



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

**TUESDAY 14 FEBRUARY 2023
VIA DIGITAL MEETINGS SYSTEM**

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Committee Members Present:

Councillor McFarlane
Councillor Jardine
Councillor Menzies (Convener)
Councillor McGuire
Councillor Ritchie
Councillor Trotter

Council Officials Present:

Ms M Patterson, Chief Executive
Ms S Fortune, Executive Director for Council Resources
Mr D Proudfoot, Executive Director for Place
Ms L Brown, Executive Director for Education and Children's Services
Ms M Sullivan, Head of Development
Ms W McGuire, Head of Housing
Ms M Ferguson, Head of Corporate Support
Ms E Dunnet, Head of Finance
Mr D Stainbank, Service Manager – Internal Audit
Mr P Vestri, Service Manager – Policy, Improvement & Partnerships
Mr S Kennedy - Emergency Planning, Risk and Resilience Officer
Mr C Grilli, Service Manager – Governance, Council Resources
Ms S Saunders, Head of Communities and Partnerships
Ms R Brown, Audit Scotland
Mr J Boyd, Audit Scotland
Ms A Hood, Team Manager – EL Works
Mr N Craik-Collins, Education Service Manager
Ms A Mackay, Team Leader - Employability
Mr R Baty, Companies Manager – ELL & ELI
Ms Z Rathe, Team Manager – Information Governance
Ms L Kerr, General Manager Planning & Performance

Clerk:

Ms M Scott
Ms R Crichton (back up)

Apologies:

Councillor L Bruce

Declarations of Interest:

- 1. MINUTE OF AUDIT & GOVERNANCE COMMITTEE ON 29 NOVEMBER 2022**

The minutes of the Audit & Governance Committee from 29 November 2022 were approved as an accurate record.

2. INTERNAL AUDIT REPORT: FEBRUARY 2023

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee, provide details of Internal Audit's follow up work undertaken and provide an update on progress made against the 2022/23 annual audit plan.

Duncan Stainbank, Service Manager for Internal Audit reported that since the last meeting of the Committee final reports had been issued in respect of the following audits: East Lothian Works, Systems & Data Backup and Recovery Testing. Both East Lothian Works and Systems & Data Backup and Recovery Testing were both given an assessment of reasonable assurance.

East Lothian Works

Mr Stainbank explained that the internal controls in place for East Lothian Works were generally reliable however some improvements could be made to provide a fully effective control process. East Lothian Works is the Council's central hub which provides employability services across East Lothian. Grant funding for programmes is provided primarily from the Scottish Government, East Lothian Works was awarded No One Left Behind funding of approximately £985k on 23 March 2022 for financial year 2022/23.

Mr Stainbank highlighted the key findings and recommendations which had all been agreed with management.

Mr Stainbank paused at this point in his presentation to allow for questions.

Councillor Jardine asked if it were possible to discuss the overpayment amounts of Covid Grants and any actions that have been or are being taken to recover these and if there were any processes in place to prevent future overpayments. Mr Stainbank explained the figures in this report are from the Covid-19 Grants Review which was completed in June 2022 where there were two overpaid grants. Mr Stainbank agreed to try to find the figures and update Councillor Jardine outside of the meeting. Mr Stainbank added that the majority of Covid-19 Grants have now closed to new applications therefore he wouldn't expect any further overpayments to come forward.

In response a further question from Councillor Jardine regarding the validation checks of East Lothian Works Mr Stainbank explained that as the audit had been carried out early on it picked up what checks had not been taken as at that point there had been no time for self-reflection from East Lothian Works.

Councillor Jardine asked if Mr Stainbank had an assurance that the figures of funding that goes into East Lothian Works was demonstrating a transformative element of value to both clients and businesses locally. Mr Stainbank reported that from the audit work carried out for individuals there had been a transformative effect in relation to their employability which was reflected in the number of individuals that go into employment coming out of the process. He added the figures on the report showed 201 people were helped into employment in 2021-22 and 69 people for 22-23 which will have gone up now.

Neil Craik-Collins, Education Service Manager stated they report into PPRC for the adult numbers which significantly increased over the Covid period on adult employability. He added they report on the participation measure which is three years beyond the point of school and has had positive results. Mr Craik-Collins added the figures for initial positive destinations are reported to either PPRC or the Education Committee and both these figures and participation measure figures are at the top end of results in Scotland so they are able to show in detail the impact the investments are making. Mr Craik-Collins said more detail could be provided by Mrs Hood outside of the meeting if this is something Councillor Jardine was interested in.

Councillor Trotter asked if the issues around formal summary discussions had been addressed. Mr Craik-Collins explained that handwritten notes were taken with the improvement recommendation being they should be typed up and stored centrally. He noted that point was taken on board along with other processes as part of the audit report and were fully implemented.

Councillor Trotter questioned if the reviews of Homelessness Services and the Housing Management System Replacement Project had started yet. Mr Stainbank reported that both of these audits were due to start just before Easter and he was expecting to report into Committee in June this year.

Mr Stainbank reported that since the last committee Internal Audit have completed follow up reviews on Covid-19 Grants with seven out of nine recommendations already implemented and 2 recommendations in relation to the transfer of files and overpaid grants still in progress. He confirmed both of these are scheduled for completion by April 2023.

Mr Stainbank informed members the follow up review on Risk Management showed two recommendations, one of which is fully implemented and the other being the full implementation of the new risk management software is due for completion in April 2023. Mr Stainbank also provided an Internal Audit Progress Report for 2022/23 with the expectation of completion by the June 2023 committee. Mr Stainbank added that 75% of the plan was already underway with the remaining elements to start within the next two months.

Decision

The committee agreed to note:

- i. the main findings and recommendations from the Internal Audit reports issued during the period from November 2022 to February 2022 as contained in Appendix 1 and covered in agenda item 11;
- ii. the findings from Internal Audit's follow-up work;
- iii. Internal Audit's progress against the annual audit plan for 2022/23 as set out in Appendix 2.

3. INTERNAL AUDIT PLAN

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of Internal Audit's operational plan for 2023/24.

Duncan Stainbank, Service Manager for Internal Audit reported that Internal Audit were 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. He added that the provision of the Internal Audit service is on an in-house basis by the Council's Internal Audit Unit and the resources available have been applied to individual audits and a detailed operational plan has been produced for 2023/34. Mr

Stainbank asked the committee to note that reactive work may impact heavily on the Internal Audit Unit's ability to complete the audit plan and contingency days are built in for 2023/24 in the investigations section. Mr Stainbank explained that during the year the plan will continue to be reviewed against the Council's risk environment and will remain flexible to emerging risks that may occur.

Councillor Trotter asked if there were things to be addressed from the follow up audits would members be informed as they emerged or would they need to wait for an update until the annual audit report was completed. Mr Stainbank confirmed that Internal Audit report as they go through the year and track and monitor the recommendations with the intention of coming back to committee when all the recommendations are due to be completed from the original report.

Councillor Jardine commended the clearly expressed assessment of risk and resources in the plan and felt there was a good way forward if any amendments needed to be made. In response to a question from Councillor Jardine about the cost of growth agenda Mr Stainbank stated it was not his place to report to the Scottish Government but instead they would be looking to establish how within the Council we have identified what the costs of growth are and where we are seeking to get funding from. Mr Stainbank added as always with audit work we do try to do some benchmarking across other Councils to see how controls are operating so this would be looked at as part of the audit. Douglas Proudfoot, Executive Director for Place explained there would be a report going to Council on the Regional Prosperity Framework which encapsulates this challenge and would give an opportunity to reflect on some of the challenges. He added he was looking forward to the outcome in terms of quantification from this audit and felt it was really important to articulate that to our partners and the Scottish and UK Governments. Mr Proudfoot stated this is a timely audit and he looked forward to making representation on clear figures coming forward through the process.

Councillor Jardine asked what compliant operational standards looked like in terms of Housing Void Management. Wendy McGuire, Head of Housing explained it was about balancing off and turning the voids around within targeted timescales as well as maximising rent recovery for those properties while meeting the SHR standard. Ms McGuire added that now felt like a good opportunity for this audit to take place as they are currently renewing the performance management framework for voids and the process has now been audited in five years. Ms McGuire stated she will liaise with Mr Stainbank to ensure they get the timing of the audit right.

Councillor Menzies thanked Mr Stainbank for his report and noted she was happy to see the high risks being prioritised. Councillor Menzies added that members would be happy to assist Mr Stainbank with anything he required and encouraged members to contact Mr Stainbank if they had any issues they would like to raise.

Decision

A roll call vote was carried out and the Audit and Governance Committee unanimously approved the Audit Plan for 2023/24.

4. ANNUAL AUDIT LETTER 2022/23

A letter was submitted by the Audit Director for Audit Scotland to provide members with an update on the 2022/23 audit of East Lothian Council and its group.

John Boyd, Audit Director for Audit Scotland explained he had been appointed as the Council's statutory auditor for the next five years during the recent appointments

process. Mr Boyd stated that due to delays in completing the 2021/22 audit, Audit Scotland's planning work only commenced over the last few weeks therefore they were not in a position to offer a detailed external audit plan so instead the submitted letter was a summary of the key aspects that Audit Scotland anticipate will be included within the plan. This will cover responsibilities under the financial statements audits and key areas of risk and focus as well as their wider scope responsibilities and duties in reporting the Council's progress in demonstrating best value. Mr Boyd anticipated having a detailed plan issued to members by the end of March and would propose presenting that to members at a later committee to allow the opportunity to discuss in more detail. Mr Boyd stated Audit Scotland are also proposing to deliver the audit in line with pre-covid delivery timelines with a target sign off date of September. Mr Boyd drew member's attention to the proposed fee for the year and noted it had increased from the previous year which was a reflection of a number of aspects including the general increase in the cost of delivering audits. Mr Boyd noted that in comparison to PSA who operate in England who have reported a 150% increase in fees, Scotland's increases have been managed. Mr Boyd confirmed Audit Scotland have proposed keeping the fee at the baseline fee of audit rather than apply any increases and at this time they have not identified any areas of risk or focus that should incur any additional costs. Mr Boyd added Rachel Browne, Senior Audit Manager was also present in the meeting and either of them were happy to answer any questions from members.

In response to a question from Councillor McLeod, Mr Boyd explained that the Audit Scotland fee is made up through component elements with the performance audit best value work being a centralised team who support audit teams to conduct best value work. He added that the controlled cost specifically identified to show how we report best value arrangements is taken separately from auditor remuneration. Mr Boyd explained that he is the person responsible for the delivery of the audit and he reports into the accounts commission then over the 5 years the annual audit report reporting will contribute to these reports.

Councillor McLeod asked if there had been any significant frauds found this year. Mr Stainbank advised there had not been but they would continue to investigate through the Council's whistleblowing policy and other areas in fraud investigation. He added there were two investigations ongoing currently but there was no indication at present of any significant fraud in either of these or any other previously investigated this year.

Councillor Menzies thanked Mr Boyd for a clear letter and looked forward to meeting him encouraging members to do the same so everyone can increase their understanding of what is expected of them and how best to utilise Audit Scotland to work together. Councillor Menzies noted the rising cost of the audit but understood there are rising costs everywhere at the moment.

Decision

Members agreed to note the paper.

5. COUNCIL IMPROVEMENT PLAN 2021-22 UPDATE REPORT

A report was submitted by the Chief Executive to present the Council Improvement Plan 2021-2022 update report to the Audit & Governance Committee.

Paolo Vestri, Service Manager – Policy, Improvement & Partnerships stated the submitted report was a final update on the Council Improvement Plan for 2021/22 which was approved by Council in February 2023. Mr Vestri asked members to note that throughout 2021 and most of 2022 the Council was operating in business continuity mode in response to the Covid-19 pandemic and that necessitated on

business critical activity and the reduction of non-critical activity which meant some delay in completing some of the actions in the plan. Mr Vestri explained the plan consisted of 16 actions, nine of which are completed fully, four are ongoing and three, actions four, five and seven will be carried forward to the new plan. Mr Vestri added that the next plan will be based on the outcome of the self-evaluation which the Council management team are undertaking soon and the outcome of the corporate government self-evaluation which will be completed in Spring. He added the Council Improvement Plan for 2023/24 will go to Council in June for approval.

Councillor McLeod asked if Mr Vestri was confident the remaining actions would be completed on time. In response Mr Vestri explained that action one and comments referred to the Council Workforce Plan and since it was last updated most of the actions have now been completed and those that weren't have been carried forward to the new plan which was approved by Cabinet in January 2023.

In response to a question from Councillor Jardine Mr Vestri stated the dates against the education performance improvements were related to the source of the action from the 2018-2022 Improvement Plan which was carried forward into the current plan as the education improvement policy is an ongoing priority and improvements will always try to be made. Mr Vestri explained the work would be taken forward through the education service progress and improvement plan which is reported regularly to the Education Committee as part of a rolling programme. Lesley Brown, Executive Director for Children's Services noted that the last Education Progress and Improvement Plan was presented to the November Education Committee and was approved. Ms Brown added that the annual statutory plan is submitted to the Scottish Government so every November Education Committee a progress report on the actions and the new plan with priorities for the coming year are provided.

Councillor Jardine asked to what extent in the new plan we could advise mental health awareness training being rolled out across all areas in a way that seeks to reduce stigmatisation. Mr Vestri stated a great deal of work had been done on this agenda by the Healthy Working Lives team as mental health and overall health and wellbeing of staff is a key priority within the new workforce plan and there are various actions within the plan relating to that so it is very much ongoing work with a lot of emphasis on supporting staff. Mr Vestri added the next Employee Engagement Survey would be rolled out in the next few months which will include questions around health and wellbeing with the outcomes of that will be reflected in future work related to the workforce plan. Councillor Jardine stated she is aware the stigma is still fairly substantial in some areas and it would be useful to reduce that. Mr Vestri noted that the Council has signed up to the See Me anti-stigma campaign so if any members have any examples of where staff are being stigmatised then he asked himself or HR to be made aware of it.

In response to a question from Councillor Jardine, Morag Ferguson, Head of Corporate Support explained that registers of interest are to be kept live and are not just something that are completed once and that's it. She added that any change to member's interests, appointments to organisations, change of employment, any buying or selling of property or interests in companies should all be updated immediately. Ms Ferguson noted that the committee's team send out two reminders per year for members to update registers of interest but the responsibility lies with members themselves. Councillor Jardine said she wanted to highlight that this committee does not just oversee officers but also all members.

In response to a question from Councillor Menzies, Mr Vestri explained that the proposal in the Council Plan 2021/22 to develop a community charter was never

completed partly due to the onset of Covid-19 which meant other priorities took over but also it was found that a lot of things that were going to be in the charter happened organically through the pandemic years as the community stepped up and helped to support and develop resilience in their community. Mr Vestri added that the new Council Plan was adopted a few months ago does not include a commitment to the charter but does include a commitment to community empowerment and partnership working and how this is implemented will be reported through the Council Plan which will happen on a regular basis. Mr Vestri noted that some of the Council Plan Top 50 Indicators will include indicators around the community empowerment and partnership agenda so members will be able to track progress with those. Mr Vestri reminded members they had a role to play in feeding back to officers if they felt the Council was not engaging fully and effectively with the community. He noted that the outcome of the local governance review is still outstanding but these results can be reflected on and then the agenda for community empowerment will be updated then members will have a role in approving and support that.

Councillor Menzies asked if we were fully engaged with Unions as we progress with the staff charter. Mr Vestri reported that the staff charter came out of the last workforce plan and trade unions were involved in discussions and what should be the charter. He added that trade unions were also consulted on the workforce plan which will be reported to the Joint Consultative Committee where trade unions have an active role.

In response to a further question from Councillor Menzies, Mr Vestri stated there were not any indicators in the Council Top 50 in relation to violence against woman and domestic abuse strategies but there were four indicators relating to this in the Recovery and Renewal Plan so as this is reported on members will be able to see any progress.

Councillor McLeod commented that Mr Vestri's report was clear and easy to follow and noted he attended the induction programme which opened his eyes to the courses available.

Decision

The Committee agreed to note the progress in achieving the Council Improvement Plan 2021-22 as detailed in the update report.

- 8. HEALTH & SOCIAL CARE PARTNERSHIP RISK REGISTER**
- 9. EDUCATION RISK REGISTER**
- 10. CHILDREN'S SERVICES RISK REGISTER**

It was agreed that item eight would be heard next as Laura Kerr, General Manager Planning & Performance from the Health and Social Care Partnership was unable to stay until the end of the meeting due to a prior engagement. As the risk registers are heard together, items eight, nine and ten would be heard together.

Reports were submitted by the Chief Executive to present to the Audit and Governance Committee the Corporate Risk Register for discussion, comment and noting.

Scott Kennedy, Emergency Planning, Risk and Resilience Officer explained that Very High risks are unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position; high risks may be tolerable providing the Council is assured that adequate and effective control measures are in place;

medium risks are tolerable with control measures that are cost effective; and low risks are broadly acceptable without any further action to prevent or mitigate risk.

Health & Social Care Partnership

Mr Kennedy reported that the current Health & Social Care Partnership Risk Registered contained 8 High and 6 Medium risks. As per the Council's Risk Strategy, only the Very High and High risks were being reported to the Committee. Mr Kennedy and Ms Kerr were happy to answer any questions on the risk register.

Councillor Trotter asked how many new staff members were currently required and how many people were in training for these positions. Ms Kerr stated that she did not have the figures for training staff but there were figures for current staff vacancies. Ms Kerr added that the Health and Social Care Partnership has its own workforce plan which focuses on attracting staff to work in East Lothian instead of just NHS Lothian. Ms Kerr explained that in terms of social work, they have now started to support staff to take no that qualification to promote a "grow your own" approach to support staff into those vacant roles. Ms Kerr noted that the vacancies are particularly high within nursing band 5 roles. Councillor Trotter asked if Ms Kerr had the number of current vacancies or a target number to fill. Ms Kerr explained that the Health and Social Care Partnership report on their vacancies and there will be a certain number needed in hospitals within nursing and doctor roles and health and social care. Ms Kerr agreed to provide all members with these numbers but made them aware she was unable to provide the figures for social work.

Councillor Jardine asked if Ms Kerr had any initiatives for recruiting nurses that she would like members to promote wider. Ms Kerr thanked Councillor Jardine and explained significant promotional work had been done surround nursing roles and this would also be rolled out to homecare and social work roles. She added a number of videos had been made which she hoped members had seen but was happy to share directly as keen to get these out as widely as possible. Ms Kerr made members aware that the Health and Social Care partnership also attend high schools and Queen Margaret University to do recruitment events and this will be ongoing. Ms Kerr agreed to send the videos to members to share wider along with the figures of current vacancies.

Councillor Menzies noted she was pleased to see assertive outreach in primary care for substance use and misuse and that nurses were available but found this seemed to be aimed at opioid use in the main and wondered if there was any specific support for cocaine use as this had been a rising problem in the community, especially with young men. Ms Kerr agreed to send this information over to Councillor Menzies.

Councillor Menzies asked if there were any possible timelines on when existing facilities would be use for primary care at evenings and weekends and what actions the new East Lothian Safety and Justice Partnership sub group would be taking forward. In response to the second question from Councillor Menzies, Judith Tait, Head of Children's Services explained at the moment the group were separating what parts of the business would remain under the governance of public protection and what preventative work for East Lothian would sit within the sub group. Ms Tait added that they have a draft work plan for the group which would be finalised over the next 4-6 weeks.

Councillor Menzies asked if there had been any headway made on the care home placements for older people which had been restricted due to third sector recruitment and retention and if there was any information members could share in regards to

this. Ms Kerr agreed to send members the videos and completed recruitment work to share wider.

Education

Mr Kennedy reported that the current Education Risk Register held 6 High, 8 Medium and 1 Low risks. As per the Council's Risk Strategy, only the Very High and High risks were being reported to the Committee. Mr Kennedy made members aware of some corrections made from the original report and register; risk score for E1 was correct but coloured red when it should have been amber and was listed as very high in the report when it should have been high. Another exception was found which was not included in the update was risk E2 should be scoring 12 and not 10 as listed. Mr Kennedy, Ms Brown and members of the Education Management Team were happy to take any questions.

There were no questions or comments.

Children's Services

Mr Kennedy reported the current Children's Services Risk Register held 1 Very High, 3 High and 4 Medium risks. As per the Council's Risk Strategy, only the Very High and High risks are being reported to the Committee. Mr Kennedy and Ms Tait were happy to answer any questions.

Councillor McLeod asked how other authorities were getting to use East Lothian residents as carers and how is East Lothian Council unable to compete with this. Ms Tait explained that the scrutiny and assessment for new foster carers is standard across the country and it is not a quick process so timescales are no longer for this in East Lothian than anywhere else. Ms Tait added that a lot of people who lives in East Lothian foster for other local authorities or private companies and as she has spoken about before at Council meetings East Lothian has the challenge of competing with larger neighbouring authorities who have a significantly larger recruitment and comms budget. Ms Tait added that East Lothian is reaching out as much as possible to recruit new foster carers and have launched a new radio campaign but sadly this has not brought in any new carers yet. Ms Tait reported there are a whole range of issues but peoples finances and the cost of living crisis seems to have come into people's decision to foster but East Lothian Council are looking to make a cost of living payment to foster and kinship carers. Ms Tait noted that fees and allowances are complicated but these are under review. Ms Tait said national the number of people who are foster has declined with either new people not coming forward or people leaving it, part of this could be due to Covid and peoples resilience having reduced. Ms Tait added that East Lothian continues to look at how they can strengthen their offer to carers but it is very difficult as they often cannot compete with private companies who can offer more and it only takes a phone call for current carers to move to them. Ms Tait noted that it is important to keep current foster carers close and well supported but they are sadly always at the mercy of being poached.

Councillor Jardine stated she was sorry to hear about the lack of uptake from the radio campaign and commended Ms Tait for trying this. Councillor Jardine asked to what extent we have local actions on The Promise and how are these monitored and reported. Ms Tait explained The Promise has two key drivers, the first being to do more and better for our care experienced children in terms of improving their outcomes and overcoming barriers for them and secondly that our services are aimed at reducing the need for children to become looked after in the first place. Ms Tait stated she understood why people see social work as the natural home for The Promise but in fact a large part of the aim needs to be at services who are support

children before they reach the stage of requiring statutory social work intervention. Ms Tait explained that the appointed Promise Officer would be closely involved in a number of key work streams but in particular the Corporate Parenting Board and our Transforming Services for Children Programme and between those two structures is where we would be focussing our work and the progress of it within The Promise. Ms Tait stated The Promise is an enormous aspiration and can be quite cumbersome for people to be able to grasp and understand their role in it and where their service can fit so there is a job to do to translate the key messages into tangible actions for services that don't naturally see where they can contribute towards it but the commitment to early intervention across all Council services and looking to strengthen what that looks like will be one of our main ways to prevent children needing social work support and also by supporting their families. Ms Tait made members aware that East Lothian was one of three local authority areas chosen for element two funding for the Whole Family Wellbeing Fund which has been put to good use but pointed out this will not be a quick fix and instead are long term pieces of work but she was confident that they are working on the right things to be able to deliver The Promise but what gets in the way is the continual new asks that come forward. Ms Tait suggested a Members Briefing on The Promise could be done if this was thought to be helpful to clarify the best ways to take it forward. Councillor Jardine said it would be a really interesting prospect for a Members Briefing to consider what elected members can raise awareness of The Promise and added that she is keen to increasingly shift things upstream to do what we can as a preventative as the constant mitigating when things go wrong is very expensive.

Councillor Menzies thought a members briefing on The Promise would be really worthwhile as the more members know the more information they can share which will be beneficial for the children and young people of East Lothian.

Decision

The Audit and Governance Committee agreed to note the Health & Social Care Partnership, the Education and the Children's Services Risk Registers and in doing so noted:

- 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 Health & Social Care Partnership, Education and Children's Services risks can be borne by the Council at this time in relation to the Council's appetite for risk.
- although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer-term risks for Health & Social Care Partnership, Education and Children's Services and are likely to be a feature of the risk register over a number of years.

6. EAST LOTHIAN INVESTMENTS LTD

A report was submitted from the Company Manager of East Lothian Investments Ltd to inform the Audit and Governance Committee of the work undertaken by East Lothian Investments Ltd in 2021/22.

Richard Baty, Companies Manager ELI & ELL spoke to his report detailing the background of the company and the two main product offerings; interest free loan to start ups and existing businesses within the country and the delivery of the East Lothian Gift Card.

Mr Baty reported that in 2021/2022 12 applications for funding were received in the period, 8 were approved to the value of £99,300 which levered in private funds of £147,280. It is projected that 11 new jobs would be created and 10.5 jobs protected.

Mr Baty noted that as of January 2023 there are no loan defaults, 2 loan holidays are in place and 1 business entered into liquidation. The loan book has 43 active loans with an outstanding balance of £332,792.65.

Mr Baty reported that since the launch of the East Lothian Gift Card there has been a steady growth in sales with 137 businesses now accepting the gift card which offers good coverage across the county. Mr Baty noted the number of outlets has increased by 20 since the 2020/21 report which can be attributed to coming out of the pandemic and businesses reopening and starting up.

Councillor Jardine commented that in terms of lending ability the report showed a very impressive performance and thought it was worth highlighting the value of East Lothian Investments to the economic development of East Lothian. Councillor Jardine asked if Mr Baty had noticed a significant shift in what business support is required in light of Brexit, the pandemic and the cost of living crisis. Mr Baty stated that applications for loans had slowed down as had start-ups which was down to bank lending as a lot of uncertainty with the economic recession but since the Board meeting on the 1st of March he had received 8 new applications which was the most in the past 5 years. Mr Baty added the general view from companies is that they cannot get high street lending for various reasons.

Councillor McLeod asked how much debt there was currently, how this compare with high street banks and how do we recover it. Mr Baty reported that the cash amount of debt is exactly £79,000 from 23 different companies who have either ceased trading or went into liquidation and East Lothian Investments have exhausted all measures to recover the debt. Mr Baty explained that to put that into some context, East Lothian Investments will lend to start ups and existing businesses that struggle to get high street lending so it is high risk but in the same period they awarded 2.6 million to 255 companies which generated an arrangement fee of £130,000 which helped cover the bad debt. Mr Baty explained that ELI have a detailed debt management policy but it is important to remember they are here to help companies so they do allow payment holidays, extend loan payments and reduce loan amounts. My Baty noted that the low amount of bad debt is down to the Board of Directors, who are local people and business owners who are making the decisions to award the loans.

