key finance staff, external recruitment pressures, on-going complexity and continuing financial challenges may result in the Finance service not being able to provide an appropriate level of financial support to the Council and wider services. The team may not have the appropriate skills, and due to the increasing obligations, may not be able to meet statutory financial accounting requirements such as completion of statutory annual accounts.</p> <p>There has also been an increasing number of staff turnover including ill health and retirements of experienced staff members.</p> <p>Turnover of staff also means that knowledge is leaving the team and it will take time for new staff to get up to speed and the current controls on recruitment may result in an increased number of vacancies within the team.</p> <p>The implementation of a new Finance System had added pressure and additional workload to the team.</p>	4	4	16	6	495 - Enhance the number of relevant qualified accountancy staff to meet statutory accounting requirements.	31/01/2025	08/10/2024
R249	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>Times continue to be challenging and many households are facing financial hardship with cost-of-living pressures.</p>	3	4	12	9	<p>482 - A draft Rent Income Management Policy has been developed and is currently pending awaiting input from the Housing Service in relation to homelessness arrears.</p> <p>483 - The Rent Income Team has been working with Housing Quality Network (HQN) Consultant, in relation to staff training.</p>	12/11/2024	11/11/2024

R250	Financial Impact	Loss of General Services Income	<p>A reduction in income via reduced collection of Council revenue, including Council Tax, Business Rates and Sundry Accounts could impact adversely on the Council's ability to provide quality services.</p> <p>Many households and businesses now facing financial hardship and cost of living pressures.</p> <p>Individuals who fraudulently claim Council Tax Single Person Discount have a detrimental impact on the revenue coming into the Council, directly affecting funding for vital services for local people.</p> <p>Council tax banding reviews present a risk to the level of income which the council is able to collect. However, we are not aware of any planned reviews within the current year.</p>	3	4	12	9	484 - East Lothian Council's Corporate Fraud Officer is carrying out work, in conjunction with the Council Tax & Debt Management team, through the National Fraud Initiative (NFI) data matching system	02/05/2025	11/11/2024
R251	Financial Impact	Scottish Welfare Fund	<p>The level of administration funding received from the Scottish Government does not reflect the actual level of resource deployed by the Council to administer the SWF scheme (crisis grants and community care grants).</p> <p>The level of programme funding received from the Scottish Government does not reflect the increased demand for SWF payments.</p> <p>Demand has increased in recent years and continues to remain high as a result of the cost of living crisis.</p> <p>It may become unsustainable for the Council to continue to provide top up funding to meet the demand for crisis and community care grants.</p>	4	3	12	8	<p>486 - Participate in Scottish Government led Practitioner groups and work with SG and CoSLA colleagues to review the current funding model.</p> <p>487 - Consider moving to high and most compelling for crisis grants, possibly from December 2024, to reduce risk of current year overspend.</p>	02/05/2025	11/11/2024
R252	Financial Impact	Key Financial Controls	<p>Lack of key financial controls which may cause an instance of serious financial fraud or corruption resulting in financial loss and wider reputational loss to the authority.</p> <p>There is an increased risk of fraud as a result of changes in processes linked to new ways of working, limited staff resources in some services, and the impacts of the cost-of-living crisis.</p>	4	3	12	6	519 - New financial system is being developed	30/05/2025	07/11/2024
R253	Financial Impact	Key Financial Systems	<p>A failure of key financial systems e.g. Pecos, the revenues system and the financial management system due to technical problems and/or supplier failure or loss of key staff could lead to service failure and incomplete management information. Statutory functions may not be completed on the back of a system failure.</p>	4	3	12	6	<p>492 - Purchase 2 Pay review is ongoing, which will review our strategic approach to procuring and paying goods and services.</p> <p>493 - A new financial system has been procured and work to implement this is underway.</p> <p>494 - Project to implement cloud-based solution for the revenues system is ongoing.</p>	31/01/2025	06/11/2024

R255	Financial Impact	Internal Audit Effectiveness	<p>Internal Audit fails to effectively assess internal controls.</p> <p>Audit reviews fail to identify control weaknesses.</p> <p>Internal audit staff may not have the specialist skills required to undertake audit assignments.</p> <p>Failure by management to implement internal audit recommendations.</p> <p>All the above could lead to inaccurate assurances being given.</p>	3	4	12	6	518 - Complete a service review and review staffing capacity in the team following retirement of key member of staff	30/05/2025	07/11/2024
------	------------------	------------------------------	--	---	---	----	---	--	------------	------------

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 17th December 2024

BY: Chief Executive

SUBJECT: Communities, Corporate Support, Development and Finance Risk Registers

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Communities, Corporate Support, Development and Finance Risk Registers for discussion, comment and noting.
- 1.2 These Risk Registers are developed in keeping with the Council's Risk Management Strategy and are live documents, which are reviewed and refreshed on a regular basis, led by the Local Risk Working Groups (LRWG) within each service.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes these Risk Registers 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 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 and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Risk Registers has been compiled by the respective LRWGs. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 5) 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 four risk registers presented include the following number of risks.

- Communities Risk Register includes 1 Very High, 6 High, 17 Medium and 3 Low risks.
- Corporate Support Risk Register includes 1 Very High, 4 High, 14 Medium and 10 Low risks.
- Development Risk Register includes 3 High, 3 Medium and 5 Low risks.
- Finance Risk Register includes 8 High, 5 Medium and 6 Low risks.

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

4 POLICY IMPLICATIONS

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

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

6.1 Financial - It is the consideration of the respective LRWGs 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 Registers 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 Council Management Team.

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 Appendix 1 – Communities Risk Register

7.2 Appendix 2 – Corporate Support Risk Register

7.3 Appendix 3 – Development Risk Register

7.4 Appendix 4 – Finance Risk Register

7.5 Appendix 5 – Risk Matrix

AUTHOR'S NAME	Lee Wright
DESIGNATION	Emergency Planning and Resilience Officer
CONTACT INFO	lwright@eastlothian.gov.uk 01620 827250
DATE	5 th December 2024

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
------	-----	--------	------	-----------

East Lothian Council Communities Risk Register

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Latest Update	Review Date
R97	Impact on Service Objectives	Failure of IT customer interface systems	<p>Failure of IT customer interface systems (including Telephony)</p> <p>Would render the Council: Unable to deliver customer services some of which are vital 'life and limb' services i.e. community alarm/telecare services for 3 Councils and 2 Housing associations/adult and children's social work calls/out-of-hours emergency calls</p> <p>Data unable to be inputted onto databases Customers unable to access self-service and get on-line Services unable to meet customer expectations resulting in reputational damage, service level breach, poor publicity and failure to provide essential services.</p>	5	4	20	15	<p>222 - Work ongoing to simplify and improve interfaces between systems to reduce technical failures.</p> <p>223 - Replacement of analogue with digital enabled alarms</p> <p>224 - Upgrade of Netcall</p> <p>225 - Complete planned upgrade of existing Digital system to cope with both analogue and digital alarms.</p> <p>226 - Technology solutions that may enable bulk communication to end users</p>	17/10/2024	10/04/2025
R98	Business Continuity	Loss or damage of assets	Loss or damage or delayed repair of assets due to fire, explosion, storm, flood, malicious damage, theft, lack of repair/maintenance, lack of adequate security measures, loss of utility supply or lack of facility support.	4	4	16	9	<p>229 - Exploration of CCTV for Prestongrange site</p> <p>230 - Exploration of appropriate insurance cover and insurance quotations for ELC Arts and Museum collections</p> <p>231 - Fencing will be installed around a number of buildings at Prestongrange</p>	06/11/2024	31/01/2025
R100	Impact on Service Objectives	Service Capacity – Staffing	Staffing pressures across the breadth of Community Services service delivery county-wide may impact on the ability to safely deliver services e.g. Customer Services and Libraries, Contact Centre, Community Centres, Food Safety Inspections etc.	4	4	16	9	<p>237 - Explore graduate intern and KickStart opportunities</p> <p>238 - Roll-out of service offering within the Customer Platform improving linkages to other systems</p> <p>240 - Review Customer Services and Connected Communities Service physical assets</p>	14/10/2024	28/02/2025

