East Lothian Council

MINUTES OF THE MEETING OF THE LOCAL REVIEW BODY

THURSDAY 30 AUGUST 2012
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON

2

Committee Members Present:
Councillor N Hampshire (Convener)
Councillor T Day
Councillor J Gillies

Advisers to the Local Review Body:
Mr P McLean, Planning Adviser to the LRB
Mrs M Ferguson, Clerk and Legal Adviser to the LRB

Others Present:
Ms C Molloy, Senior Solicitor
Mr D Irving, Planner
Mr R Sinclair, Communications Officer

Committee Clerk:
Mrs F Stewart

Declarations of Interest
None

Apologies
Councillor P McLennan

The Convener, Councillor Hampshire, welcomed everyone to today's East Lothian Local Review Body (ELLRB) hearing.

The Clerk outlined the procedure for today's meeting where Members would review the decision of the Planning Officer on three planning applications. She advised that a site visit had been carried out for each application prior to the meeting. At the hearing today, the Planning Adviser would present a short summary of the issues relevant to each application and Members would then indicate if they had sufficient information before them to reach a decision. If they did not, the meeting would adjourn for further written representations or for a full hearing. Should Members decide they have sufficient information before them, the papers will be discussed and a decision reached on whether to uphold or overturn the decision of the Planning Officer. If an application was granted, Members had the right to attach Conditions to the consent.

1. REVIEW AGAINST DECISION (REFUSAL)
PLANNING APPLICATION No: 11/00469/P - ERECTION OF 2 SMALL SCALE WIND TURBINES and ASSOCIATED WORKS at OVERHAILES FARM, TRAPRAIN, EAST LINTON

The Convener introduced the application and invited the Planning Adviser to present a summary of the planning issues concerning this application.

The Planning Adviser stated that the application site was in a countryside location approximately 1.5 miles to the west of East Linton. The application was for two 50kW wind turbines with a blade diameter of 19.2m, giving a total height to blade tip of 46m. The application had been registered on 22 July 2011 and had been refused under delegated powers on 13 April 2012.

He advised that the broad policy context for development in the countryside was provided by Structure Plan policy ENV3 and Local Plan policy DC1 which sought to restrict development in the countryside in order to protect its character, while allowing some limited forms of appropriate development. The development plan policy on renewable energy development was also relevant as it sought to weigh the benefits of renewable energy generation against the impact on the local environment and features of interest. Other key policies relevant to this application included Structure Plan policy ENV6 and Local Plan policy NRG3. In addition, documents such as the Scottish Planning Policy, the Council's Wind Turbine Planning Guidance Document, the 2005 Landscape Capacity Study and the 2011 Supplementary Landscape Capacity Study were material to this application.

He confirmed that the appointed officer had refused the application for a single reason, finding that the proposals would have a harmful impact on the landscape and were therefore contrary to the relevant development plan policies and planning guidance. The applicant's agent had provided a statement to the review arguing that the proposals would be economically beneficial to the landowner and that they were acceptable in terms of visual and landscape impact. A total of 95 representations had been received on the application and several further representations were submitted following the Notice of Review. A summary of comments received from Consultees to the application included observations from the Council's Landscape and Archaeology Officers and Historic Scotland.

Finally, the Planning Adviser reminded Members that they had the option of seeking further information, if necessary, before making a decision, either through further written submissions, a hearing session, or a combination of these procedures.

The Clerk advised that it was now for Members to decide if they had sufficient information before them to reach a decision today.

The Convener, Councillor Day and Councillor Gillies all indicated that they had sufficient information.

Summary of Discussion

Councillor Hampshire described the site visit as useful and stated that each application had to be taken on its own merit. However, in his view, this application had ignored the advice of the Council's development plan policies. He therefore intended to support the recommendation made by the Planning Officer.

Councillor Day stated that East Lothian benefited from both an iconic and beautiful landscape which was important to those who lived here in addition to attracting visitors to the county. Whilst he accepted the need to develop renewable energy, the merits of such developments needed to be balanced against the protection of East Lothian's landscape, amenity and communities. Given the height, form and scale of the proposed wind turbines, Councillor Day did not believe that they would be successfully integrated into the surrounding landscape, and therefore would be contrary to policy DC 1 of the adopted East Lothian Local Plan (2008). He also believed that the proposals would harm the distinctive public views from the nearby historic monument of Hailes Castle. In addition, the application did not comply with the guidance contained in the Council's Supplementary Landscape Capacity Study for Smaller Wind Turbines 2011. He would therefore not be supporting this application.

Councillor Gillies considered that the application was contrary to the Council's planning policies and he too was therefore minded to uphold the decision of the Planning Officer.

Decision

The ELLRB unanimously agreed to reject the review and uphold the decision of the Planning Officer to refuse this application for the reason set out in the original Decision Notice. The Clerk advised that a formal Decision Notice would be issued within 21 days.

2. REVIEW AGAINST DECISION (REFUSAL)
PLANNING APPLICATION No 11/00833/P – ERECTION OF A WIND TURBINE at ST CLEMENTS WELLS, TRANENT

The Convener introduced the application and invited the Planning Adviser to present a summary of the issues relating to this application.

The Planning Adviser stated that the application site was in a countryside and greenbelt location to the south east of Wallyford. The application was for a single 11kW wind turbine with a blade diameter of 13m, giving a total height to the blade tip of 25m. The application had been registered on 20 September 2011 and was refused under delegated powers on 18 May 2012.

As the broad policy context for this application was similar to the previous application, the Planning Adviser briefly summarised the planning policies relevant to this application, highlighting Structure Plan policy ENV2 and Local Plan policy DC2 which seek to restrict development in the green belt to protect the landscape setting of Edinburgh and neighbouring towns, and to avoid coalescence. Policy DC2 allowed development in the green belt where it would not harm the rural character of the area. The Planning Adviser provided details of the other relevant policy documents, including the 2011 Supplementary Landscape Capacity Study.

He confirmed that the Planning Officer had refused the application for a single reason, considering that the proposals would have a harmful impact on the landscape of the green belt and were therefore contrary to the relevant development plan policies and planning guidance. The applicant's agent had provided a statement to the review arguing that the proposals would contribute to the viability of the farm business and that they would be acceptable in terms of visual and landscape impact. Two public objections had been received on the application and a summary of the Consultee comments was given, including those of the Archaeology and Landscape Officers.

The Convener, Councillor Day and Councillor Gillies agreed that they had sufficient information to proceed with the hearing today.

Summary of Discussion

Councillor Hampshire commented that this application, like the previous application, was contrary to the Council's policies and, on the site visit, it had been clear to see the impact these proposals would have in this location. While he would normally wish to support local business enterprises, in his view, it should not be at the expense of destroying the countryside. He was therefore minded to uphold the decision of the Planning Officer.

Councillor Day stated that the Council's Supplementary Landscape Capacity Study 2011 explicitly stated that there was no capacity to accommodate this category of turbine within this location. In addition, he believed a turbine of this scale would be incongruous and obtrusive in this location and dominate the landscape, contrary to policy NRG3 of the adopted East Lothian Local Plan 2008. He would therefore not be supporting this application.

Councillor Gillies agreed with the views of his colleagues. He understood the applicant wanting to increase the viability of his farm, but could not support proposals which would have a detrimental impact on the countryside.

Decision

The ELLRB agreed to reject the review and uphold the decision of the Planning Officer to refuse this application for the reasons set out in the original decision notice. The Clerk advised that a formal decision Notice would be issued within 21 days.

**3. REVIEW AGAINST DECISION (REFUSAL)
PLANNING APPLICATION No 11/00704/P – DERELICT CHUIRCH CONVERTED TO A 5 BEDROOM HOUSE and WALLED GARDEN at ABBEY CHURCH, DUNBAR**

The Clerk introduced the application and drew Members' attention to certain procedural matters. In the course of this, she pointed out that this application had been submitted along with an application for Listed Building Consent, which had been refused. To the best of her knowledge, the applicant had not appealed the decision on his Listed Building Consent application, which appeal would have to be directed to the DPEA.

The Convener invited the Planning Adviser to present a summary of the planning issues concerning this application.

The Planning Adviser advised that the application site was a former church building on the High Street, within the Dunbar Conservation Area and that the application was for alterations to the building and formation of a dwelling within it. A detailed description of the proposed works was contained within the Officer's report. He pointed out that some of the works were described in the Officer's report as not requiring planning permission in themselves, however, in his view, these works were structural alterations and would require planning permission. The planning application was registered on 26 August 2011 and was refused under delegated powers on 23 March 2012.

He stated that the Planning Act required decisions on planning applications to be taken in accordance with development plan policy unless material considerations indicated otherwise. The key policies in relation to this were Structure Plan policies ENV1D and ENV1G and Local Plan policies ENV4, DP1 and DP2. The building was listed at Category B and Development Plan policy stated that development which would harm the character, appearance or setting of listed buildings would be resisted. Also, changes of use to residential would only be allowed where the Council was satisfied that the premises had been suitably marketed for all other uses acceptable in principle within a town centre area and no reasonable offers had been received.

Members were asked to note that listed building consent would also be required for the proposed works. However, this was a separate consent process and was not before the ELLRB today.

The Planning Adviser confirmed that the Planning Officer had refused the application for two reasons; she had considered that the proposals would be harmful to the special architectural or historic interest of the listed building and would be harmful to the character and appearance of the Conservation Area. The applicant's agent had provided a statement to the review in which it was argued that inadequate consultation had been carried out, a survey from 2007 was not taken into account and that the well-being of the building and the High Street had not been considered. He also claimed that the impact of the proposals would be minimal.

The Planning Adviser stated that 4 public representations had been received on the application, 3 of which were from local residents who expressed support for the proposals. The other representation was an objection from the Architectural Heritage Society of Scotland. He summarised the Consultation responses and advised that Members might wish to note that Historic Scotland had been consulted on the proposals but their comments had been treated by the case officer as relating to the listed building consent application. However, in his view, the comments were material to the application and he suggested that it was appropriate for Members to take them into account. Historic Scotland had stated that the principle of dissecting the building and building a house within its exposed shell would be a retrograde conservation step, stripping the building of much of its fabric, character and meaning.

The Convener, Councillor Day and Councillor Gillies indicated that they had sufficient information to proceed with the hearing today.

Summary of Discussion

The Convener considered that this application was very different to the two previous applications. In his view, this building had been an eyesore for a long time. He acknowledged that the fabric of the building was deteriorating badly and that the interior was now in a poor condition. However, on the site visit, he had had concerns over a number of the applicant's proposals. In particular, the wooden columns which would become external and, through time, could become dangerous and need to be removed. Should this situation arise, he did not believe that the remainder of the building could be maintained. He was disappointed, but considered that he therefore had to support the decision of the Planning Officer.

Councillor Day was minded to support this application. Whilst he accepted that the subject of the application was a category B listed building, he believed that there needed to be a realistic and balanced approach to any planning application brought forward. As this building had been vacant for 40 years and had fallen into a considerable state of disrepair, its future use and viability in its present state were extremely limited. Therefore, within this context, he welcomed the innovative application before him today. He noted that the Architectural Heritage Society had raised concerns. However, he would argue that the most important aspect of this building was the front elevation which would be retained in this scheme. In his view, the church, as it stood, was neither a building of great beauty or of significant design in itself, so he believed that the incorporation of a modern design would enhance its architectural merit.

Councillor Gillies stated that, whilst he was generally supportive of the aims of Historic Scotland to safeguard the historic environment, he was minded, in this case, to agree with the views of Councillor Day and he would therefore vote to overturn the decision of the Planning Officer.

A copy of the recommended Conditions attached to this application was circulated to Members for perusal.

Decision

The ELLRB decided to overturn the decision of the Planning Officer and grant this scheme by a majority of 2 to 1 subject to the Conditions as provided by the Planning Officer and with a reminder that the Listed Building Consent would have to be sought before any work could be carried out. A formal Decision Notice would be issued within 21 days.

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East Lothian Council

Annual audit report to the Members of East Lothian Council and the Controller of Audit

Year ended 31 March 2012

12 October 2012

Contents

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About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the *Code*").

This report is for the benefit of East Lothian Council ("the Council") and is made available to Audit Scotland and the Accounts Commission (together "the beneficiaries"). It has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scope and objectives section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

We also draw your attention to the following:

- management of East Lothian Council are responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems;
- weaknesses or risks identified by us are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist; and
- communication by us of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve East Lothian Council management from its responsibility to address the issues raised and to maintain an adequate system of control.

Headlines

Our audit work is undertaken in accordance with Audit Scotland's *Code of Audit Practice* ("the *Code*"). This specifies a number of objectives for our audit.

We reported, in our audit strategy, our responsibilities in respect of the audit. The Council's responsibilities are set out in appendix two.

This report summarises our work for the year ended 31 March 2012.

We wish to record our appreciation of the co-operation and assistance extended to us by Council staff during the course of our work.

Financial statements	
Draft 2011-12 financial statements were provided on 28 June 2012, in line with the agreed timetable; we have issued an unqualified audit opinion. The year end bank reconciliation was not available until 29 August and the receipt of a satisfactory response from the Council's external property valuer was subject to delay, both causing inefficiencies in the audit process. Management agreed that there was a material error in the 2010-11 financial statements; a prior year adjustment was processed in the 2011-12 financial statements to correct the error.	-
Use of resources	
The Council had a statutory deficit of £7.5 million in 2011-12 (2010-11: £5.9 million surplus). This resulted in a decrease in the general fund reserves of £4.1 million and housing revenue account and capital fund reserves of £3.4 million. Total capital expenditure in 2011-12 was £71.5 million, lower than the approved capital plan of £77.3 million. This level of capital investment represented a 26% increase over 2010-11 levels. From Audit Scotland's analysis of the 32 local authorities, the Council has the highest level of net external debt of all Scottish local authorities, representing a significant risk to future revenue budgets. The 2012-13 budget forecasts a breakeven position, incorporating a further £4 million utilisation of reserves. The Council is planning to utilise most usable un-earmarked general reserves by 31 March 2014. In 2014-15 the Council is budgeting for a break-even position.	Pages 3 - 7
Performance management	
We have considered the Council's arrangements in responding to Audit Scotland and Accounts Commission national studies, preparing short returns to Audit Scotland as appropriate. We have identified some opportunities for improvement. The Council has developed an improvement framework which should support management's ongoing assessment of the extent to which the Council is achieving Best Value and support the Council's drive for continuous improvement.	Pages 14 - 17
Governance	
Following local government elections, there have been revisions to the membership of the Council and its committees. The governance statement confirms the existence of a comprehensive framework of internal control. Arrangements to prevent and detect fraud are embedded in internal controls, including processes to comply with the National Fraud Initiative.	Page 21 - 23
Internal audit completed their plan, reporting a number of weaknesses during the year and concluding that reasonable assurance could be placed on the adequacy and effectiveness of the Council's internal control systems for the year. We have made a number of recommendations to improve the Council's control framework.	Page 23

Headlines (continued)

Mandatory communications	
We are required by ethical standards to formally confirm our independence to you.	Appendix three

Financial position

The Council had a statutory deficit of £7.5 million in 2011-12 (2010-11: £5.9 million surplus). This resulted in a decrease in the general fund reserves of £4.1 million and housing revenue account and capital fund reserves of £3.4 million.