Councillor Trotter complimented the work of the organisation and asked how members are replaced when they move on. Mr Baty explained the Board has to be made up of 5 directors, 2 locally elected members and 3 private sector directors and when Mr Murray retired feelers were put out and that is how Louise Elder was identified as a good fit. Councillor Trotter asked if there can only be 5 members as it would be nice to have younger directors input into the Board. Mr Baty agreed to come back to Councillor Trotter with a definite answer to this.

Councillor Menzies commented there is a huge wealth of experience on the Board but she would like to see more of a gender balance and wondered how that would be navigated going forward as well as the balance of having younger members with business experience. Councillor Menzies complimented the excellent report and would be interested to see more information on the specific businesses that are supported by ELI. She asked if there was any ongoing work to encourage businesses to join the East Lothian Gift Card scheme. Mr Baty reported that the company are launching a Young Entrepreneur Prize Award this year of £1500 for young

entrepreneurs under 21 and applications will be opening this month. Mr Baty added that in regards to the EL Gift Cards, a new staff member Devon Taylor will be going round various towns including Tranent and Musselburgh to encourage retailers to sign up.

Decision

The Committee agreed to note the contents of the report.

7. INFORMATION GOVERNANCE ANNUAL REPORT

A report was submitted by the Executive Director for Council Resources to report on the delivery and continuous improvement of East Lothian Council's compliance with regulatory regimes relating to Data Protection, Information and Records Management, and the Regulation of Investigatory Powers over 2022.

Zarya Rathe, Team Manager for Information Governance stated this was the first Information Governance report of this kind to this committee and provided an overall summary and update of key events and progress in 2022 of matters relating to compliance. Ms Rathe asked members to note the contents of the report and highlight any areas for further action or consideration.

Data Protection

Ms Rathe reported new measures were introduced in 2018 to support compliance with the new Act and GDPR. In 2022 these measures were subjected to their first assessment by the Council's Internal Auditors who found reasonable assurance overall. Multiple points of good practice were noted as well as some recommendations for improvement. In 2022 there were 78 data incidents, 54 of which were data breaches and 24 near misses with 3 considered to meet the likely risk threshold for reporting to the Information Commissioners Office. Ms Rathe noted in all 3 cases the ICO found the Council had appropriate technical and organisation measures in place and no further action was taken. Ms Rathe highlighted the recommendations from the ICO and Internal Audit and the planned actions for 2023.

Records Management

Ms Rathe reported that East Lothian Council's current Records Management Plan was approved in 2015 and ELC have actively participated in an informal review on an annual basis since then. Ms Rathe explained the Council Management Team have recently given approval to contract out all storage, retrieval and destruction services for paper records which will bring significant improvements and additionally the Council are in the early stages of implementing Microsoft 365 which will see significant improvements in the management of digital information assets. Ms Rathe stated in 2023 work will be ongoing to implement improvements and ensure these are reflected in the Council's Records Management Plan.

RIPSA

Ms Rathe reported the Council had made limited use of its RIPSA powers and no applications had been made in 2022. In February and March 2022 the Council underwent a desktop inspection by the Investigatory Powers Commissioners Officer which was positive overall. Ms Rathe highlighted the recommendations from this inspection and the planned actions for 2023.

Councillor Ritchie asked if there were any updates on the planned actions and would these be reported on annually or would interim updates be given. Ms Rathe stated a full update would be given in next year's report however as many actions were already in progress they would be updated on an ongoing basis. Ms Rathe added

that if members wished to hear from herself and her team more frequently then she would be happy to provide this.

In response to questions from Councillor McLeod Ms Rathe explained that substantial assurance would always be her goal but acknowledged that in terms of data sharing agreements they were not at the stage they wanted to be in clearing back logs which is part of the reason the new Team Leader post had been created. In regards to Councillor McLeod's second question Ms Rathe explained it was very unusual to have a declined data sharing agreement but it was the Council who made the decision to decline, not something the Council had written that was declined by another party. Mr Stainbank reported that in terms of the reasonable assurance given was part of the audit report submitted to committee in November 2022 which has completion dates for June 2023 so he would hope to bring a follow up review to the September committee on that. He added that if all actions have been completed then this could move to substantial assurance.

Councillor Jardine asked Ms Rathe to explain the link between the planned actions in table 3.17 and the wider actions across Council. Ms Rathe stated that the communications training plan was a push action for her team to ensure messages were communicated widely throughout the Council. Ms Rathe added that most data breaches were to do with incorrect email addresses being entered and this is not something that can be legislated so everyone needs to ensure they are taking the time to enter these correctly. Councillor Jardine said she would be keen to come back to this in the future.

Councillor Menzies asked if recommendation 3 within the IPCO letter had been actioned now and if she felt officers were complying with recommendation 5. Mr Rathe stated that recommendation 3 had been fully updated she was happy officers were complying but as there had been no applications in 2022 she was unable to gauge that. Ms Rathe added that there would be more work to do to raise awareness more widely through the Council.

Decision

The Committee agreed to note the contents of the report.

11. INTERNAL AUDIT REPORT ON SYSTEMS & DATA BACKUP AND RECOVERY TESTING

A report was submitted by the Service Manager for Internal Audit to inform the Audit and Governance Committee of the recently issued Internal Audit report on Systems & Data Backup and Recovery Testing.

Decision

The Audit & Governance Committee agreed to note the contents of the Internal Audit report on Systems & Data Backup and Recovery Testing.

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Signed

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

REPORT TO: Audit and Governance Committee
MEETING DATE: 13 June 2023
BY: Service Manager – Internal Audit
SUBJECT: Internal Audit Report – June 2023

2

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee, provide details of Internal Audit's follow-up work undertaken and provide an update on progress made against the 2022/23 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 February 2023 to June 2023 as contained in Appendix 1;
 - ii. the findings from Internal Audit's follow-up work;
 - iii. Internal Audit's progress against the annual audit plan for 2022/23 as set out in Appendix 2.

3 BACKGROUND

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: Construction Materials Procurement, Climate Change Strategy Review and Monitoring, HR/Payroll Recruitment and New Starters Process, Housing Management Systems Replacement Project, Risk Management, Covid Recovery & Renewal Plan.
- 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 all of the audits are contained in Appendix 1.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Construction Materials Procurement – Limited Assurance
 - Climate Change Strategy Review and Monitoring – Reasonable Assurance

- HR/Payroll Recruitment and New Starters Process – Reasonable Assurance
- Housing Management Systems Replacement Project–Reasonable Assurance
- Risk Management – Reasonable Assurance
- Covid Recovery & Renewal Plan – Substantial Assurance

3.4 Internal Audit follows-up on recommendations made in previously issued audit reports to ensure that they have been implemented as agreed by Management. Detailed spreadsheets are maintained to monitor progress being made and this report provides a summary of the current status for two audits that were reported in previous years. Our findings are detailed below:

East Lothian Mid-Market Homes LLP

3.5 Internal Audit's report on East Lothian Mid-Market Homes (ELMMH) LLP was issued in November 2021. Our follow-up review has highlighted that fifteen of the seventeen recommendations made have been implemented, and two recommendations Relate to the implementation of an SLA between the Council and ELMMH LLP which has been drafted and external legal advice sought with implementation anticipated within 2023 as a final version.

IT Schools Procurement

3.6 Internal Audit's report on IT Schools Procurement was issued in February 2022. Our follow-up review has highlighted that all of the eight recommendations made have been fully implemented.

Property Maintenance Stores

3.7 Internal Audit's report on Property Maintenance Stores was issued in June 2022. Our follow-up review has highlighted that twenty five of the twenty six recommendations made have been fully implemented. One outstanding recommendation to implement authorisation levels on purchase orders is awaiting clarity on the availability of functionality from the current housing management systems supplier.

Low Value Purchasing

3.8 Internal Audit's report on Low Value Purchasing was issued in June 2022. Our follow-up review has highlighted that eighteen of the nineteen recommendations made have been fully implemented. One outstanding recommendation was *"It is recommended that as part of the P2P project a system is introduced that is less reliant on manual entry of invoices and payment documents to create payments and utilises appropriate technology to improve control of this process."* The original implementation date for this recommendation was June 2024 and the project is intended to continue September 2024. The project is currently evaluating technology currently in place within the Council to establish if it can be utilised to achieve this recommendation.

Scottish Welfare Fund

3.9 Internal Audit's report on Scottish Welfare Fund was issued in June 2022. Our follow-up review has highlighted that all of the five recommendations made have been fully implemented.

Corporate Appointee-ship

- 3.10 Internal Audit's report on Corporate Appointee-ship was issued in November 2021. Our follow-up review has highlighted that of the eight recommendations made five have been fully implemented, two are partially implemented in relation to clarifying communication with the Council's banking partner and the Corporate Appointee team this is now scheduled to be complete in June 2023. One recommendation has not been implemented in relation to clarifying procedures when client's surplus bank balances impact on any benefits claims, which will be progressed during 2023.

Payroll

- 3.11 Internal Audit's report on Payroll was issued in June 2021. Our follow-up review has highlighted that of the seventeen recommendations made fourteen have been fully implemented/ superseded. This has considerably improved on the six fully implemented recommendations reported to Audit & Governance Committee in February 2022. One recommendation is partially implemented as guidance was issued to management to ensure staff complete and authorise Leavers Forms timeously prior to the leaving date, however further guidance is being issued in June 2023 to improve the timeliness of this process. The other two recommendations relate to completion of monthly reconciliations between payroll BACS payments and the General ledger, whilst the team structure has identified responsibilities and training has been undertaken these regular reconciliations are yet to be implemented, this will be completed during 2023.

Progress Report 2022/23

- 3.12 A progress report attached as Appendix 2 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the annual audit plan for 2022/23.

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	3 June 2023

Conclusion: Limited Assurance

Processes were in place to ensure that the majority of construction materials were purchased from contracted suppliers in line with the Council’s Procurement Procedures. However significant concerns are expressed that management of suppliers was not in place to ensure that prices paid were in agreement with suppliers’ Scotland Excel framework prices, authorisation processes were not always effectively in place and in some cases the appropriate procurement route had not been followed when selecting the supplier. Improvements were already being developed by the Procurement team in rolling out a Contractor and Supplier Management (CSM) process, which covers the post-contract award actions and decisions that should occur to ensure contractual obligations are met by the supplier, and when implemented the new process should help to resolve many of the issues identified.

Background

In March 2022, the Council’s Corporate Risk Register identified that the “construction materials market is currently volatile due to a number of factors including Brexit and the pandemic impact upon the production and supply chain. Scotland Excel have confirmed a 23% increase in framework prices for timber and sheet materials.” The risk highlighted that Property Maintenance and Roads Services were the key Council service areas impacted by this risk, with services to Council customers also identified as being impacted. In November 2022, the Corporate Risk Register continued to identify construction materials supply chain risks, highlighting that the “current market uplift percentage is in the region of 15% - 20%. Moving forward we predict a quarterly uplift of 5% over the next year... with an intention to implement enhanced contract management processes to drive efficiency and value”. This audit review sought to review the measures that have been put in place to manage the supply chain pressures and increase in construction materials costs within the direct purchasing of materials, specifically within Property Maintenance and Roads Services.

Summary of findings & recommendations

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

- The Council participates in national (Scotland Excel) frameworks for the procurement of goods and services, however in some cases the prices being paid by the Council were in excess of the framework rates. *Management have agreed to look at the process and resources required to put in place arrangements to ensure that the rates charged by the supplier and paid by the Council are consistent with the framework prices **by December 2023**.*
- For one supplier, goods requisition notes (purchase orders) for purchases up to £75,000 were being requisitioned and countersigned by the same officer, with no checking by a second member of staff. *Management have confirmed that all purchase orders should be countersigned by a second member of staff independent of the preparer **by July 2023**.*
- For a number of suppliers it was identified that the cumulative four-year spend was in excess £15,000, however the appropriate procurement route specified within the Council’s Procurement Procedures had not been followed when selecting the supplier. *Management have confirmed that the Council’s Procurement Procedures will be complied with and appropriate procurement exercises carried out **by November 2023**.*
- For the sample of suppliers reviewed, we found no evidence of regular documented contract meetings being held between the suppliers and Council staff involved in purchasing decisions. *Management have confirmed that they will fully participate in the phased roll-out of the Council’s new Contractor and Supplier Management (CSM) process on an ongoing basis until it is fully embedded **by February 2024**.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	2	8	1	11
Prior Report	n/a	n/a	n/a	n/a

Materiality

The Council’s Corporate Risk Register has identified a key risk of Cost of Living Pressures and Economic Volatility, which is split into a number of sub-risks including Construction Materials Supply Chain. Property Maintenance direct expenditure on Construction Materials is approximately £1.9 million per annum. Roads Services direct expenditure is impacted by the capital programme elements completed by the in-house team.

Headlines

Objectives	Conclusion	Comment
1. Contracts for materials procurement are in place and being utilised where appropriate.	Reasonable	When purchasing goods or services, employees should first consider if the goods or services can be procured from an existing framework or contract. If so, the purchases should be made from the contracted supplier. In all other cases, goods and services greater than £50,000 should be advertised on Public Contracts Scotland and a tendering exercise undertaken. For goods and services between £15,000 and £50,000 a quick quote exercise should be undertaken and three written quotes obtained. We found that in most cases the Council were using framework suppliers, however in certain cases where the four-year spend with the supplier was in excess of £15,000, there was no evidence to indicate that a quick quote procurement exercise had been undertaken.
2. Contract pricing for construction materials is being charged appropriately and any spend discounts applied correctly.	Limited	For suppliers used by Property Maintenance and Roads Services, we reviewed a sample of purchase invoices and sought to ensure that the prices paid were in agreement with the suppliers' Scotland Excel framework prices. In some cases we found that framework prices were being paid, however in other cases we found that the rates charged were in excess of the contract prices specified in the framework agreement, and in some cases the items purchased were non-core items for which no prices were provided on the framework agreement. In these cases there was no evidence to confirm if the Council was receiving the non-core discounts specified in the framework.
3. Contract management processes are in place and operating to ensure a managed increase in costs where appropriate and ensuring delivery of materials on an appropriate priority basis.	Limited	From the sample of suppliers reviewed we found no evidence of regular documented contract meetings being held with appropriate Council staff involved in purchasing decisions. However the Council is in the process of rolling out a Contractor and Supplier Management (CSM) process and a detailed presentation was made by the Service Manager – Procurement to the Council Management Team in February 2023. The desired impacts of the CSM process include increased transparency of supplier performance (including financial standing) and delivery of obligations; increased value delivered by procurements; earlier mitigation of performance risks and issues; and ongoing analysis of performance and feedback to/from suppliers. The new CSM process is being phased in over a 12 month period and should be in place for all key contracts by February 2024.
4. Appropriate review processes are implemented to review materials supply and reduce cost pressures where possible.	Limited	We sought to establish if appropriate review processes have been implemented to review materials supply and reduce cost pressures where possible. In the service areas examined, we found no evidence of regular reviews of cost increases being undertaken, to assist in identifying the underlying causes of cost pressures. We are advised however that in response to rising prices, in some circumstances service areas have been able to reduce the materials specification and value engineer projects to reduce cost, subject to meeting certain requirements.
5. Appropriate pre-ordering processes have been considered and implemented where appropriate to ensure availability of materials and reduce cost pressures.	Reasonable	The Council's Corporate Risk Register has identified a key risk (ELC CR4) of Cost of Living Pressures and Economic Volatility, which is split into a number of sub-risks including Construction Materials Supply Chain. One of the existing risk control measures identified as being in place is "the Council is aiming to pre-order and provide enhanced stock management on certain materials where appropriate". We note that pre-ordering is undertaken in certain instances (e.g. winter salt), although overall there was little evidence that service areas were pre-ordering materials to reduce costs, however we are advised that the proposed action in the risk register was to address not just rising prices, but also potential material shortages, which in some cases have not materialised.

Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	<p>New Procurement Procedures (which form part of the Council’s Standing Orders) were approved by Cabinet on 17 January 2023. The revised Procurement Procedures provide high level details on scope and content, roles and responsibilities, procurement process governance and the delegated quotation process for low value purchases. The new processes are significantly shorter/more high level than the previous version and are supplemented by detailed Procurement Working Instructions, which are available on the Council’s intranet, for use by Council officers when procuring goods, services and works.</p>
2.	<p>The Council is in the process of rolling out a Contractor and Supplier Management (CSM) process and a detailed presentation was made by the Service Manager – Procurement to the Council Management Team (CMT) on 22 February 2023. The CSM process covers the post-contract award actions and decisions that should occur to ensure contractual obligations are met by the supplier, and includes contract ownership and management and contract and supplier performance management, when relating to either an individual contract or a number of contracts with the same supplier. New template forms, guidance, case studies and lessons learned have been developed, together with CSM training and materials. A detailed action tracker is in place, including:</p> <ul style="list-style-type: none"> • Introduction of new procurement software (March 2023); • Automated CSM task reminders and escalations (March 2023); • New electronic CSM process for all key contacts: contact obligations and performance (KPIs/review cycles) are captured in system at contract award and updated throughout terms (March 2023 – March 2024).
3.	<p>Retrospective rebates (spend discounts) due from suppliers are monitored and administered by the Procurement team. A monitoring spreadsheet is maintained which records suppliers’ details, the percentage rebate per the framework, the spend amount verified with the supplier, the rebate amount due, the date the payment was received and the relevant ledger code the payment was allocated to. All emails and correspondence from Scotland Excel confirming the agreed spends are retained on file.</p>

Recommendation Grading/Overall opinion definitions

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

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

Conclusion: Reasonable Assurance

The internal controls in place for Climate Change are generally reliable, however there are some improvements that can be made to provide a fully effective control process, including the introduction of interim targets in the Climate Change Strategy, the arrangements in place for providing updated figures in the Climate Change Strategy action plan, ensuring that supporting evidence is retained for each identified action in the annual updates and the arrangements in place for ensuring a clear audit trail exists when completing the annual Public Bodies Climate Change Duties report.

Background

Emissions of ‘greenhouse gases’ primarily carbon dioxide (CO₂) from the burning of fossil fuels has resulted in climate change (global temperature rises). The Scottish Government declared a climate emergency in 2019 and has set a target of becoming net zero by 2045. Local Authorities in Scotland will play an integral role in addressing the huge challenges of climate change, this includes interim targets of a 75% reduction in ‘greenhouse gas’ emissions by 2030 and 90% by 2040 relative to a 1990 baseline. East Lothian Council’s elected members agreed to declare a climate emergency in August 2019 and the Climate Change Strategy 2020 – 2025 was formally approved by Cabinet in January 2020. The Public Bodies Climate Change Duties require local authorities to report annually on emissions to the Scottish Government and the carbon emissions data reported for 2021/22 was 15,653 tCO₂e (tonnes of carbon dioxide equivalent).

Summary of findings & recommendations

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

- There are no interim targets in the Climate Change Strategy to enable the appropriate monitoring of the Council’s current action plan with the target of achieving net zero carbon emissions by 2045. *Management have agreed to put a process in place to consider the use of interim targets by June 2024.*
- The existing arrangements in place for updating the Climate Change Strategy action plan require review – in some instances, the individual actions did not provide updated figures for emissions or targets, nor did they include the percentage increase or decrease for the year. *Management have advised that updated figures for emissions and targets will be provided where applicable by February 2024.*
- In a number of instances, there was a lack of a clear audit trail for the annual update of the action plan – supporting evidence had not been retained and in two cases errors were found in the figures submitted, including the data reported for East Lothian’s overall per Capita carbon emissions. *Management have agreed to retain supporting evidence and undertake appropriate checks on the data reported by February 2024.*
- The existing arrangements in place for completing the Public Bodies Climate Change Duties report for the Scottish Government require review – in some instances, there was a lack of a clear audit trail, supporting evidence had not been retained for emission sources and a person independent of processing had not completed a summary sheet to evidence any checks carried out. *Management have advised that a back-up folder will be retained for each emission source and a summary sheet will be completed by a person independent of processing by December 2023.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	9	-	9
Prior Report	N/A	N/A	N/A	N/A*

Materiality

In August 2019 East Lothian Council’s elected members agreed to declare a climate emergency and the Council’s Climate Change Strategy 2020 – 2025 was formally approved by Cabinet on 21 January 2020. The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 set ambitious targets of becoming net zero by 2045, with interim targets of a 56% reduction by 2020, 75% by 2030 and 90% by 2040 relative to a 1990 baseline.

* No prior report exists for Climate Change.

Headlines

Objectives	Conclusion	Comments
1. An appropriate Climate Change Strategy is in place.	Substantial	The Council has a Climate Change Strategy in place for the period from 2020 to 2025, which was formally approved by Cabinet on 21 January 2020. We note that Cabinet further approved a commitment to review the Climate Change Strategy and accompanying action plan annually, taking into consideration any further national legislative and policy changes. The strategy sets out the vision and overall aims for a net zero carbon emissions Council, together with specific outcomes, key priority areas and actions over the five-year period.
2. The Climate Change Strategy is reviewed annually and updated in line with legislative requirements.	Reasonable	From our review, we found that annual updates on the Climate Change Strategy 2020 – 2025 have been reported to Cabinet or Council, including where applicable updates on the progress made across Council service areas in delivering the targets set out in the action plan. The Council's overall carbon footprint has continued to reduce over the last three years, the Council's emissions in 2021/22 were reported as 15,653 tCO ₂ e (tonnes of carbon dioxide equivalent), a reduction of 15.2% when compared to the figure of 18,450 tCO ₂ e reported in 2019/20 (including emissions associated with staff commuting).
3. The Council has identified the actions required to meet the targets set within the Climate Change Strategy.	Reasonable	The Climate Change Strategy 2020 – 2025 has identified seven key outcomes to help achieve the Scottish Government's target of net zero emissions by 2045. For each outcome, the strategy has identified further key priority areas for progression over the next five years to assist with achieving the outcomes. The strategy includes an action plan, which outlines the tasks to be achieved, and provides links to other relevant Council strategies and policies, together with details of the lead person/service area responsible for progressing the actions. However we found that there are no interim targets in the Climate Change Strategy for monitoring the Council's current action plan with the target of achieving net zero carbon emissions by 2045. In some instances, the individual actions did not provide updated figures for the emissions or targets, nor did they include the percentage increase or decrease for the year.
4. Adequate arrangements are in place for monitoring the progress made in achieving the projected targets.	Limited	For a sample of 15 identified actions selected from the Climate Change Strategy 2020 – 2025 update reported to Council on 28 February 2023, we found that in eight cases appropriate arrangements were in place for monitoring the progress and adequate evidence had been retained on file for the identified action, however in five cases supporting evidence had not been retained and in two cases errors were found in the figures reported, including the data reported for East Lothian's overall per Capita carbon emissions.
5. Adequate data is available to allow the accurate reporting of climate change performance against targets.	Reasonable	The data in the Climate Change Strategy comes from a number of external verifiable sources e.g. the UK local authority and regional greenhouse gas emissions national statistics 2005 to 2020 and in other cases the data is provided by internal sources. The carbon emissions data reported of 15,653 tCO ₂ e (tonnes of carbon dioxide equivalent) was taken from the Public Bodies Climate Change Duties report prepared by the Council in November 2022, however in some instances there was a lack of a clear audit trail for the emissions reported – supporting evidence had not been retained, and a summary sheet had not been completed by a person independent of processing to evidence any checks carried out.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	The Council has a Climate Change Strategy in place for the period from 2020 to 2025, which was formally approved by Cabinet on 21 January 2020.
2.	Annual updates on the Climate Change Strategy 2020 – 2025 have been reported to Cabinet or Council, including updates on the progress being made across Council service areas in delivering the targets set out in the action plan.

Recommendation Grading/Overall Opinion Definitions

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

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

Conclusion: Reasonable Assurance

The internal controls in place for HR/Payroll – Recruitment and New Starts are generally reliable, however there are some improvements that can be made to provide a fully effective control process, including the arrangements in place for undertaking pre-employment checks on employee references, a review of the Recruitment and Selection Policy, ensuring that Recruiting Managers are provided with appropriate training prior to undertaking the recruitment and selection of new employees and the arrangements in place for completing Employee Appointment Forms for casual staff.

Background

Guidance is available on the Council’s intranet to assist Recruiting Managers with the recruitment and selection process and all vacancies (internal and external) are advertised on the myjobscotland website, with all applications and communications being carried out via Talentlink (the administration portal for myjobscotland) to ensure that a clear audit trail exists. We were informed that the recruitment process is changing and an updated process for pre-employment checks will be fully incorporated into Talentlink, which will facilitate each stage for Recruiting Managers and provide a prompt after each stage has been completed. The Council uses the iTrent integrated HR and payroll system for the administration of the Payroll function and the Electronic Document and Records Management System (EDRMS) is used by both Human Resources (HR) and Payroll for their business processes. The process history screen on EDRMS provides a clear audit trail of all tasks undertaken by both HR and Payroll staff.

Summary of findings & recommendations

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

- The existing arrangements in place for undertaking pre-employment checks on employee references require review – in some instances, there was a lack of appropriate checking to ensure that information provided by the referee had been validated to the application form, and in other cases two employment references had not been obtained as required by the Recruitment and Selection Policy, a character reference had been accepted by the service area, instead of an employment reference. *Management have advised that service areas will be provided with a reminder note in respect of employee references to reiterate the current guidance by December 2023.*
- A review of the Recruitment and Selection Policy should be carried out, taking in consideration the introduction of the updated Talentlink recruitment process. *Management have agreed to undertake a review of the Recruitment and Selection Policy by March 2024.*
- The existing arrangements in place for completing Employee Appointment Forms for casual staff require review, there was a lack of formal guidance in place outlining the timing for the submission of the forms to Human Resources. *Management have agreed to issue appropriate guidance on the completion of Employee Appointment Forms for casual staff by December 2023.*
- There was a lack of clear guidance available on the training required for Recruiting Managers and in some cases no training had been undertaken, prior to the recruitment and selection of new employees. *Management have agreed to provide additional clarity on training by March 2024.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	8	1	9
Prior Report	N/A	N/A	N/A	N/A*

Materiality

The Council had approximately 1,464 new starts in the period from 01 April 2021 to 31 January 2023 and spent approximately £172.5 million on payroll costs for the year ended 31 March 2022 and approximately £193.5 million on payroll costs for the year ended 31 March 2023.

* No prior report exists for HR/Payroll – Recruitment and New Starts.