R104	Impact on People	Failure in Contact Centre Community Response	<p>This is a call service for telecare/community alarm customers for East Lothian Council, Midlothian Council and Scottish Borders Councils.</p> <p>A failure in Community Response processes i.e. staff not dealing with calls appropriately, not following scripts, not asking appropriate questions, making assumptions about what is wrong/who the caller is, not dealing with requests timeously/not noting key information etc. could result in:</p> <p>Serious injury to customers Fatality of customers Loss in confidence by stakeholders/partners/customer Financial loss due to liability claims HSE involvement The Council could become unable to respond to customer requests at the first point of contact. All of the above could lead to reputational and or financial damage to the council and poor publicity.</p>	5	3	15	10	<p>226 - The Local Govt Digital Office is setting up a group to work on this national issue and ELC will be part of that. ELC is also looking at technology solutions that may enable bulk communication to end users to advise them of a fault and help to prioritise support to those who need help urgently.</p> <p>225 - Complete planned upgrade of existing Digital system to cope with both analogue and digital alarms.</p> <p>223- Replacement of analogue with digital enabled alarms (won't work with existing ARC system).</p>	17/10/2024	10/04/2025
R99	Financial Impact	Appropriate Insurance Cover	<p>Failure to identify, source and secure effective insurance cover for the Council e.g. public liability and employers' liability, property and vehicle assets (both ELC owned and leased) insurance cover etc. would leave the Council vulnerable to significant risk in respect of claims received. This could lead to financial loss and reputational damage.</p> <p>Should the Council's Insurance Service fail to operate effectively, risks may increase regarding effective management of insurance claims handling, policy compliance and accurate information being provided to the insurers (as required under the Insurance Act 2015). This, in turn, could lead to fraudulent claims, uninsured financial loss and reputational damage.</p> <p>Failure to declare accurately the risks within the Council to our insurers could result in cover being withdrawn and / or additional premiums or deductibles being incurred (leaving the Council at greater financial risk)</p> <p>Failure to maintain and implement / audit policies and procedures, including appropriate insurance MIS and records management and safeguarding of insurance claims data, could lead to a deterioration in the Council's claims experience. This will increase the premiums that the Council will have to pay. This may impact on the value of the Corporate Insurance Fund held within the Council's Reserves.</p> <p>The Council has never held insurance for the Council's museum/art collection or for items exhibited in museums or libraries.</p> <p>Any damage to or loss of these items due to water/fire damage etc. may result in request for no compensation and / or cause reputational damage.</p> <p>This could mean the loss of items of local/national significance, which could not be replaced, impacting on the ability of the Museums Team to meet service objectives.</p>	4	3	12	8	<p>232 - Focus on the Service Management Team re lessons learned to be delivered directly and preventative measures to be shared</p> <p>234 - Development of Insurance e-learning for all staff including information about the policies in place, requirements for annual declarations and also emerging insurance risks.</p>	06/11/2024	21/02/2025

R102	Impact on People	Fatality, Major Injury, Serious Incident in ELC enforced Workplace	<p>Under the Health & Safety at Work Act 1974, ELC is the enforcing authority for a significant number of workplaces in East Lothian. In the event of a fatality, major injury or serious incident, officers from Protective Services will be required to investigate and identify any legislative breaches which may result in prosecution. Officers may also be required to give evidence at a Fatal Accident Enquiry. Failure to meet these obligations could lead to significant reputational damage for ELC.</p> <p>Risk Factors: In 2010, UK Gov significantly reduced pro-active inspections of workplaces. This has reduced experience of officers and therefore competency levels. Investigations are time consuming and resource intensive adding pressure to existing team to deliver other statutory duties. There is currently a national shortage of qualified Environmental Health Officers which may have future implications for resourcing levels. Investigation processes and procedures need to be robust as most prosecutions are taken on summary indictment. Increased media attention / Information requests Third party insurance claims made against the Council. Depending upon the nature of the incident, the area may require evacuation and/or decontamination.</p>	4	3	12	8	<p>246 - Business Continuity Plan to be reviewed to include actions where resource is deployed into a major investigation.</p> <p>247 - Annual Service Plan to include initiatives that will increase pro-active activities e.g. topic visits, table-top scenarios, consistency exercises etc.</p> <p>248 - Competency Framework and Matrix to be developed to ensure required skills and knowledge are gained and maintained.</p> <p>249 - Any competency gaps to be identified and addressed vis PRD process.</p> <p>250 - Out of hours provision requires review.</p>	11/07/2024	22/05/2025
R113	Impact on People	Outbreak of Communicable Disease	<p>An outbreak of infectious disease in the East Lothian area will involve participation of Environmental Health Officers in the investigation, control and management of the outbreak under the Public Health (Scotland) Act 2008.</p> <p>Failure to efficiently respond to such an incident could result in serious illness or fatalities to the public as well as reputational risk to the Council.</p> <p>Risk Factors: Increased Global travel post-covid can see a rise in imported and unusual disease. Lack of post-brexite border checks may compromise food safety and may result in increased illness. Investigations are time consuming and resource intensive adding pressure to existing team to deliver other statutory duties. There is currently a national shortage of qualified Environmental Health Officers which may have future implications for resourcing levels. Such incidents attract significant media interest Matter may result in a public enquiry/formal investigation into the incident, which would affect the deployment of Council resources to carry out day-to-day work. Led to third party insurance claims to be made against the Council. Depending upon the nature of the incident, the area may require evacuation and/or disinfection.</p>	4	3	12	6	<p>286 - Protective Services Service Review to generate increased service capacity and resilience</p> <p>287 - Business Continuity Plan to be reviewed</p> <p>288 - Competency Framework and Matrix to be developed</p> <p>289 - Any competency gaps to be identified and addressed</p> <p>290 - Regular training on outbreak response and management to be developed and rolled-out to staff</p> <p>291 - Review out of hours provision</p>	31/07/2024	22/05/2025

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 17th December 2024

BY: Chief Executive

SUBJECT: Communities, Corporate Support, Development and Finance Risk Registers

1 PURPOSE

- 1.1 To present to the Audit and Governance Committee the Communities, Corporate Support, Development and Finance Risk Registers for discussion, comment and noting.
- 1.2 These Risk Registers are developed in keeping with the Council's Risk Management Strategy and are live documents, which are reviewed and refreshed on a regular basis, led by the Local Risk Working Groups (LRWG) within each service.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes these Risk Registers 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 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 and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

- 3.1 The Risk Registers has been compiled by the respective LRWGs. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 5) 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 four risk registers presented include the following number of risks.

- Communities Risk Register includes 1 Very High, 6 High, 17 Medium and 3 Low risks.
- Corporate Support Risk Register includes 1 Very High, 4 High, 14 Medium and 10 Low risks.
- Development Risk Register includes 3 High, 3 Medium and 5 Low risks.
- Finance Risk Register includes 8 High, 5 Medium and 6 Low risks.

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

4 POLICY IMPLICATIONS

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

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

6.1 Financial - It is the consideration of the respective LRWGs 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 Registers 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 Council Management Team.