2011-12 has been a landmark year for the Council, due in part to reserves being used for the first time. This practice will continue, with further planned use of reserves included in the approved three-year financial plan.

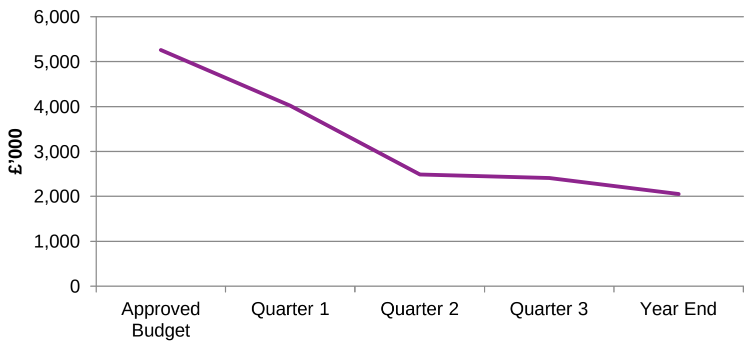
Financial outturn

The Council had a statutory deficit of £7.5 million in 2011-12 (2010-11: £5.9 million surplus). This resulted in a decrease in the general fund reserves of £4.1 million and housing revenue account and capital fund reserves of £3.4 million.

The decrease in the housing revenue account related primarily to £4 million capital expenditure financed from revenue as part of the Council's open market acquisition strategy. Additionally, management transferred £2.5 million from the capital fund to the housing revenue account at year end to provide sufficient funds to cover planned expenditure in 2012-13.

2011-12 was the first year that the Council planned to utilise brought forward reserves, having expected to utilise £5.3 million. The final outturn position was a £2.1 million utilisation, representing 24% of opening useable reserves. The lower utilisation was mainly a result of the lower than planned primary school numbers and higher than expected funding from the Scottish Government for teacher employment. The movement in the planned use of reserves over the year is summarised below.

Planned use of reserves



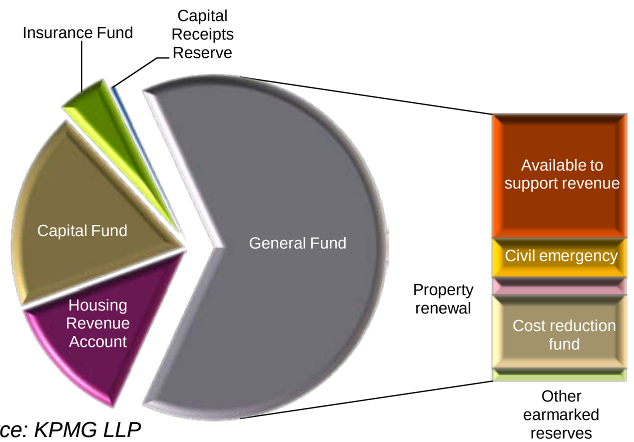
Source: East Lothian Council

Further utilisation of reserves was incurred in respect of committed elements of the general fund, mainly in relation to £1.3 million of the cost reduction fund. This was primarily due to the cost of staff restructuring and rationalisation.

Based on an Audit Scotland survey of the 32 Scottish local authorities, only four others utilised reserves in 2011-12. However, the total usable reserves carried forward as a proportion of revenue expenditure is of a similar ratio to other councils. This indicates that in previous years the Council held a higher proportion of reserves when compared to other councils.

As at 31 March 2012, the Council had usable reserves of £21.5 million. These consisted of the general fund (£13.7 million), the housing revenue account (£2.8 million), and the capital fund (£4 million) - which is used to fund capital expenditure within the housing revenue account. The funds are illustrated in the diagram below.

Analysis of reserves



Source: KPMG LLP

Financial position (continued)

An open market acquisition strategy was approved, which provided a set of criteria to determine which houses could be purchased. A budget of £11.2 million was set aside for this strategy and to date £6.4 million has been spent to acquire 57 houses.

Despite the investment in affordable housing during 2011-12, achievement of the Scottish Government's target that all homeless people are offered permanent accommodation remains increasingly challenging.

The table below shows the variance against budget for each service at the year end.

	Budget 2011-12 £000	Actual 2011-12 £000	Variance £000
Education and children's services	288,058	287,520	(538)
Community services	107,252	106,760	(492)
Chief executive's office	3,344	4,101	757
Environment	25,920	25,972	52
Corporate resources	1,924	1,632	(292)
Corporate management	(421,238)	(421,726)	(488)
Other movements	-	(149)	(149)
Decrease in usable revenue reserves	**5,260**	**4,110**	**(1,050)**

Source: East Lothian Council

The largest deficit compared to budget is in the chief executive's office, which relates to costs for exit packages agreed as part of the restructuring. The decrease of £4.1 million in useable revenue reserves primarily represents £2.1 million required to support the revenue budget and £1.3 million use of the cost reduction fund. These costs were subsequently charged against the cost reduction fund.

As part of the financial reporting process, each service group is given a financial risk rating (low, medium or high). Management has identified that all groups rated as 'high' overspent against their approved budgets. There are risks going forward of achievement of a sustainable financial position should service groups continue to overspend against approved budgets.

Housing revenue account ("HRA")

The outturn position on the HRA is a deficit of £4.4 million. However, after making the adjustments between the accounting basis and funding basis under statute (credit of £0.2 million) and a transfer from the capital fund (£2.5 million) the decrease in the year was £2 million, giving a carry forward balance at 31 March 2012 of £2.7 million. The deficit on the HRA was due to rental income being below budget, reflecting lower numbers of affordable house completions.

Open market acquisition

The Council is required to provide dwellings for homeless people as part of new legislation that comes into effect later in 2012. Due to the economic climate, there has been a slowdown in the completion of new build affordable housing, and consequently the Council approved the purchase of houses from the open market.

An open market acquisition strategy was approved, which provided a set of criteria to determine which houses could be purchased. A budget of £11.2 million was set aside for this strategy and to date £6.4 million has been spent to acquire 57 houses. The scheme is currently on hold while the Council brings the acquired houses up to the appropriate standards.

As part of this strategy, the Council approved £4 million capital expenditure to be funded by revenue. This amount was fully utilised during the year and substantially accounts for the net decrease in the HRA. This strategy had a direct impact on the housing revenue account revenue reserves during 2011-12.

Despite the investment during 2011-12 in affordable housing, achievement of the Scottish Government's target that all homeless people are offered permanent accommodation remains increasingly challenging.

Financial position (continued)

Total capital expenditure in 2011-12 was £71.5 million, below the approved capital plan of £77.3 million. This level of capital investment represented a 26% increase over 2010-11 levels.

Management has commenced a review of the capital plan. This will include consideration of the timescale of the plan, the timings of individual projects and the associated costs. As part of this review management is considering the overall affordability of the plan in the context of ensuring financial sustainability.

Capital programme

Total capital expenditure in 2011-12 was £71.5 million, below the approved capital plan of £77.3 million. This level of capital investment represented a 26%, or £14.7 million increase over 2010-11. The table below provides an analysis of capital expenditure across general services and the housing revenue account; comparing actual capital expenditure to budget and prior year.

Year	Total	Housing Revenue Account	General Services
2011-12 (£m)	71.5	33.2	38.3
Capital plan budget (£m)	77.3	37.4	39.9
Under / (over) spend (£m)	5.8	4.2	1.6
2010-11(£m)	56.8	30.1	26.7
Increase from 10-11 (£m)	14.7	3.1	11.6
Increase from 10-11	26%	10%	43%

Source: East Lothian Council

In respect of the housing revenue account the largest element of the capital underspend (£4.6 million) was on the Council's approved open market acquisition strategy. The scheme is currently on hold while the Council brings those acquired properties to appropriate standards and management reflects on the strategy.

Actual capital expenditure on general services was £38.3 million; the most significant capital projects undertaken are set out below. A small underspend of £1.6 million against the approved budget was achieved. This related to a number of small underspends, the more significant of which were projects that have taken longer than expected to initiate, including the Musselburgh care home and the Gullane day centre projects.

Management has also identified some areas of capital overspends totalling around £1.5 million. These are in respect of the Brunton hall refurbishment, Dunbar community facility and Ormiston community facility. Management estimate that a significant proportion of the additional cost will impact the available resources in 2012-13; putting pressure on achievement of the 2012-13 capital plan. Management has initiated a review of these projects.

In addition, as part of the approach to medium to long-term financial planning, management has commenced a review of the capital plan. This will include consideration of the timescale of the plan, the timings of individual projects and the associated costs. As part of this review management is considering the overall affordability of the plan in the context of achieving recurring financial balance.

Analysis of capital projects: 2011-12

Project	Expenditure £ m
New affordable homes (HRA)	14.2
Modernisation (HRA)	11.0
Roads	7.0
Open market acquisition (HRA)	6.4
Haddington joint school	4.3
Dunbar community facility	4.0
John Grey centre	3.7

Source: East Lothian Council

Financial position (continued)

Of all Scottish local authorities, the Council has the highest level of net external debt as a proportion of revenue spend, representing a significant risk.

The level of external debt needs to be considered in the context of the medium to long-term financial position to ensure that a sustainable financial position is achieved over the medium to long-term.

Borrowing

The Council's capital expenditure is largely funded through borrowing, which has the effect of increasing the level of indebtedness which the Council must repay, with interest, from future revenue budgets.

Borrowing increased in 2011-12 by £38.9 million (15%), compared to a 26% increase in capital expenditure. Taking into account the impact of increased capital grants and capital funded from revenue, the increase in capital expenditure funded from borrowing was approximately 13%; comparable with the increase in borrowing.

In benchmarking undertaken by Audit Scotland, from analysis of the unaudited financial statements of Scotland's 32 local authorities, the Council has the highest level of net external debt when taken as a proportion of revenue expenditure (166%) and per head of population (£3,500 per head). In addition, the Council has the fourth highest level of debt as a proportion of fixed assets, with a ratio of 0.75.

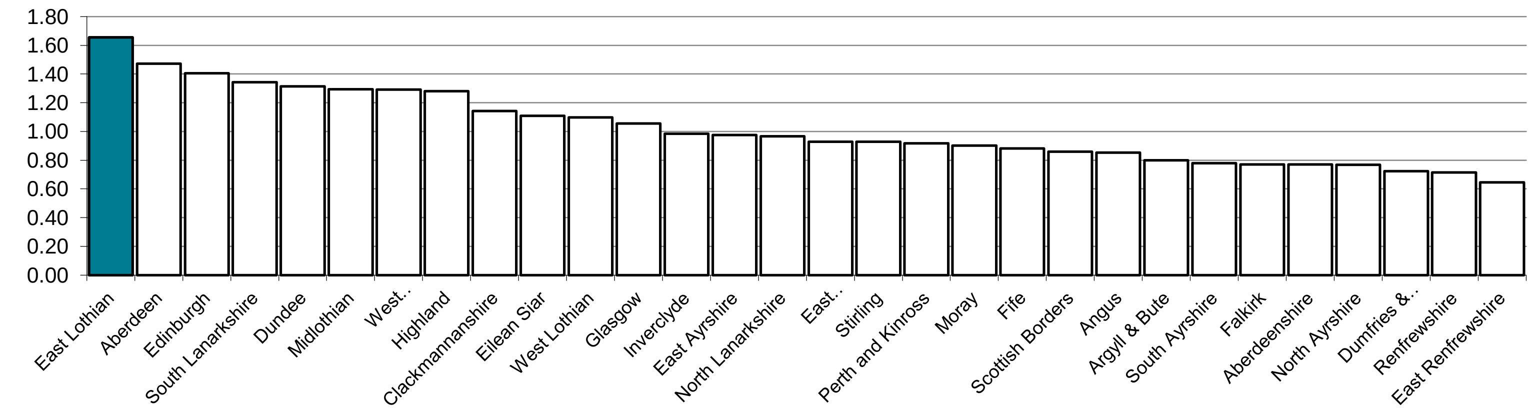
Interest payable and similar charges as a proportion of net revenue spend is 7%, being the ninth highest percentage of the 32 other local authorities within Audit Scotland's analysis.

The Council is forecasting an increase in debt repayments over the next three years, linked to the increased borrowing costs. These will be paid from the general services and housing revenue account budgets and have been included in the next two years budgets. From 2014-15, the general services budget will not be able to fund these repayments.

The Council's level of debt places significant pressures on future available revenue funding as debt and associated interest must be repaid. This represents a significant risk for the Council, placing a strain on available revenue resources in future years. The level of external debt needs to be considered in the context of the medium to long-term financial position of the Council to ensure that a sustainable financial position is achieved over the medium to long-term.

Recommendation one

External debt as a proportion of revenue spend – 32 Scottish local authorities



Source: Audit Scotland

Financial planning

The 2012-13 budget forecasts a breakeven position, incorporating a further £4 million utilisation of reserves.

Background

Scottish Government spending plans have identified that local government funding is expected to fall by 3% between 2011-12 and 2012-13, and cumulatively by 6.3% by 2014-15. Furthermore, capital funding is anticipated to continue to fall over the next two years with corresponding increases in 2014-15 and 2015-16.

Revenue budget

A three year revenue budget was approved by council in February 2012. This used the 2011-12 budget as a base and reflected changes for known items of income and expenditure in future years. The 2012-13 budget forecasts a breakeven position, incorporating a further £4 million utilisation of reserves. This budget has been set on the assumption that council tax will remain frozen in 2012-13.

The main changes over the period to 2014-15, by service, are summarised below. These are based on the previous structure, which has now changed following the chief officer restructuring exercise. The changes detailed below are incorporated in the approved budgets and comprise of both known changes and agreed efficiency savings / measures.

A significant element of the efficiency savings relate to streamlined workforce management, group savings targets to meet from service redesign, removal of current or future vacancies and tighter management of variable staffing costs, such as overtime.

Department	Budget 2011-12 £000	Changes 2012-13 £000	Changes 2013-14 £000)	Changes 2014-15 £000	Cumulative 2015 £000
Chief executive	3,644	(34)	(127)	23	3,506
Community services	70,427	(167)	(903)	297	69,654
Corporate resources	8,802	(339)	(404)	94	8,153
Education and children's services	94,870	(556)	(654)	940	94,600
Environment	15,600	(214)	20	274	15,680
Net expenditure	**193,343**	**(1,310)**	**(2,067)**	**1,627**	**191,593**
Corporate income	(217,028)	(1,744)	(1,324)	(5,599)	(225,695)
Transfer to/(from) reserves	(5,260)	1,187	1,789	2,284	-
Corporate commitments	28,945	1,867	1,602	1,688	34,102
(Surplus) / deficit	**-**	**-**	**-**	**-**	**-**

Source: East Lothian Council

Financial planning (continued)

The Council is planning to utilise most usable un-earmarked general reserves by 31 March 2014. In 2014-15 the Council is budgeting for a break-even position.