Headlines

Objectives	Conclusion	Comments
1. Adequate policies and procedures are in place for administering the recruitment of new starts.	Reasonable	Guidance is available on the Council's intranet to assist Recruiting Managers with the recruitment and selection process, which states that all applications and communications for new starts should be carried out via Talentlink. However there was a lack of clear guidance available on the training required for Recruiting Managers and in some cases no training had been undertaken, prior to the recruitment and selection of new employees. The Recruitment and Selection Policy was last updated in 2018, we were informed that the recruitment process is changing and a new process for pre-employment checks will be fully incorporated into Talentlink for Recruiting Managers. A review of the Recruitment and Selection Policy should be undertaken, taking into consideration the introduction of the updated Talentlink recruitment process.
2. An appropriate recruitment process is in place for the appointment of new starts.	Reasonable	Appropriate arrangements were in place for authorising the Recruitment Authorisation Request Form (RARF), prior to the forms being passed to the Recruitment Team. We selected a sample of 10 new employees and found that in three cases a clear audit trail existed for each stage of the decision making process and for the remaining seven cases the recruitment documents had been destroyed after six months as per the Recruitment and Selection Policy. A review of the online application process should consider offering applicants the option of attaching their CVs to encourage more interest in specific roles.
3. Adequate separation of duties exists for setting up new starts.	Substantial	We found that all new posts are approved by the relevant Head of Service and passed to the Job Evaluation Panel to be graded, and the subsequent recruitment and selection of new employees is undertaken by the service area (including interviewing applicants and carrying out pre-employment checks on the preferred candidate). Human Resources staff are responsible for validating key information, arranging a formal offer of employment and entering all new start details on the iTrent payroll system. The Payroll Section then check the new start details, prior to processing new employees' pay. We found that adequate separation of duties exists for the setting up of new starts.
4. Adequate arrangements are in place for undertaking pre-employment checks on the preferred candidate.	Reasonable	We selected a sample of 30 new starts and found that in some instances, there was a lack of appropriate checking to ensure that the information provided by the referee had been validated to the application form, and in other cases two employment references had not been obtained as required by the Recruitment and Selection Policy, instead service areas had accepted character references. The online Reference Request Form does not include a section for recording the candidate's job title during the period employed. The existing arrangements in place for completing Employee Appointment Forms for casual staff require review, there was a lack of formal guidance in place outlining the timing for the submission of the forms to HR.
5. Adequate arrangements are in place to ensure that the first pay has been correctly calculated.	Reasonable	For a sample of 30 new starts, we checked to ensure that the employee's first pay had been correctly calculated. Human Resources (HR) staff enter the key details on the iTrent payroll system for new employees, including the contracted hours, salary grades and scale point placings, and in each case we found that the details had been properly set up and the first pay was correctly calculated by the Payroll Section.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	Adequate separation of duties exists between the service area, Human Resources and the Payroll Section for the setting up of new starts.
2.	From the sample reviewed, appropriate arrangements were in place to ensure that the employee's new start details had been properly set up on the iTrent payroll system and that the first pay had been correctly calculated.

Recommendation Grading/Overall Opinion Definitions

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

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

Executive Summary: Housing Management System Replacement Project

2d

Conclusion: Reasonable Assurance

The Council has used the Orchard housing management system for 20 years and now has a project in place to replace this system. Following an appropriate procurement process a supplier was appointed who could meet the council requirements and formal project governance has been implemented appropriately. However following confirmation that the supplier requires to delay delivery of the first phase, whilst appropriate action has been taken to reduce payments to the supplier, the business case has not been formally revisited to ensure that decisions on continuation of the project in the new form continue to meet the Council's requirements.

Background

East Lothian Council has used Orchard as its Housing Management system for approximately 20 years but over a number of years it has become apparent that this does not have the capacity to deal with new ways of working and the underlying systems required to support the system are very heavily reliant on a paper based approach to inputting information into the system. A project team was established in 2018 to carry out an options appraisal to consider whether Orchard needed to be replaced. The results of this appraisal gave a clear mandate for change 67% to do something and 33% to do nothing. Secondly 60% opted for a single system and 40% for a multiple system approach. A second project team was assembled to oversee the tender process and ultimately the implementation of the new system. Representatives from all services that are impacted by Orchard are represented on the Project Board. Under the Crown Commercial Services framework a market engagement exercise was undertaken to identify those suppliers who could provide a system that would meet all the Council's requirements. Following this exercise a tender process was put in place which ended with only one supplier submitting a tender as all other suppliers could not meet the requirements. This review focused on the project management of the process of implementing this system.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager – Community Housing & Homelessness**:

- Management should update the business case and formally evidence that any change to the Business Case have been discussed and agreed by the Project Board. *Management have agreed to ensure that approval has been given **by August 2023**.*
- Following the change to the sequencing of the project phases a revised Business Case should be further approved by the Executive Transformation Team. *Management have agreed that this will be completed **by August 2023**.*

Recommendation Summary

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

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

Materiality

A budget of £750,000 has been set aside for the purchase and implementation of a new Housing Management system with an ongoing cost of £100,000 for support and maintenance once it has been implemented. Due to the phasing issue a discount on the hosting and support charge for the first year has been agreed with the supplier.

Headlines

Objectives	Conclusion	Comment
1. Clear, accessible, relevant and appropriate Governance arrangements are in place to oversee the replacement of the housing management system	Reasonable	A project board was put together following the requirements of the Prince 2 methodology. Terms of reference, which included clear Roles & Responsibilities for the members, have been approved for the Board. The Board will usually meet every month or every other month depending on the stage of the project. The Board comprises staff from all Services who make use of the housing system.
2. An adequate, approved long-term business case is in place for the replacement of the current housing management system	Reasonable	A PID has been developed and defines the scope and objective of the project and approved by the Project Board. A Business Case has been developed, which sets out the reasoning for needing the project and the impact it will have on Council services, however this has not yet been revised to reflect changes to the phasing of the work being undertaken.
3. A process has been put in place to map all current processes and desired process improvements to clearly specify all council requirements for the new housing management system, and these have been agreed by the supplier	Substantial	Process mapping has been carried out showing how the current system works and how the new system will work. The revised process maps were used to guide the potential bidders in assessing whether they can fulfil all the Council's requirements. As the process is developed with the identified supplier the process maps will be further updated to ensure that they reflect how the system will function.
4. A procurement process was put in place to identify an appropriate provider who can provide all the services required	Substantial	A tender process was carried out within the requirements of the Crown Commercial Service and following a market engagement process a tender advert was placed asking suppliers to submit a detailed tender. Following the appointment of the preferred supplier it was revealed that their asset management system was not as fully developed as had been intimated during the tender process.

Headlines Continued

Objectives	Conclusion	Comment
<p>5. An appropriate project plan is in place to allow for the development of the new system in a timely accurate and complete manner that is regularly monitored to ensure appropriate progress</p>	<p>Reasonable</p>	<p>A revised time line for Phase 2 is in place and there are no anticipated implications to the delivery of Phase 2 functionality due to Phase 1 being delayed. Regular monitoring of Phase 1 was in place to ensure that the plan was going to be met. However, in December 2022 Civica advised ELC that part of the Cx Asset Management module was not developed and would not be completed in time to meet the original plan for Phase 1. The reason provided was that Civica were waiting on specific guidance from the UK Government on the rdSAP energy standards which would require significant development. Therefore, Phase 1 had to be paused with immediate effect and work commence on Phase 2. There were no dependencies to prevent Phase 2 commencing from the previous Phase. Currently a revised time line for continuing Phase 1 is not in place as it is dependent on Civica developing the required functionality where the timeline will be re-planned. The Cx solution will be seeded with data for contacts, assets, tenancies and repairs from Orchard. The delay of Phase 1 will reduce the visibility of the activities currently managed in the legacy asset management system, Keystone, within Cx but this will not have an adverse effect on service delivery.</p>
<p>6. Management have adequate controls in place to ensure that should there be delays or lack of service delivery during the implementation period the Council can seek appropriate recompense from the supplier</p>	<p>Substantial</p>	<p>A payment schedule had been provided by the supplier and following approval by the Project Board the initial payment was made once the contract had been signed. However, following the delay with Phase 1 no further payments had been made in line with the schedule. A discount on the hosting and support charge for the first year has been agreed with the supplier as compensation for the delay.</p>

Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	A significant discount on the costs was agreed with the supplier following the deferral of Phase 1. Payments have been delayed to a period between February 2023 and January 2024.
2.	A Project Board has been put in place, consisting of staff from all services who need access to the housing system. Regular meetings are held by the Project Board to monitor the progress of the Project.
3.	Standard Procurement Procedures have been followed to identify suppliers who could meet the Council's requirement and a preferred supplier who confirmed that they could meet these requirements was identified.
4.	Progress of the project is regularly reported to both the Digital Transformation Board and Executive Transformation Team to allow senior management to scrutinise and assure the Council on progress with this significant project.
5.	A series of detailed process maps setting out how the system is currently operating and a version showing how they want the systems to be operating.
6.	Work on this project continued throughout the period impacted by the COVID pandemic to help ensure a timely implementation.

Recommendation Grading/Overall opinion definitions

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

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

Executive Summary: Risk Management

2e

Conclusion: Reasonable Assurance

The Council has a sound framework for Risk Management in place reporting through a variety of internal Governance Groups and publicly through the Audit & Risk Committee, Cabinet and Council with significant detail provided in risk reports. The Internal Governance structure has been improved by the introduction of a Linking Risks Group formed of staff from key services with risk oversight and the Council Management Team sub group who have overall oversight of the Corporate Risk Register. The Risk Strategy has been approved this year and provides the basis of this framework. Improvements in recording of individual management team discussion on risk and improved highlighting of extended timescales for implementing planned mitigation measures will further improve this framework.

Background

The Council provides a wide range of services and these services bring with them strategic and operational risks. Each service has developed a separate risk register which covers risks that are appropriate to the activities undertaken by that service. The Corporate Risk Register highlights those risks that are considered to have the greatest impact on the way the Council carries out its objectives.

East Lothian Council regards risk as the threat that an event or action will adversely affect the Council's ability to achieve objectives and the successful execution of strategies. The Council has agreed that the Corporate Risk Management Group (chaired by the Head of Communities) is the lead Group overseeing the development, implementation and maintenance of risk management across all services. An additional group, the Linking Risks Group has been introduced in April 2022 with members from services with direct overview of risk. The Corporate Management Team sub group have oversight of the Corporate Risk Register. Risks will be recorded within the Corporate Risk Register, service risk registers or project risk registers.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Emergency Planning Risk & Resilience Manager**:

- In some cases minutes are not take of management team meetings which does not allow confirmation of risks being regularly being discussed. *Management have agreed to ensure that meetings are documented appropriately by August 2023.*
- In some cases it is not clear that the reasoning for extending a planned risk control measure has not been set out in the Risk Register. *Management have agreed to ensure that reasoning for extensions have been clearly stated by August 2023.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	3	-	3
Prior report	-	1	1	2

Materiality

At the time of the audit the Council's service area risk registers had a total of 207 risks covering 10 service areas of which 66 were classified as a current very high or high risk, with 15 having a very high or high residual risk. The Corporate Risk Register contained 21 risks of which 13 had a current very high or high risk rating and 10 had a very high or high residual risk rating.

Headlines

Objectives	Conclusion	Comment
1. Adequately recorded updates are made to the risk registers of each service area and corporate level risks on a timely basis, to ensure that risks are effectively identified and graded.	Reasonable	From a sample of risk registers from three service areas all risk registers had been reviewed three times during the past year by the Service management teams. In two cases regular meetings by the Service management teams are held with one regularly recording the discussions held and in the other meeting notes are prepared but not on a regular basis. In one case we were informed that risk is discussed at management meetings but no record of these meetings is maintained.
2. Adequate controls are recorded against each risk in line with the recorded risk appetite of the Council	Substantial	A revised Risk Management Strategy was approved by the Cabinet which sets out the Council's risk appetite for the next three years. The Council's overarching risk appetite ensures that risks are managed in line with amount and type of identified risk which the Council is willing to accept. Risk registers clearly identify all of the risks that are Very High and High that are outwith the Council risk appetite and these risks are publicly reported in a transparent basis along with planned control measures to reduce the risk in the future.
3. Adequate arrangements are in place to provide timescales for identified additional controls required to reduce risk levels and implementation to these timescales is monitored appropriately.	Reasonable	From one current risk register from 2021 and 2022 we found that while the dates for the timescale for planned control measures were being moved forward to the following year when not complete to the original timescale. Clear signposting of delays have occurred in implementing planned measures would enhance the transparency of the risk reporting and ensure that the delays have been brought to the attention of those charged with governance.
4. Adequate internal governance scrutiny of current risk measures, together with new and emerging risks, is undertaken by the Corporate Risk Management Group supported by the Linking Risks Sub Group and a high level CMT sub group oversees the Corporate Risk Register.	Substantial	An additional level of governance was introduced this year with the formation of a Linking Risks Group which includes staff from the main services who have responsibility for overseeing risk within the Council. This group meets ahead of the bi-monthly Corporate Risk Management Group. A review of the minutes from of the Council Management Team risk sub-group provides adequate assurance of the management of the risk registers prior to them being submitted to Audit and Governance Committee, Council and Cabinet.

Areas where expected controls are met/good practice.

No.	Areas of Positive Assurance
1.	Risk Registers within all services are updated on a regular basis and presented on an annual basis to the Council's Audit & Governance Committee as part of the overall governance reviews of risk.
2.	A Linking Risks Group has been established comprising staff within services directly involved with overseeing risk management. This group can take a more detailed examination of risks arising within the Council and any other risks that may be arising from the external environment.
3.	A Council Management Team sub-group is in place to carry out a review of the Corporate Risk Register to ensure that this reflects appropriate and timely updated of the highest scored risks for the Council.
4.	A revised Risk Management Strategy has been approved by the Cabinet which enhances the Council's risk appetite and introduces the Three Lines Model.

Recommendation Grading/Overall opinion definitions

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

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

Conclusion: Substantial Assurance

There is a sound system of governance and control in place for the Council leading Covid-19 Recovery and Renewal across East Lothian, with a clear framework in place, regular reporting to Members and appropriate governance groups in place, including the Recovery and Renewal Co-ordinating Group and the East Lothian Partnership (ELP) Governance Group, to monitor the 36 action points identified. Improvements to the reporting framework including the setting of clear target timescales for indicators and the application of RAG ratings to each of the action points are recommended.

Background

The recovery and renewal from Covid-19 in East Lothian is being led by East Lothian Council, supported by partner agencies under the Civil Contingencies Act (Contingency Planning) (Scotland) Regulations 2005. From 13 June 2022, East Lothian Council is no longer operating under Business Continuity arrangements in total as a consequence of the pandemic and from this date the Council as an organisation moved into formal Recovery status. In November 2021, Council approved the East Lothian Covid-19 Recovery and Renewal Plan and in June 2022, a report on the East Lothian Covid-19 Status and Recovery and Renewal Plan was submitted to the Members’ Library. The report advised that a Recovery and Renewal Action Plan Reporting Framework had been developed to assist in monitoring the delivery of the Covid-19 Recovery and Renewal Plan. For each of the 36 action points identified, the Recovery and Renewal Action Plan Reporting Framework provides details of the lead service/partner, reporting group, outcome measures, indicators and resources/strategies/potential sources of funding. Progress on the delivery of the Recovery and Renewal Action Plan is being reviewed by the Council’s Recovery and Renewal Co-ordinating Group and the East Lothian Partnership (ELP) Governance Group.

Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by the Service Manager – Improvement, Policy & Communications**:

- Consideration should be given to RAG (Red, Amber, Green) ratings being applied to each of the 36 separate action points identified in the Recovery and Renewal Action Plan, to assist in monitoring progress in the delivery of the Action Plan. *Management have confirmed that RAG ratings will be included in the Action Plan by June 2023.*
- Clear and comparable indicator targets should be reported for each action point to enable an assessment to be made of the effectiveness of actions being taken. *Management have confirmed that the June 2023 Recovery & Renewal Action Plan will provide an update on the current indicators, which will also include targets.*
- The reports submitted to the February 2023 and April 2023 meetings of the Recovery and Renewal Co-ordinating Group provided very detailed comments for many of the 36 action points, however for certain of the action points the comments section was left blank and no details were provided of the progress being made. *Management have advised that a full update on all 36 actions will be provided to the June 2023 meetings of both the Recovery and Renewal Co-ordinating Group and the ELP Governance Group.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	3	-	3
Prior Report	n/a	n/a	n/a	n/a

Materiality

As the Council moves forward following the Covid-19 pandemic, the Recovery and Renewal Co-ordinating Group may disband after its June 2023 meeting as the Action Plan will have been subsumed within the new Council Plan and/or any outstanding actions relevant to the East Lothian Partnership will be considered for inclusion in the revised East Lothian Plan in the autumn.

Headlines

Objectives	Conclusion	Comment
1. An appropriate framework is in place for, and there is evidence of widespread consultation on, identifying the priority areas which form part of the Covid-19 Recovery and Renewal Plan.	Substantial	In November 2021, Council approved the East Lothian Covid-19 Recovery and Renewal Plan, which built on the work undertaken through MARRCG (Multi Agency Recovery and Renewal Co-ordinating Group). MARRCG included representation from a range of partners. At this point MARRCG was stood down, however the multi-agency approach was to be maintained by delivering the Plan and the action contained therein, alongside monitoring the results of those actions, through the East Lothian Partnership (ELP). The Council still retains the lead role in this activity, with the Executive Director for Place as ELC Silver for Recovery, supported by the Head of Corporate Support as ELC Bronze.
2. There is regular reporting to both Members and Senior Management on the progress being made in the delivery of the Recovery and Renewal Plan.	Substantial	There is appropriate Senior Management involvement through attendance of key Council Officers at the Council's Recovery and Renewal Co-ordinating Group and the ELP Governance Group, both of these groups monitor progress on the delivery of the Recovery and Renewal Action Plan, and there was clear evidence of periodic reports being prepared for Members on the progress being made in the delivery of the Covid-19 Recovery and Renewal Action Plan.
3. Appropriate monitoring and assurance arrangements are in place to enable key Council risks in the delivery of the Recovery and Renewal Plan to be identified, managed and transparently reported.	Substantial	The Council's Corporate Risk Register has identified a key risk (ELC CR4) of Cost of Living Pressures and Economic Volatility, which is split into a number of sub-risks including Recovery and Renewal. Without a Recovery and Renewal Plan in place our economy and County could fail to thrive following the impacts of Covid-19. Existing risk control measures are clearly identified and one planned risk control measure has been identified, namely the ongoing monitoring of the Recovery and Renewal Plan/Action Plan with production of ongoing performance and progress reports.
4. Clear, measurable and time limited outcomes have been identified to enable an assessment to be made of the effectiveness of actions being taken in addressing the priority areas identified in the Recovery and Renewal Plan.	Reasonable	The Recovery and Renewal Action Plan identified a total of 36 actions, split over the eight Recovery and Renewal Plan objectives. For each of the 36 action points identified, the reporting framework provides sections on Lead Service/Partner; Reporting Group; Outcome Measures; Indicators and Resources/Strategies/Potential Sources of Funding. However indicators have not been quantified for two of the eight objectives, while in most cases where current indicators are shown, these are not compared to target indicators. Management advised that they have not been reporting on indicators until now as most indicators are annual, however the June 2023 Recovery and Renewal Action Plan will provide an update on the indicators, which will also include targets.
5. Appropriate oversight arrangements are in place for the monitoring of, and reporting on, the progress being made in implementing the actions identified through the Recovery and Renewal Plan, for measuring success in meeting the Plan outcomes, and for identifying improvements that require to be made.	Reasonable	Progress on the delivery of the Recovery and Renewal Action Plan is being reviewed by the Council's Recovery and Renewal Co-ordinating Group and the ELP Governance Group. The Recovery and Renewal Co-ordinating Group is chaired by the Executive Director for Place, meets every two months and receives updates on the progress with the Action Plan. The ELP Governance Group, which is chaired by the Council's Chief Executive also meets every two months and receives updates on specific actions at each meeting. The ELP Governance Group is attended by key community partners and provides oversight of the required multi-agency activity that will deliver the Recovery and Renewal Action Plan outcomes through its individual partnership forums.

Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	<p>An East Lothian Recovery and Renewal Plan was approved by Council in November 2021 and was made available to the public identifying 36 separate action points, across eight priority areas, which are:</p> <ul style="list-style-type: none"> Support our communities to tackle inequality and social exclusion; Climate and ecological emergency; Support business, employment and promote inclusive economic growth; Help our children and young people achieve their full potential; Deliver improved connectivity and digital innovation; Maintain and develop resilient and sustainable services; Develop our people and future ways of working; Invest in regeneration and a sustainable future.
2.	<p>In June 2022, a report on the East Lothian Covid-19 Status and Recovery and Renewal Plan was submitted to the Members' Library. The report noted that from 13 June 2022, the Council is no longer operating under business continuity arrangements as a consequence of the pandemic and has moved from Response to formal Recovery status. The report advised that a Recovery and Renewal Action Plan Reporting Framework (which was attached to the report as an appendix) had been developed to assist in monitoring the delivery of the Covid-19 Recovery and Renewal Plan. For each of the 36 action points identified, the Recovery and Renewal Action Plan Reporting Framework provides details of the lead service/partner, reporting group, outcome measures, indicators and resources/strategies/potential sources of funding.</p>
3.	<p>Progress on the delivery of the Recovery and Renewal Action Plan is being reviewed by the Council's Recovery and Renewal Co-ordinating Group and the East Lothian Partnership (ELP) Governance Group. The Recovery and Renewal Co-ordinating Group is chaired by the Executive Director for Place, meets every two months and receives updates on the progress with the Action Plan. The ELP Governance Group, which is chaired by the Council's Chief Executive, also meets every two months and receives updates on specific actions at each meeting.</p>

Recommendation Grading/Overall opinion definitions

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

Levels of Assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
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Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
HR/Payroll Recruitment and New Starters Process	We will review the processes for recruitment, vetting, contract completion, payment and initial training of new start employees for the Council.	February 2023	Completed
Sundry Debtors	We will examine the processes and controls in place for raising, collection, monitoring and resolution of sundry debts.	November 2022	Completed
Finance Business Partners and Budget Monitoring	We will review the processes and procedures in place to assist services in financial management through the provision of Finance Business Partners and monitoring of budgets against best practice.	September 2022	Completed
Construction Materials Procurement	We will review the processes around procurement of construction materials and services across the Council's services.	February 2023	Completed
City Deal Governance and Monitoring	We will review the governance and monitoring processes in place around the progress of the Edinburgh and South-East Scotland City Deal projects and the intended monitoring of the Joint Venture with Queen Margaret University.	November 2022	Completed
Homelessness Services	We will review the processes in place and recently reviewed to meet the new regulatory requirements of the Homelessness Service.	June 2023	Testing Underway

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Systems and Data Backup and Recovery Testing	We will review the processes in place to ensure that the Council has adequate processes and procedures in place to ensure that core systems have data backed-up and that systems and data could be recovered in the event of corrupted systems or data by testing this appropriately.	February 2023	Completed
ICT Asset Management	We will review the processes in place in relation to the asset management of Council ICT assets across the authority.	November 2022	Completed
COVID-19 Recovery & Renewal Plan	We will review the processes of governance and control in place to monitor progress against the East Lothian Council COVID-19 Recovery & Renewal Plan.	June 2023	Completed
Climate Change Strategy Review and Monitoring	We will review the processes and governance in place to review and monitor the actions that are recorded against the Climate Change Strategy.	June 2023	Completed
East Lothian Works	We will review the governance and controls in place for the operation of East Lothian Works and the links to educational outcomes.	November 2022	Completed
Housing Management System Replacement Project	We will review the governance, risk management and control measures in place for this vital systems improvement project.	June 2023	Completed

AUDIT REPORTS	SCOPE OF THE AUDIT	TARGET COMPLETION DATE	STATUS
Brunton Theatre Trust Review	We will review the governance process in place between the Council and Brunton Theatre Trust for this arm's length organisation.	June 2023	Draft Report in Review
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.	June 2023	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.	September 2022	Completed
Review of Performance Indicators	Internal Audit will continue to review the systems in place for the preparation and reporting of Performance Indicators.	September 2022	Completed

REPORT TO: Audit and Governance Committee

MEETING DATE: 13 June 2023

BY: Service Manager – Internal Audit

SUBJECT: Annual Internal Audit Report 2022/23

3

1 PURPOSE

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit prepares an annual internal audit opinion and report to support the Council's Annual Governance Statement.
- 1.2 This report provides a summary of the work undertaken by East Lothian Council's Internal Audit team in 2022/23 and supports both the Council's Annual Governance Statement and the Internal Audit Controls Assurance Statement.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to note the contents of the Annual Internal Audit Report 2022/23.

3 BACKGROUND

- 3.1 Internal Audit is an independent appraisal function established by the Council to review its governance, risk management and control systems. East Lothian Council's Internal Audit team seeks to operate in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 3.2 Internal Audit reports administratively to the Executive Director for Resources, functionally to the Audit and Governance Committee and has direct access to the Chief Executive, the Section 95 Officer and the Monitoring Officer.
- 3.3 The Public Sector Internal Audit Standards (PSIAS) require that the annual report must incorporate a statement on Internal Audit's conformance with the PSIAS and Local Government Application Note and the results of the Quality Assurance and Improvement Programme (QAIP) that covers all

aspects of the internal audit activity. Internal Audit is continuously seeking to improve its service and aims to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. This was achieved in 2022/23 through the following processes:

- Compliance with PSIAS.
- A tailored audit approach using a defined methodology for financial audits.
- A programme of quality control measures, which include the supervision of staff conducting audit reviews and the detailed review of working paper files and audit reports.
- The development of personal and training plans – Internal Audit staff members are required to undertake a programme of Continuous Professional Development (CPD).

3.4 The PSIAS require the development of a Quality Assurance and Improvement Programme (QAIP). The QAIP is designed to enable evaluation of Internal Audit's conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards. The QAIP must include both internal and external assessments. An internal assessment of internal audit practices was carried out against the PSIAS to ensure conformance to the Standards in March 2023. An External Quality Assessment of the Council's Internal Audit service was undertaken in May 2018 by the Chief Internal Auditor of Argyll and Bute Council, a further review is due to be undertaken during 2023 by the Chief Internal Auditor of Scottish Borders Council, providing a high level of assurance on internal audit's compliance with PSIAS.

Delivery of the Internal Audit Service

3.5 In February 2022, the Audit and Governance Committee approved the Internal Audit Plan for 2022/23. The plan was scoped to address the Council's key risks and strategic objectives.

3.6 In order to ensure a constant review of ongoing concurrent risks to the Council and confirmation of approval by the new membership a revised Internal Audit Plan for 2022/23 was then approved by the Audit and Governance Committee in September 2022. A subsequent change to the audit plan was also notified to the Audit & Governance Committee in February 2023 with a review of Brunton Theatre Trust replacing a review of Education Workforce Planning within the Internal Audit Plan.