6.2 Personnel - There are no immediate implications.

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

7 BACKGROUND PAPERS

7.1 Appendix 1 – Communities Risk Register

7.2 Appendix 2 – Corporate Support Risk Register

7.3 Appendix 3 – Development Risk Register

7.4 Appendix 4 – Finance Risk Register

7.5 Appendix 5 – Risk Matrix

AUTHOR'S NAME	Lee Wright
DESIGNATION	Emergency Planning and Resilience Officer
CONTACT INFO	lwright@eastlothian.gov.uk 01620 827250
DATE	5 th December 2024

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
------	-----	--------	------	-----------

East Lothian Council Development Risk Register

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date	Latest Update
R86	Impact on Service Objectives	Failure to facilitate supportive environment for economic growth	If the Council fails to facilitate a conducive environment for business formation, recovery, and growth then there will be fewer new start-ups, fewer growing businesses, fewer businesses relocating to East Lothian, lower private sector investment, and East Lothian will be less prosperous with increasing inequalities.	4	4	16	16	<p>202 - Long term planning for provision development enablement by ELC of land to allow for business growth and expansion.</p> <p>203 - Develop new 10 year Local Economy Strategy and Action Plan.</p> <p>204 - Deliver remediation and masterplan for former Cockenzie Power Station site</p> <p>205 - Explore individually and with others the identification of alternative funding streams</p>	28/02/2025	21/08/2024
R89	Impact on Service Objectives	Future development of the Blindwells expansion proves technically undeliverable, unviable or unaffordable	<p>Larger new town is a long term project that is likely to span several economic and political cycles, and generate significant capital and revenue requirements and additional demands for services and facilities as it is developed and once operational.</p> <p>Work that is currently being undertaken on the business case for expansion will consider technical requirements, and capital and revenue impacts of the development, and may demonstrate that there is no technically sound, viable or affordable future for the expansion area or no technical, viable or affordable future without public sector financial support from either or both Governments. The level of potential solution, including capital and revenue support to be identified, quantified and agreed with both Governments as a commitment through business case development, if required, before any expansion scheme is committed to by ELC.</p> <p>May lead to development requirements needing to be met elsewhere in East Lothian in whole or part.</p>	3	4	12	8	<p>207 - Ministerial engagement with UKG SG</p> <p>208 - Engage with Depute First Minister to start a dialogue</p> <p>209 - Ensure landowners base proposals on sound technical work</p> <p>210 - Test the robustness of the viability model prepared by the landowners and agree development programme and phasing model</p> <p>211 - Encourage equalisation agreement between landowners.</p> <p>212 - Consider if any need for shared control of land for shared infrastructure.</p> <p>213 - If allocated, identify and quantify additional revenue and public loan or grant investment required, facilitate arrangements between public-private-third sectors if needed.</p> <p>214 - Identify method to protect any public loan investment, including through engagement with SFT.</p>	30/04/2025	08/11/2024

R85	Property	Failure of Parking Management Project	<p>Parking demand in many of East Lothian's town centres can be high, especially at peak periods. Growth in car ownership and a lack of spaces for short stay parking makes it difficult for people to access amenities and local businesses. Improving the availability of short stay parking in the town centre increases turn-over making it easier to access the town centre and local services. Opposition raised from the business community stating parking charges will deter shoppers.</p> <p>Income generated would assist in delivering the investment required to introduce and maintain parking management arrangements and to achieve safer streets, parking space turnover and wider investment in active travel and sustainable transport provision.</p> <p>Income generated can be used to encourage greater use of public transport and promote active travel such as walking and cycling to address the Climate Emergency.</p> <p>Resources are required to implement and manage the project timeously to avoid delay and disruption in the delivery of proposed interventions (infrastructure and personnel) on a yearly basis.</p> <p>Political and public opposition to the proposals may increase levels of challenges, scrutiny and objections elongating delivery or potentially abandoning the project.</p>	3	4	12	9	<p>196 - Undertake full economic impact assessments, demand assessments and technical work for all East Lothian towns.</p> <p>197 - Provide consistent approach to consultation on an individual town by town basis commencing in Musselburgh.</p> <p>198 - Engage with community leaders, businesses, area partnerships early to explore their concern.</p> <p>199 - Identify partners and allies to keep messages positive.</p> <p>200 - Exploring and identifying additional off street parking intervention(s) where appropriate.</p>	31/03/2025	06/11/2024
-----	----------	---------------------------------------	---	---	---	----	---	---	------------	------------

REPORT TO: Audit and Governance Committee
MEETING DATE: 17 December 2024
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Report – December 2024

6

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee, provide details of Internal Audit's follow-up work undertaken and provide an update on progress made against the 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 September 2024 to December 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 2024/25 as set out in Appendix 3.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: IT Education Software Purchasing and Treasury Management - Income Generation.
- 3.2 The main objective of the audits was to ensure that the governance, risk management and internal controls in place were operating effectively. A summary of the main findings and recommendations from the IT Education Software Purchasing and Treasury Management - Income Generation audits are contained in Appendix 1.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- IT Education Software Purchasing – Reasonable Assurance
 - Treasury Management - Income Generation – Reasonable Assurance

- 3.4 Internal Audit follows-up on recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. Detailed spreadsheets are maintained to monitor progress being made and this report provides a summary of the current status for two audits that were reported in previous years. Recommendations that have not been fully implemented are detailed in Appendix 2 with revised dates for implementation. Our findings are detailed below:

Utilities Cost Management

- 3.5 The Internal Audit report on Utilities Cost Management was issued in December 2023. The report made 6 recommendations. Our follow-up review identified that 5 recommendations have been partially implemented and 1 recommendation has yet to be implemented. It is understood that resources in this area are constrained and one of the actions that is being taken forward is a Service Review to create the business case for additional resource, which may then assist with the implementation of the other recommendations.

Performance Indicators

- 3.6 The Internal Audit report on Performance Indicators was issued in December 2023. The report made 10 recommendations, of which; 4 have been fully implemented, 4 have been partially implemented and 2 are yet to be implemented. The outstanding recommendations should now all be complete by June 2025.

Progress Report 2024/25

- 3.7 A progress report attached as Appendix 3 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the revised annual audit plan for 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	6 December 2024

Appendix 1 Executive Summary: IT Education Software Purchasing

Conclusion: Reasonable Assurance

Education related software purchases are overseen by a combination of the central IT team and staff within the central Education team. The IT team have responsibility for the core systems and the Education team have responsibility for specialist education software used across East Lothian Schools. Over the last year procedures relating to requests for software purchases from schools have been revised by Education to ensure that appropriate software isn't already available within East Lothian and that the Council's security requirements are complied with. Processes for ensuring that all school staff are aware of the software available and training is progressed still require further improvement. A single register of all Education software is also required.

Background

Education use a combination of both windows based equipment and Chrome books. IT services are provided to the Council's schools via a combination of the central IT teams together with an Educational Support Officer and Learning Technologist within the central Educational Team. IT have responsibility for purchasing and installing software onto computers used by Education, while the staff within Education have responsibility for reviewing applications to be used with Chrome books and ensuring the Data Protection Impact Assessments are carried out to ensure that software being requested complies with both the Council's Information Governance and Information Security requirements.

Summary of findings & recommendations

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

- A library of google apps has been prepared for use by the schools with guidance document and procedures not in place at the time of the audit now having been developed and a soft roll out commenced with a further roll out to all teaching staff during 2025. *Management have agreed that these documents will be rolled out to all staff by February 2025.*
- Within the Primary Schools the main point of contact was usually one of the school admin staff, management have now developed a Digital Community to fulfil this role in a different way. *Management have agreed to continue to develop the digital community to aim to ensure representation from all schools by April 2025.*
- Two separate registers of software used are maintained by IT and Education with the Education team not having access to the records held by IT. *Management should ensure that Education staff are aware of all contracts on an ongoing basis.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	3	1	4
Prior report	N/A	N/A	N/A	N/A*

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

Materiality

Over a variety of software a total of 32,132 licences are held by the Council and software disclosed as an intangible asset within the Council's accounts has a written down value of £395,405.

Headlines

Objectives	Conclusion	Comment
<p>1. Adequate software asset management (SAM) policies, procedures and guidelines, including staff training and awareness are in place.</p>	<p>Reasonable</p>	<p>Policies and procedures have been updated to reflect how the central Education team want to engage with the Council’s central IT team to ensure that both sides are aware of the software being used across the Education estate. However, there was at the time of the audit no recorded specific IT point of contact for each East Lothian School, particularly within the Primary Schools. Management are in the process of developing the Digital Community to provide coverage across each school to provide support for training of staff in the recommended apps that are being allowed for use on the East Lothian Council network.</p>
<p>2. Educational software is appropriately assessed for Data Protection implications (e.g. Data Protection Impact Assessments – DPIAs), educational benefit and best value;</p>	<p>Reasonable</p>	<p>A Data Protection Impact Assessment has been developed to ensure that all requests for new software are considered from both an Information Governance and Information Security perspective. A library of appropriate software applications has been put together and will be available to all schools during the academic year 2024/25 and this will be developed going forward. Prior to purchasing software a review is undertaken by the central Education team to confirm that an equivalent piece of software isn’t already in place and that it meets an educational need.</p>
<p>3. Adequate SAM controls and processes are in place including user access controls, monitoring and management of software utilised within the Service.</p>	<p>Reasonable</p>	<p>Appropriate user access controls are in place and there has recently been work completed on identifying software being used. Further work following implementation of the approved list of applications may be required to continue to monitor the usage of these applications and ensure that the appropriate applications are available to staff. Processes are in place to facilitate this.</p>
<p>4. Software licensing terms and conditions are adhered to, proof of entitlement is in place for all installed software and non-compliance is identified and remediated as required.</p>	<p>Reasonable</p>	<p>Two software registers are maintained, one by IT of the software they oversee and the second is held by Education of the software overseen by Education. The register maintained by the Council IT team is monitored with diary notes and suppliers informing the team when licences are due to expire. A shared set of details would assist in monitoring the software budget and allowing decisions on software purchasing to be made with complete information.</p>

Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	A data protection impact assessment form has been put in place and needs to be completed prior to software being purchased.
2.	Registers are maintained setting out the software being used within schools together with the number of licences held by the Council and the expiry date of these licences.