While as at 31 March 2012, management confirmed that the Council remains on track with its existing financial strategy, significant financial risks continue to emerge, including the inability of certain services to constrain and reduce costs and overspends on elements of the capital plan.

Management are planning to undertake a mid-year financial review for presentation to council.

The changes have been projected across each of the three years, to obtain the budget figures to 2014-15, which will be the first year when reserves are forecast not be used to meet recurring expenditure. The increased level of debt charges represent the largest movements within corporate commitments, reflecting the increased borrowing requirements.

Cost reduction fund

The Council has a cost reduction fund, set up in October 2009 with £1 million, and later revised in February 2011 to £5 million. This was set up to provide earmarked reserves for cost reduction activities. As at 31 March 2012, £3.7 million was available to cover the cost of further service reviews and other potential efficiency savings.

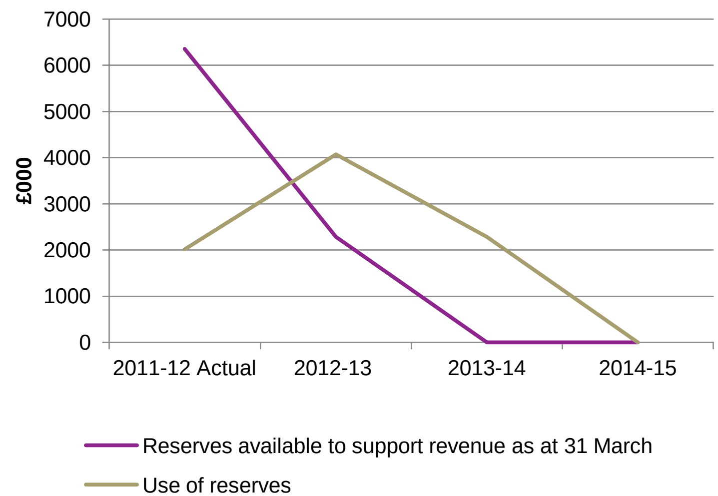
Use of reserves

The Council is planning to utilise most usable un-earmarked general reserves by 31 March 2014. In 2014-15 the Council is budgeting for a break-even position. Theoretically, while reserves are not planned to be required in 2014-15, this clearly gives rise to significant challenge and risk for the Council, requiring it to achieve budget in each of the next two financial years and to ensure that the level of required change is delivered to achieve an underlying recurring financial balance from 2014-15.

While as at 31 March 2012, management confirmed that the Council remains on track with its existing financial strategy, significant financial risks continue to emerge, including the inability of certain services to constrain and reduce costs and overspends on elements of the capital plan.

Management are planning to undertake a mid-year financial review for presentation to council. We understand this will consider the current financial position against the targets set. This is a key element of ensuring assessment and challenge of the financial position and will help enable decisions to be taken in order to facilitate achievement of the medium to long-term financial strategy and achievement of recurring financial balance. As part of the planned mid-year review, management will incorporate a review of the capital plan.

The results for quarter one of 2013, to 30 June 2012, show an underspend compared to budget and consequently an improved reserves position. However, management has identified areas of potential overspend in the remainder of the year and are proactively monitoring over the next quarter in order to manage reserves use for the full year.



Source: KPMG LLP

Other issues

The Council has established a strategic welfare reform group to consider and plan for the associated risks and to ensure the Council is prepared to respond to the changes.

An agreement was reached to share the post of executive director of education with Midlothian Council. A decision has yet to be taken in respect of whether this arrangement will continue into 2013 and beyond. Following the change in administration the decision to appoint a joint head of education with Midlothian Council was rescinded.

Welfare reform

As a result of the Welfare Reform Act 2012, a number of significant changes will be required in how councils deliver benefit services. The most significant change is the introduction of 'universal credits', which is an integrated working age benefit which will replace existing benefits, including housing benefit. Universal credits will be administered by the Department of Work and Pensions ("DWP"). Changes to current arrangements are expected to commence during 2013.

The Council has established a strategic welfare reform group to consider and plan for the associated risks and to ensure the Council is prepared to respond to the changes that are required. Officers have provided a number of briefings to members on the impending changes and the likely consequences for benefit claimants and Council staff. The Council considers that the planned reforms will impact on adult social care services, housing and homelessness services and free school meals but feels the specific consequences are difficult to quantify. Additional briefings are planned once more information is available.

While responding to the introduction of universal credits, which not only impacts the nature of benefits available in the future, but also the Council's role in the administration of these benefits, will present challenges for the Council, it is clear that action has commenced by officers to mitigate the associated risks. Given the significance of this matter it is important that continued regular updates are provided to members and there is continued senior officer involvement in ensuring the timely implementation of transition arrangements.

Recommendation two

Partnership working

During 2011-12, following the retirement of the director of education at Midlothian Council, an agreement was reached to share the post of executive director of education across the two councils from 1 April 2012 until 31 December 2012. A decision has yet to be taken in respect of whether this arrangement will continue into 2013 and beyond.

In addition, the Council approved an education shared services initiative with Midlothian Council which included the appointment of a joint head of education. However, following the change in at the Council the administration the decision to appoint a joint head of education was rescinded.

At a recent meeting of the joint liaison group, a group comprising of senior officers and members from both the Council and Midlothian Council, the sharing of a health and safety manager across East and Midlothian councils on a six month trial basis was approved. This will help the Council to draw on the expertise and resources of the current manager at Midlothian, while providing team resources to Midlothian Council.

One of the key improvement points identified by the Council from the 'How Good Is Your Council?' self-evaluation and consideration of issues highlighted in the Accounts Commission report, *Overview of Local Government in Scotland*, was to identify opportunities for achieving Best Value and making efficiency savings through partnership working. Shared services are an important component in enabling the Council to achieve its financial plan. Management recognise that it is important that as part of the mid-year financial review, consideration is given as to how the planned efficiency savings through shared services will now be achieved.

East Lothian is one of the pilot areas for the integrated resource framework which is intended to provide the basis for clearer decisions regarding resource allocation between social and health care funds. The Council is in discussion with both Midlothian Council and NHS Lothian about the possibility of sharing various projects and services. The Council's audit and governance committee has agreed to review partnership arrangements and understand the plans and impact on the financial strategy.

Other issues (continued)

Police & Fire and Rescue

The Police and Fire & Rescue Reform (Scotland) Act 2012 ("the Act") created a national police force and a national fire and rescue force. This replaces local authorities' current role as police authorities and fire & rescue authorities. The Act includes a framework for the delivery of local scrutiny and engagement arrangements, which all local authorities and the new services will need to implement when the legislation is enacted from April 2013.

The Council has participated in the *Local Scrutiny and Engagement Implementation Network* and formed a pathfinder with Lothian and Borders Fire & Rescue and Lothian & Borders Police. Discussions are ongoing with these bodies and pilot arrangements have been established.

On 26 June 2012, the Council agreed to establish a shadow police and fire & rescue services board for the period running up to the establishment of the new national bodies. The board has now been established and the first meeting was held in September 2012. A further three meetings are planned before April 2013, to help determine the final governance arrangements to be established from 1 April 2013.

Audit risks were identified in respect of opening balances, financial position, senior staff structure, group financial statements, valuation of property, plant and equipment and heritage assets.

Management agreed that there was a material error in the 2010-11 financial statements; a prior year adjustment has been processed in the 2011-12 financial statements to correct the error.

Issue	Key risk and implications	KPMG comment
Opening balances	International Standard on Auditing (UK and Ireland) 510: *Initial audit engagements – opening balances* requires auditors to obtain sufficient, appropriate audit evidence that opening balances do not contain misstatements that materially affect the financial statements. The standard also requires auditors to verify that appropriate accounting policies are reflected in the opening balances and that they have been consistently applied in the current period's financial statements.	We have: ▪ held discussions with the Council's previous external auditors in respect of prior year audit focus areas, corporate governance and general risk assessment; and ▪ reviewed the prior year financial statements, annual audit reports and other reports issued by the previous external auditors. As a result of this work we identified a number of areas for further enquiry and review across the primary financial statements and associated notes, including group financial statements, investments and the valuation of other land and buildings. Our consideration of these, and other technical accounting matters, are set out on the following pages.
Valuation of property, plant and equipment – *other land and buildings*	A valuation of *other land and buildings* was performed by an external valuer engaged by the Council, as at 1 April 2011. While the final valuation report was not available to the Council at the time of preparing the 2010-11 financial statements, it was received in August 2011, prior to the 2010-11 financial statements being finalised. The report was not analysed until after the financial statements were signed and it showed a net valuation decrease to other land and buildings of around £95 million, after adjusting for the componentisation of secondary school assets.	In accordance with accounting standards, we highlighted to management that the valuation provided evidence of fair value at 31 March 2011. Therefore, in our view, this matter should have been treated as an adjusting 'post-balance sheet event' and reflected within the 2010-11 financial statements. Further to our discussions, management accept that there was a material error in the 2010-11 financial statements and a prior year adjustment has been processed in the 2011-12 financial statements to correct the error. Following consideration by management the Council's external valuers has confirmed that the decline in residential development land values occurred mid to late 2008, consequently the prior year adjustment has been applied to the earliest date possible within the financial statements; opening reserves as at 1 April 2009. We have reviewed the prior year adjustment disclosures and are content that they are materially correct.

There are different valuation cycles across property, plant and equipment categories; management has made assumptions regarding the fair value of certain categories, most notably 'council dwellings' which have not been formally revalued since 1 April 2009.

Due to the potential complications that may arise from revaluing council dwellings we recommended management review and take action on the current approach to the valuation of council dwellings.

Following detailed discussions with us, the Council has consolidated the joint boards into the group financial statements having concluded that they have significant influence.

Issue	Key risk and implications	KPMG comment
Valuation of property, plant and equipment – *policy on valuations and componentisation*	The Code, in line with IAS 16 property, plant and equipment, requires that where property, plant and equipment are held at fair value, valuations shall be carried out at intervals of no more than five years. Valuations may be carried out on a rolling basis or once every five years. In addition, the Code requires that each item of property, plant and equipment with a cost that is significant in relation to the total cost of the item should be depreciated separately. Componentisation of property, plant and equipment is applicable from the earliest date a revaluation is carried out after 1 April 2010.	In our view the level of clarity in respect of the Council's policy of valuations; the programme of valuations and the assessment of the appropriateness of carrying values at the balance sheet date could be improved. To address these matters we have recommended that management should review the valuation policy and procedures to ensure compliance with the Code and accounting standards. Council dwellings were last revalued as at 1 April 2009; at our request management has obtained confirmation from the district valuer that the value of council dwellings reflected within the financial statements at 31 March 2012 remain appropriate. We have also sought, and obtained, management representations regarding the value of council dwellings. Due to the potential complications that may arise from revaluing council dwellings (since they are held as one line item with enhancements also held as one line item) we have recommended that management review and take action on the current approach to the valuation of council dwellings.
Group financial statements	The Council has interests in a number of different organisations, including Lothian and Borders Fire and Rescue Board, Lothian and Borders Police Board and Lothian Valuation Joint Board. These joint boards were included as associates in the group financial statements in 2010-11. This continued approach to accounting for these interests was subject to discussion during the interim audit process.	During the audit we discussed with management the group structure and, specifically, management's rationale for possible non-inclusion of the joint boards. Although the Council does not have more than 20% of the voting rights of each joint board, which would indicate the Council has significant influence, there are other indicators of significant influence, as outlined in IAS 28 *investments in associates.* As part of our analysis we concluded that the requirements of IAS 28 *investments in associates* were met and that the joint boards should be accounted for as associates. Before the financial statements were completed management concluded that it was appropriate to include the joint boards in the group accounts and account for them as associates. The disclosures relating to the group accounts have been updated to reflect the requirements of the Code.

During 2011-12 changes to the chief officer structure were implemented. We did not identify any material non-compliance with internal procedures or legislation, however we noted that there were opportunities to improve the documentation of internal meetings and discussions and human resources and legal advice received.

Payments to individuals were made in line with procedures. We have reviewed the exit packages disclosure within the remuneration report, where appropriate and concluded that they are appropriate.

Issue	Key risk and implications	KPMG comment
Chief officer structure	Following agreement of the three-year council plan and approval of the budget, in early 2012, the chief executive proposed changes to the chief officer structure to ensure the efficient and effective delivery of council services.	During 2011-12 changes to the chief officer structure were implemented. The proposals were considered and approved by the Council on 28 February 2012 and the revised chief officer structure came in to effect from 1 April 2012. The need for restructuring arose primarily from the discussions around the most efficient and effective way to deliver the 2012-17 council plan. The posts subject to restructure were: ▪ four director posts were reduced to three; and ▪ 11 heads of service; reduced to seven. The chief executive led and implemented a restructuring process that was based on internal and external consultation. We did not identify non-compliance with internal procedures or legislation, however we noted that there were opportunities to improve the documentation of internal meetings and discussions and human resources and legal advice received. In addition, we noted that while the monitoring and section 95 officers jointly commissioned legal advice from a different source, the existence of this separate legal advice was not mentioned in the council paper (28 February 2012). However, in the chief executive's view, some of the content informed, indirectly, the content of the council paper. Payments to individuals were made in line with procedures. We have reviewed the exit packages disclosure within the remuneration report, where appropriate and concluded that they are appropriate.

We discussed changes to the Code with management. During our final financial statement audit, we confirmed that these changes had been appropriately applied. However, we identified a number of disclosure amendments which have been correctly updated in the financial statements.

Issue	Key risk and implications	KPMG comment
Code 2011-12	The Council is required to prepare financial statements in accordance with the Code. The Code 2011-12 has been updated and a number of changes required consideration by management for any impact on the reporting requirements and financial statements	We discussed changes to the Code with management. The main changes impacting the financial statements were: ▪ applicability of FRS 30 *Heritage Assets*; ▪ additional guidance added in respect of leases; ▪ new disclosure requirement in respect of exit packages; and ▪ new requirement for a specific statement in the annual governance statement / statement on the system of internal financial control on whether financial management arrangements conform with the governance requirements of the statement on "the role of the chief financial officer in local government." During our final financial statement audit, we confirmed that these changes had been appropriately applied. Following completion of the Code disclosure checklist and consideration of Audit Scotland 's Notes for Guidance, we identified a number of disclosure amendments which have now been correctly updated in the financial statements.

Local response to national studies

As part of our annual audit process, we consider the Council's arrangements in respect of performance management and in responding to Audit Scotland and Accounts Commission national studies.