3.7 A Review of Homelessness is not complete however testing is now substantially progressed and the Brunton Theatre Trust review has been presented to Senior Management as a draft report with further ongoing discussions taking place, all other reviews within the plan have now been completed.

3.8 In 2022/23, Internal Audit completed 16 audit reviews. Table A (see section 3.10 below) outlines the audit work undertaken in 2022/23. For each audit, Internal Audit has provided Management with an assessment of the

adequacy and effectiveness of their systems of internal control. Of the 16 audit reviews undertaken in 2022/23:

- In 3 cases, Internal Audit provided Limited assurance.
- In 11 cases, Internal Audit provided Reasonable assurance.
- In 1 case, Internal Audit provided Substantial assurance.
- In 1 case, Internal Audit did not grade the overall report.

3.9 For the 16 audit assignments finalised, a total of 122 recommendations were made – 106 recommendations were graded as medium (i.e. recommendations which will improve the efficiency and effectiveness of the existing controls); 11 recommendations were graded as low (recommendations concerning minor issues that are not critical, but which may prevent the attainment of best practice); 5 recommendations were graded as 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). Our recommendations sought to address the weaknesses identified in the design of controls and/or their operational effectiveness.

3.10 We have completed the following reviews in 2022/23:

Table A

Audit Assignment	Level of Assurance
Finance Business Partners and Budget Monitoring	Reasonable
Performance Indicators	Reasonable
Waste Services Income	Limited
Scottish Housing Regulator Annual Assurance	Not Graded
City Deal Governance and Monitoring	Reasonable
Data Protection	Reasonable
ICT Asset Management	Limited
Sundry Accounts	Reasonable
East Lothian Works	Reasonable
Systems & Data Backup and Recovery Testing	Reasonable
HR/Payroll Recruitment and New Starters Process	Reasonable
Construction Materials Procurement	Limited
Covid-19 Recovery & Renewal Plan	Substantial
Climate Change Strategy Review and Monitoring	Reasonable
Housing Management Systems Replacement Project	Reasonable
Risk Management	Reasonable

3.11 Internal Audit has also undertaken ten Whistleblowing/Fraud and Irregularity or management request investigations/reviews in 2022/23.

3.12 Internal Audit has also undertaken follow-up reviews of previous years' work to ensure that recommendations have been implemented by

Management and have prepared reports for the East Lothian Integration Joint Board (IJB) Audit and Risk Committee.

Conflicts of Interest

3.13 There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Performance Indicators

3.14 We have undertaken our audit work in accordance with the agreed plan and each of our final reports has been reported to the Audit and Governance Committee. Performance information for 2022/23 covers:

- Completion of the annual Audit Plan – 87.5%
- % of recommendations accepted by Management – 100%
- % of staff with CCAB accounting qualifications – 80%

4 POLICY IMPLICATIONS

4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

7 BACKGROUND PAPERS

7.1 None

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CONTACT INFO	dstainbank@eastlothian.gov.uk
DATE	02 June 2023

REPORT TO: Audit and Governance Committee
MEETING DATE: 13 June 2023
BY: Service Manager – Internal Audit
SUBJECT: Controls Assurance Statement 2022/23

4

1 PURPOSE

- 1.1 Internal Audit has the responsibility to independently review the internal control systems within East Lothian Council, make an assessment of the control environment and report annually on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.

2 RECOMMENDATION

- 2.1 The Committee is asked to note that the Controls Assurance Statement is 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 2023.

3 BACKGROUND

Sound Internal Controls

- 3.1 The Council's senior management has responsibility for establishing a sound system of internal control and for monitoring the continuing effectiveness of these controls. The main objectives of the Council's internal control systems are:
- 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; and
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.2 A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls or the occurrence of unforeseen

circumstances. The Council is continually seeking to improve the effectiveness of its system of internal control.

The Work of Internal Audit

- 3.3 Internal Audit is an independent appraisal function established by the Council to review its internal control systems. Internal Audit objectively examines, evaluates and reports on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources.
- 3.4 In 2022/23, the Internal Audit team operated in accordance with the Public Sector Internal Audit Standards (PSIAS). All internal audit reports identifying system weaknesses or non-compliance with expected controls were brought to the attention of the Chief Executive, the Council's External Auditor and the Audit and Governance Committee.
- 3.5 The weaknesses outlined in our audit reports are those that have come to our attention during the course of our normal audit work and are not necessarily all of the weaknesses, which may exist. It is the responsibility of Management to ensure an appropriate system of internal control operates and ensure that proper consideration is given to internal audit reports with appropriate action taken on audit recommendations.

Basis of Opinion

- 3.6 Our evaluation of the control environment is informed by a number of sources:
1. The policies and procedures of the Council, including:
 - Standing Orders and Financial Regulations;
 - Strategy for the Prevention and Detection of Fraud and Corruption;
 - Information Security Policy;
 - IT Acceptable Use Policy;
 - Code of Conduct;
 - Disciplinary Code;
 - Disciplinary Procedure; and the
 - Whistleblowing Policy.
 2. The planning, monitoring, review and reporting arrangements within the Council, including:
 - The Budget Setting Process;
 - Budget Monitoring Statements;
 - Policy and Performance Review Committee;
 - Performance Management Framework;
 - The work of the Council Management Team.

3. The work undertaken by Internal Audit during 2022/23 including planned audits, investigations, follow-up reviews and one-off exercises.
- 3.7 Internal Audit's opinion does not cover the internal control systems of other organisations that are included in East Lothian Council's 2022/23 Statement of Accounts under the Group Accounts section.

Assessment of Controls and Governance

- 3.8 The Annual Internal Audit Report 2022/23 presented to the Audit and Governance Committee summarises the work of Internal Audit during the year. For all areas reviewed, an Executive Summary is submitted to the Audit and Governance Committee summarising the work completed, assurance provided and the agreed actions to be undertaken by management.
- 3.9 The majority of Internal Audit recommendations made in 2022/23 were categorised as medium risk (i.e. recommendations which will improve the efficiency and effectiveness of the existing controls). A summary of all recommendations made during 2022/23 is outlined below:

Recommendations Priority Level	Number of Recommendations	Recommendations %
High	5	4
Medium	106	87
Low	11	9
Total	122	100

- 3.10 During 2022/23, areas identified with scope for improvement included the following:
- Control processes for Waste Services income were severely impacted by a loss of staff resource, which impacted upon capacity and led to key controls in respect of Waste Services Trade Waste administration and invoicing for the sale of material not operating effectively, during the COVID-19 pandemic period. Since identification of this issue staff resource has been recruited to resolve the issues identified.
 - The Council has appropriate systems in place to record all devices that are logged on to the Council network, however there is no clear record maintained of devices from original purchase through to eventual destruction, in either the Council or the Education asset estate. Work remains ongoing to develop a system to develop this system.

- The Council has not had in all cases appropriate management of suppliers in place during the year to ensure that the prices being paid matched framework contracts, authorisation processes are not always effectively in place. Improvement in the Contract Management processes were already being developed by the Procurement team during the year and when implemented will help improve the control environment.
- The Governance and Control processes covering the legal, financial and operational processes between the Council and the Brunton Theatre Trust have substantial gaps that require to be resolved. The Internal Audit review in this area whilst substantially complete is continuing to be reviewed to agree the most appropriate recommended courses of action to resolve these gaps.

3.11 The implementation by Management of agreed actions to address the weaknesses identified should provide assurance that the system of internal control is operating as intended. The follow-up work completed during 2022/23 identified that at least 81% of the 135 recommendations made during 2021/22 have been fully implemented.

3.12 During 2022/23 a number of Council services operated under business continuity processes as a result of the recovery from the COVID-19 pandemic and concurrent risks including recruitment difficulties and resource constraints. Due to resourcing constraints and increased workload it was identified in some management areas that whilst all reasonable attempts to ensure that robust controls and governance arrangements remain in place, given enhanced prioritisation of critical activities, enhanced focus has been on these priority areas. Control environments may have been at increased risk.

3.13 The Council has highlighted risk ELC CR1 Managing the Financial Environment as a Very High risk on the Corporate Risk Register. This indicates that the Council is currently operating beyond the risk tolerance of the Council. The risk identifies that there is a projected medium term funding gap facing the Council over the next 5 years is £71.3 million and that the current level of reserves remains marginally above the approved minimum level of reserves. Planned Control measures are anticipated to reduce the Council risk to High risk. Whilst this highlights appropriate risk management reporting within 2022/23, it provides the context for the importance of the implementation of appropriate control measures to reduce the risk to the Council moving forward.

3.14 The opinion is restricted by the assurance work that has not yet been completed, however with 87.5% audit plan full completion, in conjunction with additional assurance work completed allows a formal assessment to be made on substantial evidence.

Opinion

- 3.15 It is Internal Audit's opinion, subject to the weaknesses outlined in section 3.10 above and the comments made in 3.12 to 3.14 above, that reasonable assurance can be placed on the overall adequacy and effectiveness of East Lothian Council's framework of governance, risk management and control for the year ended 31 March 2023.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

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

6 RESOURCE IMPLICATIONS

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

7 BACKGROUND PAPERS

- 7.1 None

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DATE	2 June 2023

East Lothian Council

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Management report 2022/23



 AUDIT SCOTLAND

Prepared by Audit Scotland
5 June 2023

Audit findings

Introduction

1. This report contains a summary of the key control weaknesses identified during the interim audit work carried out at East Lothian Council. This work included initial system reviews of the main financial systems to determine the extent to which we can rely on key internal controls to gain assurance over the processes and systems used in preparing the annual accounts. We consider the results of this work when determining our approach to the audit of the 2022/23 annual accounts.

2. Our responsibilities under the [Code of Audit Practice](#) require us to assess the system of internal control put in place by management. We seek to gain assurance that the audited body:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
- complies with established policies, procedures, laws and regulations.

3. Also, we are in the process of carrying out wider-scope work as required by the [Code of Audit Practice](#). This work is focussed on financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes. Work on the Best Value thematic review of the effectiveness of council leadership in developing local strategic priorities is in progress.

Conclusion

4. We identified several internal control weaknesses as summarised in [Exhibit 1](#) overleaf. As a result we do not intend to place reliance on these internal controls for our audit of the 2022/23 annual accounts. Instead, we will extend our substantive audit testing of income and non-pay expenditure to obtain the required assurance to support our audit opinion. This may be chargeable as the audit fee is based on the council having a robust system of internal controls operating effectively throughout the financial year. We will confirm any additional fee with the Finance team following an assessment of the additional work needed to gain assurance in these areas.

Work summary

5. Our 2022/23 initial system reviews covered key controls in the following systems: general ledger, accounts receivable (income and debtors), accounts payable (expenditure and creditors), payroll, housing rents, council tax, non-

domestic rates, Mosaic social care case management, PECOS purchase to pay, non-current assets, and cash and bank.

6. International Standards on Auditing (ISAs) require auditors to understand an audited body's system of internal control including its control environment, risk assessment and control activities. The revised *ISA 315: Identifying and assessing the risks of material misstatement* increases the focus on understanding IT applications and the risks arising from the use of IT. Our initial systems reviews have therefore covered some additional areas and IT systems this year.

7. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate prior year results. Our risk-based audit approach allows us to take a three-year cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified. This is the case for non-domestic rates. Also, where possible we place reliance on the work of internal audit to avoid duplication of effort.

8. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

Risks identified

9. The key control risks identified during the interim audit are detailed in [Exhibit 1](#). These findings will inform our approach to the financial statements audit where relevant.

10. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to East Lothian Council.

11. We are following up some outstanding queries; if we identify any further weaknesses on concluding these queries we will discuss them with management. Any significant matters would be reported in the Annual Audit Report.

Exhibit 1

Key findings and action plan 2022/23

Issue identified	Management response	Responsible officer/target date
<p>1. Feeder systems integration checks</p> <p>There is no automated interface between feeder systems (payroll, non-pay expenditure and income) and the general ledger.</p>	<p>Consistency in reconciliations is being considered and 2022/23 reconciliations will be available as part of the Audit process.</p>	<p>Service Manager – Corporate Accounting / 31 March 2024</p>

Issue identified	Management response	Responsible officer/target date
<p>Data files are manually integrated into the general ledger. This manual integration increases the risk of error .</p> <p>There is no consistent approach across finance for integration of feeder systems. For accounts payable and payroll integrations, officers check the total amount and numbers of transactions to ensure the data has been correctly integrated into the ledger, but there is no evidence of this check retained as an audit trail.</p> <p>The council cannot demonstrate that the internal control has been operating effectively throughout the year.</p>	<p>The P2P team will be reviewing all integrations to the ledger to seek a consistent approach for the organisation.</p> <p>The Council is in early stages of looking at a new financial ledger system and the need for efficient integrations and audit trails will be reflected as part of the process.</p>	
<p>2. Accounts payable feeder systems reconciliation</p> <p>There is no reconciliation documented to identify and resolve differences between the accounts payable feeder system and the general ledger when feeder system files are integrated into the general ledger. Differences may arise for valid reasons (e.g. credit notes) but there is no reconciliation to demonstrate this.</p> <p>The council cannot easily demonstrate that the integration of feeder systems into the general ledger is accurate and complete.</p>	<p>Full period closedowns will assist in easier identification of batches input to the financial ledger. Consistency in backing and supporting evidence will enable quarterly samples to be done by a senior manager and then signed off at an appropriate level.</p> <p>The Council has a Purchase to Pay project ongoing and work on credit notes and mismatches is being progressed through this team.</p>	<p>Service Manager – Corporate Accounting / 31 March 2024</p>
<p>3. System administrator access</p> <p>System administrator access allows users to alter the standing data in a system. There are 8 users who have system administrator access to the general ledger. There is no spot check or regular audit log review</p>	<p>We will identify a system report that will ascertain administrator access and any tasks that have been carried out. This report will be spot checked to review amendments on a quarterly basis and signed off at an appropriate management level.</p>	<p>Service Manager – Corporate Accounting / 31 March 2024</p>

Issue identified	Management response	Responsible officer/target date
<p>to check what users have amended when logging in as a system administrator, to ensure that all changes are authorised.</p> <p>There is a risk that incorrect or unauthorised changes may be made to the ledger and not identified on a timely basis.</p>	<p>We will consider setting up separate access rights and log in details for general use and administrator access.</p> <p>A quarterly review of access rights will be carried out in 2023/24 to ensure controls are in place.</p>	
<p>4.Checks on changes to supplier bank details</p> <p>This is a common area of attempted fraud. Procurement staff and accounts payable staff can amend supplier bank details and checks are carried out with suppliers to confirm that requests are genuine. There is no completeness check of changes made in a period, to identify that all the changes made are genuine and authorised (i.e. to identify unauthorised changes due to internal fraud or error).</p> <p>There is a risk that an unauthorised amendment to supplier bank details would not be identified until the supplier reported non-payment of an invoice.</p>	<p>An Internal Audit report concluded "A member of staff without any responsibility and systems capability to make payments should have responsibility for setting up the details of organisations and individuals, with payment details currently being set up through the Creditors team."</p> <p>A resource has been identified who has no responsibility or systems capability to make payments to set up payment details once all checks have been made. This was implemented in April.</p>	<p>The recommendation has already been implemented.</p>
<p>5.Senior officer ledger access</p> <p>A review of general ledger user access indicated that the Director of Finance has user access which allows her to post journals. Access levels should reflect the tasks required of each user: it is highly unlikely that the Director would ever need to post journals.</p> <p>Senior officers posting journals is considered a risk factor for management override of controls.</p>	<p>This access has been revoked and there is evidence that no journals have been posted since 2016.</p> <p>The quarterly review mentioned in point 2 would also be used to check controls on access rights are being adhered to for senior officers.</p>	<p>The recommendation has already been implemented.</p>

Source: Audit Scotland

Interim substantive audit testing of income and expenditure

12. We requested supporting documentation for a sample of income and expenditure transactions in April to be tested during the interim audit. We have not yet received the documentation so this testing will instead be carried out as part of the final accounts audit. Our planned audit approach for payroll expenditure is to use substantive analytical procedures at the year-end and have requested information from payroll to support this testing.

Wider-scope audit work

13. Our wider-scope audit work is currently in progress and will be reported in our Annual Audit Report. We are also carrying out Best Value work for a thematic review, directed by the Accounts Commission across all councils, of the effectiveness of council leadership in developing new local strategic priorities following the May 2022 elections. This work includes engagement with council members and officers. Our conclusions and judgements will be reported in a separate report to management and summarised in our Annual Audit Report.

14. All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk.

East Lothian Council

Management report 2022/23

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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East Lothian Council

Annual Audit Plan 2022/23

6



 AUDIT SCOTLAND

Prepared for East Lothian Council
26 April 2023

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2022/23 external audit of East Lothian Council (ELC). The main elements of our work include:

- evaluation of the key controls within the main accounting systems
- an audit of East Lothian Council, and provision of an Independent Auditor's Report covering East Lothian Council and its group
- an audit opinion on regularity and other statutory information published within the annual accounts including the Management Commentary, the Governance Statement and the Remuneration Report
- consideration of arrangements in relation to wider scope areas: financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes
- consideration of Best Value arrangements
- providing assurance on the Housing Benefit Subsidy Claim, Non-Domestic Rates Return and the Whole of Government Accounts (WGA) return
- review East Lothian Council's arrangements for preparing and publishing statutory performance information.

Audit Appointment

2. We are pleased to be appointed as the external auditor of East Lothian Council for the period 2022/23 to 2026/27 inclusive. You can find a brief biography of your audit team at [Appendix 1](#).

3. In the first year of the audit appointment, we invest significant time gaining an understanding of your business and identifying and assessing the risks of material misstatement to the financial statements. While we use our initial assessment of risk to inform our planned audit approach, we keep our assessment of risks under review as the audit progresses. We will inform you of any significant changes in assessed risks and any resulting changes in our planned audit work.

4. The audit team will actively engage with you over the course of the audit to ensure our audit work continues to be focused on risk.

Adding value

5. We aim to add value to East Lothian Council through our external audit work by being constructive and forward looking, by attending meetings of the Audit and Governance Committee and by recommending and encouraging good practice. In so doing, we will help East Lothian Council promote improved standards of governance, better management and decision making and more effective use of resources.

Respective responsibilities of the auditor and Audited Body

6. The [Code of Audit Practice 2021](#) sets out in detail the respective responsibilities of the auditor and the audited body. Key responsibilities are summarised below.

Auditor responsibilities

7. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

8. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the wider scope arrangements in place at East Lothian Council. In doing this, we aim to support improvement and accountability.

East Lothian Council responsibilities

9. East Lothian Council is responsible for maintaining accounting records and preparing financial statements that give a true and fair view.

10. East Lothian Council has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to deliver their objectives.

Financial statements audit planning

Introduction

11. The annual accounts are an essential part of demonstrating East Lothian Council's stewardship of resources and its performance in the use of those resources.

12. We focus our work on the areas of highest risk. As part of our planning process, we prepare a risk assessment highlighting the audit risks relating to each of the main financial systems relevant to the production of the financial statements.

Materiality

13. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. We are required to plan our audit to obtain reasonable assurance that the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2022/23 audit

14. We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for East Lothian Council and its group are set out in [Exhibit 1](#).

Exhibit 1

2022/23 Materiality levels for East Lothian Council and its group

Materiality	Amount	Group
<p>Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the East Lothian Council's operations. For the year ended 31 March 2023 we have set our materiality at 2% of gross expenditure less contributions to IJB expenditure based on the audited financial statements for 2021/22.</p>	£8.6 million	£9.2 million
<p>Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this could indicate that further audit procedures should be considered. Using our professional judgement,</p>	£6.5 million	£6.9 million

we have assessed performance materiality at 75% of planning materiality.

Reporting threshold (ie clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. In accordance with Audit Scotland planning guidance, our trivial threshold is set at £250,000.	£250 thousand	£250 thousand
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Source: Audit Scotland

Significant risks of material misstatement to the financial statements

15. Our risk assessment draws on our cumulative knowledge of East Lothian Council, its major transaction streams, key systems of internal control and risk management processes. It is informed by our discussions with management, meetings with internal audit, attendance at committees and a review of supporting information.

16. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. Where such changes occur, we will advise management and where relevant, report them to those charged with governance.

17. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risk, the sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurance over the risk.

Exhibit 2

2022/23 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Sources of assurance	Planned audit response
1. Risk of material misstatement due to fraud caused by management override of controls	Owing to the nature of this risk, assurances from management are not applicable in this instance	<ul style="list-style-type: none"> Assess the design and implementation of controls over journal entry processing. Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

Significant risk of material misstatement	Sources of assurance	Planned audit response
<p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>		<ul style="list-style-type: none"> • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Consider the need to test journal entries and other adjustments during the period. • Evaluate significant transactions outside the normal course of business.
<p>2. Estimation in the valuation of land and buildings.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations.</p> <p>All non-current assets are revalued on a five-year rolling basis. Values may also change year on year, and it is important that ELC ensures the financial statements accurately reflect the value of the land and buildings.</p>	<ul style="list-style-type: none"> • Valuations carried out by an external valuer every five years for all assets as part of rolling revaluation programme. • Desktop valuation to be carried out on council dwellings. • Desktop review of a sample of assets not subject to a full revaluation including operational and non-operational carried out annually to assess any significant changes to market conditions. 	<ul style="list-style-type: none"> • Review the information provided to the external valuer to assess for completeness. • Evaluate the competence, capabilities, and objectivity of external professional valuers. • Obtain an understanding of the management's involvement in the valuation process to assess if appropriate oversight has occurred. • Critically assess the approach East Lothian Council has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. • Challenge management's assessment of why it considers that the land and buildings not revalued in 2022/23 are not materially misstated. We will critically assess the appropriateness of any assumptions. • Critically assess the adequacy of the accounting disclosures regarding the assumptions in relation to the valuation of land and buildings.

Source: Audit Scotland

18. As set out in International Standard on Auditing (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statement*, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements.

19. We have rebutted this risk as funding received from the Scottish Government is clearly communicated and can be readily agreed to third party confirmations. In addition, East Lothian Council's other income streams comprise of a high volume of low valued transactions, and we have concluded there is limited opportunity or incentive to manipulate the recognition of income in the financial statements.

20. In line with Practice Note 10: *Audit of financial statements and regularity of public sector bodies in the United Kingdom*, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk relating to revenue recognition. We have rebutted this risk as we consider there to be limited incentive and opportunity for the manipulation of expenditure recognition in the financial statements.

21. We have not, therefore, incorporated specific work into our audit plan in these areas over and above our standard audit procedures.

Other areas of audit focus

22. As part of our assessment of audit risks, we have identified other areas where we consider there are also risks of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of the risk, we do not consider these to represent significant risks. We will keep these areas under review as our audit progresses.

23. The areas of specific audit focus are:

- The pension liability valuation is an area of audit focus due to the material value and significant assumptions used in the calculation of the liability. We will utilise the work of PwC as an auditor's expert in assessing the reasonableness of the methodology used and assumptions made by the pension fund's actuary, Hymans Robertson LLP, in arriving at the IAS 19 pension valuation as at 31 March 2023
- The ongoing review of Common Good assets to identify those assets held by the council but which are properly owned by the Common Good to ensure these are appropriately disclosed in the accounts.

Group Consideration

24. As group auditors, we are required under International Standard on Auditing (ISA) (UK) 600: *Audits of group financial statements (including the work of component auditors)* to obtain sufficient appropriate audit evidence on which to base our audit opinion on the group financial statements.

25. East Lothian Council has a group which comprises the following component entities:

- **subsidiaries:** East Lothian Land Ltd., East Lothian Mid-Market Homes LLP, Trust Funds and Common Good Funds
- **associates:** East Lothian Investments, Enjoy East Lothian Ltd., Brunton Theatre Trust, Lothian Valuation Joint Board
- **joint venture:** East Lothian Integration Joint Board

26. Our planned audit approach for the components is informed by our assessment of risk at the component bodies and our consideration of the size and nature of assets, liabilities and transaction streams.

27. The audits of the financial information of some of the components are performed by other auditors. These components have been assessed as being not significant through our audit planning processes. No reliance will be placed on the work of these other auditors.

28. We will obtain sufficient appropriate audit evidence in relation to the consolidation process and the financial information of the components on which to base our group audit opinion.

Audit of the trust registered as a Scottish charity (Dr Bruce Fund)

29. The 2006 Regulations require charities to prepare annual accounts and require an accompanying auditor's report where any legislation requires an audit. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees. Therefore, a full and separate audit and independent auditor's report is required for each registered charity where members of the council are sole trustees, irrespective of the size of the charity.

30. Members of East Lothian Council are sole trustees for one trust registered as a Scottish charity, the Dr Bruce Fund, with total assets of £20,886 as at 31 March 2022. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

31. Other than a risk of fraud due to management override of controls, which has also been identified as a risk in respect of the council's annual accounts, no specific planning risks were identified in respect of the charity's accounts.

Materiality levels for the 2022/23 audit of the Dr Bruce Fund

32. Materiality levels for the Dr Bruce Fund are set out in [Exhibit 3](#).

Exhibit 3

2022/23 Materiality levels for the charitable trust

Charitable trust	Planning Materiality	Performance Materiality	Reporting Threshold
Dr Bruce Fund	£400 (Based on 2% of audited 2021/22 net assets value)	£300 (Based on 75% of planning materiality)	£20 (5% of planning materiality)

Source: Audit Scotland

33. The previously reported lack of charitable activity by the Dr Bruce Fund continues into 2022/23. There is a risk that the charity is not fulfilling its charitable objectives and that the trustees are not properly discharging their responsibilities. We will review progress of the planned review of trusts (covering Dr Bruce and other trusts which are not registered charities) which was set out as an improvement action in the 2021/22 annual audit report action plan.

Wider Scope and Best Value

Introduction

34. The [Code of Audit Practice](#) sets out the four areas that frame the wider scope of public sector audit. The Code of Audit Practice requires auditors to consider the adequacy of the arrangements in place for the wider scope areas in audited bodies.

35. In summary, the four wider scope areas cover the following:

- **Financial management** means having sound budgetary processes. We will consider the arrangements to secure sound financial management including the strength of the financial management culture, accountability and arrangements to prevent and detect fraud, error and other irregularities.
- **Financial sustainability** – as auditors, we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years).
- **Vision, leadership and governance** – we conclude on the arrangements in place to deliver the vision, strategy and priorities adopted by the council. We also consider the effectiveness of the governance arrangements to support delivery.
- **Use of resources to improve outcomes** – we will consider how the council demonstrates economy, efficiency and effectiveness through the use of financial and other resources.

Wider scope risks

36. We have identified wider scope audit risks in the areas set out in [Exhibit 4](#). This exhibit sets out the risks, sources of assurance from management arrangements and the further audit procedures we plan to perform to gain assurances over the risks.

