



MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE

**TUESDAY 17 DECEMBER 2024, 10AM
COUNCILS HYBRID SYSTEM**

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Committee Members Present:

Councillor Jardine
Councillor McFarlane
Councillor McGuire (nominated Convener)
Councillor McLeod
Councillor Ritchie

Other Councillors Present:

Councillor Hampshire
Councillor McMillan

Council Officials Present:

Ms M Patterson, Chief Executive
Ms S Fortune, Executive Director for Council Resources
Ms L Brown, Executive Director for Education & Children's Services
Ms H Barnett, Head of Corporate Support
Ms W McGuire, Head of Housing
Ms N McDowell, Head of Education
Mr T Reid, Head of Infrastructure
Ms C Rodgers, Head of Communities & Partnerships
Mr S Kennedy, Team Manager – Emergency Planning & Resilience
Mr D Stainbank, Service Manager – Internal Audit
Ms A-M Glancy, Service Manager – Corporate Accounting
Mr L Wright, Emergency Planning, Risk & Resilience Officer
Mr A Cruickshank, Service Manager - IT
Mr A Stewart, Project Manager – Growth Delivery
Mr J Baker, Service Manager – Economic Development
Mr S Cooper, Service Manager - Communications
Mr K Dingwall, Service Manager – Planning
Ms C Molloy, Project Manager – Development
Ms D Pringle, Corporate Accountant

External Audit:

Mr J Boyd, Audit Director – Audit Scotland
Mr M Ferris, Senior Audit Manager – Audit Scotland

Clerk:

Ms L Gillingwater

Apologies:

Councillor Bruce

Councillor Menzies
Councillor Trotter

Declarations of Interest:

N/A

The Clerk announced in the absence of Convener Councillor Menzies and Depute Convener Councillor Trotter, a Convener would need to be appointed from Members within the Chamber. Councillor McGuire was nominated as the Convener for the duration of the meeting.

1. MINUTE OF AUDIT & GOVERNANCE COMMITTEE ON 17 SEPTMEBER 2024

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

2. RISK REGISTERS: CORPORATE SUPPORT, FINANCE, COMMUNITIES & DEVELOPMENT

A report was submitted by the Chief Executive to present the Audit and Governance Committee the Communities, Corporate Support, Development and Finance Risk Registers for discussion, comment and noting. The Risk Registers were 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 within each service.

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

Communities Risk Register

Mr Kennedy reported the Communities Risk Register included 1 Very High Risk, 6 High Risks, 17 Medium Risks and 3 Low Risks and in accordance with the Risk Management Strategy only Very High and High risks identified would be subject to closer scrutiny by the Councils Management Team, the Cabinet and the Audit and Governance Committee.

Councillor Jardine asked how long the Council had been working on replacing analogue with digital systems. Ms Caroline Rodgers, Head of Communities & Partnerships explained the analogue to digital switch over, led by BT, had been up and running for several years, national programme recently extended to 2025 due to COVID. Working with all partners to ensure switch over happens in a timely manner. Mr Alan Cruickshank, Service IT Manager added the deadline for the analogue to digital switch over had been extended to the end of 2027.

Asking a second question, Councillor Jardine asked if there had been any incidents relating to communicable diseases which has caused us to review performance in this area. Ms Rodgers stated no specific incidents but recently been increase in cases of Monkey Pox and Avian Flu is still around, due to small team if there was an outbreak this would have an impact on the team. Are we working with colleagues in

communications to make sure there is sufficient information out in wider communities to ensure they are also taking part in risk management. Ms Rodgers confirmed this was the case, national and local coms teams to make sure everyone is aware, briefed and all possible precautions are being communicated. Mr Kennedy added that the pandemic risks and animal health risks are following on from advice from national risk registers and made more local.

Responding to a question from Councillor Ritchie, Ms Rodgers stated the reason the risk was so high in terms of probability is due to the number of upgrade and system changes being done at the minute. Review date is April and would assume the probability of that risk will have then reduced. Mr Cruickshank explained the overall probability of something bad happening in cyber security space particularly high at the moment due to the wars in the Ukraine and Middle East, so risk of cyber-attacks are high at the moment.

Councillor McLeod asked if any legal action or complaints had been raised against the Council for risk number 104. Ms Rodgers confirmed no legal action taken; we have seen no complaints over last year but ten compliments. Consequences of a failure in relation to community response services could be significant, last year called 999 over 1000 times so more than three times a day.

Councillor McLeod praised ELC and IT Department, request to me to do IT fraud exercise to make people aware and this was helpful to make us all aware of fraud.

Corporate Support Risk Register

Mr Kennedy reported the Corporate Support Risk Register included 1 Very High Risk, 4 High Risks, 14 Medium Risks and 10 Low Risks.

Councillor McLeod asked if someone had been recruited into the IT Specialist post. Mr Cruickshank stated active recruitment was happening at the moment, with interviews taking place this week.

Responding to a question from Councillor Jardine, Ms Hayley Barnett, Head of Corporate Support explained it caused some delays in the service, option to seek external legal advice and have had to do that when don't have specialist in house but risk is certainly around shorter delays rather than not providing advice at any point.

Development Risk Register

Mr Kennedy reported the Development Risk Register included 3 High Risks, 3 Medium Risks and 5 Low Risks.

There were no questions on the Development Risk Register.

Finance Risk Register

Mr Kennedy reported the Finance Risk Register included 8 High Risks, 5 Medium Risks and 6 Low Risks.

Responding to a question from Councillor McLeod, Mr Andrew Stewart, Project Manager – Growth Delivery explained the meeting with Depute First Minister and Secretary of State for Scotland is set for the 9th January 2025 as part of engagement with regional partners, update following that meeting.

Councillor Jardine asked if there were any areas of operation where we were at particular risk from fraud. Ms Ellie Dunnet, Head of Finance explained the risk in question focussed on the areas of income we collect within revenues and there is

focussed fraud work looking at specific areas which included Single Person Discount, Housing Benefit Claims and Housing Benefit overpayments.

Responding to a second question from Councillor Jardine, Ms Dunnet explained the risk was on the paper in response to the cost of living crisis and the increased likelihood people would struggle to pay rent. High risk because income streams council tax and rent as a marginal change in collection rates would result in significant financial impact. Remains under regular review and have good rates of rent recovery, increased number of residents in financial difficulty so thinking ahead about how might materialise in terms of our collection rates.

Councillor McFarlane asked for more information on risk 248. _____ confirmed there were ongoing challenges recruiting to that sector and while no services had been handed back this far the team remain aware that could be a challenge going forward so it would continue to be reviewed with the providers.

Decision

The Committee agreed to note the Risk Registers 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 risks can be borne by the Council at this time in relation to the Council's appetite for risk.
- iii) Although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer-term risks and are likely to be a feature of the risk register over a number of years.

3. INTERNAL AUDIT REPORT: DECEMBER 2024

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee, provide details of Internal Audit's follow-up work undertaken and provide an update on progress made against the 2024/25 annual audit plan.

Duncan Stainbank, Service Manager for Internal Audit reported since the last meeting of the Committee final reports had been issued in respect of the following audits; IT Education Software Purchasing and Treasury Management Income Generation, both of which provided reasonable assurance. Mr Stainbank provided an update of the key findings and recommendations for the completed audits, noting the completion dates for each.

Mr Stainbank reported there had been two follow up reviews had been completed within Utilities Cost Management and Performance Indicators and noted whilst only four of the 16 recommendations across both the internal audits had been completed, management were continuing with these recommendations and pressures in resources and time had resulted in limited full implementation of the recommendations from these reviews. He added as a result of this, in the new year Internal Audit in conjunction with Council Management would review the recommendations follow up process to ensure we continue to provide the Audit and Governance Committee with updates for recommendations until they are complete.

Councillor Jardine asked if there were any significant resources issue that contributed to the delays in meeting targets and when looking at the difference

between reasonable assurance and substantial assurance is there a tipping point in terms of the resources that are required to get us from one to the other. Mr Stainbank stated in Internal Audits the aim would be to get as close to substantial assurance as possible but aware of the fact resources limited there are decisions to be made by managers to where they put those resources, this was especially the case with the Utilities Management audit. He added one of the recommendations was to look at resources in that area which then may assist with the implementation of those recommendations and then making a business case to confirm whether those resources would have the benefits that would make it worthwhile.

Responding to Councillor McMillans question, Mr Stainbank explained Internal Audit would still recommend if felt there were resources required in order to ensure control processes of the Council were running effectively.

In a follow up question Councillor McMillan asked if Mr Stainbank felt the implementation of home and hybrid working had put pressure on his own resource in terms of gathering evidence and availability. Mr Stainbank stated this change had different effects in different areas as there are elements where it is easier to get a hold of people who work from home due to them being available more from not travelling but when looking at documentation or substantiating elements can be more difficult and still at times requires visiting the site.

Councillor McFarlane asked who was undertaking the training on IT Education Software Purchasing within primary schools. Mr Stainbank reported there would be training going ahead within the next year and within that there would be packages of training to be taken online by several teachers and time would be made available for them to do this. Ms Nicola McDowell, Head of Education added David Reid, Education Support Officer would be delivering most of the training and has developed an online library of training so teachers can access training at a convenient time for them.

Councillor Jardine highlighted she valued Internal Audit as a critical friend and commended Mr Stainbank and team for the continued support and measured response to questions around how we get that balance right. She added the Council continue to face constrained financial situations and make best use of the resources we have and Mr Stainbank's responses to herself and Councillor McMillan's questions helped to reassure there is that measure.

Decision

That the Audit and Governance Committee note:

- i. the main findings and recommendations from the Internal Audit reports issues 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

4. INTERNAL AUDIT CHARTER

A report was submitted by the Service Manager – Internal Audit as the Public Sector Internal Audit Standards (PSIAS) require an Audit Charter to be in place in each local authority. 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. 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.

Duncan Stainbank, Service Manager for Internal Audit reported a change from PSIAS to Global Audit Standards for audit work being completed to support assurance statements after the year ending 31 March 2025 was being proposed in the UK public sector Internal Audit Standards Advisory Board advisory note consultation that ended in October 2024. This change was likely to require a revised Internal Audit Charter to be developed and approved and a revised charter would be submitted to the Audit and Governance Committee during 2025.

Councillor McMillan asked if there were opportunities to consult with senior and operational managers to get feedback on their understanding of Internal Audits role. Mr Stainbank stated as part of the review in the new year the team would be looking at how often they talk with the heads of service and meeting with all Members of the CMT to discuss the risks in their particular area and build that into the Internal Audit Plan. He added there are further opportunities throughout the year for those discussions, including at EMT and discussions with CMT over the planning and direction of the team in future. Mr Stainbank noted client feedback forms are completed after each audit.

Decision

A roll call vote was carried out and the Audit and Governance Committee agreed to approve the updated Internal Audit Charter.

5. ANNUAL ACCOUNTS 2023/24

A report was submitted by the Executive Director for Council Resources to provide the Committee with an update on any changes arising during the audit of the draft financial statements, and to ask the Committee to approve the audited accounts for 2023-24, noting that some further changes to the accounts are still being finalised.

Ann-Marie Glancy, Service Manager – Corporate Accounting, reported the commencement of the audit was deferred due to audit scheduling arrangements and the audit field work started in September 2024. She was pleased to report an unmodified audit opinion had been presented signalling the financial statements presented represent a true and fair view of the affairs of the Council and wider group and are properly prepared in accordance with the financial reporting framework and the audit part of the remuneration report, management commentary and the annual governance statement are all consistent with the financial statements and properly prepared in accordance with relevant regulations and guidance. As noted within the report, the value of land and building assets were subject to amendment following the finalisation of commissioned valuations. These amendments were not expected to change the Council's general useable reserves balance but may impact on the unusable reserves. Members would be kept fully aware of any changes made and full details of the changes and audited accounts would be submitted into Members Library.

Ms Glancy drew Members attention to the changes that had been made to the draft accounts and highlighted there had been no changes to the usable reserves of East Lothian Council. She also gave her thanks to the team at Audit Scotland and all Council staff who were involved in the year end process.

Decision

Committee agreed to:

- i) Approve the audited Accounts for the Council and Group components, subject to final amendments.
- ii) Delegate responsibility to the Council's Chief Financial Officers and Chair of the Audit and Governance Committee to agree appropriate changes to the Accounts, subject to completion of audit work relating to asset valuations, and formal off from External Audit.
- iii) Approve the 2023-24 audited accounts for the Dr Bruce Fund.

A roll call vote was carried out and Members unanimously agreed to approve the above.

5a. COVER LETTERS FROM AUDIT SCOTLAND INCLUDING PROPOSED INDEPENDENT AUDITOR'S REPORT AND LETTER OF REPRESENTATION:

- i) **ELC Audit of 2023/24 Annual Accounts**
- ii) **Dr Bruce Fund Audit of 2023/24 Annual Accounts**

John Boyd, Audit Director – Audit Scotland presented the ISA 580 Letters for the ELC Audit of 2023/24 Annual Accounts and the Dr Bruce Fund Audit of 2023/24 Annual Accounts and outlined the key documents within. He was pleased to report that subject to the conclusion of the outstanding procedures Audit Scotland plan to issue unmodified opinions on the accounts.

Decision

The Committee agreed to note the contents of both reports and letter of representation.

5b. EAST LOTHIAN COUNCIL 2023/24 ANNUAL AUDIT REPORT & BEST VALUE THEMATIC REPORT

Reports were submitted by the Audit Director for Audit Scotland to inform the Audit and Governance Committee of the East Lothian Council 2023/24 Annual Audit Report and the Best Value Thematic Report.

John Boyd, Audit Director – Audit Scotland presented the draft report which detailed the responsibilities in terms of the audit of the annual report and accounts and wider scope responsibilities as outlined in the code of practice.

Mr Boyd highlighted the key areas for Audit Scotland's wider scope audit work covering the areas of Financial Management, Financial Sustainability, Vision Leadership with Governance, Use of Resources and the extent to which the Council demonstrates best value. He noted there was work outstanding on valuations however he did not anticipate any of the adjustments would impact on the Councils underlying general fund. He also drew Members attention to the Councils wider financial budget gap of £65 million over the next 5 years which will result in a significant financial challenge.

Mr Boyd explained the Best Value Thematic report recognised the challenges facing the Council in regard to retention and recruitment of staff and the Council is undertaking a number of initiatives to address some of these challenges but also recognise ongoing work would be required and the importance of using initiative practice such as digital to address those.

Finally, Mr Boyd thanked all the Council officers involved for their hard work in the audit process and he would continue to work together with the finance team to streamline the process in future years.

Councillor McGuire asked for further detail on the unmodified opinion of the audit. Mr Boyd explained the unmodified audit opinion meant external audit had not had to modify the wording and there was no qualification to that opinion so effectively a clean bill of health on the Councils annual report and accounts for the year.

Responding to a questions from Councillor McLeod, Mr Boyd confirmed it was not 106 charities, but the report referred to Section 106 of the Local Government Act, but the number of charities could be found within the notes of the annual audit accounts. Ms Sarah Fortune, Executive Director of Council Resources explained digital was a key theme within the transformation strategy and the Digital Transformation Board had been focussing on critical enablers such as CRN, the new HR and Payroll, Housing and Finance systems which are key systems across the Council which will support and enable change. She also reassured Members there were a number of formal arrangements in place with other Councils, such as Midlothian where Mr Stainbank oversees a joint Internal Audit service. Ms Fortune added whenever the Council is looking at new systems or services they would always explore with wider partners and agencies first to see if there is opportunity for collaboration.

Councillor Jardine asked if Mr Boyd could comment on how East Lothian compared with other local authorities on key messages 13 and 14. He stated there was an Accounts Commission report which focused on Councils transformation and innovation which will emerge this year. Mr Boyd added it can vary from Council to Council depending on where they are on their transformation journey and the extent to which planned activities had been implemented. He also confirmed a further deep dive could be done after the Accounts Commission report had been released.

Responding to further questions from Councillor Jardine, Mr Boyd stated the make-up of Committees was elected Members with a varying degree of background skills with different capacity therefore the training of those Members and support were main focuses. He agreed that East Lothian was a relatively small local authority with a small number of Councillors to fulfil all the responsibilities that some larger local authorities may have.

Councillor McMillan asked what would give Audit Scotland more evidence to be able to comment whether there was an opportunity to speak with Members independently around ways to do this. Mr Boyd explained one of the areas evidence would be taken from would be a self-assessment from the Council around its own governance with feedback from elected Members. He added Audit Scotland observe meetings with lengthy agendas and made a general point these can cause a challenge around effective scrutiny due to the length of detail and capacity of Members to get through all that information.

Councillor Jardine said she understood the opportunity Members had to make adjustments and welcomed Councillor McMillan's comments around being as effective as possible. She added over the few weeks she had read hundreds of pages of documents and Members do try their best but pace and scale of what they have to deal with was significant.

Councillor Ritchie thanked all staff who worked on the accounts, especially the Finance Team who were already massively stretched managing the Council budget.

She added to receive a clean bill of health on the accounts was reassuring and she found the annual accounts report detailed and helpful as it highlighted the financial challenges of the Council including cost, demand and significant funding pressures. Councillor Ritchie highlighted the increased demand on services due to population growth in East Lothian and noted we cannot meet demands and the financial pressure associated with them without an increase in funding that reflected that growth.

Decision

The Committee agreed to note the reports.

6. TREASURY MANAGEMENT MID-YEAR REPORT

A report was submitted by the Executive Director for Council Resources to update the Committee on Treasury Management activity during the first six months of 2024-25.

Ann-Marie Glancy, Service Manager – Corporate Accounting explained the CIPFA Treasury Management Code required an annual report on the Treasury Management Strategy and plan before the start of the year, a report on the mid-year position and an annual report on the performance after the year end. The Strategy is approved by full Council as it is the body that has the responsibility for approval of the authorities budget but monitoring and scrutiny had been delegated to the Audit and Governance Committee and as such the mid-year and annual treasury reports are submitted to this committee for review.

She stated this mid-year report set out the treasury activity of the Council for the first six months of the year and is reviewed against the current Treasury Management Strategy for the Council, which was approved in February 2024 along with the approved treasury indicators. Ms Glancy explained the report included an economic update and a summary of treasury management activity in the first half of the year which included the impact of updated capital expenditure projections and sets out performance against prudential indicators. She drew Members attention to key points within the report.

Councillor McLeod asked how much the Council had paid in interest in cash terms. Ms Glancy agreed to provide this information offline.

Decision

The Committee agreed to note the contents of the report.

7. EAST LOTHIAN LAND LTD 2023/24

A report was submitted by the Executive Director for Place to inform the Audit and Governance Committee of the work undertaken by East Lothian Land Ltd in 2023/24.

Lisa Deegan, Companies Manager – East Lothian Land Ltd reported the purpose of East Lothian Land continued to mirror the strategic goals set out in the Local Economic Strategy, particularly supporting the development of land and property which stimulates economic growth and increases employment opportunities. She provided an update on considered and commenced projects for 2023/24.

Councillor McLeod asked for more information on the management charge and professional fees mentioned within the report. Ms Deegan explained the

management charge was a share of her time and other administrative staff that East Lothian Council pay salaries for.

Decision

The Committee agreed to note the contents of the report.

Signed

Councillor George McGuire
Convener of the Audit and Governance Committee

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 25th March 2025

BY: Chief Executive

SUBJECT: Education, Children’s Services, Infrastructure and Health and Social Care Partnership Risk Registers

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1 PURPOSE

- 1.1 To present to the Audit and Governance Committee risk registers in the following order for discussion, comment and noting:
- A. Education
 - B. Children’s Services
 - C. Infrastructure
 - D. Health and Social Care Partnership Risk Registers
- 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:
- Education Risk Register includes 2 Very High, 3 High and 8 Medium risks.
 - Children's Services Risk Register includes 1 Very High, 3 High, 1 Medium and 1 Low risks.
 - Infrastructure Risk Register includes 3 Very High, 21 High, 30 Medium and 14 Low risks.
 - Health and Social Care Partnership Risk Register includes 1 Very High, 12 High and 9 Medium 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 – Education Risk Register
- 7.2 Appendix 2 – Children’s Services Risk Register
- 7.3 Appendix 3 – Infrastructure Risk Register
- 7.4 Appendix 4 – Health and Social Care Partnership Risk Register
- 7.5 Appendix 5 – Risk Matrix

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DESIGNATION	Emergency Planning and Resilience Officer	
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DATE	13 th March 2025	

 East Lothian Council Education Risk Register										
Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date	Latest Update
R177	Impact on Reputation	Condition of the School Estate and impact of Changing Demographic	<p>Significant refresh and investment in the existing school estate is required to bring our learning and teaching facilities up to standard and improve suitability.</p> <p>Failure to invest in the school estate impacts negatively on learning and teaching and leads to minor repairs/maintenance becoming major repairs/maintenance costs.</p> <p>Our school estate needs to be fit for purpose for the delivery of a modern curriculum, and therefore needs to change to reflect education reform and to ensure we are equipped to raise attainment and offer a wide breadth of curriculum choice to meet the needs of all learners.</p> <p>Proposed LDP housing development, population growth and subsequent need to expand the schools' estate risks failure to provide suitable school provision or sufficient capacity available in the short term.</p> <p>Risk to uncertainty with forward planning for new establishments where house development completion rates are slower than expected delaying the start date for new school buildings.</p>	4	3	20	16	<p>347 - A review of our methodology for calculating school capacity is currently in progress.</p> <p>348 - A subgroup of the LEPB has been developed</p> <p>349 - C Morris convened a Learning Estate Working Group from all service areas to consider priorities and stakeholder views and solutions</p> <p>350 - The Council is making provision for significant capital expenditure</p> <p>351 - A Learning Estate Strategy was created to reflect the Councils aspirations with a resulting improvement plan being created</p> <p>352 - A strategy for specialist provision is under development</p>	30/06/2025	06/02/2025
R179	Impact on Reputation	Unpredictable rise in the number of children with ASN	<p>Increased pressure on specialist provision due to a rise in the numbers of children and young people with Additional Support Needs.</p> <p>Potential increase in references to the ASN tribunal through inability to meet demand for ASN specialist placements.</p> <p>Applications for Exceptional Needs has increased in line with national trends whilst the budget available to the service has not increased at the same rate.</p> <p>Increased demand and costs for specialist educational provision outwith East Lothian Council.</p>	4	4	20	8	<p>360 - A strategy for specialist provision is under development</p>	01/04/2025	19/02/2025
R180	Impact on Reputation	School Premises Security Deficiencies	<p>If our School Premises are not properly safeguarded there is a risk that unauthorised persons could gain entry and cause damage to children, young people and staff as well as property. This could lead to loss of life in the most extreme cases. There is also a risk of assets being unavailable for use, facing potential closure and re-provision of care/teaching in alternative locations at increased cost to the Council and/or in need of repair in turn leading to adverse publicity.</p> <p>There are currently significant issues regarding school boundaries which require to be addressed.</p> <p>The Strategic Asset & Capital Plan Management service have responsibility for the maintenance contracts for the PPP secondary schools and the Wallyford Learning Campus. The Engineering Services team are responsible for the maintenance of the primary school estate.</p>	4	3	16	12	<p>362 - School building security plans are under review by Education.</p> <p>363 - The Learning Estate working group is developing an audit template</p>	21/08/2025	14/02/2025

