# East Lothian Council

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

## TUESDAY 15 JUNE 2021
## VIA DIGITAL MEETINGS SYSTEM

1

**Committee Members Present:**

Councillor J Henderson (Convener)          Councillor S Currie
Councillor A Forrest                       Councillor C Hoy
Councillor G Mackett                       Councillor K Mackie
Councillor K McLeod                        Councillor J Williamson

**Council Officials Present:**

Ms M Patterson, Chief Executive
Mr J Lamond, Executive Director for Council Resources
Mr D Proudfoot, Executive Director for Place
Ms L Brown, Executive Director for Education and Children's Services
Ms S Saunders, Head of Communities
Ms N McDowell, Head of Education
Ms M Sullivan, Head of Development
Ms S Fortune, Head of Finance
Ms W McGuire, Head of Housing
Mr A Cruikshank, Service Manager - IT
Mr D Stainbank, Service Manager – Internal Audit
Mr C Grilli, Service Manager - Legal
Mr P Vestri – Service Manager – Corporate Policy & Improvement
Ms A Glancy, Finance Manager – Corporate Accounting
Mr P Ritchie, HR Operations Manager
Mr S Kennedy, Emergency Planning, Risk and Resilience Officer
Mr P Moore, Senior Auditor
Mr A Steven, Senior Auditor
Ms K Duff, Treasury & Banking Officer
Ms D Pringle, Corporate Accountant
Miss R Crichton, Committees Officer

**Clerk:**
Miss F Currie

**Visitors Present:**
Ms G Woolman, Audit Scotland
Ms E Scoburgh, Audit Scotland

**Apologies:**
None

**Declarations of Interest:**
None

The Committee unanimously agreed to exclude the public from any questions on the details of the Whistleblowing or Fraud Investigations referred to in the report for agenda Item 3. This exclusion was in terms of Paragraph 1 (information relating to particular employees of the Authority) and of Paragraph 14 (any action taken or to be taken in connection with the prevention, investigation or prosecution of crime) of Schedule 7A of the Local Government (Scotland) Act 1973.

The Committee also unanimously agreed to exclude the public from Item 10 of the business agenda in terms of Paragraph 14 (any action taken or to be taken in connection with the prevention, investigation or prosecution of crime) of Schedule 7A of the Local Government (Scotland) Act 1973.

## 1. MINUTES OF THE AUDIT AND GOVERNANCE COMMITTEE MEETING ON 16 FEBRUARY 2021

The minutes of the Audit and Governance Committee meeting held on 16th February 2021 were approved.

## 2. INTERNAL AUDIT REPORT – JUNE 2021

A report was submitted by the Service Manager – Internal Audit informing the Committee of Internal Audit reports issued since the last meeting of the Committee and providing an update on the progress made against the 2020/21 annual audit plan.

Duncan Stainbank, Service Manager – Internal Audit, presented the report outlining the purpose of the audits and indicating that as a result of this work an assessment of 'moderate assurance' had been given on Payroll Systems, Payroll Overtime and Performance Indicators. He summarised the main findings of the audits, highlighting areas where controls were met and those with scope for improvement. Officers then responded to questions from Members.

**Payroll Systems/Payroll Overtime**
Mr Stainbank provided further detail on the number of pay runs and the implications for future staffing levels within the Payroll team, explained the justification of the timescale for completion of the policy review and confirmed that manual payments had been introduced to deal with teacher's pay as a result of the change in terms dates during 2020/21.

Sarah Fortune, Head of Finance, advised that her staff were working collectively across all areas of the Council to ensure that internal controls were working as effectively as possible to avoid fraud and errors. She confirmed that her team would work with payroll to implement the recommendations from the audit reports as soon as was practicable, including those relating to reviews of existing policies. She added that a number of changes had happened within Payroll in the last year but that controls were in place regarding overtime management and monitoring.

Paul Ritchie, HR Operations Manager, said that the recommendation related to practices which were slightly out of line with existing policy; the Head of Service was supposed to authorise payments but in practice it was the Service Manager.

Mr Stainbank provided clarification of figures relating to hourly rates for Home Care staff which reflected rates paid by the NHS as well as the local authority. Ms Fortune

agreed to provide confirmation to Members of the amounts paid in 2019/20 re Home Care Costs per hour for people over 65.

Mr Stainbank advised that in addition to the highlighted audit reports, a number of follow up reports had been completed and all but 3 of the recommendations made in the original audit reports had yet to be implemented.

He also referred Members to Appendix 2 of his report which outlined progress against the annual audit plan for 2020/21. He advised that 5 reports remained outstanding and that 4 of these would be presented to the September Committee meeting. This reflected the fact that services continued to be impacted by COVID-19 recovery work.

The Convener thanked Mr Stainbank for his report which she said highlighted the essential and very valuable work of the Internal Audit team.

**Decision**

The Committee agreed to note:

      i.     the main findings and recommendations from the Internal Audit reports issued during the period from February 2021 to June 2021;

      ii.     the findings from Internal Audit's follow-up work;

      iii.     Internal Audit's progress against the annual audit plan for 2020/21.


## 3.     ANNUAL INTERNAL AUDIT REPORT 2020/21

A report was submitted by the Service Manager – Internal Audit providing the Committee with a summary of the work undertaken by East Lothian Council's Internal Audit Unit in 2020/21 and supporting both the Council's Annual Governance Statement and the Internal Audit Controls Assurance Statement.

Mr Stainbank presented the report outlining the background to the Internal Audit service and summarising its performance during 2020/21. He drew Members' attention to the completed audits and levels of assurance provided; and the non-graded assurance statements issued between June and September 2020 covering areas which had changed control environments as a result of COVID-19. He also confirmed that there had been no instances during the year which had impacted on Internal Audit's independence and/or which had led them to declare any interest.

Councillor Currie commended the report which he said demonstrated the significant amount of work undertaken during the past year. He observed that many functions had been scaled back during the pandemic to allow the Council to focus on essential services but this report had highlighted the importance of continuing to audit the work being done, especially in relation to changes of practice and additional funding schemes being put in place as a result of COVID-19. He thanked Mr Stainbank and his team for their work and for supporting the Committee in its governance role.

**Decision**

The Committee agreed to note the contents of the Annual Internal Audit Report 2020/21.

## 4. CONTROLS ASSURANCE STATEMENT 2020/21

A report was submitted by the Service Manager – Internal Audit informing the Committee Internal Audit's responsibility to independently review the internal control systems within East Lothian Council, make an assessment of the control environment and report annually on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

Mr Stainbank presented the report highlighting the key findings: the work of the Internal Audit Unit; the sources which inform its evaluation of the control environment; and the assessment of controls and governance. It was Internal Audit's view that, subject to the weaknesses identified within the report, that reasonable assurance could be placed on the overall adequacy and effectiveness of East Lothian Council's framework of governance, risk management and control for the year ended 31 March 2021.

Councillor Forrest thanked Mr Stainbank and his team for their work. In such a difficult year it was a great achievement to ensure that all appropriate controls and governance had continued to work effectively.

The Convener agreed that the appreciation of all Committee members should be passed on to the staff in the Internal Audit team. She said that a huge amount of work and assurance had been given to the Committee through this work and that where issues had been identified these had subsequently been addressed.

**Decision**

The Committee agreed to note the Controls Assurance Statement as a formal confirmation of Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2021.


## 5. ELC ANNUAL AUDIT PLAN 2020/21

The annual audit plan for 202/21 was submitted by Audit Scotland.

Gillian Woolman, Audit Scotland, presented the plan referring to the impact of COVID-19 during 2020/21 and how this would be reflected her team's external audit work. She then highlighted the main points of the audit plan and reminded Members that the statutory deadlines for completion of this work had once again been extended with final sign-off required by 30th November 2021.

Councillor Currie asked about the risk of fraud in COVID-19 related transactions, referring to grant award schemes, provision of materials such as PPE and the pressure on local authorities to complete these transactions as quickly as possible. He said that as payments continued to be made to the social care and other sectors it could take a couple of years before the full picture became clear.

Ms Woolman agreed saying that this highlighted the challenges of 2020/21. The pressure to turn things around quickly had meant that the financial reporting of those transactions had not always been at the forefront of minds and there had been much subsequent debate about how to record them within the annual accounting process. However, some guidance was now available and further advice would come in relation to PPE and other transactions. Regarding fraud and error, she said that Internal Audit

had worked hard to provide assurances during the year that appropriate controls were in place and working effectively. She acknowledged that the payments would continue for some time and would feature in the 2021/22 audit work. In the meantime, Audit Scotland was planning a national report on 'following the pandemic pound'.

Jim Lamond, Executive Director for Council Resources, said that the pace of developments and the resulting pressures had been quite breath-taking at times and it was not simply lack of time but rather the guidance from Scottish Government, which meant that they were prevented from making off-sets against grant payments which might otherwise have been pursued.

Ms Fortune added that the year-end financial review and draft accounts would be presented to Council next week and every attempt had been made to consolidate all such transactions for 2020/21. As support payments and interactions were ongoing they would continue to be a significant focus during 2021/22 and beyond and would be reported to Council at appropriate points going forward.

Douglas Proudfoot, Executive Director for Place, added that the business support grant payments had created a significant amount of work over the past 15 months and had required a balance between appropriate governance and controls as well as observing the Scottish Government guidance to deliver payments as quickly as possible. He thanked Mr Stainbank and his team for their help in designing the governance processes and he said he looked forward to working with the external auditors over the coming months.

Ms Woolman replied to a question from Councillor McLeod explaining the justification for the increase in the audit fee.

The Convener asked the adequacy of resourcing of the Internal Audit team and elsewhere in the Council over the next year or two as the effects of the pandemic continued to be felt.

Ms Woolman acknowledged that the situation would remain challenging across the public sector for some time to come. She said that a remarkable amount had been achieved in the past year but that the risk of burnout was high and the full impact had yet to be seen.

Mr Lamond agreed that the pressures continued to be multiple and considerable and that managing these would remain challenging for some time yet. However, in accordance with the Council's Business Continuity Plans there was a focus on critical business priorities; redirecting resources as required. He confirmed that producing the annual accounts and supporting the audit process were deemed critical activities and carried high priority for the Council. Nevertheless he said that the Council had to work within the resources it had available and had demonstrated its ability to do that effectively over the past year.

Councillor Currie said that he had been reassured by the questions asked and answered that proper governance had continued throughout the pandemic and he hoped that this would be reflected in the audit findings. He referred to the review of the Dr Bruce Fund and other small trusts held by the Council and the importance of restarting this work to ensure that the funds available were used, as intended, for community benefit. He also pointed to the need for continuity of the scrutiny functions as the Council recovered from the pandemic; pointing to the local government elections in May 2022 and the fact that not all Elected Members would straddle both periods.

**Decision**

The Committee agreed to note the contents of the annual audit plan 2020/21.


**6.     ELC MANAGEMENT LETTER 2020/21**

Ms Woolman also presented Audit Scotland's letter outlining the results of their review of internal controls in the Council's financial systems for 2020/21. She summarised the key findings and Management's response.

Ms Woolman and her colleague Esther Scoburgh responded to a question from the Convener. They confirmed that the control issues noted in the report were not unique to East Lothian and that the 'working from home effect' had impacted on a range of audit results.

**Decision**

The Committee agreed to note the contents of the management letter.


**7.     ANNUAL TREASURY MANAGEMENT REVIEW 2020/21**

A report was submitted by the Executive Director for Council Resources updating the Committee on Treasury Management Activity during 2020-21.

Ms Fortune presented the report. She informed Members that the figures quoted should be considered as draft until the completion of the annual accounts and that they would be notified of any changes. She summarised the key points of the report and advised that the Council had again borrowed less than anticipated ending the year in an under-borrowed position. She drew attention to the investment strategy, the borrowing and investment activity and the ongoing impact of COVID-19 on the 2020/21 figures.

Ms Fortune responded to a questions from the Convener regarding debt rescheduling.

**Decision**

The Committee agreed to note the report.


**8.     CORPORATE GOVERNANCE SELF-EVALUATION/ANNUAL GOVERNANCE STATEMENT 2021**

A report was submitted by the Chief Executive advising the Committee of the results of the Corporate Governance Self-evaluation 2021 and the proposed Annual Governance Statement to be included in the 2020/21 Annual Accounts

Paolo Vestri, Service Manager – Corporate Policy & Improvement, presented the report outlining the background to the Good Governance framework, its core principles and the key findings from the self-evaluation exercise. He advised that many of the actions from last year had been delayed due to COVID-19 and that this was reflected in the recently adopted, revised Council Improvement Plan (CIP). This year's self-evaluation exercise had not identified any new improvement actions but CMT would

be carrying out a structured de-brief of the Council's COVID-19 response and a briefing for Members would follow later in the year. Any actions identified during the de-brief would be added to the CIP.

Mr Vestri also drew Members' attention to the proposed Annual Governance Statement for inclusion in the 2020/21 annual accounts.

Mr Vesrti replied to a question from the Convener outlining the process of continuous improvement which had been adopted by the Council over the past 8 years and he referred to the findings and assurance provided from the Best Value audit. While he acknowledged that self-evaluation could be subjective, he believed that the Council's process was fair and the findings identified were assiduously followed up through the Council Improvement Plan.

The vote on the recommendation iii was taken by roll call:

Councillor J Henderson          Agreed
Councillor S Currie             Agreed
Councillor A Forrest            Agreed
Councillor C Hoy                Agreed
Councillor K Mackie             Agreed
Councillor G Mackett            Agreed
Councillor K McLeod             Agreed
Councillor J Williamson         Agreed

**Decision**

The Committee agreed:

i.   To note the results of the self-evaluation carried out using the Framework and consider whether any additional improvement actions should be added.

ii.  To note the progress made with the actions included in the 2021-2022 Council Improvement Plan.

iii. The Annual Governance Statement to be included in the 2020/21 Annual Accounts, as set out in the report.


**9.      CORPORATE RISK REGISTER**

A report was submitted by the Chief Executive presenting to the Committee the Corporate Risk Register for discussion, comment, and noting.

Scott Kennedy, Emergency Planning, Risk and Resilience Officer, presented the report outlining the background to the register and the arrangements for assessment and review of ongoing risks. He informed Members that the register included 1 Very High, 8 High, 9 Medium and 1 Low Risk.  As per the Council's Risk Strategy, only the Very High and High risks were being reported to the Committee.

**Decision**

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

i.   the relevant risks had been identified and that the significance of each risk was appropriate to the current nature of the risk.

ii.   the total profile of the Corporate risk could be borne by the Council at this time in relation to the Council's appetite for risk.

iii.   although the risks presented were those requiring close monitoring and scrutiny over the next year, many were in fact longer term risks and were likely to be a feature of the risk register over a number of years.

iv.   the Council Management Team would review all risks in the Corporate Risk Register on a regular basis.

**SUMMARY OF PROCEEDINGS – EXEMPT INFORMATION**
The Audit and Governance Committee unanimously agreed to exclude the public from the following business containing exempt information by virtue of Paragraph 14 (any action taken or to be taken in connection with the prevention, investigation or prosecution of crime) of Schedule 7A of the Local Government (Scotland) Act 1973.

**Internal Audit Report on Cybersecurity**
A report was submitted by the Service Manager – Internal Audit informing the Committee of the recently issued audit report on cybersecurity. The Committee agreed to note the contents of the report.

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**East Lothian Council**

**3**

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|---|---|
| **REPORT TO:** | Audit and Governance Committee |
| **MEETING DATE:** | 21 September 2021 |
| **BY:** | Service Manager – Internal Audit |
| **SUBJECT:** | Internal Audit Report – September 2021 |

## 1    PURPOSE

1.1    To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee and to provide an update on progress made against the 2020/21 annual audit plan.

## 2    RECOMMENDATION

2.1    That the Audit and Governance Committee note:

    i.    the main findings and recommendations from the Internal Audit reports issued during the period from July 2021 to September 2021 as contained in Appendices 1 & 2;

    ii.    Internal Audit's progress against the annual audit plan for 2020/21 as set out in Appendix 3.

## 3    BACKGROUND

3.1    Since the last meeting of the Committee final reports have been issued in respect of the following audits: Non-Domestic Rates Reliefs & Recovery, Partnership Funding, Council Tax Reliefs & Recovery and Scottish Housing Regulator Annual Assurance Statement (see Agenda Item 4).

3.2    The main objective of the audits was to ensure that the internal controls in place were operating effectively. A summary of the main findings and recommendations from the audits is contained in Appendix 1.

3.3    In addition since the last meeting of the Committee an Assurance review of the Low Income Pandemic Payment Process has been completed.

3.4    The main objective of the Assurance exercise was to establish if the internal controls in place provide an appropriate control environment. A summary of the main findings and recommendations from the Assurance exercise is contained in Appendix 2.

3.5 As the Assurance exercise is not a complete audit of this emerging process it has not been assessed with an assurance level. However a conclusion on how appropriate the internal control processes are has been provided.

3.6 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:

- ➢ Non-Domestic Rates Reliefs & Recoveries – Moderate Assurance
- ➢ Partnership Funding – Reasonable Assurance
- ➢ Council Tax Reliefs & Recoveries – Reasonable Assurance
- ➢ Scottish Housing Regulator Annual Assurance Statement – Not graded

**Progress Report 2020/21**

3.7 A progress report attached as Appendix 3 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan for 2020/21.

## 4 POLICY IMPLICATIONS

4.1 None

## 5 INTEGRATED IMPACT ASSESSMENT

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

## 6 RESOURCE IMPLICATIONS

6.1 Financial – None

6.2 Personnel – None

6.3 Other – None

## 7 BACKGROUND PAPERS

7.1 None

| AUTHOR'S NAME | Duncan Stainbank |
|---|---|
| DESIGNATION | Service Manager – Internal Audit |
| CONTACT INFO | dstainbank@eastlothian.gov.uk |
| DATE | 10 September 2021 |

# Appendix 1  Executive Summary: NDR – Reliefs and Recovery

## Conclusion: Moderate Assurance

The internal controls in place for NDR – Reliefs and Recovery are broadly reliable, however there are a number of controls that require to be implemented or improved to provide a fully effective control process, including updating the existing procedures for reliefs and exemptions to provide clear guidance to staff, the existing arrangements in place for monitoring the continued entitlement to reliefs and exemptions, the monitoring of Small Business Bonus Scheme Relief for ratepayers with multiple business premises and the arrangements in place for undertaking quality assurance checks to confirm that reliefs and exemptions have been correctly awarded.

**Background**

Non-Domestic Rates are levied in respect of all non-exempt commercial properties in Scotland. The amount to be paid is based on the rateable value (as determined by the Assessor) and the poundage rate set each year. Rateable values are regularly reviewed to reflect changes to the property market – the rateable values in Scotland were last reviewed with effect from 01/04/2017.

A number of reliefs and exemptions are available for business premises including Small Business Bonus Scheme Relief, unoccupied property relief and mandatory charity relief. The Scottish Government introduced a number of further reliefs in response to the Coronavirus pandemic for 2020/21 including a 1.6% relief for all Non-Domestic properties and 100% relief for properties in the retail, hospitality and leisure sectors. We note that the Council suspended recovery action in 2020/21 to support businesses during the pandemic and the final notices were subsequently issued in May 2021.

**Summary of findings & recommendations**

The following key findings and recommendations are highlighted, which have all been **agreed by Management**:
- The existing procedures in place require to be reviewed and updated to ensure that clear guidance is provided to staff on each of the reliefs and exemptions available to ratepayers in Scotland. *Management have agreed to update the existing procedures* **by February 2022**.
- The monitoring arrangements in place for the award of Small Business Bonus Scheme Relief to ratepayers with multiple business premises require review. *Management have agreed to undertake an annual review* **by January 2022**.
- There was a lack of quality assurance checks undertaken to confirm that reliefs and exemptions had been correctly awarded during 2020/21. *Management have agreed to undertake checks on a sample of reliefs and exemptions from the automated weekly relief report* **by May 2022**.
- The existing arrangements in place for monitoring the continued entitlement to reliefs and exemptions require review – in a number of cases no reviews had been undertaken and in other cases the last review was carried out in 2012. *Management have agreed to develop electronic review forms and start the roll out to ratepayers* **by November 2021**.

**Recommendation Summary**

| Recommendations Grade | High | Medium | Low | Total |
|---|---|---|---|---|
| Current Report | - | 14 | - | 14 |
| Prior report (January 2019) | - | 8 | - | 8 |

**Materiality**

The Council has approximately 3,800 commercial properties in East Lothian and the gross amount payable for 2020/21 based on the rateable values of the properties was approximately £41.1 million prior to reliefs and exemptions being applied. The Non-Domestic Rates collection rate for 2020/21 was 98.16% (2019/20 - 99.04%).

# Headlines

| Objectives | Conclusion | Comments |
|---|---|---|
| 1. Adequate policies and procedures are in place for administering Non-Domestic Rates. | Moderate | The Business Rates Section have procedural guidance notes for some reliefs and exemptions, however detailed procedures have not been prepared for all the reliefs and exemptions available, outlining the key eligibility criteria and how to award the relief on the Capita system. There is a timetable for the automated recovery routines in respect of Non-Domestic Rates debt and staff members have work instructions to assist with each stage of recovery. We note that the Council's 2006 Discretionary Rates Relief Policy was reviewed and updated in February 2014, however the updated policy has yet to be formally approved. |
| 2. Adequate procedures are in place to ensure that reliefs and exemptions are correctly applied. | Moderate | We selected a sample of 30 cases where a relief or an exemption had been awarded in 2020/21 and found that in 25 cases the relief or exemption had been properly applied, however in two cases there was a failure to monitor the award of Small Business Bonus Scheme Relief for ratepayers with multiple business premises and for the remaining three cases the ratepayer had either not been awarded the correct category of relief or there was a lack of evidence to support the award. The existing arrangements in place for monitoring the continued entitlement to reliefs and exemptions require review. |
| 3. Adequate arrangements are in place to ensure that quality assurance checks are undertaken on reliefs and exemptions. | Moderate | We found that the Business Rates Section had not undertaken quality assurance checks during 2020/21 to confirm that reliefs and exemptions had been correctly awarded due to the increased work pressures relating to the Coronavirus pandemic. An automated weekly relief report is sent to the Business Rates Section which highlights any changes to reliefs and exemptions for that week, however we found that there was a lack of evidence to confirm that a sample of individual accounts had been checked to the Capita system. |
| 4. Adequate arrangements are in place for the effective recovery of Non-Domestic Rates debt. | Moderate | The Council had to wait for a software update from Capita that would reduce the annual rate poundage by 1.6% and the revised Non-Domestic Rates bills for 2020/21 were issued in December 2020. There was a clear audit trail to confirm that the suspension of recovery procedures had been approved and the final notices were subsequently issued in May 2021. For a sample of 15 arrears cases examined, we found three cases where there was a lack of clear explanations on the Capita system to explain why recovery had been held or why an awaiting further action flag had been placed on the account, and for a further case the ratepayer should have been automatically awarded Retail, Hospitality and Leisure relief for 2020/21. |
| 5. Adequate procedures are in place for making payment arrangements. | Reasonable | For a sample of 15 accounts with NDR arrears, we found that adequate procedures are in place for agreeing payment arrangements with ratepayers. The arrangements sought to clear the total current year debt and had been appropriately monitored to ensure that ratepayers adhered to the repayment plan. |
| 6. Adequate arrangements are in place for monitoring Non-Domestic Rates arrears. | Reasonable | The recovery of current year debt begins after the 30th September each financial year and we found that the Business Rates Section had reviewed all outstanding debt in 2020/21 both current year and previous years. Monthly reports are not provided to the Business Rates Section to enable staff members to monitor debt, however a full arrears balances report is requested by the Business Rates Section on an ad-hoc basis. |

# Areas where expected controls are met/good practice

| No. | Areas of Positive Assurance |
|-----|------------------------------|
| 1. | A clear audit trail exists for all reliefs and exemptions awarded – the Capita system records the type of relief or exemption applied and the effective dates of entitlement. |
| 2. | Adequate procedures are in place for making payment arrangements with ratepayers, which seek to clear the total current year debt. |
| 3. | Adequate arrangements are in place for monitoring Non-Domestic Rates arrears. |

# Recommendation Grading/Overall Opinion Definitions

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

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

# Executive Summary: Partnership Funding

## Conclusion: Reasonable Assurance

The Council's Partnership Funding process was reviewed in 2018 and the revised approach included new criteria, application, evaluation and awards processes for funding to community groups and voluntary/third sector organisations in East Lothian. We found that appropriate arrangements are in place in respect of the application and assessment process, approval and reporting of awards and the payments process. In addition we found that detailed records are maintained of all applications received and of all stages in the assessment, decision making and payments processes and for the monitoring and review of projects. Areas with scope for improvement include further work on the development of Service Level Agreements (SLAs) and the embedding of the half yearly review and monitoring of projects.

### Background

For many years, the Council's partnership grant funding has supported community organisations in their work to make East Lothian a better place to live, and through Partnership Funding the Council seeks to demonstrate successful partnership working, with the overarching intention of reducing inequalities within and across East Lothian's communities. In recent years a One Council approach to Partnership Funding has been adopted and the Members' Library Report of 15 May 2020 provided details of 2020/21 Partnership Funding of £1,596,459 to community groups and voluntary/third sector organisations operating in East Lothian. The Members' Library Report of 17 May 2021 advised of a further allocation to community groups and organisations for 2021/22 of £1,545,508. In response to the challenges of the Covid-19 pandemic, the report advised that the focus of the 2021/22 funding awards was to be on supporting initiatives which will help to mitigate the adverse impacts of Covid-19.

### Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager – Connected Communities.**

- There is a need to further progress work on the development of Service Level Agreements (SLAs) where this has been identified as the most appropriate basis for funding organisations in receipt of regular partnership funding. *Management have agreed to review the process for SLAs* **by December 2021**.
- There is scope to enhance and embed the half-yearly project monitoring and review of projects, to ensure that this review can feed into the assessment process for the next year's award of Partnership Funding. *Management have agreed to develop procedures for half-yearly reviews* **by March 2022**.
- There is an opportunity to further enhance controls by undertaking an annual reconciliation of total Partnership Funding awards, as approved and reported annually to the Members' Library, to total Partnership Funding expenditure as recorded in the Council's general ledger. *Management have agreed to prepare a 2020/21 reconciliation* **by October 2021 and thereafter on an annual basis by June each year**.
- Due to the unique circumstances of the 2020/21 year and as a result of COVID-19 a small number of agreed awards have not been paid due to events or activities not taking place, an additional sum was paid to one organisation and at least one grant was held over to the 2021/22 year. *Management have agreed to prepare a year-end Members' Library report* **by October 2021.**

### Recommendation Summary

| Recommendations Grade | High | Medium | Low | Total |
|---|---|---|---|---|
| Current Report | - | 6 | - | 6 |
| Prior report (March 2015) | - | 6 | - | 6 |

### Materiality

The Council has adopted a One Council approach to Partnership Funding. For 2020/21 funding of £2,980,100 was allocated by Communities, comprising:
One Council Partnership Funding – £1,596,459
Community Councils and Local Priority Scheme – £133,641
Budgets allocated to Area Partnerships – £1,250,000

# Headlines

| Objectives | Conclusion | Comment |
|---|---|---|
| 1. Clear, accessible and appropriate Council policies, procedures and guidance are in place for Partnership Funding grant awards. | Reasonable | The Council's Partnership Funding process was reviewed in 2018 and the Members' Library report of 16 October 2018 provided details of the review of the "One Council Partnership Grants Fund" funding process, including new criteria, application, evaluation and awards process for funding to community groups and voluntary/third sector organisations in East Lothian. We found that the Council's website clearly details the updated Partnership Funding process, including initiatives/activities the Council will seek to support and the application and assessment process. |
| 2. A clear and consistent approach is in place for the approval and reporting of Partnership grants awarded. | Reasonable | A clear and consistent approach is in place for the approval of Partnership Funding grant awards by the of Head Communities, under delegated powers, and for an annual report to the Members' Library, which provides details of organisations applying for funding, the previous year's award (if any), grant amount applied for, amount awarded (or if the application was declined), geographical area covered by the application, ELC strategic priorities covered by the application and the purpose of the grant. We note however that there is scope to prepare a year-end Members' Library report to advise of any ad-hoc or exceptional changes to Partnership Funding payments during the year. |
| 3. An application process is in place for all organisations seeking Partnership grant funding. | Substantial | An annual application process is in place for organisations seeking Partnership Funding. The application form, which is available on the Council's website, requires applicants to provide a range of information including activities and items to be funded, Council Plan and LOIP priorities the project will support, how the impact of the funding will be evidenced, additional sources of funding applied for and details of any other income received from ELC. |
| 4. A clear and transparent assessment process is in place, and is consistently applied, for all funding applications received. | Reasonable | A Council Officer Assessment Panel has been established, comprising of relevant Council officers from service areas across the Council, and the Panel met to consider applications received for 2020/21 funding. Detailed meeting notes were maintained for each application considered including name of the organisation applying for funding, amount applied for, previous year's funding awarded (if any), lead service, comments from Panel members and the Panel decision. Several organisations receive regular annual partnership grant funding and it was proposed that these are separated out from the annual grant application process and funding be awarded on a three-year basis linked to a Service Level Agreement (SLA), however further progress on the development of SLAs is required. |
| 5. Appropriate arrangements are in place to ensure that all Partnership grant payments made are accurate and are in accordance with the approved amounts. | Reasonable | Arrangements are in place to ensure that all Partnership grant payments made are accurate and are in accordance with the approved amounts. A detailed payments record is maintained, including organisation name, creditors ID, amount approved (or if declined), payment amount (nil if declined), payment date, payment reference and repayment amount (if relevant). We note that there is an opportunity to further enhance controls by undertaking an annual reconciliation of total Partnership Funding awards, as approved and reported annually to the Members' Library, to total Partnership Funding expenditure recorded in the Council's general ledger. |
| 6. Appropriate monitoring and review processes are in place to ensure that all Partnership Funding awarded is achieving the desired outcome/impact. | Reasonable | Appropriate monitoring and review arrangements are in place to ensure that the desired outcome/impact is being achieved – lead services are identified to facilitate ongoing/regular dialogue and involvement with the funded partners throughout the year and End of Project Reports are required from all organisations in receipt of funding. These reports are not received until after consideration of the next year's application/award and there is scope to enhance and embed the half-yearly project monitoring and review of projects and use of the funds awarded, to ensure this can be fed into the assessment process for the next year's award of Partnership Funding. |

# Areas where expected controls are met/good practice

| No. | Areas of Positive Assurance |
|---|---|
| 1. | The Council has clear, accessible and appropriate Council policies, procedures and guidance in place for Partnership grant funding awarded to third sector/voluntary organisations, and all relevant details are provided on the Council's website. |
| 2. | A clear and consistent approach is in place for the approval of Partnership Funding grant awards by the Head of Communities and for the reporting to the Members' Library of annual awards made. |
| 3. | The service area maintains a detailed monitoring spreadsheet (One Council Partnership Funding Log) of all applications received for Partnership Funding, including details of the Date Application Received, If Application is above 5k/below 5k, Funding Applied For, Previous Year's Funding Awarded (if any), Accounts Received, Constitution Received, Other Supporting Documentation Received, Date Acknowledgement Sent, Lead Service, Amendments Received (if any), Funding Approved or Declined, Decision Comments, Approved Amount, Lead Manager, Decision Notice Issued Date, Grant Acceptance Received Date, Grant Payment Date, Total Paid, Amount Remaining (if any), Amount Repaid (if any) and Comments. |
| 4. | A Council Officer Assessment Panel has been established to consider all applications for Partnership Funding received, which comprises of relevant Council officers from service areas across the Council. A record was maintained of officers attending the meetings and where officers were unable to attend, there was evidence of email responses being provided for consideration at the meetings. Detailed meeting notes were maintained for each application considered including the Name of organisation applying for funding, Amount applied for, Previous year's funding awarded (if any), Lead service, Comments from Panel members and Panel decision. We found that there was a clear rationale for all award decisions reached. |
| 5. | Appropriate arrangements are in place to ensure that all Partnership grant payments made are accurate and are in accordance with the approved amounts. A detailed record is maintained of all payments made and for a sample of organisations awarded Partnership Funding in 2020/21 and 2021/22 we confirmed that grant payments made were in accordance with the approved grant awards. In addition for a sample of organisations whose applications had been declined, we confirmed that no payments had been made. We note that in 2020/21, three awards totalling £10,262 (for £7,312, £2,450 and £500 respectively) were not paid due to the projects/activities not going ahead due to Covid-19. |
| 6. | Monitoring and review processes are in place to ensure that all Partnership Funding awarded is achieving the desired outcome/impact. For each award a lead service and manager is identified and remitted to monitor the operation of each partner and to ensure funds are used appropriately in the course of the financial year or the term of the Service Level Agreement, in the case of longer funding awards. All organisations awarded funds are required to provide an annual report on the use of the funds awarded and the achievement of the outcomes contained within their original application. |

# Recommendation Grading/Overall opinion definitions

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

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

# Executive Summary: Council Tax – Reliefs & Recovery

## Conclusion: Reasonable Assurance

The Council has appropriate processes and procedures in place to ensure that appropriate reliefs are allowed to be offset against Council Tax and that arrears can be recovered. During the period since the Covid-19 pandemic was announced there has been an increase in applications for Council Tax Reduction and also an increase in arrears. However, during this period Council Tax staff have been involved in the delivery of additional funding being provided by the Scottish Government which has resulted in lower levels of monitoring of arrears.