Exhibit 4

2022/23 wider scope risks

Description of risk	Sources of assurance	Planned audit response
1. Financial Sustainability	<ul style="list-style-type: none"> • Updated budget development framework including 	We will review and assess the council's financial planning and

Description of risk	Sources of assurance	Planned audit response
<p>The highest risk in the corporate risk register is that the council is operating in an increasingly complex financial environment and faces significant financial and demand pressures. The council's Financial Strategy 2023-2028 scenario planning identifies a funding gap of £41-63 million over the 5-year period, inclusive of delivering existing approved savings.</p> <p>It is likely that the council will face difficult decisions around service offering and performance if it is to remain within its resource constraints and achieve its planned priority outcomes.</p>	<p>extending financial planning to 5 years.</p> <ul style="list-style-type: none"> • Approved financial and capital strategy to support medium term financial planning. • Cross party budget working group now established to consider policy options to support future budget development. • Approved revenue projections until 2027/28. • Enhanced in-year financial reporting to Council given challenging financial environment. 	<p>reporting and progress on achievement of planned savings. We will also consider the decision-making that will be needed if the council is to remain within its resource constraints and achieve its planned priority outcomes</p>

Source: Audit Scotland

37. Our planned work on our wider scope responsibilities is risk based and proportionate and in addition to local risks we consider challenges which are impacting the public sector as a whole. In 2022/23 we will consider tackling climate change and responding to cyber security threats.

Climate Change

38. Tackling climate change is one of the greatest global challenges. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

39. The Auditor General and Accounts Commission are developing a programme of work on climate change. In 2022/23, we will gather information on East Lothian Council's arrangements for responding to climate change covering areas such as the development of climate change strategies and the monitoring and reporting of progress against targets for reducing emissions.

Cyber Security

40. There continues to be a significant risk of cyber-attacks to public bodies, and it is important that they have appropriate cyber security arrangements in place. A number of recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. In 2022/23, we will consider East Lothian Council's arrangements for managing and mitigating cyber security risks.

Best Value

41. Under the 2021 [Code of Audit Practice](#), the audit of Best Value in councils is fully integrated within our annual audit work.

42. Best Value at East Lothian Council will be assessed comprehensively over the period of the audit appointment and will include an annual evaluation of ELC's approach to demonstrating improvement in its strategic priorities and public performance reporting. We will also follow up findings reported previously on Best Value to assess the pace and depth of improvement. This work will be integrated with the wider scope audit areas discussed above.

43. In addition to our annual work on Best Value we will conduct thematic reviews as directed by the Accounts Commission. In 2022/23 the thematic review across the sector will be on the effectiveness of council leadership in developing new local strategic priorities following the elections in May 2022. Our conclusions and judgements will be reported in a separate report to management and summarised in our Annual Audit Report.

44. At least once every five years, the Controller of Audit will report to the Accounts Commission on East Lothian Council's performance in meeting its Best Value duties. The first year of the programme will be from October 2023 to August 2024 and will cover the councils listed in [Exhibit 5](#).

Exhibit 5

Controller of Audit reports

Falkirk

South Ayrshire

Moray

Dumfries and Galloway

Clackmannanshire

West Dunbartonshire

Orkney Islands

City of Dundee

Source: Audit Scotland

Reporting arrangements, timetable, and audit fee

Reporting arrangements

45. Audit reporting is the visible output for the annual audit. All Annual Audit Plans and the outputs, as detailed in [Exhibit 6](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

46. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy.

47. We will provide an independent auditor's report to ELC and the Accounts Commission setting out our opinions on the annual report and accounts. We will provide ELC and the Controller of Audit with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

48. [Exhibit 6](#) outlines the target dates for our audit outputs, and we aim to issue the independent auditor's report by the statutory deadline of 30 September.

Exhibit 6 2022/23 Audit outputs

Audit Output	Target date	Audit and Risk Committee Date
Annual Audit Plan	31/03/2023	13/06/2023
Best Value Management Report	30/06/2023	26/09/2023
Independent Auditor's Report	30/09/2023	26/09/2023
Annual Audit Report	30/09/2023	26/09/2023

Source: Audit Scotland

Timetable

49. To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 7](#) that has been discussed with management.

50. Covid-19 has had a considerable impact on the conduct and timeliness of the audit. We recognise that it is in the best interests of public accountability to get the reporting of audited accounts back to pre-pandemic timelines. We are identifying ways to work more efficiently to expedite the 2022/23 audits whilst at the same time maintaining high standards of quality.

51. We intend to take a hybrid approach to the 2022/23 audit with a blend of onsite and remote working. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with management and finance officers over the course of the audit.

Exhibit 7 Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Consideration of the unaudited annual accounts by those charged with governance	27 June 2023
Latest submission date for the receipt of the unaudited annual accounts with complete working papers package.	30 June 2023
Latest date for final clearance meeting with the Executive Director for Council Resources	11 September 2023
Issue of draft Letter of Representation and proposed Independent Auditor's Report	19 September 2023
Agreement of audited and unsigned annual report and accounts	19 September 2023
Issue of Annual Audit Report to those charged with governance	19 September 2023
Signed Independent Auditor's Report	26 September 2023
Certified Non-Domestic Rates Return	By 6 October 2023
Certified Housing Benefit subsidy claim	By 30 November 2023
Latest date for WGA assurance	To be confirmed

Source: Audit Scotland

Audit fee

52. In determining the audit fee, we have taken account of the risk exposure of ELC and the planned management assurances in place. The agreed audit fee for 2022/23 is £290,020 as set out in [Exhibit 8](#).

53. Our fees have increased in 2022/23 and this is a reflection of the current audit market and the rising costs in delivering high quality audit work. There are increased regulatory expectations and risks placed on audit and its quality, as well as a widening in the scope of work audit must cover.

Exhibit 8 Audit fees (including VAT)

Fee component	Fees (£)
External Auditor Remuneration	223,480
Contribution to Audit Scotland costs	8,470
Contribution to Performance and Best Value	58,430
Sectoral Cap Adjustment	(360)
2022/23 Audit Fee	290,020
Audit of Charitable Trust (Dr Bruce Fund)	1,000
Total 2022/23 Fee	291,020

Source: Audit Scotland

54. In setting the fee for 2022/23 we have assumed that ELC has effective governance arrangements and will prepare comprehensive and accurate accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

55. It is the responsibility of ELC to establish adequate internal audit arrangements. We will review the internal audit plan and the results of internal audit's work.

56. While we are not planning to place formal reliance on the work of internal audit in 2022/23, we will review internal audit reports and assess the impact of the findings on our financial statements and wider scope audit responsibilities.

Independence and objectivity

57. Auditors appointed by the Auditor General for Scotland or Accounts Commission must comply with the [Code of Audit Practice](#) and relevant supporting guidance. When auditing the financial statements, auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors.

58. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

59. The appointed auditor for East Lothian Council is John Boyd, Audit Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of East Lothian Council.

Audit Quality

60. Quality is at the core of public audit in Scotland and is the foundation for building consistency and confidence across all audit work. High quality audits provide assurance, add value and can support public bodies to achieve their objectives.

61. Until 2021/22, the applicable audit quality standard was International Standard on Quality Control 1 (ISQC (UK) 1). This set out an audit practice's responsibilities for its system of quality control for audits.

62. ISQC(UK) 1 has been replaced by two new audit quality standards: Internal Standards on Quality Management (ISQM (UK) 1) applicable from 15 December 2022 and (ISQM(UK) 2) effective for the 2023/24 audits. Work is underway at Audit Scotland to meet the requirements of these quality standards.

63. Audit Scotland is committed to delivering high quality audits. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the [Code of Audit Practice](#) (and supplementary guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards, Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) have been commissioned to carry out external quality reviews.

64. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time, and this may be directed to the engagement lead.

Appendix 1. Your audit team

65. The audit team involved in the audit of East Lothian Council have significant experience in public sector audit.

John Boyd

Audit Director

jboyd@audit-scotland.gov.uk

John has overall responsibility for the Audit Engagement. He has considerable audit experience across public sector audits including local government, IJB, pension, health, and central government sectors. John is the Audit Scotland Audit Services Group Lead for local authority audit and is a member of the Local Authority (Scotland) Accounting Advisory Committee (LASAAC).

Rachel Browne

Senior Audit Manager

rbrowne@audit-scotland.gov.uk

Rachel has over 25 years of public sector audit experience and has delivered external audit services to a range of bodies including local authorities, health boards and central government bodies.

Amanda Fitzpatrick

Senior Auditor

afitzpatrick@audit-scotland.gov.uk

Amanda has considerable experience in planning and delivering audits. Amanda will manage the on-site team and work alongside the Senior Audit Manager and Audit Director to deliver the audit

Karla Graham

Senior Auditor

kgraham@audit-scotland.gov.uk

Karla has experience in financial audit and performance audit and will lead the wider scope audit work.

Lindsay Stother

Best Value Auditor

lstother@audit-scotland.gov.uk

Lindsay is an audit officer in the Performance Audit and Best Value team with several years of experience in best value audit.

66. The local audit team is supported by a specialist technical accounting team, all of whom have significant experience of public bodies and work with accounting regulatory bodies.

67. Where possible and appropriate, we use our data analytics team to enable us to capture whole populations of your financial data. This analysis allows us to identify specific exceptions and anomalies within populations to enhance the focus of audit testing and support efficiency.

East Lothian Council

Annual Audit Plan 2022/23

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REPORT TO: **AUDIT AND GOVERNANCE COMMITTEE**

MEETING DATE: 13 June 2023

BY: Chief Executive

SUBJECT: 2023 Corporate Governance Self-evaluation

7

1 PURPOSE

- 1.1 To advise members of the results of the Corporate Governance Self-evaluation 2023.

2 RECOMMENDATIONS

Committee is asked to:

- 2.1 Note the results of the self-evaluation carried out using the Framework (Appendix 1) and the three actions detailed in paragraph 3.6 that will be included in the 2024/25 Council Improvement Plan that is to be presented to Council in autumn 2023.
- 2.2 Consider whether any additional improvement actions should be added.

3 BACKGROUND

- 3.1 The Council adopted the principles of Corporate Governance based on the CIPFA / SOLACE guidance in 2010. CIPFA / SOLACE published a new 'delivering good governance' framework in 2016. This is based on Section 3.7 of the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom which governs the preparation and publication of an Annual Governance Statement. The framework defines the principles that should underpin the governance of each local government organisation. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in the framework.
- 3.2 The Framework has seven core principles:

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

B: Ensuring openness and comprehensive stakeholder engagement

C: Defining outcomes in terms of sustainable economic, social and environmental benefits

D: Determining the interventions necessary to optimize the achievement of the intended outcomes

E: Developing the council's capacity, including the capability of its leadership and the individuals within it

F: Managing risks and performance through robust internal control and strong public financial management

G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

3.3 These seven core principles are supported by 21 sub-principles each of which has a set of behaviours and actions against which good governance in practice can be assessed.

3.4 A self-evaluation exercise based on this framework has been undertaken by the Council Management Team, testing the council's governance arrangements against the Good Governance Framework. The self-evaluation has drawn on extensive evidence from council policies and practices and also from the Best Value Assurance audit undertaken by Audit Scotland in 2018 which is still relevant. Assurance is also provided by the external auditors' reviews of internal controls in financial systems and audits which have not identified any significant governance or control weaknesses.

3.5 The self-evaluation (Appendix 1) provides evidence to show how the council complies with each of the sub-principles. A self-evaluation score from 1 – 6, where 1 = Unsatisfactory (major weaknesses), and 6 = Excellent (outstanding, sector leading) has been given against each sub-principle.

3.6 The 2023 Corporate Governance self-evaluation has found that the council continues to comply well with the principles of the framework. Most sub-principles have been scored as 5 (very Good – major strengths) and the remainder as 4 (Good – important strengths with areas for improvement). Four improvement actions have been identified:

C1 – Given the scale of the financial challenges it faces the council needs to be open and clear with communities and staff about the recurring savings that will be required to fill budget gaps, and how council resources will need to be targeted to achieve long-term policy and performance priorities, and the impact this will have on services and the priorities set out in the Council Plan,

C2 – In light of the growing financial challenges faced by the council further work is required to make the link between how resources are targeted to achieve the Council’s policy and performance priorities more explicit.

E2 - Improve the levels of Annual PRDs that are completed.

F2 - Ensure that Service Plans are updated in line with the revised Service Planning guidance.

3.7 These actions will be included in the 2024/25 Council Improvement Plan that is to be presented to Council in autumn 2023.

4 POLICY IMPLICATIONS

4.1 The corporate governance code and self-evaluation framework detailed in Appendix 1 complement the Council’s *How Good is Our Council* self-evaluation. The corporate governance self-evaluation fulfils the Council’s commitment to assess whether it meets the principles and requirements set out in the guidance on Delivering Good Governance in Local Government. The addition of the summary of the self-evaluation to the Internal Financial Control statement will fulfil the remit to include an Annual Governance Statement in the Council’s Annual Accounts.

5 INTEGRATED IMPACT ASSESSMENT

5.1 This report is not applicable to the well-being of equalities groups and an Integrated 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: Corporate Governance Self-Evaluation 2023

7.2 Delivering Good Governance in Local Government Framework; CIPFA/ SOCLACE, 2016

AUTHOR’S NAME	Paolo Vestri
DESIGNATION	Service Manager Corporate Policy & Improvement
CONTACT INFO	pvestri@eastlothian.gov.uk
DATE	30 th May 2023

Appendix 1: Corporate Governance Self-Evaluation 2023

[Evaluation scored on a scale of 1 – 6: where: 1 = Unsatisfactory – major weaknesses; 2 = Weak – important weaknesses; 3 = Adequate – strengths just outweigh weaknesses; 4 = Good – important strengths with areas for improvement; 5 = Very Good – major strengths; 6 = Excellent – outstanding, sector leading]

PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

A.1 Behaving with integrity	
A.1.1 Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	
A.1.2 Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	
A.1.3 Leading by example and using the above standard operating principles and values as a framework for decision making and other actions	
A.1.4 Demonstrating, communicating and embedding standard operating principles and values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	
Evidence	Evaluation

<ul style="list-style-type: none"> • Council Standing Orders and Schemes of Administration and Delegation and are reviewed regularly or when required – last review took place in 2023 and revised Standing Orders were approved by Council, 25th April 2023 Councillors’ Code of Conduct (and members training on the Code) and Officers’ Code of Conduct included in Scheme of Administration. Elected members made aware of Code of Conduct as part of the members induction held following May 2022 council elections • Council Values and East Lothian Way Behaviours understood by senior management and staff – included as integral parts of the 2022-27 Council Plan • Policies and procedures in place for key activities including Procurement, Treasury Management, Complaints, Health and Safety and HR • External audit and Internal Audit audits and reports provide assurance and the council responds positively to any recommendations arising from external and internal audits. • The 2018 Best Value Assurance Report provided assurance: <i>East Lothian Council has significantly improved since our last Best Value Report in 2007. The council has improved its governance arrangements, leadership and scrutiny, and demonstrates a focus on continuous improvement. The council has a clear vision which is based on a good understanding of local communities and partners and is understood by employees. Council business and decisions are clearly documented in the Council, Cabinet and committee minutes.</i> • Council adopted an improvement Plan to respond to the recommendations arising from the Best Value Assessment and R4E assessment. Completion of some actions has been delayed due to the impact of the COVID-19 emergency. The Improvement Plan will be reviewed and updated in Autumn 2023 to take account of any uncompleted actions and any recommendations arising from the 2022/23 Auditors report and Best Value audit of Leadership 	5. Very Good
A.2 Demonstrating strong commitment to ethical values	
A.2.1 Seeking to establish, monitor and maintain the organisation’s ethical standards and performance	
A.2.2 Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation’s culture	
A.2.3 Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	
A.2.4 Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation	
Evidence	Evaluation
<p>As above and in addition:</p> <ul style="list-style-type: none"> • Whistleblowing Policy updated and approved by Cabinet, September 2022 • Customer Feedback policy and procedure • Contract conditions and monitoring 	5. Very Good

A.3 Respecting the rule of law	
A.3.1 Ensuring members and staff demonstrate a strong commitment to the rule of law as well as adhering to relevant laws and regulations	
A.3.2 Creating the conditions to ensure that the statutory officers, other key post holders, and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirement	
A.3.3 Striving to optimise the use of the full power available for the benefit of citizens, communities and other stakeholder	
A.3.4 Dealing with breaches of legal and regulatory provisions effectively	
A.3.5 Ensuring corruption and misuse of power are dealt with effectively	
Evidence	Evaluation
<p>As A.1 and A.2 and in addition:</p> <ul style="list-style-type: none"> • Statutory Officers job outlines included in Scheme of Administration • Statutory Officers are members of CMT and attend relevant Council, Cabinet and Committee meetings • Internal Audit used to investigate any alleged incidents of breaches of legal and regulatory provisions, corruption or misuse of power • Elected members have received training from the Standards Commission on the Code of Conduct. A comprehensive elected members' induction programme was held following the May 2022 Council elections. The programme included a session on the Councillors Code of Conduct 	5. Very Good

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

B.1 Openness	
B.1.1 Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness	
B.1.2 Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	
B.1.3 Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear	
B.1.4 Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	
Evidence	Evaluation
<ul style="list-style-type: none"> • Compliance with the Freedom of Information Act and Data Protection Act As demonstrated in the Information Governance Annual report to the February 2023 Audit & Governance Meeting. • Council, Cabinet and Committee meetings held in public • Agendas for meetings, minutes and reports published on the Council website. By exception, some items are held in private and the reasons for this are documented • Press releases and social media used to inform the public of council policies and decisions • Community Asset Transfer and Participation Request processes in place with open and transparent decision making which can be challenged • Community Participation Opportunities Guide 2018 provides comprehensive list of ways in which the council consults and engages with citizens, communities and service users • Extensive public consultation has been carried out over the last year on issues such proposals to introduce car parking charges in North Berwick and the Musselburgh flood prevention scheme • The 2018 Best Value Assurance Report found: <i>“Council business and decisions are clearly documented in Council, Cabinet and committee minutes. Decision-making processes are more clear and open. [than was found in 2007] The council has well-established methods for consulting with the public. The council engages effectively with communities.</i> • Emergency arrangements for dealing with Council business were put in place in March 2020 as a result of the COVID-19 emergency, including weekly meetings between the Chief Executive and the three Group Leaders, emergency business reporting and special arrangements for Planning and Audit & Governance Committee • Arrangements for dealing with council business arrangements when the council’s Business Continuity Plan has been invoked were considered in the structured de-brief following the pandemic 	<p>5. Very Good</p>

B.2 Engaging comprehensively with institutional stakeholders (including other public and third sector organisations and commercial partners)	
B.2.1 Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder are clear so that outcomes are achieved successfully and sustainably	
B.2.2 Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	
B.2.3 Ensuring that partnerships are based on: <ul style="list-style-type: none"> - Trust - A shared commitment to change - A culture that promotes and accepts challenge among partners 	
Evidence	Evaluation
<ul style="list-style-type: none"> • The 20117-2027 East Lothian Plan clearly sets out the objectives and outcomes for the East Lothian Partnership and each member; as do the Children and Young People Plan, Community Justice Outcome Improvement Plan and various other joint strategies • The City Region Deal is a clear example of how effectively the council works in partnership with institutional stakeholders requiring trust, a shared commitment to change and a culture that promotes and accepts challenge among partners • The council has been an active partner in the education regional collaborative • The 2018 Best Value Assurance Report found: <i>“The council has strong links with its partners and works well with local communities. East Lothian Partnership is working to a shared vision and there are good relations between partners. The health and social care partnership is well established and there is evidence of good cooperation between the council and NHS Board.”</i> • Partnership and collaborative working are integral elements of any options appraisal carried out by the council. Examples of partnership and collaborative working to achieve best value include the proposal to co-locate police in John Muir House; partnering with HubCo South East in various capital projects; the development of the Food and Drink Hub in partnership with Queen Margaret University The council had extensive engagement with statutory partners, in particular the NHS and Police Scotland, and with the third sector interface, VCEL and community groups in responding to the COVID-19 emergency. The council supported and worked very closely with 20 local Resilient Community Groups providing extensive voluntary support to shielded people and other vulnerable people in local communities • The council has a strong and positive working relationship with VCEL, East Lothian’s Third Sector Interface • The East Lothian Partnership took responsibility for overseeing and monitoring progress with the East Lothian Recovery and Renewal Plan and Action Plan • The East Lothian Partnership will undertake a self-evaluation in autumn 2023 	5. Very Good

B.3 Engaging with individual citizens and service users effectively	
B.3.1 Ensuring a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other provision) is contributing towards the achievement of intended outcome	
B.3.2 Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	
B.3.3 Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	
B.3.4 Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account	
B.3.5 Balancing feedback with more active stakeholder groups with other stakeholder groups to ensure inclusivity	
B.3.6 Taking account of the impact of decisions on future generations of tax payers and service users	
Evidence	Evaluation
<ul style="list-style-type: none"> • The Council Improvement Plan 2018-2020 included an action to review the Consultation and Engagement Strategy. A revised strategy has been developed and the Community Participation Opportunities Guide 2018 providing information on the ways in which council consults and engages with citizens, communities and service users has been published on the council website • The Community Participation Opportunities Guide 2018 provides comprehensive list of ways in which the council consults and engages with citizens, communities and service users • Communications Strategy • Consultation and Engagement Strategy • Complaints procedures and monitoring reports • The 2018 Best Value Assurance Report found: <i>“The council has well-established methods for consulting with the public. The council engages effectively with communities”</i> • The Council received a Recognised for Excellence Good Practice Award in 2018 which provided a high degree of assurance: <i>“This organisation clearly has a culture of working in partnership that is deployed right across the organisation. Reviews take place to assess the approaches taken both by the organisation and their strategic partners and staff are encouraged through workshops to look at how they can better work with others both inside and outside the organisation.”</i> • The Council provided regular communications with the general public and briefings for elected members and staff on its response to the COVID-19 emergency 	5. Very Good

PRINCIPLE C: Defining outcomes in terms of sustainable economic, social and environmental benefits

C.1 Defining outcomes	
C.1.1 Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions	
C.1.2 Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	
C.1.3 Delivering defined outcomes on a sustainable basis within the resources that will be available	
C.1.4 Identifying and managing risks to achievement or outcomes	
C.1.5 Managing service users’ expectations effectively with regard to determining priorities and making the best use of resources available	
Evidence	Evaluation
<ul style="list-style-type: none"> • The 2022-2027 Council Plan and East Lothian Plan 2017-27 set out clear vision, objectives, strategic goals and outcomes that are clearly linked to the vision and form the basis of overall strategy, other strategic plans and Service Plans • The council has identified Top 50 Council Plan indicators to map out progress against the Council Plan objective, strategic goals and outcomes • The council’s financial strategy and revenue and capital budgets are based on delivering the Council Plan’s outcomes on a sustainable basis within the resources that will be available. However, the financial challenges faced by the council mean that it will be increasingly difficult to achieve the priorities and outcomes set out in the Council Plan • Corporate and service Risk Registers identify the risks and mitigating actions. The Corporate Risk register is reported to council on an annual basis and the Audit & Governance Committee reviews Corporate and Service risk registers on an annual basis. • The City Region Deal provides significant inward investment in East Lothian’s infrastructure that will support the achievement of the Economic Development Strategy and Local Development Plan • The multi-agency Connected Economy Group was involved in supporting the response to the COVID-19 pandemic to mitigate the negative impact on businesses and will lead the economic recovery from the emergency • The council has commissioned consultants to produce a new local economic strategy for East Lothian which will take account of the impact of the COVID pandemic, Brexit and other factors on East Lothian’s economy <p>Improvement Action Given the scale of the financial challenges it faces the council needs to be open and clear with communities and staff about the recurring savings that will be required to fill budget gaps, and how council resources will need to be targeted to achieve long-term policy and performance priorities and the impact this will have on services and the priorities set out in the Council Plan.</p>	5. Very Good

C.2 Sustainable economic, social and environmental benefits	
C.2.1 Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision	
C.2.2 Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	
C.2.3 Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	
C.2.4 Ensuring fair access to services	
Evidence	Evaluation
<ul style="list-style-type: none"> • The 2022-2027 Council Plan is set within the context of the social, economic and environmental challenges faced by East Lothian and the council • The 2017 Strategic Needs Assessment which informed the development of the 2017-2027 East Lothian plan is being revised to take account of changes in the social, economic and environmental context and will inform the review of the East Lothian plan • The council's Integrated Impact Assessment covers protected characteristics, Human Rights, sustainability, corporate parenting and the Fairer Scotland Duty • Poverty Commission report led to the adoption of a 50 point Poverty Action Plan in 2017. The plan was reviewed in 2021 and a new East Lothian Poverty Plan 2021-2023 was adopted in late 2021. • Reducing inequalities is an overarching objective of the 2022-2027 Council Plan and 2017-2027 East Lothian Plan • Five-year financial strategy, and revenue and capital budgets are based on a longer-term view and balance wider public interest with conflicting interests • The 2018 Best Value Assurance Report stated: <i>"Financial management is effective with a budget setting process focused on the council's priorities."</i> • The council has undertaken budget consultation exercises to gauge public opinion on the 'hard choices' and 'trade-offs' it needs to make to balance budgets when resources are constrained and demand for service is rising • Corporate and Service Risk Registers take account of the social, economic and environmental challenges • The council has adopted an ambitious Climate Change Strategy with a detailed action plan • 2020 Improvement Action to monitor the implementation of the Climate Change Strategy Action Plan, Implementation of the Climate Change Strategy Action Plan is being carried out by the Climate Change Planning Group and reported to Council annually <p>Improvement Action</p> <ul style="list-style-type: none"> • Further work is required to align the council's budget with Council Plan priorities in light of the growing financial challenges face by the council 	4. Good

PRINCIPLE D: Determining the interventions necessary to optimize the achievement of the intended outcomes

D.1 Determining interventions	
D.1.1 Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided	
D.1.2 Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts	
Evidence	Evaluation
<p>As B.1 and in addition:</p> <ul style="list-style-type: none"> • Capital projects, new income charge proposals and transformation change projects are accompanied by business cases which include options appraisal, outcome or benefits projection and risk assessment • Customer feedback, users surveys, and Residents Survey are all used to inform decisions about services • Council has undertaken budget consultation exercises to gauge public opinion on the 'hard choices' and 'trade-offs' it needs to make to balance budgets when resources are constrained and demand for service is rising • The council has established an all-party budget working group that will consider budget proposals and attempt to reach consensus on proposals to meet significant budget reductions to achieve a balanced budget over the next five years 	5. Very Good
D.2 Planning interventions	
D.2.1 Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	
D.2.2 Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	
D.2.3 Considering and monitoring risks facing each partner when working collaboratively, including shared risks	
D.2.4 Ensuring arrangements are flexible and agile so that mechanisms for delivering goods and services can be adapted to changing circumstances	
D.2.5 Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is measured	
D.2.6 Ensuring capacity exists to generate the information required to review service quality regularly	
D.2.7 Preparing budgets in accordance with objectives, strategies and the medium term financial plan	