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: Treasury Management – Income Generation

Conclusion: Reasonable Assurance

The Council has a generally sound system of internal controls in place for Treasury Management Income Generation, including a detailed cashflow for the Council on which investment decisions are made where possible, in conjunction with external treasury advice, and within the Council Treasury Strategy. Procedures and practice documents are in some cases out of date or in need of finalising, and some improvements could be made to improve the value of income made when possible, this should be balanced against the resource input required.

Background

The Council's Treasury Management team has responsibility for overseeing the Council's cash flow and long-term funding. As part of this they should be making best use of any excess funds that the Council holds by investing these in appropriate short-term investments in accordance with the prudential code and the approved treasury management strategy to reduce overall interest being paid by the council and maximise interest earned. Short-term cash surpluses are invested with low-risk counterparties. The list of these approved counterparties are reviewed on a regular basis and the Council continues to follow the longstanding view that only UK based counterparties and Local Government will be used.

Summary of findings & recommendations

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

- A Treasury Management Practices document has been in draft since 2023. *Management have agreed that this will be finalised and approved by February 2025.*
- The Council's Standing Orders do not reflect the most up-to-date Code of Practice and Regulations. *Management have agreed that these will be updated by December 2024.*
- A short-term investments basic procedure was put together for the audit. *Management have agreed to complete that detailed guidance will be drafted and approved by December 2024.*
- Whilst a detailed Cashflow is maintained by the Finance team for Treasury Management purposes large value property payments are included at expected times, more regular updates to this information would allow occasionally for greater interest by the Council. *Management have agreed to all Services will provide sufficient cashflow information when requested by December 2024*
- While investments have been made during the period there have been balances available where investments have not been made as a result of timely approvals not being achieved. *Management have agreed to review authorisation processes and ensure wherever possible investments are made by December 2024.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	4	2	6
Prior report *	n/a	n/a	n/a	n/a

Materiality

In the period under review a total of 35 investments have been provided the Council with approximately £550,000 of income.

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

Headlines

Objectives	Conclusion	Comment
1. Clear, accessible, relevant and appropriate Council Treasury Management strategies, policies and procedures are in place covering investment of available cash reserves.	Reasonable	The Council has a treasury management strategy in place, the Treasury Management Strategy 2024 – 2029 had been approved by the Council at its meeting on 24 February 2024. However, a document is required to clearly link the strategy to the CIPFA Treasury Management Code of Practice and in particular the Treasury Management Practices.
2. The council maintains an appropriate cashflow forecast on a daily, weekly and monthly basis identifying excess funds available for placing, on an accurate basis.	Reasonable	A cashflow is maintained and updated on a regular basis however some services who make high value payments could be asked to provide more regular updates to provide sufficient detail to allow further investment income to be generated by the Council.
3. Additional cash funds are placed with appropriate counterparties at best rates and for appropriate lengths of time as identified in the treasury strategy, following an appropriate authorisation process with trained and qualified staff, following appropriate treasury guidance.	Reasonable	The Council's Standing Orders set out which senior officer has overall responsibility for overseeing Treasury Management. Day-to-day operation of Treasury Management is carried out by the Treasury & Banking team. Requests for investments to be made are generally approved promptly. While investments have been made during the period there are occasions where funds could have been invested but weren't as approvals could not be provided on a timely basis. Consideration should be given to widening the group of staff marginally who can make specific treasury investment decisions with clear risk-based limits.
4. Management should ensure that the approved list of counterparties for placement of funds is monitored regularly and counterparties removed if they do not meet the treasury strategy requirements, or advice indicates the risk has increased.	Substantial	A review of the cashflow showed that 36 investments had been made and that each of these had been with counterparties from the advisers Credit Rating List. A revised Credit Rating List is provided by the Council's Treasury adviser on a weekly basis. All of the counterparties in accordance with the treasury strategy.
5. The council's bank accounts are appropriately grouped to ensure maximisation of interest payments.	Substantial	While the Council has seven bank accounts these are operated as a pooled account and on an end of day basis interest, is added to the General account, based on the overall end of day balance. Consideration should be given to developing an arrangement with the Councils' Banking provider to include a higher interest account for transferring funds not required without requiring specific transfer of funds to another investment provider.

Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	A Treasury Management Strategy for 2024-25 to 2028-29 has been put in place and approved by the Council.
2.	There is adequate segregation between staff authorised to approve investments and those making the payments.
3.	Under the current bank contract interest is paid monthly on the end of day pooled bank balances.
4.	A cash flow is maintained and used to identify occasions when there are sufficient funds available to put excess funds into investments.
5.	All investments purchased are via counterparties identified in the Council's external advisers weekly Credit Rating Reports.

Recommendation Grading/Overall opinion definitions

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

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

OUTSTANDING RECOMMENDATIONS

UTILITIES COST MANAGEMENT (DECEMBER 2023)

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
1.1	<u>Partly Implemented</u> Management should clearly document an operational Heating Policy.	Medium	Service Manager – Engineering Services & Building Standards	A documented Operational Building Heating Protocol will be developed that will sit behind both the Council's Asset Strategy and Climate Change Strategy.	March 2024	June 2025
1.2	<u>Partly Implemented</u> Management should ensure that the procedures to be carried out by the Energy Officer are formalised and documented.	Medium	Service Manager – Engineering Services & Building Standards	The Job Overview that is already in place for the Energy Officer does include some of this detail, however there is an intention to review and update this following approval of the Assistant Energy Officer post.	March 2024	May 2025

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
1.3	<p><u>Partly Implemented</u></p> <p>A business case should be put forward to provide further resource to complete basic administrative tasks of meter reading, data entry and building entry for the Energy Officer, in order that this Officer can complete more energy saving measures to make costs savings above the cost of that additional resource.</p>	High	Service Manager – Engineering Services & Building Standards	Job Description has been prepared for an Assistant Energy Officer and is currently with the Job Evaluation Team for consideration. Draft Service Review document has been prepared and is being progressed.	March 2024	May 2025
3.1	<p><u>Partly Implemented</u></p> <p>Evidence should be retained of the checks carried out to confirm that the rates charged by the suppliers are in agreement with the Scottish Procurement rates.</p>	Medium	Service Manager – Engineering Services & Building Standards	Price checks are carried out electronically on the Teams Software used. Rate changes will normally apply on 1st April each year, and these are checked from the first payment date in May and every payment thereafter. This is all flagged up and checked electronically. Going forward we will take screen dumps of these checks identifying rate changes applied and where we check to ensure the correct rates are being applied. These will be stored in a “rate check file” for any future auditing purposes.	March 2024	May 2025

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
3.2	<p><u>Partly Implemented</u></p> <p>Checks should be undertaken to confirm that the Council is obtaining best value under the Scottish Procurement utilities contracts before confirming that the Council will continue to use these contracts.</p>	Medium	Transformation & Digital Portfolio Manager	Are currently exploring alternative frameworks for Electricity and are awaiting various responses from the main framework providers.	March 2024	May 2025
4.1	<p><u>Awaiting Implementation</u></p> <p>Management should add an overhead charge onto the utilities costs that are recharged to third parties in line with the Council Charging Policy.</p>	Medium	Service Manager – Engineering Services & Building Standards	Agreed, however we need to discuss and agree any re-charging / management charges with Estates colleagues when rental agreements are reviewed in order for this to apply. This has not been applicable to any reviews taking place since the date of the audit.	March 2024	May 2025