Audit area	Overview	Findings
Local response to national studies	Audit Scotland and the Accounts Commission periodically undertakes national studies on topics relevant to the performance of public sector bodies. To ensure that added value is secured through the role of Audit Scotland and the Accounts Commission and its appointed auditors, auditors will continue to ensure that audited bodies respond appropriately to reports from the programme of national performance audits.	We have considered the Council's response to the following national reports: ▪ Scotland's public finances: responding to the challenge; ▪ transport for health; ▪ community health partnerships; and ▪ modernising the planning system. We have prepared a short return to Audit Scotland for each report. Our assessment concluded that reports are considered by the audit and governance committee, except in respect of *transport for health* and *modernising the planning system* which were not formally considered. In addition, we noted that management has not performed a self-assessment of local arrangements against the recommendations in any of the reports. We raised a recommendation in our interim management report that management should ensure that the content of all relevant national reports are discussed by the council or a sub-committee, that self-assessments are performed and that appropriate action plans and timetables are agreed to feedback local actions. In March 2012 the Accounts Commission published their overview report on local government in Scotland. At the audit and governance committee meeting on 18 September 2012, the committee agreed to consider the Council's position against the key findings of this report, including utilising the 'How Good is Our Council (HGIOC") framework to inform debate. Management has identified several improvements which have been incorporated in to the Council improvement plan for 2012-13.

Local response to national studies (continued)

As part of its targeted approach to following-up a small number of performance audit reports each year, Audit Scotland has identified *Maintaining Scotland's roads: a follow-up report* for follow-up in 2011-12.

We carried out follow-up work to consider the Council's response to the report.

Maintaining Scotland's roads: a follow up

As part of its targeted approach to following-up a small number of performance audit reports each year, Audit Scotland has identified the *Maintaining Scotland's road – follow-up report* for follow-up by local auditors in 2011-12. The aim of the follow-up work is to assess the progress that councils have made in driving forward road maintenance activities, managing the performance of road maintenance activities, and maximising value for money in road maintenance services. Set out below are our findings from our follow up work.

Question	Audit Scotland prompt	Findings
How did the council respond to *Maintaining Scotland's roads: a follow-up report* following publication?	Was the report formally considered by the: ▪ full council? ▪ audit committee? ▪ senior management team? ▪ other committee? Please provide the date the report was considered and the key actions in any action plan developed.	Audit Scotland and the senior transportation manager attended the March 2011 audit and governance committee where the report was discussed in detail. The report was also discussed at the April 2011 meeting of the policy and performance review committee. This was also attended by the senior transportation manager.
Does the Council have appropriate plans to drive road maintenance activities?	Does the Council have a comprehensive road asset management plan, developed in accordance with the SCOTS road asset management project? Does the Council adequately monitor progress against the road asset management plan and do monitoring results demonstrate satisfactory progress?	A road asset management plan was prepared by the senior transportation manager and approved by the environment policy and performance review committee in June 2010. A copy of the road asset management plan was provided to us as part of our follow-up work. It is detailed and has been developed in accordance with the SCOTS road asset management project. The Council monitors progress against the road asset management plan annually through the policy and performance review committee. It was last considered at the June 2012 meeting. The report submitted to the committee demonstrates satisfactory progress.

Local response to national studies (continued)

Question	Audit Scotland prompt	Findings
How does the Council manage performance of its road maintenance activities?	Is the Council using relevant performance indicators to help manage its road maintenance service? ▪ To what extent have SCOTS' core performance indicators been adopted? ▪ To what extent have SCOTS' secondary and statistical indicators been adopted? In which areas is the Council performing particularly well against its performance indicators? In which areas does the Council need to improve its performance and what plans are in place to address this? The Council did not meet its target in relation to number of working days lost due to sickness absence. However, this had reduced considerably since 2008-09 and there is a strict sickness absence policy.	The Council uses a road network management scorecard which includes a number of performance indicators. All SCOTS performance indicators have been adopted, including core performance indicators and secondary statistical indicators. The Council is performing particularly well against customer service indicators, such as response to routine correspondence and operations indicators, such as repairs times. The Council did not meet its target in relation to number of working days lost due to sickness absence. However, this had reduced considerably since 2008-09 and there is a strict sickness absence policy.
What is the Council doing to maximise value for money in its road maintenance service?	What is the Council doing to maximise value for money in its road maintenance service? Within the last 18 months to what extent has the Council investigated the following opportunities to improve value for money in its road maintenance service: comparison of costs and performance with other councils, Transport Scotland or the private sector; partnership working with other councils, Transport Scotland or the private sector; service reconfiguration; pooling and flexible use of resources; innovative practices; and any other opportunities? What improvements in economy or service has the Council achieved as a result of these initiatives to date? If planned improvements have still to be achieved, when is this likely to happen? What other steps are being taken in response to the national review of roads maintenance?	The Council is a member of the Association for Public Service Excellence ("APSE") thus it is benchmarked across similar councils across the UK for highways and winter maintenance. This includes benchmarking against financial indicators, such as cost of gritting roads. The Council is a member of the Edinburgh, Lothian, Borders and Fife ("ELBF") forum. As part of this the use of sharing roads maintenance was looked into, but has not progressed following advice from the Council's legal team. For capital works to roads, the Council uses Scotland Excel, the local government procurement centre of expertise. Through inclusion in APSE the Council has improved on sickness absence among the transportation team. There is now a strict regime over refilling posts to ensure staff costs remain controlled.

Improvement framework; Best Value

Under the Local Government in Scotland Act 2003 ("the 2003 Act"), auditors have a duty to be satisfied that councils have made proper arrangements to secure best value.

The timing, nature and extent of Best Value work is determined as part of the shared risk assessment process.

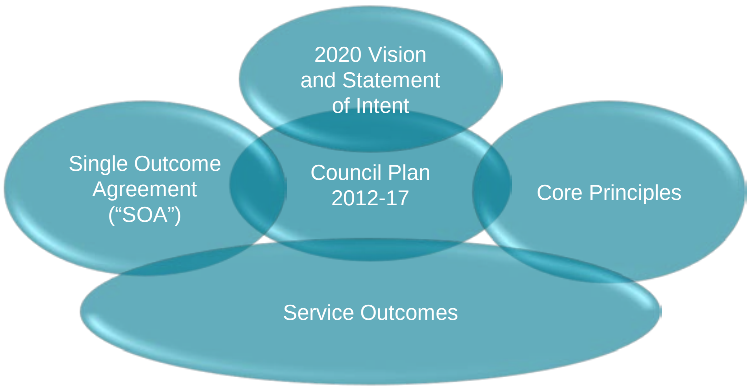
In accordance with the principles of Best Value, the Council seeks to pursue 'continuous improvement'. The Council has developed an improvement framework, approved on 27 March 2012, which sets out five inter-related elements:

- setting clear outcomes and priorities.;
- self-evaluation;
- service and improvement planning and management;
- performance management, monitoring and reporting; and
- external assessment and accreditation.

This framework can be considered best practice, and should support management's ongoing assessment of the extent to which the Council is achieving Best Value and support the Council's drive for continuous improvement.

Setting clear outcomes and priorities

Setting clear service outcomes and priorities is derived from a number of sources. The framework is illustrated in the diagram below.



Source: East Lothian Council

The council approved the draft Council plan 2012-17 in January 2012. Following the May 2012 local government elections the Council plan was updated to reflect the manifestos of the new coalition administration. In developing the Council plan management has aligned it to the requirements of the agreed outcomes within Single Outcome Agreement ("SOA") and the broader public sector reform agenda. Additionally, the Council plan has been developed to take into account the local priorities of East Lothian. The revised Council plan was approved in August 2012.

The Council plan has four key objectives, all of which are aligned to the SOA: grow our economy; grow our people; grow our communities; and growing the capacity of our Council. Furthermore, agreed service plan outcome areas are aligned with the Council plan. This approach ensures that there is clear and transparent alignment of objectives.

East Lothian Community Planning Partnership ("ELCPP") is a partnership of organisations from the public, voluntary, private and community sectors who are working together for community planning. The partnership is led by the Council leader. Achievement of the agreed SOA outcomes is the responsibility of ELCPP, with all members of the partnership contributing to achievement of the agreed outcomes.

Each performance indicator for the Council is linked to one of the SOA outcomes. Performance against these is reported in the Council's annual performance report. The Council intends to review the SOA during 2012-13, in line with guidance to be issued for SOA 2013. As part of the panned future approach we understand that management intend to bring an increased focus to reporting on agreed priority areas.

Improvement framework; Best Value (continued)

Single outcome agreements align public sector activity to national priorities. While there are no audit requirements in respect of the Council's performance against its SOA, the Council is expected to have suitable arrangements to:

- develop governance and accountability arrangements to support its SOA;
- ensure clear links between high-level SOA outcomes and more detailed service-level outcomes, both within the Council and across it's community planning partners;
- ensure the SOA is supported by robust performance management and reporting arrangements;
- report progress towards SOA outcomes to the Scottish Government; and
- undertake public performance reporting on progress towards SOA outcomes.

Source: Audit Scotland

Self-evaluation

The Council utilises the 'How Good Is Our Council?' ("HGIOC") self-evaluation model. This model collates information on service performance across five key questions. A facilitation team helps services to complete this work. Self evaluations, using the HGIOC framework, were performed during February and March 2012, based on the previous 12 months performance. These were performed at different levels across services.

During 2011-12 internal audit completed a review of the HGIOC process. A number of recommendations were made to improve the process. The key recommendations were in respect of duplication of questions, confusion about the definitions of stakeholders, leadership and management. We understand that the recommendations from the audit were implemented.

The corporate policy unit has also produced a report evaluating the current process. This makes a number of suggestions for enhancement to the current arrangements. These include broadening the approach to service reviews to support the Council's focus on continuous improvement and achievement of Best Value by introducing increased senior officer review and challenge, allowing additional comparisons and contrasting of performance to be undertaken to support service improvement. As part of planned changes to future arrangements we understand that management are also planning to introduce a more risk based approach to undertaking service reviews.

To ensure effective preparation, management have incorporated questions from the Best Value 2 toolkits into HGIOC.

Service and improvement planning and management

Service plans are required to recognise the improvement actions from the HGIOC self-evaluation process. In the corporate policy unit service plan information on the level of resource required to meet each agreed activity / SOA outcome has been included. As part of the continuous improvement agenda, there would be benefit in reviewing the effectiveness of this approach and rolling this out, where applicable / appropriate across the other service and operational plans.

Additionally, in the long-term it is anticipated that the timeline for the self-evaluation and service planning will be brought forward to enable resource requirements to inform the Council's budget setting process; supporting a 'bottom-up' approach to budget setting. This will have benefits in ensuring resources are appropriately allocated to areas of priority and the use of resources can be more directly linked and evaluated against performance achieved against agreed outcomes.

Improvement framework; Best Value (continued)

The Council approved a council improvement plan ("CIP") for 2012-13. This draws on actions from the HGIOC self-evaluation process and the corporate governance self-evaluation process, prepared by management to inform the annual governance statement disclosure within the 2011-12 financial statements. In addition it captures the 2012 employment survey results and identified focus areas arising from the AIP. A review of progress against the CIP 2011-12 was undertaken and a number of action points have been carried forward to the 2012-13 CIP.

Performance management

Together with the focus on self-evaluation, the main element of performance management takes place through monitoring service performance against agreed performance indicators. Elected member scrutiny is primarily performed by the policy and performance review committee and the audit and governance committee. In addition, the corporate management team reviews performance on a continuous basis.

The Council considered the impact of workforce changes upon performance, and has concluded that although there has been a slight reduction in staff numbers, there has not been a negative impact upon performance. The Council has conducted an employee engagement survey, with comparable results to previous years. The extent to which services have sufficient staff to deliver activities received a relatively low score and this issue is being considered through planned service reviews.

External accreditation

Management are seeking to achieve Council-wide accreditation for Investors in People ("IiP") and Customer Service Excellence ("CSE"). Management consider there are close links and alignment between these accreditation schemes and the current work being undertaken on enhancement to the self-evaluation arrangements. These links will support the Council to continue to build a sustainable and integrated improvement approach.

Shared risk assessment

The Council's Assurance and Improvement Plan ("AIP") assessed no areas as being areas of operational scrutiny risk, three as areas of 'uncertainty' and the remaining 35 as 'no significant risk'. The three areas of 'uncertainty' are corporate services, challenge and improvement and use of resources – asset management. These were also assessed as areas requiring ongoing scrutiny in the previous AIP.

The AIP concludes that *"there are no significant concerns about East Lothian Council's overall performance. The LAN recognises the Council's ongoing commitment to continuous improvement and self-evaluation. There is a clear vision and direction for the work of the Council and a number of improvement activities are already underway and progressing well."*

The Council considered the updated AIP on 28 August 2012. It is expected that this will assist in service planning and in supporting the development and implementation of the Council's improvement framework.

Shared risk assessment

- A key aspect of the Scottish Government's scrutiny agenda is to better coordinate and streamline scrutiny and achieve greater effectiveness, while protecting the independence of scrutiny bodies.
- The local area network ("LAN") met during 2012 to update the three year rolling Assurance and Improvement Plan ("AIP") for the Council.
- The Council's updated AIP was published in May 2012, in conjunction with the National Scrutiny Plan for Local Government.

Source: Audit Scotland

Statutory performance indicators

Framework

The statutory deadline for publication by the Council of statutory performance indicators ("SPIs") is 30 September 2012. Since 2009-10, there has been a significant shift in approach to SPIs, with a significant reduction in the number of specific indicators that councils are required to use, while including measures designed to encourage councils to use a greater range of information as part of their mainstream performance management and reporting activities.

The Council is responsible for having appropriate arrangements to collect, record and publish complete and accurate data, so far as is practicable.

Our responsibilities, as the Council's external auditors, extend to understanding the arrangements and systems that the Council uses to generate performance results and reports.

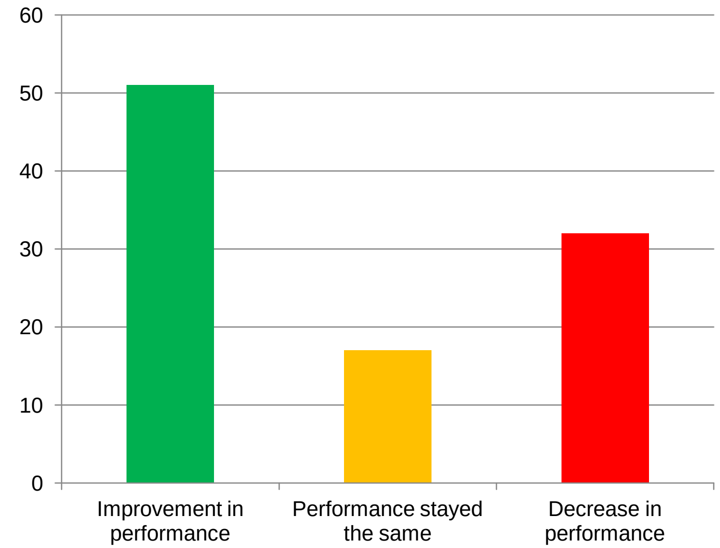
The Council reports on the 25 set SPIs and also has a suite of other performance indicators which it has developed. Each performance indicator is linked to one of the outcomes in the SOA.