R174	Financial Impact	Effect of budget challenges and risks on the Scheme of DSM	<p>Management of Devolved School Management Budgets</p> <p>Failure to manage a delegated budget in a fair, equitable and transparent way risks that school's budget is not deployed in accordance with best value principles and risks resources not being used effectively to meet the needs of learners.</p> <p>Failure to adhere to Local Authority procurement arrangements risks non-compliance with policy and best value and potential for large fines.</p> <p>Potential risk of short-term funding i.e. Pupil Equity Fund (PEF and SEF) gives additional budgetary pressure in relation to the retention of staff who could be surplus to requirements when funding ceases.</p> <p>Removal of curriculum charging (parental donations for HE, Art, CDT materials) and removal of Instrumental Music Instruction charging, the SG funding does not cover the cost of delivery of courses placing more pressure on school's budgets or curricular activities needing to be demonstrated rather than experienced directly</p> <p>A budget set annually in April is difficult to manage as it spans two academic years of staffing commitments and makes best value decisions more challenging.</p> <p>Reductions to redesign staffing levels within the Education Service in line with available budget may incur large financial penalties by the SG current policy if staffing numbers cannot be maintained.</p> <p>Risk that probationer teacher quota may not be met if vacancies need to be filled by redeployed teachers. This is being closely managed but cannot guarantee that we will meet our minimum number for the maximum funding threshold.</p> <p>Additional pressure to maintain teacher numbers and associated penalties is creating financial and workforce pressures within the Education budget overall. DSM could not support the financial pressure without further significant funding.</p>	4	3	16	9	340 - Budget pressures in 2024-25 require a further DSM review	30/06/2025	19/02/2025
R176	Regulatory	Failure to Raise Attainment and Achievement	<p>There is a risk to the outcomes for learners living in Quintiles 1 and 2 through failure to close the poverty related attainment gap, and appropriately utilising Pupil and Strategic Equity Funding.</p> <p>Risk of not receiving positive inspections as there is insufficient evidence of impact on closing the attainment gap evaluated under Q1 3.1 – Ensuring wellbeing, equality and inclusion. This could lead to increased scrutiny by external scrutiny bodies such as Education Scotland.</p> <p>The Scottish Government are considering the outcome of education reports, including the Hayward Review. The outcome of this has the potential to require a significant change to the service objectives, education provision and measures. This would require a significant re-orientation of service priorities and resources to meet this national requirement.</p>	4	3	12	9	<p>343 - Continue to develop an authority wide model for the Senior Phase that incorporates all elements of the curriculum</p> <p>344 - Develop partnership arrangements with QMU and Edinburgh College</p> <p>345 - To maintain staffing levels of Pedagogy Team at a minimum of 3.0FTE.</p> <p>346 - Strategic leadership of curriculum provision development</p>	30/06/2025	19/02/2025

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date	Latest Update
R189	Financial Impact	Children's Services Activity Pressures	<p>Service activity pressures see demand for services outstrip available budgetary resources risking unmet client need and risk to client safety and independence, potentially generating reputational risk for the Council. In order to protect people and to meet our statutory functions, there will be occasions when difficult decisions about finance need to be made.</p> <p>There are not always suitable internal resources to manage increasing complexity of need of the children referred to children's services which increases the risk of an external provision being required.</p> <p>Internal fostering resources are unable to meet the current demand for placements. External foster placements are considerably more expensive.</p> <p>The requirement to meet the increasing demand for Continuing Care placements impacts on foster placement and internal residential capacity and creates further budget pressures.</p> <p>The UK National Transfer Scheme has resulted in more young people being settled in East Lothian which has an impact on the Aftercare service accommodation and support budget. This is largely offset by the funding from the Home Office.</p> <p>Children's Services have used internal fostering and residential resources to provide accommodation for young people referred to East Lothian.</p>	4	5	20	9	<p>524 - Childrens Services budget increase for 2025 2026 will reduce the risk of the service being overspent in this coming financial year.</p> <p>525 - Target for 2025 2026 to reduce external placements by a minimum of one per year which will reduce spend on external resources.</p>	15/06/2025	27/02/2025
R191	Impact on People	Failure to meet duty of care to public and meet statutory requirements for service delivery	<p>Failure to deliver the duties of Children's Social Work Legislation may put a child at significant risk of harm or result in children not receiving their entitlement to supports and services from the council.</p> <p>The Council has a legal responsibility to address concerns that may require a child protection response.</p> <p>Child protection will continue to be a high-risk area even with all the controls and measures in place.</p> <p>A failure to secure efficient and effective child protection arrangements may see the Council being unable to fulfil its statutory duties/duty of care which could contribute to a harm/death of child or significant harm. This would in turn result in reputational damage to and increased scrutiny of the Social Work services.</p> <p>Factors that impact on this could be lack of resources (financial, services or staffing), poor practice, lack of training, a failure to prioritise those at highest risk, non-compliance with procedures/guidance or failing to intervene early enough. Access to and availability of earlier intervention supports and services are likely to continue to impact on vulnerable children and families.</p> <p>There are increasing policy and legislative requirements from the Government, most of which do not come with additional resourcing. For example:</p> <ul style="list-style-type: none"> •Continuing Care •Implementing the Promise •The Scottish Child Abuse Inquiry •Scottish Child Interview Model •Self Directed Support •Age of Criminal Responsibility 	4	3	12	8	<p>387 - Work is underway to agree what is required to increase the capacity of appropriately regulated emergency accommodation that care leavers can access.</p> <p>388 - Work is underway to agree what is required to increase the capacity of appropriately regulated emergency accommodation that care leavers can access.</p> <p>389 - A further review of all childrens services policies and procedures</p> <p>527 - Ensure learning from EMPPC Learning Review Subgroup is consistently fed back to staff to ensure learning remains relevant and impacts</p>	30/06/2025	27/02/2025

			<p>Page of Criminal Responsibility</p> <ul style="list-style-type: none"> • Keeping Brothers and Sisters together • New National Child Protection Guidance • UASC transfer scheme <p>Lack of suitable accommodation for care experienced young people who become homeless results in the use of unregulated B&B /commercial accommodation. Young people having to stay in B&B over extended periods is a breach of our statutory duties.</p> <p>There is a risk that external regulatory inspections identify significant weaknesses and risks to service users leading to reputational damage and impact on staff.</p>					current practice.		
R190	Business Continuity	Workforce Recruitment and Retention	<p>Lack of a skilled, sufficiently qualified and experienced staff resource or the unexpected loss of a key employee or employees could result in</p> <ul style="list-style-type: none"> • Increased caseloads that reduce staff capacity to assess and manage risk and need to children at risk of harm • A reduction in line management capacity to provide safe oversight of risk management • Statutory duties not being met • Inability to deliver the strategic priorities of the service improvement plan. <p>Newly qualified and inexperienced staff require enhanced supervision, management and oversight which further impacts management capacity.</p>	4	3	12	8	<p>385 - Updated workforce plan is under development.</p> <p>386 - Newly Qualified Social Worker post will be implementing a supported first year programme</p> <p>526 - New Workforce Learning and Development group, chaired by the general manager will address recruitment and retention issues.</p>	15/06/2025	27/02/2025
R194	Legal	Non compliance with data protection	<p>Risk that information governance standards are not fully followed, leading to a breach of Data Protection legislation with possible penalties imposed by the Information Commissioner's Office with commensurate media coverage and reputational damage.</p> <p>Children's services holds highly sensitive information which we need to share regularly (within the parameters of the data sharing agreement) for the purposes of meeting the needs of the children and families in East Lothian. This increases the risk of human error which could result in a person's sensitive data being shared incorrectly.</p>	4	3	12	12		15/06/2025	27/02/2025



East Lothain Council Infrastructure Risk Register

Risk ID	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date	Latest Update
R157	Impact on Service Objectives	Reduction in Purchase of Council vehicles	<p>A reduction in future purchase of Council vehicles would result in revenue / maintenance expenditure costs rising.</p> <p>Requirement for the fleet to move to Ultra Low Emission Vehicles (ULEV) cost impact to meet climate change objectives and government legislation – Public Fleet sector target of 2025 for all cars/small vans to be ULEV, no purely fossil fuelled vehicles available to purchase from 2030.</p> <p>No further Transport Scotland funding coming forward for vehicle procurement - limited to EV charging infrastructure.</p>	4	5	20	16	446 - To allow the Council to migrate to an alternative fuel solution SG investment will be required as the cost is currently beyond the capital fund available.	24/08/2025	10/01/2025
R158	Impact on Service Objectives	Reduced Taxi Provision Council Wide	<p>Taxis are becoming difficult to source/procure due to the aftereffects of COVID19 and the current economic status. All taxi operators are facing recruitment issues with pressure on wage and working pattern/hours.</p> <p>There is a potential risk of enhanced contracts being offered from other user areas out with ELC as there is a financial benefit to taxi provider moving to cancellation / handback of ELC contract.</p> <p>Alongside this taxi escort provision is scarce due to the limited hours and salary level.</p> <p>The last series of tenders completed by Transport Services resulted in a nil return or a 40% - 100% price increase depending on operator where we received a response.</p> <p>Operators are leaning to Home to School as their primary work and everything else has to fit around that. The main reason for this is the stability of the routes versus the constant changes involved with other taxi hires.</p> <p>Taxi operators are struggling with supply chain for supply of vehicles and spare parts for maintenance.</p> <p>The main Council Services affected by this reduced availability are Education, Children & Families, Adult Services and Homelessness and potential impacts are: Routes cannot be fulfilled due to unavailability. Services hire their own taxis which may not be compliant and the drivers/escorts may not be PVG checked leaving ELC & clients exposed. The cost of finding taxis will see an increase in cost of tenders up to 75-100%</p> <p>All of the above is a reputational risk to the Council.</p> <p>Taxi provision throughout East Lothian has declined by an estimated 45% since 2019.</p>	4	5	20	20	<p>445 - Market intelligence, monitor and engage regularly with providers and work with them pro-actively.</p> <p>529 - Continued and increased discussion with Taxi operators to maintain awareness of any deterioration of the market conditions.</p>	24/08/2025	10/01/2025
R160	Impact on People	Ash Dieback	<p>Failure to adequately plan for and manage the implications and effects of Ash Dieback tree disease across East Lothian, and particularly in high risk areas including alongside roads, paths/core paths, and in parks, woodlands, open spaces and housing areas.</p>	5	4	20	6	<p>434 - Forestry Squad to continue programme of felling highest risk priority ash trees</p> <p>436 - Identify ownership of all priority roadside diseased ash trees on private land.</p> <p>437 - Pursue national funding for local authorities to tackle Ash Dieback via COSLA, SOLACE, and APSE.</p>	23/02/2026	20/02/2025

R161	Financial Impact	Education Estate – Changes to Projects	<p>Risk of unanticipated changes within Projects resulting in project cost overruns and potential delays to the project with financial consequences for the Council as well as a reputational risk.</p> <p>Recent projects have seen increases in scope due to suitability, condition, upgrades to catering kitchens, safer routes to school, utilities and other factors. Mitigation has not been possible resulting in costs increasing.</p> <p>A full survey of all catering kitchens throughout Council properties is required which is not included in the current condition survey work and needs to be resourced.</p> <p>The Scottish Government announced the intention to introduce free school meals for all primary aged children by 2022 as part of the 100 day commitment. Work was initiated by SG to consider the cost and logistical implications of implementing this policy intent. The policy has not yet been implemented in full and there is ongoing engagement between The Scottish Government and local authorities regarding funding.</p>	4	4	16	12	<p>427 - Ensure Condition and other data is maintained up to date</p> <p>428 - Delivery and implementation programme to be directly linked to school condition and suitability.</p> <p>429 - A planned programme of works to improve performance of buildings is needed</p> <p>430 - Ongoing engagement with Head Of Infrastructure and Executive Directors regarding project changes</p> <p>431 - SACPM to engage with senior management regarding resources and risk mitigation</p> <p>432 - Review risks against level of available budgets and capital bids</p>	21/08/2025	14/02/2025
R163	Financial Impact	Harbours	<p>Failure to maintain harbours could lead to damage to the fabric of the harbour and to boats on moorings and in dinghy parks (where appropriate).</p> <p>Increase in storm events and increased force of wave action could and has led to damaged walls and infrastructure.</p> <p>Potential risk of injury to harbour users, water pollution, vessels sinking and danger from heights should people / equipment fall.</p> <p>Failure to warn of the dangers of the operation of the boom crane (North Berwick only) resulting in HSE / MCA (Marine and Coastguard Agency) involvement.</p> <p>All could lead to bad publicity for the Council and financial loss through insurance claims from the public.</p>	4	4	16	8	<p>423 - Full coastal survey</p>	29/08/2025	20/02/2025

R164	Financial Impact	PPP Project	<p>Failure to adequately resource contract management arrangements will have subsequent issues related to contract compliance, financial risks and deterioration in asset base.</p> <p>Compliance issues include, but are not limited to: asbestos, fire, water quality, building fabric and building services (significant safety and reputational risks). Contract management issues at risk include, but are not limited to: contract guidance for users, benchmarking, Education PPP Specification and curriculum development (modernisation).</p> <p>Asbestos treatment at pre/post of PPP Contract and changes to legislation again form significant risks for ELC including statutory/legislative/management and financial risks. The agreed process is in place however appropriate resources require review. This is also a reputational risk.</p> <p>Fire – Full review of Fire Plans etc. required due to changes in ELC PPP Estate. The agreed process is in place however appropriate resources require review.</p> <p>PPP Future Risk items including Handback preparations.</p> <p>Treasury guidance for the management of PPP Contracts state a minimum of 2% of Contract Value to be spent on Contract management (and this is the basis on which ELC received Government support). Currently the PPP Contract Monthly Unitary Charge is £1,042,021.54 per month or £12,504,258.43 per annum.</p> <p>Expansion of Secondary Schools leased to Innovate under PPP Project Agreement.</p> <p>Failure to conclude Supplemental Agreements in sufficient time to meet timescales for the completion of the extensions resulting in insufficient capacity for pupils.</p> <p>This could result in future reputational risk to the Council.</p>	4	4	16	8	<p>415 - Governance around separate contracts for installation</p> <p>416 - Financial approval required to address compliance risks highlighted.</p> <p>417 - Recent processes completed for Ross High School and North Berwick High School expansions are to be reviewed by educational, technical and legal teams</p> <p>419 - RAAC ELC are to monitor ongoing works at Ross High School</p> <p>420 - Financial implications minimised through negotiations with Innovate regarding capital spend</p>	21/08/2025	21/02/2025
R165	Financial Impact	Failure to inspect and maintain road infrastructure including (road structures, network and street lighting)	<p>These are all major issues for the council given its responsibility for key routes. Any failure in provision/ maintenance may lead to closures, disruptions, adverse public reaction in terms of expectation. A healthy road network aids in enabling a vibrant economy and future economic development.</p> <p>The level of investment in street lighting replacement and maintenance is linked into the holistic road service budget.</p> <p>Following the financial update and reduced budget for 24/25FY Road Services will continue to work with a very challenging financial situation. Recommendation on level of investment will come forward with the Roads Asset Management – Annual Status and Options Report</p> <p>Failure to adequately plan maintenance activities on the public road network could lead to conflict with the requirements of other roads users, including public utilities, events and members of the public. Also failure to comply with the requirements of the Scottish Roads Commissioner such as keeping the gazetteer up to date and other statutory obligations under the Transport Scotland Act and the New Roads and Street Works Act could result in fines from the Scottish Roads Commissioner (as occurred this year) as well as a reputational impact on ELC if events have to be cancelled.</p>	4	4	16	9	<p>411 - Review capital programme</p> <p>412 - Consider delaying non-essential capital works</p> <p>413 - Pay close attention to announcements from Government</p> <p>414 - Attend PPRC</p>	23/06/2026	13/01/2025
R166	Impact on Service Objectives	Current Asset Data	<p>Asset data for operational properties requires continual review otherwise insufficient information is held to prioritise planned investment in buildings and potential risk to occupants, contractors and members of the public from failure of building elements or systems.</p> <p>Asset data requires continual updating and aligned to financial information. The risk being if not updated and accurate it is not possible to use the data to inform decisions regarding future of properties. A recent Finance audit identified that the Council would benefit from investment in an integrated IT system recording all assets. A comprehensive, maintained asset database is required with full access for all relevant parties.</p>	4	4	16	8	<p>409 - New cycle of building surveys</p> <p>410 - Implement a comprehensive asset management database for non-operational property</p>	30/06/2025	04/02/2025

R168	Financial Impact	Maintenance of Non-Operational Property Portfolio and Voids	<p>Failure to maintain non-operational properties in compliance with statutory legislation, particularly in relation to statutory compliance and inspections due to insufficient resources may expose the Council to legal proceedings, financial loss, service reduction, damage to its reputation and potential Health and Safety incidents in properties.</p> <p>Failure to maintain rental income of non-operational property portfolio due to disrepair of properties, poor financial checks on tenants, poor debt retrieval, poor implementation of rent reviews and financial climate. This would result in deteriorating properties, loss on rental income and increase in the number of void properties.</p> <p>This could result in injury/loss of life of building users and legal action against the Council. Failure to make sufficient finance available to carry out testing and implement recommendations may result in all of the above.</p> <p>Scottish Government targets to address Climate Change and imminent changes to energy performance requirements for properties will require significant work to assess the current status and plan works to bring buildings up to the required standard.</p> <p>If voids are not kept to a minimum due to disrepair of property, delay in safety checks, and the undertaking of repairs and improvements it could lead to loss of income.</p>	4	4	16	12	<p>403 - Plan a programme of condition surveys and an audit</p> <p>404 - Review and identify inspection and management resource</p> <p>405 - Consider wider strategic review of commercial portfolio</p> <p>406 - Continue asset rationalisation work to reduce surplus assets</p>	21/08/2025	13/02/2025
R169	Financial Impact	Capital Programme	<p>Risk of adverse financial implications for the Councils capital programme in the light of unpredictable tender price indices. This is likely to result in tender returns being higher than cost plans.</p> <p>Tender and construction costs continue to rise nationally and to the impacts of international events such as Brexit, COVID, the Ukraine War, Suez Canal etc. have resulted in higher costs levels, which are a 'new normal'. Escalation of the current conflict in Gaza poses a risk.</p> <p>East Lothian Council have received several national reports, information from other local authorities and notifications from contractors regarding labour and skill shortages. There is a trade shortage in Scotland. Although availability of construction materials has improved recently and price inflation appears to be stabilising, this is not equitable across all materials. Key subcontract packages are witnessing significant cost increases. Furniture and IT component shortages/lead-in times are also a continuing challenge.</p> <p>This is particularly relevant in respect of the School Estate Expansion where growth and school capacities require delivery of statutory provision by specific deadlines.</p> <p>If capital projects do not proceed, this could result in insufficient accommodation for pupils within schools, with consequent appeals from parents and reputational damage.</p>	4	4	16	12	<p>396 - Continue to monitor national situation with ELC Procurement</p> <p>397 - Prioritise capital projects according to need.</p> <p>398 - Prioritise and programme Capital Plan</p> <p>399 - All census and revised roll projections prepared by Education</p> <p>400 - Housing Land Audit is being progressed by Planning.</p> <p>401 - Sufficient staffing and financial resource to be allocated to projects</p> <p>402 - Capital Plan interventions and S75</p>	21/08/2025	14/02/2025

R170	Financial Impact	Failure to meet Waste and recycling targets and legislation	<p>The Waste (Scotland) Regulations 2012 set out a number of provisions which help Scotland move toward the objectives and targets set out in the Scotland's Zero Waste Plan and help transition toward a circular economy. These provisions include a ban on biodegradable municipal waste going to landfill from the 1 January 2021 – ban has been delayed until 2024. Meeting the ban will have a negative impact on the revenue budget due to increases in gate fees.</p> <p>The Scottish Government has delayed the Deposit Return Scheme until 2025.</p> <p>The scheme is likely to result in a significant loss of high value materials to the Waste Service therefore impacting on the cost effectiveness of delivering kerbside recycling services.</p> <p>The Scottish Government within the context of the circular economy bill is proposing a move away from the current voluntary approach to Scotland's Household Recycling Charter towards a more mandated approach, whereby implementation of the Charter and its supporting Code of Practice becomes a statutory obligation, placing aspects of the Scottish Household Recycling Charter and its supporting Code of Practice on a statutory footing, specifying materials to be targeted for collection or mandating how they are collected, to accelerate improvements to both the quality and quantity of recycling that local authorities are collecting in Scotland and the provision of more consistent collections.</p> <p>Changes to global commodities markets have drastically altered following China's National Sword Policy which instigated strict quality controls on the materials it would accept through import. This has led to huge quantities of poorer quality material without end destinations being retained within the national county of origin. In the UK this has led to an oversupply of material and has reduced the rebate values paid, while East Lothian has in the most part been protected from the worst of the market decline as the box collection system allow us to monitor the material we collect for recycling and ensure it is of sufficiently high quality to attract a value from reprocessors, this continued market uncertainty is likely to increase the cost of procuring kerbside collections going forward.</p>	4	4	16	12		24/08/2025	13/01/2025
R171	Impact on Reputation	Maintenance of Burial Grounds	<p>Failing to maintain the Council's burial grounds could result in a serious injury/death to the public or ELC employees from falling headstones/memorials and a resulting financial loss due to insurance claims. There is also the risk of losing part of East Lothian's cultural heritage through the loss of family history records on headstones and memorials and failure to comply with the Equalities Act if access paths aren't maintained.</p>	4	4	16	12	<p>335 - Ongoing programme of consolidation works scheduled over winter 2023/24 based on revised risk assessment.</p> <p>336 - Round 3 of Headstone Inspection Programme to be completed by March 2024 according to agreed rolling programme.</p> <p>337 - Project to commence on West area headstones to intensify number of headstone checks complete.</p>	23/02/2026	20/02/2025
R172	Impact on Reputation	Burial Service	<p>Inability to provide an efficient burial service and sufficient land for burial purposes would mean that the Council is unable to undertake its statutory duties, and create distress to family and mourners.</p>	4	4	16	12	<p>332 - In Prestonpans there was a delay due to neighbouring housebuilding completions. Completion of cemetery construction is anticipated Winter 2023</p> <p>333 - In Dunbar completion of cemetery construction is anticipated Winter 2023.</p> <p>334 - Potential site identified for Tranent Cluster, initial desktop study identified land possibly suitable for development. Purchase in principle agreed.</p>	23/02/2026	20/02/2025