D.2.8 Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	
Evidence	Evaluation
<p>As C1 and C2 and in addition</p> <ul style="list-style-type: none"> The 2018 Best Value Assurance Report concluded: <i>“Financial management is effective with a budget-setting process focused on the council’s priorities. The council has a good track record of delivering services within its overall budget. A five-year financial strategy was approved in December 2017. [and subsequently in December 2018]. The council has developed proposals to address its projected funding gap of £12.5m for the next three years and has presented a three-year balanced budget.”</i> The external auditors’ reports provide assurance that the council has a sustainable financial strategy As well as the Top 50 Council Plan indicators the council has an extensive and comprehensive set of key performance indicators covering all services which are reported quarterly and / or annually to the Policy Performance and Review Committee The Council invoked its Business Continuity Plans as soon as the COVID-19 emergency had been declared by the Government. The Plans have been implemented effectively and have ensured that critical services have been delivered, supporting the national effort to control the virus and protect vulnerable people A Recovery and Renewal Framework was put in place to support the preparations for recovery and renewal from the COVID-19 emergency. The Recovery and Renewal Plan has been monitored by the Council’s COVID Recovery and Renewal Co-ordinating Group and the East Lothian Partnership’s Governance Group and reports on progress have been lodged in the Members Library 	5. Very Good
D.3 Optimising achievement of intended outcomes	
D.3.1 Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	
D.3.2 Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	
D.3.3 Ensuring the medium term financial strategy sets the context for ingoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	
D.3.4 Ensuring the achievement of ‘social value’ through service planning and commissioning	
Evidence	Evaluation

<p>As D2 and in addition</p> <ul style="list-style-type: none"> • Quarterly financial reports are presented to Council highlighting variations between expenditure and budget and associated risks • Financial Strategy 2023/24 to 2027/28 with associated Capital strategy for 2023/24 to 2027/28 were both approved at Council in December 2022 • Annual Audit Report presented by the council's auditors • Recovery plans are put in place to address areas of significant overspend and these are monitored by chief officers • The council has closely monitored the financial implications of the COVID-19 emergency and has worked to maximise the allocation of additional resources from the Scottish Government • Quarterly financial monitoring reports to the council provide updates on expenditure against budgets and on the impact of the COVID response on the council budget. The Council's Financial Strategy and revenue and capital budgets take account of, and try to minimise any negative impacts of the COVID-19 emergency and other factors impacting on the council's financial position including reductions in core funding from the Scottish Government, inflation and the impact of the growing population 	<p>5. Very Good</p>
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PRINCIPLE E: Developing the council’s capacity, including the capability of its leadership and the individuals within it

E.1 Developing the council’s capacity	
E.1.1 Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	
E.1.2 Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently	
E.1.3 Recognising the benefits of partnerships and collaborative working where added value can be achieved	
E.1.4 Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	
Evidence	Evaluation
<ul style="list-style-type: none"> • Performance indicators are reviewed quarterly or annually • The council uses the Local Government Benchmarking Framework and takes part in relevant benchmarking exercises run by the Improvement Service, APSE and other networks • All services undertake annual reviews of three-year Service Plans • The 2018-2022 Workforce Plan was reviewed and revised in 2022 and a new 2023-2027 Workforce Plan was adopted by the Council in January 2023 • The council is moving from using the How Good is our Council/ Service self-evaluation framework to the Public Service Improvement (PSIF) framework. This was piloted with the CMT in early 2023 and will be rolled out across all services over a three year period 	5. Very Good
E.2 Developing the capability of the council’s leadership and other individuals	
E.2.1 Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding on roles and objective is maintained	
E.2.2 Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	
E.2.3 Ensuring the leader and chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority	

E.2.4 Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successively to changing legal and policy demands as well as economic, political and environmental changes and risks by:

- ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
- ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
- ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external

E.2.5 Ensuring that there are structures in place to encourage public participation

E.2.6 Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections

E.2.7 Holding staff to account through regular performance reviews which take account of training or development needs

E.2.8 Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

Evidence	Evaluation
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<ul style="list-style-type: none"> • Council Standing Orders, Officers and Councillors Codes of Conduct set out the roles and responsibilities of elected members and senior officers • The Scheme of Delegation clearly specifies the remits of Council, Cabinet and Committees and specifies what is delegated to officers • CMT and Service managers have been undertaking a Management and Leadership Development programme • The council has a rigorous annual Personal Review and Development process in place whereby all staff should have a PRD session which takes account of training or development needs. 55% of staff who responded to the 2023 staff survey said they had had a PRD in the previous 12 months – up from 42% in the 2021 survey • Community Participation Opportunities Guide 2018 provides comprehensive list of ways in which the council consults and engages with citizens, communities and service users • Healthy Working Lives activities and renewed emphasis on initiatives aimed at improving the mental wellbeing and resilience of staff • The council has a Staff Charter setting out its commitments to all staff and the behaviours that staff are expected to follow • The response of council staff to the COVID-19 emergency exemplified the East Lothian Way behaviours – Working Together, Be the Best We Can Be, Initiate and Embrace Change, Make Things Happen, Customer Focused. Over 2,000 staff adapted to and were supported to work from home, staff continued to provide critical services or were deployed into providing new critical and redesigned services • The 2023-2027 Workforce Plan has 32 actions based around three themes: <ul style="list-style-type: none"> ○ Sustain a skilled, flexible, resilient and motivated workforce ○ Support and initiate transformational change, encouraging and supporting staff to work in a more agile way ○ Build and sustain leadership and management capacity • The Council's senior management cohort (c.60 staff) are going through a Leadership and Development programme <p>Improvement Action</p> <ul style="list-style-type: none"> • Improve the levels of Annual PRDs that are completed 	<p>4. Good</p>
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PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management

F.1 Managing risk	
F.1.1 Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	
F.1.2 Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	
F.1.3 Ensuring that responsibilities for managing individual risks are clearly allocated	
Evidence	Evaluation
<ul style="list-style-type: none"> • Risk Strategy reviewed every four years • Corporate and Service Risk Registers – reviewed and revised regularly by Corporate and Service risk groups and CMT before being presented to Council or Audit & Governance Committee. • CMT has established a risk sub-group • Responsibilities for risks are set out in the registers • The Corporate Risk Register were reviewed to take account of and reflect the risks arising from the COVID-19 emergency • The council will continue to review its policies and processes to support its continuous improvement 	5. Very Good
F.2 Managing performance	
F.2.1 Monitoring service delivery effectively including planning, specification, execution and independent post implementation review	
F.2.2 Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risk inherent in the organisation’s financial, social and environmental position and outlook	
F.2.3 Ensuring an effective scrutiny and oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible (Or for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making	
F.2.4 Providing members and senior management with regular reports on service delivery plans and progress towards outcome achievement	
F.2.5 Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)	
Evidence	Evaluation

<ul style="list-style-type: none"> • Service Plans take account of improvement actions arising from the self-evaluation • Revised Service planning Guidance will be produced in spring 2023 t take account of the new Council Plan and other developments • Performance against service Key Performance Indicators are taken into account in the self-evaluation • The council's three scrutiny committees – Police Performance and Review; Audit & Governance; and Police, Fire and Community Safety – operate effectively and provide challenge to senior officers and the Administration • The Guide to Scrutiny encourages constructive challenge and debate • The Cabinet has approved the revised Improvement to Excellence Continuous Improvement Framework revised • Quarterly and Annual Performance Reporting • The council adopted a new set of Top 50 Council Plan Indicators based on the 2022-2027 Council Plan. These will be reported on to PPR Co in June and then to Council as part of the annual State of the Council report each December • Quarterly financial statements considered by Council detail the variances against the budget • The 2018 Best Value Assurance Report concluded: <i>The council has a well-established improvement framework and extensively reviewed a range of its services. Streamlining performance reporting would provide a better basis for prioritising improvement activity and demonstrating achievement of outcomes. Performance management if thorough and elected members and officers kame good use of reports to evaluate performance. It could be improved by linking the various reports and explaining more clearly whether performance is on track against target. The PPR Co scrutinises performance effectively.</i> • Performance reports in 2020/21 and 2021/22 identified indicators that have been impacted by the pandemic and reported on COVID-19 Performance Indicators • The Council has adopted the Public Service Improvement Framework (PSIF) as its self-evaluation framework. This has been piloted by CMT and will be rolled out to all services over the next four years. <p>Improvement Action</p> <ul style="list-style-type: none"> • Ensure that Service Plans Service Plans are updated in line with the revised Service Planning guidance 	<p>4. Good</p>
<p>F.3 Robust internal control</p>	
<p>F.3.1 Aligning the risk management strategy and policies on internal control with achieving objectives</p>	
<p>F.3.2 Evaluating and monitoring risk management and internal control on a regular basis</p>	
<p>F.3.3 Ensuring effective counter fraud and anti-corruption arrangements are in place</p>	
<p>F.3.4 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</p>	

F.3.5 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and that its recommendations are listened to and acted upon	
Evidence	Evaluation
<p>As F.1 and in addition</p> <ul style="list-style-type: none"> • The Council has in place a Strategy for the Prevention and Detection of Fraud and Corruption and takes part in the National Fraud Exercise with activity reported to the Audit & Governance Committee every two years. • Counter fraud and anti-corruption arrangements are audited by external and internal Auditors; • Following recent review of the Counter Fraud provision a Counter Fraud Officer has been appointed within the Internal Audit team • External and Internal auditors provide assurance on the adequacy and effectiveness of all control measures, Internal audit review Risk management arrangements on an annual basis; • The Audit & Governance committee is independent of the Executive. It is chaired by a member of the Opposition, has a majority of opposition members and no Cabinet members • Internal Audit worked with services to ensure that internal control arrangements were reviewed and adapted to take account of the impact of COVID-19 • Annual reporting is completed by Internal Audit to the Audit & Governance Committee on the overall effectiveness of the framework of governance, risk management and control of the Council. 	5. Very Good
F.4 Managing data	
F.4.1 Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	
F.4.2 Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	
F.4.3 Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	
Evidence	Evaluation

<ul style="list-style-type: none"> • GDPR policy and processes • Information Governance Annual report to the February 2023 Audit & Governance Meeting • Records Management Policy • Data sharing protocols are in place • Performance Data is audited by Internal Audit • Data sharing agreements and arrangements had to be reviewed / put in place as a result of the COVID-19 emergency, in particular around managing the personal data of over 3,600 Shielded People 	5. Very Good
F.5 Strong public financial management	
F.5.1 Ensuring financial management supports both long term achievement of outcomes and short term financial and operational performance	
F.5.2 Ensuring well developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	
Evidence	Evaluation
<ul style="list-style-type: none"> • Financial Management Strategy updated and approved by Council, December 2022 • No significant recommendations arising from external audit • The 2018 Best Value Assurance Report concluded: <i>“The council has well-established processes for setting and monitoring budgets.”</i> 	5. Very Good

PRINCIPLE G: Implementing good practices in transparency, reporting, and audit, to deliver effective accountability

G.1 Implementing good practice in transparency	
G.1.1 Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience ensuring that they are easy to access and interrogate	
G.1.2 Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	
Evidence	Evaluation
<ul style="list-style-type: none"> The 2018 Best Value Assurance Report provided a high level of assurance. It concluded: <i>“In 2007, we reported that there was an informal approach to conducting business and many meetings were held in private. Council business is now conducted in public and in a formal manner. Agendas, minutes and reports are available on the council website. By exception, some items are held in private and the reasons for this are documented. Working relationships between officers and councillors are professional and constructive.”</i> <i>“Council business and decision are clearly documented. The standard of scrutiny by members of the two main scrutiny committees is good. The council’s decision-making processes are clear and open. Performance management is thorough, and elected members and officers make good use of reports to evaluate performance. It could be improved by linking the various reports and explaining more clearly whether performance is on track against target.”</i> 	5. Very Good
G.2 Implementing good practice in reporting	
G.2.1 Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way	
G.2.2 Ensuring members and senior management own the results reported	
G.2.3 Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)	
G.2.4 Ensuring this Framework is applied to jointly managed or shared service organisations as appropriate	
G.2.5 Ensuring the performance information that accompanies the financial statement is prepared in a consistent and timely basis and the statements allow for comparison with other similar organisations	
Evidence	Evaluation

<ul style="list-style-type: none"> • The council produces quarterly performance reports and an Annual Public Performance Report which are reported to PPR Committee • The Council Management Team (CMT) reviews the quarterly and annual performance reports • The CMT reviews the Corporate Governance Framework and self-evaluation before it is reported to Audit & Governance Committee • The council participates fully in the Local Government Benchmarking Framework and the annual LGBF report which includes a wide range of performance benchmarking data is considered by CMT and then the PPR Committee 	5. Very Good
G.3 Assurance and effective accountability	
G.3.1 Ensuring that recommendations for corrective action made by external audit are acted upon	
G.3.2 Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon	
G.3.3 Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	
G.3.4 Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	
G.3.5 Ensuring that when working in partnership arrangements for accountability are clear and the need for wider public accountability has been recognised and met	
Evidence	Evaluation
<ul style="list-style-type: none"> • Actions identified by external audit are reported to members via the Audit & Governance Committee and are acted on • All internal audit reports are reported to members via the Audit & Governance Committee and all recommendations are acted on • The 2018 Best Value Assurance Report stated: <i>“The council considers a wide range of scrutiny and inspection reports at Council, Committee and senior management level. This includes Audit Scotland and inspectorate reports. The council is pro-active in this area ensuring national reports are presented to relevant committees. Elected members use these reports to discuss and challenge officers about the implications of the report findings for the council, what actions are required and how services are performing.”</i> • The council has actively sought external peer review and challenge by applying for Investors in People and Investors in Young People and then Recognised for Excellence accreditation in 2017 and 2018. • All ALEO organisations report on an annual basis to the Audit & Governance Committee 	5. Very Good

REPORT TO: **AUDIT AND GOVERNANCE COMMITTEE**

MEETING DATE: 13 June 2023

BY: Executive Director for Council Resources

SUBJECT: Annual Treasury Management Review 2022-23

1 PURPOSE

- 1.1 To update the Committee on Treasury Management activity during financial year 2022-23.

2 RECOMMENDATIONS

- 2.1 Members are asked to note the report.

3 BACKGROUND

- 3.1 The Council is required by regulations issued under the Local Government Scotland Act 2003 to produce an Annual Treasury Management Review, in accordance with the CIPFA Treasury Management Code of Practice and Prudential Code.
- 3.2 The review set out in **Appendix 1** updates members on the Treasury Management activity during 2022-23, and reported relative to the indicators set out in the Treasury Management Strategy approved in March 2022. The figures contained within the report are based on the draft unaudited accounts, and therefore remain subject to change during the course of the audit. Members will be kept informed should there be any significant change arising during this period.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications associated with this report; however the council's treasury management activity is determined by the policy framework set out in the approved Treasury Management Strategy.

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

7 BACKGROUND PAPERS

- 7.1 Treasury Management Strategy 2022-23 to 2026-27 – East Lothian Council 1 March 2022.
- 7.2 Treasury Management Mid-Year Review 2022-23 – Audit & Governance 29 November 2022.

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Annual Treasury Management Review 2022-23

Annual Treasury Management Review 2022-23

1. Introduction

This Council is required by regulations issued under the Local Government in Scotland Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022-23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code). The review is based on figures contained within the draft unaudited accounts, and should any significant and material changes arise during the course of the audit, updated information will be made available and communicated to members.

The minimum Treasury Management reporting requirements are that members of the Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 1 March 2022)
- a mid-year (minimum) treasury update report (Audit and Governance 29 November 2022)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit and Governance Committee with the annual strategy approved by Council.

2. The Council's Capital Expenditure and Financing

The Council undertakes capital expenditure on long-term assets. These activities may either be financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), with expenditure in excess of these resources giving rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed. The results from 2021-22 are shown for illustrative purposes.

	2021-22 Actual £m	2022-23 Budget £m	2022-23 Actual £m
General Services			
Capital expenditure	64.689	94.759	87,955
Financed in year	(27.626)	(38.914)	(50,179)
Net borrowing need in year	37.062	55.845	37,776
HRA			
Capital expenditure	30,841	42,179	40,349
Financed in year	(13,522)	(8,196)	(14,983)
Net borrowing need in year	17.319	33.983	25.366
Total Net Borrowing need in year	54.381	89.828	63.142

3. The Council's Overall Borrowing Need

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and deemed only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2021-22) plus the estimates of any additional capital financing requirement for the current (2022-23) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure but allows the Council some flexibility to borrow in advance of its immediate capital needs if required.

The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

	31 March 2022 Actual £m	31 March 2023 Budget £m	31 March 2023 Actual £m
General Services			
CFR	257.927	322.602	295.377
External borrowing position	229.464	275.256	243.555
(Under) / over funding of CFR	(28.463)	(47.346)	(51.821)
HRA			
CFR	219.522	252.697	240.066
External borrowing position	195.297	215.610	197.948
(Under) / over funding of CFR	(24.225)	(37.086)	(42.117)
Total			
(Under) / over funding of CFR	(52.688)	(84.433)	(93.939)

4. Treasury Position as at 31 March 2023

At the beginning and the end of 2022-23 the Council's treasury, (excluding borrowing by PPP and finance leases), position was as follows:

	31 March 2022 Principal £m	31 March 2023 Principal £m
CFR	477	535
Over / (under) borrowing	(52)	(93)
Total external debt	425	442
Total investments	(8)	(24)
Net debt	417	418

- **The authorised limit** - the Council has kept within its authorised external borrowing limit as shown in the table below.
- **The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached. This indicator is set at the start of the financial year and is as per the Treasury Strategy.

	2021-22 Actual £m	2022-23 Budget £m	2022-23 Actual £m
Authorised limit	519	623	601
External Debt	425	491	442
Operational Boundary	477	575	535

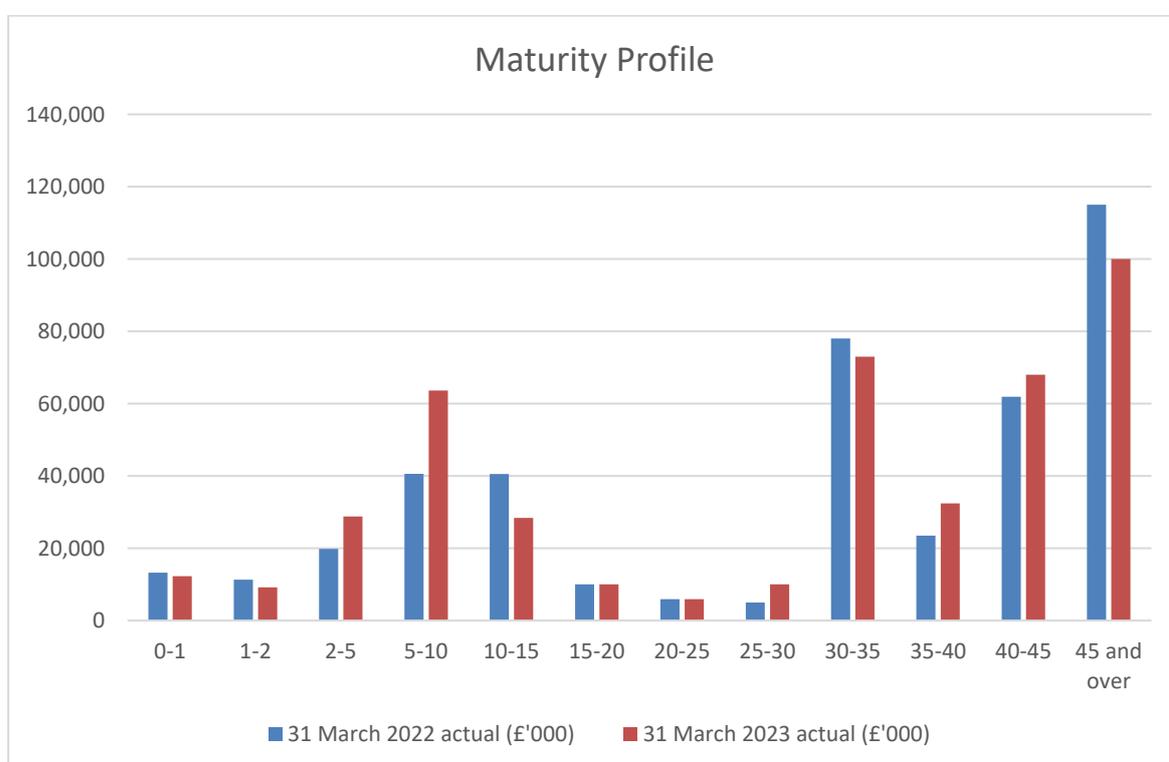
As at 31 March 2023 the average interest rate for all external debt was 3.28% (3.24% as at 31 March 2022). The average life across all loans was 29 years (31 years as at 31 March 2022).

The maturity structure and profile of the debt portfolio is set out in the tables below:

	31-Mar-22 Actual £m	(Paid) or New Loan* 2022-23 £m	31-Mar-23 Actual £m	Net movement** 2022-23 £m
Under 12 months	13.23	(12.26)	12.28	(0.95)
12 months and within 24 months	11.28	1	9.16	(2.12)
24 months and within 5 years	19.82	13	28.77	8.95
5 years and within 10 years	40.58	15	63.60	23.02
10 years and within 15 years	40.55		28.39	(12.16)
15 years and within 20 years	10.00		10.00	0.00
20 years and within 25 years	5.90		5.90	0.00
25 years and within 30 years	5.00		10.00	5.00
30 years and within 35 years	78.00		73.00	(5.00)
35 years and within 40 years	23.50		32.40	8.90
40 years and within 45 years	61.90		68.00	6.10
45 years and over	115.00		100.00	(15.00)
Total	424.76	16.74	441.50	16.74

* More detail on this is set out in Section 6 below

** Net movement shows the change between the maturity bands for existing loans



6. The strategy for 2022-23

5.1 Investment strategy and control of interest rate risk

The Council's approved investment strategy by priority is Security, Liquidity and then return. The Council adopts a prudent approach to managing risk and followed the approved 2022-23 Strategy where investments were only considered where the type of investment and exposure to risk was low or very low. Limits were set for fixed and variable interest rate exposure which were not exceeded during the year.

Investment return rates increased throughout 2022-23 as the Bank of England realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

5.2 Borrowing strategy and control of interest rate risk

During 2022-23 the Council continued to maintain an under-borrowed position. This meant that the capital borrowing need (the Capital Financing Requirement) was not fully funded by external borrowing as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This was a prudent strategy as interest rates have been rising and subject to volatility and, as always minimising counterparty risk on investments needed to be considered.

The policy of avoiding new borrowing where possible by close monitoring of cash balances is kept under continual review to avoid incurring higher borrowing costs in the future when the Council may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

The bank rate started the financial year at 0.75%, however by August 2022 it was clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee (MPC) meeting during 2022 and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time with the likelihood for further increases in early 2023-24. Inflation was still above 10% at the end of March 2023 but is expected to fall back towards 4% by the end of 2023. However, there are significant risks associated with that forecast.

Forecasts from our Treasury advisors at 31 March 2023 suggest interest rates will stabilise during 2023-24 and gradually reduce over the subsequent 2 years. This remains a very volatile and ever changing position, and the forecast and planning of borrowing will remain under review during 2023-24 and beyond.

Link Group Interest Rate View	27.03.23											
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.50	4.50	4.25	4.00	3.50	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.50	4.50	4.30	4.00	3.50	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.50	4.40	4.20	3.90	3.40	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.40	4.20	3.80	3.30	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.10	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.20	3.10
10 yr PWLB	4.20	4.20	4.00	3.90	3.80	3.70	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.50	4.40	4.20	4.10	4.00	3.80	3.70	3.60	3.50	3.50	3.40
50 yr PWLB	4.30	4.20	4.10	3.90	3.80	3.70	3.50	3.50	3.30	3.20	3.20	3.10

PWLB rates are based on gilts (UK Government bonds) yields through H.M.Treasury who determine a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, the ongoing impact of the Ukraine war, inflationary pressures (especially energy and food) and labour market factors.

The margins over gilt yields are:

- **PWLB Standard Rate** - gilt plus 100 basis points
- **PWLB Certainty Rate** - gilt plus 80 basis points
- **PWLB HRA Standard Rate** - gilt plus 100 basis points
- **PWLB HRA Certainty Rate** - gilt plus 80 basis points
- **Local Infrastructure Rate** - gilt plus 60 basis points

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate first rises to dampen inflationary pressures and a tight labour market, and is then cut as the economy slows and inflation (on the Consumer Price Index (CPI) measure) moves closer to the Bank of England's 2% target.

High/Low/Average PWLB Rates during 2022-23 over indicative borrowing terms:

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
Average	3.57%	3.62%	3.76%	4.07%	3.74%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

7. Borrowing Activity during 2022-23

Borrowing – the following loans were taken during the year:-

Lender	Principal	Type	Interest Rate	Maturity	Date
PWLB	£ 10m	Fixed interest rate	4.16%	6 years	23/03/2022
PWLB	£ 10m	Fixed interest rate	4.07%	5 years	20/01/2023
PWLB	£ 10m	EIP	4.07%	10 years	20/01/2023
Total	£30m				

As PWLB rates have been increasing during 2022-23 the Council has, in conjunction with our Treasury advisors decided to undertake borrowing at shorter duration than in immediately preceding years. This is to lessen interest costs in future as per Section 5.2 above, as interest rates are expected to drop in the coming years.

Borrowing in advance of need

The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.

Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Repayments

The following loans were repaid in full during the year:-

Lender	Principal	Type	Interest Rate	Maturity	Date
PWLB	£10m	Fixed interest rate	3.29%	11 years	24/09/2022
Total	£10m				

Instalments of £2.596m were also paid on 9 loans which are payable as an Annuity or EIP (equal instalments of principal) basis rather than on maturity, noting that 2 of these loan balances have been cleared in 2022-23.

8. Investment Activity for 2022-23

Investment Policy

The Council's investment policy is governed by Scottish Government investment regulations which have been implemented in the annual investment strategy approved by the Council on 1 March 2022. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy as set.

Investments held by the Council

During 2022-23 and in accordance with the approved strategy 3 short term investments were made and repaid. Any other surplus cash balances were held in the Council's bank account, which is an interest bearing account.