**Background**

Under section 1 of the Local Government Finance Act 1992 each Council can levy and collect a council tax. During the Coronavirus pandemic the DWP recommended that all authorities adopted the principles of Trust & Protect, which allowed some relaxations on checking applications for financial support supported by access being to DWP and HMRC systems, this process was implemented appropriately and applications accepted without fully validated evidence have been marked for future review. Following discussions by the Scottish Local Authorities Directors of Finance group the decision was taken that during the periods of full lockdown recovery actions would be suspended, this has been enacted by East Lothian Council in accordance with this decision. The suspension of recovery action along with the economic effects of Covid-19 has lead to an increase in the level of Council Tax arrears. Resources within the Council Tax teams have been focused on providing advice and assistance with Council Tax reliefs and payment arrangements.

**Summary of findings & recommendations**

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

- Evidence should be retained to verify applications for Single Person Discount. *Management have agreed to develop a process to ensure that evidence is retained* **by May 2022.**

- Regular checks should be carried out to confirm that claims for Single Person Discount continue to be valid, these have not been carried out during the Covid-19 pandemic due to staff carrying alternative work relating to grant funding. *Management have agreed to put a strategy in place to ensure these checks are carried out* **by March 2022**.

**Recommendation Summary**

| Recommendations Grade | High | Medium | Low | Total |
|---|---|---|---|---|
| Current Report | - | 2 | 1 | 3 |
| Prior report | N/A | N/A | N/A | N/A* |

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

**Materiality**

In 2020/21 the Council raises £58.585 million of it's income from Council Tax, which equates to 21% of its taxation and non-specific grant income. At 31/03/20 arrears amounted to approximately £2.6 million but at 31/03/21 this had risen to approximately £3.8 million.

# Headlines

| Objectives | Conclusion | Comment |
|---|---|---|
| 1. Clear, accessible, relevant and appropriate Council Tax policies and procedures are in place. | Reasonable | In addition to the procedures and processes normally in place for Council Tax, during the 2020/21 financial year further guidance and procedure documents were put in place to allow council tax to be collected as a result of the Covid-19 pandemic including procedures on financial support. |
| 2. Procedures are in place to confirm details provided for CTR applications, taking into account revised legislation and guidance during 2020/21. | Reasonable | As recommended by the DWP the Council adopted the Trust & Protect principle which reduced the level of checking that was required and verification carried out at a later date. From the sample of 30 reliefs reviewed only 2 cases related to taxpayers who were not on any form of benefit and therefore further income verification documentation was required. These have been appropriately flagged for further review. In all other cases verification could be carried out via one of the DWP systems. |
| 3. Processes are in place to confirm the accuracy of applications for single person discount | Moderate | From a sample of 30 cases we found that evidence to confirm an application for single person discount was only available in 16 cases. We found that there is not a consistent approach to the checking of continued eligibility for single person discount. |
| 4. Procedures are in place to monitor arrears. | Reasonable | Processes are in place to ensure that regular reports are produced of accounts that are in arrears and as part of this process the appropriate letters are automatically produced. Where appropriate payment arrangements are put in place to recover the arrears and for a sample we confirmed that these arrangements are monitored and where the arrangement is defaulted further action is taken to recover the arrears. A "Hold" can be put on an account to halt any recovery action and we were able to confirm that with the exception of some historic cases where benefit exceeds liability these were all for valid reasons. |
| 5. Procedures are in place to instigate recovery action in accordance with procedures as revised by guidance throughout 2020/21. | Reasonable | Processes are in place to instigate recovery action where this is required, however a decision was taken to halt recovery action at the Final Notice stage during periods where Scotland was in lockdown as a result of the Covid-19 pandemic. In addition Council Tax staff have been involved in the delivery of additional funding streams provided by the Scottish government and this has resulted in lower levels of monitoring than would normally be expected. For a sample we confirmed that in all cases the appropriate recovery action was being taken. |
| 6. Processes are in place carry out quality review checks for discounts and exemptions | Reasonable | Processes are in place to ensure that checks are carried out on the validity of discounts and exemptions being granted, we confirmed that these were being carried out on a sample basis. |

# Areas where expected controls are met/good practice.

| No. | Areas of Positive Assurance |
|-----|----------------------------|
| 1. | Following discussions by the Scottish Local Authorities Directors of Finance group the decision was taken that during the periods of full lockdown recovery actions would be suspended, this has been enacted by East Lothian Council in accordance with this decision. Recovery action was therefore not taken on Council tax between March 2020 and June 2020 and November 2020 and March 2021. |
| 2. | Policies and procedures have been put in place to ensure compliance with legislation and process change throughout 2020/21 including procedures concerning providing financial advice during the pandemic. |
| 3. | Procedures are in place to ensure that regular reports are produced to monitor accounts with arrears on a monthly basis. |
| 4. | Procedures are in place to seek recovery of defaulted payments, via monthly issue of reminder notices when required. |
| 5. | Procedures are in place to seek payment of defaulted payments via an agreed payment arrangement schedule, staff monitor payment arrangements on a monthly basis. |
| 7. | Quality assurance checks are carried out on a regular basis to confirm the accuracy of discount and exemption calculations and ensure consistency of staff application of procedures in these areas. |
| 8. | Procedures are in place to ensure that applications for Council Tax Reduction are fully verified, this can be done by reference to external DWP and HMRC systems in most cases and were further evidence is required this will be requested when appropriate to do so. |

# Recommendation Grading/Overall opinion definitions

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

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

**East Lothian Council Assurance Review**

| From: | Duncan Stainbank, Service Manager – Internal Audit |
| | Stuart Allan, Senior Auditor |
| To: | Sarah Fortune, Executive Director of Resources |
| | Kenny Christie, Service Manager – Revenues & Benefits |
| | Linda Ritchie, Team Leader – Benefits |
| | Chris Hall, Team Leader – Revenues & Systems Development |
| | Dawna McPherson – Performance & Business Development Officer |
| Date: | September 2021 |

**Low Income Pandemic Payments (LIPPs)**

**1. Background**

As part of the Scottish Government Budget 2021/22, the First Minister announced that a one-off £130 Low Income Pandemic Payment would be made by 31 October 2021 to households who are either:-

In receipt of Council Tax Reduction for at least one day during the period 1 April 2021 to 30 April 2021.

OR

Were exempt or had no liability for Council Tax during the month of April 2021, for one of the following reasons:

- Living in temporary accommodation, including a refuge
- Home is unoccupied because you were being cared for or are caring for someone else
- All members of the household were care leavers, under 18 or severely mentally impaired.

East Lothian Council's Revenues and Benefits Team have identified approximately 7,500 households within East Lothian who are entitled to this payment and will be contacting each qualifying household to arrange for payment to be made. Internal Audit have completed a review of the application process.

**2. Findings**

Internal Audit sought to review the grant application process in place. The Revenue and Benefits Team have created a master spreadsheet of all households which meet the criteria identified above from the Capita Council Tax system. Each household will be contacted during July to October 2021 and requested to apply for the £130 payment. Contact has been made to households who provided email addresses by email initially and a request made to apply for the payment via an online application form. Applicants can request the payment to be made directly to the applicant's bank account or added to their council tax account. When payment is due to be made to a bank account then evidence via a bank statement is requested to prove that the bank account provided on the application form is that of the appropriate applicant. The Scottish Government guidance for this payment is that no

account should be taken of the arrears position with the Council of the household when making the payment, accordingly this is the case.

Those with email addresses were contacted initially however, these households only account for 30% of the total. Letters are then being sent to the remaining 70% of households we believe to be eligible. The option of contacting the Council by phone to have an application form completed on the applicants behalf with evidence being posted in or scanned at a local office is in place. Regular reports are being run to identify if there are any further households that have now become eligible for this payment due to a change in Council Tax status that is being retrospectively applied, any newly eligible individuals will then be contacted to complete an application.

Procedures for this temporary payment scheme have been put in place and reviewed by Internal Audit. Internal Audit then reviewed 30 applicants, including 15 from payment files and 15 who had been emailed, to ensure that applications were being processed in accordance with these procedures, the following are the key findings from this testing:

- When payments have been made to individuals they have been made to the bank details provided in the application and backed up by the evidence provided. Applications are being received in the name of the individual recorded on the Council Tax system or there is a suitable reason why not that has been evidenced, such as joint bank accounts being held for spouses or financial advocacy organisations managing client's funds.
- In 6 cases the evidence of the bank account being used to make a payment is an online screen shot from a mobile banking application. These screen shots do not contain an address of the individual and often no name details on the account. Most mobile phone banking applications do not allow for customers to download bank statements, which require use of the online banking platform on a PC or laptop. In these cases whilst there is no evidence that these bank details do not belong to the applicant, it is not clear either that they are in the name of the applicant. In all 6 cases payments have been made direct to the applicant's requested bank details.
- In 4 of the 6 cases where screen shots from a mobile banking application have been accepted further evidence of address has been requested, Council tax letters being accepted in 2 cases and other letters with no clear date on the image of the letter accepted in another 2 cases. No further evidence was requested in the remaining 2 cases.
- In 3 cases the bank statements accepted as evidence were in excess of 6 months old at the time of application with the oldest being a bank statement from August 2019.
- In 2 cases requests have been made to add the £130 figure to the household Council Tax account. It is currently indicated that this will be completed at the end of this application process in late October 2021.

### 3. Conclusions

Based on our review of the processes in place, the controls in place for this payment are working appropriately in accordance with the instructions provided by the Scottish Government in most cases. However, there is a need to clarify further the evidence requirements with staff completing these reviews and a requirement to continue to monitor implementation through the process. Consideration should also be given to applying funds to Council Tax accounts on an earlier basis when this has been specifically requested. Concern remains on the inherent fraud risk with this payment scheme given the large number of potential applicants and the speed of implementation.

## 4. Recommendations

**Recommendation 1**: The procedures in place for staff processing LIPP's payments should include a requirement to request that, when screen shots are used of mobile banking applications, staff should request that applicants include enough information to confirm that those bank details are registered in the applicant's name. In addition a further piece of evidence to provide proof of address will be required.

**Management Response and Timescale:**

Agreed, revised guidance has already been put in place for applications to confirm that a name and address will be required on evidence and staff will be reminded of the requirements for this in processing applications.

September 2021


**Recommendation 2**: The procedures in place for staff processing LIPP's payments should state both to applicants and staff that all evidence, including bank statements, should be within 6 months of the application being made. In addition the date of the evidence should be clearly identified in any images provided.

**Management Response and Timescale:**

Agreed, staff will be advised of this requirement when processing applications from now on.

September 2021


**Recommendation 3**: Consideration should be given to adding LIPP's payments to the Council Tax accounts of households, where this has been requested, on a monthly basis and not just at the end of the payment process.

**Management Response and Timescale:**

Agreed, consideration will be given to this within the resources available in the systems team.

September 2021

| AUDIT REPORTS | SCOPE OF THE AUDIT | TARGET COMPLETION DATE | STATUS |
|---|---|---|---|
| Housing Rents | We will examine the processes and controls in place for the billing and reconciliation of housing rents. | November 2020 | Completed |
| Payroll Systems | We will review the procedures in place for ensuring the accuracy and completeness of payroll information and overall payments being made to staff following the implementation of the new payroll system in 2019/20. This review will be subject to discussion with Audit Scotland to prevent duplication of assurance resources. | June 2021 | Completed |
| Council Tax | We will now focus Council Tax audit work on granting of reliefs and recovery processes. | June 2021 | Completed |
| Non-Domestic Rates | We will now focus our audit work on granting of new Non-Domestic Rates reliefs and recovery processes. | June 2021 | Completed |
| EU Exit | We will review the actions identified to mitigate the risks of EU exit and examine the reported progress on implementation of these actions. | November 2020 | Completed |
| Section 75 (Developer Contributions) | Section 75 payments (developer contributions) bring significant funds to the Council for infrastructure projects. We will examine all control aspects of the Section 75 process. | November 2020 | Completed |

| AUDIT REPORTS | SCOPE OF THE AUDIT | TARGET COMPLETION DATE | STATUS |
|---|---|---|---|
| Homelessness Assessment & Housing Allocation | We will review the processes in place for the assessment of homelessness, provision of preventative advice and allocation of temporary accommodation and housing rents following recent changes. | June 2021 | Deferred to 2022/23, due to legislation implementation dates. |
| Cyber Security | We will examine the evidence of compliance with appropriate cyber security standards including ISO27001, International Standard for Information Security and the Scottish Government Cyber Resilience Strategy for Scotland, Public Sector Action Plan. | June 2021 | Completed |
| School Excursions | Review of the control processes in place to ensure security of funding and reduction of risk for the arrangements for School Excursions. | June 2021 | Deferred to November 2021 |
| COVID Lessons Learned | Internal Audit will review progress on implementation of mitigation actions as part of a lessons learned exercise for the COVID-19 pandemic. | February 2021 | Completed |
| Residential & Non Residential Care Charges | We will review the controls in place for charging for residential & non-residential care to ensure that all charges are being made and collected in accordance with policy. | November 2020 | Completed |
| Fleet Management | We will review the arrangements in place for the replacement, purchase, disposal and maintenance scheduling of vehicles through the new fleet management system. | February 2021 | Completed |

| AUDIT REPORTS | SCOPE OF THE AUDIT | TARGET COMPLETION DATE | STATUS |
|---|---|---|---|
| Following the Public Pound | This audit rolled over from the 2019/20 audit plan and will review controls around a selection of organisations receiving Community Partnership Funding. | June 2021 | Completed |
| Risk Management | We will select a sample of High risks from both the Council's Corporate Risk Register and service area Risk Registers and will review the adequacy and effectiveness of the risk control measures in place. | February 2021 | Completed |
| Scottish Housing Regulator (SHR) Annual Assurance Statement | Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulator's Chapter 3 of the Regulatory Framework. | November 2020 | Completed |
| Review of Performance Indicators | Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators. | June 2021 | Completed |

**East Lothian Council**

**4**

| | |
|---|---|
| **REPORT TO:** | Audit and Governance Committee |
| **MEETING DATE:** | 21 September 2021 |
| **BY:** | Service Manager – Internal Audit |
| **SUBJECT:** | Revised Internal Audit Plan 2021/22 |

## 1    PURPOSE

1.1    To inform the Audit and Governance Committee of Internal Audit's revised operational plan for 2021/22.

## 2    RECOMMENDATION

2.1    The Audit and Governance Committee is asked to approve the revised Audit Plan for 2021/22.

## 3    BACKGROUND

3.1    As advised to the Audit and Governance Committee, a revised Internal Audit Plan for 2021/22 is being presented to the Audit and Governance Committee to take account of the revised risk profile of the Council as the response to, and initial recovery from, the impact of COVID-19 continues. This plan will operate from September 2021 to June 2022.

3.2    The annual audit plan has been prepared in accordance with Public Sector Internal Audit Standards (PSIAS).

3.3    In preparing the annual audit plan a range of factors have been taken into account, including:

- the Council Plan 2017-22 and the key actions that the Council will pursue in order to meet its objectives;

- areas highlighted by Senior Officers;

- revised corporate and service area risk registers;

- the Council's performance and financial statements;

- changes in service delivery;

- the findings from previous years' audit work; and

- the need to incorporate flexibility for reactive/investigatory work.

3.4     Internal Audit's primary role is to independently review internal control systems within the Council. Internal Audit will evaluate the adequacy and effectiveness of controls in responding to risks within the Council's governance, operations and information systems, regarding the:

- Achievement of the Council's strategic objectives.

- Reliability and integrity of financial and operational information.

- Effectiveness and efficiency of operations and programmes.

- Safeguarding of assets.

- Compliance with laws, regulations, policies, procedures and contracts.

3.5     Internal Audit are required to give an opinion on the Council's control environment in the annual Controls Assurance Statement and the audit work carried out will contribute to this opinion.

3.6     The provision of the Internal Audit service is on an in-house basis by the Council's Internal Audit Unit. The resources available have been applied to individual audits and a detailed operational plan has been produced for 2021/22 (see Appendix A).

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

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

3.9     Follow-up audits will be carried out to review the implementation of the recommendations made.


**AUDIT COVERAGE**

3.10    Core Financial Systems, Risk Assessed Service and Corporate Audits – Internal Audit will review the Council's systems to provide assurance on the adequacy and effectiveness of internal controls. The audit plan includes a range of risk assessed core financial systems and non-financial audits.

3.11 Statutory Audits – Internal Audit undertake audit work in respect of specific grant awards made to the Council by the Scottish Government, to ensure compliance with grant conditions. In addition work to provide assurances required by the Scottish Housing Regulator will also be completed.

3.12 Best Value Audit – Internal Audit will review the systems in place for the preparation and reporting of Performance Indicators.

3.13 Investigations – Time has been allocated to carry out work on the National Fraud Initiative 2020/21, and provide a reactive service to investigate fraud and irregularity when appropriate.

3.14 Integration Joint Board (IJB) – The Committee is asked to note that in 2021/22 internal audit services to the East Lothian IJB will be provided by East Lothian Council's Internal Audit Unit and time has been allocated to carry out audit work for the IJB.

**INTERNAL AUDIT PERFORMANCE INDICATORS**

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

**OTHER FACTORS**

3.16 The Committee should note that reactive work may impact heavily on the Internal Audit Unit's ability to complete the audit plan. Contingency days are built in for 2021/22 in the investigations section, but by its nature reactive work is difficult to predict, particularly as COVID-19 controls changes continue to develop.

3.17 The plan and its completion have added importance, given its contribution to the annual Controls Assurance Statement to be prepared at the end of 2021/22.

**4      POLICY IMPLICATIONS**

4.1 None

**5      INTEGRATED IMPACT ASSESSMENT**

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

**6     RESOURCE IMPLICATIONS**

6.1    Financial – None

6.2    Personnel – None

6.3    Other – None


**7      BACKGROUND PAPERS**

7.1    None

| AUTHOR'S NAME | Duncan Stainbank |
|---|---|
| DESIGNATION | Service Manager – Internal Audit |
| CONTACT INFO | dstainbank@eastlothian.gov.uk |
| DATE | 10 September 2021 |

| AUDITABLE AREAS | SCOPE OF THE AUDIT | INTERNAL AUDIT ASSESSED RISK | WEEKS |
|---|---|---|---|
| **CORE FINANCIAL SYSTEMS AUDITS** | | | |
| Scottish Welfare Fund | We will examine the control processes in place over the last year and the changes in control processes implemented as a result of the Covid pandemic. | Medium | 5 |
| Lower Value Purchasing | Focusing on purchasing and procurement below £50k, examining that appropriate authorisation and procurement routes are in place prior to making purchases. Reviewing that aggregated expenditure levels are monitored and appropriate action taken on a regular basis. | Medium | 5 |
| Payroll Overtime Payments | We will review the processes for making overtime payments from authorisation to payment. | Medium | 5 |
| **RISK ASSESSED SERVICE AND CORPORATE AUDITS** | | | |
| Property Maintenance Stores | This audit was rolled forward from the 2019/20 Internal Audit Plan and will focus on the controls in place for managing and maintaining the stores assets and purchasing of stores materials to support property maintenance requirements. | High | 5 |
| IT School Procurement | We will examine the strategy and compliance with processes around ICT purchases for schools. | High | 5 |
| Digital Learning Strategy | We will review the Digital Learning Strategy progress and assess the governance and control environment in place to establish if this is robust to deliver the strategy. | High | 5 |

| AUDITABLE AREAS | SCOPE OF THE AUDIT | INTERNAL AUDIT ASSESSED RISK | WEEKS |
|---|---|---|---|
| Prevent & Return Strategy Children's Services | We will review the Governance and Control structures in place to support this strategy and examine if they provide an appropriate embedded framework for the future. | High | 5 |
| COVID Support and Grants | We will review the processes in place for provision of COVID Support Grants and other support offered across the Council including reconciliation and recovery of support when required. | High | 5 |
| Restart of Capital Projects | As Projects that have been delayed or progress paused as a result of the COVID pandemic recommence, risks will arise in relation to tendering, budget management, timescale delivery and clarity on continued appropriate specification. We will review the controls in place to manage these risks. | High | 5 |
| Waste Management | We will review the policies, procedures and processes in place for provision of waste management services. | Medium | 5 |
| General Data Protection Regulations (GDPR) | This audit was rolled forward from the 2019/20 Internal Audit Plan and will focus on the arrangements in place within the Council for ensuring compliance with the provisions of GDPR. | Medium | 5 |
| Corporate Appointeeship | We will examine the implementation of a corporate appointeeship scheme for social work clients being taken into East Lothian Council responsibility during 2021. | Medium | 5 |

| | | | |
|---|---|---|---|
| ALEO East Lothian Mid-Market Homes LLP | We will review the governance and operational control processes in place within the Council in relation to the East Lothian Mid-Market Homes LLP. | Medium | 5 |
| Risk Management | We will select a sample of High risks from both the Council's Corporate Risk Register and service area Risk Registers and will review the adequacy and effectiveness of the risk control measures in place. | Medium | 4 |
| **STATUTORY AUDITS** | | | |
| Miscellaneous Grants | For grants awarded to the Council by the Scottish Government, Internal Audit is required to provide a statement of compliance with grant conditions on an annual basis. | Medium | 2 |
| Scottish Housing Regulator (SHR) Annual Assurance Statement | Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulator's Chapter 3 of the Regulatory Framework. | Medium | 4 |
| **BEST VALUE AUDIT** | | | |
| Review of Performance Indicators | Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators. | Medium | 4 |

| INVESTIGATIONS | | | |
|---|---|---|---|
| Fraud & Irregularity | Internal Audit will investigate all instances of suspected fraud or irregularity. | High | 10 |
| Whistleblowing | We will investigate concerns raised under the Council's Whistleblowing Policy. | High | 5 |
| National Fraud Initiative (NFI) | Time has been allocated for reviewing the results of the 2020/21 NFI data matching exercises and resolving the queries and investigating potential fraud cases that arise. | Medium | 20 |
| OTHER AUDIT WORK | | | |
| Integration Joint Board | Time has been allocated for work that will be undertaken by Internal Audit for the East Lothian Integration Joint Board (IJB). A separate audit plan will be prepared which will be presented to the IJB Audit and Risk Committee for approval. | Medium | 20 |
| Review of Previous Year's Work | Internal Audit will review the outcome of our previous year's work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed. | Medium | 8 |
| Attendance at Stocktakes | Internal Audit will attend the year-end stocktakes at Property Maintenance, Road Services and Waste Services. We will review the final stock sheets. Additional attendance at interim stocktakes is also planned for 2021/22. | Medium | 2 |

| | | | |
|---|---|---|---|
| Community Councils and Management Committees | Community Councils – Internal Audit provide advice and support to Community Councils.<br><br>Management Committees – Internal Audit will independently examine the annual accounts of Management Committees where applicable. | Medium | 2 |
| Advice and Consultancy | Consultation on New Systems – for new systems implemented, Internal Audit will provide advice on internal control matters.<br><br>Returned Cheques – investigating and recording the reasons for returned cheques.<br><br>Financial Reports – providing service areas with financial information about companies and offering advice where applicable.<br><br>Consultancy – providing advice and consultancy on internal control issues. | Medium | 4 |
| **TRAINING** | | | |
| Training | An adequate allocation of budget resources and time will be given to maintaining and improving the knowledge base and quality of the staff resource. This includes time to attend the Scottish Local Authority Chief Internal Auditor Group (SLACIAG) and Computer Audit Sub Group, also for staff to undertake continuous professional development (CPD). | – | 5 |
| Annual Self-Assessment | Time has been allocated for internal assessment of the internal audit function against the Public Sector Internal Audit Standards (PSIAS). | – | 2 |

REPORT TO: Audit and Governance Committee

MEETING DATE: 21 September 2021

BY: Executive Director for Place

SUBJECT: Housing Annual Assurance Statement

**5**

## 1 PURPOSE

1.1 To remind the Audit and Governance Committee of the Scottish Housing Regulator's regulatory framework and in particular, the requirement for East Lothian Council to produce an Annual Assurance Statement, which requires to be signed off by the Senior Internal Auditor on behalf of the Council.

1.2 To obtain approval for East Lothian Council's Annual Assurance Statement as laid out in Appendix 1.

## 2 RECOMMENDATIONS

2.1 That Audit and Governance Committee notes the regulatory framework and the requirement for the Senior Internal Auditor to sign-off the Annual Assurance Statement (AAS) on behalf of the Council.

2.2 That Audit and Governance Committee note that the regulatory framework requires the submission of the AAS no later than the 31st October 2021. The AAS must highlight any areas of non-compliance that relate specifically to the impact of the Covid-19 pandemic.

2.3 That Audit and Governance Committee approves the Annual Assurance Statement as detailed in Appendix 1 noting that East Lothian Council was partially compliant with the regulatory requirements for the financial year 2020/21 and was partially compliant for the first quarter of 2021/22, limited to the Council's ability to effect gas safety checks when tenants were either shielding, self-isolating or otherwise refusing to engage during the height of the pandemic.

2.4 That Audit and Governance Committee note the Council's position with regard to future compliance with the forthcoming extension of the Homeless Person's (Unsuitable Accommodation) (Scotland) Order 2020 (see paragraph 3.13) and the challenges being posed in regard to meeting

the legislative deadlines around interlinked fire alarms and electrical safety checks (see paragraph 3.14)

## 3 BACKGROUND

3.1 In 2019, the Scottish Housing Regulator (SHR) revised its regulatory framework following extensive consultation with social landlords, tenants and stakeholders. A summary of the framework is attached at Appendix 2.

3.2 This places a requirement on all social landlords to normally submit an Annual Assurance Statement to the SHR by the end of October each year (the deadline was extended to 30 November in 2020 due to the Coronavirus pandemic). This statement must either confirm the relevant committee is assured that the landlord is complying with all regulatory requirements and standards or alternatively highlight any areas of material non-compliance and how the landlord will address these.

3.3 In many respects the process for gathering evidence to ensure the committee has the necessary level of assurance it needs to sign the statement is more important than the statement itself. Appendix 4 highlights key evidence of where the Council demonstrates compliance with the new regulatory framework.

3.4 East Lothian Council has existing scrutiny and performance structures in place to ensure the ongoing review of performance and service delivery. These processes are subject to continuous review and improvement. The Annual Assurance Statement is reviewed by Internal Audit and the findings from Internal Audit's assurance work are detailed in Appendix 2.

3.5 It is important to note that the Council also has various arrangements in place to support its governance, finance and controls environment, which are the subject of other regular reports to Audit and Governance.