R198	Property	Asset management records	<p>Asset management records</p> <p>Asset management records lost or unavailable for Council operational and non-operational properties. This would necessitate procuring new measured and condition building surveys incurring significant costs to the Council, potential delay to delivery of capital projects and provision of data to other services.</p> <p>Property data held in paper form in Council-owned premises that are not fit for this purpose (unheated etc.).</p>	4	4	16	12	<p>449 - Seek resource to scan existing documents for off-site electronic / CD storage</p> <p>450 - Visit archive stores for paper-based material and identify extent of issue</p>	21/08/2025	04/02/2025
R167	Impact on People	Tree Estate	<p>Failure to manage and maintain the Council's tree estate including a failure to monitor for the current risk from tree diseases resulting in potential damage to people and or property. Also potential negative impact on the landscape and character of East Lothian and its towns and villages, biodiversity, health & wellbeing of residents and the local economy and tourism, as well as ability to achieve climate change targets in the Council's Climate Change Strategy through carbon offsetting.</p>	5	3	15	10	407 - Regular inspections undertaken	23/02/2026	20/02/2025
R224	Property	Surplus Properties	<p>Failure to dispose of a surplus property due to market conditions, buyers drops out, legal resources, planning resources resulting in ongoing maintenance/security costs for vacant buildings and delay to capital receipts</p>	3	5	15	12	528 - The Estates team will monitor and work with Legal to manage each sale.	21/08/2025	04/02/2025
R159	Impact on Service Objectives	IT systems (e.g. server, AutoCAD)	<p>Failure of these systems to support service delivery due to power failure or other IT issues would impact on ability to carry out design work and to monitor and control contractors operations. Inability to vet contractors' competences, carry out financial control, communicate over IP telephony and produce contract documentation.</p> <p>These complex software systems faced significant challenges during the initial move to remote working. Staff were unable to operate at normal productivity levels. The CAD systems affected include Autodesk AutoCAD and Revit. Other systems were also been affected e.g. Mail Manager, Badger, causing significant productivity/business continuity challenges. Issues caused by IT 're-imaging' of laptops have also been challenging, in terms of productivity and business continuity.</p> <p>Availability of hardware is a significant risk to business continuity – Current lead-in time for standard laptops is six months. This is a challenge for recruitment of new staff and for lifecycle replacement of existing equipment.</p> <p>Servers which house all the technical files for the SACPM and Engineering Services teams require ongoing monitoring of capacity with IT. High risk of non-operation and data loss, resulting in catastrophic failure of business continuity and reputational damage. High financial risk to contract management and project delivery.</p> <p>Increased data storage requirements were inevitable due to transformation, 'New Ways Of Working' (scanning of paper files), Building Information Modelling and value of capital projects.</p> <p>There have been significant issues regarding IT software and hardware for technical teams. e.g. interruptions of access to Autodesk software and connectivity. No recent issue reported.</p>	4	3	12	8	<p>443 - IT service to resolve availability of hardware and lead-in times for delivery (subject to international market). Continue to monitor with IT.</p> <p>444 - IT and Transformation resources required to support the service through changes. Continue to monitor.</p>	21/08/2025	31/01/2025

R162	Impact on Service Objectives	Non delivery of Musselburgh Flood Protection Scheme (MFPS)	<p>Non delivery of Musselburgh Flood Protection Scheme (MFPS)</p> <p>MFPS is a major project being advanced under the Local Flood Risk Management Plan (Forth Estuary) and funded at a rate of 80% under the Scottish Government's Flood Protection Scheme Programme.</p> <p>The review on the overall Flood Risk Management financial implications is continuing to be undertaken. This is being done by an officer group which includes COSLA, LA Directors of Finance and practitioners, together with Scottish Government and SEPA officers. The group is reporting to the joint officer Settlement & Distribution Group, which advises Leaders and Scottish Ministers on matters affecting funding in the Settlement. The outline design of the scheme to protect Musselburgh from major flood risk was approved elected members at the full meeting of East Lothian Council on Tuesday 23 January 2024.</p> <p>The Proposed Scheme was published on 21st March 2024 in accordance with The Flood Risk Management (Scotland) Act 2009 and The Flood Risk Management (Flood Protection Schemes, Potentially Vulnerable Areas and Local Plan Districts) (Scotland) Regulations 2010 (as Amended).</p> <p>East Lothian Council's Legal Team is responsible for managing the formal process under the Flood Risk Management (Scotland) Act 2009. They are processing the correspondence that we have received, which is ongoing, and in due course any formal 'Valid Objections' and / or 'Representations' as defined in the legislation will be provided to all councillors so they can consider them and the future of the Proposed Scheme.</p>	4	3	12	8	<p>424 - Review Outline Design</p> <p>425 - Project Team will continue to liaise with SG's Flooding Policy Team</p> <p>426 - Project Team have responded to a request for information from the 'Pause & Review'</p>	21/03/2025	13/01/2025
R196	Property	Building Standards Team	<p>Building Standards Team</p> <p>Recruitment constraints faced by the Council could lead to the Building Standards Team not being able to maintain a level of staff that is adequately qualified, trained and competent to carry out the Building Standards duties of verification, enforcement, licensing etc. to the targets expected in BSD's new performance framework. BSD recent audit resulted in 6 year extension to the verification role subject to maintaining successful completion of Improvement Plan. Failure to improve could lead to the Council losing the verification role.</p> <p>Increase in Dangerous buildings being reported and increasing requirement to implement enforcement to be addressed.</p>	4	3	12	8	447 - Looking to implement new enforcement measures.	30/06/2025	04/02/2025
R197	Property	Dangerous Buildings	<p>Higher enforcement workload in terms of dangerous buildings for Officers due to various reasons (including increasing instances of severe weather and owners unable to maintain their properties) resulting in increased risk to members of the public.</p> <p>Service Reviews were carried out during 2016 and 2019 and implemented; however, there is an ongoing inability to recruit suitably qualified BS Surveyors resulting in inability to meet targets.</p>	4	3	12	8	448 - Continue to monitor situation with revised workforce in place	30/06/2025	04/02/2025
R199	Financial Impact	Arms-Length External Organisation (ALEO) – Enjoy Leisure	<p>Enjoy Leisure is the Councils ALEO partner delivering sport and leisure services on behalf of the Council. Enjoy also manage a range of Council sports centres and assets.</p>	4	3	12	9	523 - Ensure information is received through contract meetings to allow due consideration.	31/07/2025	26/02/2025
R211	Impact on People	Street Cleansing Service	<p>Failure to provide a street sweeping service resulting in the Council not being able to fulfil its statutory duties under the Environmental Protection Act. This would have a negative effect on the landscape character of East Lothian and its towns and villages, biodiversity, health & wellbeing of residents and the local economy and tourism. Failure to deliver SOA Outcome.</p>	4	3	12	8	464 - Additional HGV Sweeper Driver post in recruitment process to meet demands of newly adopted roads.	23/02/2026	20/02/2025

R231	Financial Impact	Estate management records	Estate management records lost or unavailable resulting in possible disruption to effective property management – effect on establishing ownership and lease terms and conditions (thereby difficult to protect Council's interest and maintain best value objectives), rent reviews missed, loss of rental income, effect on statutory compliance monitoring, financial reporting etc.	4	3	12	6	473 - Improve off-site storage and back this up more frequently 474 - Transition from previous Badger system to new CIPFA database ongoing - still requires significant time and resource to complete.	21/08/2025	04/02/2025
R246	Financial Impact	Asset Valuations	Failure to provide asset valuations to Finance on time leading to incorrect/outdated values in finance records – audit reports. Discrepancies in data held in Council asset management systems causing challenge from external auditors and delays/additional staff time to resolve. Rise in reinstatement costs.	3	4	12	9		21/08/2025	04/02/2025

ID	Title	Risk Description	Controls in place	Rating (current)	Rating (Target)	Risk Owner	Handler	Planned Control Description	Progress	Due date
5832	Delivering Financial Balance	<p>There is a sizeable risk that the Health & Social Care Partnership is not able to deliver Financial Balance in 24/25 and at the same time meet the demand from residents and patients for services.</p> <p>The IJB has approved a budget for 24/25 but this relies on delivery of high level savings and there is risk in slippage / non-achievement of these that will require alternative savings to be identified. Furthermore inflationary and service pressures / demands are likely to put further pressure on existing budgets</p>	<p>Budget Monitoring and enhanced budget scrutiny in place that includes;</p> <p>Monthly Financial Overview meeting chaired by Chief Officer</p> <p>Fortnightly Financial Recovery Group established chaired by Head of Operations that will scrutinise each savings proposal, implementation plan, progress and mitigation actions to offset any slippage.</p> <p>Financial position - key action on each Services management meetings</p> <p>Detailed budget reporting in place to provide monthly financial information from NHS and ELC to ensure timely information on current performance</p> <p>Regular reporting of position to partners (ELC and NHS) on progress and development of additional plans required and options</p> <p>Reporting of position monthly through to IJB on current position, risks and any need for further options including early engagement with IJB on additional proposals that may be required.</p>	20	12	Wilson, Fiona M	Hood, David	<p>Implementation of appropriate Financial recovery plans along with monitoring and any variances throughout the year.</p>	<p>Financial Overview meetings and regular monitor of financial position in place.</p> <p>August 2024 update - There is an IJB finance workshop scheduled for 5/9/24 at which the Q1 24/25 update will be presented. An update of the five year financial plan and further discussion around management actions that can be taken to bring the position back into financial balance</p> <p>October 2024 - Financial Overview meetings and regular monitor of financial position are in place. Further meetings on Financial recovery have been out in place on regular basis and focus on budget review meetings is on reducing spend. IJB financial recovery workshops have been held in Sept and October with a clear focus on agreeing further actions that will support financial recovery. Further development of the 5 year financial plan and recovery actions need will be presented to IJB committees throughout November and December and shared with Partners.</p> <p>November 2024 - SPG considered financial position in November and overall financial risk, a further IJB development sessions was held on financial position and discussions on developing further savings schemes. Officers continue to liaise with Partners on both statutory service responsibilities and risk of financial balance. An update on 5 year plan will be taken to December IJB and overall plan continued to be developed in line with budget offers.</p> <p>December 2024 – Further discussion at December IJB regarding current financial position, forecast and potential risks. Discussion centred on ability to meet needs of most vulnerable and maintaining statutory services with presentation from Professional Leads. IJB agreed to write to Partners in ELC and NHS to outline the scale of the financial challenge and risks to services and seek further discussions on funding going forward as part of budget setting process.</p> <p>January 2025 update - Ongoing discussions with Partners regarding financial position and year end forecast and IJB Chair has written to Partners about the expected out turn. Positive ongoing dialogue about funding into 25/26 with both Partners but remains a significant 5 year gap and additional development session held with IJB and further discussions planned into 25/26 linked to Strategic Plan and a 5 year Financial plan.</p>	31/03/2025

5760	Lone Working Devices	<p>East Lothian Council and NHS Lothian respectively have legal duties under the Health and Safety at Work etc Act 1974; and Management of Health and Safety at Work Regulations 1999 to ensure the safety and welfare of anyone working within the East Lothian Health and Social Care Partnership as far as reasonably practicable. The law requires employers to consider carefully, and then deal with, any health and safety risks for people working alone. On this basis, we need to ensure that consistent procedures are established and applied across the Partnership teams to enable confirmation of lone worker locations and maintain ongoing contact; emergency escalation contact details are accurately maintained and can be used in the event of an incident; and that adequate lone working devices, and equipment, as well as training are provided to all lone workers, especially in case of high risk assessment outcomes.</p> <p>The personal safety of all staff is valued and protected through the prevention and management of Violence and Aggression within NHS Lothian. This is achieved by minimising the risk to exposure of violence and aggression for those delivering care, their patients, visitors and the public by creating safe and secure work environments and defines training and education which is proportionate to the level of risk. Due to governance issues, this training cannot be delivered to Partnership Staff who are employed by ELC, of which does not have the equivalent levels of training based on the overall risk outcome.</p> <p>Training plan to be developed and Isobel Nisbet speaking to Keith Flockhart but governance issues playing a part in this.</p>	<p>East Lothian Council Lone Worker Policy for ELC employees</p> <p>NHS Lothian staff members are governed by NHS Lone Working Policy and Safe and Well Procedures</p> <p>The policies are very similar between NHS and ELC which will mean improved staff use.</p> <p>Reporting/Compliance - Reporting of use and training compliance being reported to H&S committee for HSCP.</p>	16	8	Wilson, Fiona M	Kerr, Laura K	Reporting/Compliance - Reporting of use and training compliance to be reported to H&S committee for HSCP.	Feb Update - Progress has been docked at Workforce Group along with o at Partnership Forum and Health & Safety Committee. Overall progress continues to be monitored	31/03/2025
									<p>Police now able to share VPD directly with SUS, so health can provide early response and intervention. Helps SUS to meet the needs of more difficult to access patients.</p> <p>New B6 nurse based in criminal justice. A new post to support Social Work with their management of drug and alcohol issues, whether court mandated or otherwise. - GW February 2024</p> <p>Police share proactively with partners - MELDAP, MELD and SUS. There are discussions when increase in substances are confirmed via testing/post mortems and agreement locally in terms of communication that are required to go out to patients. Plan for expansion in term of VPD criteria in that police will look at individuals who repeat offenders for example for shop lifting and if known substance user look at earlier support as a preventative measure. - LCallander 3/5/24</p> <p>New B6 nurse based in criminal justice. A new post to support Social Work with their management of drug and alcohol issues, whether court mandated or otherwise. Aids proactive and reactive response to client social circumstances. Impact will improve over time as staff member builds links across teams, and is better able to mitigate risk through their role in liaison with Justice Social Work. GW 15/5/24</p> <p>August 2024 update - Meeting to be held at the end of August 2024 to review this year's deaths to look at themes/identify learning - this will be with MELDAP and DRD co-ordinator.</p> <p>Planning in September to start distributing testing strips for</p>	

5743	Drug-related deaths in EL	<p>Use of illicit drugs continues to put the lives and safety of young people and adults at risk, which may result in debt related violence or death.</p> <p>Consumption of illicit drugs not only undermines physical health but also heightens the risk of encountering dangerous situations. Individuals involved in drug use can face spiraling debt that can escalate into violence. Desperation for funds to sustain a habit may drive individuals into criminal activities, increasing the likelihood of encounters with violence and even death.</p> <p>Over 2023/24 we have seen an increase in laboratory manufactured drugs such as Nitizines that can be many times more powerful than traditional opiates. These can be used to cut heroin, increasing potency, and increasing risk of accidental overdose, NFO, and DRD.</p>	<p>Substance Use Services have successfully implemented Medication Assisted Treatment Standards 1- 5 offering:</p> <ul style="list-style-type: none"> •Dedicated contact service •same day assessment and treatment, •Robust non-fatal overdose pathway where assertive outreach nurses offer harm reduction and support •Development of low threshold cafes <p>Effective multi agency working with Police Scotland, MELDAP, Substance Use, SW and other partners therefore if a change in what's happening in EL and surrounding areas we react to that as a service.</p> <p>Effective communication shared with local communities and partners re recent risk of illicit substances available within East Lothian and risks associated with this</p> <p>Radar reports are received from Public health Scotland via MELDAP. These provide up to date details of drugs that have been lab tested after users report adverse unexpected effects. The advice is give by area / postcode, so we can share with clients to highlight risk.</p> <p>PSEAG meetings in place</p> <p>Provision of naloxone kits to try and mitigate</p>	16	12	Wilson, Fiona M	Whitehead, Guy	<p>Protocols - Protocols to be updated to ensure that local intelligence re local dealers and illicit substances is shared with the Police and other partners.</p>	<p>nitazines/zylazines to patients so they can test their drug sample before using.</p> <p>In light of DRD report published August 2024 identifying 20 DRDs in EL in 2023, 85% of whom were not actively engaged with SUS, the service will examine all 20 DRDs. Initial data gathering around last contact/s and episodes of care across secondary, primary care, 3rd sector, Police, SAS.</p> <p>November 2024 update - Two meetings held so far (28/10 and 04/11) with Justic Social Work, MELDAP, Police, and SUS to progress above noted exploration of the 20 DRD's in 23/24 seeking to identify any missed opportunities to pro-actively support EL residents at risk of DRD. Have agreed to go through Information Governance regarding better data sharing so each partner can share information about 'at risk' people. Have expanded membership of both VPD meeting (to include Justice SW) and DRD review group.</p> <p>Outcomes:</p> <ul style="list-style-type: none"> - Contact Information Governance to assure compliance with policy regarding proactive data sharing so each partner can share information about 'at risk' people. - Expand membership of both VPD meeting (to include Justice SW) and DRD review group. - Review of 23/24 DRD list in progress. First pass to tabulate patient vs last service contact across all agencies. Plan to then explore each case in detail to identify any trends or missed opportunities. - Above, to inform potential service change/ or pathway development to better mitigate risk. <p>February 2025 update - VPD meeting occurring fortnightly with membership as above noted.</p> <p>Plan to expand meeting to include Justice SW transitions, and Mental Health – one meeting per week with each statutory organisation sharing intelligence around vulnerable people known to their service to allow proactive support and risk management across agencies.</p>	31/03/2025
								Implementation of MAT Standards 6-10	<p>MAT standards 6-8 progress RAG rated green, 9+10 Rated rated amber. However all MAT standards progressing to delivery on schedule.</p> <p>Provisional validation from MIST at PHS of solid green for MAT standards 1-5, provisional green for MAT standards 6-9, non applicable for MAT standard 10. solid green 1-5 Mat standards, provisional green 6 9, n/a for 10. Implementation and validation to be delivered by April 2025 - GW 15/5/24</p> <p>August 2024 update - MAT standards implementation submitted to Scottish Government on 8/7/24 for q1 of 2024-25. Scottish Government MAT team positive about agreement of Protocol of Nitazene and Fentanyl testing strips during outreach</p> <p>February 2025 update - MAT 6-10 rated as provision green by Scottish Government.</p> <p>Local MAT standards implementation group set up to continue actions around all MAT standards.</p>	30/04/2025

5412	Safe nursing staff levels of inpatient ward areas	There is a risk of insufficient nurse staffing levels caused by high level of sickness/absence. High Vacancies, insufficient supply of registered staff. This could result in compromised patient safety, prolonged length, and unsatisfactory patient experience	7.30am daily staff safety huddle (Nursing Resource Team out of hours being highlighted at this huddle), attend by ward and day services charge nurses, AHP, Nurse Practitioners, Site and Capacity and 2.45pm, workforce plan in place	16	8	Wilson, Fiona M	Neil, Gillian	Agency reduction - Reducing the use of agency staff and utilising bank staff.	<p>Reduction in agency spend has been highlighted in financial grip and control plans. Chief Nurse and GM are also reviewing inpatient staffing establishment in line with safe staffing levels to reduce reliance of staff bank. February 2024 update</p> <p>August 2024 update agency to change to bank spend - showing a reduction in bank spend from last year. Ward 1-4 revised sustainability and value to review establishments and governance of in-house processes</p> <p>November 2024 - bank spend remains high but seeing a reduction. Working with the sustainability and value team around this. Escalation process in place for bank staff and staff consider all options before banks shifts are accepted - tight governance around this.</p> <p>February 2025 update - review of nursing establishment with the s&v team is now almost complete and is being presented at various professional nursing meetings for approval. Have seen an increase in bank spend especially over Dec and Jan due to vacancies and sickness. Bank use continues to be monitored, and request made in line with bank escalation protocol.</p>	01/05/2025
5479	PCIA	<p>Risk that the primary care infrastructure and real estate wont be developed because of the lack of funding.</p> <p>It impacts on the partnership in 3 ways</p> <ol style="list-style-type: none"> 1- It presents a risk that patients will not receive GMS care 2- It may limit the HSCP to implement the PCIP or provide services accessible across East Lothian 3- It may limit the opportunities to provide primary and community care to respond to a growing and ageing population 	<p>HSCP highlight risks to NHSL as capital funding is not delegated to the HSCP.</p> <p>Strategic assessments reviewed and updated annually to inform prioritisation process.</p> <p>NHS Lothian has now competed the prioritisation exercise for all primary care developments identified across Lothian</p> <p>Significant increase is uncertain due to communication from Scottish Government there is no capital funding available for two years. HSCP has no assurance there will be funding available implement the 2021 Primary Care Premises Strategy</p> <p>Locality needs assessment Lothian governance structure on premises</p> <p>NHSL Primary Care initial agreement</p> <p>GP priorities submitted to Scottish Government</p> <p>Lothian Capital Investment group</p>	12	9	Wilson, Fiona M	Megaw, Jamie	<p>Annual assessment of future population growth by HSCP to re-evaluate impact on General Practice premises</p>	<p>Demographic growth now features on IJB risk register - SO July 2023</p> <p>The East Lothian Council Housing Land Audit is reviewed by the HSCP. The current published audit is from 2022 and housebuilding impact on General Practice premises has been reviewed. The 2020 IJB Primary Care Premises strategy remains relevant based. This action will be reviewed following publication of the 2023 HLA. Jamie Megaw 15/8/23</p> <p>The audit regarding population growth is still to be received. Key risk is Musselburgh, patients need to register with Inveresk but cannot accommodate population growth. JM continuing to meet quarterly to monitor registrations. Other risk is re: capital funding and uncertainty. JM 22/11/23</p> <p>Scottish Government confirmed no capital funding for the next two years. Review of MPCC current resource/services undertaken. JM May 2024</p> <p>August 2024 - In the process of reviewing the premises strategy - completing locality needs including population growth. 6 locality needs assessments to be undertaken with the 1st one being completed in September which is being reviewed in team and taking to the accommodation group.</p> <p>November update - One has been completed and the other will be completed by January 2025.</p> <p>February 2025 update - Assessments completed. Currently working on the strategic needs assessment which will be discussed as part of the Lothian Capital prioritisation process to ensure our priorities are as before.</p>	31/03/2025
								Review plan for plan b options	February 2025 update - work underway to explore an alternative model for funding for North Berwick.	31/03/2025