The Council uses the *Aspireview* system to input, manage, interrogate and present data. Inherent within the system are IT controls. For each indicator a performance indicator verification certificate is produced. Management consider that there are adequate checks and controls to provide comfort over the completeness and accuracy of data. Internal audit completed a review of the SPI arrangements and sample testing on the completeness and accuracy of data used. Minor errors were identified with the accuracy of two SPIs. Internal audit are discussing these with the relevant services.

Performance against the Council's performance indicators is reported in an annual performance report, publically available and discussed at the policy and performance review committee. The 2011-12 performance report highlighted that the Council has achieved or exceeded agreed targets for 61% of the performance indicators.

In comparing performance against 2010-11 for 51% of performance indicators there was an improvement in performance, for 49% of indicators there was no demonstration of improvement, with 32% of performance indicators actually showing a decrease in performance.

Results of performance indicators: against previous period



Source: East Lothian Council

Corporate governance framework and supporting arrangements

Over-arching and supporting corporate governance arrangements provide a framework for organisational decision-making.

Corporate governance

The Council operates a committee based structure with the Council supported through five committees: planning, education, policy and performance, audit and governance and the petitions committees. The audit and governance committee and the policy and performance committee are chaired by members of opposition parties. These provide scrutiny and challenge to strategic decisions and performance.

The Council maintains an integrated governance framework to provide an appropriate structure for maintaining decision-making, accountability, control and behaviour. Although there has been no changes in the overall governance framework, there have been a number of changes in councillor composition as a result of the local elections in May 2012. One notable change is the implementation of the monthly joint group, a new arrangement for an interface between administration members and officers. Under the former administration an equivalent group was in place, being the ‘Leader’s Briefing’.

Following our interim audit we reported that the risk management strategy and supporting documentation, including service and corporate risk registers, demonstrated a commitment to good practice and increased focus by senior officers since 2009. The strategy remains under review and we would encourage management to use this revision to clearly define ‘risk appetite’. This would support the Council in using risk management as a strategic and operational tool to drive decision-making and strategic developments, and mitigate the risk of the process increasing bureaucracy. At the same time, management recognises the need to embed risk management at an operational level and increase cultural awareness that it is everyone's responsibility to manage risk on a day to day basis.

Political landscape

The May 2012 elections saw a change in administration; changing from an SNP / Liberal Democratic coalition to a Labour / Conservative coalition. An elected member induction pack was submitted to the members’ library service during April 2012. This included induction events relevant to the work, role and responsibilities of the Council. Management are also planning on completing a ‘100 day review’, to assess progress since the elections and help identify the continuing induction and development needs of members.

In addition, a session is being planned for members of the audit and governance committee, as part of the overall induction arrangements, which will be led by CIPFA to facilitate a session on challenge and scrutiny. Also, consideration is being given to the potential benefits to members of attending and observing the operation of the other audit committees across other areas of the public sector.

In their *Overview of local government in Scotland*, published in March 2012, the Accounts Commission included a checklist for new and returning elected members to use to assess their own understanding and training needs. We recommend that this checklist is utilised as part of management’s ‘100 day review’ process, to inform additional training needs but also as a basis for reviewing the effectiveness of the induction arrangements completed to date.

Recommendation three

Corporate governance framework and supporting arrangements (continued)

Our reporting throughout the year has identified a number of significant weaknesses and risks arising from gaps in the strategic and financial control framework, including in respect of procurement arrangements, bank and other reconciliation and journal authorisation processes.

Annual governance statement	The governance statement provides details of the purpose of the framework of internal control, along with an analysis of its effectiveness. It describes a number of sources of assurance for the accountable officer and identifies areas for improvements to be focussed on in the future. The statement also highlights the annual self evaluation exercise carried out by the Council, which is based on the SOLACE/CIPFA good governance framework. Improvement points from this exercise are included within the statement and in the corporate improvement plan. We reviewed the governance statement and requested a number of amendments to ensure compliance with guidance and our understanding of the Council. We requested a change to the annual governance statement to identify how the Council's arrangements comply with the CIPFA *statement on the role of the chief financial officer in local government* (2010) to ensure compliance with the requirements of the Code.
Remuneration report	Scottish Statutory Instrument 2011 number 64, *The Local Authority Accounts (Scotland) Amendment Regulations 2011 amended the Local Authority Accounts (Scotland) Regulations 1985* added the requirement for local authority bodies to prepare a remuneration report. The Local Government Finance Circular number 8/2011, issued by the Scottish Government, provides guidance that the remuneration report is a statement in its own right and not a note to the financial statements. While there is no statutory prescription on its placement in the financial statements, it suggests a suitable placement would be after the governance statement. The remuneration report follows the annual governance statement at the end of the financial statements.
Internal controls	Our reporting throughout the year has identified a number of significant weaknesses and risks arising from gaps in the strategic and financial control framework, including in respect of procurement arrangements, bank and other reconciliation and journal authorisation processes. As the financial and operating environment in which the Council operates continues to change, with developing priorities and new and emerging financial and non-financial risks, it is increasingly important that the Council plan, supporting service plans and other developments are underpinned by effective organisation-wide controls, robust financial management processes and effective key financial controls.

Corporate governance framework and supporting arrangements (continued)

The absence of a number of controls identified by us as part of the audit process, does, in our view increases the risk of fraud, or other irregularity not being prevented or detected on a timely basis.

Prevention and detection of fraud	The Council has policies and codes of conduct for staff and councillors including a whistle blowing policy. Management has confirmed that no significant fraud or irregularities have been identified during the year. However, the absence of a number of controls identified by us as part of the audit process, does, in our view increases the risk of fraud, or other irregularity not being prevented or detected on a timely basis.
National fraud initiative	NFI helps participating bodies to identify possible cases of fraud and to detect and correct under or overpayments. NFI also helps auditors to satisfy their duties to assess bodies' arrangements for preventing, deterring and detecting fraud. The Council has an established process for investigating cases of potential fraud highlighted by the NFI and although some services have resource constraints and are unable to follow-up matches themselves, suitable arrangements are in place to ensure this work is covered. As a result of the corporate restructuring, the investigations team which deals with most of the NFI work now reports to internal audit. This is beneficial as the Council's internal audit department will now be working more closely with those involved in investigating NFI cases.
Internal audit	As set out in our audit plan and strategy, we have evaluated the work of internal audit and concluded that we can rely, where relevant, on their work. The content of the internal audit plan is in line with our expectations. Internal audit reported that *"subject to the weaknesses outlined in the controls assurance statements, that reasonable assurance can be placed on the adequacy and effectiveness of the Council's internal control systems for the year to 31 March 2012."* The most significant areas where internal audit identified weaknesses in the design or operation of internal controls included procurement arrangements, the effects of organisational culture on internal financial controls, bank reconciliations, income collection from PPP facilities, software licenses, compliance with financial procedures, administration of the LEADER program and tender evaluation arrangements.

Appendices

Action plan

The action plan summarises specific recommendations, together with related risks and management's responses.

Priority rating for recommendations		
Grade one (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the organisation or systems under consideration. The weaknesses may therefore give rise to loss or error.	**Grade two** (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.	**Grade three** (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the control to meet their objectives in any significant way. These are less significant observations than grades one or two, but we still consider they merit attention.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
1 Borrowing		**Grade one**
The Council's capital expenditure is largely funded through borrowing, which has the effect of increasing the level of indebtedness which the council must pay, with interest, from future revenue budgets. Borrowing increased in 2011-12 by £38.9 million, being a 15% rise. In benchmarking undertaken by Audit Scotland, from analysis of the unaudited accounts of Scotland's 32 local authorities, the Council has the highest level of net external debt when taken as a proportion of revenue expenditure (166%) and per head of population (£3,500 per head).	The Council's level of debt places significant pressures on future available revenue funding as debt and associated interest must be repaid. This represents a significant risk for the Council, placing a strain on available revenue resources in future years. The level of external debt needs to be considered in the context of the medium to long-term financial position of the Council to ensure that a sustainable financial position is achieved over the medium to long-term.	The Council has already commenced a review of capital programmes and expect to report on this to the October meeting of the Council. **Responsible officer:** Head of Council Resources **Implementation date:** 31 October 2012

Action plan (continued)

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
2 Welfare reform		**Grade three**
As a result of the Welfare Reform Act 2012, a number of significant changes will be required in how councils deliver benefit services. The Council has established a strategic welfare reform group to consider and plan for the associated risks and to ensure that Council is prepared to respond to the changes that are required.	While responding to the changes, such as the introduction of universal credits, will present challenges for the Council, it is clear that action has commenced by officers to mitigate the associated risks. Given the significance of this matter it is important that continued regular updates are provided to members and there is continued senior involvement in ensuring the timely implementation of transition arrangements.	Agreed. **Responsible officer:** Executive Director of Support Services **Implementation date:** January 2013
3 New member training		**Grade three**
Although there has been no changes in the overall governance framework, there have been a number of changes in councillor composition as a result of the local elections in May 2012. An elected member induction pack was submitted to the members library service during April 2012 and was approved by Council (through noting of documents in the members library service) on 15 May 2012. This included induction events relevant to the work, role and responsibilities of the Council.	It is recommended that the new and returning member checklist, included as part of the *Overview of local government in Scotland*, published in March 2012 by the Accounts Commission, is used by members as a tool to inform training needs or review the effectiveness of the Council's arrangements.	Continuing professional development ("CPD") for elected members will be launched on 30 October 2012. The CPD approach (self-evaluation, identification of training and development needs on an individual and tailored basis) is more comprehensive than the generalised checklist approach set out in the Overview of Local Government in Scotland report. The key issues in the checklist will be covered in the competency based self-evaluation used in the CPD process to identify individual councillors' training needs. **Responsible officer:** Corporate Policy Manager **Implementation date:** 30 October 2012

Action plan (continued)

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
4 Remuneration report		**Grade three**
The Council includes the remuneration report after the primary statements and notes, at the back of the financial statements. While not out of line with some other local authorities, it is inconsistent with our experience of good practice in other sectors.	It is recommended that the Council considers whether the existing presentation of the remuneration report demonstrates a continued commitment to transparency. Consideration should be given to repositioning the annual governance statement and remuneration report to follow the foreword, prior to the primary financial statements, to set the context up front for the preparation of the financial statements.	Consideration will be given as part of 2012-13 accounts arrangements. **Responsible officer:** Business Finance Manager **Implementation date:** June 2013

Audit Scotland code of audit practice – responsibilities of the Council

Financial statements

Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources. Audited bodies are responsible for:

- ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority;
- maintaining proper accounting records;
- preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the relevant financial reporting framework (eg, the Financial Reporting Manual or an Accounting Code of Practice);
- preparing and publishing with their financial statements an annual governance statement, statement on internal control or statement on internal financial control and a remuneration report; and
- preparing consolidation packs and, in larger bodies, preparing a Whole of Government Accounts return.

Systems of internal control

Audited bodies are responsible for developing and implementing systems of internal control, including risk management, financial, operational and compliance controls. They are required to conduct annual reviews of the effectiveness of their governance, systems of internal control, or internal financial control, and report publicly that they have done so. Such reviews should take account of the work of internal audit and be carried out by those charged with governance, usually through bodies' audit committees.

Prevention and detection of fraud and irregularities

Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions;
- developing and implementing strategies to prevent and detect fraud and other irregularity;
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity; and
- participating, when required, in data matching exercises carried out by Audit Scotland.

Standards of conduct and arrangements for the prevention and detection of bribery and corruption

Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and should put proper arrangements in place for:

- implementing and monitoring compliance with appropriate guidance on standards of conduct and codes of conduct for members and officers;
- promoting appropriate values and standards; and
- developing, promoting and monitoring compliance with standing orders and financial instructions.

Audit Scotland code of audit practice – responsibilities of the Council (continued)

Financial position

Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified;
- compliance with any statutory financial requirements and achievement of financial targets;
- balances and reserves, including strategies about levels and future use; and
- the impact of planned future policies and foreseeable developments on their financial position.

Best Value

Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control, accountability and evaluation of the use of resources. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.

Auditor's Independence

We are required by ethical standards to formally confirm our independence to you.

There are no specific matters which have impinged on our independence.

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships, (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed. This statement is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence.

We have considered the fees paid to us by the Council for professional services provided by us during the reporting period. There were no fees payable other than in respect of our audit.

We are satisfied that our general procedures support our independence and objectivity.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through:

- instilling professional values;
- communications;
- internal accountability;
- risk management;
- independent reviews.

Please inform us if you would like to discuss any of these aspects of our procedures in more detail. There are no other matters that, in our professional judgement, bear on our independence which need to be disclosed to the Council.

Confirmation of audit independence

We confirm that as of 17 September 2012, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of Stephen Reid and audit staff is not impaired.

This report is intended solely for the information of the Council and should not be used for any other purposes.

Yours faithfully

KPMG LLP

cutting through complexity™

East Lothian Council

REPORT TO: East Lothian Council

MEETING DATE: 23 October 2012

BY: Executive Director (Support Services)

4

SUBJECT: Living Wage

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1 PURPOSE

1.1 The purpose of this report is to submit proposals to Council that support the introduction of the Living Wage.

2 RECOMMENDATIONS

2.1 Taking into account the risks and the impact this would have on the Council's LGE pay and grading structure identified in Section 3 of this report, the Council is asked to approve implementation of the Living Wage by way of a discretionary, non-contractual allowance, effective from 1 November 2012.

3 BACKGROUND

3.1 In June 2010, the Scottish Government confirmed that it would deliver a Living Wage of £7.15 per hour to all employees under its direct control, reflecting similar commitments made by various political party manifestos in the run up to the May 2012 Local Government elections. The Living Wage has since increased to £7.20 per hour.

3.2 Following a number of benchmarking exercises the position in other Councils has been established (see Appendix A) and is summarised below:

Number of Councils, including ELC, who have not as yet implemented	7
Number of Councils who have either implemented or are considering implementation	24
Number of Councils who did not respond	1

Where Councils have implemented, it has been approached in different ways with some Councils applying it as a supplementary allowance and others amending their pay structures.

3.3 LGE employees currently on spinal column points 1 to 11 are earning less than the Scottish Living Wage Campaign manifesto threshold of £7.20 per hour. East Lothian Council's Pay & Grading Structure starts at SCP 3, £6.36 per hour. The effect of increasing the hourly rate of employees currently placed on SJC SCPs 1 to 11 to the living wage threshold represents increases of between 0.56% and 16.69%, as follows:

SJC scp	**Hourly Rate w.e.f. 1/4/2010**	**Increase in Hourly Rate to Living Wage threshold**	**Increase as a Percentage of Current Hourly Rate**
1	£6.17	£1.03	16.69%
2	£6.27	£0.93	14.83%
3	£6.36	£0.84	13.21%
4	£6.46	£0.74	11.46%
5	£6.56	£0.64	9.76%
6	£6.65	£0.55	8.27%
7	£6.75	£0.45	6.67%
8	£6.85	£0.35	5.11%
9	£6.96	£0.24	3.45%
10	£7.07	£0.13	1.84%
11	£7.16	£0.04	0.56%

3.4 The implementation of the Living Wage as part of the current LGE pay and grading structure would impact on the current policy of evaluating jobs to establish their placing within the Pay and Grading structure where they fall within Grades 1 and 2 of the current pay and grading structure.