3.6 It is also important to note that the Council's housing services are delivered across various teams in the Council (Community Housing, Property Maintenance, Revenues and Engineering Services being the main ones). In this regard the Community Housing Service has taken a lead and developed quarterly and annual assurance checklists, which all areas of housing service delivery will be asked to sign-off on at service manager level. These checklists once signed will be passed to the Service Manager – Community Housing to check for completeness.

3.7 In addition, the Scottish Social Charter and Performance Group will consider evidence gathered from these service areas. In the event of material partial or non-compliance, this group will consider action plans and monitor progress to ensure full compliance. This group comprises staff across the range of these service areas as well as members of East Lothian Tenants and Residents Panel.

3.8   The Service Manager – Community Housing will prepare the Annual Assurance Statement with a summary report for Audit and Governance Committee each year for approval before the deadline of 31st October.

3.9   Relevant managers across the Housing teams are expected to be aware of the regulatory requirements and impacts of non-compliance and immediately advise the Service Manager – Community Housing of any such instances.  The SHR has not provided a prescriptive list of material non-compliance examples but it is felt these would be in the areas of Health and Safety breaches reported to the Health and Safety Executive, Data Protection breaches reported to the Information Commissioner's Office, Care Inspectorate or Scottish Social Services Commission interventions or regulatory failures.

3.10   Full compliance has not been achieved in the area of gas safety checks. The legal requirement is that the landlord must conduct a gas safety check within 12 months of the previous one.  Due to a combination of tenants self-isolating and shielding due to Covid-19, out of time cases totalled 230 in 2020/21 (212 at its peak in June 2020).  With easing of lockdown constraints and the suspension of shielding, and targeting of the out of time cases, all properties unable to be accessed were re-booked in accordance with HSE and Gas Safe advice.  The Council can now confidently report full compliance with in this area no cases currently out of time and has resumed normal practice in this area albeit with Covid-19 risk assessments in place.

3.11   Due to Scottish Government imposed lockdown restrictions around carrying out normal day to day repairs and house moves, the Council was unable to fully deliver services (as with all other social landlords) in these areas until the Scottish Government indicated the lifting of the housing market suspension and the re-start of construction related activity.  The Council has fully complied with the legislative requirements related to Coronavirus placed on it during the various lockdowns but was unable to deliver normal services in full.  The Council, however, is not of the view that it did not comply with the regulatory framework during this period but would accept that normal service delivery was curtailed in light of the pandemic.

3.12   In dealing with the pandemic, both operationally and in developing new ways of working, the Council has been unable to fully advance work around the data capture and reporting against all of the protected characteristic groups under the new regulatory framework.   It is understood that the SHR will not begin measuring this until April 2021 and the Council is now developing its application forms and IT systems to attempt to implement by March 2022.  Development work in this area continues and will be further assisted by the publication of SHR guidance in this area, which was only issued on 19th August 2021.

3.13    The Homeless Person's (Unsuitable Accommodation Order) comes into effect on 1st October 2021.  From this date the Council will not be able to meet its statutory obligations in respect of temporary accommodation provision and will be in breach of the order.  The Scottish Government are fully aware of the challenges faced by the Council and there is ongoing and proactive engagement in this regard.  The Council has committed to preparing an action plan for submission to the Scottish Government and COSLA by 20th September 2021 with monthly reviews thereafter, alongside submitting RAG status data as part of the Early Warning System.  The plan and subsequent updates will contribute to establishing an evidence base around key challenges, steps taken towards compliance and demonstrate positive progress.  In addition, the action plan will be shared with the SHR and will be helpful in responding in responding to ant challenges regarding reported breaches.  The Council will also take cognisance of the Homeless Persons (Unsuitable Accommodation) (Scotland) Amendment Order 2021 (No. 3), which provides further clarity on the extended Order and takes effect from the 1st December 2021.

3.14    New legislation requires all homes in Scotland to have interlinked fire alarms by February 2022 and full electrical safety checks by March 2022. The Council is undertaking work to meet these target dates but is experiencing high inaccessibility rates for the installation of interlinked fire detection systems and cyclical electrical safety checks.  A global letter to all tenants is in production highlighting the importance of allowing access and staff are continuing to engage with tenants to gain access to such properties, with a particular focus on those properties deemed to be at higher risk.

3.15    The SHR expectation is that the Annual Assurance Statement is brief confirming compliance or otherwise.  In the event of material non-compliance a statement of how this will be addressed must be included.

3.16    The statement when signed should be made available to tenants and service users.

3.17    In April each year the SHR publishes an engagement plan for each landlord.  This is informed by the Annual Return on the Charter (ARC), Scottish Government homeless statistics, previous engagement with the landlord and the new Annual Assurance Statement going forward.  East Lothian Council's current engagement plan can be found at:  Engagement plan from 31 March 2021 to 31 March 2022 | Scottish Housing Regulator

## 4.    POLICY IMPLICATIONS

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

## 5. INTEGRATED IMPACT ASSESSMENT

5.1 The subject of this report has been through the Integrated Impact Assessment process and no negative impacts have been identified. The Council already collects data on most of the protected characteristics of existing tenants, new tenants and housing list applicants, which in turn informs housing policy and service delivery notwithstanding the requirement to capture information on all of the protected characteristic groups in line with recently produced SHR guidance with the required development work underway.

[*A weblink to the published IIA will be circulated when available.*]

## 6. RESOURCE IMPLICATIONS

6.1 Financial – None

6.2 Personnel - None

6.3 Other - None

## 7 BACKGROUND PAPERS

7.1 Appendix 1 – Annual Assurance Statement

7.2 Appendix 2 – Internal Audit Annual Assurance Report

7.3 Appendix 3 – Summary requirements for Local Authorities and RSLs

7.3 Appendix 4 – Evidence List

| AUTHOR'S NAME | Douglas Proudfoot |
|---|---|
| DESIGNATION | Executive Director for Place |
| CONTACT INFO | James Coutts 07770 653162 |
| DATE | September 2021 |

Scottish Housing Regulator
Buchanan House
58 Port Dundas Road
Glasgow
G4 0HF

Date:  22nd September 2021

Dear Sir/Madam,

**East Lothian Council – Annual Assurance Statement**

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

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

The following areas are highlighted:

Annual Gas Safety Inspections

Properties where tenants were shielding for Covid-19 purposes from 21 January 2021 led to access being denied for the annual gas safety check. All properties unable to be accessed were re-booked in accordance with HSE & Gas Safe advice.  These properties were all accessed by 27 April 2021 and at this date we again became fully compliant. This was due in full to Covid-19.

Reporting against all the protected characteristic groupings

We do not currently collect and hold data for all of the protected characteristics specified by the Equality Act 2010. In dealing with the pandemic, both operationally and in developing new ways of working, the Council has been unable to advance work around the data capture and reporting against all of the protected characteristic groups under the new regulatory framework. This is due in part to Covid-19. We plan to review the guidance on "Collecting equality information: National guidance for Scottish social landlords" produced in August 2021 and consider what changes need to be made to our processes.

Interlinked Fire Alarms and Electrical Safety Inspections

New legislation requires all homes in Scotland to have interlinked fire alarms by February 2022 and full electrical safety checks by March 2022. The Council is undertaking work to meet these target dates but is experiencing high inaccessibility rates for the installation of interlinked fire detection systems and cyclical electrical safety checks.  A global letter to all tenants is in production highlighting the importance of allowing access and staff are continuing to engage with tenants to gain access to such properties, with a particular focus on those properties deemed to be at higher risk.

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

The Order comes into effect on 1 October 2021 and from this date the Council will not be able to meet its statutory obligations in respect of temporary accommodation provision and will be in breach of the Order. The Scottish Government are fully aware of the challenges faced by East Lothian Council and there is ongoing and proactive engagement in this regard. The Council has committed to preparing an action plan for submission to the Scottish Government and COSLA by 20 September 2021 with monthly reviews thereafter, alongside submitting RAG status data as part of the Early Warning System. The plan and subsequent updates will contribute to establishing an evidence base around key challenges, steps taken towards compliance and demonstrate positive progress. The action plan will be shared with the Scottish Housing Regulator and will be helpful in responding to any potential challenges regarding reported breaches. The Council will also take cognisance of the Homeless Persons (Unsuitable Accommodation) (Scotland) Amendment Order (No. 3) Order 2021, which provides further clarity on the extended Order and comes into effect on 1 December 2021.

General

Although other services were restricted because of the Scottish Government's response to the Covid-19 pandemic, we do not view these restrictions to be in breach of the regulatory framework.

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

We approved our Annual Assurance Statement at our Audit and Governance Committee on 21 September 2021.

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

Yours sincerely


Duncan Stainbank
Service Manager – Internal Audit
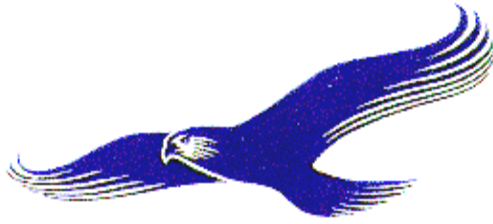
**East Lothian Council Internal Audit Assurance Report**

| From: | Duncan Stainbank, Service Manager – Internal Audit |
| | Stuart Allan, Senior Auditor |
| To: | Douglas Proudfoot, Executive Director for Place |
| | Wendy McGuire, Head of Housing |
| | James Coutts, Service Manager – Community Housing and Homelessness |
| Date: | 09 September 2021 |

**SHR Annual Assurance Statement**

**1.  Background**

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

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

This is the third year that the Council has been required to prepare an Annual Assurance Statement and submit it to the SHR. We note that on 31 August 2020, the SHR made further adjustments to it regulatory approach in response to Covid-19, including allowing landlords more time to complete their Annual Assurance Statement by extending the deadline from October 2020 to November 2020. The SHR also published new advice for landlords on completing Annual Assurance Statements and noted that the landlord should "have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services. Covid-19 has had a profound effect upon landlords' ability to meet its legal obligations across a range of activities. Where a landlord is unable to meet a legal obligation, the landlord should note the non-compliance and specify whether the failure to comply is due to Covid-19 or not. Where the landlord judges the non-compliance to be material it should be specifically disclosed in the AAS." We note that the deadline for submission for the current Annual Assurance Statement has reverted back to 31 October 2021.

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

- Assurance and Notification – the Council is required to prepare an Annual Assurance Statement, submit it to the SHR and make it available to tenants and other service users; have assurance and

evidence that it is meeting all of its legal obligations associated with housing and homelessness services, equality and human rights and tenant and resident safety; notify the SHR of any tenant and resident safety matters; and make its Engagement Plan easily available and accessible to its tenants and service users;

- Scottish Social Housing Charter Performance – the Council is required to report its performance in achieving or progressing towards the Charter outcomes and standards;
- Tenants and Service Users Redress – the Council provides tenants and other service users with the information they need to exercise their right to complain and seek redress;
- Whistleblowing – the Council has effective arrangements and a policy for whistleblowing by staff and elected members, which it makes easily available and which it promotes;
- Equality and Human Rights – there is assurance and evidence that the Council considers equality and human rights issues properly when making all of its decisions, in the design and review of internal and external policies and in its day-to-day service delivery.

## 2.    Findings

### 2.1  Assurance and Notification

Key findings are:

- The Council prepares an Annual Assurance Statement, which it submits it to the SHR and makes available to tenants and service users.
- The service area has introduced a quarterly Assurance and Notification Self-Assessment Checklist, which requires to be signed off by appropriate managers/representatives and is included as part of the evidence gathering regarding regulatory compliance. One area of non-compliance and two areas of future non-compliance have been highlighted:

  ➢ Annual Gas Safety Inspections – properties where tenants were shielding for Covid-19 purposes from 21 January 2021 led to access being denied for the annual gas safety check. All properties unable to be accessed were re-booked in accordance with HSE & Gas Safe advice.  These properties were all accessed by 27 April 2021 and at this date we again became fully compliant. This was due in full to Covid-19.
  ➢ Interlinked Fire Alarms and Electrical Safety Inspections – new legislation requires all homes in Scotland to have interlinked fire alarms by February 2022 and full electrical safety checks by March 2022. The Council is undertaking work to meet these target dates but is experiencing high inaccessibility rates for the installation of interlinked fire detection systems and cyclical electrical safety checks. A global letter to all tenants is in production highlighting the importance of allowing access and staff are continuing to engage with tenants to gain access to such properties, with a particular focus on those properties deemed to be at higher risk.
  ➢ The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020 comes into effect on 1 October 2021 and from this date the Council will not be able to meet its statutory obligations in respect of temporary accommodation provision and will be in breach of the Order. We are advised by the service area that "the Scottish Government are fully aware of the challenges faced by East Lothian Council and there is ongoing and proactive engagement in this regard. The Council has committed to preparing an action plan for submission to the Scottish Government and COSLA by 20 September 2021 with monthly reviews thereafter, alongside submitting RAG status data as part of the Early Warning System. The plan and subsequent updates will contribute to establishing an evidence base around key challenges, steps taken towards compliance and demonstrate positive progress. The action plan will be shared with the Scottish Housing Regulator and will be helpful in responding to any potential challenges regarding reported breaches. The Council will also take cognisance of the Homeless Persons (Unsuitable Accommodation) (Scotland) Amendment Order (No. 3) Order 2021,

which provides further clarity on the extended Order and comes into effect on 1 December 2021".

- Confirmation was sought from the Council's Health & Safety Adviser and Insurance & Risk Officer and we were advised that they do not have a record of any HSE investigations relating to tenant or resident safety, nor have the Council had any notification from our insurers of any concerns.
- The SHR's Engagement Plan for East Lothian Council can be accessed on the Council's website.

### 2.2 Scottish Social Housing Charter Performance

Key findings are:

➢ The Council submitted the 2020/21 Annual Return on the Charter to the SHR on 31 May 2021 and the Council has involved tenants, and where relevant other service users, in the preparation and scrutiny of performance information through the East Lothian Tenants and Residents Panel (ELTRP), the umbrella organisation for tenants and residents in East Lothian.

➢ The deadline for landlords to report to their tenants and service users on their performance against the Scottish Social Housing Charter is 31 October 2021. We are advised that the second draft of the Landlord Report to Tenants 2020/21, providing information on the performance of the Council as a housing provider, is currently out for consultation with stakeholders and that the final report will be published prior to the October 2021 deadline.

➢ The 2020-23 Tenant Participation Strategy was approved by Cabinet on 10 November 2020.

### 2.3 Tenants and Service Users Redress

Key findings are:

➢ The Council provides tenants and other service users with the information they need to exercise their right to complain and seek redress, and responds to tenants within the timescales outlined in its service standards, in accordance with guidance from the Scottish Public Services Ombudsman (SPSO).

➢ Full details of the Council's Complaints Procedure are provided on the Council's website including the online Complaints, Compliments and Comments form; a link to the pages providing full details of the Council's Complaints Handling Procedure; advice on what to do if the person making the complaint remains dissatisfied with how the Council has handled their complaint; links to the SPSO and SHR; and details of the Council's complaints performance.

### 2.4 Whistleblowing

Key findings are:

➢ The Council has a Whistleblowing Policy in place, which is available to employees in the Human Resources section of the Council's intranet. The Policy was last updated in May 2018.

➢ A dedicated whistleblowing hotline and whistleblowing email address are both in place.

### 2.5 Equality and Human Rights

Key findings are:

➢ The Council has a detailed "East Lothian Equality Plan 2017-2021" in place, dated August 2017 with a new draft plan 2021-2025 out for consultation. This will go to Council for adoption on 26th October 2021.

➢ All Council, Cabinet and Committee reports require an Integrated Impact Assessment to be carried out if the subject of the report affects the wellbeing of the community or has a significant impact on equality, the environment or economy.

➢ The SHR states that to comply with its duties in respect of equality and human rights "landlords must collect data relating to each of the protected characteristics for their existing tenants, new tenants, people on waiting lists, governing body members and staff. Local authorities must also collect data on protected characteristics for people who apply to them as homeless. Landlords who provide Gypsy/Traveller sites must collect data on protected characteristics for these service users." The nine protected characteristics, as per the Equality Act 2010, are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. We note that the Community Housing and Homelessness section do hold some relevant data, however they do not currently collect and hold data for all of the protected characteristics detailed in the legislation.

➢ We are advised by the service area that the requirement under the previous regulatory framework was to collect data relating to ethnic origin and disability only, which the Council complied with. In dealing with the pandemic, both operationally and in developing new ways of working, the Council has been unable to advance work around the data capture and reporting against all of the protected characteristic groups under the new regulatory framework. This is due in part to Covid-19. We note that in August 2021 a document titled "Collecting equality information: National guidance for Scottish social landlords" was published and we are advised that the service area plan to review the guidance and consider what changes need to be made to our processes.

### 3. Conclusions

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

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

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

- Annual Gas Safety Inspections – properties where tenants were shielding for Covid-19 purposes from 21 January 2021 led to access being denied for the annual gas safety check. All properties unable to be accessed were re-booked in accordance with HSE & Gas Safe advice. These properties were all accessed by 27 April 2021 and at this date we again became fully compliant. This was due in full to Covid-19.

- Reporting against all the protected characteristic groupings – we do not currently collect and hold data for all of the protected characteristics specified by the Equality Act 2010. In dealing with the pandemic, both operationally and in developing new ways of working, the Council has been unable to advance work around the data capture and reporting against all of the protected characteristic groups under the new regulatory framework. This is due in part to Covid-19. We plan to review the guidance on "Collecting equality information: National

guidance for Scottish social landlords" produced in August 2021 and consider what changes need to be made to our processes.

- Interlinked Fire Alarms and Electrical Safety Inspections – new legislation requires all homes in Scotland to have interlinked fire alarms by February 2022 and full electrical safety checks by March 2022. The Council is undertaking work to meet these target dates but is experiencing high inaccessibility rates for the installation of interlinked fire detection systems and cyclical electrical safety checks. A global letter to all tenants is in production highlighting the importance of allowing access and staff are continuing to engage with tenants to gain access to such properties, with a particular focus on those properties deemed to be at higher risk.

- The Homeless Persons (Unsuitable Accommodation) (Scotland) Order 2020 – the Order comes into effect on 1 October 2021 and from this date the Council will not be able to meet its statutory obligations in respect of temporary accommodation provision and will be in breach of the Order. The Scottish Government are fully aware of the challenges faced by East Lothian Council and there is ongoing and proactive engagement in this regard. The Council has committed to preparing an action plan for submission to the Scottish Government and COSLA by 20 September 2021 with monthly reviews thereafter, alongside submitting RAG status data as part of the Early Warning System. The plan and subsequent updates will contribute to establishing an evidence base around key challenges, steps taken towards compliance and demonstrate positive progress. The action plan will be shared with the Scottish Housing Regulator and will be helpful in responding to any potential challenges regarding reported breaches. The Council will also take cognisance of the Homeless Persons (Unsuitable Accommodation) (Scotland) Amendment Order (No. 3) Order 2021, which provides further clarity on the extended Order and comes into effect on 1 December 2021.

# REQUIREMENTS FOR LOCAL AUTHORITIES AND RSLs

## EACH LANDLORD MUST:

### ASSURANCE & NOTIFICATION

✓ Prepare an Annual Assurance Statement in accordance with our published guidance, submit it to us between April and the end of October each year, and make it available to tenants and other service users.

✓ Notify us during the year of any material changes to the assurance in its Assurance Statement.

✓ Have assurance and evidence that it is meeting all of its legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.

✓ Notify us of any tenant and resident safety matters which have been reported to, or are being investigated by the Health and Safety Executive, or reports from regulatory or statutory authorities, or insurance providers, relating to safety concerns.

✓ Make its Engagement Plan easily available and accessible to its tenants and service users, including online.

✓ Register all requirements for providing data to us with the Information Commissioner's Office as a purpose for which they are acquiring data under the Data Protection Act 2018.

### SCOTTISH SOCIAL HOUSING CHARTER PERFORMANCE

✓ Submit an Annual Return on the Charter to us each year in accordance with our published guidance.

✓ Involve tenants, and where relevant other service users, in the preparation and scrutiny of performance information. It must:
  – agree its approach with tenants
  – ensure that it is effective and meaningful – that the chosen approach gives tenants a real and demonstrable say in the assessment of performance
  – publicise the approach to tenants
  – ensure that it can be verified and be able to show that the agreed approach to involving tenants has happened
  – involve other service users in an appropriate way, having asked and had regard to their needs and wishes.

✓ Report its performance in achieving or progressing towards the Charter outcomes and standards to its tenants and other service users (no later than October each year). It must agree the format of performance reporting with tenants, ensuring that it is accessible for tenants and other service users, with plain and jargon-free language.

## SCOTTISH SOCIAL HOUSING CHARTER PERFORMANCE (CONTINUED)

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

✓ Make our report on its performance easily available to its tenants, including online.

## WHISTLEBLOWING

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

## TENANTS AND SERVICE USERS REDRESS

✓ Make information on reporting significant performance failures, including our leaflet, available to its tenants.

✓ Provide tenants and other service users with the information they need to exercise their right to complain and seek redress, and respond to tenants within the timescales outlined in its service standards, in accordance with guidance from the Scottish Public Services Ombudsman (SPSO).

✓ Ensure it has effective arrangements to learn from complaints and from other tenant and service user feedback, in accordance with SPSO guidance.

## EQUALITY AND HUMAN RIGHTS

✓ Have assurance and evidence that it considers equality and human rights issues properly when making all of its decisions, in the design and review of internal and external policies, and in its day-to-day service delivery.

✓ To comply with these duties, landlords must collect data relating to each of the protected characteristics for their existing tenants, new tenants, people on waiting lists, governing body members and staff. Local authorities must also collect data on protected characteristics for people who apply to them as homeless. Landlords who provide Gypsy/Traveller sites must collect data on protected characteristics for these service users.

**APPENDIX 4 – EVIDENCE LIST**

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

East Lothian Council

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 21 September 2021

**BY:** Chief Executive

**6**

**SUBJECT:** Development Risk Register

## 1 PURPOSE

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

1.2 The Development Risk Register is developed in keeping with the Council's Risk Management Strategy and is a live document, which is reviewed and refreshed on a regular basis, led by the Development Local Risk Working Group (LRWG).

## 2 RECOMMENDATIONS

2.1 It is recommended that the Audit and Governance Committee notes the Development Risk Register and in doing so, the Committee is asked to note that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.

- the total profile of the Development risk can be borne by the Council at this time in relation to the Council's appetite for risk.

- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Development and are likely to be a feature of the risk register over a number of years.

## 3 BACKGROUND

3.1 The Risk Register has been compiled by the Development LRWG. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) producing an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).

3.2 The Council's response in relation to adverse risk or its risk appetite is such that:

- Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;

- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;

- Medium risk is tolerable with control measures that are cost effective;

- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

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

## 4 POLICY IMPLICATIONS

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

## 5 INTEGRATED IMPACT ASSESSMENT

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

## 6 RESOURCE IMPLICATIONS

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

6.2 Personnel - There are no immediate implications.

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

## 7 BACKGROUND PAPERS

7.1 Appendix 1 – Development Risk Register 2021-22

7.2 Appendix 2 – Risk Matrix 2021

| AUTHOR'S NAME | Scott Kennedy |
|---|---|
| DESIGNATION | Emergency Planning, Risk and Resilience Officer |
| CONTACT INFO | skennedy@eastlothian.gov.uk          01620 827900 |
| DATE | 09 September 2021 |

# Development Risk Register 2021-22

| Risk ID | Risk Description (Threat/Opportunity to achievement of business objective) | Risk Control Measures (currently in place) | Assessment of Current Risk | | | Planned Risk Control Measures | Assessment of Residual Risk [With proposed control measures] | | | Risk Owner | Timescale for Completion / Review Frequency | Evidence held of Regular Review |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Likelihood | Impact | Risk Rating | | Likelihood | Impact | Residual Risk Rating | | | |
| | | | L | I | L x I | | L | I | L x I | | | |
| D1 | **Businesses and their Resilience during COVID19**<br><br>The closure of businesses and the guidance to stay at home meant that most businesses were heavily impacted and continue to be as social distancing and other measures are put in place.<br><br>The risk will have a direct impact and substantial indirect impact on the council. Council staff across many departments have been and will continue to be specifically called on for intervention support and advice (Economic Development, Protective Services, Licencing, Transportation, Revenues & Benefits and East Lothian Works have been materially impacted upon).<br><br>Indirect impacts will include loss of revenue income through business rent and non-domestic rates, increased unemployment and personal and business debt leading to further impacts on council tax and housing rental income.<br><br>Increased pressure on housing affordability for those suffering loss or detriment will lead to increased pressure on homelessness services and other intervention services within social care.<br><br>Uncertainty and a wide range of variables and fluctuations of these mean that the severity and duration of economic recession and increased poverty is difficult to predict but in any event recession and poverty increases will adversely impact on all council services and wider partnership service delivery. Other factors, e.g. BREXIT will potentially increase the severity of impacts.<br><br>The risk will be ongoing and change in response to progression through route map phases, the ongoing success or otherwise of vaccination programmes, and the emergence of new variants of the disease – subsequent returns to local restrictions, lockdowns, individual instruction to close, or loss of capacity due to staff isolation (including within supply chains) will present additional challenges for individual businesses or on a sector by sector / area by area basis. Uncertainty will continue to be high for some time while public confidence in returning to visiting businesses is likely to fluctuate. | The Council has stood up its Recovery and Renewal Working Group through the multi-agency Connected Economy Group (CEG) with 4 sub-groups established – Tourism and Hospitality, Town Centres, Employability, & Rural to further develop and implement the Economy Action Card with partners.<br><br>Council services and partner agencies are providing in-depth advice and support to businesses affected signposting to sources of funding and identifying approaches and training.<br><br>Financial support: Throughout the 2nd lockdown, the council delivered 13 different business support grant schemes on behalf of the Scottish Government under the Strategic Framework totalling around £36.4m. Further financial support interventions are being offered through EL Investments and our wider partners like Scottish Enterprise. Rent and rates payment holidays have been made available. Identification of intervention support gaps and lobbying to address. The Scottish and UK Governments are continuing to develop business support interventions, e.g. proposed individual payments to small businesses disrupted by orders to close or due to staff isolation etc. from August 21.<br><br>Strategic Framework Business Fund, (SFBF) 'extension payments made to Hospitality businesses impacted by Level 1 Restrictions.<br><br>Additional staffing has also been deployed to service Tourism & Hospitality actions.<br><br>Focusing information and guidance on the council website with point of contact being Econ Development with a revised update created at the end of June.<br><br>Information packs and in-depth support to individual businesses to support reopening by Protective Services (based on SG guidance). This, in conjunction with the Spaces For People interventions that are aimed at supporting safe use of public space. It is hoped that this will mitigate future restrictions to movement etc. as a result of increases in cases.<br><br>Continued support and engagement around growing and enhancing business support infrastructure including new traders associations and connections.<br><br>Communications strategy established; "Love East Lothian" umbrella messaging with | 5 | 3 | 15 | Continued development of and delivery of the Economy Key Area action card within the Recovery and Renewal Framework.<br>Moving forward through phases from initial re-start and re-opening through the Scottish Government route map towards response & recovery.<br><br><br>Additional Council funding of £600k secured for delivering COVID-19 Recovery Grants and a programme of other interventions.<br><br>The Scottish and UK Governments are continuing to develop business support interventions, e.g. proposed individual payments to small businesses disrupted by orders to close or due to staff isolation etc. from early August 21. | 4 | 3 | 12 | Head of Development | Ongoing throughout COVID19 Response phase and throughout Recovery & Renewal phase in line with the Economy Key Area Action Card.<br><br>October 2021<br><br>October 2021 | Risk reviewed July 2021 with current score reduced from 20 to 15 and residual score from 16 to 12.<br><br>New risk created during the response to COVID19 during April 2020 and updated by Head of Development August 2020. |

| Risk ID | Risk Description (Threat/Opportunity to achievement of business objective) | Risk Control Measures (currently in place) | Assessment of Current Risk | | | Planned Risk Control Measures | Assessment of Residual Risk [With proposed control measures] | | | Risk Owner | Timescale for Completion / Review Frequency | Evidence held of Regular Review |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Likelihood | Impact | Risk Rating | | Likelihood | Impact | Residual Risk Rating | | | |
| | | | L | I | L x I | | L | I | L x I | | | |
| | The end of the job retention scheme will potentially see significant job losses and increased unemployment.

It is important that council services provide a joined-up approach to supporting businesses post-COVID to ensure compliance and also ensure that they can open and generate income as quickly as possible. | campaigns for "Stay Safe, Support Local, Love East Lothian" and "Love East Lothian – We're open for business and doing things differently to help keep you safe"

Actively engage with businesses preparing for job matching / re-skilling support. Focus on college training programmes and continued positive destinations for younger people.