4695	Safe storage of controlled drugs	<p>East Lothian requires to apply for a home office license for the storage of controlled drugs within the Esk Centre, Musselburgh</p> <p>A home office license for controlled drug storage is imperative to ensure public safety. Regulating the storage of such substances within community environments is essential to prevent unauthorised access, misuse, or potential criminal activities. This licensing system establishes clear guidelines, safeguards, and accountability, mitigating the risks around access.</p> <p>Impact – if controlled drugs are not stored securely there is increased risk of theft, or misuse, which could cause harm. Together with secure physical storage clear and robust process controls are in place underpinned by legislation. This can help detect poor clinical practice, criminal activity, or risk to patients.</p>	<p>The East Lothian Substance Use Service who are required to store Controlled prescribed drugs within the Esk Centre, Musselburgh will adhere to Medicated assisted Treat Standard Operating procedure 2 and ensure that the following is applied:</p> <p>All controlled drugs will be appropriately stored in the recommended and approved medication locked storage cupboards All staff will order, monitor and dispense controlled drugs in adherence with NHS Lothian Controlled drugs policy and procedures East Lothian HSCP is progressing with application through the Home Office to obtain a home office license for No 11 There is a new controlled drug procedure which has been implemented from 1st May 2024</p>	12	6	Wilson, Fiona M	Whitehead, Guy	<p>Home license - East Lothian HSCP to apply for a home license and this will be progressed once responsible person has had an enhanced disclosure updated. To discuss with HR</p>	<p>Work ongoing to review those waiting for adaptations. Regular meetings in place with Care & Repair, Housing and Finance colleagues to monitor the budget and adaptations in progress.</p> <p>Adaptations panel meeting on a regular basis to discuss those with a critical need requiring an adaptation.</p> <p>Interim Review of Care & Repair planned for 2024-25. Housing Strategy team are co-ordinating this work. LB 31/1/24 Met with the lead substance use pharmacist and before we can apply for the licence we had to ensure PVGs update to date. Service liaising with PVG and then East and Mid will apply at the same time. Hopefully be completed by end of October 2023. GN 4/8/23</p> <p>In progress and Lindsay Callander taking forward due to be completed by 31/3/24</p> <p>HR person allocated to support service through the process. To be noted this is a lengthy process ultimately dependent on the Home Office. February 2024 update</p> <p>Ongoing - 15/5/24 GW</p> <p>August 2024 - Home office licence has not progressed this was sitting with CNM to progress but post now vacant. Requires a plan to get this moving. Midlothian SUS have been through the process now so should be able to help guide.</p> <p>New CNM in post October 2024, who will progress the license.</p> <p>November 2024 - New CNM in post October 2024, who will progress the license. Timeline for license unknown but is being urgently progressed by new CNM for SUS. CNM has contacted Service Manager in Mid-Lothian for guidance Nov 2024 as ML service has license in place.</p> <p>February 2025 update - CNM now has DBS check completed. ML SM providing advice about next step. Lead Pharmacist supporting.</p>	31/03/2025
								<p>Audit - East and Mid to liaise with controlled drug team to undertake an audit to ensure fully compliant as it is likely that once application is made, we will be inspected.</p>	<p>progressing well - GN 2/5/23</p> <p>There are local arrangements in place to ensure compliance. Needs to remain on the register until application is made and inspection completed - GN 4/8/23</p> <p>In progress and Lindsay Callander taking forward due to be completed by 31/3/24.</p> <p>Update 9/2/24 – SUS have audits ongoing underpinned by MAT standards and targets.</p> <p>There is a new controlled drug procedure which has been implemented from 1st May 2024 - GW 3/5/24</p> <p>The relevant post NHSL SUS Pharmacist has been appointed but is not in post yet - when in post SUS TL will liaise to organise audit by the Lothian level Pharmacist. GW 11/12/24</p> <p>February 2025 update - Lead Pharmacist in post and attending ELSUS business meetings. is aware of progress of Home Office license. Lead Pharmacist agreed to update controlled drug team regarding progress, and to support ELSUS when controlled drug team perform site visit and audit.</p>	31/03/2025

5986	Accurate prescriptions in SUS	ILLY electronic prescribing rollout requiring manual transcription of prescriptions for all 200 SUS patients creates significant risk of error. Error with SUS prescriptions could lead to patient death.	Manual process risk managed by Consultant Psychiatrist, TL Nurse and Clinical nurse specialists, with one manually transcribing from old system onto new ILLY system with other staff member then QCing the work. Subsequently when the batch is run, the prescription is again checked by the Consultant against the old system record and by sense checking with case allocated CPN who knows the patient and their history.	12	6	Wilson, Fiona M	Whitehead, Guy	Options	All SUS prescriptions will be transferred and verified through issuance by January 2025.	01/03/2025
5356	ELHSCP Workforce Risk	<p>There is a risk that we will not have sufficient workforce to deliver services.</p> <p>Recruitment & Retention.</p> <ul style="list-style-type: none"> - Challenges in recruiting staff. - Difficulty in retaining current staff within some departments in ELHSCP. <p>Difficulty attracting nursing staff from acute services to community services.</p> <p>Failure to deliver safe, effective & sustainable health & social care services</p> <p>Accommodation.</p> <ul style="list-style-type: none"> - Challenge of moving to home working and the closing of office space doesn't support a reactive service or peer support. - Consolidation of building space to increase overall service delivery. <p>Resulting in staff becoming disengaged with the Partnership and services it delivers.</p> <p>IT</p> <ul style="list-style-type: none"> - Continued divide between employers IT systems. <p>Resulting in:</p> <ul style="list-style-type: none"> - Potential for unsafe practice. - Inefficient use of time / duplicate workload. <p>With the increasing financial pressures we are seeing an increase in absence rates and the inability to fill vacancies which is having an impact. The impact to deliver service, poor staff moral and wellbeing.</p> <p>There is also a risk regarding training where we are unable to release nursing staff/mandatory training etc due to operating with minimal number of staff. 36% Crookston, 53% Care @ Home and 58% Day Services do not have valid M&H certificates as at February 2025.</p>	<p>Development of the workforce & action plan.</p> <p>Each service area develops own workforce plan and whether there is sufficient staffing and skills required to deliver services.</p> <p>Workforce Steering group have regular meetings to monitor workforce challenges.</p> <p>Rolling recruitment processes for some posts i.e. home care / nursing.</p> <p>Recruitment initiatives being developed.</p> <p>Accommodation home working asset review.</p> <p>Continued work with IT partners.</p> <p>Further development of the ELHSCP organisation workforce development team.</p> <p>AHP recruitment issue improving.</p> <p>Nursing service developed and attracting new staff and aiding to recruitment.</p> <p>Adult SW operating hybrid 50% office based approach model - limited to accommodation.</p> <p>Implementation of workforce action plan (3 yr plan) reliant on fair working practices.</p> <p>all staff are instructed to complete mandatory learn pro training and this is monitored.</p> <p>A number of careers fairs have been hosted or attended.</p> <p>Increase in school leavers approaching ELHSCP for vacancies moving to ELHSCP being seen as Young Person Guarantee destination</p> <p>Links with QMU, schools and Universities.</p> <p>Improved relations and communication with HR partners and clearer processes and scrutiny to improve recruitment process in place.</p> <p>Redeployment of staff due to the closure of Blossom House and the Abbey completed - October 2024</p> <p>Absence panels in place.</p>	12	6	Wilson, Fiona M	Kerr, Laura K	<p>Training venues - Accommodation to be identified for the specific purposes of training/recruitment activities. Identify standalone facilities for training of all HSCP staff</p> <p>Development of workforce plan for 2025-2030 underway</p> <p>Explore potential SVQ assessor to improve in-house training to attract new/younger people into HSCP</p>	<p>February 2025 update - on going – accommodation group established and added as agenda item</p> <p>February 2025 update - Final version to be signed off in June 2025</p> <p>February 2025 update - action paused due to lack of finance to recruit to post.</p>	<p>01/07/2025</p> <p>01/06/2025</p> <p>01/10/2025</p>
			<p>Clinical & Care Governance Committee in place to provide strategic oversight of care and support within the Partnership.</p> <p>Adult Social Work Governance group in place - programme in place of self- evaluation and audit to monitor service quality. Risk register in place to identify and mitigate risks.</p>					Workforce model	Continual recruitment underway for care at home with recruitment events designed and held including media, open days etc to encourage applications.	31/03/2025

3912	Duty of Care	<p>The Council has a responsibility to assess and provide care and support where appropriate for the people of East Lothian. Any breach of this duty of care may compromise legislative duties, health, safety and wellbeing, impacting on, for example, the protection of children and adults.</p> <p>Failure to fulfil the duty of care could result in serious harm/death to an individual/s, prosecution, having to pay compensation and have a negative impact on the reputation of the Council.</p> <p>Concerns raised from staff that budgetary/financial constraints are impacting on service delivery and compromising social workers working to their code of practice</p>	<p>Safer Recruitment" practices and PVG checks in place. Services comply with professional registration standards.</p> <p>Adult Social Work Workforce Group in place to monitor and maintain safe staffing levels, skills and expertise to deliver statutory requirements. Working to Code of Practice regularly discussed</p> <p>Care Home Huddle monitors quality within East Lothian care homes support with: contracts, adult protection investigations and LSI process, improvement work, training, clinical knowledge and skills.</p> <p>Ongoing engagement and negotiation with third sector providers to support delivery of IJB service objectives and directions.</p> <p>External inspection, regular engagement and support from Link Inspector.</p> <p>SDS improvement plan in place. Aligned to Scottish Government's review of SDS and operational requirements</p> <p>Data monitoring systems in place: Care home hours used and people waiting on service Home First model – reduction in number of care home placements. Good response time to requests for social work and mental health officer assessment Mitigation against waiting list for AWIA incoming applications</p> <p>Management Resource Panel in place within social work to scrutinise all requests for service and ensure those most in need are prioritised.</p> <p>Multi-agency RAG rating in place to monitor need, risk and ensure those most in need are prioritised for services</p> <p>Private Guardian support programme in place</p> <p>Systems in place for regular reviews of packages of care to enable recycling of care hours that are not being used</p>	12	9	Wilson, Fiona M	Hood, David	<p>Ensure guardianship reviews are aligned with required standards</p> <p>November 2024 update - currently a significant backlog in carrying out supervision reviews (a statutory requirement and highlighted by Mental Welfare Commission). Adult SW GM has developed a plan to reduce these delays over an 18 month period. However, this requires agreement to fund from with SW budget in context of overall financial position.</p> <p>February 2025 - Plan in place and progressing</p>	31/03/2026
			<p>Oversight and Governance arrangements within ASW</p>	February 2025 update - work still ongoing with other services	31/03/2025				
			<p>CAH Huddle/Change Board</p>	Feb 25 update - Daily Care at Huddle in place, along with resource panels and reviews. Structure for Change Board currently being reviewed and CaH will form a key part of this.	31/03/2025				
			<p>Performance Framework being developed to ensure delivery of statutory social work requirements</p>	February 2025 update - framework completed February 2025 and looking at implementation from April 2025.	01/05/2025				
			<p>Develop community brokerage model</p>	February 2025 update - delay in progression	31/03/2025				
			<p>Development of clear outcome focused assessments and reviews</p>	February update - SW Governance Group in place and tracking reviews for all services.	01/08/2025				
			<p>There is a risk that demographic pressures see demand for services outstrip available budgetary and staffing resources leading to unmet client need and risk to client safety and independence, potentially generating reputational risk for East Lothian Council.</p> <p>Service Activity pressures see demand for services outstrip available</p>	<p>1. New planning structure established which will support an overall programme of change and include a number of change boards to which all projects will report. Changes boards reflect agreed priorities of the IJB and include Primary Care, Shifting the Balance of Care, Adults with Complex Needs, Mental Health, Carers and Re-provisioning and a Digital Change board.</p> <p>2. New planning structure includes Reference Groups as well as Change Boards. Reference groups are multi-stakeholder and include service users, carers, voluntary sector organisations, practitioners, community planning partners, housing colleagues and other groups.</p> <p>3. Resource Allocation System (RAS) established with additional short term practitioner capacity to accelerate pace of reviews to ensure resources are allocated according to need within financial constraints.</p> <p>4. Application of the Eligibility criteria has been reviewed and delegated authority implemented. Scrutiny of budget authorisations and analysis of trends through delegated authority.</p> <p>5. Self Directed Support (SDS) implemented and audited with action plan in place.</p> <p>6. Currently commission a range of services which fulfil an early intervention and prevention role. As part of continual planning and service redesign. Mandatory "Golden Threads" have</p>				<p>The new assessment document and process</p> <p>November update - has been implemented, further work required with staff to support it being embedded in day to day work.</p> <p>February 2025 update - ongoing work</p>	01/04/2025

3914	Service Activity Pressures	<p>budgetary and staffing resources leading to unmet client need and risk to clients safety and independence, potentially generating reputational risk for the Council as well as failing to meet statutory responsibilities.</p> <p>This risk is managed by the IJB</p> <p>Care at home external provision remain static at significantly lower levels which impacts on risks and hospital discharges.</p>	<p>been established which all change programmes and projects must evidence as having achieved as part of the proposed change. These include early intervention and prevention.</p> <p>7. Strong relations with third sector organisations etc.</p> <p>8. A three year increased investment plan was agreed at the IJB in early 2017. April 2019 will see the third year of this agreement start where day centres will be operating to a new Service Level Agreement. - REMOVE</p> <p>9. All funding of commissioned provision has undergone a Strategic Fit and Best Value review. This includes integrated Care Fund funding and services.</p> <p>10. Three year budget efficiency plans developed for implementation from 2019 - 2022.</p> <p>11. Services forecast trajectory of need across all Care Groups to inform service development and financial planning.</p> <p>12. Recovery Plan is in place.</p> <p>13. Financial overview regularly considered short, medium and long term measures for resourcing.</p> <p>14. Resource allocation system - delegated authority is in place.</p> <p>15. Community transformation approved at IJB summer 2021 - adults of carers change board overseeing.</p> <p>16. ICAT forum continues to ensure resources are deployed effectively as possible.</p> <p>Care home placements for older people restricted by third sector recruitment and retention.</p>	12	9	Wilson, Fiona M	Hood, David	Service plan template	February 2025 - Service Planning templates drafted and each team working through their templates for completion by end of March 2025	30/04/2025
		<p>The Council has a legal responsibility to address concerns that may require a Child or Adult protection response. The Council also has an obligation to manage offenders through the Justice Social Work service and contribute to MAPPA arrangements.</p> <p>Any failure to adequately respond to concerns may negatively impact on children and adults, who may be at risk of harm. This could also result in serious harm/death to an individual/s, prosecution, risk of compensation claims and have a negative impact on the reputation of the Council.</p> <p>A failure to have in place efficient and effective Public Protection arrangements, covering Child Protection, Adult Support and Protection, local MAPPA arrangements, Violence against Women and Girls (VAWG) and Substance Misuse services, may see the Council being unable to fulfil its statutory duties/duty of care which could contribute to a service user suffering harm/death or detriment. This would in turn result in reputational damage and financial compensation.</p>	<p>Strategic Structure</p> <p>The East and Midlothian Public Protection Committee (EMPPC) is the local strategic partnership responsible for the overview of policy and practice in relation to Adult Support & Protection, Child Protection and Violence Against Women and Girls.</p> <p>The primary aim of the Committee is to provide leadership and strategic oversight of Public Protection activity and performance across East Lothian and Midlothian. EMPPC launched its new website on 7th October 2024. This gives information for staff and the public about the work of the Committee, and associated Procedures and Guidance - emppc.co.uk.</p> <p>An Equally Safe leadership group has been established which will take responsibility for the development of an Equally Safe strategy for East Lothian with representation from the Partnership</p> <p>Critical Services Oversight Group (CSOG), Provides governance and leadership of EMPPC on a quarterly basis.</p> <p>The Public Protection Partnership discharges its functions through the following sub-groups:</p> <ul style="list-style-type: none"> •Performance and Quality Improvement Sub-group is responsible for the oversight and governance of the performance framework and quality assurance arrangements. •Learning and Development Sub-group is responsible for the development and delivery of the EMPPC Multi-agency Learning and Development Strategy. •Learning Review Sub-group is responsible for the oversight of progress of Learning Reviews 					Equally Safe strategy for East Lothian	There are plans to establish an Equally Safe leadership group which will take responsibility for the development of an Equally Safe strategy for East Lothian.	30/11/2025

3915	Public Protection - Risk of Harm	<p>operational savings and financial compensation.</p> <p>There has been a long-standing waiting list for an Outreach Service from Women's Aid Mid and East Lothian which is the specialist service provider for Women experiencing or having experienced domestic abuse. There is a funding gap created by non-recurring revenue streams and increased demand. The contract for refuge has been reviewed and has been extended on a short-term basis only.</p> <p>The Council's MAPPA responsibilities are not currently at risk as information is continuing to be shared as per habit and practice over the past decade and in line with legislation. The Home Office are progressing a new database – MAPPs – which will replace VISOR in 2025/26 (although this has been delayed until 2026/27) and all MAPPA partners have agreed to engage with the development. The underlying barriers have not been resolved and some uncertainties remain around operational joint working between ELC and Police Scotland. East Lothian has no access to VISOR.</p> <p>Currently, 50% of people awaiting CAH are in critical need and there is a risk they may come to harm as a result of not having appropriate support.</p> <p>Justice Social Work is currently based in the Brunton Hall in close proximity to most clients and accessible location. If a suitable alternative location can not be identified there is a risk that this will impact on their ability to implement orders, increase the likelihood of people breaching their orders and ultimately increase risks within the community and lead to reputational damage to East Lothian Council.</p>	<p>undertaken in relation to Adult Support and Protection and Child Protection, development and review of the progress of action plans arising from Learning Reviews and oversight of local Learning Review arrangements.</p> <ul style="list-style-type: none"> •East Lothian and Midlothian MAPPA Group is responsible for ensuring that the statutory responsibilities placed on local partner agencies for the assessment and management of risk posed by offenders subject to MAPPA are discharged effectively. •Violence Against Women and Girls Delivery Group is responsible for supporting the delivery of the Equally Safe Strategy and overview of local delivery of services. •Adult Support and Protection Sub-group focuses on practice issues, national and local developments in emerging trends in Adult Support and Protection •Child Protection Sub-group focuses on practice issues, national and local developments in emerging trends in Child Protection * CSWO/GM/JSW manager involved in PREVENT <p>The CSWO remains actively engaged in national meetings aimed at achieving a long-term solution to the MAPPA information sharing / VISOR issue ahead of the implementation of the replacement system MAPPs. The CSWO will continue to provide regular assurance of the safety of MAPPA practice to the CEO.</p> <p>The CSWO and Chief Executive are fully sighted on the current situation regarding VISOR. Access to VISOR requires Non-Police Personnel Vetting L2 or L3 and this is a highly intrusive process and colleagues in legal, Information Governance and HR have advised that JSW staff cannot be instructed to undertake this vetting and have confirmed that JSW need access to the information that VISOR holds only, not the system itself, to fulfil their duties under the Management of Offenders (Scotland) Act 2005 on which MAPPA is based.</p> <p>ELC H&SCP have a daily Care at Home Huddle to monitor/review the level of risk for individuals and maximise opportunities for provision of care.</p> <p>Chief Social Work Officer (CSWO) fulfils statutory role and responsibilities, overseeing and reporting on Public Protection issues to Chief Executive and Elected Members, reporting annually to Council giving oversight of Public Protection performance including assessment of risks and pressures.</p>	12	8	Wilson, Fiona M	Hood, David	EMPPC VAWG services	There is a national Equally Safe delivery plan published in August 2024 which identifies the need to establish longer term funding for VAWG services. EMPPC VAWG delivery group chair will liaise with Scottish Government via national network to seek urgent resolution to lack of funding arrangements. 31/12/2024	01/05/2025
5920	Gender surgery pause - staff welfare	There is a risk that staff will suffer stress and significant psychological harm, and a possible but much lower risk of physical harm because of the prolonged pause on gender affirming surgery referrals and the lack of clear information provided to patients, leading to high levels of distress, rumour and misinformation among the affected community. This has led to multiple verbal enquiries, discussions in almost every clinical consultation and criticism of named staff, expressions of intent to self harm and suggestions of organised (non-violent) protest against the service on social media.	Staff were provided with written information to share verbally with patients on 13th September 2024 and this has been updated regularly. The clinical MDT has been briefed by the Clinical Lead/CNM. Regular conversations with medical staff by Clinical Lead and nursing staff by CNM. Plans developed for formal supervision of Admin/Reception staff by MH trained nursing team members. Script in development for admin staff, referring all queries to clinical team. ELHSCP senior management have offered to attend to discuss with team.	12	6	Hood, David	Clutterbuck, Daniel	Development of and documentation of clinical pathways	February 2024 update - Ongoing concerns from staff about the impact on their wellbeing as result of the pause in surgical referrals. Staff signed posted to support within NHS that is available and regular updates on position at team meetings. Meeting with Chief Officer arranged for early April (timing to suit team) to hear about their concerns, the NHS approach and learning from their experiences.	01/05/2025
5921	Gender surgery pause - risk to wellbeing of patients and other community members	There is a risk of unintended harm to Trans and non-binary people, because of the extended pause on gender-affirming surgery and the lack of public facing information on the pause leading to rumour and misinformation. This affects those on the waiting list for surgery, those awaiting surgical assessment and those in the community awaiting initial assessment and referral to the service. Multiple credible reports have included significant deterioration in mental health, increased dysphoria, intent to self-harm including suicide, intent to seek private surgery/surgery abroad with attendant associated risk of harm.	Information has been provided to the clinical team to provide verbally to patients from 13th September. Responses to complaints and MP/MSP queries based on the same information has been shared on social media and through LGBTQ+ media outlets. The ability of third sector colleagues, GPs and others to support those affected is limited by the lack of public facing information. Other than providing apology, the clinical team are not able to provide mental health support, counselling or other interventions beyond what is usually provided by the GIC in relation to gender dysphoria.	12	6	Hood, David	Clutterbuck, Daniel	Development of pathways and outputs of SLWG	Feb 25 - Outputs of SLWG complete and pathways in place. Pause in referrals lifted and regular stakeholder meetings in place.	

REPORT TO: Audit and Governance Committee
MEETING DATE: 25 March 2025
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Report – March 2025

3

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee and provide an update on progress made against the 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 January 2025 to March 2025 as contained in Appendix 1;
 - ii. Internal Audit's progress against the annual audit plan for 2024/25 as set out in Appendix 2.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: Adult Social Work Case Management System and Housing Voids.
- 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 Adult Social Work Case Management System and Housing Voids. audits are contained in Appendix 1.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Adult Social Work Case Management System – Reasonable Assurance.
 - Housing Voids – Reasonable Assurance.