Date of Investment	Borrower	Amount	Interest rate	Date repaid
24/08/2022	DMADF (UK Government)	£10m	1.74%	26/09/2022
24/08/2022	Lloyds Corporate Markets	£ 5m	2.23%	24/11/2022
24/08/2022	Standard Chartered Sustainable Deposit	£ 5m	2.27%	24/11/2022
	Total	£20m		

The Council also has the following loans to third parties which fall under the scope of the Council's approved Investment Strategy. During 2022-23, the East Lothian Investments loan balance was cleared.

	Loan balance at 31 March 2022 £m	Loan balance at 31 March 2023 £m
East Lothian Housing Association	8.455	8.189
East Lothian Investments	0.026	0.000

Under accounting standard IFRS9, an expected credit loss for all loans to third parties must be obtained and recognised in the Council's Income and Expenditure account within Surplus/Deficit on Provision of Services.

This was £10k for 2021-22 and was increased to £55k for 2022-23 to reflect the risk profile of the debt in the current financial environment.

Investments held by fund managers

The Council uses Investec as external fund managers to invest cash balances on behalf of the 4 Common Good Funds and the ELC Charitable Trusts. The performance of the managers against the benchmark return was:

	Investments held 31 March 2022 £m	Investments held 31 March 2023 £m	Return	Benchmark
Charitable Trusts	3.825	3.563	-4.50%	-2.30%
Common Good Funds	3.896	3.598	-5.26%	-2.30%
Total	7.721	7.161	-£0.560m	

The Council's investment advisors have indicated that although corporate earnings expectations have held up well in aggregate, earnings reduced owing to the rising level of both cash interest rates and government bond yields. These, in turn, were driven higher by the tightening of monetary policy in the face of rising inflation. The persistence of higher inflation has been a defining factor as well as the invasion of Ukraine, especially in terms of energy prices in Western Europe, and obstacles for global trade.

Officers continue to engage with Investment Advisers, and consider any necessary action aligned to the Treasury Investment Strategy should there be any significant change to fund projections. The need to ensure the on-going viability of the funds is essential to ensure the long-term benefits of these investments.

The return achieved was lower the benchmark for both portfolios.

Appendix 1: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2021-22	2022-23	2022-23
	Actual £m	Budget £m	Actual £m
Capital Expenditure			
General Services	64,689	94,759	87,955
HRA	30,841	42,179	40,349
TOTAL	95,530	136,938	128,304
Ratio of financing costs to net revenue stream			
General Services	4.11%	5.25%	2.72%
HRA	28.99%	33.28%	30.16%
Gross borrowing requirement – General Services			
brought forward 1 April	225,561	273,318	257,927
carried forward 31 March	257,927	322,602	295,377
in year borrowing requirement	32,366	49,285	37,449
Gross borrowing requirement - HRA			
brought forward 1 April	206,609	223,686	219,522
carried forward 31 March	219,522	252,697	240,066
in year borrowing requirement	12,913	29,011	20,544
CFR			
General Services	257,927	322,602	295,377
HRA	219,522	252,697	240,066
TOTAL	477,449	575,299	535,443
Annual Change in Capital Financing Requirement			
General Services	32,366	49,285	37,449
HRA	12,913	29,011	20,544
TOTAL	45,279	78,296	57,993
Annual Impact of Capital Investment Decisions			
General Services – Debt per Band D equivalent	£5,001	£5,510	£4,943
HRA – Debt per dwelling	£24,364	£27,647	£26,228

	2021-22	2022-23	2022-23
2. TREASURY MANAGEMENT INDICATORS	Actual	Budget	Actual
	£m	£m	£m
Authorised Limit for External Debt -			
Borrowing	519	623	601
Other long term liabilities	34	33	33
Total	553	656	634
Operational Boundary for External Debt -			
Borrowing	477.448	575.298	535.442
Other long term liabilities	33.775	32.209	32.214
Total	511.224	607.507	450.153
Actual External Debt			
Borrowing	424.761	490.866	441.503
Other long term liabilities	33.779	32.209	32.214
Total	458.540	523.075	473.717
3. LOANS FUND			
General Services			
Opening balance	225	273	257
Add advances	37	21	38
Less repayments	(5)	(12)	(0)
Closing balance	257	282	295
HRA			
Opening balance	207	224	220
Add advances	17	34	25
Less repayments	(4)	(5)	(5)
Closing balance	220	253	220
Total			
Opening balance	432	497	477
Add advances	54	55	63
Less repayments	(9)	(17)	(5)
Closing balance	477	535	535

ABBREVIATIONS USED IN THIS REPORT

CFR: capital financing requirement - the council's annual underlying borrowing need to finance capital expenditure and a measure of the council's total outstanding indebtedness.

CIPFA: Chartered Institute of Public Finance and Accountancy – the professional accounting body that oversees and sets standards in local authority finance and treasury management.

GDP: gross domestic product – a measure of the growth and total size of the economy.

HRA: housing revenue account.

MPC: the Monetary Policy Committee is a committee of the Bank of England, which meets for one and a half days, eight times a year, to determine monetary policy by setting the official interest rate in the United Kingdom, (the Bank of England Base Rate, commonly called Bank Rate), and by making decisions on quantitative easing.

PPP: Private Public Partnership – capital expenditure financed by the private sector i.e. not by direct borrowing by a local authority.

PWLB: Public Works Loan Board – this is the part of H.M. Treasury which provides loans to local authorities to finance capital expenditure.

RPI: the Retail Price Index is a measure of inflation that measures the change in the cost of a representative sample of retail goods and services. It was the UK standard for measurement of inflation until the UK changed to using the EU standard measure of inflation – **CPI**. The main differences between RPI and CPI is in the way that housing costs are treated and that the former is an arithmetical mean whereas the latter is a geometric mean. RPI is often higher than CPI for these reasons.

TMSS: the annual treasury management strategy statement reports that all local authorities are required to submit for approval by the full council before the start of each financial year.

REPORT TO: Audit and Governance Committee

MEETING DATE: 13th June 2023

BY: Executive Director for Council Resources

SUBJECT: Local Government in Scotland: Overview 2023 (Accounts Commission, May 2023)

1 PURPOSE

- 1.1 To review the Accounts Commission report, *Local Government in Scotland: Overview 2023*.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to note:
- The findings, conclusions and recommendations in the Accounts Commission report, Local Government in Scotland: Overview 2023
 - That the council is already addressing most of the issues identified in the Overview report's recommendations
 - That although the council's General Services and HRA revenue and capital budgets are set to meet the council's priorities as established in the Council Plan the link between how resources are targeted to achieve the Council's policy and performance priorities could be more explicit. This will be taken up as an action in the 2024/25 Council Improvement Plan that is to be presented to Council in autumn 2023.
 - Leadership is the focus of the Accounts Commission's annual Best Value thematic work in 2023 and will be covered in all council 2022/23 annual audit reports published in Autumn 2023. Any recommendations and actions arising from the Leadership audit will be included in the 2024/25 Council improvement Plan that is to be presented to Council in autumn 2023
 - Workforce planning will be the focus of the Accounts Commission's annual Best Value thematic work in 2023 and will be covered in all council 2023/24 annual audit reports published in Autumn 2024, followed by a national thematic report.

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 2023 Overview report was published in May 2023. This report is the third and final report in a series providing a strategic medium-term approach to reporting on the impact of the COVID19 pandemic. Its findings are drawn from 2021/22 annual audits, performance and best value audit work carried out during 2022.
- 3.2 The report builds on the previous reports in the series and examines:
- how the pandemic affected councils and their performance?
 - what are the current and future challenges facing local government?
 - how well placed are councils to deal with the current and future challenges?
- 3.3 This covering report provides a summary of the key findings and recommendations under these themes.

How the pandemic affected councils and their performance?

- 3.4 The Overview report highlights that service performance was beginning to stall before the pandemic as a result of long-term reductions in funding and wider pressures. The pandemic has affected performance across all service areas. Some services are showing signs of recovery, but there are also signs of growing backlogs, declining performance in some areas and services at capacity. The extent and impact of needs not being met is not clear.
- 3.5 Over the last decade, there is a clear divergent pattern of spend. Spending on children's services (education and looked after children) and adult social care has been protected and increased because of national policy directives. This means that the remaining 'unprotected' services (in particular environmental services, culture and leisure, central support services and planning) have borne a disproportionate level of spending reductions.
- 3.6 The report highlights that the 2021/22 Local Government Benchmarking Framework shows performance are at risk or declining in some services with growing backlogs and declining satisfaction in many services. A report on the 2021/22 Local Government Benchmarking Framework with detailed assessment of east Lothian Council performance is to be considered by the Policy, Performance and Review Committee on 15th June 2023.

What are the current and future challenges facing local government?

- 3.7 This part of the Overview report highlights that councils are operating in an increasingly volatile and uncertain landscape, as pressures increase after Covid-19 and funding is forecast to be reduced in real terms. Some

communities are facing crisis, with increasing poverty and financial hardship putting additional pressure on services at a time when councils have less capacity to support them.

3.8 The challenges facing council are summarised as

- Financial
- Local Needs
- National Policies
- Workforce
- Leadership

3.9 **Financial** - Budget constraints and increasing cost pressures are putting councils' finances under severe strain; councils' funding has been constrained for many years; funding is forecast to reduce in real terms; increasing cost pressures jeopardise the sustainability of local services; councils are relying on reserves to bridge budget gaps; and increasingly ring-fenced and directed budgets reduce financial flexibility.

3.10 The report acknowledges that the Scottish Government published its 2022 Resource Spending Review in May 2022, the first multi-year spending plan since 2013. This sets out high level spending plans up to the end of this Parliament in 2026/27, which show that /core' funding is set to reduce in real terms. However, whilst the multi-year spending plan is welcome it is not sufficiently detailed and does not provide individual council allocations to fully support long-term financial planning by local authorities.

3.11 The financial challenges faced by councils are dealt with in more detail in the Financial Bulletin 2021/22 published by the Accounts Commission in January 2023. This provides a high-level independent analysis of the financial performance of councils during 2021/22 and their financial position at the end of that year. It also sets out some of the longer-term financial challenges facing councils in the context of the Scottish Government's Resource Spending review and the cost of living crisis. The bulletin's key messages are summarised in Appendix 1.

3.12 Increasing cost pressures jeopardise the sustainability of local services. At a time when councils and their communities are still feeling the impact of the Covid-19 pandemic, councils are now also having to manage increasing cost pressures including:

- inflationary pressures, including rising energy costs, which are having a significant impact on the cost of providing services
- managing the ongoing recovery from Covid-19 and its longer-term impact, now that one-off Covid-19 funding has ended
- meeting the cost of new pay awards and Real Living Wage
- increasing demand for services from a population that is ageing, less healthy and facing increasing financial hardship

- higher costs of capital programmes as a result of inflation, slippage due to the pandemic and shortages in construction materials. These increased costs may affect councils' ability to deliver on capital transformation programmes, which are a necessary component of modernising services to deliver improved outcomes for local communities.
- 3.13 The Overview report concludes that these significant cost pressures alongside forecasted reductions to funding are leading some chief executives to be concerned about the sustainability of councils. This could lead to cuts to services and job losses, particularly in the absence of a radical reform of services.
- 3.14 **Local needs** – Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected. Examples of growing pressures include:
- Persistently high levels of child poverty
 - Increasing financial hardship for people living with a disability
 - Increasingly stark situation for low-income families
 - Increasing food insecurity
 - Increasing rent arrears
 - Ethnic minority households more likely to experience deeper levels of poverty
 - Increasing financial hardship for single parent families
 - Declining average levels of mental wellbeing
- 3.15 **National policies** - Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty. Plans for the new National Care Service are uncertain and divide opinion. Councils have a critical role in meeting national climate change goals.
- 3.16 **Workforce** – Increasing workforce challenges such as recruitment and retention in both senior and front-line roles in an increasingly competitive employment market and high sickness absence levels are putting councils and their staff under continued pressure.
- 3.17 **Leadership** - While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high turnover identified at several councils present a risk. The following leadership risks have been identified in recent audit work:
- Ineffective strategic leadership: of the four Best Value Assurance Reports (BVARs) completed last year, in three (Moray, Shetland and Eilean Siar) we found that elected members were not demonstrating effective strategic leadership alongside senior management. This included leaders needing to better coordinate and drive forward plans, to have a stronger focus on strategic

issues and elected members needing to work better together to deliver priorities.

- Ineffective governance or scrutiny: our 2021/22 annual audit work identified leadership risks relating to ineffective leadership in nine councils, often linked to ineffective governance, scrutiny, or both.
- High levels of turnover: most councils reported changes in senior leadership during 2021/22. Six chief executive or depute positions saw changes. Recent BVARs highlight that some councils are experiencing persistent difficulties in recruiting to key leadership posts.

How well placed are councils to deal with the current and future challenges?

3.18 This section of the Overview report considers how councils are placed to respond to the challenges they face and move towards adopting a sustainable future model of local government under five themes.

- Finance and resources
- Leadership
- Collaboration
- Workforce
- Community needs and inequalities

3.19 The Accounts Commission has made recommendations for councils under each of these themes.

3.20 ***Finance and resources*** – Councils need to balance immediate financial pressures with planning for delivering long-term sustainable services. The achievement of recurring savings and a movement away from the reliance and use of non-recurring savings and reserves will be important to ensuring longer-term financial sustainability. Councils also need to focus on making increasingly difficult choices about their spending priorities and medium- to long-term financial planning must mature as councils look to make more fundamental change. Agreeing the New Deal between the Scottish Government and local government, including a fiscal framework to support greater transparency and accountability, will be an important step forward.

3.21 The report recommends that councils need to set out medium- to long-term financial plans that detail:

- how they will make recurring savings and reduce reliance on reserves to fill budget gaps
- how council resources are targeted to achieve their long-term policy and performance priorities

3.22 The Council's 2023/24 – 2027/28 Financial and Capital Strategies (approved by council, 13th December 2022) set out the Council's strategic approach to the management of its finances and outlines the wider context

within which these plans have been developed. They cover the 5-year period from 2023/24 and were developed against the backdrop of unprecedented challenges arising from the wider economic environment.

- 3.23 Given the scale of the financial challenges it faces, the Financial and Capital Strategies acknowledge that the Council will require to think very differently about how services are delivered and prioritised to best meet the needs of residents and local communities in the future.
- 3.24 The Financial Strategy recognises and sets out how the council has to make recurring savings and reduce reliance on reserves by supporting cost reduction, increasing income generation and delivering efficiencies to enable the development of a balanced budget through:
- Asset rationalisation and energy efficiency
 - Income generation
 - Transformation, service redesign and digitalisation
 - Early intervention and prevention
 - Service reduction
- 3.25 Although the council's General Services and HRA revenue and capital budgets are set to meet the council's priorities as established in the Council Plan the link between how resources are targeted to achieve the Council's policy and performance priorities could be more explicit. This will be taken up as an action in the 2024/25 Council Improvement Plan that is to be presented to Council in autumn 2023.
- 3.26 **Leadership** – The challenging context needs leaders to invest time and capacity into thinking about radical changes to their council's future operating model. It is important that leaders are clear about their long-term policy and performance priorities, are managing council resources effectively to deliver them, and are open with communities about what range and levels of services they can expect to receive in future. Leaders (elected members and senior officers) must respond to the immediate pressures while also providing a long-term vision for their local areas and how services will be delivered differently in future.
- 3.27 The report recommends that council leaders need to:
- be open and clear with communities and staff about the need for change, what that means for future service delivery and involve communities in making difficult decisions
 - set out a clear vision for their long-term policy and performance priorities, and how it will be delivered and monitored
 - work with the Scottish Government to rebuild an effective relationship
- 3.28 The 2022-2027 Council Plan details the financial and other challenges faced by the council and provides a coherent vision and set of priorities that aim to achieve the vision whilst addressing these challenges. The

Plan acknowledges that given the scale of the challenges and issues faced by East Lothian, the council has to look to how it can further harness the power of its citizens and communities; moving away from the traditional model of the local authority always being the 'provider of first resort'. The Plan recognise that the council and the people and communities of East Lothian can best deliver the solutions to these challenges in partnership. Central to this approach is the Council moving away from doing things for, and to, communities and individuals, to the Council and the communities and citizens of East Lothian working together to identify and then meet our needs in partnership and co-operation.

3.29 So the 2017-2022 Council Plan sets out the aspirations for the kind of council we want to be:

- ✚ ***an enabling and empowering authority*** that works with its citizens and communities, the business and third sectors and other public sector partners to deliver the solutions that work best for East Lothian

- ✚ ***a more enterprising authority***, using initiative and resourcefulness to develop new ways of ensuring services are provided in the most effective and efficient way possible

- ✚ ***a digital authority***, fully embracing and exploiting opportunities to use technology to deliver services.

3.30 The Council's messaging around its financial strategy and the budget consultation undertaken in December 2022 highlighted the challenges it faces and the difficult choices that will need to be made given the scale of the projected budget deficit. The council's all-party budget working group is provided with clear information about the scale of the financial challenge and the changes that are required.

3.31 Leadership is the focus of the Accounts Commission's annual Best Value thematic work in 2023 and will be covered in all council 2022/23 annual audit reports published in Autumn 2023. Any recommendations and actions arising from the audit will be included in the 2024/25 Council improvement Plan that is to be presented to Council in autumn 2023.

3.32 ***Collaboration*** – councils need to collaborate with communities, other councils and the wider public sector to tackle the challenges. As councils take steps to fundamentally change how they provide services, the involvement of service users and communities will be critical to redesigning services that meet community needs and tackle long-term issues such as climate change and inequalities while also being sustainable. Councils also need to work collaboratively with local public sector partners including their communities and the third sector. They also need to radically rethink how they work with other councils through shared services and shared professionals.

3.33 The report recommends Councils need to maximise the potential of collaboration by demonstrating they are:

- working with other councils, the wider public sector and the third sector to redesign and provide services
 - involving service users and local communities in the redesign of services
- 3.34 The Council has a very good relationship with its public sector partners, the third sector and business and community organisations. This is evidenced by the close working and mutual support given during the COVID-19 pandemic and through the east Lothian Partnership which has led on delivering the Recovery and Renewal Plan.
- 3.35 **Workforce** – workforce planning must improve so that councils have the staff, skills and leaders needed to bring about change and create a resilient workforce for the future. Effective workforce planning will be essential to:
- address current workforce challenges in recruitment, retention and skills shortages
 - look ahead at longer-term capacity and skills requirements as councils fundamentally change how they deliver services
 - ensure that councils reduce their workforce in an informed way so that skills and knowledge are not lost.
- 3.36 The report recommends that Councils need to improve workforce planning to effectively develop and deploy their existing workforce. This includes:
- building the capacity, skills, strategic thinking and comprehensive workforce data needed for effective workforce planning
 - updating workforce plans to reflect new models of service delivery and ways of working, including how they are:
 - identifying and addressing skills gaps, at operational and leadership levels
 - making best use of their existing workforce by collaborating with partners to overcome recruitment challenges
 - planning for the skills needed to deliver future services, focusing on collaborative and flexible working, including working with the higher education sector to plan and develop skills for the roles needed
- 3.37 The council's updated its workforce plan in 2022 and the new 2023-2027 Workforce Plan was approved by Cabinet on 17th January 2023. This details out the workforce related challenges faced by the council and provides a clear vision for the council and an action plan based around three themes:
- Sustain a skilled, flexible, high performing and motivated workforce
 - Support and initiate transformational change
 - Build and sustain leadership and management capacity.

The Plan includes over 30 actions, many of which reflect the recommendations made in the Overview Report.

- 3.38 Workforce planning will be the focus of the Accounts Commission's annual Best Value thematic work in 2023 and will be covered in all council 2023/24 annual audit reports published in Autumn 2024, followed by a national thematic report.
- 3.39 **Community needs and inequalities** – Councils have a clear focus on tackling inequalities and strengthening the use of data will help them to better understand community needs and focus fundamental change on improving long-term outcomes. Audit Scotland found evidence of data-driven approaches, partnership working, and community engagement being used to understand community needs and to develop plans and programmes to target inequalities and poverty. Positive findings include councils:
- setting up specific committees focusing on tackling poverty and inequalities
 - working with partners, especially community planning partnerships, to understand need and develop place-based plans to tackle inequalities
 - involving people with lived experience to better understand needs and demand.
- 3.40 The council and East Lothian Partnership adopted a new 2021-2023 Poverty Plan in late 2021. This is being delivered through a partnership Poverty Working Group, the friendly Food Network and the Financial Inclusion Network involving council services, public sector partners and voluntary and community sector representatives. People with lived experience are playing a key role in reviewing and revising the current Poverty Plan and determining the priorities and actions that will form the basis of a new Plan,
- 3.41 East Lothian's six Area Partnerships, supported by the Connected Communities service, have been heavily involved in supporting communities through the pandemic and the 'cost of living crisis'. Area Plan (Locality Plans) developed by Area Partnerships which are based on local needs, and priorities focus on reducing poverty.
- 3.42 The report recommends that councils should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need. Also, councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data, and learning from those with lived experience.
- 3.43 The council has begun development of its 2024/25 budget and part of this work and communication with staff and the public will need to include information about the extent of the financial challenges faced by the council, the scale of growing service demand and the extent of changes in

services, eligibility criteria and access to services required to meet these challenges.

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 2023' will assist the Council to recognise and respond to the challenges that it faces.

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: Key Messages from 'Local Government in Scotland: Financial Bulletin 2021/22', Accounts Commission, January 2023
7.2 'Local Government in Scotland: Overview 2023', Accounts Commission, May 2023
7.3 'Local Government in Scotland: Financial Bulletin 2021/22', Accounts Commission, January 2023

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DATE	1 st June 2023

Appendix 1: Key Messages from ‘Local Government in Scotland: Financial Bulletin 2021/22’, Accounts Commission, January 2023

1. Despite additional Covid-19 funding, councils continued to face significant financial challenges during 2021/22, requiring significant savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities.
2. In 2021/22, councils’ savings performance continued to improve and total usable reserves increased, which councils have used to contribute towards meeting budget gaps arising from service demand and budget pressures.
3. In 2021/22, Scottish Government revenue funding to councils increased by 5.3 per cent in real terms. This represented the first real-terms increase on the 2013/14 revenue funding position since 2015/16 (excluding one-off Covid-19 money). In 2021/22, revenue funding levels for local government and other parts of the Scottish Government budget (excluding Covid-19 funding) have converged back to a level similar to eight years ago.
4. An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services. We calculate this to be 23 per cent of total revenue funding in 2021/22. Ring-fenced and directed funding helps support delivery of key Scottish Government policies but removes local discretion and flexibility over how these funds can be used by councils.
5. Councils have noted that Covid-19 and inflationary costs are having an impact on capital projects. If these issues persist, they will present risks to councils’ capital programmes which form a necessary component of modernising services to deliver improved outcomes for local communities.

Outlook for local government finances

6. Councils face the most difficult budget-setting context seen for many years with the ongoing impacts of Covid-19, inflation and the cost of living crisis. They will need to continue to make recurring savings and also make increasingly difficult choices with their spending priorities, including, in some cases, potential service reductions.
7. Two-thirds of councils intend to use reserves to help bridge the 2022/23 gap between anticipated expenditure and revenue (budget gap) of £0.4 billion but this reliance on non-recurring reserves is not sustainable in the medium to long term. Delivering recurring savings and reducing reliance on using reserves to fill budget gaps will be key to ensuring longer-term financial sustainability. This makes the case for a continued focus on service reform, based on strong engagement with communities, more important now than ever.

Local government in Scotland

Financial bulletin 2021/22



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
January 2023



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Audit team

The core audit team consisted of: Blyth Deans, Adam Bullough, Chris Lewis and Martin Allan under the direction of Carol Calder.

Key messages

Local government finances for 2021/22

- 1** Despite additional Covid-19 funding, councils continued to face significant financial challenges during 2021/22, requiring significant savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities.
- 2** In 2021/22, councils' savings performance continued to improve and total usable reserves increased, which councils have used to contribute towards meeting budget gaps arising from service demand and budget pressures.
- 3** In 2021/22, Scottish Government revenue funding to councils increased by 5.3 per cent in real terms. This represented the first real-terms increase on the 2013/14 revenue funding position since 2015/16 (excluding one-off Covid-19 money). In 2021/22, revenue funding levels for local government and other parts of the Scottish Government budget (excluding Covid-19 funding) have converged back to a level similar to eight years ago.
- 4** An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services. We calculate this to be 23 per cent of total revenue funding in 2021/22. Ring-fenced and directed funding helps support delivery of key Scottish Government policies but removes local discretion and flexibility over how these funds can be used by councils.

- 5 Councils have noted that Covid-19 and inflationary costs are having an impact on capital projects. If these issues persist, they will present risks to councils' capital programmes which form a necessary component of modernising services to deliver improved outcomes for local communities.

Outlook for local government finances

- 6 Councils face the most difficult budget-setting context seen for many years with the ongoing impacts of Covid-19, inflation and the cost of living crisis. They will need to continue to make recurring savings and also make increasingly difficult choices with their spending priorities, including, in some cases, potential service reductions.
 - 7 Two-thirds of councils intend to use reserves to help bridge the 2022/23 gap between anticipated expenditure and revenue (budget gap) of £0.4 billion but this reliance on non-recurring reserves is not sustainable in the medium to long term. Delivering recurring savings and reducing reliance on using reserves to fill budget gaps will be key to ensuring longer-term financial sustainability. This makes the case for a continued focus on service reform, based on strong engagement with communities, more important now than ever.
-

About this report

- 1.** This bulletin provides a high-level independent analysis of the financial performance of councils during 2021/22 and their financial position at the end of that year. It also sets out some of the longer-term financial challenges facing councils in the context of the Scottish Government's Resource Spending Review and the cost of living crisis.
- 2.** The Accounts Commission's wider local government overview report will be published in May 2023 and will include further analysis of the financial information presented in this bulletin along with wider commentary on the financial and performance challenges facing local government.
- 3.** Our primary sources of information for the financial bulletin are councils' 2021/22 audited accounts, including management commentaries and the 2021/22 external annual audit reports, where available. We have supplemented this with data collected as part of a data set request issued to local auditors in October 2022.
- 4.** The Covid-19 pandemic has again created challenges that have affected the preparation of this report. The rescheduling of audit timetables meant that audited accounts did not require certification until 30 November 2022. Ten sets of accounts were certified by the revised deadline, with a further 16 signed off thereafter. As at 20 December 2022, five councils' accounts are still to be certified; therefore, analysis in this report is based on 27 sets of audited accounts and five sets of unaudited accounts.
- 5.** We refer to 'real-terms' changes in this bulletin. This means that we are showing financial information from past and future years at 2021/22 prices, adjusted for inflation so that they are comparable. To make that comparison we use gross domestic product (GDP) deflators to adjust for inflation, which are published quarterly by HM Treasury. GDP deflators are the standard approach adopted by both the UK and Scottish governments when analysing public expenditure. As a result of the way that GDP is calculated, Covid-19 resulted in volatility across 2020/21 and 2021/22. To compensate for this, and to provide meaningful comparisons between years, we have used an average GDP growth rate across 2020/21 and 2021/22 in our calculations to separate inflation (changes in prices) from changes in outputs and those largely attributable to Covid-19 spending.
- 6.** We also refer to figures in 'cash terms' in this bulletin. When we use this term it means that we are showing the actual cash or money paid or received.