Continue to monitor changes to national guidance and policy and share this via web and partner networks. | | | | | | | | | | |

| | |
|---|---|
| Original date produced (V1) | 6th May 2014 |
| File Name | Development Risk Register |
| Original Author(s) | Scott Kennedy, Risk Officer |
| Current Revision Author(s) | Scott Kennedy, Risk Officer |
| | |

**Overall Rating**

| |
|---|
| 20-25 Very High |
| 10-19 High |
| 5 -9 Medium |
| 0-4 Low |

| Version | Date | Author(s) | |
|---|---|---|---|
| 1 | 06/05/2014 | S Kennedy | Former Housing & Environment Risk Register altered to become the Development Risk Register following realignment. |
| 2 | 28/10/2014 | S Kennedy | Testing & Regulation Risks updated |
| 3 | November and December 2014 | S Kennedy | Economic Development & Strategic Investment Risk Updated along with Planning Risks and Engineering Services & Building Standards Risks |
| 4 | January-February 2015 | S Kennedy | Trading Standards and Environmental Health Partnership risks refreshed along with Strategic Asset & Capital Plan Management risks. Further refresh of Engineering Services & Building Standards and Economic Development & Strategic Investment Risk Risks. |
| 5 | December 2015 – January 2016 | S Kennedy | Environmental Health, Economic Development & Strategic Investment, Engineering Standards & Building Services and Planning risks refreshed. |
| 6 | February 2016 | S Kennedy | Review and refresh by Head of Development. |
| 7 | January – February 2017 | S Kennedy | All risks reviewed and refreshed by Service Managers and further reviewed by Head of Development and CMT. |
| 8 | November 2017 | S Kennedy | Community Housing & Homelessness Risks moved from Communities & Partnerships Risk Register, Property Maintenance Risks moved from Infrastructure Risks Register and Protective Services & Trading Standards risks moved to Communities and Partnerships Risk Register. Engineering Services & Building Standards and Strategic Asset & Capital Plan Management moved to Infrastructure Risk Register following Council Service Review. |
| 9 | January 2018 | S Kennedy | All risks reviewed and refreshed by Service Managers and further reviewed by Head of Development and CMT. |

| Risk ID | Risk Description (Threat/Opportunity to achievement of business objective) | Risk Control Measures (currently in place) | Assessment of Current Risk | | | Planned Risk Control Measures | Assessment of Residual Risk [With proposed control measures] | | | Risk Owner | Timescale for Completion / Review Frequency | Evidence held of Regular Review |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Likelihood | Impact | Risk Rating | | Likelihood | Impact | Residual Risk Rating | | | |
| | | | L | I | L x I | | L | I | L x I | | | |
| 10 | April - May 2019 | S Kennedy | | | | All risks reviewed and refreshed by Service Managers for Planning, Community Housing, Property Maintenance and Economic Development. LDP Risks added. | | | | | | |
| 11 | May 2019 | S Kennedy | | | | Risk Register updated following review by Head of Service with Brexit Risk combined onto Corporate Risk | | | | | | |
| 12 | July - August 2019 | S Kennedy | | | | Further updates made by Risk Owners and then reviewed and updated at Development Team Management Meeting. | | | | | | |
| 13 | July 2020 | S Kennedy | | | | Risks reviewed and updated by Service Managers from Property Maintenance, Economic Development, Growth Delivery | | | | | | |
| 14 | July 2020 | S Kennedy | | | | Risks reviewed and updated by Service Managers from Housing, Planning and Strategic Investment | | | | | | |
| 15 | August 2020 | S Kennedy | | | | Risk to Businesses in relation to COVID added to Risk Register | | | | | | |
| 16 | August 2020 | S Kennedy | | | | Full review carried out be Head of Service (Development). | | | | | | |
| 17 | September 2020 | S Kennedy | | | | Final review prior to submission to Audit & Governance Committee | | | | | | |
| 18 | April 2021 | S Kennedy | | | | Risk Register updated to extract Housing, ED&SI and Property Maintenance Risks to new Housing Risk Register and to include only one Innovation Hub and one Blindwells overall risks as they have their own project Risk Registers. | | | | | | |
| 19 | June 2021 | S Kennedy | | | | Updates made to Innovation HUB/EIP, Blindwells, Economic Development and Planning Risks | | | | | | |
| 20 | July 2021 | S Kennedy | | | | Further updates made to Economic Development risks | | | | | | |

## East Lothian Council Risk Matrix

### Likelihood Description

| Likelihood of Occurrence | Score | Description |
|---|---|---|
| Almost Certain | 5 | Will undoubtedly happen, possibly frequently >90% chance |
| Likely | 4 | Will probably happen, but not a persistent issue >70% |
| Possible | 3 | May happen occasionally 30-70% |
| Unlikely | 2 | Not expected to happen but is possible <30% |
| Remote | 1 | Very unlikely this will ever happen <10% |

### Impact Description

| Impact of Occurrence | Score | Impact on Service Objectives | Financial Impact | Impact on People | Impact on Time | Impact on Reputation | Impact on Property | Business Continuity | Legal |
|---|---|---|---|---|---|---|---|---|---|
| Catastrophic | 5 | Unable to function, inability to fulfil obligations. | Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances) | Single or Multiple fatality within council control, fatal accident enquiry. | Serious - in excess of 2 years to recover pre-event position. | Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved. | Significant disruption to building, facilities or equipment (Loss of building, rebuilding required, temporary accommodation required). | Complete inability to provide service/system, prolonged downtime with no back-up in place. | Catastrophic legal, regulatory, or contractual breach likely to result in substantial fines or other sanctions. |
| Major | 4 | Significant impact on service provision. | Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty) | Number of extensive injuries (major permanent harm) to employees, service users or public. | Major - between 1 & 2 years to recover pre-event position. | Major adverse publicity (regional/national), major loss of confidence. | Major disruption to building, facilities or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required). | Significant impact on service provision or loss of service. | Legal, regulatory, or contractual breach, severe impact to Council. |
| Moderate | 3 | Service objectives partially achievable. | Significant impact on budgets (can be contained within overall directorate budget) | Serious injury requiring medical treatment to employee, service user or public (semi-permanent harm up to 1yr), council liable. | Considerable - between 6 months and 1 year to recover pre-event position. | Some adverse local publicity, limited damage with legal implications, elected members become involved. | Moderate disruption to building, facilities or equipment (loss of use of building for medium period). | Security support and performance of service/system borderline. | Legal, regulatory, or contractual breach, moderate impact to Council. |
| Minor | 2 | Minor impact on service objectives. | Moderate impact on budgets (can be contained within service head's budget) | Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required). | Some - between 2 and 6 months to recover. | Some public embarrassment, no damage to reputation or service users. | Minor disruption to building, facilities or equipment (alternative arrangements in place and covered by insurance). | Reasonable back-up arrangements in place, minor downtime of service/system. | Legal, regulatory, or contractual breach, minor impact to Council. |
| Minimal | 1 | Minimal impact, no service disruption. | Minimal impact on budgets (can be contained within unit's budget) | Minor injury to employee, service user or public. | Minimal - Up to 2 months to recover. | Minor impact to council reputation of no interest to the media (Internal). | Minimal disruption to building, facilities or equipment (alternative arrangements in place). | No operational difficulties, back-up support in place and security level acceptable. | Legal, regulatory, or contractual breach, negligible impact to Council |

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

### Key

| Risk | Low | Medium | High | Very High |
|---|---|---|---|---|

**East Lothian Council**

**REPORT TO:**   Audit and Governance Committee

**MEETING DATE:**   21 September 2021

**BY:**   Chief Executive

**7**

**SUBJECT:**   Housing Risk Register

## 1   PURPOSE

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

1.2   The Housing Risk Register is developed in keeping with the Council's Risk Management Strategy and is a live document, which is reviewed and refreshed on a regular basis, led by the Housing Local Risk Working Group (LRWG).

## 2   RECOMMENDATIONS

2.1   It is recommended that the Audit and Governance Committee notes the Housing Risk Register and in doing so, the Committee is asked to note that:

- the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.

- the total profile of the Housing risk can be borne by the Council at this time in relation to the Council's appetite for risk.

- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer term risks for Housing and are likely to be a feature of the risk register over a number of years.

## 3   BACKGROUND

3.1   The Risk Register has been compiled by the Housing LRWG.  All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) producing an evaluation of risk as either 'low (1-4)', 'medium' (5-9), 'high' (10-19) or 'very high' (20-25).

3.2   The Council's response in relation to adverse risk or its risk appetite is such that:

- Very High risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position;

- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place;

- Medium risk is tolerable with control measures that are cost effective;

- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

3.3 The current Housing Risk Register includes 1 Very High, 10 High risks, 10 Medium risks and 1 Low Risk. As per the Council's Risk Strategy only the Very High and High risks are being reported to the Committee.

## 4 POLICY IMPLICATIONS

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

## 5 INTEGRATED IMPACT ASSESSMENT

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

## 6 RESOURCE IMPLICATIONS

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

6.2 Personnel - There are no immediate implications.

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

## 7 BACKGROUND PAPERS

7.1 Appendix 1 – Housing Risk Register 2021-22

7.2 Appendix 2 – Risk Matrix 2021

| AUTHOR'S NAME | Scott Kennedy |
|---|---|
| DESIGNATION | Emergency Planning, Risk and Resilience Officer |
| CONTACT INFO | skennedy@eastlothian.gov.uk        01620 827900 |
| DATE | 09 September 2021 |

| Risk ID | Risk Description (Threat/Opportunity to achievement of business objective) | Risk Control Measures (currently in place) | Assessment of Current Risk | | | Planned Risk Control Measures | Assessment of Residual Risk [With proposed control measures] | | | Risk Owner | Timescale for Completion / Review Frequency | Evidence held of Regular Review |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Likelihood | Impact | Risk Rating | | Likelihood | Impact | Residual Risk Rating | | | |
| | | | L | I | L x I | | L | I | L x I | | | |
| H1 | Homelessness<br><br>New policy approach rapid rehousing requires the Council to transform homelessness services, place people quickly into permanent accommodation, negating the use of temporary accommodation and requiring a significant reduction in temporary accommodation stock. Resource allocation is likely to be insufficient for service transformation and the approach could result in an inability to accommodate those in need, forcing use of non-contracted B&Bs / B&Bs out-with county.<br><br>The Scottish Government require the implementation of a Housing First approach in 2020 as a key priority, although no funding is available for ongoing revenue costs.<br><br>Legislative change regarding local connection will require the Council to accept rehousing responsibility for additional homeless cases and changes to discretion around intentionality and forthcoming change in focus to deliberate manipulation of the system will place additional pressure on the Council in respect of accepting intentionally homeless cases and associated accommodation duties.<br><br>Continued levels of low turnover results in limited lets available and longer average time spent in temporary accommodation. The Scottish Housing Regulator has noted this.<br><br>There is a higher financial cost burden for the general services budget due to additional demand for temporary accommodation, which is likely to increase further in light of anticipated legislative change.<br><br>High risk of breach of Unsuitable Accommodation Order due to a shortage of 'suitable' temporary accommodation, with extension of the Order to all households brought forward with immediate effect (with Covid-19 caveat until 30 September 2021).<br><br>An enforceable temporary accommodation standards framework is also to be implemented in 2021/22 which will further reduce the existing portfolio of 'suitable' accommodation.<br><br>Proposed change to Homelessness Code of Guidance / new prevention duty pose risk to existing practice / Homelessness Operations Policy. | Housing Options preventative approach to provision of advice.<br><br>Continued monitoring of RSL nomination process (new build and routine turnover).<br><br>Allocation Policy reduced number of offers for each Homeless applicant to 1, to encourage quicker throughput in temporary accommodation.<br><br>Cabinet approved recommended actions to address pressures relating to a lack of affordable housing supply and address homelessness pressures through delivery of an agreed action plan. Regular progress review meetings for action plan / rapid rehousing delivery ongoing with further engagement and annual iterations of RRTP to Scottish Government.<br><br>Cabinet approval of allocations targets to general needs / homeless applicants. Performance to targets kept under ongoing review. Cabinet approval of Allocations Policy Review.<br><br>Open Market Acquisitions increase supply prioritising the western part of the county, where demand is highest.<br><br>Housing First protocol in place and placements ongoing.<br><br>Significant work complete re policies and procedures to increase flow through the rent deposit scheme.<br><br>Audit of existing accommodation undertaken in advance of extension to unsuitable accommodation order.<br><br>Refreshed performance monitoring framework in place to enable improved ongoing monitoring of key aspects of service. | 5 | 4 | 20 | Further iteration of Rapid Rehousing Transition Plan (RRTP) submitted to the Scottish Government on 30 June 2021, with a clear plan to transform homelessness services by 2024 and kept under regular review in context of resource allocation and changing legislation.<br><br>Continue new build activity to increase housing stock, exploring potential to further increase supply within context of the growth agenda.<br><br>Significant growth in mid-market rent properties coming forward.<br><br>Housing Options Training Toolkit to be rolled out during 2021/22, to improve homelessness prevention and complement new Prevention Duty anticipated late 2021.<br><br>Exploration of flat share / hosting models and shared tenancies ongoing, which could potentially make better use of existing stock.<br><br>Revised Homelessness Operations Policy to be put in place, alongside comprehensive review of existing policies and procedures, to ensure service is operating efficiently and effectively.<br><br>Improved partnership working with existing partners and neighbouring authorities could potentially result in new ways of working and economies of scale.<br><br>New approach to spend to save, utilising RRTP resource allocation could result in cost savings re B&B spend.<br><br>Significant work to improve void timescales could assist with improved flow through temporary / permanent accommodation.<br><br>Consideration of business case/options appraisal in respect of alternative forms of accommodation in response to forthcoming legislative change.<br><br>Procurement underway re revised contract for temporary accommodation, to enable | 4 | 4 | 16 | Head of Housing | 2024<br><br>March 2024<br><br>March 2024<br><br>March 2022<br><br>December 2021<br><br>December 2021<br><br>December 2021<br><br>December 2021<br><br>December 2021<br><br>December 2021<br><br>December 2024 | Risk considered June 2021 by Team Manager Housing Options, Head of Service and Service Manager with no change to assessment of risk scores.<br><br>Risk refreshed February 2016 - current risk score increased from 16 to 20 and residual score increased from 12 to 16. |

| Risk ID | Risk Description (Threat/Opportunity to achievement of business objective) | Risk Control Measures (currently in place) | Assessment of Current Risk | | | Planned Risk Control Measures | Assessment of Residual Risk [With proposed control measures] | | | Risk Owner | Timescale for Completion / Review Frequency | Evidence held of Regular Review |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Likelihood | Impact | Risk Rating | | Likelihood | Impact | Residual Risk Rating | | | |
| | | | L | I | L x I | | L | I | L x I | | | |
| | Reduced supply of private lets due to landlords' ongoing concerns re new Private Residential Tenancy, legislative change (energy efficiency and repairing standard) and welfare reform impacts.

Requirement to prioritise sisted eviction cases upon opening of Sheriff Court.

Potential increase in service demand due to poverty, relationship breakdown and domestic abuse, associated with Covid-19 / lockdown restrictions.

Uncertainty over future funding of supported housing (DWP) and proposed changes in respect of restructuring the financing of temporary accommodation.

A focus is required on migrant homelessness and destitution in 2021, an area of complexity subject to limited Scottish Government flexibility.

The Scottish Government aim to pursue a right to adequate housing through a Human Rights Bill, which will pose additional homelessness / supply pressures.

Legislative change is likely to increase demand on homelessness services and corresponding duties to accommodate, meaning increased spend. | | | | | appropriate stock of suitable accommodation

Ongoing review to convert tenancies to enable RRTP targets re reduction in temporary accommodation to be met.

Increased focus on homelessness prevention for vulnerable groups, via transformation of Prevention / Response Teams. | | | | | October 2021

December 2021 | |
| H2 | Building material supply Issues

Concurrent impacts of Brexit, Covid-19 and other global supply chain factors are affecting building material supplies. There are currently inconsistencies in the supply of these materials across all trades.

This is potentially impacting on repair timescales and ability to meet statutory repair duties and could result in emergency repairs not being carried out.

There is also the potential impact to the affordable housing programme leading to delays on delivery and increasing costs | Stockpiling of materials following Scotland Excel guidance issues during first Covid-19 lockdown.

Maintaining a dialogue with suppliers to minimise impacts on repair timescales.

This is also highlighted within the Brexit Risk Register and regularly discussed at the Council's Brexit Group and CMT are aware of this issue. | 4 | 4 | 16 | Continue to monitor stock levels and supplier availability. Possible prioritisation of emergency works should issues persist.

Continue to monitor and follow national advice through Scottish Government, Scotland Excel, COSLA etc. | 3 | 4 | 12 | Service Manager – Property Maintenance

Service Manager Strategy & Development | Ongoing whilst the risk continues. | New risk identified March 2021 |

| Risk ID | Risk Description (Threat/Opportunity to achievement of business objective) | Risk Control Measures (currently in place) | Assessment of Current Risk | | | Planned Risk Control Measures | Assessment of Residual Risk [With proposed control measures] | | | Risk Owner | Timescale for Completion / Review Frequency | Evidence held of Regular Review |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Likelihood | Impact | Risk Rating | | Likelihood | Impact | Residual Risk Rating | | | |
| | | | L | I | L x I | | L | I | L x I | | | |
| H3 | Property Maintenance Trading Operation<br><br>Property Maintenance is a significant Trading Operation, which generates an annual surplus to the General Fund.<br><br>COVID-19 restrictions have severely impacted on trading activity turnover.  This could lead to a subsequent shortfall in target operating surplus, impacting on the wider General Fund budget position.<br><br>If the operation fails to demonstrate Best Value, it could result in work possibly having to be outsourced and subsequent job losses. | Monthly review of Trading Accounts to ensure service is on target to meet budgeted surplus and regular financial health checks are undertaken out by departmental Finance Partner.<br><br>Ongoing implementation of mobile working in Property Maintenance Services.<br><br>Job costing aligned to a nationally benchmarked schedule of rates (SORs).<br><br>Ongoing twice-yearly reconciliation of building material stock.<br><br>A COIVID-19 HRA subsidy payment was required to cover ongoing operating costs during severely curtailed operations during Covid-19 lockdowns. | 4 | 4 | 16 | Further roll-out of mobile working and targeted efficiency improvements (see D7).<br><br>Maximising operations and identifying opportunities incrementally in line with Scottish Government's COVID-19 Construction re-start plan.<br><br>Closely monitoring turnover levels to ensure accurate projections of year end surplus.<br><br>A dedicated Income & Accruals officer role is proposed as part of the final phase of service review, ensuring more frequent housekeeping of works orders, minimising accruals and realising trading turnover.<br><br>A further HRA subsidy payment to cover ongoing operating costs has been approved for the current financial year, should this be required. | 3 | 3 | 9 | Service Manager – Property Maintenance | November 2021<br><br>Ongoing to March 2022<br><br>Ongoing to March 2022<br><br>October 2021<br><br>March 2022 | Risk refreshed July 2021 with risk scores increased to 16 and 9. |
| H4 | Domestic Electrical Compliance<br><br>Wiring regulations state that an electrical inspection condition report be conducted for all social housing assets within a 5-year period of inspection.<br><br>COVID-19 has resulted in a higher number of tenant refusals and our ancillary contractor being unable to recruit sufficient skilled resources to deliver such inspections.<br><br>This also impacts on compliance of the Scottish Housing Quality Standard at risk H8 and would require reporting through the SHR Annual Assurance Statement.<br><br>Were we not to achieve compliance by March 2022 then there is a risk the Council would be in breach of the SHQS legislation. | A one-off capital budget provision has been secured and programme of works had been developed to cover all Council houses by March 2022 utilising both ELC's in-house Property Maintenance team bolstered by an ancillary electrical contractor. | 4 | 4 | 16 | Establish dialogue with Scottish Housing Regulator and/or Scottish Government to determine national situation and appetite to enforcement.<br><br>If no leniency is to be granted, seek to commission a further ancillary contractor. | 2 | 4 | 8 | Service Manager – Property Maintenance | October 2021<br><br>October 2021 | New risk identified June 2021. |
| H5 | Affordable Housing Supply<br><br>Supply of affordable housing is outstripped by need and demand influencing rising numbers on the Councils Housing Register and increased risk of arising Homeless applications. The impact of Covid may result in an increase in people applying for council housing. | The adopted LDP and significant land use allocations therein, providing land through planning policy to deliver an increase supply of affordable homes.<br><br>Local Housing Strategy in place for 2018-23 with associated actions in relation to delivery of affordable housing LHS update to provide | 5 | 3 | 15 | Supplementary Planning Guidance is under review<br><br>Planning underway for Local Housing Strategy 2023-28, aligning with Housing to 2040 and NPF4.<br><br>Strategic Housing Investment Plan for 2021/22 to 2025/26 was | 3 | 3 | 9 | Head of Housing<br><br>Service Manager – Strategy & Development | October 2021<br><br>June 2023<br><br>October 2021 | Risk refreshed by Service Manager June 2021 with no changes to scores. |

| Risk ID | Risk Description (Threat/Opportunity to achievement of business objective) | Risk Control Measures (currently in place) | Assessment of Current Risk | | | Planned Risk Control Measures | Assessment of Residual Risk [With proposed control measures] | | | Risk Owner | Timescale for Completion / Review Frequency | Evidence held of Regular Review |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Likelihood | Impact | Risk Rating | | Likelihood | Impact | Residual Risk Rating | | | |
| | | | L | I | L x I | | L | I | L x I | | | |
| | There is considerable disruption to the labour market and the materials supply chain which is causing projects on site to be delayed. This is caused by the restarting of the building industry post Covid when factories have been shut down and also by Brexit in the case of imported goods Projects planned to go out to tender will face increased costs.<br><br>Insufficient land in control of affordable housing providers due to limited amount of Council owned land and difficulty in competing on the open market to purchase land due to high land prices. Much of the land in East Lothian is tied up in options to private housing developers, leading to an inability to control provision of new affordable housing and reliance on planning policy for affordable housing to deliver land. Pressure on the housing stock in East Lothian may increase due to people wanting to move out of cities.<br><br>Housing for Varying Needs (HFVN) Standards are being reviewed by the Scottish Government. These together with revisions to the Building Regulations and the Scottish Governments ambitious climate targets will lead to increased costs.<br><br>Government Resource Planning Assumptions (RPAs) for East Lothian have been provided for the period 2018/1921/22 – 2025/26 to 2020/21 as follows:<br><br>2018/19 - £9.540m<br>2019/20 - £10.007m<br>2020/21 - £10.751m<br>2021/22 - £13.651m<br>2022/23 - £11.767m<br>2023/24 - £11.773m<br>2024/25 - £11.774m<br>2025/26 - £11.969m<br><br>The government programme is over committed for this year due to disruption the previous year.<br><br>The Scottish Government are currently reviewing the benchmark for affordable housing which will result in an increase in subsidy per unit.<br><br>However resources are unknown beyond 2022.<br><br>Scottish Government have announced a new ambition to deliver 110,000 affordable homes across Scotland by 2032, with at least 70% in the social rented sector. This is | a light update within the context of COVID and Housing to 2040.<br><br>Supplementary planning guidance for affordable housing has been approved and adopted.<br><br>Section 75 Co-ordinator recruited to project manage delivery of strategic sites, including affordable housing contribution.<br><br>Now entering phase 4 of Construction and programmes are being revised to ascertain impact on time and cost. Employers Agents scrutinising claims for extensions of time. Value engineering carried out on new projects.<br><br>The Council continues to pursue opportunities to acquire land and units /bring forward private projects for affordable housing. The Scottish Government are supportive of off the shelf opportunities where possible<br><br>Regional Housing Programme proposed through South East Scotland City Region Deal.<br><br>Contribute to and influence review of planning system.<br><br>Contribute to Housing beyond 2021 agenda<br><br>Accessed Scottish Government Infrastructure Fund.<br><br>The Council continues to deliver and to discuss with RSLs and other organisations unsubsidised affordable housing models. HRA Programme Board in place.<br><br>The Council ensures site investigations are carried out prior to entering into an agreement to purchase land.<br><br>The Council has an LLP East Lothian Mid-Market Homes to deliver mid-market rent units. | | | | submitted in December 2020 with the next update due at the end of October 2021.<br><br>Scottish Government to issue further guidance regarding payments to contractors resulting from Covid restrictions.<br><br>Supporting Local Investment Framework being developed.<br><br>Ensure site investigations are carried out prior to entering into an agreement to purchase land.<br><br>Programme for Governance key messages are ambition to deliver a further 100,000 affordable homes, and set out a 20 year vision for energy efficient zero carbon housing with access to outdoor space, transport links, digital connectivity and community services. | | | | Service Manager - Planning | October 2021<br><br><br>March 2022<br><br><br>March 2022 | |

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| | | | Likelihood | Impact | Risk Rating | | Likelihood | Impact | Residual Risk Rating | | | |
| | | | L | I | L x I | | L | I | L x I | | | |
| | accompanied by support to fund more off the shelf purchases. An increase in funding at a national level allocated to support this and is reflected in increased RPAs at a local level and a new benchmark is being reviewed in light of increasing standards and costs.<br><br>There is a need to deliver Carbon Neutral Housing by 2045.<br>Prevalence of mine workings to the west of the County impacts cost of developments. | | | | | | | | | | | |
| H6 | Housing Modernisation Programme<br><br>COVID-19 restrictions (physical distancing, site closures, staffing shortages and tenant refusals) have severely impacted on modernisation programme which has resulted in cancellations of in-house and externalised modernisation projects in Council houses.<br><br>Ongoing restrictions have further impeded ability to meet catch-up programmes.<br><br>This is causing reputational damage to the Council while the modernisation works do not go ahead. | Modernisation programmes had been recast over 2021-24 to ensure catch-up on missed units and bringing programmes back in line.<br><br>Ancillary contractors procured to bolster delivery of in-house programmes. | 5 | 3 | 15 | Modernisation programmes may require further recasting over 4 or 5 year horizon to ensure catch-up on missed units and bringing programmes back in line. | 2 | 3 | 6 | Service Manager – Property Maintenance | March 2025 (reviewed annually) | New risk identified March 2021 |
| H7 | Fuel Poverty<br><br>New build properties will not be able to be fitted with gas after 2024 and electricity is currently more expensive than gas.<br><br>Increase in fuel poverty due to a variety of factors:<br> - Increase in fuel prices<br> - Impact of welfare reform<br> - Changing householder economic / financial situation<br> - COVID impact - loss of employment.<br><br>Scottish Government is planning to introduce a Warm Homes Bill to Parliament, which will enshrine the Scottish Government's ambition to eradicate fuel poverty. The Scottish Government are currently consulting detailed proposals for a Fuel Poverty Strategy for Scotland and the targets, which will be enshrined in legislation. This consultation includes a revised definition of fuel poverty.<br><br>Energy Efficiency is a national infrastructure priority (SG's Infrastructure Investment Plan 2015). During 2017, the Scottish Government consulted on a range of related issues as part of the draft Climate Change Plan and draft Scottish Energy Strategy. Energy Efficiency Scotland Programme (EES) is currently under development and will be a co-ordinated programme to improve | All new homes that are fitted with ASHP are very well insulated. New trial projects using ASHP are ongoing.<br><br>Energy Efficient Scotland: Area Based Scheme (EES: ABS) in place, offering targeted energy efficiency measures and fuel poverty advice to private sector stock.<br><br>Local Heat and Energy Efficiency Strategy (LHEES) pilot complete. Survey works ongoing to identify suitable areas re-East Lothian's EES/ABS programme. Begin to look at alternative energy efficiency improvements other than fabric.<br><br>Review impact of COVID and Brexit and continue to liaise with contractor and Scottish Government to implement EES: ABS programme.<br><br>Energy advice and fuel debt support in place. Capital Programmes in place for council housing and Registered Social Landlords to increase energy efficiency measures. Social rented tenure must meet EESSH 2 by December 2032.<br><br>£3.255M was invested in energy efficiency measures to ELC owned stock in 2019/20 | 4 | 3 | 12 | Energy Transformation Programme – establish PV / re-roofing pilot together with partnership energy supply company arrangement to test concept of PV / battery and feed in arrangements together with energy supply. East Lothian Energy affordable tariff (powered by People's Energy in partnership with East Lothian Council) being launched August 2021.<br><br>Closely monitoring Scottish Government's Heat in Buildings Strategy, revising modernisation programmes and upskilling of in-house workforce accordingly. | 3 | 3 | 9 | Head of Housing<br><br>Service Manager – Strategy & Development<br><br>Service Manager – Property Maintenance | October 2021<br><br>March 2023 | Risk refreshed by Service Manager July 2021 with no change to assessment of current scores.<br><br>Risk refreshed by Service Manager February 2017 with current score reduced from 15 to 12 and residual score from 12 to 9. |

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| | | | Likelihood | Impact | Risk Rating | | Likelihood | Impact | Residual Risk Rating | | | |
| | | | L | I | L x I | | L | I | L x I | | | |
| | energy efficiency of homes alongside commercial, public and industrial sectors.

The impact of living in fuel poverty can place additional pressure on existing services – health, social care, advice, rent income.

Scottish Government have ring fenced £937,000 for East Lothian's EES/ABS programme. Fund guidance states this must be spent, or contractually allocated by the end of the financial year.  Due to lockdown and site closures, there is a risk that East Lothian's 20/21 programme will not maximise this fund even though the funding has been extended to the end of September.
There may also be a lack of skilled workforce to install EWI due to Brexit.

There is also a risk that the new 20/21 allocation of £937,000 will not be maximised?

Scottish Government requirement for all local authorities to have LHEES in place by 2023, in line with new Heat in Buildings Strategy

New buildings consented from 2024 must use zero direct emissions heating. | raising EESSH compliance to 82% of all stock.

New Local Housing Strategy is now in place with associated actions in relation to energy efficiency of existing housing stock, fuel poverty and climate change.

Continuing to identify areas of fuel poverty and stock that is eligible and suitable for measures. Will need to review an update impact of Covid.

Improving knowledge of the levels, extent and nature of fuel poverty and target resources to the worst affected areas. Prioritise areas most at risk of fuel poverty using data from Home Analytics.

Look at ways to improve energy efficiency once all fabric upgrades have been carried out, possibility of Solar PV and battery.


The Scottish Government have extended the 20/21 allocation from July to the end of September to provide Local Authorities with a bit more time to maximise spend. | | | | | | | | | | |
| H8 | Housing Quality

Our houses are required to meet the Scottish Housing Quality Standard (SHQS) and will be required to meet the Energy Efficiency Standard in Social Housing (EESSH). Delivery of these Standards is a significant contributor to the achievement of several of the National Outcomes the Scottish Government aims to achieve.

The Scottish Housing Regulator (SHR) is monitoring progress against these Standards and failure to clearly demonstrate compliance may involve intervention by the SHR on the management of stock quality.  It could also lead to loss of reputation to the Council as a service provider and the largest landlord in East Lothian.

While a rolling stock condition survey programme is in place, the data is incomplete.

Procurement rules negate our ability to enter into building contracts on s75 obligations which involve the transfer of completed units. This also prevents the ability to influence the specification which can result in poor quality products and increased resources in relation to resolving defects. This can in turn result in | Annual monitoring and reporting to SHR (via Social Housing Charter) and Audit Scotland.

Annual Housing Capital Investment Programme review.  The Capital Programme funds planned programmes of work has been targeted at continued compliance with the requirements of the SHQS.