Progress Report 2024/25

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

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 None

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Appendix 1: Executive Summary: ASC Case Management

Conclusion: Reasonable Assurance

The processes and internal controls in place for Adult Social Care (ASC) Case Management are generally reliable and there is clear evidence of improved financial monitoring, greater scrutiny, additional processes and enhanced controls being put in place to improve the control environment and address the financial challenges faced. Some areas for further improvement have been highlighted, including the need to ensure that all annual client reviews are carried out timeously, ensuring that timely follow-up action is taken of queries highlighted for clients with recurring invoice variations, improvements to the current authorisation process and opportunities for obtaining better alignment of budget holder responsibilities to client groups.

Background

The 2024/25 East Lothian Council Internal Audit Plan included a planned review of Adult Social Care (ASC) Case Management, to focus on the control of expenditure on commissioned services, from the identification and procurement of care packages through to the checking, authorisation and payment of invoices. It is recognised that services need to be robust, sustainable and financially efficient in the current challenging financial climate to deliver change and support reform within East Lothian's Health and Social Care system. This audit has sought to review the processes in place and the actions that have been taken by management to implement enhanced scrutiny and control arrangements for commissioned expenditure. Commissioned care packages are recorded on the Mosaic system, the Adult Social Care case management system, and Mosaic is also used to process payments for care provided following receipt of invoices from providers.

Summary of findings & recommendations

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

- While improved processes have been put in place for reviewing and updating care packages on Mosaic, in a small number of cases examined reviews for clients were overdue, while reviews for in-house Care at Home provision, currently approximately 20% of care at home provision, are not currently held on the Mosaic system. *Management have confirmed that a performance framework is in place across Adult Social Work with set targets for reviews, which will be monitored monthly from April 2025.*
- Mosaic Forecast Reconciliations at periods 3, 6, 9 and the year-end are prepared on a quarterly basis, which highlight queries including clients with regular invoice variations. The variations highlighted are reviewed and appropriate action is taken for both Adult Social Work and Learning Disabilities clients, although in a few cases there were delays in follow-up action being taken. *Management have agreed to ensure timely follow-up by April 2025.*
- The current arrangements in place for the alignment of budget holder responsibilities to client groups and the authorisation of Mosaic expenditure batches require review. *Management have confirmed that budget alignment is currently being reviewed and will be implemented in new systems, revised signatory processes will be put in place alongside this review by September 2025.*
- In seeking to obtain enhanced assurance that all services invoiced by providers have been delivered, consideration should be given to reviewing further use of care logs and/or supplier reconciliations to obtain additional assurance. *Management have confirmed they will review this by September 2025.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	8	-	8
Prior Report	n/a	n/a	n/a	n/a

Materiality

The Adult Wellbeing annual budget for 2024/25 was approximately £73.5 million and will be £81 million for 2025/26, of which nearly £50 million (approximately 60%) is for commissioned services, which are processed through the Mosaic system.

Headlines

Objectives	Conclusion	Comment
<p>1. Appropriate processes are in place for agreeing new packages of care and for recording these on the Mosaic system.</p>	<p>Reasonable</p>	<p>Appropriate arrangements are in place for approving new, or changes to, packages of care for clients. A weekly Resource Panel is in place within both Adult Social Work and Learning Disabilities to provide enhanced scrutiny and control of packages. For Learning Disabilities, all financial requests now go through the Resource Panel. Within Adult Social Work, the Panel is attended by senior managers and considers, and where appropriate approves, care packages for Direct Payments (option 1), Long Term and Replacement Care, while standard packages (e.g. options 2 and 3) are authorised at Team Manager level. All care packages are recorded on the Mosaic system, although there is a need to ensure that the cost aspects of care packages are completed in a standard way.</p>
<p>2. There is evidence of value for money considerations being demonstrated at the procurement stage for all new care packages.</p>	<p>Reasonable</p>	<p>All care packages are purchased by the Council’s care brokers and purchase orders and Individual Purchase Agreements (IPAs) are in place for each package. A new Request for Funding document has been developed to assist the brokers when purchasing the care. Contracted rates are in place with providers, which are updated annually on the Mosaic system. From 4 November 2024 the Council started using the Scotland Excel Framework covering Care at Home (option 3), which has had cost implications, current market conditions result in extremely limited competition for individual packages of care.</p>
<p>3. Appropriate processes are in place for reviewing and updating care packages on Mosaic, to ensure the information held on Mosaic is up to date and accurate.</p>	<p>Reasonable</p>	<p>There has been a significant increase in the number of reviews carried out. Within Adult Social Work the Community Review Team has undertaken 629 reviews in the 11-month period from April 2024 to February 2025, in comparison to approximately 320 reviews being undertaken annually in previous years. Reviews should be undertaken within 12 weeks for new or amended packages and annually for all clients. The review process is comprehensive and includes coverage of whether the care is being delivered and if it is correctly purchased on Mosaic. Reviews undertaken for in-house Care at Home provision are not currently held on the Mosaic system, while in a small number of cases examined reviews for clients were overdue, further resources should be deployed here.</p>
<p>4. Appropriate review and reconciliation processes are undertaken of all care packages showing a significant monthly variation.</p>	<p>Reasonable</p>	<p>Finance prepare monthly Movement in Mosaic reports (including variations to date data) and Care at Home/Support Services Variations reports (which cover the forward forecasting of variations). Mosaic Forecast Reconciliations at periods 3, 6, 9 and the year-end are prepared on a quarterly basis, which highlight queries including clients with regular variations, clients never invoiced, and clients not invoiced since a particular period. This report is provided to the service area for further review of individual packages and responses/outcomes are tracked. There are some good examples of reviews being undertaken and actions taken (e.g. package amended), however in a few cases there were delays in addressing the queries identified. It is recommended that these reports are fully reviewed on a timely basis.</p>

Headlines continued.

Objectives	Conclusion	Comment
5. Robust processes are in place to ensure the Council is only paying for care packages delivered and services received.	Reasonable	The Mosaic system records commitments for each care package and an invoice matching process is in place, whereby the invoice amount is matched with the commitment. Where the invoice amount is equal or less than the commitment, the invoice is passed for payment, while additional authorisation is required for invoices in excess of the committed amount. Consideration should be given to reviewing further use of care logs and/or supplier reconciliations to obtain additional assurance.
6. Appropriate processes are in place for the checking of invoices and the authorisation of Mosaic expenditure invoice batches for payment.	Limited	Mosaic payment batches are based on payment cycle runs (e.g. care at home, residential care), rather than client groups or financial cost centres, and include clients under differing authorising managers. Authorisation is currently undertaken by officers at a high level, who may be less familiar with individual clients, and there are currently a limited group of authorisers, which may create issues in the timely release of payments. Payment runs currently involve a time-consuming manual process and there may be opportunities to make better use of the Mosaic system in the authorisation process.
7. There is appropriate alignment of budget holder responsibilities to client groups and sign-off responsibilities ensure effective control.	Reasonable	The current arrangements and the way budgets are set up do not always assist in ensuring cost centre managers and budget holders are sufficiently informed of spend against their cost centres. Issues have been highlighted with the alignment of budget holder responsibilities to client groups (for example, our sample of clients reviewed included a client within the Physical Disabilities client group, who also had a Learning Disability, and was assessed, supported and reviewed by the Learning Disabilities team). A review of Mosaic processes and groupings, together with the implementation of the Council's new finance system, may provide an opportunity to better align budget holder responsibilities with client groups.

Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	<p>A range of actions have been taken to address the financial challenges that Adult Social Care currently face and to achieve tighter “grip and control”. This includes the setting up of weekly Resource Panel meetings, which seek to scrutinise requests for funding and ensure resources allocated are proportionate and prioritised towards those in greatest need. The Resource Panels are attended by senior managers from across Adult Social Work with the aim of enhancing and supporting quality, consistency and fairness of assessments. Other groups in place include the Financial Compliance Group, Debt Management Group (with has contributed to a significant reduction in outstanding debt) and Ordinary Residence Panel, while other initiatives include the tracking of Financial Assessments and the clawback of unused Direct Payments.</p>
2.	<p>The Council uses the Mosaic system, which is an Integrated Adult Social Care case management and finance system.</p>
3.	<p>During 2024/25, there has been a significant increase in the number of reviews undertaken of Adult Social Work and Learning Disabilities clients and their care packages. For Learning Disabilities, processes are in place for the allocation of reviews – the senior practitioners review the list every week and allocate based on urgency of need and they also look at the longest outstanding reviews. We are advised that Learning Disabilities are now in a position whereby they currently only have 11 outstanding reviews that are out with the annual review cycle. Within Adult Social Work the Community Review Team has undertaken 629 reviews in the 11-month period from April 2024 to February 2025, in comparison to approximately 320 reviews being undertaken annually in previous years. The review process is very comprehensive and includes ensuring that the care package is correctly purchased on Mosaic, checking for outstanding debt/charges/variances and provides assurance that the Council is being properly charged for the services provided.</p>

Executive Summary: Housing Voids

Conclusion: Reasonable Assurance

The internal controls and governance in place for Housing Voids are generally reliable with a number of improvements being made since October 2024, however there are some further improvements that can be made to provide a fully effective control process, including ensuring Housing Officers undertake pre-termination visits, the arrangements in place for completing void survey reports and scheduling repairs promptly, a review of the guidance for reporting average void turnaround times and the arrangements in place for raising invoices to outgoing tenants for rechargeable works.

Background

The Scottish Social Housing Charter sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities, and an efficient void property management process is vital considering East Lothian Council declared an affordable housing emergency in November 2024 and the significant pressures placed on Housing by the increasing number of homeless applications in East Lothian. During the void period, the property is not generating rental income, and improving void turnaround times presents major challenges for the Council (the reported average void turnaround time in East Lothian was 49.9 days for 2023/24, compared to the Scottish average of 56.7 days). We were informed that the Council has channelled significant resources into improving void property management, including the establishment of a new team to address long term major works voids and the development of a Performance Management Framework.

Summary of findings & recommendations

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

- In a number of instances, Housing Officers did not undertake a pre-termination visit to make the outgoing tenant fully aware of their responsibilities to return the property in a good condition. *Management advised that pre-termination visits should be carried out where applicable, although some tenants may be unwilling to participate, the Nimbus procedures will be reinforced again to Housing Officers by April 2025.*
- The existing arrangements in place for completing void survey reports require review – in some cases, significant delays were noted before the survey had been undertaken. *Management advised that having four Repairs and Voids Officers has improved the arrangements in place for undertaking void survey reports and the new procedures will be fully embedded within the team by March 2025.*
- There was a lack of appropriate invoicing of outgoing tenants for rechargeable works – delays were noted in raising invoices, and in some cases no invoices had been issued. *Management have agreed to improve the procedures for recharging tenants by July 2025.*
- A review of the guidance for reporting average void turnaround times should be undertaken to ensure that only valid periods are excluded from the reported figures. *Management have agreed to undertake a full review to ensure that the reported average void turnaround times are in line with the guidance by May 2025.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	11	2	13
Prior Report (Sept 2016)	-	14	-	14

Materiality

The total number of properties on the Housing Revenue Account as at 31 March 2024 was 9,389 (9,153 as at 31 March 2023) and there were approximately 190 void properties at the time of our audit. The percentage of rent lost through properties being empty during 2023/24 was 0.71% (£242,543/£33,964,433).

Headlines

Objectives	Conclusion	Comments
1. Adequate policies and procedures are in place for administering housing voids.	Reasonable	A Voids Management Policy is in place (effective from 01 April 2020), which was formally approved by Cabinet on 12 November 2019, the proposed changes to the policy were subject to a formal consultation exercise with tenants and tenants' organisations in accordance with legislation. The Nimbus process mapping system is used to assist staff with the voids management process – a series of process maps are available documenting the individual stages of the process and the procedures that should be followed.
2. The Voids Team are notified promptly when a property becomes empty and Housing undertake a pre-termination visit.	Limited	We selected a sample of 30 housing voids, and we found that a voids notification form had been completed to inform the Voids Team that the property was empty, however in some instances delays were identified – see objective 3 below. For the 17 cases where a pre-termination visit should have been undertaken, we found that in 15 cases there was no evidence that an inspection had been carried out, for the remaining two cases a form was uploaded onto Civica stating that the tenant had failed to attend the visit.
3. Arrangements are in place for managing and co-ordinating both standard repairs and major works.	Reasonable	The existing arrangements in place for completing void survey reports require review – in some cases, significant delays were noted before the survey had been undertaken. For the sample of 30 cases examined, factors impacting the turnaround period included the time lag between the request and external contractors clearing the property, Housing staff not informing the Voids Team timeously that the property was empty following a transfer, and outgoing tenants not handing back the keys. A review of the process for managing major adaptations of Council properties should be undertaken to help reduce the void period for these properties. For the sample of cases examined, we found that in some instances there were delays in issuing invoices to former tenants and in other cases no invoices had been raised.
4. Reported performance information on housing voids is accurate and complete.	Reasonable	Performance information on housing voids is produced regularly and reported to both the Scottish Housing Regulator (the ARC return submitted for 2023/24 reported the average length of time to relet properties in the year – 49.92 days and the percentage of rent due lost through properties being empty during the year – 0.71%) and the Policy and Performance Review Committee. The Council needs to ensure that the approach adopted for reporting average void turnaround times is in accordance with the indicator definition.
5. Arrangements are in place to ensure properties are relet timeously.	Reasonable	We found that the allocation process can begin after the void survey report has been completed, however Housing Officers tend to wait until the repairs are nearing completion. Where applicable a matching list had been produced, and the property was offered to a prospective general applicant or transfer applicant.
6. Adequate governance frameworks are in place for the effective monitoring of the void management process.	Reasonable	The Council has a governance framework in place for monitoring housing voids, which includes a fortnightly meeting for standard voids, and monthly meetings for major voids and open market acquisitions, and for decant properties. We were informed that minutes taken at these meetings are updated on a monitoring spreadsheet. In addition, quarterly HRA (Housing Revenue Account) Programme Board meetings are held comprised of senior members of staff from Community Housing, Property Maintenance, Finance and Legal.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	A Voids Management Policy is in place (effective from 01 April 2020), which was formally approved by Cabinet on 12 November 2019, the policy was subject to a formal consultation exercise with tenants and tenants' organisations in accordance with legislation.
2.	The Council has an appropriate governance framework in place for monitoring housing voids, which includes a fortnightly meeting for standard voids, and monthly meetings for major voids and open market acquisitions, and for decant properties. In addition, quarterly HRA (Housing Revenue Account) Programme Board meetings are held comprised of senior members of staff from Community Housing, Property Maintenance, Finance and Legal.
3.	Performance information for housing voids is produced regularly and provided to the Scottish Housing Regulator on the ARC Return.

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.

REPORT TO: Audit and Governance Committee
MEETING DATE: 25 March 2025
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Charter 2025/26

4

1 PURPOSE

- 1.1 It was noted to the Audit & Governance Committee in December 2024 that the change from Public Sector Internal Audit Standards (PSIAS) to Global Internal Audit 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.
- 1.2 This report provides the Audit & Governance Committee with the updated Internal Audit Charter, in accordance with GIAS, for approval that defines the purpose of Internal Audit and the mandate for Internal Audit within East Lothian Council. The Charter clarifies the independence, organizational position and reporting relationships of Internal Audit; outlining the roles and responsibilities of the Audit Committee and the Chief Audit Executive, who is the Service Manager – Internal Audit for East Lothian Council and East Lothian IJB.
- 1.3 The updated Internal Audit Charter is being presented to the Audit and Governance Committee for approval, for use from the 1 April 2025. The Internal Audit Charter will continue to be presented for approval on at least an annual basis

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee:
 - Note that the Internal Audit Charter has been fully updated in accordance with the Chartered Institute of Internal Auditors model charter and in compliance with Global Internal Audit Standards in application in the UK Public sector from 1 April 2025;
 - Approve the revised Internal Audit Charter shown at Appendix 1 for use from 1 April 2025; and
 - Note that the Internal Audit Charter will be reviewed annually.

3 BACKGROUND

- 3.1 The definition of Internal Auditing within Global Internal Audit Standards (GIAS) is to strengthen East Lothian Council's & East Lothian Integration Joint Board's ability to create, protect, and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.
- 3.2 The East Lothian Council Internal Audit function will follow the professional standards as set out in the Global Internal Audit Standards (GIAS) as adjusted by the UK Public Sector Application note as they come into effect on 1st April 2025. A process of evaluation against these standards is currently being undertaken within the Internal Audit team and further reporting to the Audit Committee on compliance will be completed during the year.
- 3.3 In accordance with GIAS, the chief audit executive must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's:
- Purpose of Internal Auditing.
 - Commitment to adhering to the Global Internal Audit Standards.
 - Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function.
 - Organizational position and reporting relationships.
- 3.4 The Board is defined in relation to GIAS as the East Lothian Audit & Governance Committee acting on behalf of East Lothian Council.
- 3.5 Internal Audit assurance resources and services are also provided by East Lothian Council's Internal Audit team to the East Lothian Integration Joint Board (MIJB), including the appointed MIJB Chief Internal Auditor. The Internal Audit Charter and Strategy are applicable to each organisation.

4 Internal Audit Charter

- 4.1 The authority for Internal Audit to operate in East Lothian Council is contained in the Council's Code of Corporate Governance, Standing Orders, and Financial Regulations. This Internal Audit Charter expands upon that framework.
- 4.2 The Internal Audit Charter as shown in Appendix 1 to this report: establishes the Internal Audit activity's position within the organisation, including the nature of the Chief Audit Executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.

4.3 The Internal Audit Charter should be considered alongside the Internal Audit Strategy and Plan 2025/26. The Internal Audit Strategy sets out the Council’s assurance framework within which Internal Audit operates, and the Chief Audit Executive’s strategy for discharging its role and providing the necessary annual assurance opinions to East Lothian Council and East Lothian Integration Joint Board (ELIJB). The Internal Audit Charter and Strategy are applicable to these organisations. There are separate Internal Audit Annual Plans for each organisation, which set out the range and breadth of audit activity.

5 POLICY IMPLICATIONS

5.1 None

6 INTEGRATED IMPACT ASSESSMENT

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

7 RESOURCE IMPLICATIONS

7.1 Financial – None

7.2 Personnel – None

7.3 Other – None

8 BACKGROUND PAPERS

8.1 None

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DATE	14 March 2025

Internal Audit Charter for East Lothian Council

Purpose

The purpose of the internal audit function is to strengthen East Lothian Council's & East Lothian Integration Joint Board's ability to create, protect, and sustain best value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances East Lothian Council's & East Lothian Integration Joint Board's ability:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

East Lothian Council's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The East Lothian Council's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements, and the adjustments made through the Application Note Global Internal Audit Standards in the UK Public Sector. The chief audit executive, Service Manager – Internal Audit in East Lothian Council, will report annually to the Audit Committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

Authority

East Lothian Council's internal audit function mandate is within The Local Authority Accounts (Scotland) Regulations 2014, which states in section 7, that:

(1) A local authority must operate a professional and objective internal auditing service in accordance with recognized standards and practices in relation to internal auditing.

(2) Any officer or member of a local authority must, as required by those undertaking internal auditing—

(a) make available such documents of that authority which relate to its accounting and other records for the purpose of internal auditing; and

(b) supply such information and explanation as those undertaking internal auditing consider necessary for that purpose.

(3) A local authority must from time to time assess the efficiency and effectiveness of its internal auditing, in accordance with the standards and practices referred to in paragraph (1).

(4) The findings of the assessments referred to in paragraph (3) must be considered, as part of the consideration of the system of internal control referred to in regulation 5(2), at the meeting referred to in regulation 5(3).

The internal audit function's authority is created by its direct reporting relationship to East Lothian Council's Audit Committee. Such authority allows for unrestricted access to the Audit Committee Chair and Members.

The Audit Committee authorizes the internal audit function, including in relation to corporate fraud activity to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of East Lothian Council and other specialized services from within or outside East Lothian Council to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The chief audit executive, will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The chief audit executive will report functionally to the Chief Executive and the Chair of the Audit Committee and administratively to the Executive Director for Resources. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Chair of the Audit Committee or the Chief Executive as appropriate, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of

internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, Audit Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the chief audit executive, Council, Audit Committee, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Audit Committee Oversight

To establish, maintain, and ensure that East Lothian Council's internal audit function has sufficient authority to fulfill its duties, the Audit Committee will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the chief audit executive has unrestricted access to and communicates and interacts directly with the Audit Committee, including in private meetings without senior management present at least once a year.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter annually with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter on an annual basis.
- Approve the risk-based internal audit plan.

- Provide input to the internal audit function's human resources administration and budgets.
- Review the internal audit function's expenses.
- Provide input to senior management on the appointment and removal of the chief audit executive, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to senior management on the chief audit executive's performance.
- Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the chief audit executive to determine whether scope or resource limitations are inappropriate.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise

quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for East Lothian Council or its subsidiaries or associates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any East Lothian Council employee that is not employed by the internal audit or counter fraud function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, Audit Committee, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit Committee and senior management. Discuss the plan with the Audit Committee and senior management and submit the plan to the Audit Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in East Lothian Council's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee and senior management regularly and for each engagement as appropriate.

- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact East Lothian Council and communicate to the Audit Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to East Lothian Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit Committee.

Communication with the Audit Committee and Senior Management

The chief audit executive will report annually to the Audit Committee and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit resources/budget.
- Significant revisions to the internal audit plan and resources/budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee that could interfere with the achievement of East Lothian Council's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond East Lothian Council's risk appetite.

Quality Assurance and Improvement Program

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the Audit Committee and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside East Lothian Council; qualifications will be in accordance with the GIAS Global Internal Audit Standards in the UK Public Sector Application note.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all of East Lothian Council's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for East Lothian Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility, and subject to the availability of internal audit resource. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of East Lothian Council's & East Lothian Integration Joint Board's strategic objectives are appropriately identified and managed.
- The actions of East Lothian Council's & East Lothian Integration Joint Board's officers, directors, management, employees, and contractors or other relevant parties comply with East Lothian Council's & East Lothian Integration Joint Board's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.

- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact East Lothian Council & East Lothian Integration Joint Board.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approved by the Audit Committee at its meeting on 25 March 2025.

REPORT TO: Audit and Governance Committee
MEETING DATE: 25 March 2025
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Strategy and Plan 2025/26

5

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit's operational plan for 2025/26.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to:
- Approve the Internal Audit Plan for 2025/26; and
 - Approve the Internal Audit Strategy 2025/26.