3.5 Grades within the current Pay and Grading Structure are defined by their Job Evaluation scores. The impact on grades by applying the Living Wage would mean that all jobs SCP11 and below on Grade 2 of the structure would be paid at the same rate of pay thereby causing a loss of differential, particularly for those employees on SCP13 of Grade 2, currently 41 in total. Although there is no vulnerability to equal pay claims as those in non-affected grades are already being paid more than £7.20 per hour, there is no way of knowing what challenges might arise or precedents that may be set that might create a vulnerability to other types of challenge.

3.6 One of the key drivers of Single Status was to remove allowances. The introduction of an allowance or supplement could set a precedent for introducing other allowances and if supported, this should therefore be considered as a one off approach.

3.7 Taking into account the above mentioned risks, the preferred method of implementation within East Lothian is by way of discretionary, non-contractual allowance. This approach would be more robust and defensible and likely to have a greater positive effect on the gender pay gap. This allowance would not count as pensionable pay and it would not be used in the calculation of overtime. The affected employees will be advised of the application of this allowance.

3.8 There have been ongoing discussions with the relevant Trade Unions and due consideration given to financial, budgetary and other risk implications as well as any scope for potential renegotiation of terms and conditions including changes to the flexi-time scheme. In this respect, it was agreed that discussions would continue as part of the wider budget deliberations between management and the joint trade unions.

4 POLICY IMPLICATIONS

4.1 Implementation of the Living Wage is in accordance with a commitment made in the Council Plan approved by the Council on 28 August 2012.

5 EQUALITIES IMPACT ASSESSMENT

5.1 An equalities impact assessment has been carried out and it has identified that the majority of affected employees in the two lowest grades of the LGE structure are women; and a significant proportion of them are part-time workers.

5.2 The application of the Living Wage need not be applied to apprentices in the same way as the National Minimum Wage is not applicable to them. For information, the National Minimum Wage is £6.19 per hour (from 1 October 2012) for employees aged over 21 and for Modern Apprentices the National Minimum Wage is £2.65 per hour (from 1 October 2012). It is therefore recommended that Apprentices should be excluded from this proposal.

6 RESOURCE IMPLICATIONS

6.1 Financial – currently, approximately 145 employees earn less than £7.20 per hour. The initial whole year cost of implementing the Living Wage would be in the region of £54,000. This is a baseline figure and could increase considerably depending on the number of hours worked by part-time employees. In addition, there are a further 150 casual/relief employees who have not been included in the above figures who work on an ad hoc basis. As their hours of work vary considerably from day to day, it is not possible to quantify the cost of paying the Living Wage to these employees. These costs would be offset in keeping with any pay rise subsequently applied which would erode the supplement proportionately.

Any costs incurred within 2012-13, will require to be managed within the existing approved budget levels for the services/departments bearing the costs. The recurring future costs will require specific additional provision to be made within the revenue budget development process for 2013-16.

6.2 Personnel - New procedures and processes will require to be developed and implemented to take account of changes to the way in which we grade lower graded posts and pay employees. In addition, terms and conditions will require to be reviewed to take account of the new allowance.

6.3 Other - None

7 BACKGROUND PAPERS

7.1 Report to council 28 August 2012 - Council Plan 2012-2017

7.2 Equalities Impact Assessment

AUTHOR'S NAME	Sue Cormack
DESIGNATION	HR Manager, Operational Services
CONTACT INFO	scormack@eastlothian.gov.uk
DATE	12 October 2012

APPENDIX A

Benchmarking - Living Wage
<u>As at March 2012</u>

The following Councils have implemented or are about to implement the Living Wage, mainly by way of a supplement to the basic hourly rate:-

Aberdeen City (introduced)
Aberdeenshire
City of Edinburgh
Clackmannanshire (intend to implement but no timescale as yet)
Dumfries & Galloway (introduced)
Dundee City (decision made to implement but no date agreed)
East Ayrshire
*East Dunbartonshire
East Renfrewshire
Falkirk (introduced)
Glasgow City Council
Inverclyde
Moray (introduced)
North Ayrshire (introduced)
North Lanarkshire (introduced)
Perth & Kinross (introduced)
Renfrewshire (introduced)
Scottish Borders (introduced)
*Shetland
South Ayrshire (committed to implementing but no date agreed)
South Lanarkshire (introduced)
Stirling
West Dunbartonshire (introduced)
*Western Isles

*These Councils already consider staff to be paid above the Living Wage but have not formally introduced the policy.

The following Councils are still considering whether or not to implement or have decided not to implement:-

Angus
Argyll and Bute
Fife
Highland
Midlothian
West Lothian (recent agreement to increase Band A to minimum of £6.85)

No response:-
Orkney

East Lothian Council

REPORT TO:	East Lothian Council	
MEETING DATE:	23 October 2012	
BY:	Executive Director (Support Services)	**5**
SUBJECT:	Financial Strategy 2012-15 – Mid-year Review	

1 PURPOSE

To provide information on the current financial position of the Council and recommend essential adjustments to the current financial strategy.

2 RECOMMENDATIONS

The Council is recommended to:

2.1 Note that the Financial Strategy adopted in February 2012 remains largely appropriate but that certain important changes need to be made to reflect growing cost pressures in the current and future financial years.

2.2 Note the update on recent changes to the external financial environment including the initial assessment of the impact of the draft 2013/14 Scottish Government Budget for East Lothian and the implications this will have for future budgets.

2.3 Approve the various additional control measures outlined in Section 3.21 of this report.

2.4 Approve the revised Capital Expenditure Limits detailed in Section 3.24.

2.5 Approve the adjustment to the HRA Capital Budget establishing a new line for Extensions/Conversions with a budget for 2012-13 of £230,000 with a compensating reduction in the budget line for Open Market Acquisitions.

2.6 Taking into account existing powers already delegated under Standing Order 35, delegate to the Head of Council Resources in conjunction with the Chief Executive and Council Leader authority to conclude the most appropriate support arrangements to the community organisations as detailed in Sections 3.32 – 3.35 of this report.

3 BACKGROUND

3.1 The Council will recall that, as part of agreeing its 2012/15 budget it agreed a Council Financial Strategy for the 2012-2015 financial years.

3.2 For General Services the Financial Strategy was constructed around the objective of maintaining and, where possible, improving services. The longer term aim was that by 2014/15 the Council would have a fully balanced annual budget - where it was no longer reliant upon the use of reserves. This approach was underpinned by;

- Using available reserves to manage the transition to a balanced budget;
- The targeting of significant efficiency savings across all Business Groups – with all managers expected to achieve the required savings targets;
- The targeting of further 'corporate savings' through themes such as shared services, procurement and the generation of additional sources of income – in particular renewable energy;
- A core expectation of cost containment and where possible cost avoidance for all Business Groups. That is, services are expected to absorb general inflationary pressures and other cost increases through their efficient management of existing resources;

3.3 For the Housing Revenue Account (HRA) the strategy was also constructed around the objective of maintaining existing services. However, the financial circumstances of the HRA are significantly different from that of other Council services and the general approach adopted was to ensure that the increased costs of new council houses and modernisation work are 'self financed' from proposed increases in rent charges to tenants.

3.4 This paper reviews progress with the strategy and consists of six elements;

- An update on the financial position at the end of 2011/12;
- An outline of changes in the financial operating environment since February 2012, in particular an initial early assessment of the likely impact of the draft Scottish Government Budget announced on 20th September and other changes within the wider economic/financial context;
- An update on the progress made in delivering services within budget during the current financial year 2012/13 alongside an early assessment of the progress made in delivering planned efficiency savings for the 2013/14 and 2014/15 financial years;
- An update on the work carried out to date on reviewing the capital programme; and

- A review of the position of the Housing Revenue Account;
- A summary of control measures where the Council's financial strategy needs to be adjusted.

Financial Position at 31 March 2012

3.5 The audit of the 2011/12 accounts has now been completed, with the accounts receiving an unqualified audit opinion and certificate. This means that the figures within the fully audited accounts match with those reported previously to Council at its 28 August meeting.

3.6 At the end of the 2011/12 financial year the Council had the following Usable Reserves;

Table 1: Reserves Analysis at 01 April 2012	
Reserve	**(£m)**
General Services Reserves	
Required to Support Future Budgets	6.357
Civil Emergency	2.000
Property Renewals	0.932
Cost Reduction Fund	3.733
Roads Renewals	0.000
Earmarked Reserves	
• DSM (Devolved School Management)	0.573
• MELDAP/DAAT	0.082
Insurance Fund	0.973
Capital Receipts Reserve	0.095
Sub-total General Services Reserves	**14.745**
HRA Reserves	
Capital Fund	3.985
General Reserve	2.748
Sub-total HRA Reserves	**6.733**
Total Reserves	**21.478**

3.7 Within the August report, I commented that;

- The 2011/12 financial year is a significant watershed since the Council has for the first time in many years, used reserves to bridge the gap between income received and spending on services;
- The Council enters the 2012/13 financial year with the reserves it expected and required as part of setting the 2012-2015 budgets in February 2012. However, all available reserves are now fully committed; and
- Although remaining largely on track as at 31st March 2012, the Council's existing financial strategy is exposed to the emergence of significant financial risks – not least the inability of certain services to constrain and reduce costs, to achieve planned efficiency savings

and to manage certain capital projects within approved budget – and that this would therefore require close monitoring and review as part of my reporting on 2012/13 financial performance

Changes in the Financial Operating Environment

3.8 Since approval of the Financial Strategy in February and the closure of the 2011-12 account, there have been some significant changes in the overall financial environment within which the Council operates.

3.9 At a national level the UK Chancellor has acknowledged that the progress made in improving the national finances has been more patchy and extended than originally anticipated. He has also announced that fiscal plans have been adjusted so that planned reductions in spending across most items of expenditure are now likely to extend beyond the lifetime of this parliament. More details should be available as part of the Chancellor's 2012 Autumn Statement on the 5th December although the overall impact of this will mean that funding restrictions for public sector organisations will continue to be applied.

3.10 Central to the successful delivery of the Financial Strategy is the level of grant funding received from the Scottish Government. Within the General Services budget, around 80% of the Council's funding is received as grant from the Scottish Government.

3.11 On 20 September, the Cabinet Secretary for Finance announced the draft Scottish Budget for 2013/14. The following points are of note;

- Government grant figures were provided for the financial years up to 2014/15. This confirmed the previous expectation that the core grant settlements would be basically 'flat cash' i.e. no cash increase - with councils expected to bear the costs of prevailing inflationary pressures and pay awards;
- Capital allocations have been re-profiled again – with a previously indicated capital grant boost now postponed until 2015/16;
- As in previous years the Scottish Government will provide £70 million of funds nationally to encourage local authorities to freeze their council tax levels at the 2007/08 levels;
- A decision will be taken with regard to the 2013/14 poundage rate for non domestic properties when the September Retail Prices Index (RPI) becomes available. The current (August) rate is 2.9% and if fully applied this would mean that ELC costs would increase by approximately £120,000;
- The Scottish Government draft budget included a commitment, in partnership with Local Government, to provide resources for the replacement to the Council Tax Benefit scheme. Initial figures suggest that local government will be expected to fund 43% of the shortfall and in the case of East Lothian this could mean a 'top slice'

of approximately £340,000 being applied to the grant income we had expected for the 2013/14 budget round.

- The Cabinet Minister announced a 1% increase for those employees covered by the Scottish Government Pay Policy. Although not directly of relevance to local government – since the pay and conditions of local government employees are the responsibility of individual local authorities and COSLA acting as employers – this may well influence negotiations on other public sector pay awards. In the case of East Lothian this level of award would amount to an increase of around £1.3 million in costs.

3.12 This wide range of issues arising from the draft Scottish Budget still requires clarification and further analysis before the Council can decide how best to deal with them. Greater clarity is likely to emerge between now and early December when formal announcement of the grant settlement is expected. However, as described above, the early indications are that East Lothian Council can expect less Government grant for longer period and will have to bear some additional costs as a result of their draft budget. Consequently, the Council will need to plan for a further year where it will need to deliver substantial efficiency savings just to afford the services it currently provides.

Progress with Current and Future Year Budgets

3.13 The finance team continues to review the progress of all Council services on implementing the 2012/13 budget and Financial Strategy. In overall terms, some limited progress is being made across the Council.

3.14 In my Q1 review of financial performance reported to Cabinet in September, I advised of an increase in Business Groups classified as "high risk" reflecting the emergence of a number of cost and other financial pressures in certain service areas.

3.15 Early analysis of the preliminary Q2 financial performance data reflects a mixed picture with most services operating within approved budget levels but the previously identified high risk areas still giving cause for significant concern. Most worrying is the likelihood that without further remedial action, the Services for People directorate is forecast to overspend its approved budget by almost £0.75M. This forecast is despite the directorate carrying a substantial over provision and therefore likely underspend in the budget for Primary Schools of around £1.0M. Much of the overspending is due to demand pressures currently evident in both Children's Wellbeing and Adult Wellbeing but also reflects lack of progress in meeting planned efficiency savings.

3.16 The directorates for both Services for Communities and Support Services are currently forecast to spend within approved departmental budget levels although this favourable net position masks some areas of continuing concern and high risk. Most notable in this respect are Facility Support and Policy and Partnerships where lack of progress on planned efficiency savings will almost certainly lead to overspends in these services.

3.17 Provided that further disciplined budgetary control is applied and that no other risks materialise to any significant extent (e.g. severe weather), the consolidated forecast for overall Council financial performance for 2012-13 is pretty much in accordance with the approved budget.

3.18 The Council will recollect that as part of the three-year strategy to bring Council income and expenditure into sustainable balance the Council decided to use £6.357 million of reserves to balance an excess of expenditure over income. This was to be used as follows;

- £4.073 million use in 2012/13; and
- £2.284 million use in 2014/15.

The forecast 2012-13 year end position outlined above suggests that in respect of planned use of reserves, the Council remains very much in accordance with that planned within the 2012/13 budget. However, considered alongside my earlier statement about no spare reserves, this also confirms that the Council will enter the development of the 2013/14 budget with the relatively modest amount of £2.2 million available to help balance future budgets.

3.19 Despite the forecasts of net Council performance and use of reserves being in line with our existing plans it continues to be my view – as expressed in the Quarter 1 report to Cabinet - that there has been deterioration in the Council's overall medium term financial prospects since March 2012. This is based upon the following;

- Slower progress towards delivery of certain Group and Corporate efficiency savings that have been built into the 3 year budget, particularly those in 2013-14 and 2014-15;
- Lack of progress made in developing new forms of income generation – particularly in relation to renewable energy;
- The continuing evidence of cost and demand pressures within certain Business Groups; and
- The changes in the overall financial operating environment reported above.
- The limited future availability of reserves.