Supplementary Planning Guidance now adopted which sets out minimum design and quality requirements for new build stock.

Keystone domestic asset management software system in place ensuring robust information held on the condition of Council housing stock.  Data validation checks of information held on Keystone.

Dedicated asset surveyors in place and rolling programme of stock condition surveys has commenced to keep data up to date.

Housing Asset Management Team established to oversee delivery of HRA Capital modernisation programme.

Regular monitoring and reporting as part of Balanced Scorecard. | 3 | 4 | 12 | Housing Asset Management Strategy to be developed, extending housing investment strategy to detailed 10-year programmes and outlining broader 30-year objectives.

Support the development of an Affordable Housing Design Guide.

Smoke/fire and electrical compliance programmes developed to meet revised 2022 deadlines. | 2 | 4 | 8 | Service Manager – Property Maintenance

Service Manager – Strategy & Development | March 2022

March 2022

March 2022 | Risk refreshed July 2020 by both Service Managers with no change to assessment of risk scores. |

| Risk ID | Risk Description (Threat/Opportunity to achievement of business objective) | Risk Control Measures (currently in place) | Assessment of Current Risk | | | Planned Risk Control Measures | Assessment of Residual Risk [With proposed control measures] | | | Risk Owner | Timescale for Completion / Review Frequency | Evidence held of Regular Review |
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| | | | Likelihood | Impact | Risk Rating | | Likelihood | Impact | Residual Risk Rating | | | |
| | | | L | I | L x I | | L | I | L x I | | | |
| | an impact on future repairs and maintenance costs.

New technical guidance issued May 2020 bring new smoke, fire and heat detection programmes into SHQS compliance by February 2021. . Further extension of deadline due to Covid-19 to end March 2022.

The new guidance also confirms the requirement to undertake electrical condition checks on a maximum 5-year cycle. | Detailed 5-year investment programme now developed on basis of stock condition intelligence and aligned to regulatory standards.

Team Manager (Housing Assets) recruited to oversee collection and recording of housing stock intelligence including energy performance and delivery of key aspects of the capital modernisation programme.

In-house asset surveyors are now in place, with a 5-year rolling stock condition survey regime implemented.

Keeping SHR regularly updated on progress towards meeting the Standards. Keystone housing asset management system informs future planning of annual programme of modernisation work.

Closer alignment of development of modernisation programme and delivery.

The Council ensures Quality Assurance is carried out at all stages of development. | | | | | | | | | | |
| H9 | Skilled Trades Labour Supply

Concurrent impacts of Brexit and Covid-19 are resulting in skilled labour supply issues for the construction/maintenance sectors.

Private sector construction firms are offering premium rates in an active attempt to attract skilled labour in a booming marketplace which the Council may not be able to compete with.

This is potentially impacting on repair timescales and ability to meet statutory repair duties. | Property Maintenance continues to offer relatively secure, competitively remunerated employment in the sector.

Property Maintenance continues to maintain a strong apprentice cohort within its establishment. | 3 | 4 | 12 | Consider utilising agency workers and/or ancillary contractors.

Consideration of expanding the apprenticeship programme, funding permitting. | 2 | 4 | 8 | | Review April 2022

February 2022 | New risk identified March 2021 |
| H10 | Mobile Working

Current mobile working hardware, within Property Maintenance, is dated and does not meet PSN requirements.  This has resulted in a switch-off of existing hardware, and reverting to paper-based job ticketing, placing increased pressure on administrative resources.

A project to implement Windows 8 tablet technology was terminated due to the supplier failing to meet expectations.

Further issues with integration to Orchard HMS have furthered hindered user acceptance testing. | A new iOS-based mobile working platform has been procured.

A paper-based contingency has been implemented to cover the intervening period between PSN 'switch-off' and go-live of the new platform.

Security vulnerabilities identified in penetration testing of replacement solution (2018), representing a considerable obstacle to implementation.

Software was upgraded by supplier August 2019 to overcome security vulnerabilities. User acceptance testing commenced. | 4 | 3 | 12 | Implementation of phase 2 mobile working, encompassing iOS Smartphone technology has commenced.  ELC IT included in project planning to ensure resources and supporting system architecture is in place.

ELC IT officer assigned to project. Liaising with both main supplier and Orchard HMS to progress integration issues. | 2 | 3 | 6 | Service Manager – Property Maintenance | November 2021

November 2021 | Risk refreshed by Service Manager – Property Maintenance July 2021 with no change to risk scores.

Risk refreshed March 2019 with residual score increased from 3 to 6. |

| Risk ID | Risk Description (Threat/Opportunity to achievement of business objective) | Risk Control Measures (currently in place) | Assessment of Current Risk | | | Planned Risk Control Measures | Assessment of Residual Risk [With proposed control measures] | | | Risk Owner | Timescale for Completion / Review Frequency | Evidence held of Regular Review |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Likelihood | Impact | Risk Rating | | Likelihood | Impact | Residual Risk Rating | | | |
| | | | L | I | L x I | | L | I | L x I | | | |
| H11 | Solid Fuel Installations and Safety<br><br>Failure to Manage Solid Fuel safety on all Solid Fuel Installations in ELC Housing Properties leading to potential CO poisoning of tenants, increased risk of house fires and potential risk of prosecution. Chimneys are generally in poor condition while the Council are unable to control fuels burnt in solid fuel appliances. | Programme for Solid Fuel Servicing terminated end of 2018. New servicing contractor in place from April 2019. Heating replacements to energy efficient, low carbon alternative fuels are available and being installed but implementation is difficult due to customer refusals. Contractor in place for removal and replacement of solid fuel systems.<br><br>Policy in place that properties are replaced upon becoming vacant. | 2 | 5 | 10 | Programme for removal and replacement of solid fuel systems ongoing in remaining 37 properties. Gas supplies have been installed to all Council houses in gas areas to enable rapid replacement when consent received. | 1 | 5 | 5 | Service Manager - Engineering Services & Building Standards (ESBS)<br><br>Service Manager - Property Maintenance | March 2022 to review numbers installed. | Risk refreshed July 2021 - no change to risk scores.<br><br>Refreshed 2019 by Head of Service with Residual Score reduced 10 to 5 and Current Risk Score reduced 15 to 10.<br><br>Also INF24 |

| | | | | Overall Rating |
|---|---|---|---|---|
| **Original date produced (V1)** | 29th April 2021 | | | |
| **File Name** | Housing Risk Register | | | **20-25 Very High** |
| **Original Author(s)** | Scott Kennedy, Risk Officer | | | **10-19 High** |
| **Current Revision Author(s)** | Scott Kennedy, Risk Officer | | | **5 -9 Medium** |
| | | | | **1-4 Low** |

| Version | Date | Author(s) | |
|---|---|---|---|
| 1 | 29/04/2021 | S Kennedy | New Housing Risk Register created. |
| 2 | 02/08/21 | S Kennedy | All risks reviewed by Housing Service Managers and Head of Service |

## East Lothian Council Risk Matrix

### Likelihood Description

| Likelihood of Occurrence | Score | Description |
|---|---|---|
| Almost Certain | 5 | Will undoubtedly happen, possibly frequently >90% chance |
| Likely | 4 | Will probably happen, but not a persistent issue >70% |
| Possible | 3 | May happen occasionally 30-70% |
| Unlikely | 2 | Not expected to happen but is possible <30% |
| Remote | 1 | Very unlikely this will ever happen <10% |

### Impact Description

| Impact of Occurrence | Score | Description | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Impact on Service Objectives | Financial Impact | Impact on People | Impact on Time | Impact on Reputation | Impact on Property | Business Continuity | Legal |
| Catastrophic | 5 | Unable to function, inability to fulfil obligations. | Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances) | Single or Multiple fatality within council control, fatal accident enquiry. | Serious - in excess of 2 years to recover pre-event position. | Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved. | Significant disruption to building, facilities or equipment (Loss of building, rebuilding required, temporary accommodation required). | Complete inability to provide service/system, prolonged downtime with no back-up in place. | Catastrophic legal, regulatory, or contractual breach likely to result in substantial fines or other sanctions. |
| Major | 4 | Significant impact on service provision. | Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty) | Number of extensive injuries (major permanent harm) to employees, service users or public. | Major - between 1 & 2 years to recover pre-event position. | Major adverse publicity (regional/national), major loss of confidence. | Major disruption to building, facilities or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required). | Significant impact on service provision or loss of service. | Legal, regulatory, or contractual breach, severe impact to Council. |
| Moderate | 3 | Service objectives partially achievable. | Significant impact on budgets (can be contained within overall directorate budget) | Serious injury requiring medical treatment to employee, service user or public (semi-permanent harm up to 1yr), council liable. | Considerable - between 6 months and 1 year to recover pre-event position. | Some adverse local publicity, limited damage with legal implications, elected members become involved. | Moderate disruption to building, facilities or equipment (loss of use of building for medium period). | Security support and performance of service/system borderline. | Legal, regulatory, or contractual breach, moderate impact to Council. |
| Minor | 2 | Minor impact on service objectives. | Moderate impact on budgets (can be contained within service head's budget) | Lost time due to employee injury or small compensation claim from service user or public (First aid treatment required). | Some - between 2 and 6 months to recover. | Some public embarrassment, no damage to reputation or service users. | Minor disruption to building, facilities or equipment (alternative arrangements in place and covered by insurance). | Reasonable back-up arrangements in place, minor downtime of service/system. | Legal, regulatory, or contractual breach, minor impact to Council. |
| Minimal | 1 | Minimal impact, no service disruption. | Minimal impact on budgets (can be contained within unit's budget) | Minor injury to employee, service user or public. | Minimal - Up to 2 months to recover. | Minor impact to council reputation of no interest to the media (Internal). | Minimal disruption to building, facilities or equipment (alternative arrangements in place). | No operational difficulties, back-up support in place and security level acceptable. | Legal, regulatory, or contractual breach, negligible impact to Council |

### Risk

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

### Key

| Risk | Low | Medium | High | Very High |
|---|---|---|---|---|

East Lothian
Council

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 21 September 2021

**BY:** Chief Executive

**8**

**SUBJECT:** Local Government in Scotland: Overview 2021 (Accounts Commission, May 2021)

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## 1 PURPOSE

1.1 To review the Accounts Commission report, *'Local Government in Scotland: Overview 2021'*.

## 2 RECOMMENDATIONS

2.1 The Committee is asked to:

- Note the findings and key messages in the Accounts Commission report, Local Government in Scotland: Overview 2021 (paras 3.3 – 3.15).

- Note the case studies used in the report to illustrate the good practice that was developed by councils including East Lothian Council in response to the COVID-19 pandemic (paras 3.16 – 3.17).

- Note the seven lessons learned highlighted by the report (Appendix 1) and that the council is already taking on board these lessons as it continues to respond to the pandemic and begins to plan for recovery and renewal (paras 3.19 – 3.23).

- Note that the case studies and lessons learned will be reviewed alongside the council's own Lessons Learned and Structured Debrief exercises as the council continues to respond to the pandemic and develops the Recovery and Renewal Framework.

## 3 BACKGROUND

3.1 Each year the Accounts Commission produces an overview of issues that have arisen from the local authority audits conducted by Audit Scotland. The 2021 report published in May 2021 is the first in a series of reports the

Accounts Commission plan to publish that reflect the evolving and long-term nature of the impact of Covid-19.  It considers the initial response phase of the pandemic from March 2020 and includes some financial data, correct as at the end of February 2021.

3.2     The report is structured around three themes, Communities and People, Service Delivery and Partnership Working, and, Resources and Governance.  It includes 19 case study examples of council responses to the new challenges posed by COVID. The report draws out seven Lessons Learned for councils and their partners.

*Communities and People*

3.3     The report's conclusions under this theme reflect very closely the experience East Lothian's has had of the pandemic and how the council and our communities have responded the challenges pose by lockdown.

3.4     The report highlights that Covid-19 has had a profound impact on society and the economy and a significant impact on children and young people. It has had a disproportionate impact on some communities and groups in society and new vulnerabilities have also emerged as a result of the pandemic.

3.5     COVID-19 has been hugely disruptive and is having detrimental impact on health and wellbeing. It is creating significant uncertainty for many sectors of the economy and will bring longer-term impacts on the labour market, potentially leading to extended periods of unemployment. Disruption to education has had an adverse effect on children and young people. Many young carers have had to take on additional caring responsibilities. The pandemic has increased health inequalities and poverty and has exacerbated the digital divide.  The reduction or cessation of services due to lockdown had a significant impact on vulnerable adults and children and on carers who faced reduced access to support services and respite.

3.6     The report suggests that councils were innovative and worked at pace to provide support to those most at risk and that they will continue to play a significant role in addressing future inequalities. Councils were at the forefront in adapting services and providing support to vulnerable people and communities and that they will play an integral part in Scotland's recovery from COVID-19.  Councils have already demonstrated early signs of innovative thinking to ensure people can be supported to overcome the damaging social and economic effects.

3.7     The report highlights that communities were an asset in councils' response to the pandemic. Community groups made significant contributions to providing support for vulnerable people and embraced the opportunity to take charge in responding to the crisis. Communities experienced increased levels of activity and collaboration.

*Service Delivery and Partnership Working*

3.8     The report confirms that councils have been central to the response to the pandemic; again reflecting East Lothian Council's experience. Councils

proved agile in adapting service provision, by redirecting resources and using digital technology and rapidly changed service delivery arrangements. Council workforces demonstrated versatility by adapting quickly, taking on new roles and working under pressure to maintain services.

3.9 Councils have worked effectively with community partners to respond to the impacts of COVID-19. Partnerships between councils and community partners have developed and strengthened in some areas.

3.10 Whilst councils' approaches to restarting paused services have varied, they have been guided by the Scottish Government's national guidance.

*Resources and Governance*

3.11 This section of the report supports the message that has been given to the council in several reports highlighting the impact of the pandemic on council finances. Even though the UK and Scottish Governments have provided substantial additional funding to support the pandemic response councils face significant financial challenges.

3.12 Across Scotland more councils added to their revenue reserves in 2019/20 and further increases may occur in 2020/21 as a result of carry-forward of late grant funding and allocations of cash from the Scottish Government. COSLA is working closely with the Scottish Government to obtain additional financial support for councils.

3.13 The total net cost of COVID-19 in 2020/21 will be challenging for councils but is likely to be managed through savings, use of reserves and additional funding provided by the Scottish Government. Nevertheless, significant uncertainty remains around future financial planning and support.

3.14 As was the case with East Lothian Council, most councils made swift changes to governance arrangements and the pandemic created significant challenges for councils in financial planning and reporting.

3.15 It should be noted that the use of reserves that have been built up either as a result of underspends in the previous financial year or to carry forward of late grant funding and allocations from the Scottish Government provides only short term financial relief. As is the case with East Lothian Council these reserves can be used to support additional COVID related costs or short-term COVID recovery but will not be available to fund on-going, long-term commitments.

*Case Studies*

3.16 The report includes 19 case study examples of how councils responded to the challenges posed by COVID. Most of the case studies illustrate some of the good and innovative practices that were developed and implemented at pace by the Council including:

- Contacting and providing support for several thousand people on the shielding list

- Developing digital learning programmes for, and distributing digital equipment to, pupils having to home school

- Moving registration services to seven day and online services

- Redeploying staff to new duties such as working from children's and community hubs and administering and distributing business support grants

- Supporting community and voluntary organisations delivering food and other support to vulnerable people who had to self-isolate or were facing financial and food insecurity

- Establishing the Multi-Agency Recovery and Renewal Group

- Managing the transition to virtual meetings by Skype and Teams that enabled over 1,000 staff and all elected members to work from home; and establishing virtual council and committee meetings using Remote Connect.

3.17   One of the case studies used in the report is East Lothian Council's Connected Communities Resilience bases.

*Lessons Learned*

3.18   The Accounts Commission has drawn out seven lessons that have been learned from the pandemic to date (Appendix 1).  East Lothian Council is already taking on board these lessons in how it responds to the pandemic and continues to plan for recovery and renewal.

3.19   Equalities and poverty have been included as two cross cutting themes in the council's recovery and renewal framework.  The council is consulting on a Draft Poverty plan 2021-2023 and a draft Equality Plan 2021-205. Final drafts of these Plans will presented to the Council for approval in the autumn and will form key parts of our recovery and renewal framework. The draft Poverty Plan recognises the importance of tackling both the immediate negative impact of the pandemic and the long-term inequalities that have been exacerbated

3.20   Also a new digital inclusion strategy is being developed to build on the investment that has been put into reducing the digital divide through the pandemic, and ensure that, as we continue to develop on-line services, no-one is excluded.

3.21   Throughout the pandemic the council has worked very closely and effectively with both statutory partners such as NHS Lothian and Police Scotland but also with the voluntary sector, through our Third Sector interface, Volunteer Centre East Lothian and with community groups. A Communities Renewal and Recovery Group has been established to ensure that the voluntary sector and communities have an input into determining how we move out of the pandemic, learn from the experience and continue to work together to 'build back better'.

3.22 The council has been aware of the impact of the pandemic has had on staff – having to do different things and do things differently, taking on new roles and new tasks and / or having to continue delivering essential services whilst dealing with the stress and anxiety of living through lockdown. The 2021 employee engagement survey included questions about the impact of COVID on staff whether they were working from home or delivering front-line services. The results of the survey and experiences of staff are helping to inform the priorities and actions in the new Workforce Plan.

3.23 The financial impact of COVID and the pressures on the council's budget have been well documented and reported to the council on several occasions over the last 18 months. The most recent report to the 24th August Council meeting noted the additional funding received from the Scottish Government since approving the budget in March 2021 and the significance of the COVID-19 pressure and the impact of non-recurring funding provided for 2021/22. It also noted that 'letters of support' have had to be provided to Council ALEOs and that discussions will continue with partner organisations to consider ongoing financial implications. It also provided elected members with information about the commitments against the COVID-19 Fund and the alignment to the Recovery and Renewal Framework.

3.24 The council is undertaking its own Lessons Learned exercise. A lessons learned log is being maintained and added to on a regular basis. These internal lessons learned have already informed the development of the council's response to the pandemic to address areas of concern and roll out good practice.

3.25 Interim structured debriefs have already been carried out with the Council Management Team and elected members. The issues raised in these debriefs by senior officers and elected members will be used to inform the review of the council's Business Continuity plans that will take place when the current 'emergency' is over. They will also feed into the delivery of the East Lothian Recovery & Renewal Framework.

## 4 POLICY IMPLICATIONS

4.1 Councils are required under the Local Government in Scotland Act 2003 to achieve Best Value in regard to economy, efficiency, effectiveness, equal opportunities and sustainable development. 'Local Government in Scotland: Overview 2021' will assist the Council to recognise and respond to the challenges that it faces as we move to recovery and renewal from response to the COVID-19 pandemic.

## 5 INTEGRATED IMPACT ASSESSMENT

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

## 6 RESOURCE IMPLICATIONS

6.1 Financial – none.

6.2 Personnel – none.

6.3 Other – none.

## 7 BACKGROUND PAPERS

7.1 Appendix 1: Lessons Learned

7.2 'Local Government in Scotland: Overview 2021', Accounts Commission, May 2021

| | |
|---|---|
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| **DATE** | 9th September 2020 |

## Appendix 1: Lessons Learned

**Lesson Learned 1:**

The impact of Covid-19 has been extremely detrimental for many of Scotland's most vulnerable people and communities. The impact will be long-lasting and will significantly increase inequalities. Recovering from the pandemic will require tackling inequalities to be a priority.

As councils may look to embed longer-term changes to service provision as seen during the pandemic, it is important that they are adaptable in their approach, to ensure that services are reaching communities in the right way. Councils need to understand the needs of those experiencing digital exclusion and put a strategy in place to ensure equal access to services for all citizens and communities.

**Lesson Learned 2:**

Councils must closely monitor the impacts of service changes and disruptions on people and communities. There are growing concerns about the effects of service disruptions on different groups, for example the impacts of moving school education into homes and online on disadvantaged and vulnerable children and young people, and of reduced or paused care services on people who rely on them and their carers. Councils must develop targeted responses to tackle both the immediate negative impacts of the pandemic and the long-term inequalities that have been exacerbated.

As councils embrace longer-term digital service provision, they must balance the efficiencies digital services bring against the needs of communities and the workforce. Citizens must be at the heart of decisions about the services they rely on.

**Lesson Learned 3:**

Action taken by communities has been vital in supporting councils and their partners to deliver an emergency response. Partnerships that were well-established before the pandemic had a smoother transition into the response phase and acted more quickly than others. The importance of strengthening relationships with communities has been apparent. Greater flexibility in decision-making structures has been an effective tool for communities, empowering them while allowing the council to operate more efficiently. Giving communities more scope to use initiatives like this will be important in the future but must be balanced with the return of robust governance arrangements and continued openness and transparency in decision-making.

**Lesson Learned 4**:

Councils and their staff have been at the centre of unprecedented efforts to protect and support people and communities through the Covid-19 pandemic. Demands on people have been intense, and both council staff and the citizens they serve will need continued targeted support through the move to recovery and renewal. Councils' recovery and renewal efforts must be informed by comprehensive understanding of the issues that affect all those who live and work

in their communities, and the positive partnerships built on during their initial response should be a core element in this.

The impacts of the pandemic, particularly its unequal impacts on groups in society and the awareness it has raised of issues of fairness and equality, the importance of community and the value of local services are all key to deciding future priorities for public services and what 'building back better' might mean for communities.

**Lesson Learned 5:**

The timing and nature of funding for local government is creating pressure and uncertainty for councils beyond the current financial year. Funding is being provided incrementally and the lack of certainty regarding future budgets makes effective short- and medium-term planning very difficult for councils. Covid-19 will have long-term impacts on councils and the communities that they serve. Councils are likely to require additional support to address the challenges of remobilising services, and supporting social and economic recovery. If additional funding is provided with specific conditions or is ring-fenced for specific purposes councils will then be forced to make difficult prioritisation decisions with potential negative impacts on other services. A lack of flexibility in future funding may lead to a differential impact on service delivery and exacerbate existing financial sustainability risks.

As reported in Local Government in Scotland: Challenges and performance 2018, services such as planning, cultural services, environmental health and roads have borne the brunt of service cuts in recent years. The trend has been one of larger reductions to relatively smaller service areas with no change in real terms to social care and education spending. The increased financial constraints created by Covid-19 are likely to create a further risk to recovery should smaller services face further cuts. This will adversely affect councils' ability to provide importance services that people and communities rely on.

**Lesson Learned 6:**

Councils have reacted well to the changing environment and have acted quickly to implement new governance arrangements that are safe and flexible. Although delegation to officers and emergency committees was undertaken at some councils in the early stages, it is welcome that all 32 councils now have arrangements in place to support remote meetings. It is likely that the requirement for remote the cmeetings will continue for some time, therefore all councils should ensure that public participation is facilitated as soon as possible to provide openness and transparency in decision-making.

**Lesson Learned 7**:

Councils' medium-term financial plans will need to be updated to reflect the significant financial impact of the Covid-19 pandemic. Although considerable challenge and uncertainty still exists, it is important that councils have a plan in place that identifies medium-term impacts so that steps can be taken to manage risk and plan effectively. Good medium-term financial planning, based on modelling various future scenarios and focusing on clear priorities, is more important now than ever.

# Local government in Scotland

# Overview 2021



**ACCOUNTS** COMMISSION

**Prepared by Audit Scotland**
May 2021

# Who we are

## The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services. Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees

- assessing the performance of councils in relation to Best Value and community planning

- carrying out national performance audits to help councils improve their services

- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: www.audit-scotland.gov.uk/about-us/accounts-commission

**90**

# Chair's introduction

In 2020, Covid-19 changed the world and will have a profound impact on our lives in the years ahead. The public services we all receive and many of us depend on each and every day have adapted, in some cases transformed and will certainly continue to change.

Covid-19 has laid bare and exacerbated existing **inequalities** such as health, work, income, housing and education across Scotland's communities. The multiple impacts of these inequalities have affected the most vulnerable, minority groups and women.

Reporting on how inequalities are being tackled is, and will be, a core priority for the Accounts Commission in our future reporting. The recovery from Covid-19 isn't going to be quick, again exacerbating the impact on the lives of those already most affected. The recovery plans and priorities need to recognise this.

Councils must put robust and realistic plans in place and work alongside partner organisations best placed to help. They must work with and for their communities, focusing on the needs of local people.

This will have to be achieved against an increasingly challenging **financial outlook.** There is rarely financial certainty for councils beyond the current financial year. For many years the Commission has reported on the importance of long-term financial planning for our councils and they need the certainty of a multi-year financial settlement to do this. Without this Scotland is faced with a clear risk to the financial sustainability of our councils. During the last few years we have seen increasing amounts of funding provided by the Scottish Government being ring-fenced for specific purposes and this limit on local flexibility

has also emerged through the funding arrangements for Covid-19. Councils have also been impacted by the significant loss of income and additional costs caused by Covid-19 which will have a consequential impact in the coming years. Support for councils will be needed to allow them to take a comprehensive and holistic approach as they look to stimulate economic recovery, address inequalities and build back communities.

Of course, this complex and difficult set of circumstances will, inevitably, mean that councils must make difficult decisions about the services they deliver, and indeed how these services are delivered.

A key issue will therefore be reaching agreement between the Scottish Government and COSLA to achieve a funding model for local government that targets and supports those most in need.

Throughout 2020 and beyond, the ways in which councils and communities have worked together to deliver services and support the most vulnerable has been incredible. Many communities and individuals continue to step in to provide crucial local services, empowered to do so by councils. Those local areas where partnership working was already strong and embedded were able to respond and react more quickly to the developing needs caused by Covid-19. This brought into focus the value and importance of **partnership working** and empowering communities to deliver services that meet very local needs.

**91**

# Chair's introduction continued

The Accounts Commission will look to ensure that the significant amounts of funding given to councils to deliver and provide support to mitigate the impact of Covid-19 achieved value for money. ***Following the 'pandemic pound'*** will be central to our future work.

Our audit work has already seen so much positive work in councils, not least the swift and vital move to delivering services remotely and digitally. This new way of working needs to be harnessed and consolidated, with ***lessons learned, shared and improved upon***. It is vital that councils do not default to previous ways of working in areas where new approaches are having positive outcomes.

This latest Local Government Overview is the first in a series of reports that will reflect on the evolving and long-term nature of the impact of Covid-19. Here we consider the initial response of councils. And our future reporting will give a more detailed analysis of the impact and lessons learned from the pandemic, including an assessment of progress being made in early phases of recovery in 2022 before looking ahead to how councils have supported their local communities to begin recovering.

**Elma Murray**
Interim Chair of the Accounts Commission

92

# Key messages

**Communities and people**

**Service delivery and partnership working**

**Resources and governance**

## 1. The Covid-19 pandemic is having a profound impact on all aspects of society, including the economy, jobs, and the physical and mental health of the public

The negative impacts have been greater for those already experiencing socio-economic disadvantage, and existing inequalities have intensified. Councils have been at the centre of the response to the pandemic, supporting communities through these difficult times. They responded quickly and put their initial focus on maintaining service delivery and protecting communities.

## 2. Relationships with communities have been vital

Councils and communities have worked well together to manage local responses to Covid-19. These included supporting initiatives to promote wellbeing and support people who were shielding and facilitating community support hubs. Existing partnerships that were stronger before the pandemic made a smoother transition into the response phase, as there were fewer barriers. Moreover, some communities were able to offer a faster and more targeted response and deliver some vital services as a result of having fewer formal decision-making structures. In some cases, Community Planning structures have been strengthened and community groups have been able to work more flexibly, demonstrating the value of community empowerment.

## 3. Levels of service disruption have varied

Services such as education, social care and culture and leisure were badly affected, while other core services continued on a reduced basis. Services that could be delivered by people working from home were most resilient. The disruption to services had significant negative impacts on vital areas and on some client groups. These included carers who lacked access to respite care, people with learning disabilities who lacked access to important services and wider support, and school children, who experienced significant disruption to their education. Communities experienced significant service disruptions alongside the wider impact of the pandemic. This created further challenges including job losses and increased economic uncertainty, the impact on people's mental health, and increased child protection risks during lockdown.

93

# Key messages continued

## 4. Some services were delivered virtually

For example, education continued where students were able to access learning materials online. Councils worked fast to enable homeworking for staff and to provide innovative IT (information technology) solutions. There were challenges for some councils in the early days of the move to homeworking, including limited internet connectivity and insufficient supplies of IT equipment to enable the required numbers of staff to work remotely.

## 5. The workforce demonstrated the versatility to take on new roles

Staff were redeployed from services that were closed or reduced into services facing increased pressure while working at pace under challenging circumstances. There will be an increased need in future for staff to be agile as services continue to evolve in line with the pandemic and the recovery phases. Councils must also manage the pressures on staff to ensure their people are not put at risk of burnout as the pandemic continues.

## 6. There were significant changes in council governance structures and processes

At the onset of the crisis, councils suspended or revised their meeting schedules, and adopted different approaches to decision-making. Virtual meetings were established in growing numbers of councils, and all councils now hold remote meetings. There is now less reliance on delegation to officers or emergency committees than in the early stage of the pandemic, but councils must continue to balance the need for urgent decision-making with transparency.

94

# Key messages continued

## 7. Councils continue to face significant financial challenges, and these have been exacerbated by the pandemic

The Convention of Scottish Local Authorities (COSLA) estimated that the total net financial impact of Covid-19 in 2020/21 would be £767 million. This includes forecast financial pressures of £855 million, with loss of income accounting for around £400 million of this total. The financial pressures have been offset slightly by estimated cost reductions of £88 million from a range of areas such as lower property costs and reduced school meal costs.

## 8. The Scottish Government has provided substantial additional financial support, but the nature and timing of funding has created further challenges for councils

Funding announced by the Scottish Government by February 2021 is likely to support councils in covering the net financial impact of the pandemic for 2020/21. This additional funding includes a significant element of one-off grant funding, therefore this may present financial sustainability risks for some councils in future years. Furthermore, funding announcements have been frequent but not regular, and in some cases specific conditions are attached. This has created an additional administrative burden for the Scottish Government and councils arising from awarding and accepting grants and completing the related reporting requirements.