PERFORMANCE INDICATORS (DECEMBER 2023)

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
3.1	<p><u>Partly Implemented</u></p> <p>Management should ensure that the Top 50 Council Plan Report provides complete and comprehensive information for each of the 50 indicators.</p>	Medium	Transformation & Digital Portfolio Manager	The Council Plan 2022-2027 Top 50 Performance Report presented to PPRC on 19 September 2024 included a small number of indicators without commentary. Aim to have commentary in place for all indicators by the March 2025 PPRC.	December 2023	March 2025
3.2	<p><u>Awaiting Implementation</u></p> <p>Management should aim to present the LGBF annual report to the March PPRC meeting.</p>	Medium	Transformation & Digital Portfolio Manager	The LGBF report for 2022-23 was delayed and was scheduled to be reported to the June 2024 PPRC meeting, however this meeting did not take place and the report was not presented to the PPRC (the report was submitted to Members' Library instead). The release of the 2023-24 LGBF report is unlikely to be in time for the March 2025 PPRC, and the report will be presented to the June 2025 PPRC meeting.	March 2024	June 2025

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
4.1	<p><u>Partly Implemented</u></p> <p>An action list of reports should be developed, to reflect requests from Members on specific areas that have arisen out of the performance data.</p>	Medium	Head of Corporate Support	Work is ongoing to refine the way we record actions from all committee meetings, and these will be implemented consistently across all committees going forward. Should be in place for the March 2025 PPRC.	December 2023	March 2025
4.3	<p><u>Awaiting Implementation</u></p> <p>The PPRC should meet four times per year as scheduled, to allow performance to be considered for each quarter.</p>	Medium	Transformation & Digital Portfolio Manager	<p>The June 2024 PPRC meeting was not held. This is the second year that only three of the four scheduled PPRC meetings have taken place (The March 2023 PPRC meeting also did not take place).</p> <p>All four scheduled PPRC meetings will be held in 2024-25.</p>	March 2024	June 2025

REC REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	ACTION UPDATE	AGREED TARGET DATE	REVISED TARGET DATE
5.1	<p><u>Partly Implemented</u></p> <p>Management should ensure that the Quarterly PI reports provided to PPRC are complete and contain all relevant details, including up to date figures and comments for each indicator.</p>	Medium	Transformation & Digital Portfolio Manager	<p>The 2023/24 Q4 and 2024/25 Q1 Performance Indicators Report as presented to the PPRC on 19 September 2024 was very comprehensive, although for a small number of indicators commentary was not provided.</p> <p>However the Quarter 2 2024/25 Performance Indicator Report (Appendix 1 to 12 December 2024 PPRC Report) does not include a commentary for each indicator, we are advised this is due to a system error and hopefully should be rectified for the Quarter 3 report in March 2025 (note however that the covering report has sought to provide commentary for many of the key indicators).</p>	December 2023	March 2025
5.2	<p><u>Partly Implemented</u></p> <p>Where service areas do not provide PI details to the Policy & Performance team by the required deadline, this should be escalated to Head of Service level.</p>	Medium	Transformation & Digital Portfolio Manager	Linked to 5.1 above – will escalate where appropriate commentary is not provided.	December 2023	March 2025

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 Progress
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 Progress
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.	March 2025	In Progress
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.	March 2025	In Progress

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.	June 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	Complete
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 December 2024

BY: Service Manager – Internal Audit

SUBJECT: Internal Audit Charter

7

1 PURPOSE

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require an Audit Charter to be in place in each local authority.
- 1.2 The PSIAS require the Internal Audit Charter to be reviewed periodically and presented to Senior Management and to the Audit and Governance Committee for approval.
- 1.3 East Lothian Council's Internal Audit Charter was approved by the Audit and Governance Committee in December 2023. The Charter has been reviewed and updated to include further details as required in recommendation 1 of the External Quality Assessment reported to the March 2024 Audit and Governance Committee. The updated Internal Audit Charter is being presented to the Audit and Governance Committee for approval.

2 RECOMMENDATION

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

3 BACKGROUND

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

- 3.3 A change from PSIAS to Global Internal Audit Standards, for audit work being completed to support assurance statements after the year ending 31 March 2025, is being proposed in the UK public sector Internal Audit Standards Advisory Board advisory note consultation that ended in October 2024. This change in standards is likely to require a revised Internal Audit Charter to be developed and approved and a revised charter will be submitted to the Audit and Governance Committee following full confirmation from the Internal Audit Standard setters, including the Code of Practice for Governance of Internal Audit in UK Local Government currently being developed by CIPFA.
- 3.4 A comparison of current practice against the revised standards will be completed during 2025 and where changes to current practice are required this will be highlighted to the Audit and Governance Committee.

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	6 December 2024

**EAST LoTHIAN COUNCIL
INTERNAL AUDIT**



**INTERNAL AUDIT
CHARTER**

INTERNAL AUDIT CHARTER

1. Introduction

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

2. Definitions

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

3. Purpose

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

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

4. Scope

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

5. Authority

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

6. Responsibility

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

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

7. Independence

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

8. Accountability

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

9. Management Responsibilities

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

10. Advisory Work

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

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

11. Quality Assurance

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

Internal assessments

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

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

External assessments

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

12. Approval

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

Updated: December 2024

REPORT TO: **AUDIT AND GOVERNANCE COMMITTEE**

MEETING DATE: 17 December 2024

BY: Executive Director for Council Resources

SUBJECT: Treasury Management – Mid Year Review 2024-25

11

1 PURPOSE

- 1.1 An update to the Committee on Treasury Management activity during the first six months of 2024-25.

2 RECOMMENDATIONS

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

3 BACKGROUND

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

performance consistent with those risks. This mid-year report is reviewed against the current Treasury Management Strategy that was approved by Council on 20 February 2024.

- 3.4 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- A. An economic update for the first part of the 2024-25 financial year;
 - B. A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - C. The Council's capital position (prudential indicators);
 - D. A review of the Council's investment portfolio for 2024-25.
 - E. A review of the Council's borrowing strategy for 2024-25.
 - F. A review of any debt rescheduling undertaken during 2024-25.

Part A – Economic Update

- 3.5 The Monetary Policy Committee (MPC) decreased interest rates by 0.25%, taking Bank rate from 5.25% in March to 5.00% in August as inflation fell closer to the Bank of England's target.
- 3.6 Interest rates are thought to continue to decrease but a slower rate than predicted previously, with the rate expected to hold at 4.75% until the end of 2024, in line with the Bank of England strategy to for managing inflation, which they predict will rise to at least 2.5% by the end of 2024 and will continue to fluctuate until at least 2026.
- 3.7 The MPC's thoughts and the economic conditions have informed our Treasury advisors forecast for the period December 2024 to December 2027 as shown in Table 3.1. It shows Bank Rate at 4.75% with an expectation that it will continue to decrease by 0.25% quarterly with a pause at the end of 2025, remaining almost constant at 3.75% for 2026, a drop of 0.25% then holding steady at 3.50% for 2027.

Table 3.1

Link Group Interest Rate View	11.11.24												
	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
BANK RATE	4.75	4.50	4.25	4.00	4.00	3.75	3.75	3.75	3.50	3.50	3.50	3.50	3.50
3 month ave earnings	4.70	4.50	4.30	4.00	4.00	4.00	3.80	3.80	3.80	3.50	3.50	3.50	3.50
6 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
12 month ave earnings	4.70	4.40	4.20	3.90	3.90	3.90	3.80	3.80	3.80	3.50	3.50	3.50	3.50
5 yr PWLB	5.00	4.90	4.80	4.60	4.50	4.50	4.40	4.30	4.20	4.10	4.00	4.00	3.90
10 yr PWLB	5.30	5.10	5.00	4.80	4.80	4.70	4.50	4.50	4.40	4.30	4.20	4.20	4.10
25 yr PWLB	5.60	5.50	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.50
50 yr PWLB	5.40	5.30	5.20	5.10	5.00	4.90	4.80	4.70	4.60	4.50	4.40	4.30	4.30

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

- 3.8 The Treasury Management Strategy Statement (TMSS) sets out the wider Treasury and Investment Strategy and was approved by Council on 20 February 2024. The Strategy includes several key treasury management indicators. This report provides an update on the Treasury Management activity undertaken by the Council relative to the approved strategy taking account of the updated economic position and budgetary changes already approved.
- 3.9 Table 3.2 below provides a summary of the current position relative to approved indicators, with more details around the position on each indicator set out in the remainder of this report.