Within existing financial plans the Council must make efficiency savings of £8.3 million across 2013/14 and 2014/15. Taking into account my concerns about the realisation of some of these savings, the demand/cost pressures within the current financial year, likely grant reductions for 2013/14 and the likely need to make savings for the new third year 2015/16, this figure will almost certainly need to increase. The extent of the increase will be dependent upon the ability of services to avoid and constrain costs and the speed with which the Council faces various demographic pressures. However, given past experience it is my view that the Council will need to make at least £13 million of savings over the next three years in order to achieve a balanced budget.

3.20 Although not the specific purpose of this report, it is obvious that the Council will need to approach budget development work in respect of the 2013-16 budget with much vigour and discipline. It is sufficiently clear from the Scottish Government's Draft Budget figures that there will be very little scope for anything other than unavoidable statutory service developments and even those will require further compensating savings or service reductions to be made. In accordance with normal practice, it will be my intention to develop appropriate budget rules to guide the work of both officers and elected members over the coming months.

Mid-year Actions

3.21 Given the scale of the challenges faced in both the current future years, I am proposing that the following steps be taken with the aim of reducing expenditure, securing greater efficiencies and increasing the reserves available for future budgets;

- In an effort to reduce the planned call to be made upon reserves over the remainder of this financial year;
    - All budget holders must ensure every effort is made to contain spending within approved budget levels. Where demand pressures are evident, this will require appropriate management actions and/or compensating cost reduction measures to be identified.
    - I am advising all budget holders that additional purchasing commitments should be avoided where possible.
    - Expenditure on staffing should be minimised through continued application of stringent workforce management measures including careful monitoring of vacancies and minimising the use of overtime and temporary and agency working
    - The targeted deferral of planned spending. In conjunction with Council Management Team, we will be reviewing the current 2012/13 budget plans across all services and will be identifying any areas where spending can be deferred or postponed to deliver under-spends in the 2012/13 financial year.
- Recognising the patchy delivery of planned efficiency savings to date, I am proposing some changes to the way in which the Council plans for and monitors the achievement of efficiency savings. Through the Chief Executive, the Council Management Team will receive regular reports on the planned programme of efficiencies and a full validation assessment will be carried out as part of the 2013-14 budget development process. The CMT will continue to oversee and manage

use of the Cost Reduction Fund as a means of assisting in the delivery of planned efficiency savings.

- With the intention of reducing future borrowing and therefore loans charges liabilities, the ongoing review of the capital programmes should be completed. Further update is provided in sections 3.22-3.26 below;

- Renewed efforts should be made to explore new ways of generating additional income. This should include a review and refresh of potential income through renewable energy as well as identification of any new schemes such as the introduction of car parking charges. Efforts should also be made to maximise our returns from all possible asset sales with thinking extended beyond land and buildings.

Review of the Capital Program

3.22 As part of the Quarter 1 report to Cabinet I signalled my intention to report back to Council with regard to a review of the Capital Plan.

3.23 This review has been carried out for a number of reasons

- The normal requirement each year to adjust the Capital Plan in respect of completion of the previous year end – this would include projects that did not start when anticipated and also those subject to variations on planned spending.

- The need to include a capital budget allocation for 'Property Renewals – priority repairs'. During the 2010/11 financial year the Council approved the setting up of a Repairs & Renewals Fund with an initial sum of £2m. Over the past two years, over £1m of repairs have been charged directly against the fund, with significantly more charged against the capital account as part of final accounts. Based upon this trend, the fund will be extinguished by 2013/14.

- Concerns over the affordability of the current Capital Plan - in terms of increasing debt charges on the revenue account and the likelihood of achieving the planned efficiency targets set within the revenue budget for 2012 – 2015;

- The potential benefits of extending the planning horizon beyond the 2014/15 financial year for the purposes of more effective asset management and better managing affordability as re-determined within the latest financial context;

3.24 Detailed work is ongoing in relation to this review. However, given;

- The current status of revenue budgets and the future outlook for planned efficiency savings; alongside

- The wider economic situation and the likely grant funding from the Scottish Government;

I am recommending two significant changes to the Council's financial strategy in respect of capital investment plans;

- With immediate effect the Capital Expenditure Limits approved within the Financial Strategy in February are reduced. My initial calculation of this adjustment is detailed below in Table 3. These totals will be reassessed as part of the 2013/14 – 2015/16 budget preparation.
- Taking into account the latest information on financial prospects, the Council should in future set Capital Expenditure Limits for General Services that seek to minimise the requirement for additional borrowing – in effect this would amount to the total of capital grants from the Scottish Government, income from asset sales, other capital contributions plus the amount of debt which will be repaid in that year. This would have the consequential impact of significantly limiting the Council's level of indebtedness and therefore alleviating some of the pressure upon the revenue account.

Table 3: Revised Capital Expenditure Limits		
Year	**Original Capital Expenditure Limit (as per Financial Strategy) (£m)**	**Revised Capital Expenditure Limit (£m)**
2012/13	37.525	33.000
2013/14	36.526	28.000
2014/15	31.999	20.000
Totals	**106.050**	**81.000**

3.25 On behalf of the Council's Corporate Asset Group, relevant officers are carrying out more detailed project review work to ensure that the Capital Plan is amended to fit within the proposed capital limits stated above. This will involve re-phasing the timing of projects, reassessing projects more strictly against Council priorities and business need and applying a savings target to a number of others. It is expected that following agreement through the Corporate Asset Group and through discussion and meetings with the Administration, I will bring forward a report on the detailed implications to a future meeting of the Cabinet.

3.26 One of the more immediate effects of reducing the capital programme in line with the figures outlined above is that the Council will see a reduction in the debt charges incurred in the years covered by the current financial strategy. Initial indications suggest that by operating within the revised spending limits, the savings to the revenue budget will approximate £900,000 by the 2014/15 financial year.

Housing Revenue Account (HRA)

3.27 The financial position of the HRA at the start of this year is as reported to Council on 28 August this year. Moving into 2012/13 it has reserves of £6.7 million – above the £5.7 million figure anticipated at the time of setting the 2012/13 budget.

3.28 The HRA differs in some regards from the other services run by the Council. As a single service, funded almost entirely from charges to users, the risks are generally better understood and relatively more controllable. Regular updates are made to the budget detail reflecting the progress made with the various affordable housing projects and to ensure that the overall plan remains self-financing. The updated figure in terms of reserves has been factored into this process alongside other recent changes such as the re-commencement of open market acquisitions. This means that the current level of reserves has been fully accounted for within current HRA plans.

3.29 The current HRA plan is based upon significant investment in new affordable homes and the modernisation of the existing stock to meet East Lothian and Scottish Housing Quality standards. The investment strategy rests on two significant financial assumptions. These are as follows;

- Non debt expenditure i.e. Staff Costs/Repairs Costs and Other Operating Expenditure will either stay broadly fixed over the next five years or increase very slowly. In effect, this means that the service will have to absorb the costs of any inflationary increases and any service enhancements and in this respect, the HRA, as with other parts of the Council, will be required to identify how they will make the required efficiency savings over the coming years

- Assuming the non-debt costs detailed above are able to be controlled then in accordance with the 5 year budget approved in February, rents are planned to increase by approximately 4.3% every year – by which point they are likely to be more in line with the Scottish average.

3.30 The Council continues to place considerable importance upon increasing the supply of new affordable homes and is currently making good progress with a number of developments throughout the county with the objective of bringing forward as many new units as possible. Successful realisation of the larger strategic sites continues to be a major challenge, particularly in light of the continuing difficult economic circumstances faced by the construction and banking sectors. Subject to securing best value, every effort will continue to be made to secure progress in respect of these major sites.

3.31 As mentioned earlier, the Housing service is continually fine tuning the balance of investment between new build, acquisition and modernisation of existing stock. In his report to Cabinet on 9 October, the Head of Housing and Environment advised of his intention to set aside a sum within the HRA capital investment plan of £230,000 to support a new programme of Extensions and Conversions that will be brought to Cabinet in November. With this in mind, I am proposing to introduce a new budget line for this purpose in 2012/13 that can be enabled through a compensating reduction in the funds available for Open Market Acquisitions.

Other mid-year Financial Matters

3.32 The Council appreciates the many challenges imposed by the prevailing economic climate for many organisations across all sectors. Recognising the particular difficulties that many third sector organisations increasingly face in securing either working capital or loan finance, the Council has had to respond to a growing number of enquiries for financial advice and assistance. In response to approaches made in 2011 by two specific community organisations, the Council has already pledged/provided support arrangements that have only been partly implemented. The Council has continued to work in varying degrees with both organisations in an effort to help stabilise their financial position and secure their continued operation. It is now suggested that in both cases, more immediate action is required to complete the proposed support arrangements.

3.33 Musselburgh Old Course Golf Club - In April 2011, the Council provided a short term interest bearing loan facility to ease the clubs immediate cash flow difficulties. This has been successful with the club managing to stay out of overdraft since that time. The club own the existing clubhouse. Further assistance was approved in principle at that time in the shape of a further longer term refinancing loan that would allow the club to extinguish all other loan debt which would lead to the Council’s loan becoming secured on a first ranking basis. It would now be my intention to finalise this follow up loan facility on terms that are considered acceptable to both parties and are also in accordance with state aid rules.

3.34 Prestongrange Bowling Club - Towards the end of 2011, club officials approached the Council as the club faced increasing financial difficulties with mounting liabilities and a dwindling membership/patronage. Although the club have managed to stabilise membership numbers, they continue to accumulate increasing levels of debt. Although the 2012 bowling season has now come to an end, there is a genuine concern that without a new, robust business plan in place the club may not be able to re-open next season. The club own the bowling green and other ancillary buildings and club officials have now suggested they wish to sell the entire site to the Council but retain use of the green and pavilion for bowling purposes. Although some consideration is being given to possible loan finance based solution, in this instance there may be advantages to securing Council ownership of the site.

3.35 For both of the above, it is suggested that up to date, robust diligence checks are made in respect of business plans and property valuations and that the most advantageous arrangements be developed that aim to secure continued club operations at minimum cost/risk to the Council. In this respect I would seek to work closely with the Council's Property, Finance and Legal Teams as well as Internal Audit. It is anticipated that both support packages could be completed before the end of the calendar year and that more detailed reports will be brought to Councillors via the Members Library Service.

4 POLICY IMPLICATIONS

4.1 The report confirms the relevance and applicability of the approved Financial Strategy although it does make recommendations for some important adjustments and some additional control measures. Bringing expenditure and income into balance may mean changes to Council policy on a range of matters depending on how that balance is to be found.

5 EQUALITIES IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

6.1 Financial – as set out in the report above.

6.2 Personnel – it is very unlikely that reductions in staffing cost can be avoided as part of our efforts to balance income and expenditure. Efforts in support of existing workforce management plans will be intensified to ensure that resources are better focused on the priorities set out in the SOA and the Council Plan.

6.3 Other – bringing expenditure and income into balance may impact on any of the wide range of resources used by the Council.

7 BACKGROUND PAPERS

7.1 Council 14 February 2012 – "Council Financial Strategy 2012/13 to 2014/15"

7.2 Member's Library May 2012 (116/12) – "Capital Investment & Treasury Management Strategy 2012/13 to 2014/14"

7.3 Council 28 August 2012 – Item 6 "2011/12 Year-End Financial Review"

7.4 Cabinet 11 September 2012 – “Financial Review 2012/13 – Quarter 1”

7.5 Audit & Governance Committee 18 September 2012 – Item 1 “ELC ISA 260 Report to those charged with governance”

7.6 Audit & Governance Committee 18 September 2012 – Item 2 “ELC Draft Annual Audit Report to Members”

7.7 Cabinet 09 October 2012 – Item 2 “Update on the Open Market Acquisitions Strategy”

7.8 Members Library Service 30 March 2011 – Short-term Loan to Musselburgh Old Course Golf Club.

AUTHOR’S NAME	Jim Lamond
DESIGNATION	Head of Council Resources
CONTACT INFO	jlamond@eastlothian.gov.uk
DATE	12 October 2012

REPORT TO: East Lothian Council

MEETING DATE: 23 October 2012

BY: Chief Executive

6

SUBJECT: Nomination for the Freedom of East Lothian – The Royal Regiment of Scotland

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1 PURPOSE

1.1 To report on a proposal from the Provost and Leader of the Council that the Freedom of East Lothian is awarded to The Royal Regiment of Scotland (to be accepted on their behalf The Royal Scots Borderers 1st Battalion, formerly the Royal Scots).

2 RECOMMENDATIONS

2.1 That on the nomination of the Provost, seconded by the Leader of the Council, East Lothian Council resolves to present the award of the Freedom of East Lothian to The Royal Regiment of Scotland, 1st Battalion (1 SCOTS) in honour of their long and proud association with East Lothian and its communities.

2.2 To instruct officials to make the necessary arrangements for a Freedom of East Lothian parade and presentation ceremony to be held in April 2013 following the return of the Battalion from their 6-month tour of duty in Afghanistan.

2.3 To delegate authority to the Chief Executive in consultation with the Provost and Leader of the Council to approve detailed proposals, these to be the subject of a final report to the Members Library.

3 BACKGROUND

3.1 The honour of freedom of a city or other council area is the highest accolade that a municipality can offer. Although historically associated with a range of ancient rights and privileges, the title of Freeman or Freewoman is now largely honorary, and usually awarded to men and women who have strong associations with an area and who have made an outstanding contribution to local, national or international life.

3.2 Historically, a number of the former East Lothian Burghs made such an award, with Members of the Royal Family and a former Prime Minister among those honoured. In recognition of their association with the towns of Haddington and Musselburgh, the Royal Scots (The Royal Regiment) were awarded the Freedom of these Burghs in 1947 and 1971 respectively.

3.3 In November 2004, East Lothian Council approved the first award of the Freedom of East Lothian to the world-renowned artist Dr John Bellany, who was born in Port Seton and is a former pupil of Preston Lodge High School. In November 2009, the Women's British Open Golf Champion, Catriona Matthew of North Berwick, was also awarded the Freedom of East Lothian in honour of her numerous national and international sporting achievements.

3.4 In March 2006, The Royal Scots (The Royal Regiment) merged with the other Scottish Infantry Regiments to form The Royal Regiment of Scotland. In August 2006, this Battalion merged with The King's Own Scottish Borderers to form The Royal Scots Borderers, 1st Battalion The Royal Regiment of Scotland (or 1 SCOTS).

3.5 The Battalion began a six-month operational tour in the Helmand province of Afghanistan in early September 2012. Following their return in the Spring of 2013, with the Council's approval, the Battalion would be invited to parade and participate in a presentation ceremony. With the agreement of the Royal Regiment, Friday 19 April has been set provisionally as the proposed date for the homecoming parade and Freedom of East Lothian presentation.

4 POLICY IMPLICATIONS

4.1 None

5 EQUALITIES IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

6.1 Financial - It is anticipated that costs associated with the organisation of the award ceremony will be contained within the Council's Civic Hospitality budget for 2013/14 with details the subject of a separate report to the Member's Library.