95

# Key messages continued

## 9. Councils have started to plan for longer term recovery from the crisis

While restarting services is led largely by national guidance, and the response to a second wave of Covid-19, councils are beginning to think about how to rebuild local economies and support communities in the long term. Councils will play a pivotal role in this, and as they progress through the recovery phases, there must be recognition that a return to 'business as usual' will not be possible and that the negative impacts of the pandemic will be felt for years to come. Councils' recovery plans have signalled this kind of thinking, focusing on areas that were already priorities before the pandemic, such as digital, tackling inequalities and climate change. We are still learning about the significant long-term challenges, and councils' recovery and renewal plans should address the longer-term implications of the pandemic for local economies, communities and individuals. Recovery plans must also recognise the longstanding issues of inequality that exist and set out actions to address the differential impact of Covid-19 on different groups.

## 10. There has been some ongoing learning resulting from the emergency response to the pandemic

Councils' service delivery arrangements and working practices changed at an unprecedented pace and on a scale that would have been considered impossible in the past. The need to respond quickly with simplified procedures has allowed councils to operate more flexibly and achieve outcomes that would previously have taken much longer. For example, the use of digital technology, to support changes to service delivery and councils' governance arrangements, has accelerated at a greater pace than many councils had planned for or thought achievable. It is important that councils now consolidate and build on the factors that allowed this level of change and innovation to take place so quickly. Councils should also identify the positive developments to take forward into renewal planning to maintain this momentum. It is also important for councils to avoid the risk of reverting to 'business as usual' in areas where new ways of working are having positive outcomes, for example flexible working and an increase in digitally enabled services. We will consider further lessons learned in more detail in future local government overview reports.

96

# About this report

Our local government overview this year is taking place amidst the Covid-19 pandemic, which has created an unprecedented set of issues and challenges for councils, their partners and for communities. The shape of the recovery and renewal curve is not yet clear, nor are many of the longer-term impacts on the economy, communities, and public services.

## This report

- is the first in a series of reports that reflects the evolving and long-term nature of the impact of Covid-19

- considers the initial response phase of the pandemic from March 2020, and includes financial data correct as at the end of February 2021

- provides case study examples of council responses to new challenges.

## Future reporting

- will give a more detailed analysis of the impact of the pandemic and lessons learned from it, including an assessment of progress being made in early phases of recovery in 2022

- will cover further progress, with renewal and recovery reported on in 2023.

97

# Timeline of key events

**18th -** £350m funding announced for councils, the third sector, and community groups

**20th -** Closure of schools

**24th -** Scotland goes into 'lockdown'

**30th -** The Scottish Gov. announce that local authorities' August 2020 deadline to deliver 1140 funded hours of Early Learning and Childcare will be removed

**6th -** Coronavirus (Scotland) Act receives royal assent

**20th -** Covid-19 deaths peak in Scotland

**5th -** Scottish Gov. announce that £155m in Barnett Consequentials will be passed to Local Government

**7th -** Announcement of the 'Connecting Scotland' Initiative

**29th -** Scotland enters phase 1 of Scottish Gov. route map

**16th -** Summer provision of free school meals announced

**19th -** Phase 2 of Scottish Gov. route map begins

**23rd -** £257.6 million of additional funding for councils to help tackle Covid-19 is approved (includes £155m consequentials)

**10th -** Phase 3 of Scottish Gov. route map begins

**13th -** UK Government announce the Eat Out to Help Out Scheme for establishments serving food

**20th -** The University of Oxford publishes its findings from a coronavirus vaccine trial, noting that the vaccine appears safe and triggers an immune response

**5th -** Local restrictions in Aberdeen following rise in infections

**4th -** Scottish pupils receive SQA results

**11th -** Re-opening of schools

| March | April | May | June | July | August |
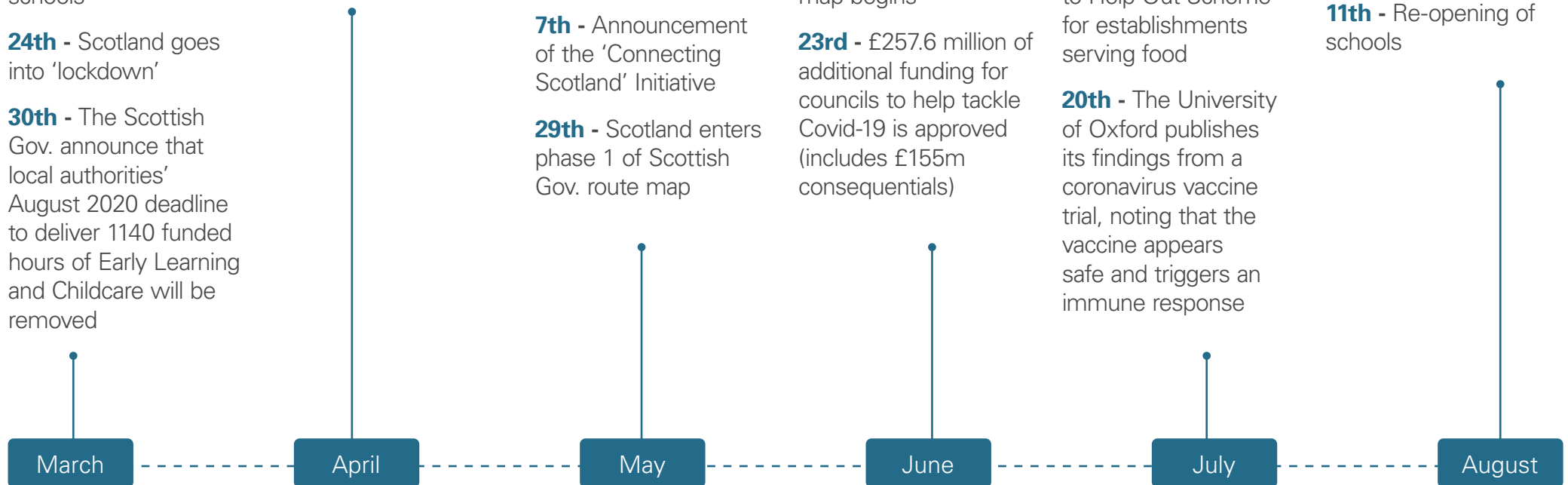
Initial response phase, March to August 2020

**98**

# Timeline of key events

**1st -** New restrictions introduced in the West of Scotland

**22nd -** New national restrictions and hospitality curfews introduced

**24th -** Scottish Gov. publish 2020/21 Autumn Budget revision. Covid-19 guaranteed consequentials reach £6.5bn

**7th -** Further temporary restrictive measures for hospitality, particularly in the central belt

**20th -** Further funding announced for free school meals and additional flexibility for councils to use the £20 million welfare fund

**2nd -** Local Authority protection levels take effect

**5th -** UK Gov. announce furlough extended to March

**20th -** 11 local authorities move into Level 4

**24th -** UK wide relaxation of restrictions over Christmas announced

**8th -** Covid-19 vaccination programme commences

**14th -** It is confirmed that the ELC expansion deadline has moved to August 2021

**19th -** The Scottish Gov. announce tightening of festive period restrictions

**26th -** National lockdown in Scotland begins

**5th -** Mainland Scotland goes into lockdown with a new legal requirement forbidding anyone from leaving their home except for essential purposes.

**11th -** The rollout of the Oxford/Astrazeneca coronavirus vaccine begins

**29th -** Scottish Gov. announce the Western Isles will move to Level 4 due to rise in cases

**22nd -** Children in early learning and childcare and primaries 1 to 3 return full-time to classrooms

**25th -** Scottish Gov. announce Scotland's vaccination programme has delivered first doses of the Covid-19 vaccine to a third of those eligible

**28th -** Scottish Gov.t announce three cases of a Covid-19 Variant of Concern first identified in Brazil, have been identified in Scotland

| September | October | November | December | January | February |

Initial response phase, September 2020 to February 2021

99

# Key facts/Context

## About local government

Councils in Scotland operate in a complex and challenging landscape. The scale of Covid-19 has created an unprecedented set of issues and challenges for councils, their partners, and communities. These include unprecedented economic and social impacts, additional financial pressures and increased service demand, the need for new service delivery models and negative impacts across communities and groups, particularly those who were already vulnerable. For several years, councils have been dealing with increasing challenges and uncertainty while continuing to address the needs of local people and national priorities.
The Covid-19 pandemic has put into clear focus the pivotal role of councils in delivering not only the day-to-day services that communities rely on, but also in responding to risks. It emphasises the essential importance of effective leadership, good governance and good financial management for all councils.

**Additional Covid-19 actions and responsibilities**

- support to communities
- business support grant administration and distribution
- infrastructure amendments
- advice services
- staff redeployment
- virtual service delivery

**32 councils**

**£12.6bn** net expenditure budget in 2019/20

Workforce of **206,000** local government staff

Providing services to **5,463,300** people in Scotland

**431,000** claims for the Self-employment Income Support schemes

**£0.8bn** estimated additional Covid-19 costs in 2020/21

**180,000** people shielding in Scotland

**£0.4bn** estimated loss of income in 2020/21

**9,000** households receiving kit through 'Connecting Scotland'

**£1.02bn** administered in business support grants

Our Local government in Scotland: Financial overview 2019/20 and Digital in Local Government reports explore some of these issues in more detail.

**100**

# Key characteristics of the response

We have organised our analysis of the local government response to the pandemic and the wider risks that have emerged under the following themes. Early lessons learned relating to each theme are highlighted in the following sections of the report.

Each characteristic can be navigated to by the tabs at the top of the pages.

## Communities and people

Community wellbeing and the role of communities in responding to the crisis

- differing impacts of Covid-19 on demographic groups
- the impact of the pandemic on inequalities
- communities' contributions in responding to the crisis

## Service delivery and partnership working

The adaption of service provision and working with partners

- reduced service provision and prioritised services
- innovation and digital delivery
- enhanced collaboration and more positive working relationships

## Resources and governance

The financial impact of responding to Covid-19, use of resources and changes to governance arrangements

- challenging financial outlook– additional spending and lost income
- new funding and financial flexibilities
- staff redeployed to fulfil essential roles
- virtual decision-making
- changes to governance arrangements

**101**

# Communities and people

The adverse effects of the Covid-19 pandemic on different communities will last for years to come. Some people have faced greater hardship than others, and inequalities have increased in areas such as health, deprivation, employment and digital access. Communities have been integral in supporting councils and their partners' responses to the pandemic. Covid-19 recovery planning needs a sustained focus on addressing inequalities with community empowerment at its heart.

## Covid-19 has had a profound impact on society and the economy

- The impact of Covid-19 on society has been hugely disruptive. Social distancing measures have markedly changed people's daily lives and, for many, have had a detrimental impact on mental health and wellbeing.

- Covid-19 has created significant uncertainty for many sectors of the economy. The national restrictions have forced many industries to shut down completely, resulting in substantial job losses and reliance on the national furlough scheme. At November 2020 the unemployment rate was 4.4 per cent, compared with 3.8 per cent for the same period in 2019.[1] The Improvement Service has created a Covid-19 economic impact dashboard[2] which shows the current uptake of government support at a Scottish local authority level. This uses publicly available data and includes details of the types of employment furloughed, the Self-Employment Income Support Scheme, unemployment benefit claims, and the Covid-19 Business Support Fund Grant Scheme.

- Covid-19 will also bring longer-term impacts on the economy and labour market, potentially leading to structural changes and the risk of long-term scarring for those exposed to extended periods of unemployment. The pandemic has created unequal effects on the economy so far, with digital and tech industries thriving whereas retail, hospitality, tourism, and creative industries have been the worst affected. Many of the workers within these worst affected industries are among the lowest paid and include groups such as young people, women, those with disabilities, and minority groups. This creates a risk that existing social and economic inequalities will be exacerbated. There is also the potential for some areas to be disproportionately affected, for example in economies surrounding city centres relying on footfall and in rural economies relying on tourism. The Improvement Service comments on these issues in more detail in its Covid-19 Supplement to the Scottish Local Authorities Economic Development Group (SLAED) Indicators Report 2019-20.[3]

1. Labour marker in the regions of the UK: Office for National Statistics, March 2021

2. COVID Economic Impact dashboard (shinyapps.io)

3. Covid-19 Supplement to SLAED Indicators Report 2019-20

**102**

# Covid-19 had a significant impact on children and young people

- Significant disruption to education has had an adverse effect on children and young people. The move to home learning has been challenging for many families and has led to loss of learning and loss of school experiences. Our report Improving outcomes for young people through school education looks at these issues in more detail and notes that the negative impacts of the pandemic may affect children and young people across a range of outcomes, and has had a detrimental effect on mental health and wellbeing.

- Covid-19 has also had a significant impact on young carers, many of whom have had to take on additional caring responsibilities during lockdown. These young people provide essential care for their families, often 24 hours a day, and this can lead to challenges in maintaining their social, educational, and economic wellbeing, as well as their physical and mental health. The pandemic and associated lockdown restrictions and social distancing measures have had far-reaching implications for young carers. These include increases in the complexity of the care provided, the withdrawal of some aspects of external support, difficulties associated with home learning and increased stress and anxiety levels as care loads grow.

**103**

# Covid-19 has had a disproportionate impact on some communities and groups in society

- Covid-19 has had disproportionate effects on peoples' health, particularly those with existing health conditions, but the pandemic and society's response to it is also having an unequal impact on disadvantaged and vulnerable people and communities.

- Those living in areas of high deprivation in Scotland are twice as likely to die from Covid-19,[4] and structural inequalities, for example poor access to good-quality education, employment, health and housing, place black and minority ethnic groups at much higher risk of becoming severely ill with Covid-19.[5]

- One-third of 18-24-year-olds have been furloughed or lost their job, in contrast to just over one-sixth of working-age adults overall. A cause for concern is prompted by further analysis by the Resolution Foundation which suggests that those currently on furlough have an increased risk of later unemployment when the job retention scheme ends.[6]

- The financial impact of Covid-19 has been substantial for many individuals and families. Over half of families in receipt of Universal Credit or Child Tax Credit in Scotland have had to borrow money since the start of the crisis.[7] The economic impact has also affected some groups to a greater degree than others, for example young people and women in low-paid job sectors that have faced service closures. Women have historically been exposed to labour market inequality, through comprising more underpaid and undervalued work and are also more likely to have caring responsibilities, making it harder to balance work and care commitments. These issues have been heightened through the response to Covid-19, as women have been disproportionately affected by job disruption and the need for more unpaid care.[8]

- In addition, digital exclusion has been exacerbated, resulting in reduced access to information, goods, and services for some. In the 20 per cent most deprived areas in Scotland, 82 per cent of households have access to the internet, in comparison with 96 per cent in the 20 per cent least deprived areas.[9]

4. Deaths involving Coronavirus (COVID-19) in Scotland, National Records of Scotland, December 2020

5. Supporting community recovery and resilience in response to the COVID-19 pandemic: a rapid review of evidence, Glasgow Centre for Population Health, May 2020

6. Getting Britain working (safely) again, The next phase of the Coronavirus Job Retention Scheme, May 2020

7. A stronger Scottish lifeline in the economic storm, Joseph Rountree Foundation, July 2020

8. The impact of COVID-19 on women's labour market equality, Close the gap: Disproportionate disruption May 2020

9. Scottish Household Survey 2019: annual report

**104**

# New vulnerabilities have also emerged as a result of Covid-19

- Covid-19 has created new vulnerabilities and exacerbated existing inequalities and exposure to risk factors.[10] The response to the pandemic has had a huge impact on vulnerable adults and children, for example through care services being removed from people with disabilities and elderly people, children with additional support needs having reduced educational support, and increased child protection risks as a result of children being less visible to support services.

- These services provide important streams of both practical and social support for those in need. The reduction or cessation of services has had a significant impact. For example, the Care Inspectorate found that children and young people, whose school education and building-based social activities had been suspended, were particularly adversely affected.[11] Similarly, parents in some situations became quickly exhausted. The Care Inspectorate also note the risk of hidden harm being a concern.

- The disproportionate impact has also been reflected in the challenges for those with caring responsibilities, including carers who have faced reduced access to support services and respite care.

## Case study 1

### East Renfrewshire Council



East Renfrewshire Council's multi-layered approach to shielding.

The council contacted those on the shielding list to assist with essential tasks such as delivering food and medicine. Further support was provided to other groups by cross matching the shielding list with the lists of those accessing other services, such as homecare, telecare, housing, learning disability, food hubs and young mums' services. This allowed the council to co-ordinate various elements of support and contact people who had not used services before. It also helped to identify wider issues that were emerging during the pandemic, such as communities being at risk of food poverty.

10. A brief summary of some issues and potential impact on those living in socio-economic disadvantage, The Improvement Service: Poverty, Inequality and Covid-19

11. Delivering care at home and housing support services during the COVID-19 pandemic, September 2020

**105**

# Councils were innovative and worked at pace to provide support to those most at risk

- In the initial phases of the pandemic, councils identified vulnerable people using sources such as databases of those accessing food banks, households receiving free school meals and people on the shielding list. This allowed for a targeted response to those at greatest risk.

- Councils have been at the forefront in adapting services and providing support to communities. Diverse approaches were taken to respond to the changing circumstances and to support the most vulnerable. For example, innovative solutions to provide accommodation for homeless people were established. The rapid response to housing the homeless, through additional funding and using private sector resources, is unprecedented.

- Councils are also contributing to national efforts to minimise the negative effect of digital exclusion on vulnerable communities, working with the Scottish Government and third sector to distribute digital devices through the 'Connecting Scotland' initiative.

Case study 2

## The City of Edinburgh Council



**The City of Edinburgh Council private sector leasing scheme to tackle homelessness.**

The council increased its provision to homeless people by using private sector resources, such as hotels, B&Bs and rented accommodation through the private sector leasing scheme. Working with Link Housing, the council is looking to enhance the scheme in the longer-term, where landlords can lease their properties to the council for up to ten years at guaranteed rents. The council began a new contract for the scheme in April 2020 and, despite the challenges of Covid-19, the scheme has increased by 89 properties, and 321 new tenancies were established between 1 April and 6 November 2020.

**106**

# Councils were innovative and worked at pace to provide support to those most at risk

Case study 3

## Scottish Borders Council



**Scottish Borders Council's** 'Inspire Learning' programme:

'Inspire Learning' is an ambitious digital learning programme developed in July 2019, through which all secondary pupils and teachers received their own iPad. A range of partners have contributed to the programme's success by adopting a 'one vision' approach. The initial phase was completed six months ahead of schedule in March 2020, providing an invaluable tool for remote learning in response to Covid-19. In the first week of home learning, over 90 per cent of secondary pupils were using their iPads at home. The programme has also now been extended to all primary pupils in P4 and above and primary teaching staff. It also aims to aid collaboration between schools, enhance delivery of the curriculum, and address future employment challenges, by teaching young people digital skills such as coding, working with Apple's education initiative.

107

# Councils will continue to play a significant role in addressing future inequalities

- The Convention of Scottish Local Authorities (COSLA) has recently prepared a Blueprint, based on the empowerment of people and communities, that outlines the steps local government needs to take to overcome inequalities which increase the chances of contracting Covid-19, and longer-term impacts of the virus. However, it is too early to assess councils' progress in applying the blueprint or to understand the full impact of the pandemic on inequalities.

- Councils will play an integral role in Scotland's recovery from Covid-19 and putting communities at the centre of recovery will be vital. As well as managing the specific impacts of the pandemic, councils will also need to address the challenges that existed before the pandemic, many of which have been heightened.

- The impact of the crisis will require targeted interventions to ensure that people can be supported to overcome its damaging social and economic effects. Councils have demonstrated early signs of this kind of thinking, for example by developing virtual skills programmes for young people, and job-matching websites to help people find employment.

## Case study 4

### Falkirk Council

Falkirk Council's Employment and Training Unit.

The council's Employment and Training Unit has ensured that more than 800 people could continue to develop employability skills during Covid-19 by providing virtual support, replacing typical face-to-face learning. The team supports young people in Falkirk who wish to develop skills outwith traditional higher or further education settings. The service offers a range of support, from specific training and qualifications to wider life skills in wellbeing, health, and finance. The team has signposted people to other services to help with challenges arising from Covid-19. It has been successful in securing jobs for some despite the fragile employment market, in areas such as health and social care, retail, food and administration.

## Lessons learned

The impact of Covid-19 has been extremely detrimental for many of Scotland's most vulnerable people and communities. The impact will be long-lasting and will significantly increase inequalities. Recovering from the pandemic will require tackling inequalities to be a priority.

As councils may look to embed longer-term changes to service provision as seen during the pandemic, it is important that they are adaptable in their approach, to ensure that services are reaching communities in the right way. Councils need to understand the needs of those experiencing digital exclusion and put

a strategy in place to ensure equal access to services for all citizens and communities.

**108**

# Communities were an asset in councils' response to the pandemic

- As councils worked at pace to adapt service provision and provide additional support to vulnerable people, community groups made significant contributions, for example local people helping to coordinate the shielding response.

- Community-led responses were delivered through initiatives such as Community Planning Partnerships and third sector volunteering. Communities made important contributions to delivering these support systems.

- The establishment of community hubs was a common approach to coordinating local support by providing emotional support and services such as deliveries of food and medicines.

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Case study 5

## North Ayrshire Council



North Ayrshire Council's 'Three Towns' Community Hub.

The council established community hubs around its localities, one being the three towns of Saltcoats, Stevenston, and Ardrossan. Existing community engagement work provided a robust base for developing a collective response from different services, and from community groups that acted as volunteers.

The hub linked together expertise from the community, health, social work, libraries, community development and voluntary organisations. The hubs provided a local telephone point of contact for community need arising as a result of Covid-19, also helping to distribute food, medicine, mental health support, and books. Holistic working provided an efficient response to serving communities with various services 'under one roof'.

**109**

# Communities experienced increased levels of activity and collaboration

- As a result of reduced levels of governance and decision-making protocols, communities embraced the opportunity to take charge in responding to the crisis. For example, communities quickly organised themselves to help councils to provide essential supplies to vulnerable people, often in a matter of days.

- Before the pandemic, this type of innovation and activity from local people faced barriers, including limited opportunities to influence or take control of decision-making processes, poor relationships and a lack of trust between communities and the public sector, continued financial pressures and austerity measures, and leadership and cultural challenges. However, the need for more streamlined processes allowed communities to make significant contributions in response to the pandemic. Our report Principles for community empowerment outlines the benefits of community empowerment in more detail.

- Collaboration was more effective where pre-existing relationships with communities were strong. Shared values and trust were important in helping councils to target support and achieve buy-in from community groups.

## Case study 6

### East Lothian Council



East Lothian Council Connected Communities Resilience Bases.

The council established six bases (one in each ward) across the local authority area to support vulnerable people or those who are self-isolating and have no other local support. Staff coordinated the despatch of essential goods including food, sanitary products, and hearing aid batteries. They proactively contacted those on the shielding list and worked with community groups to tackle concerns over wellbeing and isolation.

## Lessons learned

Action taken by communities has been vital in supporting councils and their partners to deliver an emergency response. Partnerships that were well-established before the pandemic had a smoother transition into the response phase and acted more quickly than others.

The importance of strengthening relationships with communities has been apparent. Greater flexibility in decision-making structures has been an effective tool for communities, empowering them while allowing the council to operate more efficiently. Giving communities more scope to use initiatives like this will be important in the future but must be balanced with the return of robust governance arrangements and continued openness and transparency in decision-making.

**110**

# Service delivery and partnership working

Councils were central to the national Covid-19 pandemic response to supporting communities and vulnerable groups, alongside partners in health and social care and voluntary sectors. They responded quickly to the pandemic, placing their initial focus on maintaining essential services and protecting communities. Levels of service disruption varied during the early stages of the spring 2020 lockdown. Some councils worked well with their communities to respond to the challenges.

## Councils proved agile in adapting service provision, by redirecting resources and using digital technology

- In their initial response to the national lockdown in March 2020, councils had to take quick decisions on their priorities to maintain key services while changing the way they delivered services and pausing some altogether.

- Generally, the most resilient services were those that were able to embrace home working, particularly administrative, support and processing functions.

- The impact of the pandemic and disruption to services varied. Services such as education, social care, culture and leisure, and housing repairs were significantly disrupted, and it is likely that these impacts will have longer-term consequences for communities and councils.

- Our report Improving outcomes for young people through school education found that those involved in planning and delivering school education and their partners had developed a strong foundation of working together before the pandemic. That foundation helped them deliver a quick response to the crisis. However, the move to home learning was less effective for children and young people living in already challenging home circumstances. This has exacerbated learning and development inequalities among pupils.

### Case study 7

#### Aberdeen City and East Dunbartonshire



Councils including Aberdeen City and East Dunbartonshire distributed digital equipment to school pupils.

Aberdeen City Council's Education Service provided laptops and internet access for children and young people to support their access to the curriculum and continuing their studies at home. Teachers came up with interactive ways to provide more engaging learning for students. Guidance on delivering a digital curriculum was also issued to parents and staff.

**111**

- The pandemic impacted on councils' ability to carry out their social care functions, and the Coronavirus (Scotland) Act 2020 temporarily relaxed many of the usual statutory requirements on councils. These changes had significant negative impacts on some vulnerable groups and communities. In its review of care at home services, the Care Inspectorate found that health and social care partnerships effectively prioritised support for people with critical needs; but the impacts of this prioritisation on other people using services was very variable across the country.

- The suspension of day care and respite services had a particular impact on children and young people with additional support needs, learning disabilities or challenging behaviours. Children and young people whose school education and social activities had been suspended were particularly adversely affected.

- The Care Inspectorate also found that social isolation, disruption of daily activities, limitations on physical activity and the suspension of reablement services had an adverse impact on the health and wellbeing of people who experience care and carers.

- All councils and partner providers closed their leisure centres, libraries, museums, and cultural centres to the public.

- Councils initially restricted housing repairs to emergencies and essential repairs only, and the right to repair timescales were suspended in cases where landlords and contractors could not meet them because of the disruption caused by Covid-19.

## Case study 8

## Midlothian Council



Midlothian Council's Registrations service moved to a seven-day service, to make sure that deaths would be registered on time, and in line with social distancing requirements.

The service adapted to enable remote digital registrations, coordinating the early stages of each registration before completing it in the office. The council's library support team provided administrative assistance to the registrations team.

**112**

- Other services such as waste collection and administration functions continued on a reduced basis in the early stages of the spring 2020 lockdown. For example, in waste management, most councils continued kerbside bin collections, but recycling centres were temporarily closed. Most planning services were moved online with site visits suspended and a focus on responding to urgent matters.

- Councils made creative use of digital technology, responding to challenges across services. For example, school pupils were given access to learning materials online while learning at home (the 2021 report Improving outcomes for young people through school education looks at councils' responses to the pandemic and their impacts in detail). In addition, fitness classes and library collections moved online; some care homes provided virtual visiting for residents; and some councils live-streamed funeral services privately for family and friends.

- The Digital progress in local government report found that the pandemic has had a huge impact on council workforces, resulting in a large-scale shift to homeworking and remote working. Getting the right technology, skills, and support in place to give staff the confidence to use new cloud-based tools has been a key challenge. Councils' digital and information communication technology (ICT) teams have responded with unprecedented speed, agility, and resilience.

Case study 9

## Perth and Kinross Council



Perth and Kinross Council live streamed funeral services from Perth Crematorium, to allow families to say goodbye to their loved ones safely while following social distancing guidelines.

The webcam service was made available privately to relatives, and the feedback received from families has been overwhelmingly positive.

**113**

# Councils rapidly changed service delivery arrangements

- Councils reacted quickly to take on new responsibilities brought about by the pandemic, including distribution of business support grants (see Resources and governance section) and involvement in the shielding response.

- Councils have also experienced an impetus for digital change from the challenges of the pandemic, with some taking the opportunity to accelerate their digital transformation plans by, for example, adopting online meetings and reducing staff travel. The Digital progress in local government report provides more details on how councils met these challenges.

- Data sharing between councils and partners enabled resources to be directed to those in need. The Digital progress in local government report highlighted the example of the Helping Hands platform which councils and third sector partners jointly developed to coordinate support for citizens who were shielding or otherwise vulnerable. This allowed councils and partners to identify and support those at greatest risk. However, the Improvement Service found that a lack of data sharing in some cases created challenges, for example relating to councils and Public Health Scotland sharing Test and Protect data from households required to isolate.

- Our review of the 32 council websites found that councils took similar approaches to communicating with the public and staff through their websites by providing periodic updates on most services. But some councils' websites had gaps in information on key services such as homelessness and social care in the early stages, creating the risk of people not being kept fully informed about the services they needed.

Case study 10

## Perth and Kinross Council



Perth and Kinross Council staff such as parking attendants worked with NHS Tayside to collect and deliver prescriptions and other medical equipment to patients.

This followed the suspension of parking charges, to allow key workers to get to their places of work more easily. The council's Public Transport Unit also worked with businesses that normally take pupils to school to instead take key workers to and from work back home.

**114**

# Council workforces demonstrated versatility by adapting quickly, taking on new roles and working under pressure to maintain key services

- Councils redeployed staff from closed or reduced services to services that faced increased demand or pressures. Staff have had to work at pace and under significant pressure.

- Homeworking and staff redeployment have created challenges for council workforces. The additional pressures created by new and changed ways of working reinforce the need for the workforce to be versatile now and in the future.

- The impact of the pandemic on staff wellbeing and mental health means that there is an increased need for leaders to be aware of staff wellbeing and their role in supporting staff, as well as ensuring the effectiveness and accuracy of councils' workforce data and planning. These challenges have been highlighted by the Improvement Service Organisational Development Local Authority Network (ODLA).

- There is an increasing and ongoing need for council workforces to be agile as services continue to adapt to the impact of Covid-19, and as recovery moves into renewal. But councils must also manage the pressures on their staff to ensure their people are not at risk of burnout as the pandemic continues.