Table 3.2

Prudential Indicators 2024-25	Approved £m	Current Estimated Prudential Indicator £m
Capital Financing Requirement	685	688
Operational Boundary	685	688
Authorised Limit	756	756

Includes long term liabilities for PPP arrangements and finance leases

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

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

Capital Expenditure and Financing of the Capital Programme

- 3.11 Table 3.3 below sets out the current projected outturns for the Council's capital investment programmes for 2024-25 relative to the approved budget set on 20 February 2024.

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

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

Table 3.3

Capital Expenditure	2024-25 Approved Budget £m	2024-25 Projected Outturn * £m
General Services	117	113
HRA	32	29
Total capital expenditure	149	142
Financed by:		
Capital receipts	15	13
Capital Grants	52	51
CFCR	2	2
Total financing	69	66
Borrowing requirement	80	76

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

Impact on Prudential Indicators

- 3.12 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. Table 3.4 below, sets out the CFR and the expected debt position over the period, which is termed the Operational Boundary.
- 3.13 Overall, the Council is currently projecting to be marginally over the approved limits for both CFR and Operational Boundary. This is due to the reprofiling of the PPP arrangements to match asset lives as per guidance issued by the Scottish Government and implemented at the end of the 2023-24 financial year.

This increased the CFR by £14 million and has therefore cancelled out any reduction which would have been seen from any reduction or reprofiling of budgeted spend and the increase in capital receipts in 2023-24 in General Services of close to £10 million on the opening position to budget.

Table 3.4

Prudential Indicators	2024-25 Approved Limits £m	2024-25 Projected Outturn £m
Capital Financing Requirement		
CFR – General Services	394	402
CFR – HRA	291	286
Total CFR	685	688
Operational Boundary for external debt		
Borrowing	656	659
Other long term liabilities*	29	29
Total debt (year-end position)	685	618

** PPP arrangements and finance leases*

The impact of capital investment decisions on the ratio of financing costs to net revenue streams and the debt per Band D equivalent and per HRA dwelling are shown in the table below.

Table 3.5

Prudential Indicators	2024-25 Approved Budget	2024-25 Projected Outturn
Ratio of financing costs to net revenue stream		
General Services	5.57%	5.24%
HRA	36.24%	35.20%
Impact of Capital Investment Decisions		
General Services – Debt per Band D equivalent	£5,940	£5,807
HRA – Debt per dwelling	£31,112	£30,312

Limits to Borrowing Activity

- 3.14 One of the main key controls over the treasury activity is to ensure that over the medium term, net borrowing (borrowing less investments) will only be for a capital purpose. Gross external borrowing should not, (except in the short term), exceed the total of CFR in the previous year plus the estimates of any additional CFR for 2024-25 and next two financial years. This allows some flexibility for limited early borrowing for future years should the need arise.
- 3.15 Table 3.5 below sets out that the Council is currently managing to operate within this limit and continue to maintain an under-borrowed position. The table below shows that at the end of this financial year the Council is currently forecasting to have external borrowings of £596 million and to utilise £92 million of cash flow funds (under-borrowing) in lieu of borrowing. This is the most prudent and cost effective approach in the current economic climate and remains consistent with the approved Treasury Management Strategy.

Table 3.5

	2023-24 Estimate £m	2023-24 Actual £m	2024-25 Original Estimate £m	2024-25 Revised Estimate £m
External borrowing	573	494	559	567
Other long term liabilities*	31	31	29	29
Total external debt	604	525	588	596
CFR* (year end position)	669	625	685	688
Under-borrowing	65	100	97	92

* Includes PPP arrangements and finance leases etc.

3.16 The Authorised Limit is a statutory requirement that represents the limit beyond which borrowing is prohibited and sets an overall control on the level of borrowing. This limit reflects the level of borrowing which while not desired, could be afforded in the short term, but is not sustainable in the longer term. The approved Authorised Limit for 2024-25 is £756 million and as highlighted in Table 3.2 above, the Council continues to operate well within approved limits, and therefore there is no change to the overall strategy required.

Part D - Investment Portfolio 2024-25

3.17 In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return consistent with the Council's risk appetite. Wider loan interest rates remain in line with the latest Bank Rate. Bank interest rates are forecast remain at 4.75% for the remainder of the financial year and given this, investment returns will be lower than in 2023-24.

3.18 The Council's investment decisions are made in accordance with the approved strategy. Fifty-two short term investments were placed during the first 6 months of the financial year as shown in Table 3.6. Seven of the investments placed are due to mature in the next financial quarter of the year.

Ethical, Sustainable, Governance (ESG) investments are sought where interest rates are comparable with other bodies and the criteria for risk exposure are also met and 2 investments of this type were placed in the period. Any other surplus cash balances are held in the Council's bank account.

These short term investments are aligned to the overall strategic direction to take opportunities to maximise income while maintaining overall liquidity and remaining in alignment with TMP1 (Treasury Management Practices) as per the Annual Investment Strategy within the approved 2024/25 Treasury Strategy.

Table 3.6

Counterparty	Date	Principle £m	Maturity	Interest rate
DMO (UK Govt. Debt Management Office)	08/05/2024	5	10/05/2024	5.19%
DMO	08/05/2024	10	13/05/2024	5.19%
Lloyds Bank	08/05/2024	5	10/06/2024	5.28%
Standard Chartered Sustainable	08/05/2024	5	08/08/2024	5.15%
Central Bedfordshire	24/05/2024	5	22/08/2024	5.15%

DMO	11/06/2024	10	12/06/2024	5.19%
Lloyds Bank	11/06/2024	5	11/07/2024	5.28%
DMO	12/06/2024	10	21/06/2024	5.19%
Monmouthshire County Council	19/06/2024	5	19/09/2024	5.24%
Central Bedfordshire Council	24/06/2024	5	08/07/2024	5.25%
DMO	26/06/2024	10	27/06/2024	5.19%
DMO	01/07/2024	5	15/07/2024	5.20%
DMO	03/07/2024	5	05/07/2024	5.19%
DMO	09/07/2024	10	10/07/2024	5.19%
DMO	10/07/2024	10	12/07/2024	5.19%
Lloyds Bank	11/07/2024	5	12/08/2024	5.25%
DMO	12/07/2024	10	19/07/2024	5.19%
DMO	15/07/2024	4	19/07/2024	5.19%
DMO	15/07/2024	5	29/07/2024	5.19%
DMO	17/07/2024	5	18/07/2024	5.19%
DMO	18/07/2024	5	22/07/2024	5.19%
DMO	22/07/2024	5	29/07/2024	5.19%
DMO	24/07/2024	5	30/07/2024	5.19%
DMO	30/07/2024	20	31/07/2024	5.19%
DMO	31/07/2024	20	01/08/2024	5.19%
DMO	01/08/2024	10	12/08/2024	5.03%
DMO	02/08/2024	6.5	08/08/2024	4.94%
DMO	08/08/2024	8	12/08/2024	4.94%
Standard Chartered Sustainable	08/08/2024	5	08/11/2024	4.89%
DMO	12/08/2024	10	16/08/2024	4.94%
Lloyds Bank	12/08/2024	5	12/09/2024	4.94%
DMO	13/08/2024	7	20/08/2024	4.94%
DMO	16/08/2024	8	19/08/2024	4.94%
DMO	21/08/2024	10	30/08/2024	4.94%
DMO	21/08/2024	5	27/08/2024	4.94%
DMO	27/08/2024	5	29/08/2024	4.94%
DMO	28/08/2024	6	29/08/2024	4.94%
DMO	30/08/2024	10	06/09/2024	4.94%
DMO	04/09/2024	4	06/09/2024	4.94%
DMO	05/09/2024	3	13/09/2024	4.94%
DMO	06/09/2024	7	12/09/2024	4.94%
DMO	11/09/2024	3	12/09/2024	4.94%
DMO	12/09/2024	1.5	12/09/2024	4.94%
DMO	12/09/2024	8	20/09/2024	4.94%