3 BACKGROUND

- 3.1 The Local Authority Accounts (Scotland) Regulations 2014 that came into force on 10 October 2014 require a local authority to operate a professional and objective internal auditing service. This service must be provided in accordance with recognised standards and practices in relation to internal auditing. Recognised standards and practices are those set out in the Global Internal Audit Standards (GIAS) as adjusted by the UK Public Sector Application note.
- 3.2 The East Lothian Council Internal Audit function is planning to follow the professional standards as set out in the Global Internal Audit Standards (GIAS) as adjusted by the UK Public Sector Application note, from the 1 April 2025, where resources allow. In accordance with GIAS to develop an effective internal audit strategy and plan, the chief audit executive must understand the organization's governance, risk management, and control processes.

- 3.3 GIAS also requires that the chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board (the Audit Committee acting on behalf of the Council), senior management, and other key stakeholders, including Audit Scotland and the East Lothian Public.

4 Internal Audit Strategy

- 4.1 GIAS Standard 9.2 Internal Audit Strategy states, that; “the chief audit executive must develop and implement a strategy for the internal audit function that supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders.”
- 4.2 The Service Manager Internal Audit has developed the Internal Audit Strategy at Appendix 1. It outlines the strategic direction for how Internal Audit will achieve its objectives, which are set out in the Internal Audit Charter, in conformance with GIAS. It guides the Internal Audit function in delivering high quality internal audit services to East Lothian Council and the East Lothian Integration Joint Board (ELIJB).
- 4.4 The Internal Audit Strategy:
- Outlines the assurance framework, providing clarity of the respective responsibilities of Management for designing and monitoring governance and control systems and of the role of Internal Audit in providing independent assurance thereon;
 - States how the key themes which are integral to the assurance gathering process across the organisation’s activities will be covered to inform the annual Internal Audit opinion statement;
 - Describes the approach to the development of the risk based Internal Audit annual plan;
 - Sets out the relative allocation of Internal Audit resources;
 - Outlines how the Internal Audit programme of work will be delivered to add value; and
 - Describes the monitoring and reporting of Internal Audit findings from its work and progress with its plans to the relevant organisation’s audit committee/board.

5 Internal Audit Annual Plan 2025/26

- 5.1 The key standards within the GIAS relating to the Internal Audit Plan is Standard 9.4 Internal Audit Plan, which states the following: The chief audit executive must create an internal audit plan that supports the achievement of the organization’s objectives. The chief audit executive must base the internal audit plan on a documented assessment of the organization’s strategies, objectives, and risks. This assessment must be informed by input from the board and senior management as well as the

chief audit executive's understanding of the organization's governance, risk management, and control processes. The assessment must be performed at least annually.

- 5.2** GIAS Standard 9.4 also states that; The internal audit plan must:
- Consider the internal audit mandate and the full range of agreed-to internal audit services.
 - Specify internal audit services that support the evaluation and improvement of the organization's governance, risk management, and control processes.
 - Consider coverage of information technology governance, fraud risk, the effectiveness of the organization's compliance and ethics programs, and other high-risk areas.
 - Identify the necessary human, financial, and technological resources necessary to complete the plan.
 - Be dynamic and updated timely in response to changes in the organization's business, risks operations, programs, systems, controls, and organizational culture.
- 5.3** GIAS Standard 9.5 Coordination and Reliance states that, "The chief audit executive must coordinate with internal and external providers of assurance services and consider relying upon their work. Coordination of services minimizes duplication of efforts, highlights gaps in coverage of key risks, and enhances the overall value added by providers. If unable to achieve an appropriate level of coordination, the chief audit executive must raise any concerns with senior management and, if necessary, the board." The audit plan has been developed with coordination and reliance on the work of Audit Scotland as the appointed external auditor, specifically in relation to work on transformation covering many of the key identified Council risks. However, Coordination and reliance on other assurance providers including Education Scotland, Care Commission, health and safety inspectorate, has not been possible for the 2025/26 plan. Full compliance with this element of the standards has not been completed as East Lothian Council does not yet have a full assurance map.
- 5.4** The Service Manager Internal Audit has developed the Internal Audit Annual Plan 2025/26 at Appendix 2, based on the Internal Audit staff resources set out in 5.9. It sets out the proposed range and breadth of audit activity to be undertaken to provide the independent and objective audit opinions to East Lothian Council and the ELIJB.
- 5.5** As part of the Internal Audit planning process, it was necessary to consider each organisation's priorities, plans, strategies, objectives, risks and mitigating controls, and the internal and external assurances provided to determine the priorities of the Internal Audit activity consistent with the organisation's goals, as follows:
- Analysis was undertaken of Internal Audit work during the past 5 years against the Audit Universe reflecting current strategic and

operational management arrangements and approach to service delivery to ensure appropriate coverage.

- corporate and service area risk registers have been reviewed and high-risk areas considered for inclusion when recent work has not been completed in the area.
- Account was taken of known external audit and inspection activities to avoid duplication of assurance work.
- Review of the Council objectives expressed in the Council Plan 2022-27, and reprioritisation in February 2024;
- Identified changes in service delivery and risk areas identified by senior management. and
- the need to incorporate some flexibility for reactive/investigatory work.

5.6 It is envisaged that 2025/26 will continue to be a year of change for the Council and other partner organisations. Therefore, the Internal Audit Annual Plan 2025/26 should be considered to be flexible and will be periodically reviewed, and amended as required, to reflect any new arrangement or changing risks and priorities or available resources. Any amendments relating to the Council will be brought to Council Senior Management and the Audit Committee for approval.

5.7 The Non-ELC days reflect the Council's partnership working commitment to provide Internal Audit resource and services to the East Lothian Integration Joint Board (ELIJB). A separate Internal Audit Annual Plan 2025/26 has been presented to the ELIJB Audit and Risk Committee for approval.

5.8 Internal Audit are required to give an opinion on the Council's, Governance Risk Management and Internal Control environment in the annual Controls Assurance Statement and the audit work carried out will contribute to this opinion.

5.9 The provision of the Internal Audit service is on an in-house basis by the Council's Internal Audit Unit. The resources available are Service Manager Internal Audit 0.5 FTE, Principal Auditor 1 FTE, Senior Auditor 1 FTE, and Senior Audit Assistant 0.6 FTE, currently 3.1 FTE. It is anticipated prior to the start of work on the 2025/26 Internal Audit Plan that 1 further Auditor at 1FTE will be added to the Internal Audit resource.

5.10 Internal Audit will adopt a risk-based approach to audit assignments as the principal means of providing assurance on the adequacy, reliability and effectiveness of governance, risk management and internal controls. Testing of controls will be carried out on a sample basis. Samples are selected according to an agreed sampling methodology.

5.11 For each individual audit, a detailed audit report is prepared for the relevant member(s) of the Council Management Team (CMT). Copies of the audit report are provided to the Chief Executive, External Audit and to members of the Audit and Governance Committee.

- 5.12 Follow-up audits will be carried out to review the implementation of the recommendations made.
- 5.13 Internal Audit will report on the completion of the annual audit plan, the percentage of audit recommendations accepted by Management and the percentage of audit staff with CCAB or equivalent accounting qualifications.

6 POLICY IMPLICATIONS

6.1 None

7 INTEGRATED IMPACT ASSESSMENT

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

8 RESOURCE IMPLICATIONS

- 8.1 Financial – None
- 8.2 Personnel – None
- 6.3 Other – None

9 BACKGROUND PAPERS

9.1 None

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DATE	14 March 2025

1. STRATEGIC VISION

1.1. The vision of this strategy is to guide East Lothian Council (ELC) Internal Audit function in delivering a high-quality internal audit service to ELC and East Lothian Integration Joint Board (ELIJB), which is capable of:

- providing the statutory annual assurance and audit opinion on the adequacy of each organisation's risk management, internal control and governance arrangements to the relevant organisation's senior management and board/audit committee;
- carrying out all other objectives contained in Internal Audit's Charter; and
- adding value to each organisation by influencing and offering ways to enhance the governance and internal control environment in alignment to their strategic priorities.

2. STRATEGY OBJECTIVES

2.1. The objectives of this strategy are to:

- Outline the assurance framework which comprises assurances from within the organisation and from external providers of assurance to improve the organisational understanding of the expectations of Internal Audit;
- State how the key themes which are integral to the assurance gathering process across the organisation's activities will be covered to inform the annual audit opinion statement;
- Describe the approach to the development of the risk based Internal Audit annual plan;
- Set out the relative allocation of Internal Audit resources;
- Outline how the Internal Audit programme of work will be delivered to add value and will be prioritised to ensure those areas of greatest risk are covered during the audit year; and
- Describe the monitoring and reporting of the Internal Audit findings from its work and progress with its plans to the relevant organisation's audit committee/board.

3. ASSURANCE FRAMEWORK

3.1. It is Management's responsibility to design and maintain proper risk management, governance and internal control processes and systems to ensure probity in systems and operations, and mitigation of risks, including the prevention, detection and resolution of fraud and irregularities. Management is also responsible for checking that the arrangements and controls are operating effectively and obtaining assurances from internal compliance, risk, inspection, quality, and control functions. These are known as the first and second lines of assurance. Internal Audit, as the third line of assurance, is the review function which will provide independent assurance on the effectiveness of the first and second lines of assurance, challenge current practices, recommend best practice and improvements to lead to a strengthening of the control environment and management of risks, thus assisting the organisation in achieving its objectives.

3.2. The organisation's assurance framework is the means by which the relevant organisation's Senior Management and Audit Committee/Board ensures that they are properly informed on the risks of not meeting objectives or delivering appropriate outcomes and that it has adequate assurances on the design and operation of systems in place to mitigate those risks.

3.3. The assurance framework comprises assurances from within the organisation (from Management and compliance functions, and independent and objective assurance from Internal Audit) and from external providers of assurance. Examples of the latter include the Accounts Commission, External Audit (Audit Scotland for ELC and ELIJB), Education Scotland, Care Inspectorate, Scottish Housing Regulator, and other regulators.

3.4. The assurances are considered during the annual review of the effectiveness of each organisation's overall governance framework carried out by officers of each organisation and supported by Internal Audit. The output is the Annual Governance Statement which is included within the relevant organisation's Annual Report and Accounts.

3.5. Where audit assurance is required on services that are delivered jointly by public sector joint working arrangements which include the organisation as a partner, these assurances will be sought as appropriate from partners' Internal Audit service providers and Management.

4. KEY THEMES INTEGRAL TO INTERNAL AUDIT ASSURANCE

4.1. Each organisation is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Fundamentally corporate governance is about the systems and processes, and cultures and values that are used by the organisation to discharge those responsibilities in a timely, inclusive, open, honest and accountable manner. This includes setting the strategic direction, vision, culture and values of the organisation; effective operation of corporate systems; processes and internal controls; engaging with and, where appropriate, lead communities; monitoring whether strategic objectives have been achieved and services delivered cost effectively; and ensuring that appropriate arrangements are in place for the managing risks.

4.2. The organisation's statutory financial officer, Section 95 Officer or equivalent, i.e. Executive Director for Resources (ELC) and Chief Finance Officer (ELIJB), is responsible for the proper administration of the organisation's financial affairs. Under their direction, the organisation's system of internal financial control is based on a framework of Financial Regulations (rules and regulations for financial management or administration arrangements linked to other key financial documents that set out the policy framework, associated strategy, and the more detailed procedures and guidelines), regular Management Information, administrative procedures (including segregation of duties), Management Supervision, and a system of Delegation and Accountability.

4.3. The continued use of and investment in technology to support service delivery, and digital change and transformation to improve operations is a key part of the vision for each organisation. Arrangements in place are underpinned by the overarching framework of the ICT security policy designed to ensure that computer systems are secure, reliable and conform to nationally agreed standards, and by the Digital Strategy linked to Corporate Priorities designed to support effective and modern service delivery and to meet service objectives.

5. APPROACH TO PERIODIC PLANNING

5.1. The Internal Audit Strategy and the Internal Audit Annual Plan 2025/26 has been prepared in conformance with the Global Internal Audit Standards to fulfil the requirement to produce the statutory annual assurance and audit opinion for each organisation.

5.2. As part of the Internal Audit planning process, it was necessary to consider each organisation's priorities, plans, strategies, objectives, risks and mitigating controls, and the internal and external assurances provided to determine the priorities of the Internal Audit activity consistent with the organisation's goals, as follows:

- Analysis was undertaken of Internal Audit work during the past 5 years against the Audit Universe, which reflects the current strategic and operational management arrangements and approach to service delivery, to ensure appropriate coverage;
- The Council and service risk registers have been reviewed to confirm coverage on key risks, as reliance is placed on the risk assessments carried out by the Risk Owners taking account of the risk ratings and mitigations;
- Account was taken of known external audit and inspection activities to avoid duplication of assurance work; however this may fall short of the level of co-ordination required under GIAS standard 9.5 Coordination and Reliance.

5.3. The audit planning process involves consultation with key stakeholders including discussions with Senior Management of each organisation to capture potential areas of risk and uncertainty more fully. This is of particular importance during a period of change and transformation as each organisation responds to new legislation or service delivery arrangements that might affect plans, priorities and resources.

6. ALLOCATION OF INTERNAL AUDIT RESOURCES

6.1. The current Internal Audit staff resource totalling 3.1 FTE comprises Service Manager Internal Audit (0.5 FTE), Principal Internal Auditor (1 FTE), Senior Internal Auditor (1 FTE), and Senior Audit Assistant (0.6 FTE), a further Auditor (1FTE) is hoped to commence prior to the start of 2025/26. Each member of the Internal Audit team has suitable experience, knowledge, skills and competencies (such as the training on the requirements of GIAS and the Seven Principles of Public Life) needed to deliver the plan 2.5 FTE of the team have a professional internal audit or accountancy qualification. The Available Days has been amended to reflect the Internal Audit resources after consideration of estimated annual leave, public holidays, absence, learning and development (including required professional CPD), management and supervision.

6.2. It is estimated that around 75% of Available Days will be spent on *assurance, and legislative and other compliance* activities combined. The Assurance work includes sufficient work across a range and breadth of audit areas which assure those processes that are currently in place and which Management rely on to deliver services, and to enable preparation of the required annual audit opinion on the adequacy of the organisation's control environment.

6.3. An estimate of 9% of Available Days will be spent on other activities in support of the Internal Audit function meeting its wider objectives as set out in the Internal Audit Charter.

6.4. An estimate of around 4% of Available Days will be utilised on *Consultancy* activities which support Management in delivering innovation, change and transformation. Management seek this value added activity during this period of change for Local Government though this allocation reflects a reasonable estimate of what is actually deliverable within the boundaries of the role of Internal Audit and the resources available.

6.5. It is estimated that around 12% of Available Days will be spent on the provision of Internal Audit services to East Lothian Integration Joint Board (MIJB). This reflects ELC's contribution of support resources as governance arrangements have changed in response to statutory partnership working for the provision of health and social care integration.

7. APPROACH TO DELIVERY OF PROGRAMME OF WORK

7.1. To facilitate operational delivery, an Internal Audit Programme of Work will be developed which provides an indication of when work will be scheduled during the year, taking account of discussions with Senior Management and the availability of Internal Audit resources.

7.2. For each Internal Audit, in line with recognised good practice, an Audit Assignment detailing the scope, objectives and timing will be prepared and agreed with the relevant Head of Service(s) and Service Manager(s) prior to commencement of Internal Audit fieldwork. Within assurance work:

- The organisation's Code of Corporate Governance (ELLC/ELIJB) will be used by Internal Audit as an integrated toolkit to test the extent of compliance.
- End to end reviews of financial management and administration processes will be undertaken by Internal Audit to test the extent of compliance (as integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably), and substantive testing of transactions including data analytics will be carried out where this is possible to ensure completeness and accuracy.
- The Plans (Financial and Asset Management) to deliver the organisation's strategies, plans and priorities will be reviewed against best practice standards.
- Internal Audit will consider fraud risk and prevention and detection controls, and other appropriate cross-cutting risks and controls (such as risk management, performance management, community engagement, equalities, business continuity, and health and safety), highlight examples of effective internal controls, and share good practice across service areas.
- The ICT arrangements in place to protect each organisation from attack in relation to data security, integrity and availability will be tested and ICT Plans will be reviewed to confirm they support delivery of the organisation's strategies and priorities.
- National reports that give rise to introducing best practice arrangements or lessons learned from other local authorities or other public sector bodies will be considered and applied by Internal Audit to influence and offer ways to enhance governance and internal controls.

7.3. The Legislative and Other Compliance work will include testing in accordance with the terms of the funders' service level agreements or legislative requirements, as part of the wider assurance framework.

7.4. Within Advisory activities, Internal Audit will add value to the Council as it transforms its service delivery models, re-designs its business processes, and utilises technology to automate processes by influencing and offering ways to ensure adequate governance, risk management and internal controls. Internal Audit in its 'critical friend' role will provide an independent view and challenge of a sample of programmes and projects, and an objective assessment of self-evaluation arrangements and improvement that underpin the provision of Best Value, when resources allow.

7.5. *Other* work will include:

- Carrying out Follow-Up to monitor Management's progress with implementation of Audit recommendations to ensure that improvement actions have been timeously and effectively implemented; check that these have had the desired effect to manage identified risks; and demonstrate continuous improvement in internal control and governance; and
- Performing Contingency advisory reviews on specific instruction from Members or Senior Management, investigations and review of sufficiently important issues highlighted during the year where resources allow.

8. MONITORING THE WORK OF INTERNAL AUDIT

8.1. The Global Internal Audit Standards (GIAS) requires periodic reporting on the Internal Audit activity to the relevant organisation's Senior Management and Audit Committee/Board.

8.2. Internal Audit assurance work completed and work in progress, and consultancy and other work for the Council associated with the delivery of the Plan will be outlined within regular reports to its Audit Committee. Specifically relating to Internal Audit assurance work, this report will include an Executive Summary of the audit objective, good practice, findings, recommendations, and audit opinion of assurance for each Final Internal Audit Report issued to relevant Senior Management in the period.

8.3. Regular progress updates on implementation by Management of relevant Audit recommendations will be reported periodically during the year to the relevant organisation's Senior Management and Audit Committee/Board.

8.4. Internal Audit's compliance with its Strategy, delivery of its risk-based Annual Plan, and outcomes of assessment(s) against GIAS will be considered by the Chief Internal Auditor on a regular basis and formally reported annually to the Council's Corporate Management Team and the Audit Committee, through the Annual Assurance Report.

8.5. The Internal Audit Annual Assurance Report for each organisation (East Lothian Council and ELIJB) to their respective Senior Management and Audit Committee/Board will provide the statutory annual audit opinion on the levels of assurance based on Internal Audit findings over the year to inform each organisation's Annual Governance Statement.

8.6. The GIAS requires an annual Internal Self-Assessment and an External Quality Assessment (EQA) each five years by appropriately qualified and independent reviewers to assess conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing; The Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) have implemented a "peer review" framework, in which ELC participates, as a cost-effective means of complying with the EQA requirement. Reporting on outcomes includes a statement on conformance with GIAS and the quality assurance and improvement plan (QAIP) to enable an evaluation of the Internal Audit quality management framework and to identify opportunities for improvement.

SERVICE AREAS TO AUDIT	ALLOCATED AUDITOR DAYS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS
Council Resources	90 Days	<p>Transformation Projects: Continue ongoing support and involvement in stage gate processes and consider specific reviews of control process adjustments resulting from implementation of the new finance system. (Inherent Risk Assessment: High)</p> <p>Complaints: Review the Customer Feedback team processes and provide assurance that comments and complaints are processed in accordance with regulation, best practice and in line with the East Lothian Council complaints procedure. (Inherent Risk Assessment: Medium)</p> <p>Employee Performance Management: Review assurance that the council has adequate staff performance management processes in place within Council Personal review and Development processes to ensure compliance best practice and appropriate feed through to further appropriate Performance Management Processes. (Inherent Risk Assessment: High)</p>
Place (Infrastructure, Housing, Development, Communities & Partnerships)	120 Days	<p>Fleet Management and Planning: Provide assurance that best practice fleet management practices have been implemented across the Council and that fleet planning provides a sustainable best value. (Inherent Risk Assessment: High)</p> <p>Housing Rents: Assurance that housing rental charges are being set in accordance with Council Policy and regulatory best practice and that Governance and Control processes are in place in association with this process. (Inherent Risk Assessment: High)</p> <p>City Deal Innovation Hub: Provide assurance that the operational governance structures are in place and operating to ensure appropriate control and risk management for the Council investment in this project and to manage the expected delivery of outcomes. (Inherent Risk Assessment: High)</p> <p>Commercial Rents: Review the processes for ensuring that commercial rents are set collected and recovered in accordance with best practice and Council Income Policies to ensure best value. (Inherent Risk Assessment: Medium)</p>

SERVICE AREAS TO AUDIT	ALLOCATED AUDITOR DAYS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS
<p align="center">Education & Children's Services</p>	<p align="center">90 days</p>	<p>School Transport: Provide assurance that School Transport provision is being planned and provided for in accordance with Council Policy and appropriate legislation/ regulation, that routes are planned, procured and improved to provide best value to the Council. (Inherent Risk Assessment: High)</p> <p>PPP Contract Management: Provide assurance that the Council PP contracts are being managed effectively to ensure that services are being provided effectively and actions resulting in additional fees appropriately reviewed and authorised, and payments are being accurately made. (Inherent Risk Assessment: High)</p> <p>Early Years: Provide assurance on the appropriate planning of expenditure for development of appropriate provision of early years education in compliance with the appropriate legislation, regulations and guidance. (Inherent Risk Assessment: Medium)</p>
<p align="center">Adult Social Work</p>	<p align="center">60 Days</p>	<p>Care at Home: Review the Control processes in place to ensure that best value is being achieved in the utilisation of care at home provision from external providers and in house provision, and the control processes are in place to ensure that appropriately qualified staff are available to meet identified needs. (Inherent Risk Assessment: High)</p> <p>Direct Payments – Self Directed Support: Review the Control processes in place to ensure as much as regulation allows that needs are met through provision of self-directed support appropriate council processes that ensure appropriate, timely and accurate payments. (Inherent Risk Assessment: High)</p>
<p align="center">ALEO's (Arm's Length External Organisations)</p>	<p align="center">30 Days</p>	<p>Enjoy Leisure: Establish if Enjoy Leisure has appropriate Governance and Assurance Processes in place that provide assurance to the council that risks are being properly managed within the organisation, and that the Council has appropriate processes in place to ensure appropriate risk management of the Council risks within the transactions provided and the arrangements in relation to use of Council assets. (Inherent Risk Assessment: High)</p>

SERVICE AREAS TO AUDIT	ALLOCATED AUDITOR DAYS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS
Miscellaneous Grants	10 Days	Internal Audit are currently undertaking annual audits of the Tyne and Esk Communities Development Fund . (Inherent Risk Assessment: Low)
Scottish Housing Regulator (SHR) Annual Assurance Statement	20 Days	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulators Chapter 3 of the Regulatory Framework. (Inherent Risk Assessment: Low)
Fraud & Irregularity	10 Days	Internal Audit will assist in investigations of suspected fraud or irregularity to support the 1 FTE of Counter Fraud Officer availability over the next year when required
National Fraud Initiative (NFI)	10 Days	Time has been allocated for providing some assistance to the Corporate Fraud Officer in reviewing the NFI matches in particular the Creditors Matches.
Integration Joint Board	75 Days	Time has been allocated for work that will be undertaken by Internal Audit for the East Lothian Integration Joint Board (IJB). A separate audit plan will be prepared which will be presented to the IJB Audit and Risk Committee for approval.
Review of Previous Year's Work	30 Days	Internal Audit will review the outcome of our previous year's work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.
Attendance at Stocktakes	5 Days	Internal Audit will attend the year-end stocktakes at Property Maintenance, Road and Waste Services. We will review the final stock sheets.