## Case study 11

### North Ayrshire Council



North Ayrshire Council redeployed staff to its community support hub network to work with volunteers in supporting local communities.

The hub network was established in March 2020 providing services including support to vulnerable residents and people in isolation to access emergency food supplies, and connecting with people struggling with money worries, social isolation, and poor mental health. The links to a wide range of disciplines allowed the hub to respond quickly in the initial phases of lockdown by taking a multi-agency approach. In one week, the hubs answered over 2,200 calls, carried out 2,153 food deliveries and 746 prescription drop-offs, and provided advice and signposting to over 400 residents to key statutory services.

**115**

**Lessons learned**

Councils must closely monitor the impacts of service changes and disruptions on people and communities. There are growing concerns about the effects of service disruptions on different groups, for example the impacts of moving school education into homes and online on disadvantaged and vulnerable children and young people, and of reduced or paused care services on people who rely on them and their carers. Councils must develop targeted responses to tackle both the immediate negative impacts of the pandemic and the long-term inequalities that have been exacerbated.

As councils embrace longer-term digital service provision, they must balance the efficiencies digital services bring against the needs of communities and the workforce. Citizens must be at the heart of decisions about the services they rely on.

# Councils have worked effectively with community partners to respond to the impacts of Covid-19. Partnerships between councils and community partners have developed and strengthened in some areas

- Councils play a key role in leading and coordinating partnerships focused on supporting and improving the lives of people in their communities. This role has been crucial as councils have coordinated and managed local responses to the pandemic. There have been many positive examples of these partnerships - including in mandatory Local Resilience Partnerships, through data-sharing responses to support shielding - and community resilience responses.

- During the early stages of the spring 2020 lockdown, it was not always clear how councils identified those in need of additional support. Some councils outlined their approaches on their websites, for example in providing additional support to individuals and families by coordinating data on those accessing other support such as food banks, households receiving free school meals, and those on the shielding list. Not all councils detailed their approaches publicly. This created a risk that people were not fully informed about the services they could access and were entitled to, particularly those in vulnerable groups, or about the council's response to Covid-19 in their local area.

- Partnerships with the third sector and communities have been particularly important in protecting people's wellbeing and supporting community hubs. As noted in the Communities and people section, partnerships that were well established before the pandemic had a smoother transition in the response phase. Many councils set up community hubs, and some communities were able to offer a faster and more targeted response to deliver vital services as a result of having fewer formal decision-making structures.

**116**

- Councils played an active role in national initiatives such as Connecting Scotland, working with the Scottish Government and third sector to distribute digital devices to people in need.

- Collective action from Community Planning Partnerships (CPPs) had a significant positive impact. CPPs provided a much-needed way of coordinating local support activities and communications. Work carried out by the Improvement Service highlighted how CPPs have added value, through emergency resilience planning and by providing an immediate response involving key partners and communities.

- CPPs' impacts highlighted the value of Community Planning, in coordinating local and national responses, mobilising communities to take charge of supporting vulnerable people, developing existing relationships within Community Planning, and marshalling third sector resources. Following this initial reactive phase, there is evidence of CPPs now looking to join councils' efforts in recovery planning.

Case study 12

## East Renfrewshire Council



East Renfrewshire Council contacted the 2,500 people on the shielding list to check whether they needed any assistance, for example in obtaining food and medicine provision, digital support, or financial help.

The council also carried out a social care needs assessment at that point to determine what support was already in place, for example district nursing or home care, and then worked with Voluntary Action East Renfrewshire to meet the additional needs.

117

## Case study 13

### Fife Council
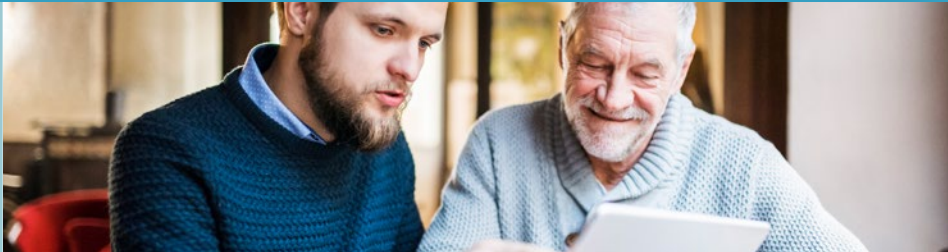


Fife Council worked with Fife Voluntary Action to deliver the Helping Hands initiative.

This aims to support local communities across Fife, providing a range of essential services, including delivery of shopping and prescriptions, and providing transport and befriending services. There are eight active community resilience groups in Fife, six of which were established before the pandemic. These linked directly with the Emergency Resilience Team which provides advice on and support for developing local resilience arrangements and community-led responses. The groups have been key to providing a foundation for building capacity and additional resources to respond to the impacts of Covid-19 and support communities.

- The Improvement Service has worked with COSLA and the Society of Local Authority Chief Executives (SOLACE) to develop a local government Covid-19 dashboard, to help councils to coordinate and draw insights from the significant volume of Covid-19 data they hold. The dashboard has been created to put greater focus on evidence-based service arrangements and to help councils use timely data to inform their decision-making. It is too early to assess the overall effectiveness of the dashboard, but the early signs are positive, and councils now have access to current data on key figures and emerging trends analysed nationally and at family grouping level. Further consideration will be given to the dashboard in future local government overview reports.

- More broadly the Improvement Service has played a key role in sharing good practice examples of effective ways of working by councils during the pandemic, preparing a paper on the role of Community Planning in the response to the crisis and producing economic dashboard outputs on its website to show differences in councils' uptake of the furlough schemes. COSLA's Recovery Special Interest Group is currently reviewing lessons learned and developing policy on the national recovery from Covid-19. The group is chaired by the COSLA vice-president and includes COSLA's president and five policy spokespersons. Its aim is to develop political direction from local government to shape the medium- to longer-term recovery work.

118

# Councils' approaches to restarting paused services have varied, but they have been guided by the Scottish Government's national guidance

- As well as recovery planning, early action has already been taken in some councils to address the profound and immediate economic and social consequences of the pandemic. Some councils are working with partners to develop skills programmes to tackle future employment issues and using place-based approaches to address wider economic challenges.

- Councils have also maintained their focus on key challenges that they faced before the pandemic, and progress has been made in some areas despite the unprecedented pressures that emerged. For example, in March 2021, the Improvement Service[12] noted that data returned by local authorities indicated that 114,222 children were accessing funded early learning and childcare services as at the end of February 2021. Of these, 98,474 children (86 per cent) were accessing more than the statutory entitlement of 600 hours, and 74,096 children (65 per cent) were accessing 1,140 hours, despite the legal obligation to do so being suspended for a further 12 months.

- But there are significant challenges facing councils as they move from the response to recovery from the pandemic. As we highlighted earlier in this report, there are longstanding and wide-ranging inequalities in children's and young people's education outcomes that have been exacerbated by the impacts of and actions taken in response to Covid-19. The impacts of reduced services for pupils and for care service users for example, may not be known for some time and will require long-term efforts to address them.

- Services that were paused or reduced during Covid-19 restrictions will have built up backlogs of demand that may take some time to become clear. Councils' responses to these backlogs and the restarting of services will need to be effectively resourced and managed.

- Looking to the medium and longer term, councils recognise the challenges of repairing the damage to communities caused by Covid-19. Recovery planning began in many councils early in the pandemic, primarily focusing on recovery and renewal. The priorities that demanded councils' attention before the pandemic have become even more pressing, such as tackling inequalities, improving outcomes for young people, and tackling climate change.

12. Early Learning and Childcare Expansion Delivery Progress Report, March 2021

**119**

## Case study 14

### Glasgow City Council



Glasgow City Council acted promptly in establishing its Covid-19 Recovery Group to tackle the economic and social consequences of the pandemic by looking at economic impact data.

At the end of this process, the group will publish a report containing recommendations on the actions that will guide the economic recovery of the city and city region. The group consists of members of the Glasgow Economic Leadership, the Glasgow Partnership for Economic Growth, the Glasgow Economic Commission, and some external advisers. Members include representatives from the public sector, academia, the voluntary sector, and the tourism, retail, financial services, and energy sectors.

## Case study 15

### Edinburgh and South East Scotland
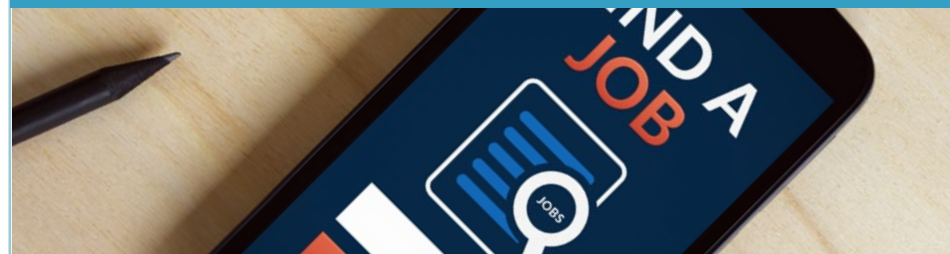


Edinburgh and South East Scotland City Region Deal partners, through the Integrated Employer Engagement workstream of the Integrated Regional Employability and Skills programme, launched a new job matching website, c19jobs, as a rapid response to promote key worker roles and to help reduce unemployment caused by the pandemic impacts.

The site offers vacancies in key sectors such as the NHS, supermarkets, and take-away services. The site also provides information and guidance for both employers and employees.

## Case study 16

## North Ayrshire Council



North Ayrshire Council launched its Community Wealth Building Strategy in May 2020 which is the first of its kind in Scotland.

The strategy underlines how the council and other 'anchor' organisations – including NHS Ayrshire and Arran, Ayrshire College, and wider partners - will support more local business to bid for public sector contracts. The council seek to continue to enhance its strategy, recognising that Covid-19 has had a negative impact on inequalities to ensure that the recovery is strong, resilient, and fair. It aims to 'keep wealth local' and provide more sustainable solutions to tackle Climate Change.

### Lessons learned

Councils and their staff have been at the centre of unprecedented efforts to protect and support people and communities through the Covid-19 pandemic. Demands on people have been intense, and both council staff and the citizens they serve will need continued targeted support through the move to recovery and renewal. Councils' recovery and renewal efforts must be informed by comprehensive understanding of the issues that affect all those who live and work in their communities, and the positive partnerships built on during their initial response should be a core element in this.

The impacts of the pandemic, particularly its unequal impacts on groups in society and the awareness it has raised of issues of fairness and equality, the importance of community and the value of local services are all key to deciding future priorities for public services and what 'building back better' might mean for communities.

121

# Resources and governance

Councils have been dealing with the unprecedented economic and fiscal consequences of the Covid-19 pandemic alongside other challenges. Significant changes were also required to governance arrangements in the early stages of the pandemic.

## Councils face significant financial challenges as a result of the pandemic

- Our Local government in Scotland: financial overview 2019/20 report explains how the Covid-19 pandemic and associated lockdown has affected many aspects of councils' finances and created significant financial challenges and uncertainty.

- As part of COSLA's cost collection exercise carried out in July 2020, councils estimated that the total 2020/21 net financial impact of Covid-19 would be £767 million. This includes financial pressures totalling £855 million, offset by cost reductions of £88 million from a range of areas such as lower property costs and reduced school meal costs. Loss of income accounted for around £400 million of the forecast financial pressures. Other areas forecast to come under increased pressure include the costs associated with delaying capital projects, underachievement of savings and the additional costs associated with delays in the redesign and reconfiguration of services.

- The closure of sport and leisure facilities is likely to result in a significant loss of income for councils. In summer 2020, COSLA estimated that this could be around £75 million for 2020/21, however this was based on assumptions in line with the Scottish Government's route map out of lockdown at that time. It is likely that the further lockdown restrictions implemented in December

2020 will exacerbate this challenge, resulting in a greater loss of income than first anticipated. This also applies to other areas of lost income for councils, including from the closure of other buildings and services, reductions in fees and charges and the impact of school closures on income from food and drink. In addition, the council tax reduction scheme and loss of council tax revenue continues to put significant pressure on revenues, alongside similar challenges faced by councils in collecting housing rent payments. Councils also projected that they will miss out on over £50 million in savings as a result of opportunities forgone and the pressures faced in response to Covid-19.

- Councils' auditors also reported wider financial consequences of Covid-19 in the 2019/20 annual audit reports. These include the suspension of capital programmes, delays in bad debt collection and the uncertainty of capital receipts.

**122**

Case study 17

## Projected loss of income – ALEOs



Several large urban councils have arm's-length external organisations (ALEOs) that were set up to manage commercial activities and provide income back to councils. These include conference facilities and transport services.

Councils' projected loss of income from these organisations in 2020/21 is £39 million. This includes Lothian Buses, Edinburgh Trams, the Scottish Exhibition and Conference Centre and the Aberdeen Exhibition and Conference Centre.

**123**

# The UK and Scottish governments have provided substantial additional funding to support the pandemic response

- Scotland has had guaranteed additional funding from the UK Government of £8.6 billion. As at February 2021, over £2 billion of Scottish Government Covid-19 support for councils had been either allocated or announced. This includes the following:

  – £800 million of non-ringfenced revenue support, including £200 million (estimated) of dedicated funding to compensate councils for loss of income

  – £267 million to support education recovery

  – £255 million to support individuals, families and communities

  – £434 million of NHS funding to be passed on to health and social care partnerships

  – £63 million of capital support for Regeneration Capital Grant Fund, Town Centres Capital Fund, School transport support and Digital Inclusion funding.

- As part of their new responsibilities resulting from the impact of the pandemic, councils have administered funding of over £1 billion under the Covid-19 Business Support Fund Grant Scheme. These grants are administered by councils on behalf of the Scottish Government, and funding is made available to councils to finance the costs incurred. Councils reported that over 106,000 applications were received for the Small Business Grant Scheme and the Retail, Hospitality and Leisure Business Grant Scheme across Scotland. Of the applications received, over 90,000 were successful with grants of over £1 billion awarded by December 2020.[13]

**Covid-19 Business Support Fund Grant Scheme (December 2020)**

- Total number of applications: **106,662**

- Number of grants awarded: **91,258**

- Value of grants awarded: **£1,019,526,016**

13. Coronavirus (COVID-19): business support fund grant statistics - gov.scot (www.gov.scot)

**124**

# More councils added to their revenue reserves in 2019/20. Further increases may occur in 2020/21 as a result of carry-forward of late grant funding and allocations of cash from the Scottish Government

- In 2019/20, 22 councils reported increases in their revenue reserves balance (13 in 2018/19), with a net increase of £65 million (or three per cent) across all councils. Reserves play an important role in effective financial management. They provide a working balance to smooth out uneven cashflows, protect against the financial impact of unexpected events, and enable funds to be built up for known future commitments. With continued uncertainty around available funding and additional costs resulting from Covid-19, increases in revenue reserve balances may help councils to deal with short-term cash-flow challenges in 2020/21.

- Some elements of funding announced by the Scottish Government in late 2020/21 may need to be carried forward by some councils. This, along with late allocations of cash that are unlikely to be spent before the year-end, is likely to have an impact on councils' year-end reserves. Although an increase in revenue reserves would provide some additional flexibility for councils at a time of significant financial challenges, this is more likely to reflect the timing and nature of funding allocated rather than favourable financial positions resulting from strategic decisions made by councils. Late funding carried forward from 2020/21 is also likely to be earmarked for specific purposes rather than being available for general use. It is important that councils continue to recognise the sustainability challenges of using reserves to fund recurring expenditure, particularly as the impact and challenges of Covid-19 continue to develop.

**125**

# COSLA is working closely with the Scottish Government to obtain additional financial support for councils

- Discussions continue around an additional package of spending powers and financial flexibility that the Scottish Government claims could be worth up to £600 million for councils. This figure would apply if all councils were able to use all the new flexibilities, but COSLA does not consider this to be a likely scenario. Councils will need to consider the increased costs that may arise in future years and the impact that Covid-19 may have on some areas, for example expected capital receipts. The additional spending powers being discussed apply to Covid-19-related pressures only and to the years 2020/21 and 2021/22 and include:

  – enabling the use of capital receipts to meet one-off revenue funding pressures, including Covid-19 related costs

  – extending debt repayment periods over the life of the asset rather than the contract period

  – allowing councils to take a repayment holiday in either 2020/21 or 2021/22 to defer internal loan fund repayments.

- The Scottish Government has also provided flexibility in its guidance on how councils use specific education and early learning and childcare funding. This includes Pupil Equity Funding and deploying early learning and childcare funding flexibly to deliver critical services for children and families. The extent of how these individual flexibilities may be used by each council is as yet unclear. Each council will need to consider the flexibilities available and decide how funding is used. This may depend on the extent of unavoidable commitments already made, for example in early learning contract commitments to parents.

**126**

# The total net cost of Covid-19 in 2020/21 will be challenging for councils but is likely to be managed through savings, use of reserves and additional funding provided by the Scottish Government. Nevertheless, significant uncertainty remains around future financial planning and support

- The report Local government in Scotland: Financial overview 2019/20 estimated that funding announced by the Scottish Government by November 2020 would meet 60-70 per cent of the revenue cost pressures identified by councils, with total costs and funding still uncertain. Councils have taken steps to manage this position in-year through delivery of savings and use of reserves. Subsequent announcements of additional funding by the Scottish Government at the end of February 2021 indicate that the total net cost of Covid-19 in 2020/21 may now be fully covered. However, a significant element of this additional funding is non-recurring and ringfenced for specific purposes. Councils may still have cost pressures in other separate areas, including in core services, which may not be met by this specific funding. This therefore puts increased pressure on councils to identify ways to close remaining budget gaps with limited flexibility in some of the funding allocated.

- Funding of councils beyond 2021/22 remains uncertain. Currently, funding is being provided incrementally, and this presents challenges for councils in planning effectively. Significant levels of grant support have been provided by the Scottish Government in 2020/21, but it is not yet clear whether this will continue in future years as the impact of the pandemic develops. COSLA anticipates that the impact on council finances will be felt for years to come, particularly in relation to recovery of income streams and collection of council tax debt. Furthermore, the flow of funding in late 2020/21 has created an additional administrative burden for the Scottish Government and councils in awarding and accepting grants and completing the related reporting requirements. This may have an adverse impact on councils' ability to respond to local needs should a large proportion of future funding come with similar conditions.

127

**Lessons learned**

The timing and nature of funding for local government is creating pressure and uncertainty for councils beyond the current financial year. Funding is being provided incrementally and the lack of certainty regarding future budgets makes effective short- and medium-term planning very difficult for councils. Covid-19 will have long-term impacts on councils and the communities that they serve. Councils are likely to require additional support to address the challenges of remobilising services, and supporting social and economic recovery. If additional funding is provided with specific conditions or is ring-fenced for specific purposes councils will then be forced to make difficult prioritisation decisions with potential negative impacts on other services. A lack of flexibility in future funding may lead to a differential impact on service delivery and exacerbate existing financial sustainability risks.

As reported in Local government in Scotland: Challenges and performance 2018, services such as planning, cultural services, environmental health and roads have borne the brunt of service cuts in recent years. The trend has been one of larger reductions to relatively smaller service areas with no change in real terms to social care and education spending. The increased financial constraints created by Covid-19 are likely to create a further risk to recovery should smaller services face further cuts. This will adversely affect councils' ability to provide importance services that people and communities rely on.

**128**

# Councils made swift changes to governance arrangements

- Councils moved quickly to a revised/suspended schedule of meetings. Many councils held only meetings dealing with urgent business, while some councils maintained other committees. Several councils established a Covid-19 committee, which was helpful in providing key information and updates in relation to council business during the pandemic.

- Some councils have since moved to virtual committee meetings, while others have operated blended or socially distanced meetings. There was some initial inconsistency in how councils made decisions, with some establishing 'emergency' or 'special' committees to take key decisions that would otherwise have been taken by other committees, and others delegating key decisions to senior officers. All 32 councils now have arrangements in place for remote meetings and are not relying on delegation to officers or emergency committees to the extent seen early in the pandemic.

- The Improvement Service notes in its November 2020 paper 'Transitioning to the new normal: Political Governance' that around half of councils are now livestreaming meetings or allowing members of the public to participate. Many of the councils that do not currently livestream or allow the public to participate are exploring options for doing so. Microsoft Teams is the most popular platform, and some councils are using it in conjunction with other technology. Although not in breach of the provisions in the Coronavirus (Scotland) Act 2020, a lack of public participation restricts the openness and transparency of decision-making.

- The new governance arrangements introduced by councils have created greater flexibility and safer conditions for officers, elected members, and the public. However, councils will be required to decide on the longer-term sustainability of these arrangements. Some feedback gathered by the Improvement Service notes that remote meetings are taking longer and need additional support staff to facilitate them, placing greater strain on resources. Councils will face difficult decisions in resourcing governance arrangements that are flexible and safe but that also enable effective scrutiny and decision-making.

**129**

Case study 18

## Aberdeenshire Council

**Username**

00:15
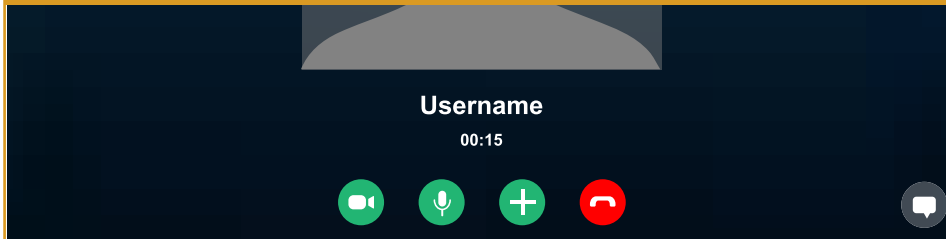
Aberdeenshire Council was able to ensure minimal disruption to democratic processes from the beginning of the pandemic as it already had the technology in place.

This enabled a smooth transition to virtual meetings by Skype and remote working – ahead of other councils. One committee meeting was postponed, but otherwise all council meetings continued as scheduled. The council produced guidance for elected members, chairs, committee officers and board members to ensure proceedings ran as smoothly as possible. Guidance was also available to help the public understand how meetings would be conducted and recorded, and how they could participate in meetings and access those recordings.

**Lessons learned**

Councils have reacted well to the changing environment and have acted quickly to implement new governance arrangements that are safe and flexible. Although delegation to officers and emergency committees was undertaken at some councils in the early stages, it is welcome that all 32 councils now have arrangements in place to support remote meetings. It is likely that the requirement for remote meetings will continue for some time, therefore all councils should ensure that public participation is facilitated as soon as possible to provide openness and transparency in decision-making.

130

# The pandemic created significant challenges for councils in financial planning and reporting

- There was inconsistency in the pace at which councils prepared financial updates during the initial response phase of the pandemic. Early monitoring of councils' websites found limited reporting of financial considerations. A few councils prepared detailed financial analysis papers in the early months of the pandemic, but most were slower to make this information available to the public. There has since been an improvement in the pace at which councils are providing financial updates, but the cost projections and assumptions included remain uncertain as the situation continues to develop.

- Councils will need to revise their medium-term financial plans. The wide range of financial and service demand pressures councils faced before the pandemic still exist, alongside a new set of future challenges created by the pandemic. These include restarting services and dealing with backlogs, developing new services and strategies to address the long-term harm caused to communities by the pandemic. In 2019/20, auditors reported greater uncertainty in current financial planning arrangements at councils due to Covid-19. Medium-term financial plans will now need to be revised by all councils to consider additional financial pressures and updated funding arrangements, as well as updated savings requirements and financial assumptions.

- The strategic uncertainties around Scotland's public finances and fiscal plans may also create challenges for councils in updating their own financial plans. Prioritising services such as the NHS may have an adverse impact on local government funding levels. In the Local government in Scotland: Financial overview 2019/20, we reported that between 2013/14 and 2019/20, local government funding underwent a larger reduction than the rest of the Scottish Government budget over the same period. The Scottish Government will have to make difficult fiscal decisions in response to the pandemic and this may exacerbate the financial uncertainty challenge for councils.

- The differential impact of Covid-19 on some groups and communities has implications for the Scottish Government's approach to the distribution of funding. It needs to be targeted to those most in need. As reported in the Local government in Scotland: Financial overview 2017/18, we recognise that a review of funding distribution is difficult in times of reduced budgets and financial challenges, as there will inevitably be some councils that end up with smaller allocations of funding, putting further strain on already tight budgets. Nevertheless, as the effects of the Covid-19 pandemic develop it is increasingly important that the Scottish Government and COSLA assure themselves that the funding formula remains fit for purpose.

**131**

Case study 19

## Inverclyde Council



Inverclyde Council prepared a 'Covid-19 Financial Considerations' paper in late March 2020.

This paper was used to highlight the financial pressures and supports relating to Covid-19 and to seek delegated powers where required to release funding. All councils are now preparing regular Covid-19 related financial updates for elected members and the public.

### Lessons learned

Councils' medium-term financial plans will need to be updated to reflect the significant financial impact of the Covid-19 pandemic. Although considerable challenge and uncertainty still exists, it is important that councils have a plan in place that identifies medium-term impacts so that steps can be taken to manage risk and plan effectively. Good medium-term financial planning, based on modelling various future scenarios and focusing on clear priorities, is more important now than ever.

**132**

# Local government in Scotland: Overview 2021

This report is available in PDF and RTF formats, along with a podcast summary at:
**www.audit-scotland.gov.uk**

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**AUDIT** SCOTLAND

# East Lothian Council

**REPORT TO:**    Audit and Governance Committee

**MEETING DATE:**    21 September 2021

**BY:**    Service Manager – Internal Audit

**9**

**SUBJECT:**    Fraud and Irregularity 2020/21 (Audit Scotland, July 2021)

## 1 PURPOSE

1.1 To review East Lothian Council's position in relation to the identified emerging fraud risks highlighted in the Audit Scotland briefing paper, '*Fraud and Irregularity 2020/21: Sharing risks and case studies to support the Scottish public sector in the prevention of fraud'*.

## 2 RECOMMENDATION

2.1 That the Audit and Governance Committee:

    i.    Note the position of East Lothian Council in regard to the actions taken and continuing to be taken to provide assurance over the Key Fraud Risks identified in 2020/21 highlighted in the *'Fraud and Irregularity 2020/21'* briefing paper.

    ii.    Examine the case studies of fraud and irregularities identified during 2020/21 (page 16 onwards) and the information throughout the report to identify any further information or scrutiny activity the members would wish to have reported back to future meetings of the Audit and Governance Committee.

## 3 BACKGROUND

3.1 Since the start of 2020/21, the Covid-19 pandemic and the associated lockdowns have brought significant challenges across the public sector. Public bodies have sought to continue to deliver services in new working environments while at the same time experiencing an increase in demand for many services. The challenges during the last year include additional fraud risks for public bodies to identify and manage.

3.2 The Audit Scotland briefing identifies 7 key fraud risks in 2020/21, which are:

- Covid-19 funding and reopening of premises and services

- Health and Wellbeing

- IT and Cybercrime

- Governance

- Procurement

- Payment

- Payroll and Recruitment

3.3     East Lothian Council has taken proactive action to mitigate these fraud risks in a number of ways with the following key examples:

- Implementation of appropriate controls and subsequent assurance reviews of the key Covid-19 grant processes as reported to the Audit & Governance Committee since June 2020.

- Clear processes including management review and authorisation of the opening of premises.

- Regular communication on staff health and wellbeing to staff and managers throughout the year.

- Clear instructions on appropriate home working policies and procedures to staff and managers throughout the year and on an ongoing basis.

- Internal Audit review of Cybersecurity (June 2021), highlighting regular external review and ongoing implementation of recommendations.

- Continuation of Governance and Assurance arrangements during the pandemic including the continued operation of the Audit & Governance Committee throughout.

- Completion of the Annual Governance Self-assessment as reported to the June 2021 Audit & Governance Committee.

- Internal Audit reviews of Procurement (February 2020), Payroll and Payroll Overtime (June 2021).

- Internal Audit assurance review of Creditors (June 2020).

- Continued engagement and participation in the National Fraud Initiative across services within the Council.

3.4     Further action will continue to enhance assurance around these key risks, including:

- Continued review of changed processes and control frameworks across the Council.

- Monitoring of risk across the Council and continued regular reporting of Risk Registers.

- Finalisation of all high priority matches within the National Fraud Initiative across Council services.

## 4 POLICY IMPLICATIONS

4.1 None

## 5 INTEGRATED IMPACT ASSESSMENT

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

## 6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

## 7 BACKGROUND PAPERS

7.1 Audit Scotland briefing paper, '*Fraud and Irregularity 2020/21: Sharing risks and case studies to support the Scottish public sector in the prevention of fraud*' (July 2021)*.*

| AUTHOR'S NAME | Duncan Stainbank |
|---|---|
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| DATE | 10 September 2021 |

# Fraud and irregularity 2020/21

**Sharing risks and case studies to support the Scottish public sector in the prevention of fraud**

AUDIT SCOTLAND

# Key messages
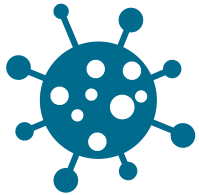
## 1. Significant challenges due to Covid-19

Since the start of 2020/21, the Covid-19 pandemic and the associated lockdowns have brought significant challenges across the public sector. Public bodies have sought to continue to deliver services in new working environments while at the same time experiencing an increase in demand for many services. The challenges during the last year include additional fraud risks for public bodies to identify and manage.
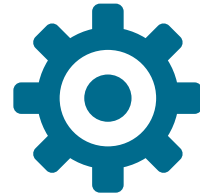
## 2. Wide range of action required to mitigate new risks

The new fraud risks cover a variety of areas. This means a wide range of actions are required by public bodies to attempt to mitigate these risks.

## 3. Weaknesses in controls contribute to fraud and irregular activities

Weaknesses in controls have contributed to a variety of fraud and irregular activities being identified across the Scottish public sector. During 2020/21, external auditors reported 13 cases of fraud and irregularity valued at £0.4 million. The value of reported fraud and irregularity remains small compared to the 2020/21 annual Scottish budget of £49 billion.