DMO	20/09/2024	9	23/09/2024	4.94%
Lloyds Bank	20/09/2024	5	21/10/2024	4.95%
DMO	26/09/2024	9	27/09/2024	4.94%
DMO	26/09/2024	10	04/10/2024	4.94%
Wrexham Council	27/09/2024	2	11/10/2024	5.00%
LB Haringey Council	30/09/2024	5	30/10/2024	5.00%
NE Lincolnshire Council	30/09/2024	5	28/11/2024	4.90%
LB Barking & Dagenham Council	30/09/2024	5	28/11/2024	5.05%

3.19 An external investment management company, Rathbones (previously with Investec which has been incorporated into Rathbones) manages East Lothian Council Common Good funds and Charitable Trust funds in two separate portfolios. The returns on these investments continue to be closely monitored during the year. As of 30 September 2024:

- The Common Good portfolio was valued at £3.946 million, an increase of £0.096 million over the 6 month period. Although the performance of this portfolio over the first 6 months was slightly lower than the benchmark by 0.28% it was higher than benchmark by 0.11% in the first 3 months of the financial year.
- The East Lothian Charitable Trust portfolio was valued at £3.894 million, an increase of £0.087 million over the 6 month period. The performance of this portfolio over the first 6 months was below the benchmark by 0.40% although it was higher than benchmark by 0.17% in the first 3 months of the financial year.

Part E – Borrowing Strategy 2024-25

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

Looking forward, the Council will need to consider further both the affordability of capital investment plans and potentially seek alternative sources and/or methods of borrowing in order to achieve the best rates and terms. Whilst it remains unclear as to the extent of any further increase in borrowing rates or the duration of any peak, the Council's treasury advisor, Link Asset Services provides regular forecasting of

PWLB rates so that an informed decision can be made on the timing of the borrowing for the capital programme.

- 3.21 Five long term external loans were taken in the first 6 months of the financial year. Due to the overall financial position and the underlying need to borrow for capital purposes (the capital financing requirement – CFR, currently £688 million) it is currently estimated that further new external borrowing of £30 million will be required during the second half of this financial year.

4 Table 3.7

Loan	Date	Principal £m	Maturity (Years)	Interest rate
PWLB – EIP (equal instalments of principal)	02/04/2024	10	11	4.19%
PWLB - Maturity	02/04/2024	5	6	4.19%
PWLB - EIP	25/09/2024	15	11	4.37%
PWLB - EIP	25/09/2024	10	11	3.97%
PWLB - Maturity	25/09/2024	15	2.5	4.83%

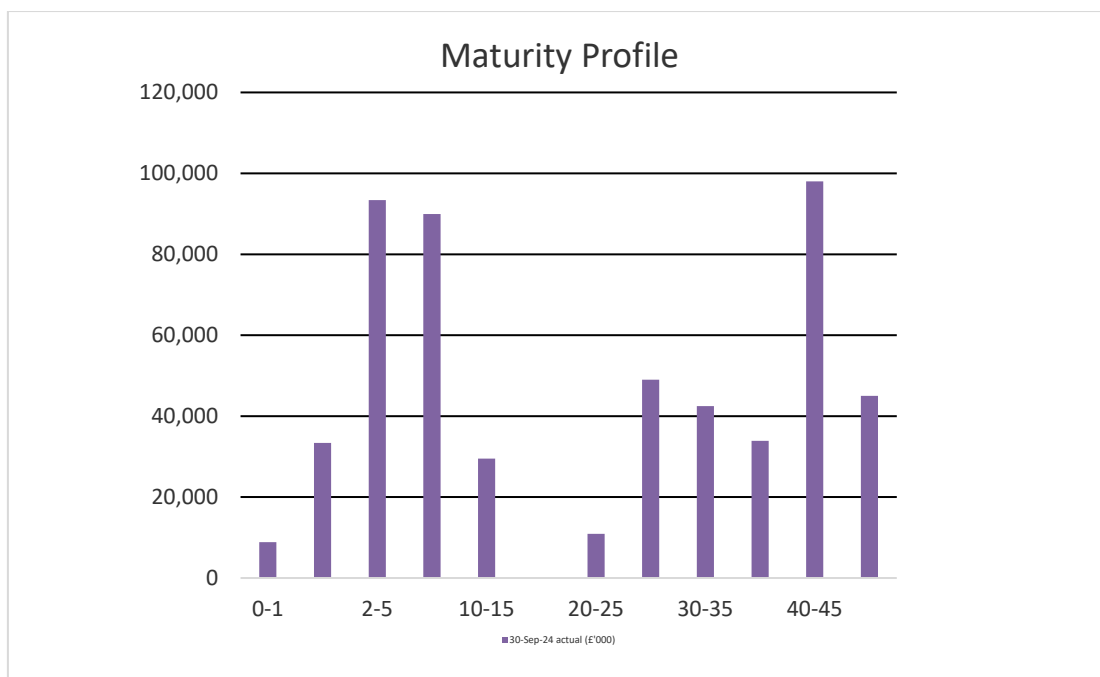
- 4.1 Three PWLB loans matured during the first six months and was repaid as set out in Table 3.8 below

Table 3.8

Loan	Date repaid	Principal £m	Maturity (Years)	Interest rate
PWLB	21/09/2024	3.5	12	3.09%
PWLB	24/09/2024	3.5	12	3.04%
PWLB	28/09/2024	0.639	29	8.25%

Current Loan Maturity Profile

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



Part F – Debt Rescheduling

- 4.3 Debt rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings. However, no debt repayments or rescheduling have been undertaken to date in the current financial year.

Part G - Introduction of Reporting Standard IFRS16

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

5 POLICY IMPLICATIONS

- 5.1 There are no direct policy implications associated with this report, however the Council’s treasury management activity is determined by the policy framework set out in the approved Treasury Management Strategy. No

changes to the current strategy are recommended on the basis of this mid-year review.

6 INTEGRATED IMPACT ASSESSMENT

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

7 RESOURCE IMPLICATIONS

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

8 BACKGROUND PAPERS

- 8.1 Treasury Management Strategy 2024-25 to 2027-28 – East Lothian Council 20 February 2024

Author's Name	Ann-Marie Glancy Doreen Pringle Karen Duff
DESIGNATION	Service Manager – Corporate Accounting Principal Accountant – Capital, Treasury and Banking Treasury and Banking Officer
CONTACT INFO	aglancy@eastlothian.gov.uk
DATE	9 December 2024

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 17th December 2024

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

SUBJECT: East Lothian Land Ltd 2023/24

12

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the work undertaken by East Lothian Land Ltd in 2023/24

2 RECOMMENDATIONS

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

3 BACKGROUND

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

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

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

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

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

2024 and beyond building a portfolio of commercially viable properties to support the growth of businesses across East Lothian.

Lisa Deegan, has been the Company Secretary and Manager of the company for the duration of the financial year. The manager is supported by the Economic Development Business Development assistant.

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

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

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

3.2 Financial / Legal

ELL has appointed Greaves West & Ayre as auditor for the year to 2023/24. End of Year accounts are approved by the board and signed off accordingly and provided to ELC for group accounting purposes. (See appendix 1 End of year accounts).

ELL auditor opinion is that the financial statements for the company give a true and fair view of the state of the company affairs as at 31st March 2024 and of its loss before taxation of £15,769 for the year then ended.

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

3.3 2023/24 Projects considered

A vacant field within the Prestongrange site has been considered as a possible opportunity for construction of light industrial units. With significant external investment required to progress this opportunity, the Board has agreed to observe demand and lease arrangements at the Haddington Retail Park’s light industrial site in view of ELLs risk appetite prior to determining whether to pursue this.

3.4 2023 / 24 Projects commenced

Focus has been on establishing whether there is opportunity for ELL to support wider Economic Development while leveraging from the potential disposals from ELCs Asset Review.