SERVICE AREAS TO AUDIT	ALLOCATED AUDITOR DAYS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS
Annual Governance Statement	10 Days	Completion of the Activities to assist with the CMT review of Governance and the administration of Governance Information to provide a draft Annual Governance Statement for consideration by the Audit & Governance Committee and inclusion in the draft accounts.
Audit & Governance Committee Annual Review	4 Days	Assist the Chair and Audit & Governance Committee Members with the completion of the Annual review of the Committee in line with the CIPFA Statement and best practice
Annual Planning	10 Days	Complete the review of Risk Assessment processes, identification of key risk areas assessment against the audit universe and identification of the links between the Council Objectives and the Internal Audit work for the 2026/27 annual audit plan.
Attendance at Boards and Committees	20 Days	Attendance at EMT, CMT, SMT, Audit & Governance Committee, Corporate Risk Group and Linking Risks Group
Advice and Consultancy	10 Days	<p>Consultation on New Systems – for new systems implemented, Internal Audit will provide advice on internal control matters.</p> <p>Financial Reports – providing service areas with financial information about companies and offering advice where applicable.</p> <p>Consultancy – providing advice and consultancy on internal control issues.</p>

SERVICE AREAS TO AUDIT	ALLOCATED AUDITOR DAYS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS
Training	40 Days	An adequate allocation of budget resources and time will be given to maintaining and improving the knowledge base and quality of the staff resource. This includes time to attend the Scottish Local Authority Chief Internal Auditor Group (SLACIAG) and attend the Biannual Conference, ensure appropriate Ethics and Objectivity training in line with Global Internal Audit Standards and to ensure that all qualified staff to undertake continuous professional development in line with institute requirements and provide training towards qualification were necessary.
Quality Assessment	20 Days	The Global Internal Audit Standards that apply to the Council from the 1 April 2025 requires an annual Internal Quality Assurance review is completed by the Service Manager – Internal Audit on an annual basis and that the results are reported to the Audit & Governance Committee. the Internal Audit section will also be subject to an External Quality Assessment (EQA) at least every five years, by appropriately qualified and independent reviewers. EQA processes are completed by inclusion on the SLACIAG peer review process which provides substantial best value in ensuring this process is completed.
Total	651 Days	

REPORT TO: Audit and Governance Committee
MEETING DATE: 25 March 2025
BY: Service Manager – Internal Audit
SUBJECT: Counter Fraud Annual Plan 2025/26

6

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Counter Fraud operational plan for 2025/26.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to approve the Counter Fraud Plan for 2025/26.

3 BACKGROUND

- 3.1 The purpose of this report is to gain approval from the Audit Committee for the proposed Counter Fraud Annual Plan 2025/26. In accordance with the Council's Strategy for the Prevention and Detection of Fraud and Corruption.
- 3.2 The Counter Fraud Annual Plan 2025/26 (Appendix 1) sets out the planned counter fraud activity to support the approach and culture of the Council in tackling fraud and corruption. This will enable the Council to demonstrate commitment to tackling fraud and reflects the Council's assessment of counter fraud controls.
- 3.3 Having robust fraud risk management prevention and investigation arrangements in place contributes to safeguarding the Council's financial resources, for delivery of services, as part of protecting public funding. A focus on enhancing fraud prevention and detection to improve East Lothian Council's resilience to the risk of fraud, theft, corruption and crime, and ensure these are embedded preventative practices.

3.4 The Counter Fraud Officers key areas of fraud investigation are identified within the Counter Fraud Annual Plan, being:

- Completion of National Fraud Initiative Investigations, and coordinating responses from other Council services;
- Reviewing Whistleblowing and social housing enquiries and completing investigations when appropriate; and
- Completing Fraud Risk Assessments in order to improve the preventative controls within the Council

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	14 March 2025

Ref	Category	Activity	Number of Days	Commentary
1.	Compliance	Corporate Fraud Enquiries	20	Respond to whistleblowing notifications.
2.	Data Match	National Fraud Initiative	100	Co-ordinate the NFI exercise across Council services, investigate data matches from 2024/25 exercise, coordinate and provide update of data matches reviewed for 2024/25 exercise.
3.	Compliance	Social Housing	20	Social Housing enquiries and investigations.
4.	Compliance	Council Tax	10	Council Tax enquiries and investigations.
5.	Other	Corporate Fraud Policy Framework	10	Review the Council policies and procedures, update and communicate as appropriate.
6.	Other	Fraud Risk Assessments	40	Develop a risk assessment process and support operational Service Managers to assess fraud risks and develop improved mitigating controls in preparation for the implementation of UK government guidance on the Crime of Failure to Prevent Fraud. This will include undertaking training on appropriate fraud risk assessment techniques.
Corporate Fraud Total			200	

REPORT TO: Audit and Governance Committee

MEETING DATE: 25 March 2025

BY: Companies Manager – East Lothian Investments Ltd

SUBJECT: East Lothian Investments Ltd 2023/2024

8

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the work undertaken by East Lothian Investments Ltd in 2023/2024.

2 RECOMMENDATIONS

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

3 BACKGROUND

- 3.1 East Lothian Investments Ltd (ELI), formerly East Lothian Economic Development Company (SC187674) - was formed in April 2001 by East Lothian Council (ELC) following the disaggregation of the Lothian Enterprise Board (LEB).

- 3.2 The aforementioned disaggregation resulted in the transfer of equity stakes in 5 East Lothian companies which, under local authority governance rules, ELC could not accept hence the requirement to form a company to take ownership of the shareholding.

ELI Ltd developed and implemented exit strategies for the investments and used the funds generated as an instrument for the development of the business base and therefore economy of East Lothian.

- 3.3 This instrument took the form of interest free loans to start-ups / businesses based within the county of East Lothian. The ceiling for loans in 2022/2023 was £25,000 although this is discretionary and a higher level could be awarded depending on economic benefits / job creation. Loans are repayable over a period of up to 60 months with an arrangement fee in 2022/2023 of 5% of the loan award to cover company overheads.
- 3.4 The company has a board of 5 directors comprising of the Leader of the Council, Economic Development spokesperson, and three private

industry sector representatives. The board act on a “*Pro Bono*” basis and do not receive payment.

Governance

- 3.5 ELI is fully authorised and regulated by the FCA. A Compliance Monitoring Document (CMD) (Appendix 1), regulatory business plan, and a suite of policies are in place.
- 3.6 During the year 2023/2024 the Companies Manager and the FCA approved person and Senior Manager under the FCA Certification Regime transitioned from Richard Baty (April-June 2023) to Lisa Deegan (July 2023 onwards). The Companies Manager is supported by the Economic Development Business Development assistant.
- 3.7 The Companies Manager acts as the Company Secretary.
- 3.8 Board meetings are held on a regular basis linked to the level of loan applications. The CMD and relevant policies are reviewed and updated at each board meeting as per FCA requirements. Decisions made to award loans, the level of award and repayment period are taken by a majority with the Chair having the casting vote on any tied decision.
- 3.9 Minutes of board meetings are taken and approved at subsequent board meeting by the Chair.
- 3.10 East Lothian Investments Ltd is audited by Greaves West & Ayre (newly appointed during the period to March 2023). End of Year accounts are approved by the Board and signed off accordingly and provided to ELC. The company use Xero accounting cloud software.
- 3.11 As per FCA requirements, ELI is required to report annually on the following: - Complaints, Financial Data, Lenders, Volumes and Company organisation.
- 3.12 The company has an interest bearing and two chequing accounts with the Royal Bank of Scotland. Legal advice is provided by Addleshaw Goddard, Edinburgh.

Overall Lending

- 3.13 Since formation ELI has awarded and paid 379 loans to the value of £3,550,100 which has levered in private investment of £20,881,687. The lending created 896 new jobs and protected 1,875. Loans are unsecured but for limited companies personal guarantees may be taken if the board requests. The level of bad debts written off for the period commencing from 2009 stands currently at 4.64%.

2023/24 Lending Activity

- 3.14 Following transition to new Companies Manager, the fund was re-opened for applications in October 2023 for a December 2023 Decision Panel. 2 applications for funding were received in the period – 1 was approved to the value of £25,000 which levered in private funds of a further £25,000.

Sectors awarded:-

Hospitality/Events – 1

- 3.15 As at March 2023, the loan book had 29 active loans with an outstanding balance of £334,419.

East Lothian Gift Card -

- 3.16 In April 2023, ELI Ltd terminated the original contractual agreement with Miconex, which was coming to term, and transferred the scheme to ELC. Breakages on historic cards of £68.5k have been retained in ELI Ltd. and included in the additional loan funding.

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 - Companies Manager, Economic Development Business Development Assistant and Administrator.
- 6.3 Other – none.

7 BACKGROUND PAPERS

7.1 2022/23 report to the Audit and Governance Committee in March 2024.

AUTHOR'S NAME	Lisa Deegan
DESIGNATION	Companies Manager
CONTACT INFO	Ideegan@eastlothian.gov.uk
DATE	17 March 2025

Company registration number SC187674 (Scotland)

EAST LOTHIAN INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

EAST LOTHIAN INVESTMENTS LIMITED

COMPANY INFORMATION

Directors	Dr L C Elder Mr N Hampshire Mr J Harper Mr J McMillan Mr R Shearer
Secretary	Mrs L Deegan
Company number	SC187674
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	The Royal Bank of Scotland Haddington Branch 32 Court Street Haddington EH41 3NS
Solicitors	Addleshaw Goddard LLP Exchange Tower 19 Canning Street Edinburgh United Kingdom EH3 8EH

EAST LOTHIAN INVESTMENTS LIMITED

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EAST LOTHIAN INVESTMENTS 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 granting interest free loans to businesses in East Lothian with the aim of encouraging commercial activity and enterprise in the area.

Directors

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

Dr L C Elder
Mr N Hampshire
Mr J Harper
Mr J McMillan
Mr R Shearer

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 surplus or deficit 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.

EAST LOTHIAN INVESTMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

On behalf of the board



Mr J McMillan
Director

5 July 2024

EAST LOTHIAN INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF EAST LOTHIAN INVESTMENTS LIMITED

Opinion

We have audited the financial statements of East Lothian Investments Limited (the 'company') for the year ended 31 March 2024 which comprise the statement of comprehensive income, 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 deficit 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 13 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 INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF EAST LOTHIAN INVESTMENTS 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:

The extent to which the audit was considered capable of detecting irregularities, including fraud

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 financial services 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 and FCA Regulations;
- 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 INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF EAST LOTHIAN INVESTMENTS 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; and
- 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 were indicative of potential bias;
- traced a sample of loan arrangement transactions from source documentation to nominal ledgers;
- traced a sample of gift cad breakage transactions from source documentation to nominal ledgers; and
- evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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; and
- reviewed correspondence with Financial Conduct Authority;

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 INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF EAST LoTHIAN INVESTMENTS LIMITED



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

Date: 12/8/24.

Chartered Accountants
Statutory Auditor

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

EAST LOTHIAN INVESTMENTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2024

		2024	2023
	Notes	£	as restated
			£
Turnover		23,708	24,668
Administrative expenses		(62,885)	(23,290)
		<u> </u>	<u> </u>
Operating (deficit)/surplus		(39,177)	1,378
Interest receivable and similar income		1,673	705
Interest payable and similar expenses		-	(130)
Other gains and losses	5	-	9,500
		<u> </u>	<u> </u>
(Deficit)/surplus before taxation		(37,504)	11,453
Tax on (deficit)/surplus		-	-
		<u> </u>	<u> </u>
(Deficit)/surplus for the financial year		(37,504)	11,453
		<u> </u>	<u> </u>

The income and expenditure account has been prepared on the basis that all operations are continuing operations.

EAST LOTHIAN INVESTMENTS LIMITED

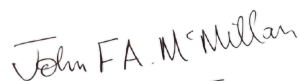
BALANCE SHEET

AS AT 31 MARCH 2024

	Notes	2024		2023	
		£	£	£	£
Fixed assets					
Investment property	6		10,000		10,000
Current assets					
Debtors	7	292,315		400,824	
Cash at bank and in hand		226,774		168,614	
		<u>519,089</u>		<u>569,438</u>	
Creditors: amounts falling due within one year	8	<u>(29,117)</u>		<u>(39,475)</u>	
Net current assets			<u>489,972</u>		<u>529,963</u>
Total assets less current liabilities			499,972		539,963
Creditors: amounts falling due after more than one year	9		<u>(3,422)</u>		<u>(5,909)</u>
Net assets			<u>496,550</u>		<u>534,054</u>
Reserves					
Non-distributable profits reserve	11		2,944		2,944
Profit and loss account			493,606		531,110
Members' funds			<u>496,550</u>		<u>534,054</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 No. SC187674

EAST LOTHIAN INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

1 Accounting policies

Company information

East Lothian Investments Limited is a private company limited by guarantee 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. The principal accounting policies adopted are set out below.

1.2 Going concern

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 Turnover

Turnover represents income released on unspent gift cards.

Turnover also represents loan arrangement fee income. This is received when a loan is taken out and held as deferred income to be recognised in turnover on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

1.4 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.

1.5 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.

1.6 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.

EAST LOTHIAN INVESTMENTS LIMITED

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

1 Accounting policies

(Continued)

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.

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.

2 Change in accounting policy

The recognition of interest implicit in the loans receivable has been reclassified to turnover as it had previously been recognised in interest receivable and similar income. Interest income continues to be recognised in accordance with the effective interest rate implicit in the loan arrangement fee.

This is more appropriate given that the principal activity of the company is that of granting interest free loans subject to arrangement fees.

The restatement increased turnover by £5,837 (2023: £6,054) and decreased interest receivable by the same amount, with no net effect on surplus for the financial year. It is impracticable to determine the effect on turnover and interest receivable for periods preceding those presented, however there would not be any net effect on surplus for the financial year.

3 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.

EAST LOTHIAN INVESTMENTS LIMITED

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

3 Judgements and key sources of estimation uncertainty

(Continued)

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.

Provision for Doubtful Debts

Provision for doubtful debt relates to the loan facilities provided to customers that may not be recovered. There remains a material loan balance within the financial statements which is assessed yearly under FRS 102 guidelines by management.

The assessment by management considers individual customers who fall behind on loan repayments or ask for special assistance. Any customers that pose a significant credit risk within the next 12-months will be included within the provision and the relevant amount of the loan deemed irrecoverable provided for.

Effective interest rate calculation

The effective interest rate calculation relates to the income recognised from the loan arrangement fees. The treatment of the loans provided follow FRS 102 guidelines and in accordance to section 11 apply the amortised cost method using the effective interest rate.

As a result of this loan arrangement fees are spread across the length of the loan with income recognised as interest received with the deferred element of interest income recognised on the balance sheet. The effective interest rate schedules are maintained and reviewed yearly by management to ensure they are materially accurate.

4 Employees

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

	2024 Number	2023 Number
Total	-	-

5 Other gains and losses

	2024 £	2023 £
Fair value gains/(losses)		
Gain on investment properties	-	9,500

EAST LOTHIAN INVESTMENTS LIMITED

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

6 Investment property

	2024
	£
Fair value	
At 1 April 2023 and 31 March 2024	10,000
	<u><u>10,000</u></u>

Investment property comprises a small parcel of land owned by the company. The fair value of the investment property has been arrived at on the basis of a valuation carried out in 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. The Directors consider this value to accurately reflect the market value of the property as at 31 March 2024.

7 Debtors

	2024	2023
	£	£
Amounts falling due within one year:		
Loans receivable	92,906	147,950
Other debtors	-	13,377
	<u>92,906</u>	<u>161,327</u>

	2024	2023
	£	£
Amounts falling due after more than one year:		
Loans receivable	199,409	239,497
	<u>199,409</u>	<u>239,497</u>
Total debtors	<u>292,315</u>	<u>400,824</u>

8 Creditors: amounts falling due within one year

	2024	2023
	£	£
Other creditors	29,117	39,475
	<u>29,117</u>	<u>39,475</u>

9 Creditors: amounts falling due after more than one year

	2024	2023
	£	£
Other creditors	3,422	5,909
	<u>3,422</u>	<u>5,909</u>

10 Members' liability

The company is limited by guarantee, not having a share capital and consequently the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the company on winding up such amounts as may be required not exceeding £1.

EAST LOTHIAN INVESTMENTS LIMITED

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

11 Non-distributable profits reserve

	2024 £	2023 £
At the beginning of the year	2,944	-
Non distributable profits in the year	-	2,944
	<hr/>	<hr/>
At the end of the year	2,944	2,944
	<hr/> <hr/>	<hr/> <hr/>

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

12 Related party transactions

During the year, the company benefitted from the provision of IT & employee services from an associated 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 Land 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 Land Limited at the yearend (2023: £nil). Similarly, there are no balances due to or by either East Lothian Council at the yearend (2023: £nil).

13 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 INVESTMENTS LIMITED

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

		2024	As Restated
	£	£	2023
			£
Turnover			
Loan Arrangement fees		5,821	6,054
Gift card income - breakage fees		17,886	18,614
		<u>23,707</u>	<u>24,668</u>
Administrative Expenses			
Gift card management costs	741		10,568
Subscriptions	51		-
Professional fees	1,811		1,625
Accountancy	3,606		4,362
Audit fees	8,550		7,500
Bank charges	911		1,209
Bank charges - Gift card account	-		15
Bad and doubtful debts	47,215		(1,989)
		<u>(62,885)</u>	<u>(23,290)</u>
Other Operating Income			
OGL - Change in fair value of investment property		-	9,500
		<u>(39,177)</u>	<u>10,878</u>
Operating (Loss)/Profit			
		(39,177)	10,878
Other Income			
Bank interest received		1,673	705
Interest Payable			
Bank interest paid		-	(130)
		<u>(37,504)</u>	<u>11,453</u>
Net (Loss)/Profit for the Year		(37,504)	11,453

Report	East Lothian Council Audit and Governance Committee Report
Author	Bill Axon, Chief Executive
Date	25 th March 2025

EXECUTIVE SUMMARY

This report sets out the financial and operational performance of **enjoy**leisure (**enjoy**) since March 2023, the challenges that **enjoy** faces in light of the cost of living and energy crises, and the successes that **enjoy** has achieved through this period.

The biggest challenges **enjoy** faces on an ongoing basis include:

- Continuing attempts to balance our budget and rebuild reserves whilst receiving plateaued income and achieving cost savings while prices and wages continue to rise.
- Planning for the impact of future rises in National Minimum Wage and Real Living Wage and operationally balancing the costs of these rises with the level of staffing required to maintain the facilities and services.
- Increasing fitness memberships in light of the cost-of-living crisis, albeit this is relenting, but where **enjoy** has struggled to increase numbers at a significant rate.
- Unprecedented difficulties in the recruitment of staff due in a large part to rates of pay being offered by **enjoy**, which resulted in little to no pay increase during the COVID-19 pandemic and the subsequent lack of available candidates.
- Keeping up with the demand for swimming and gymnastics lessons in East Lothian, especially as the population grows within the county and given a shortage of qualified teachers.

However, **enjoy** has made great strides through the last 4 years since COVID hit, including success in:

- Negotiated a 10 year extension to our funding agreement with East Lothian Council, which will ensure continuity of existing service provision and affordable leisure activities for local communities. The current/new arrangement delivers significant ongoing financial benefits for the Council and allows **enjoy** to strengthen its position within the sector.
- **enjoy** remains in a position to have avoided redundancies since the pandemic began, especially when compared to other Trusts who have been less fortunate.
- Income and usage has returned at levels consistently higher than expected in comparison to other Trusts, extending the lifespan of our reserves.
- All facilities have remained open, with colleagues going above and beyond to cover staff shortages.
- Improved and sustained partnership with ELC, including regular meetings between **enjoy** and ELC staff have ensured the continued spirit of partnership working.

Bill Axon, Chief Executive
0131 653 5202
baxon@enjoyleisure.com

www.enjoyleisure.com

Delivering services for East Lothian Council. **enjoy** East Lothian Ltd, also known as 'enjoy' and 'enjoyleisure'. Scottish Registered Charity Number: SC040527



BACKGROUND

In October 2009, Enjoy East Lothian Limited (**enjoy**leisure or **enjoy**) was established to manage, under contract, sports and leisure facilities and services on behalf of East Lothian Council (ELC). The facilities managed by **enjoy** comprise six major sites in Haddington, Tranent, Musselburgh, North Berwick, Prestonpans and Dunbar; as well as a number of sports facilities throughout East Lothian. All of the facilities are held on ELC's property portfolio with the exception of Dunbar Leisure Pool, which is wholly owned by **enjoy**.

The primary objective of **enjoy**leisure, as East Lothian's charitable health, well-being and leisure trust, is to improve lives by inspiring active living. It is our mission to enrich the physical and mental wellbeing of our communities, by putting people at the heart of everything we do:

- We provide opportunities for people of all ages to enjoy recreational facilities in East Lothian, with the objective of improving their conditions of life.
- We develop and create our own recreational coached activity programmes to create development pathways for both competitive and non-competitive athletes.
- We contribute to advancing the wellbeing of the inhabitants of and visitors to East Lothian through our wide ranging fitness class activity programme, Bodyworks Gyms, and Swimming Pool programmes.
- We provide local residents on low income or disability benefits the opportunity to engage in physical activity at concessionary rates.
- We support the national physical activity referral scheme that provides specialist support to those living with a long-term condition who have been referred by a health professional.
- We have strong links with local schools providing access for both public and private educational facilities, so children of all ages and abilities are able to engage in sporting activities.
- We provide sports halls, dance studios, pitches, and pavilions for local sports clubs and community organisations to host their training sessions, competitions, matches, dance rehearsals, theatre productions, and community meetings.