## 4. Counter-fraud hub

Audit Scotland's counter-fraud hub contains useful counter-fraud information.

**140**

# Recommendations

**Public bodies should ensure good governance and counter-fraud arrangements are in place, including:**

- having in place appropriate governance and oversight arrangements for counter-fraud

- regularly reviewing controls and governance arrangements to ensure they remain fit for purpose

- being alert to emerging fraud risks and where appropriate working with others to help alleviate these risks

- considering whether appropriate controls are in place to prevent the risks identified in this report materialising in their own organisation

- considering whether the weaknesses in internal control that facilitated each case of fraud or irregularity identified in this report may also exist in their own organisations, and taking the required corrective action.

**Auditors should confirm that:**

- appropriate governance arrangements for the prevention and detection of fraud are in place at their audit clients and that appropriate reviews and amendments of controls have taken place in response to new ways of working

- internal controls at their audit clients are sufficiently strong to prevent the types of fraud and irregularity highlighted in this report.

**141**

# Background

## Impact of Covid-19

The risk of fraud and error has increased over the last year due to the Covid-19 pandemic. This is due to many reasons, including:

- public bodies have become stretched, controls and governance arrangements have required to be changed

- staff working remotely and under pressure

- staff adapting to new ways of working with associated new processes and procedures

- staff being redeployed to work in new and unfamiliar departments as public bodies have responded to increased demands for certain services

- continuous fraud attempts on public bodies including both traditional types of fraud and newer cybercrimes

- former verification and control processes being unable to operate as new ways of working are introduced

- new support schemes for business and communities being developed and implemented at speed.

Public bodies need to review their systems and identify areas where the threat from fraud and error has increased. They need to review existing controls to ensure they are still effective and appropriate and at the same time introduce new controls to address new risks. Measures like these have always been important but the unprecedented challenges and pressures brought by the pandemic, and the opportunities it has presented for fraudsters, bring a renewed focus on ensuring effective governance and controls are in place.

Additional risks will continue to emerge as public money and services are targeted by fraudsters. Fraudsters will continue to look for new opportunities to exploit weaknesses in systems and controls. Public bodies and auditors should stay alert to new scams and approaches by fraudsters, and regularly review controls and governance arrangements to ensure they remain fit for purpose.

Good governance and sound controls are essential in crisis and changing situations.

## Aims of this report

This report sets out a range of fraud risks emerging since the start of the Covid-19 pandemic along with suggestions of what public bodies may do to help reduce these risks. It aims to help public bodies identify and manage these risks.

This report also shares information about cases where internal control weaknesses in public bodies have led to fraud and irregularity, to help prevent similar circumstances happening again. External auditors have shared specific details about significant frauds and other irregularities in public bodies during 2020/21. The level of fraud and irregularity reported by external auditors of £0.4 million remains small compared to the 2020/21 Scottish budget of £49 billion.

This report is informed by information provided by external auditors during 2020/21 in their fraud and irregularity returns to Audit Scotland. External auditors are required to report frauds (or suspected frauds) where they are caused or facilitated by weaknesses in internal controls at public bodies. Frauds and irregularities are considered significant where the value of the loss is over £5,000 or where it is of significance due to the nature of the activity.

Auditors of local authorities are not required to report cases of fraud perpetrated by claimants, for example, grant claimants or housing benefit claimants, unless the fraud was facilitated by the collusion of local authority staff or otherwise by weaknesses in internal control. The cases included in this report are likely to have been investigated internally, but it is not necessary for the police to have been involved or for it to have been proven as fraud in a court of law.

**142**

# Key fraud risks identified in 2020/21

We have grouped the fraud-related risks identified by external auditors over the last year into the following seven categories. They include, but are not limited to, risks associated with:
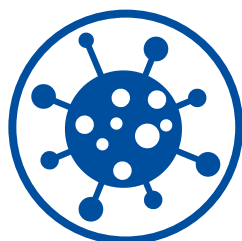
**1. Covid-19 funding and reopening of premises and services**
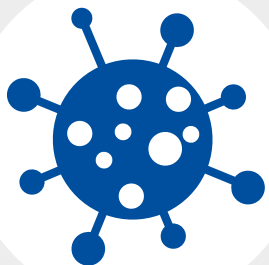
**2. Health and wellbeing**

**3. IT and cybercrime**

**4. Governance**

**5. Procurement**

**6. Payment**

**7. Payroll and recruitment**

**143**

# 1. Covid-19 funding and reopening of premises and services

- Government stimulus packages to support individuals and businesses are provided quickly, possibly with a lower level of scrutiny and due diligence than has previously been in place. Often the support is provided to people and businesses that the public body had no previous relationship with, making the verification of details more difficult.

- Councils may receive emails or Freedom of Information requests asking for details about property details, reference numbers or business grant applications. Fraudsters are possibly looking to identify eligible businesses that have not applied for grants, with a view to submitting a fraudulent application.

- Councils may receive requests for business rate liabilities to be changed. This may be an attempt to ensure a business falls within a category qualifying for grants.

- Due to applications for Covid-19 related support being made online, there is a risk that fraudulent documents and details are provided.

- Councils may receive fraudulent applications for funding purporting to be from genuine qualifying businesses. These applications are often supported by what appears to be genuine supporting information which has often been obtained from publicly available sources.

- As buildings and offices reopen, emails may be received purporting, for example, to be from the Health and Safety Executive (HSE) saying the HSE is carrying out Covid-19 spot checks on newly opened premises. A link supposedly to guidance documents leads to a file which contains malicious software (malware).

- Texts may be received advising recipients that they are eligible for a Covid-19 grant and that an attached form requires to be completed. The form contains a link to a scam website, possibly similar to the HMRC website, asking for business, personal and bank details.

Additional Covid-19 related risks:

**Covid-19:
Emerging fraud risks**

July 2020

**144**

# 2. Health and wellbeing

- Remote working may result in isolation and/or mental health issues. This may lead, in some cases, to increased addictive behaviours (eg, gambling), which could result in vulnerability to serious organised crime gangs.

- An increase in internal fraud in public bodies is possible as staff and their families are under increased levels of financial and health pressures.

- Working for sustained periods of time at high levels of demand may lead to errors or fraud due to lapses in concentration.

- Staff/volunteers could take advantage of vulnerable service users, for example by gaining access to bank cards, cash drop-offs at client's house and befriending with sinister intentions.

- Emails may be received purporting to be from the NHS offering a Covid-19 vaccination. Recipients are requested to provide bank details.

**145**

# 3. IT and cybercrime

- Staff working remotely may pose potential security risks, eg when using personal devices and/or using removable devices to download data.

- Household members may gain unauthorised access to confidential information such as payroll, social work client details etc, by looking at screens or documents used by staff.

- Staff may be more likely to be tempted to steal data when working remotely without the normal office supervision.

- Staff working remotely may receive calls from fraudsters claiming to be legitimate technical support services and attempting to gain access to systems. The callers may say that they are looking at issues with the public body's network and will request the staff member's login details in order to 'fix' the system issue.

- Staff working at home may receive calls purportedly from their broadband providers. The caller says that they are having technical problems with the service. The caller asks the recipient to switch on their computer to check the broadband signal strength and then to enter a scam web address and/or download a piece of malware.

- There is a risk of increased cybercrime as more public-sector staff connect remotely to access systems and for meetings using online video conference services.

- There is a risk of more system-access breaches where personal information is accessed without a valid reason by staff working remotely, eg possibly to check friends' applications for services.

- It is easier for fraudsters to send 'urgent' emails or texts pretending to be from senior members of staff to their under-pressure teams asking for money to be transferred or for information to be disclosed.

- There is a risk of ransomware attacks. This is where malware is put into bodies' systems and leaves a ransom note demanding money in exchange for the return of information or the reinstatement of systems.

- There is a risk of an increase in **phishing** emails trying to get staff working under pressure to click on links which allow fraudsters access to public-sector systems. For example, staff receive scam emails inviting them to a video conferencing meeting, supposedly being held by someone they know and trust. The link provided leads to a fraudulent log-in page, which asks for the recipient's username and password.

Phishing:

Where criminals send emails purporting to be from reputable sources in order to deceive individuals into providing information or data such as passwords, user names or bank details, or to click on a link that allows malware to be downloaded.

**146**

# 4. Governance

- Public-sector staff are working under extreme pressure which may mean some internal controls are suspended or relaxed.

- Existing controls may have been relaxed to assist homeworking for staff and access to services for clients.

- Fraud investigations may be paused or unable to continue due to difficulties in collecting evidence or investigation staff being redeployed to frontline services.

- When buildings are closed there are additional risks to the security and unauthorised use of assets from both internal and external sources as the removal or unauthorised use of assets may go undetected.

- New equipment and IT devices purchased during the pandemic may be at more risk of being lost or stolen due to possible weakness in controls around delivery, asset-tagging and recording in asset registers when staff are working from home. Any losses may not be detected.

- Staff may be transferred from their own departments to other areas to meet increased demand for certain services. This may leave some departments under-staffed at the same time that inexperienced staff may be working remotely without a full understanding of the required procedures and controls.

- There is a risk of weakened governance arrangements as internal audit teams are redeployed to operational areas.

147

# 5. Procurement

- Previous controls may be relaxed to allow bodies to buy new or existing goods or services which are required urgently, possibly from new suppliers.

- Fraudsters may be 'selling' popular and/or hard-to-get items online. The products may not arrive or may be counterfeit, eg medicines, personal protective equipment (PPE) such as face masks and gloves, and hand sanitiser products which do not provide the necessary level of protection.

- An increase in medical and sanitary waste may see criminals attempt to gain waste management contracts. This could result in the inadequate disposal of the waste, with the potential associated harm to public health as well as generating proceeds for the criminals.

- Bodies may buy goods/services from companies without due diligence and vetting being completed due to the urgent demand. This increases the risk of collusion between companies, eg bid fixing, and between companies and staff in the public body buying the goods/services.

- Bodies may receive texts or phishing emails purporting to be delivery companies saying that a parcel is awaiting delivery but that an unpaid shipping fee must be paid. The texts and emails include a link to a scam website asking for payment details.

- Bodies may also receive texts or phishing emails purporting to be from delivery companies saying that they tried to deliver a parcel to closed offices. A link is provided purporting to allow the rescheduling of the delivery. The link leads to a scam website asking for contact and payment details.

**148**

# 6. Payment

- Mandate and diversion fraud may increase as fraudsters try to get employees to update suppliers' bank details and make payments as soon as possible, knowing staff are under pressure. Some attempts may be made using a compromised email account of a genuine member of staff employed at either the public sector body or in an existing supplier.

- Due to staff working from home and under pressure, duplicate payments are possibly not detected, or payments may be made without checking whether goods and services were received to a satisfactory quality.

- Due to controls being loosened it may be possible for staff to pay invoices above their authorisation limits or without the normal approvals.

- Emails may be received from fraudsters purporting to be from a senior member of staff in a contractor requesting copies of initial contracts/award letters and previous invoices last issued. The fraudulent email may also note there has been a change in their bank account details.

- Public bodies may be contacted by someone purporting to be from the fraud department at the body's bank and advising of attempted frauds made against the body's bank accounts. The fraudster then may persuade the member of staff that that they can stop the fraud by setting up a payment to a given sort code and account number.

- Messages may be received purporting to be from the bank saying that a request to add a new payee has been set up. The recipients are asked to click on a link to authorise or cancel this request. The link leads to a scam website which asks for bank account details.

- Messages may be received purporting to be from a known supplier advising that an unexpected sum of money will be debited from the body's bank account. The recipient is asked to click a link to a scam website supposedly in order to cancel the payment.

- Emails may be received where a fraudster tricks officers into thinking a message came from a person they know. For example, a staff member may receive an email from what appears to be a senior colleague requesting the purchase of gift cards and for the cards and codes to be emailed by return email, or that certain invoices have been authorised for payment.

**149**

# 7. Payroll and recruitment

- There is a risk of recruitment fraud as new staff are needed immediately due to increased demands for services and the normal checks may not be completed.

- Payroll fraud may increase as normal controls around working hours, expenses, overtime etc may be relaxed.

- Staff returning to work to help respond to Covid-19 may be targeted by unscrupulous tax avoidance schemes.

- Telephone calls may be made by fraudsters to health and social care staff requesting personal bank details in order for the £500 'thank you' payment to be made.

- Telephone calls may be received advising staff that their national insurance number has been compromised or is invalid. The caller asks for personal details in order to apply for a new national insurance number.

- Fake Covid-19 related job adverts may appear on social media, eg for Covid testers. The scammers ask for personal details that job applicants typically provide, eg bank details, proof of address and passport details. This information can be used for identity theft.

- Emails may be received purporting to be from HMRC saying the recipient is due a tax refund. The recipient is asked to click on a link to a scam website to provide personal and bank details for the supposed tax refund.

**150**

# Ways to reduce counter-fraud risks

- Discuss and agree the organisation's risk appetite and associated approach to the newly emerging risks.

- Carry out a risk assessment to identify the most vulnerable areas under the new working conditions. This will include a review of IT system security for remote working.

- Ensure Internal Audit review systems of control. Some of the existing controls are unlikely to be still relevant and appropriate.

- Introduce new systems of control to address new and emerging risks.

- Ensure existing ways of reporting fraud or irregularity are still operating and are promoted, eg fraud hotlines and whistleblowing processes are still operating.

- Review ways of working and delivering services to help ensure those in need are supported.

- Ensure staff and customers receive regular, appropriate communications on the new ways of working and changes to services.

- As staff move back to offices, controls should be reviewed to ensure they are effective and appropriate for the new ways of working. This will include possibly tightening up previously relaxed controls and carrying out audits on assets.

- Consider bank account verification and active company search services, eg that are available to the UK public sector from the Cabinet Office or **NAFN**.

- Continue staff training, especially for staff moved to work in areas that are new to them.

- Continue staff training on counter fraud including new threats. This will include updates on new and emerging frauds as well as reminders that suspicious activity still needs to be reported.

- Run 'dummy phishing' exercises to test employees' reactions, with a requirement to revisit training modules if an employee 'fails'.

- Ensure all software updates are applied as soon as possible to IT systems. This includes regular reviews and updates to all systems and devices and actively looking for vulnerabilities. Where dangerous vulnerabilities are identified, system updates are done immediately even if it means staff can't work while it is being updated. Where a device, eg a laptop, isn't updated, it is disabled and excluded from the network.

- Block and filter every attack vector possible, which can make things difficult for colleagues, and say no to anything that could increase the organisation's susceptibility to attack.

> NAFN:
>
> Shared service organisation open to all public-sector organisations. NAFN provides data, intelligence and best practice services for member organisations.

**151**

# Ways to reduce counter-fraud risks

- Review **NFI** matches to identify fraud and error or system control weaknesses.

- Rotate employees or volunteers working with vulnerable service users and ensure appropriate employee disclosures are up to date.

- Review the NHS Counter Fraud Authority's guidance including the Covid-19 counter fraud guidance

- Review the UK Government Counter Fraud Function's website for the latest guidance including:

    – Covid-19 Counter fraud response team

    – Fraud Control in Emergency Management: Covid-19 UK Government Guidance

NFI:

National Fraud Initiative, an exercise that matches electronic data within and between public and private-sector bodies to prevent and detect fraud.

Further information:

**The National Fraud Initiative in Scotland 2018/19**

July 2020

**152**

# A focus on procurement risks

Procurement fraud in the UK is not defined but industry experts put the figure at billions of pounds a year. Procurement fraud is complex and covers a wide range of activities from the pre-contract award phase through to the post-contract phase. Procurement fraud is difficult to detect. Although data analytics to identify fraud are on the increase, manual detection techniques are an important part of fraud prevention approaches.

In order to help reduce some of the risks around procurement, bodies may consider the following:

- All staff should be aware of the potential red flags to look out for within any procurement exercise.

- All staff involved in procurement activity should receive regular appropriate training to help them to identify fraud and error.

- There should be clear processes, procedures and controls to be followed regarding procurement. Checks should be made, eg by internal audit, to ensure these are followed.

- A central contract register should be in place which is regularly reviewed and analysed for irregularities.

- Staff should be extra vigilant where a contract is required in a rush and/or where the contractor may be pressurising staff for a quick response.

- Appropriate controls should be in place to ensure invoices, purchase orders and requisitions all agree before payments are made.

- Appropriate segregation of duties should be in place for the authorisation of contracts, payments and technical specifications.

- Procedures should be in place and followed, for all requests for payments to new bank account details.

- Due diligence should be carried out on new suppliers. This may include a review of online customer reviews, and calling the landline on a website to check it is genuine.

- Consideration should be given to job rotation to ensure staff do not deal with the same clients on a long-term basis.

- Internal audit should review procurement activity, eg through spending analysis, to identify where any large spend to a particular supplier may exceed approval thresholds when aggregated or a review of the security around bids and tender documentation.

Further information:

**Red flags**

**Procurement**

October 2019

**153**

# Fraud and irregularity identified during 2020/21

Auditors have provided Audit Scotland with details of cases of fraud and other irregularity discovered in their audited bodies during 2020/21. This report sets out examples of the various different categories of fraud and irregularity reported during 2020/21 and the control weaknesses which have contributed to these cases.

Reporting cases about fraud and irregularity and sharing information about what happened helps highlight weaknesses in internal controls and aims to help prevent similar circumstances from happening in other public bodies.

Public bodies are encouraged to consider whether the weaknesses in internal control that facilitated each of the cases highlighted in this report may also exist in their own arrangements, and take the required corrective action.

Auditors should confirm that appropriate governance arrangements for the prevention and detection of fraud are in place at their audit clients and that appropriate reviews and amendments of controls have taken place in response to new ways of working. They should also confirm whether internal controls are sufficiently strong to prevent the types of frauds and errors highlighted in this report.

## Fraud and irregularity reported during 2020/21 totals £0.4 million

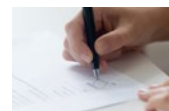Falls into the following key categories:

**2** cyber attacks

**5 cases** = £132,500
Fraud and irregularity involving expenditure

**4 cases** = £25,000
Fraud involving payroll

**1 case** = £237,000
Theft

**1 case** = £7,000
Involving third party funds

Control weaknesses were highlighted where fraud or irregularity was identified.

# Common control weaknesses

A review of fraudulent and irregular activity highlights common control weaknesses which have contributed to the fraudulent and irregular activity reported by external auditors.

A lack of management checking and review

Procedures not followed

Weak security arrangements

A lack of staff training

Missing indicators within emails that the email is not genuine

Not verifying applications for funding to existing records

Poor budget monitoring

System reconciliation weaknesses

Poor record keeping

**155**

# Cyber attacks

A cyber attack is where computers and networks are targeted by criminals in order to alter, disable, steal or gain information through the unauthorised access to computer systems. Our blog entitled 'Cybercrime is a risk that the public sector in Scotland needs to take seriously,' raises awareness among boards and non-executive directors of this growing area of risk as well as to signpost readers to key resources to help protect organisations from this type of crime.

## Case study 1

**A public body was subject to a serious complex cyber attack which impacted upon access to systems, processes and communications.**

### Key features

1.2GB of data amounting to just over 4,000 files had been stolen.

The public body instigated its business continuity plan and took action to limit the impact of the attack. The public body made clear that it would not engage with criminals intent on disrupting public services and extorting public funds.

The information that was stolen from the public body's systems was published illegally online on the dark web the following month. The information that was published is still being assessed. IT systems have been disconnected to prevent further data losses.

The impact of this attack will last for some time due to the loss of data, including financial data, and the need to re-build systems and re-create records.

A Police Scotland investigation is under way. The public body is also working with the Scottish Government, the Information Commissioner and the National Cyber Security Centre in order to investigate the specific details of the attack and identify areas to strengthen existing controls.

## Case study 2

A cyber-attack caused disruption to services at several colleges.
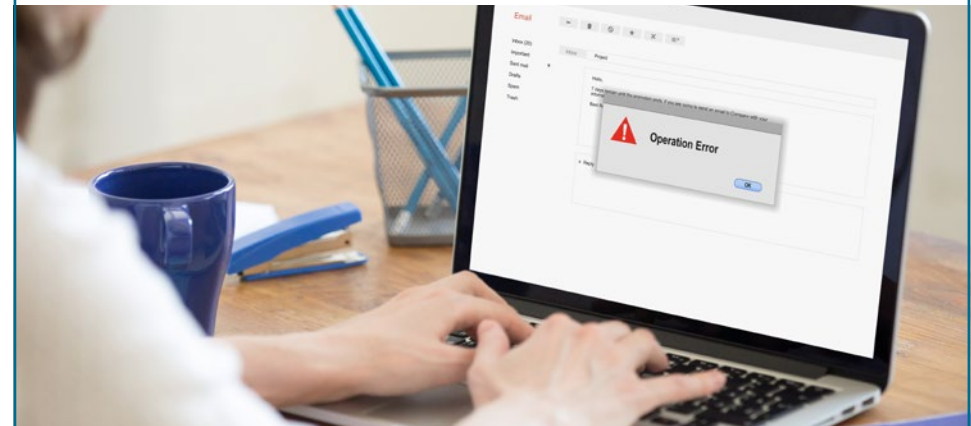


### Key features

The colleges' IT engineers worked to isolate and minimise the impact from the incident.

As a result of the attack, the colleges were closed to some students for a short period of time.

The source of the attack is not known, however a Police Scotland investigation is currently under way.

**156**

# Expenditure

Expenditure frauds relate to cases where a body has incurred additional expenditure because of fraud. This may be due to invalid suppliers, ficticious invoicing, or the redirection of payments intended for legitimate suppliers.

## Case study 3: Invalid supplier

A third party defrauded over £46,000 from a public body by purporting first to be a staff member and then a supplier to the body.

**Key features**

One of the public body's suppliers received an email purporting to be from the body, asking if there were any outstanding invoices. The supplier replied attaching an invoice. The public body then received an email purporting to be from the supplier with the invoice attached asking for it to be paid to a new bank account. The bank records were amended, and the invoice paid. The fraud was identified when the genuine supplier contacted the body looking for payment of the invoice.

The fraud was possible as:

- the accounts payable department did not confirm that the change of bank details had been verified by the contracting service
- the member of staff within the contracting service had not received training on how to verify new bank details
- indications within the email that it was not genuine were missed
- learning from a previous unsuccessful similar attempted fraud involving the same supplier had not been shared with staff.

The public body is introducing robust verification processes for change of bank details.

## Case study 4: Invalid supplier (2)

A third party defrauded £64,500 from a public sector body by purporting to be a genuine supplier.

**Key features**

The purchase ledger team received several emails purporting to be from a named contact at their utility supply company requesting payment of legitimate outstanding invoices. They included copy invoices from the supplier which appeared to be genuine. The emails requested that the standing bank details be amended to those on the invoices. The bank details were changed, and three payments were made. Remittance advices were sent to the legitimate supplier's email address. The fraud was identified when correspondence was received from the legitimate supplier advising that they had received remittance advice notices but no payment.

The fraud was possible as the procedure for confirming bank account changes was not followed. In addition, the email from the supplier had a subtle difference in the address that was not identified at the time.

All finance staff are now receiving training on fraud prevention and detection. The body has notified Police Scotland.

**157**

# Expenditure

(continued)

## Case study 5: Misuse of a vehicle

A public sector employee defrauded almost £7,000 through unauthorised use of a car over a six-month period.



### Key features

The employee was using a hire car while at the same time using a leased car. Both cars were provided by their employer.

The fraud was identified after the payroll team questioned why the car was still on hire.

The fraud was possible due to a lack of review and challenge by the line manager of the monthly car hire report for their department.

The case has been reported to Police Scotland and options for civil recovery are being investigated.

## Case study 6: Misuse of vehicle

A public sector employee defrauded over £5,000 over an eight-month period through unauthorised use of a car.



### Key features

The employee used a pool car for personal use after their own car broke down.

The fraud was identified after a finance report was issued to the budget holder suggesting that providing the employee with a small van would provide better value for money.

The fraud was possible as the budget holder failed to identify the pool car recharges and investigate accordingly.

Internal audit has reviewed the pool car system to identify system weaknesses.

**158**

# Expenditure

(continued)

Public bodies have been issuing many different grant and funding streams to businesses and individuals over the last year due to the Covid-19 pandemic. There have been many instances of claimant fraud identified in these applications. This report does not include cases of fraud that are perpetrated by claimants, for example, grant claims, unless the fraud was facilitated by either the collusion of local authority staff or by weaknesses in internal control.

## Case study 7: Grant payment

A third party defrauded £10,000 from a council by making a false claim for a business grant.
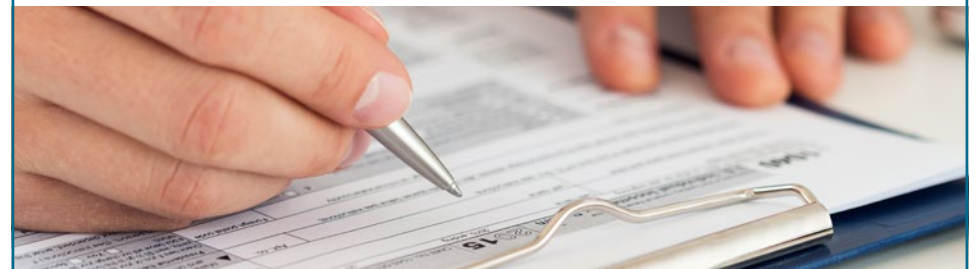


### Key features

The perpetrator claimed a business grant for premises they had previously occupied. The fraud was identified when the legitimate business proprietor applied for a grant.

The fraudulent payment was possible as the council failed to identify that:

- the name on the business grant application was not the name of the business on the business rates system

- the bank statement used in support of the application was for a personal bank account rather than a business bank account.

Internal controls have been improved and more stringent checks are now carried out.

**159**

# Payroll

Payroll frauds relate to cases where an organisation's payroll has been misappropriated, eg employees working elsewhere while claiming to be unfit or where salary payments have been redirected.

## Case study 8: Re-directing salary

Four parties defrauded almost £25,000 from four public bodies by redirecting salary payments.



### Key features

In all cases, the payroll team received emails purporting to be from genuine members of staff, advising of a change to be made to bank account details. The payroll records were amended, and salary payments were made. The frauds were identified when employees contacted the payroll team to query why they had not been paid.

The fraud was possible as the procedures in place to check the validity of bank detail changes had not been followed.

Payroll staff have been reminded of the proper procedures, including verification procedures for changes to employee bank account details. The cases have been referred to Police Scotland for investigation.

**160**

# Theft of assets

Theft relates to cases where someone acts dishonestly appropriating property belonging to another with the intention of permanently depriving the other of it.

## Case study 9: Theft of assets and cash

An employee misappropriated cash and other assets valued at £237,000 from a public body over a period of eight years.

### Key features

The employee was responsible for maintaining records for a secure store. The employee abused their position of trust.

The theft was possible due to inadequacies in the reconciliation of a manual card recording system and in management oversight. The theft was identified when a new process for recording the cash and other assets was introduced and the perpetrator was going to be moved to a new department.

A subsequent internal audit identified the cash and assets were missing. Police Scotland were informed.

The employee admitted the theft, was prosecuted and imprisoned for over three years.
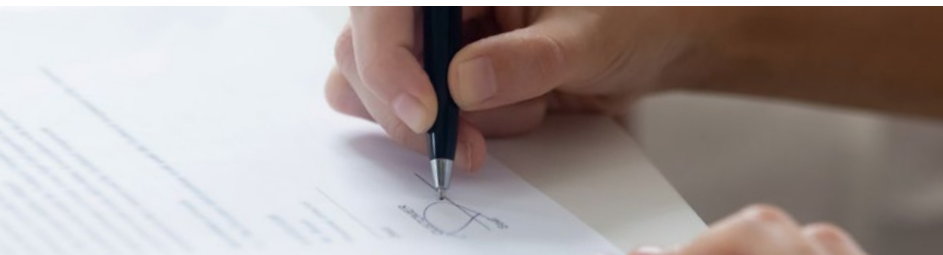
Procedures have been reviewed and improvements made.

**161**

# Private funds

Private fund frauds relate to cases where third party's funds have been misappropriated.

## Case study 10: Third party funds

A member of staff misappropriated over £7,000 from the accounts of vulnerable social care clients.



### Key features

The member of staff committed the fraud by forging the signature of another staff member. The fraud was identified when a colleague examined records of client funds and identified an entry that they had apparently authorised but had no knowledge of.

When interviewed, the member of staff admitted forging the signature of a colleague. An internal audit identified the full extent of the fraud.

The fraud was possible due to weakness in record keeping and in the oversight by management and the **Corporate Appointee**. Improvements have been introduced in relation to reconciliation processes and the review of client accounts.

The matter was reported to Police Scotland and disciplinary processes were instigated. The member of staff has repaid the full amount.

Corporate Appointee:
A Corporate Appointee is where an organisation, eg a council, has been appointed by the DWP to manage and look after a customer's welfare benefits to make sure they get the benefits they are entitled to.

**162**

# Next steps for governance boards in scrutinising counter-fraud arrangements

## Strategies

✓ Are there appropriate and up to date counter-fraud strategies in place?

✓ Are there appropriate governance and oversight arrangements for the counter-fraud strategies? This will include appropriate performance reporting arrangements.

## Risk assessment

✓ Has an assessment been carried out of where the fraud and error risks lie?

✓ Has the risk from fraud and error risk been measured and reported? This should be updated regularly.

✓ Have controls been put in place to prevent and detect these risks?

## Controls review

✓ Are the controls regularly reviewed to ensure they are operating effectively and still appropriate?

✓ Are controls amended or new controls implemented where new risks emerge?

**163**

# Further information

You can find further information about Audit Scotland's work to support counter-fraud and good governance on our website. This includes information about:



Website:
**Our work on counter-fraud**



Report:
**Covid-19: Emerging fraud risks**
July 2020



Report:
**Red flags in procurement**
October 2019



Website:
**The National Fraud Initiative**



Report:
**How councils can safeguard public money**
April 2019



Blog:
**Cybercrime: A serious risk to Scotland's public sector**
May 2021

**164**

# Fraud and irregularity 2020/21

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