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 Approved Scheme for the Award of the Freedom of East Lothian – East Lothian Council, January 2005

AUTHOR'S NAME	David Russell
DESIGNATION	Communications Manager
CONTACT INFO	E. drussell@eastlothian.gov.uk T. 01620 827655
DATE	9 October 2012

East Lothian Council

REPORT TO:	East Lothian Council
MEETING DATE:	23 October 2012
BY:	Executive Director (Support Services)
SUBJECT:	Appointment of Appropriate Representatives to Outside Bodies – Follow-up Report

7

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1 PURPOSE

1.1 To seek Council approval of a number of additional nominations to the list of Elected Member appointments of representatives to outside bodies.

2 RECOMMENDATIONS

2.1 That the Council:

2.1.1 Nominates two Councillors to represent the Council on the Scottish Seabird Centre Trust; and

2.1.2 Nominates one Councillor as the named substitute on the Lothian & Borders Community Justice Authority.

3 BACKGROUND

3.1 At its meeting of 15 May 2012, the Council proposed and approved Elected Member nominations to a number of outside bodies. Since that meeting, requests have been received from a number of other outside bodies seeking Council representation.

3.3 Members are asked to nominate Council representatives as outlined below:

- Scottish Seabird Centre – the Council's current representatives are Don Ledingham and Colin Shand (Mr Shand no longer works for the Council). The Administration is proposing that these representatives be replaced by two Elected Members (this meets the terms of the Scottish Seabird Centre's constitution). Nominations are therefore sought for two Council representatives.

- Lothian & Borders Community Justice Authority - the CJA has requested the nomination of a named substitute (the Council's representative is Councillor Grant). Nominations are sought for a named substitute from among Elected Members.

3.2 Members are asked to note that the updated list of Elected Member representation on outside bodies will be published on the Council's website.

4 POLICY IMPLICATIONS

4.1 None.

5 EQUALITITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – There may be expenses incurred in relation to allowances and other expenses Council appointees attending meetings of such Bodies, but these will be similar to expense for such purposes incurred in the past and will be met from the appropriate budgets.

6.2 Personnel – none.

6.3 Other – none.

7 BACKGROUND PAPERS

7.1 None.

AUTHOR'S NAME	Lel Gillingwater
DESIGNATION	Democratic Services Manager
CONTACT INFO	lgillingwater@eastlothian.gov.uk x7225
DATE	1 October 2012

REPORT TO:	East Lothian Council
MEETING DATE:	23 October 2012
BY:	Executive Director (Services for People)
SUBJECT:	School Session Dates 2013/2014

8

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1 PURPOSE

1.1 The purpose of this report is to obtain the Council's approval for School Session dates for 2013/2014 (Appendix 1).

2 RECOMMENDATIONS

2.1 The Council is asked to:

(i) Approve the school session dates for 2013/2014 as outlined in Proposal 1 (Appendix 1).

(ii) Authorise me to notify Head Teachers, Teachers' Associations, Heads of Establishments and Parent Councils.

(iii) Authorise me to notify the Scottish Government Education Department.

3 BACKGROUND

3.1 In preparing the school session dates for 2013/2014 the following points were taken into consideration: -

- 190 pupil and 195 staff days which is in accordance with the Schools General (Scotland) Regulations 1975 (as amended);
- A fixed one week break in the third week of October;
- The school session ending before the first full week of July;
- 5 fixed in-service days; and
- Flexibility with the Easter break to allow for a natural end to Term 2.

2013/2014 SESSION

3.2 In preparing the School Session Dates for 2013/2014 the five points in 3.1 were taken into account as outlined in the attached draft proposed dates Proposal 1 and 2 (Appendix 1 and 2). Discussion also took place with City of Edinburgh Council and Midlothian Council.

3.3 Consultation took place with Head Teachers, Teachers' Associations, UNISON, Educational Establishments, Parent Councils and the wider community through the Council's website.

3.4 The Department received a total of 106 responses to the consultation. 63 were in favour of Proposal 1 (Appendix 1) and 43 were in favour of Proposal 2 (Appendix 2).

3.5 The majority of those who responded to the consultation exercise were therefore in favour of Proposal 1 (Appendix 1) which mirrors the school session dates for Midlothian Council.

4 POLICY IMPLICATIONS

4.1 None.

5 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 Proposal 1 and 2 (Appendix 1 and 2) of draft school session dates.

AUTHOR'S NAME	Richard Parker
DESIGNATION	Senior Education Manager
CONTACT INFO	Tel:- 01620 827494 Email:- rparker@eastlothian.gov.uk
DATE	5 October 2012

Proposal 1 (Appendix 1)

EAST LOTHIAN COUNCIL

DEPARTMENT OF EDUCATION & CHILDREN'S SERVICES

SCHOOL SESSION DATES 2013-2014

TERM 1			
INSERVICE DAY 1	Monday	19 August	2013
INSERVICE DAY 2	Tuesday	20 August	2013
Pupils Resume	Wednesday	21 August	2013
September Holiday staff & pupils break	Thursday	12 September	2013
September Holiday (schools closed for staff & pupils)	Friday Monday	13 September 16 September	2013 2013
All Resume	Tuesday	17 September	2013
All Break (October break)	Friday	11 October	2013
October break	Monday-Friday	14 – 18 October	2013
INSERVICE DAY 3	Monday	21 October	2013
Pupils Resume	Tuesday	22 October	2013
All Break (Christmas)	Friday	20 December	2013
		= 80 pupil days **= 83 staff days**	
TERM 2			
All Resume	Monday	6 January	2014
Pupils break	Friday	7 February	2014
February break	Monday – Friday	10 – 14 February	2014
INSERVICE DAY 4	Monday	17 February	2014
Pupils resume	Tuesday	18 February	2014
All break (Easter)	Friday	4 April	2014
Good Friday Easter Monday	Friday 17 April 2014 Monday 21 April 2014		
		= 59 pupil days **= 60 staff days**	
TERM 3			
All Resume	Tuesday	22 April	2014
May Holiday	Monday	5 May	2014
INSERVICE DAY 5	Tuesday	6 May	2014
Pupils Resume	Wednesday	7 May	2014
Victoria Day Holiday	Monday	19 May	2014
All resume	Tuesday	20 May	2014
Term ends	Friday	4 July	2014
		= 51 pupil days **= 52 staff days**	

Proposal 2 (Appendix 2)

School term dates – Edinburgh City Council - School term dates 2013/14

Autumn term

- Monday 12 August 2013 - Staff resume (Five In-Service days for all schools)
- Tuesday 13 August 2013 - Staff only (Five In-Service days for all schools)
- Wednesday 14 August 2013 - Pupils return
- Schools closed Monday 16 September 2013 - Autumn Holiday
- Tuesday 17 September 2013 - All resume
- Friday 11 October 2013 - Mid-term, All break
- Monday 21 October 2013 - Staff resume (Five In-Service days for all schools)
- Tuesday 22 October 2013 - Pupils resume
- Thursday 19 December 2013 - Term ends

Spring term

- Monday 6 January 2014 - Staff resume (Five In-Service days for all schools)
- Tuesday 7 January 2014 - Pupils resume
- Friday 14 February 2014 - Mid-term, All break
- Monday 24 February 2014 - All resume
- Friday 4 April 2014 - Term ends

The Easter break incorporates the following holidays:

- Monday 14 April 2014 - Spring Holiday
- Friday 18 April 2014 - Good Friday
- Monday 21 April 2014 - Easter Monday

Summer term

- Tuesday 22 April 2014 - All resume
- Monday 5 May 2014 - May Day, schools closed
- Tuesday 6 May 2014 - All resume
- Monday 19 May 2014 - Victoria Day, schools closed
- Tuesday 20 May 2014 - All resume
- Thursday 5 June 2014 - Staff Only (Five In-Service days for all schools)
- Friday 6 June 2014 - All resume
- Friday 27 June 2014 - Term ends

The above timetable allows for staff and pupil attendance as follows:

- Pupils - Term 1, 85 days; Term 2, 59 days; Term 3, 46 days; Total 190 days
- Staff - Term 1, 88 days; Term 2, 60 days; Term 3, 47 days; Total 195 days

2014/15

The start date for session 2014/2015 for pupils has been provisionally identified as Wednesday 13 August 2014.

MOTION TO EAST LOTHIAN COUNCIL
23 October 2012

Funding Social Enterprise in East Lothian

Council acknowledges the important role of the Social Enterprise Sector in East Lothian

Council believes that the Social Enterprise Sector will be key in delivering the Economic Development Strategy

9

Council acknowledges the difficulties in securing initial funding for new Social Enterprises in East Lothian

Council supports the establishment of a fund similar to the successful East Lothian Investments model which has created many new jobs

Council supports the potential of partnership funding with Social Investment Scotland (SIS) and the opportunities this will bring to grow the Social Enterprise Sector in East Lothian

Council asks officers to report back to council in due course with further recommendations

Proposed by: Paul McLennan .... Seconded by: P. R. McKenzie ....

Date: 10/10/12 .... Date: 10/10/12 ....

EAST LOTHIAN COUNCIL
RECEIVED
10 OCT 2012
CHIEF EXECUTIVE'S
OFFICE

MOTION TO EAST LOTHIAN COUNCIL
23 October 2012

Shared Apprentice Scheme

10

Council recognises the importance of apprenticeships in the East Lothian economy

Council supports the establishment of a Shared Apprenticeship Scheme in East Lothian

Council acknowledges that there is already a similar scheme in Manchester being operated

Council supports the principle of "Shared Apprenticeships" and asks that a further report is brought back to look at establishing such a scheme in East Lothian

Proposed by: [illegible] Seconded by: P. R. MacKenzie

Date: 10/10/12 Date: 10/10/12

East Lothian Council

REPORT TO:	East Lothian Council
MEETING DATE:	23 October 2012
BY:	Executive Director (Support Services)
SUBJECT:	Submissions to the Members' Library Service 16 August – 10 October 2012

11

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1 PURPOSE

1.1 To record the reports submitted to the Members' Library Service since the last meeting of Council, as listed in Appendix 1, into the Council's Business.

2 RECOMMENDATIONS

2.1 Council is requested to record the reports submitted to the Members' Library Service between 16 August and 10 October 2012 as listed in Appendix 1, into the Council's Business.

3 BACKGROUND

3.1 The Members' Library Service has a formal role in the consultative process between Council officers and Members as outlined in Standing Order 9(iv). It is therefore necessary to circulate a list of those reports submitted to the Library Service, to be recorded into the proceedings of the Council.

3.2 If Members have no objections to the reports listed in Appendix 1 they will be recorded into the Council's Business. All reports submitted to the Members' Library since January 2005 are available on eGov.

4 POLICY IMPLICATIONS

4.1 None

5 EQUALITIES IMPACT ASSESSMENT

5.1 This report is not applicable to the well being of equalities groups and an Equalities Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

6.1 Financial – None

6.2 Personnel – None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 East Lothian Council's Standing Orders – 9(iv)

7.2 Report to East Lothian Council on 25 January 2005 – Submission to the Members' Library Service 29 October 2004 - 14 January 2005, and Changes to the Members' Library Process

AUTHOR'S NAME	Lel Gillingwater
DESIGNATION	Democratic Services Manager
CONTACT INFO	lgillingwater@eastlothian.gov.uk
DATE	10 October 2012

Appendix 1

MEMBERS' LIBRARY SERVICE RECORD FOR THE PERIOD 16 August – 10 October 2012

Reference	Originator	Document Title	Committee	Access
213/12	Executive Director (Support Services)	Customer Services Team - staffing	Cabinet	Private
214/12	Executive Director (Support Services)	Temporary Team Leader (Community Care Finance Unit)	Cabinet	Private
215/12	Executive Director (Services for Communities)	Proposed Digital Cinema Equipment Installation at Brunton Hall, Musselburgh	Cabinet	Public
216/12	Executive Director (Support Services)	Appointments to Committees and to the East Lothian Licensing Board – Follow-up Report	Council	Public
217/12	Executive Director (Support Services)/Head of Policy & Partnership	Transfer of Professional Posts within Organisational Development, HR Services Division to Policy & Partnerships	Cabinet	Private
218/12	Head of Housing and Environment	Scottish Government Consultation on the Future of Right to Buy	Cabinet	Public
219/12	Executive Director (Services for Communities)	Scottish Government Consultation on Private Rented Sector Tenant Information Packs	Cabinet	Public
220/12	Head of Housing and Environment	Building Warrants issued under Delegated Powers (August 2012)	Planning	Public
221/12	Executive Director (Services for Communities)	Mortgage to Rent – Purchase of a House in Musselburgh	Cabinet	Private
222/12	Executive Director (Services for Communities)	Consultation Response to Midlothian Council re Planning Applications at Cousland Equestrian Centre	Council	Public
223/12	Executive Director (Services for People)	Service Review – Creation of Temporary Senior Practitioner Post within Children's Wellbeing	Cabinet	Private
224/12	Executive Director (Services for Communities)	Scottish Government Consultation on Premiums in the Private Rented Sector	Cabinet	Private
225/12	Executive Director (Services for People)	Service Review – Clerical Posts in Primary Schools	Cabinet	Private
226/12	Executive Director (Services for Communities)	Introduction of the Property Factors (Scotland) Act 2011	Cabinet	Public
227/12	Executive Director (Support Services)	List of Deeds January to June 2012	Council	Private

228/12	Executive Director (Support Services)	Twinning Visit to Paradubce	Cabinet	Public
229/12	Executive Director (Services for Communities)	Consultation Response (2) to Midlothian Council on Cousland Planning Application	Council	Public
230/12	Head of Housing & Environment	Site 2, Plot 1, Spott Road Industrial Estate, Dunbar – Partial Assignation of Ground Lease	Cabinet	Private
231/12	Head of Housing & Environment	Proposed Waste and Refuse Clearance from Travelling People's Site, 2012/13	Cabinet	Public
232/12	Acting Head of Education	Extension of Staff Contracts – MCMC Team	Cabinet	Private
233/12	Executive Director (Services for Communities)	Mortgage to Rent Scheme – Purchase of House in Tranent	Cabinet	Private
234/12	Executive Director (Services for Communities)	Proposed Fire Damage Reinstatement at 6 Meadowbank Road, Ormiston and 9 Sir Walter Scott Pend, Prestonpans	Cabinet	Public
235/12	Executive Director (Services for Communities)	Mortgage to Rent Scheme – Purchase of House in Musselburgh	Cabinet	Private
236/12	Head of Policy & Partnerships	Community Development Assistant Post – Red School Youth Centre, Prestonpans	Cabinet	Private
237/12	Head of Policy & Partnerships	Cultural Services Review: Interim Review for Arts Education Post (Youth Music Initiative)	Cabinet	Private
238/12	Head of Adult Wellbeing	Domestic Abuse Advocacy Service	Cabinet	Private

10 October 2012