(1) JMH Block C feasibility study underway with objective of assessing three development options as follows:

- Mirroring of existing Block B model micro-office/hub working units

- Development into high specification flagship office space for a sizeable professional firm looking to relocate their Head Office in Haddington
- Development of flexible sized office space to medium specification easily adapted to suit the needs of a range of businesses

(2) Ongoing liaison with relevant ELC officers with regards to the Council's asset review and place based approach to identify any future opportunities for realising economic development benefits that ELL Ltd could support.

3.5 Future projects

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

4 POLICY IMPLICATIONS

4.1 The three strategic goals of the East Lothian Council Local Economy Strategy 2024-2034 are :-

- To increase the number of businesses in East Lothian with growth and employment potential

To reduce income inequality across East Lothian, and to improve access to employment in rural areas.

- To increase the number of socially and environmentally responsible businesses, expand plural ownership of the economy, and grow community wealth.

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

INTEGRATED IMPACT ASSESSMENT

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

5 RESOURCE IMPLICATIONS

5.1 Financial - None

5.2 Personnel - Companies Manager, ED Business Development assistant and senior ELC officer.

5.3 Other – none

AUTHOR'S NAME	Lisa Deegan
DESIGNATION	Companies Manager
CONTACT INFO	Tel 07854 191597 lideegan@eastlothian.gov.uk
DATE	03/12/2024

Appendix 1 – End of Year Accounts

Company registration number SC208723 (Scotland)

EAST LoTHIAN LAND LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

EAST LOTHIAN LAND LIMITED

COMPANY INFORMATION

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

EAST LoTHIAN LAND LIMITED

CONTENTS

	Page
Directors' report	1
Independent auditor's report	2 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 12

EAST LOTHIAN LAND LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2024

The directors present their annual report and financial statements for the year ended 31 March 2024.

Principal activities

The principal activity of the company continued to be that of trading in land for development.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr N Hampshire
Mr J McMillan

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

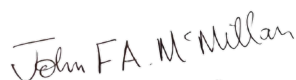
Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Small companies exemption

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



Mr J McMillan
Director

5 July 2024

EAST LOTHIAN LAND LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LOTHIAN LAND LIMITED

Opinion

We have audited the financial statements of East Lothian Land Limited (the 'company') for the year ended 31 March 2024 which comprise the profit and loss account, the balance sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances set out in note 11 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

EAST LOTHIAN LAND LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF EAST LOTHIAN LAND LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the land development and trading sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including legislation such as the Companies Act 2006, taxation legislation and employment legislation.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management, contacting the entity's solicitor for any details of non-compliance and inspecting current year legal expenditure; and
- identified laws and regulations of particular relevance were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

EAST LOTHIAN LAND LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBER OF EAST LOTHIAN LAND LIMITED

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations;

To address the risk of fraud through management bias and override of controls, including any fraud associated with revenue recognition, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in investment property valuations were indicative of potential bias;
- evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- tested interest receivable from loan to East Lothian Council.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims against the company;
- reviewing correspondence with HMRC and the company's legal advisors;

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit.

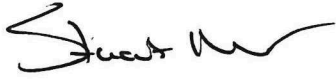
A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to the member in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's member, for our audit work, for this report, or for the opinions we have formed.

EAST LoTHIAN LAND LIMITED

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBER OF EAST LoTHIAN LAND LIMITED**



Stuart Millar CA
Senior Statutory Auditor
For and on behalf of Greaves West & Ayre (Haddington)

Date: 12/8/22

Chartered Accountants
Statutory Auditor

8 St. Ann's Place
Haddington
East Lothian
EH41 4BS

EAST LOTHIAN LAND LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2024

	2024	2023
	£	£
Turnover	-	-
Administrative expenses	(24,490)	(11,656)
Operating loss	(24,490)	(11,656)
Interest receivable and similar income	6,527	366
Loss before taxation	(17,963)	(11,290)
Tax on loss	2,194	2,822
Loss for the financial year	(15,769)	(8,468)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

EAST LOTHIAN LAND LIMITED

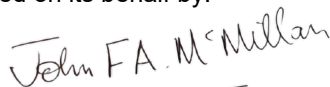
BALANCE SHEET

AS AT 31 MARCH 2024

	Notes	2024		2023	
		£	£	£	£
Fixed assets					
Investment property	4		100,000		100,000
Current assets					
Debtors	5	8,242		30,151	
Cash at bank and in hand		547,520		533,658	
		<u>555,762</u>		<u>563,809</u>	
Creditors: amounts falling due within one year	6	<u>(15,926)</u>		<u>(6,010)</u>	
Net current assets			<u>539,836</u>		<u>557,799</u>
Total assets less current liabilities			<u>639,836</u>		<u>657,799</u>
Provisions for liabilities			<u>(12,239)</u>		<u>(14,433)</u>
Net assets			<u>627,597</u>		<u>643,366</u>
Capital and reserves					
Called up share capital	7		800,000		800,000
Non-distributable profits reserve	8		87,761		82,745
Distributable profit and loss reserves			<u>(260,164)</u>		<u>(239,379)</u>
Total equity			<u>627,597</u>		<u>643,366</u>

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

The financial statements were approved by the board of directors and authorised for issue on 5 July 2024 and are signed on its behalf by:



Mr J McMillan
Director

Company registration number SC208723 (Scotland)

EAST LOTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

1 Accounting policies

Company information

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

1.1 Accounting convention

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

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

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

1.2 Going concern

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

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

1.3 Investment property

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

1.4 Cash and cash equivalents

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

1.5 Financial instruments

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

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

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

Basic financial assets

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

EAST LOTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

1 Accounting policies

(Continued)

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

1.6 Equity instruments

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

1.7 Taxation

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

Current tax

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

Deferred tax

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

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

EAST LOTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

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

Investment Property valuation

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

3 Employees

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

	2024 Number	2023 Number
Total	-	-

4 Investment property

	2024 £
Fair value At 1 April 2023 and 31 March 2024	100,000

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

EAST LOTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

5 Debtors			2024	2023
			£	£
Amounts falling due within one year:				
Amounts owed by group undertakings			7,432	22,991
Other debtors			810	744
			<u>8,242</u>	<u>23,735</u>
			2024	2023
			£	£
Amounts falling due after more than one year:				
Amounts owed by group undertakings			-	6,416
			<u>-</u>	<u>6,416</u>
Total debtors			<u>8,242</u>	<u>30,151</u>
6 Creditors: amounts falling due within one year			2024	2023
			£	£
Trade creditors			10,939	-
Taxation and social security			49	-
Other creditors			4,938	6,010
			<u>15,926</u>	<u>6,010</u>
7 Called up share capital			2024	2023
	2024	2023	2024	2023
	Number	Number	£	£
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	800,000	800,000	800,000	800,000
	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>	<u>800,000</u>
8 Non-distributable profits reserve			2024	2023
			£	£
At the beginning of the year			82,745	82,745
Non distributable profits in the year			5,016	-
			<u>87,761</u>	<u>82,745</u>

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

EAST LoTHIAN LAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

9 Related party transactions

Transactions with related parties

During the year, the company benefitted from the provision of IT & employee services from its parent entity, East Lothian Council. The provision of IT infrastructure and remuneration in respect of the entity's "Companies Manager" and her assistant have been jointly provided to the company and to East Lothian Investments Limited for a charge of £10,000 jointly (2023: £nil). This is to be paid in full by East Lothian Land Limited, for which there will be no further recharge, so there are no balances due to or by East Lothian Investments at the yearend (2023: £nil). Therefore there is £10,000 due to East Lothian Council at the yearend (2023: £nil).

10 Parent company

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

11 Non-audit services provided by auditor

In common with many businesses of our size and nature we use our auditor to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

EAST LOTHIAN LAND LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2024

	£	2024 £	£	2023 £
Administrative Expenses				
Management charge - group	10,000		-	
Professional fees	9,873		2,792	
Accountancy	423		3,725	
Audit fees	4,076		5,000	
Bank charges	118		139	
		(24,490)		(11,656)
Operating Loss		(24,490)		(11,656)
Other Income				
Bank interest received	6,348		-	
Other interest received	179		366	
		6,527		366
Net Loss for the Year		(17,963)		(11,290)