April 2023 to March 2024

Since March 2020, the majority of **enjoy**'s services & facilities have faced multiple closures, and when facilities were open they were restricted in both activities and capacities. Facilities were closed due to lockdowns from 24 December 2020 to 26 April 2021, after which activities and facilities returned slowly.

Various COVID measures were retained throughout the year. In December 2021 in response to increasing COVID infections, restrictions were placed on indoor activities. Cafés did re-open with only the North Berwick café still remaining closed due to the inability to recruit a café manager into the post.

In August 2021, capacity restrictions within **enjoy** facilities were removed, and visitor numbers and income bounced back significantly. It was extremely heartening to see loyal customers, tourists and visitors returning to utilise **enjoy**leisure facilities. This meant that after a challenging financial



performance in 20/21, greater income and usage enabled **enjoy** to commence recovery far more quickly than expected.

We have experienced various issues around the sporting facilities during the year, both directly and indirectly. The Loch Centre pool was closed in early 2023 due to significant repairs that were identified during essential maintenance and inspection works. The pool remains closed and is a loss of a valuable income stream as well as a vital community hub. Whilst the centre remains open, this is a dry site only. In September 2023 the Wiggles Soft Play area within the Loch Centre was required to be closed for a 4-month period due to a flooring issue requiring significant repairs after water ingress beneath the soft play area. Wiggles re-opened again in January 2024 after a 4-month closure, but again impacted on our ability to generate income. We were also required to close the main hall in Aubigny Sports Centre for approximately 6-weeks from late October to early December 2023; this was due to necessary and urgent heating works.

Our new Leisure Management System, Legend, achieved go-live status over May and June 2023 and gives us significant opportunity to report on many data points to aid future business strategy. Some post-implementation issues remain ongoing at the end of 2023/24 and into 2024/25 and we are working with the supplier to ensure that these are resolved in a timely manner.

A new HR and Payroll system achieved go-live in September 2023 with additional developments around recruitment and employee on-boarding processes to be considered for future implementation.

The 2023/24 financial year was the 2nd year of a 2-year pay deal for our employees, with future considerations necessarily focused on managing our pay structure to attempt to re-bridge the gaps that were created during the pandemic between **enjoy** and ELC rates of pay. Currently, **enjoy** are an average of 15% lower in terms of rates of pay versus ELC, on what is the same structural pay scale. This continues to cause us operational and recruitment issues and is something we are attempting to strategically address over the coming few years.

Visitor Statistics

Total visitor numbers fell in 23/24 compared to the previous year, which we have attributed predominantly to the impact of the cost-of-living crisis and customers necessarily tightening their personal finances as a result. We also continue to feel the impact of the closure of the Loch Centre pool in early 2023 and restricted access at the North Berwick Sports Centre due to ongoing RACC issues which arose as an issue in the summer of 2023.

Golf numbers remained relatively static and showed a continued return to the stability of pre-COVID levels. We continue to ensure that the recording of visitor number data is developed and improved and becomes more automated, after the introduction of the new Legend Leisure Management System in May 2023. This is especially important at sites where we have not electronic recording mechanisms, e.g. at football pitches and athletics track etc.



	2021/22	2022/23	2023/24
Total Visitor Numbers	750,000	933,500	781,000
Sports Centres Customers	512,799	765,600	685,000
Golf Courses	68,117	48,900	48,400

Finance

The financial year 2023/24 provided for an overall deficit across the group of £131k. This amount was split between a core operating (charity) deficit of £52K, and trading (café) losses of £79k. The audit was completed between July and September 2024 and unqualified accounts have been produced and submitted.

The statutory accounts show a net positive movement in funds for the group for the year ended 31 March 2024 of (negative) £590,064. This is comprised of:

- a core operating deficit of £131,064; and
- an adjustment for the defined benefit pension scheme, being an actuarial loss of £459,000.

The core operating deficit of £131k (2023: £30k surplus) includes a loss of £79k for the trading subsidiary and a deficit of £52k for the charity.

Total group income in 23/24 was £6.97m (up £0.22m from £6.75m in 22/23). This has put us in a good position compared to pre-COVID income levels, which were circa £6.4m.

A freeze on the East Lothian Council management fee, whilst welcomed as not being a reduction, does represent a real-terms 'cash cut' due to the levels of inflation in the wider economy.

enjoy continues to rebuild its reserves well - at the end of March 2024, reserves were £1.1m and represents a very good position on **enjoy's** minimum reserves target, which is £1.2m. Our aim is to grow reserves to over 100% to facilitate opportunities for investment and growth and supporting other one-off operating expenditure. Our ability to achieve this will be significantly impacted by the key factors of employee pay and the future level of support from ELC, as well as many other salient, but less impactful, areas.

Looking to the Future

Despite the volatile environment within which we operate, our commitment to grow the business without taking undue risk, remains undiminished. We will continue to investigate all options and opportunities to build up the business, develop our people, improve the customer experience and ultimately make a positive difference for and within our communities.

We will have a clear focus on the future and be adaptable, to as best we can, meet the dynamic difficulties the current public financing challenges being endured by all public services. We will do this by continuing to strengthen our relationship with East Lothian Council, creating, embracing and not fearing a culture of continuous improvement and through nurturing the talent within Enjoy.



enjoy are also proud to continue to offer an Access to Leisure Scheme, whereby East Lothian residents on low incomes, with disabilities, or in NHS health programs can access **enjoy** leisure facilities for £2.00 off peak, and receive 50% off children's coached activities such as swimming lessons. We hope this will go some way to ease the burdens of the cost of living crisis for customers and ensure that those who wish to participate in sporting activities can continue to do so.

Despite the challenges **enjoy** faces, we have had several successes over the last year and continue to make strides to improve the business.

Operations & Sport Development

RACC became an issue for **enjoy** during the summer of 2023 with issues at North Berwick, but also at Preston Lodge high School resulting in the temporary relocation of PE lessons to the Meadowmill Sports Centre. The largest loss of income for **enjoy** from facilities-related issues was the necessary closure of the Loch Centre swimming pool in early 2023, which was reported last year, but the closure continues to be in effect as we enter 2024/25.

ECOLABS cleaning materials and dispensing devices (controlled dosage) were trialled at Musselburgh Sports Centre and have subsequently been rolled-out across all of our centres after the success of the trial. These will bring cost savings for us in terms of soap and paper towels etc.

Enjoy project-managed the new Wallyford Learning Campus 3G pitches on behalf of ELC, but as we enter 2024/25 these will be handed back over to ELC.

The new gym extension at Aubigny continued to progress, with planning permission consented in November 2023 and by February 2024 tenders were received. The works are planned to commence in the summer of 2024, with a likely completion date of early 2025. This extension is being funded by housing developer contributions and highlights the success of partnership working across all sectors. The new gym will have more capacity and it is hoped will increase memberships and income for **enjoy** during 2024/25 and onwards.

Ongoing reviews relating to our Policies and Procedures were conducted, as well as a Service and Standards review, support by Visit Scotland report.

We had a further successful opening of seasonal facilities at the East and West Putting Greens in North Berwick and the Bowling Green at Fisherrow, including the introduction of accessible golf at East Links and solar powered payment methods at the Links.

We have an aim of improving and increasing occupancy throughout centres to continue our fdesired return to pre-COVID usage levels, now with the cost of living crisis continuing to relent slightly during 2023 and 2024.

We work closely with ELC to consider the expansion of provision of sports and leisure facilities within East Lothian. This includes an additional ability to put on seasonal sporting activities within school holidays after our recruitment of an additional Sports Development Officer in February 2024. The benefits of this post will be more strongly felt during the 2024/25 financial year.



We continue to look at ways of Reducing our carbon footprint in order to meet partner and customer expectations and to save costs, especially in light of growing utility prices. Working with ELC, we have identified a light replacement programme within Aubigny Sports Centre which will hopefully reduce costs and increase compliance with the green agenda.

Sports Development

- The Athletics development officer post fell vacant in June 2023 and was replaced by a wider Sports Development Officer post in February 2024.
- Enjoys swim programme has continued to be popular and despite challenging times regarding the changeover to the new leisure management system, we are managing to retain 2,400 children attending the Learn 2 Swim programme across our sites.
- The gym programme continues to teach around 500 children a week despite the issues experienced in terms of recruiting teachers.
- We have provided Pickelball taster sessions, and due to their success this is now an established class. Funding from the Souter Trust enabled us to procure the necessary equipment to support this expansion.
- Various holiday camps held for children, including Tennis and Basketball.
- With the support and funding of external partners, a Pool Pod at North Berwick and a Throwers Cage at Meadowmill are now available for use.

Future Sports Development Plans

- Increase ASN and disability sport programmes across sites.
- Increase swim and gym lesson capacity through recruitment and ongoing improvement of the current IT systems supporting the administration of them.
- Continue working with Head of Business development to apply for funding to support sports provisions.
- 'Mind the Gap' project to identify opportunities in our facilities to maximise their usage and benefit our key partners.

People

The HR function has benefitted from improvements in productivity as a result of introducing MHR iTrent in late 2023, and we continue to embed processes to ensure our managers have autonomy in their role of leading and managing their teams.

HR is moving forward with introducing a new temporary structure to adapt to the productivity savings driven by iTrent and that will provide greater and targeted support for managers around effective and supportive management of colleagues. It is anticipated that this will be in place at the end of financial year ending 24/25.

We have continued to invest in and develop colleagues and are proud that some of our senior positions have been filled internally as a result of ongoing training and development opportunities. We have seen colleagues want to develop their knowledge and skills in our sector and the leadership opportunities that can be provided. This has been challenging as our previous training funding has come from the Flexible Workforce Development Fund, however with this funding being removed



from Scottish Government funding, we have had to incorporate the cost of learning and development into the 24/25 budget process.

Through recent work with our Health & Wellbeing Manager, we have focussed on raising awareness of our Employee Assistance Programme. Scott has visited colleagues at centres and together with representative colleagues from our Health & Wellbeing Steering Group, have delivered face to face training sessions on the benefits of the Employee Assistance Programme through Health Assured. We will continue to place a high level of focus and support for our colleagues in relation to their health and wellbeing.

We have worked together with Direct Partners and East Lothian Works to introduce a Pathway to Leisure programme. The programme is designed to support school leavers with no future destination, a fully funded placement in our sport centres to learn the role of a Leisure Assistant and to prepare for and undertake the National Pool Lifeguard Qualification (NPLQ) course. Our commitment to the young people who undertake the placement and pass the NPLQ course, is to offer them a guaranteed interview and the potential opportunity to become a Leisure Assistant. They will also then have the opportunity to continue this learning through the ongoing SVQ modules that we offer colleagues, supported by Direct Partners.

Success Stories

- **enjoy** is extremely proud to have been able to continue to focus on protecting jobs and hours whilst operating in a challenging environment.
- We introduced the Pathway to Leisure programme to support young people across East Lothian and cements our developers in you people accreditation.
- We are proud of our internal development of colleagues to be able to gain promoted posts.
- Our managers have more autonomy in their leadership of their teams and are able to support their colleagues with effectively in attendance and performance.

Ongoing Challenges

- The new governments plans to introduce the new Employment Rights Bill may bring challenges for enjoy in the future and we are keeping a close eye on developments. The key focus during 2025 will be on consultation and through the Chartered Institute of Personnel and Development (CIPD) and Community Leisure UK (CLUK) we have the opportunity to feed into that consultation.
- Providing a pay award for 25/26 that will positively impact on the grade differentials and the subsequent impact this has on recruiting for senior posts.
- As a result of the Flexible Workforce Development Fund closing and a loss of £15k of funding, our ability to invest into people development may be under tighter financial controls, but not at the expense of development and mandatory training.

Memberships & Customer Return

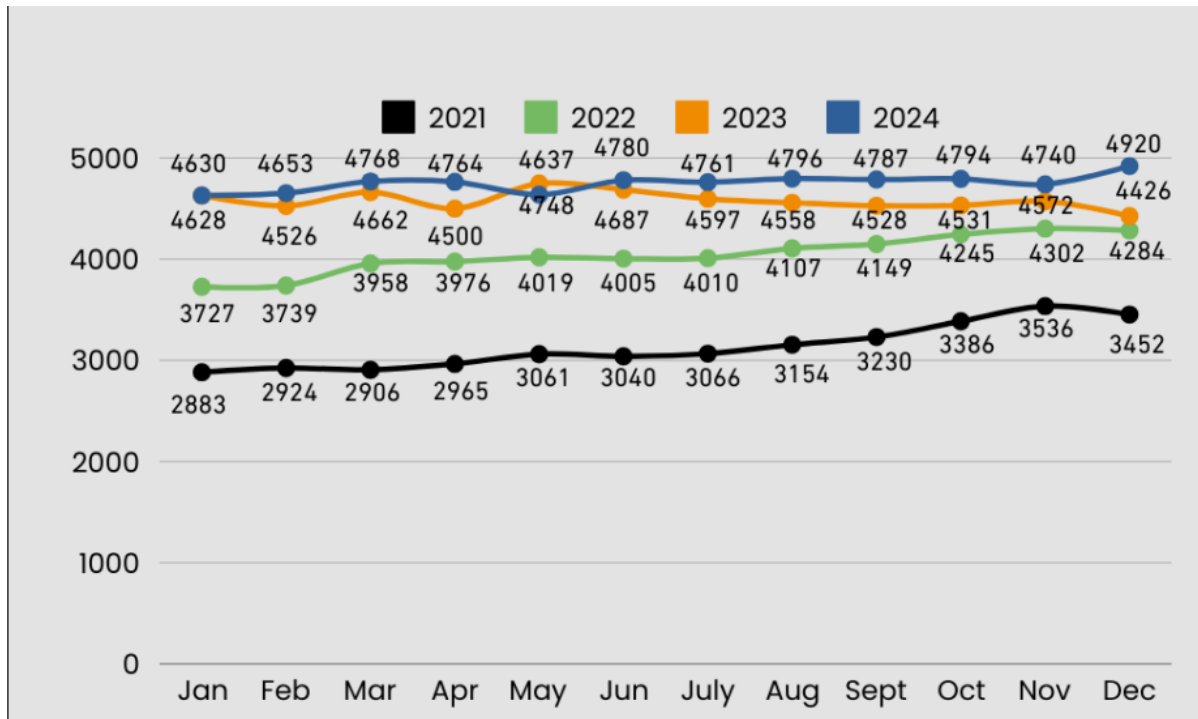
Enjoy Leisure remains committed to keeping East Lothian moving. With the future introduction of new junior swim, soft play, and corporate memberships, the offerings for customers and members are expanding, allowing more of the community to increase their activity levels.

Fitness membership has been slowly but steadily improving. However, as we see a slight recovery from Covid, Enjoy Leisure customers and members are now facing a cost-of-living crisis. The main



focus has been on developing the customer journey they experience, which will help improve retention.

The growth in fitness memberships is shown visually in the below graph: -



Success Stories:

- We continue to see growth in our membership numbers and are working hard on reviewing our standards and service to enhance retention.
- Looking at cancellation data, a large percentage of members are very likely or likely to recommend our facilities to a friend. This suggests that members see our membership as offering good value for money.
- A branding refresh has been completed and is set to launch early 2025. This includes updated values and new customer personas.
- The Enjoy Leisure app remains popular and has now become a primary communication channel for customers and members.

Ongoing Challenges:

- Increased competition from not only private gyms and studios, but also other experiences like Fox Lake, Lost Shore Surf Resort in Edinburgh, and Midlothian's Alpine Coaster, can demand significant time from our customers and members, reducing the time they spend at our facilities.
- Many of our customers and members are affected by the cost of living crisis and are seeking more affordable options to maintain their activity levels.
- Whilst the Legend Leisure Management System is a very powerful system, due to resource constraints, a lot of the data about customers and their usage of our facilities remains unused.



- Ensuring that prices and charges are increased enough to cover inflation and rising wages without aggravating existing customers and still being able to attract new customers.

Business Development / Health and Wellbeing / Communications

This function continues to establish and maintain relationships, proactively seeking prospects and opportunities to promote long term growth.

We welcomed a new Health and Wellbeing Manager and a new Marketing and Communications Manager during 2023/24, both bringing a wealth of knowledge and expertise to their respective functions.

Success Stories

- Considerable progress to deepen corporate partnerships involve more comprehensive collaborations. This includes the bulk sale of access passes, delivery of early-stage Health and Wellbeing talks to corporate groups and the receipt of corporate donations to support our charitable objectives.
- This includes key partnerships with EDF Torness, Bluelight and Young Carers of East Lothian.
- We maintain a strong partnership with Fitness Education Academy, members and customers of enjoy leisure have access to personal trainers who can use our gyms to work with their clients. This partnership also allows for 50% reduction of FEA courses for our staff.
- Working alongside comms and marketing, there is new branding, website and mobile app which allow increased brand awareness and engagement.
- Various review papers have been written and are with senior managers for review or as in the case of one paper, is outsourced for external appraisal.
- Efforts to secure external funding remain a priority, with notable successes achieved this period. These include securing grants for essential equipment, such as first aid and swimming resources, alongside the acquisition of a **Pool Pod** for the Musselburgh Centre. This addition complements the North Berwick Pool Pod, further enhancing inclusive access for community members requiring dignity-focused pool support.
- A strategic focus remains on cultivating a robust funding pipeline, ensuring consistent reporting and relationship stewardship with grant-making bodies.
- Building upon the successes of the Dunbar-only GP referral trial, our Health & Wellbeing function continues to expand into a long-term conditions programme throughout the county.
- The Health and Wellbeing programme has grown into offering specialised exercise support from each of our centres. Our physical activity referral programme builds relationships with NHS teams and other charities to create a smooth transition from clinical to community rehabilitation.
- Bringing support closer to people in the community increases adherence and successful outcomes. Our partnerships have shown a big increase in referrals into the programme and we are currently offering 18 supported exercise sessions per week with a variety of gentle movement sessions and gym support groups.



Ongoing Challenges

- The external grant funding landscape has become increasingly challenging due to a significant rise in applications post-pandemic. This has necessitated a more targeted and strategic approach to funding applications to maintain competitiveness. This requires us to continuously refine our approach to securing these resources.
- Ongoing staffing constraints present a limited ability to dedicate adequate time to new initiatives and business development. The impact of a key vacancy, which has slowed data collection and analysis capabilities, restricts our ability to gain actionable insights into market trends, consumer preferences and membership package evaluation, which are essential for evidence-based decision-making and growth.

Finance

There has been a £100k reduction in the management fee from East Lothian Council for the 2024/25 financial year, as the Council manages the financial pressures it faces. The position for future years remains uncertain as well, with significant financial pressures on the budgetary horizon. Accordingly, **enjoy** must plan its future budgetary requirements and evaluate the likely reserves position via a medium-term financial plan.

A large deficit budget of £366k was set for the group in the 2023/24 financial year, with an eventual overspend of £131k across the group, including a £78k loss for the trading subsidiary arm of the business which oversees the café provision. There are significant pressures upcoming for the group's budgets, with National Minimum Wage (£12.21/hr) rising by £0.77/hr from April 2025, which will still see us paying less than the Real Living Wage of £12.60/hr.

A material number of vacancies have been experienced during 2023/24 into 2024/25, which have proven hard-to-fill, but have concurrently created a budget underspend to assist in meeting a balanced income v's expenditure outcome for 2023/24. The vacancies continue to cause operational issues at centres.

Our longer-term aim is to ensure **enjoy** has a balanced budget and a strategy to increase reserves to over 100% of target to then allow for focussed investment and development into the business. A deficit budget of £231k was set for 2024/25 and the financial pressures on the horizon do not currently lend themselves to meeting this aim in the medium- to long-term. **Enjoy** continues to work closely and collaboratively with East Lothian Council to understand these challenges and ensure **enjoy** has the necessary resources to continue delivering the services and facilities it currently does.

Enjoy has plans to review many key areas of non-pay and non-utility spend during 2024/25, including the contractual arrangements around pool chemicals, uniform, stationery and paper products within our toilets and changing rooms.

Success Stories

- Strong cash management means that **enjoy's** reserves remain much higher than expected, and very close to the minimum level of £1.2m at the end of 2023/24 financial year (£1.1m or 94%).



- Improved and sustained partnership with ELC, including regular meetings between **enjoy** and ELC finance staff have kept both parties up to date and abreast of the situation throughout the last couple of years.
- The new Legend Leisure Management system was go-live from May 2023 and despite some teething issues, has proven to be a very capable booking and reporting system.

Ongoing Challenges

- Achieving budgeted levels of income and cost savings, in order to reduce deficits and preserve cash reserves.
- Creating a viable medium- to long-term financial plan that outlines the financial challenges upcoming to the business in 2024/25 and beyond.
- Rebuilding reserves to above the minimum target level in order to reinvest in the business.
- Balancing the need for fuller staffing in our centres versus the budgetary savings that these provide.
- Maximising the efficiency and usage of the new Legend Leisure Management system whilst continuing business-as-usual and not disrupting the customer experience.
- Overcoming technical operational issues that the new Legend system has revealed post go-live and fully grasping the operational data available to us and leveraging its use within the business.

The Organisation

The Senior Management Team restructure from 2021/22, which saved £50k per annum, continues to be a success for the running of the organisation. A new permanent Head of Finance commenced in June 2023 and a new Head of Operations was appointed in December 2023 to replace the outgoing postholder who retired in March 2024.

A new Marketing & Communications manager was permanently appointed in February 2024 after a period of temporary working as well as a new Health and Wellbeing Manager from February 2024, to replace the outgoing postholder who was appointed to the Head of Operations post.

The Sports Development postholder left the organisation in February 2024 and a replacement postholder commenced in April 2024.

The **enjoy** Senior Management Team remains very lean and small in comparison to equivalent bodies in other Local Authority areas but remains very productive, insightful and dedicated to progressing the business into 2024/25 and beyond.

We have also seen a highly efficient and engaged Board of Directors emerge over the last few years. The enthusiasm and stewardship has been and will continue to be invaluable as we moved through the current crises and on into recovery. The former chair of the Board of Directors resigned her position from November 2023 onwards, to be replaced by an incumbent director. Further, four new directors were appointed to the Board in February 2024.

Partnership with ELC has continued to enhance with regular, open dialogue being maintained from both partners and a shared commitment to developing for the communities of East Lothian a sport and wellbeing service to be proud of. We will continue to work together to ensure that East Lothian



can continue to be a leader in offering all residents real opportunities to enjoy and lead active, healthy lifestyles.