1. Councils' financial summary 2021/22

Total revenue funding and income

7. Total revenue funding and income to councils was £20.3 billion in 2021/22, a £0.3 billion (or one per cent) decrease on the previous year in real terms (one per cent increase in cash terms) ([Exhibit 1, page 7](#)). The majority (55 per cent) of this funding comes from the Scottish Government, with the remaining balance from other sources, see Exhibit 1 for a full breakdown.

8. Councils have received a range of new and additional funding amounting to £1.3 billion in 2020/21 and £0.5 billion in 2021/22 to support them in dealing with the financial impacts of the Covid-19 pandemic. This additional Covid-19 funding has decreased as a proportion of overall council funding as the pandemic has progressed, from six per cent of total funding received in 2020/21 to three per cent in 2021/22.

9. The Scottish Government also provided councils with £90 million to allow them to freeze council tax levels in 2021/22.

10. Excluding Covid-19 related funding, revenue funding and income saw a £0.5 billion (or three per cent) real-terms increase in 2021/22 on the previous year, from £19.3 billion to £19.8 billion.

The average Council Tax collection rate across Scotland increased during 2021/22. It is now more in line with pre pandemic levels

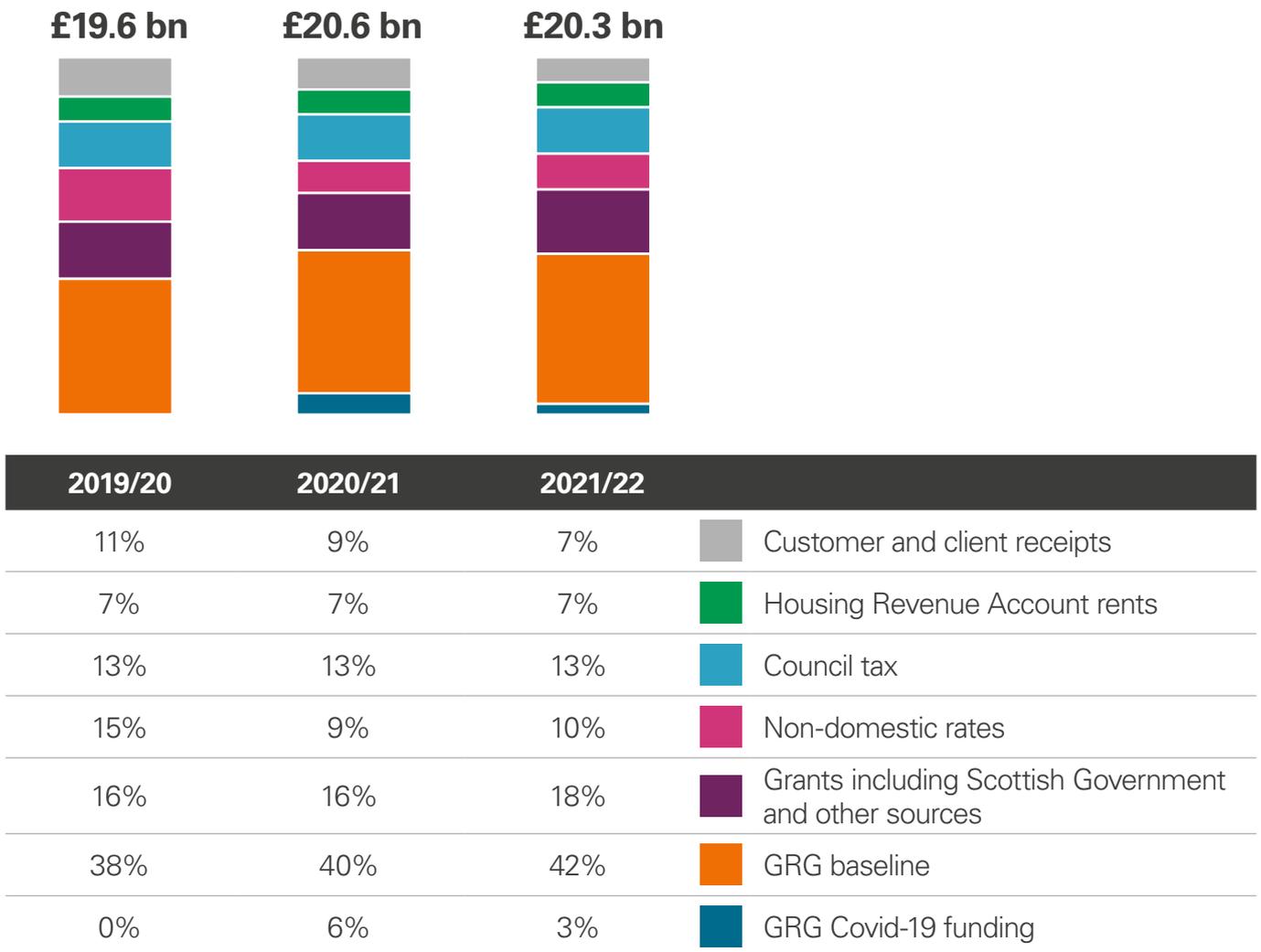
11. The in-year collection rate (for 2021/22 charges) increased from an average of 94.8 per cent in 2020/21 to 95.7 per cent, which is broadly in line with pre-pandemic collection rates (95.8 per cent in 2019/20). Collection rates rose across all councils apart from Midlothian which remained static and Orkney which fell by 2.5 per cent. The total amount of council tax billed, taking account of council tax reductions, was £2.7 billion. Of this total, £2.6 billion was collected by 31 March 2022.

Revenue funding and income saw a 3 per cent real terms increase in 2021/22, once Covid-19 related funding is excluded

Exhibit 1.

Sources of funding and income 2019/20 and 2021/22

Total revenue funding and income to councils was £20.3 billion in 2021/22, a £0.3 billion (or one per cent) decrease on the previous year in real terms (one per cent increase in cash terms).



Source: Audited financial statements 2019/20, 2020/21 and 2021/22

Scottish Government funding

12. In 2021/22 councils received total revenue funding of £12.1 billion from the Scottish Government. This consisted of General Revenue Grant funding of £8.7 billion; Non-Domestic Rates distribution (NDR) of £2.1 billion, specific grants of £0.8 billion and non-recurring Covid-19 funding of £0.5 billion. Total revenue funding to councils from the Scottish Government increased by 1.1 per cent in cash terms and decreased by 1.6 per cent in real terms in 2021/22 compared to the previous year ([Exhibit 2, page 8](#)).

Exhibit 2.

Changes in Scottish Government revenue funding in 2021/22

Scottish Government revenue funding fell by 1.6 per cent in real terms in 2021/22, although when non-recurring Covid-19 funding is taken out there is an increase of 5.3 per cent.

	2020/21 £ million	2021/22 £ million	Cash change %	Real terms change %
General revenue grant	8,099	8,682	7.2	4.4
Non-domestic rate income	1,868	2,090	11.9	8.9
Specific revenue grants	710	776	9.3	6.5
Non-recurring Covid-19 funding	1,254	515	-58.9	-60.0
Total revenue funding	11,931	12,063	1.1	-1.6
Total revenue excluding Covid-19	10,677	11,549	8.2	5.3

Source: Finance circulars and Scottish Government budget documents

13. When non-recurring Covid-19 funding is excluded, the increase in funding from the previous year is 8.2 per cent in cash terms and 5.3 per cent in real terms.

An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services

14. Within the £12.1 billion Scottish Government revenue funding, an element is identified by the Scottish Government as specific revenue grants, set out in the annual settlement to councils. This ring-fenced funding, totalling £0.8 billion in 2021/22 (£0.7 billion in 2020/21), must be used to fund identified policies, such as:

- Early Learning and Childcare Expansion (£546 million)
- Pupil Equity Fund (£120 million)
- Criminal Justice Social Work (£86 million).

15. In addition to specific revenue grants, other funding is directed for national policy initiatives, though not formally ring-fenced, this funding is provided with the expectation that it will be spent on specific services.

16. Collectively, ring-fenced and directed funding totalled £2.7 billion, representing 23 per cent of total revenue funding (18 per cent in 2020/21). £1.61 billion of this was allocated at the start of the year with a further £1.04 billion allocated throughout the year through budget revisions ([Exhibit 3, page 10](#)). A large amount of this was to support elements of education and social care service provision.

2021/22 funding levels from the Scottish Government to local government (excluding Covid-19 funding) increased in real terms for the first time since 2015/16 and converged with other Scottish Government revenue funding

17. In previous overview reports, we have commented that Scottish Government funding to local government has not kept pace with relative increases in the levels of funding allocated to other parts of the Scottish Budget. Previous overview reports have also highlighted that for many years now councils have had to make efficiency savings, redesign services, and use reserves to meet budget gaps arising from service demand and budget pressures.

18. Revenue funding from Scottish Government to local government between 2013/14 and 2021/22 increased by 6.1 per cent (in real terms) whereas Scottish Government revenue funding to other parts of the Scottish Government budget increased by a significantly higher figure of 27.2 per cent over the same period. This, and previous differences in relative funding, has largely arisen as a result of Scottish Government policy to protect funding for the NHS.

19. Over the period 2013/14 to 2021/22, after two years of relatively static funding local government saw its real-terms revenue funding fall between 2015/16 and 2020/21 (excluding Covid-19 funding) with 2021/22 being the first year of real-terms growth (excluding Covid-19 funding) since 2015/16. In 2021/22 funding levels for local government and other parts of the Scottish Government budget (excluding Covid-19 funding) have converged back to a level similar to eight years ago.

20. The large increases in the Scottish budget in 2020/21 and 2021/22 were a result of Covid-related **Barnett consequentials**. Given these were exceptional sources of funding we have analysed the underlying Scottish Government and local government revenue funding position with Covid-19 funding excluded ([Exhibit 4, page 11](#)). Under this analysis, over the same period, Scottish Government revenue funding to local government increased by 1.6 per cent and Scottish Government revenue funding to other parts of the Scottish Government budget increased by 0.8 per cent.

Barnett consequentials

The Barnett formula is the way the UK Government ensures that a share of additional funding – allocated only to England – is provided fairly to Scotland, Wales, and Northern Ireland. The formula delivers a fixed percentage of additional funding allocated in England to services which are devolved. Each devolved administration can allocate these funds as it believes appropriate.

Exhibit 3.

Ring-fenced elements of Scottish Government revenue funding

The proportion of funding which is ring-fenced and directed or provided for specific services has increased, with around £1 billion allocated during the year in 2021/22.

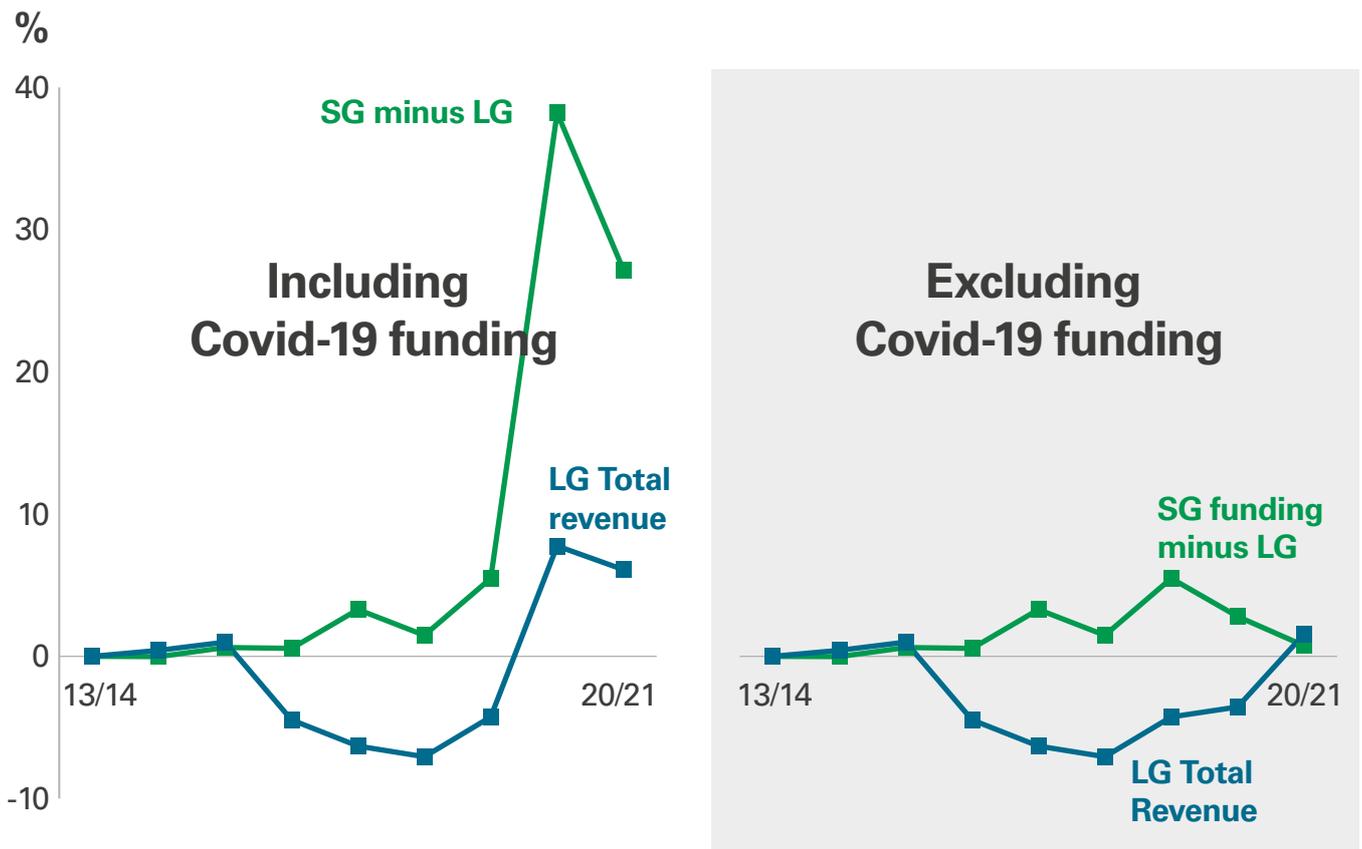
 Source	2020/21 £ million	2021/22 £ million
Specific Revenue Grant from finance circular	709.8	775.9
Measures outlined in initial circular narrative	606.3	347.4
Transfers from other portfolios in Scottish Budget	188.1	488.1
Redeterminations in further circulars	48.0	544.8
Transfers from other portfolios in Autumn budget revision	350.5	395.7
Transfers from other portfolios in Spring budget revision	42.9	104.0
Total ring-fenced/expected to be spent on specific services	1,945.5	2,655.8
Total revenue funding	10,667.8	11,549.0
Percentage ring-fenced/expected to be spent on specific services	18.2%	23.0%

Source: Scottish Local Government Finance Circulars and budget documents. Some elements of funding appear in circulars and Scottish Budget so have been removed to avoid double counting.

Exhibit 4.

A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas (including and excluding Covid-19 funding)

Revenue funding from Scottish Government to local government between 2013/14 and 2021/22 increased by 6.1 per cent when Covid-19 funding is included, and by 1.6 per cent when Covid-19 funding is excluded.



Source: Finance circulars and Scottish Government budget documents

Council budgets and outturn 2021/22

In 2021/22, budget gaps were largely consistent with previous years

21. In 2021/22, Scotland's 32 councils had a budgeted net expenditure of £15.2 billion. At the time of budgeting, councils identified **budget gaps** totalling £0.4 billion (three per cent), which was broadly consistent with the gap identified in the two previous years (£0.5 billion in 2020/21 and 2019/20). The budget gap at a council level varied between one per cent and 22 per cent ([Exhibit 5, page 12](#)).

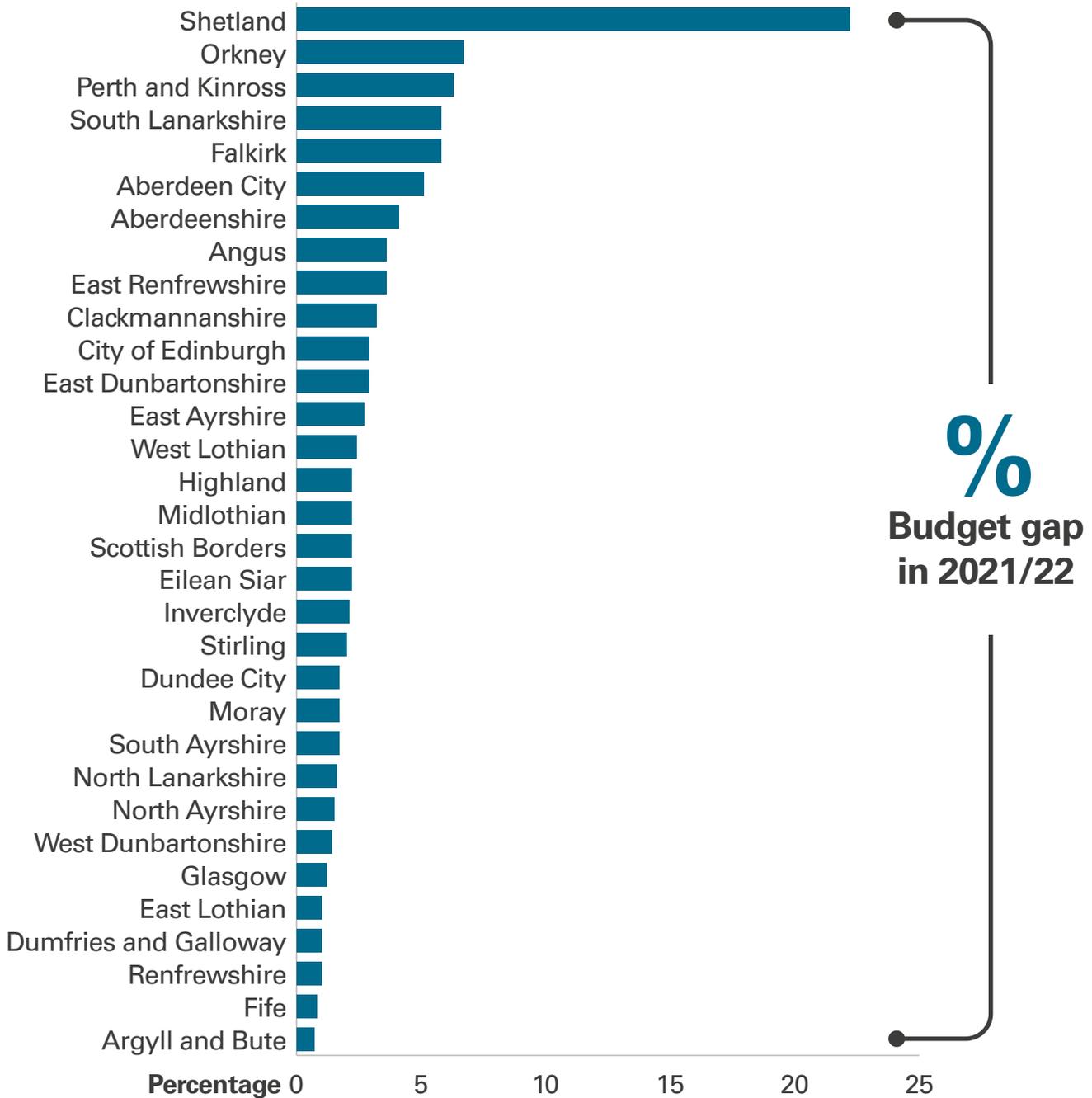
Budget gap

This describes the difference between anticipated expenditure and revenue at the time of setting the budget.

Exhibit 5.

Budget gap as a proportion of net cost of services for all 32 councils in 2021/22

The budget gap at a council level varied between one per cent and 22 per cent.



Source: Council budget papers, Auditor data return

22. Recurring savings were expected to contribute 37 per cent of the £0.4 billion budget gap in 2021/22 along with Scottish Government funding to allow councils to freeze council tax (20 per cent), use of reserves (17 per cent), non-recurring savings (eight per cent), financial flexibilities (four per cent) and a range of other specific actions (12 per cent).

Savings performance improved in comparison to previous years

23. Councils had set themselves savings targets totalling £0.2 billion in 2021/22. Ninety-four per cent of these savings were achieved (84 per cent in 2020/21), with 76 per cent on a recurring basis. Fourteen councils achieved their savings targets in full on a recurring basis, whereas five councils had over half of their savings being delivered on a non-recurring basis. Four councils had no savings targets in place for 2021/22 ([Exhibit 6, page 14](#)).

Total usable reserves increased by £0.3 billion to £4.1 billion in 2021/22

24. In 2021/22, almost three quarters of councils (23) reported an increase in usable reserves. This compares to all 32 councils reporting an increase in 2020/21, largely as a result of additional Covid-19 funding carried forward. Total usable reserves now stand at £4.1 billion, representing an increase of £0.3 billion (seven per cent) on the previous year. This compares to an increase of £1.2 billion in 2020/21 compared to 2019/20. [Exhibit 7 \(page 15\)](#) details the increase in councils' usable reserves during 2021/22.

25. General fund reserves, excluding Housing Revenue Account (HRA), have increased by £0.3 billion to £2.7 billion. The vast majority of this relates to increases in committed balances (that is reserves have been allocated for a specific purpose) which increased by £0.3 billion to £2.3 billion in 2021/22, and is more than half of the total usable reserves balance. Uncommitted reserves (money not earmarked for a specific purpose) have decreased from £0.5 billion in 2020/21 to £0.4 billion in 2021/22. These reserves are used to mitigate the financial impact of unforeseen circumstances. [Exhibit 8 \(page 16\)](#) shows the nature and value of usable reserves in 2021/22.

General fund reserves

This is the main revenue account which summarises the cost of all services provided by a council.

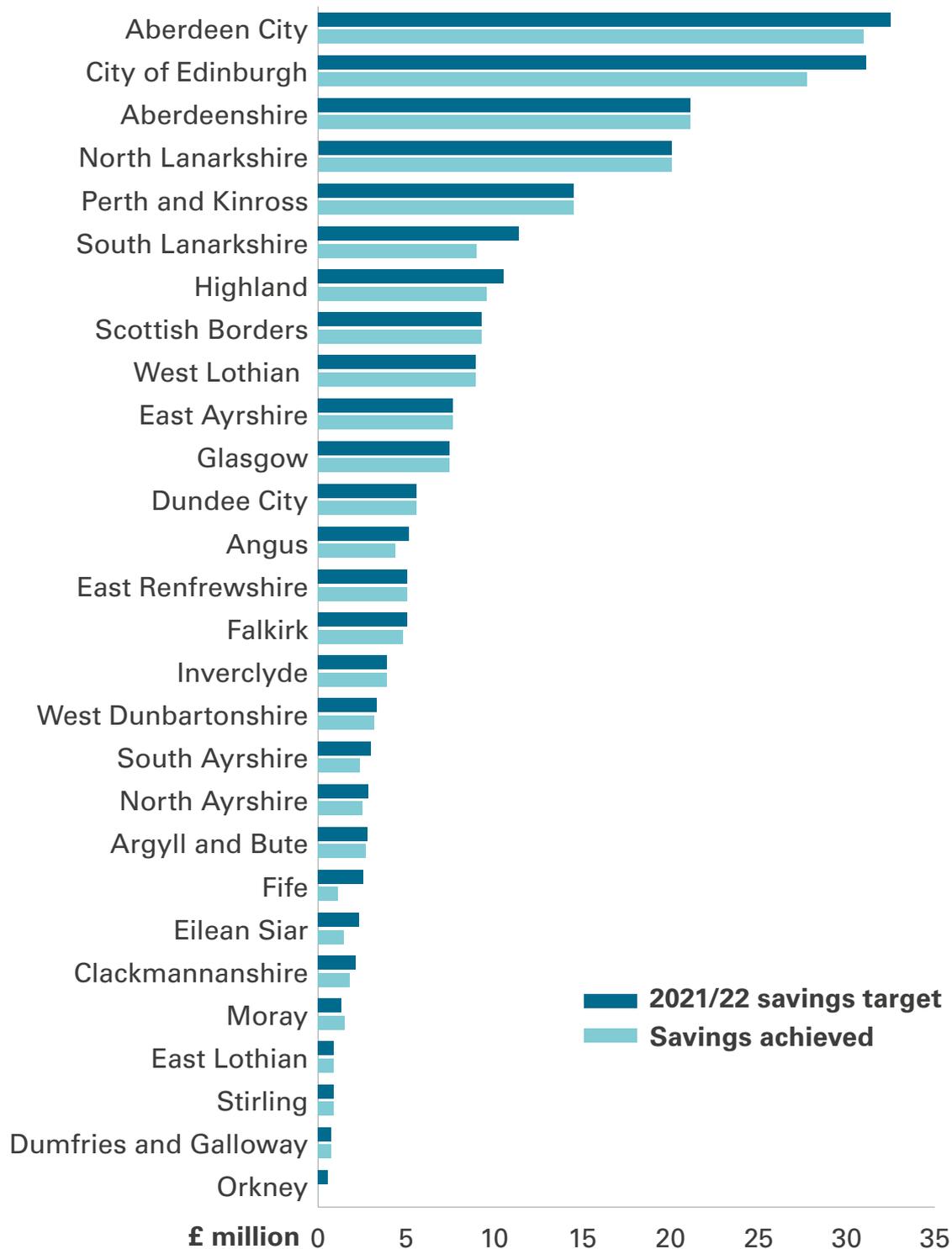
Councils have improved the way in which Covid-19 funds are disclosed in their accounts, but the level of detail varies

26. Elements of Covid-19 funding that have been carried forward in general committed and uncommitted reserves total £0.6 billion, 23 per cent of the total general fund balance. However, at a council level this varies between 49 per cent of the total general fund balance (Moray and West Lothian) to eight per cent (Dumfries and Galloway), ([Exhibit 9, page 17](#)).

Exhibit 6.

Councils' savings targets compared with savings achieved in 2021/22

Fourteen councils achieved their savings targets.



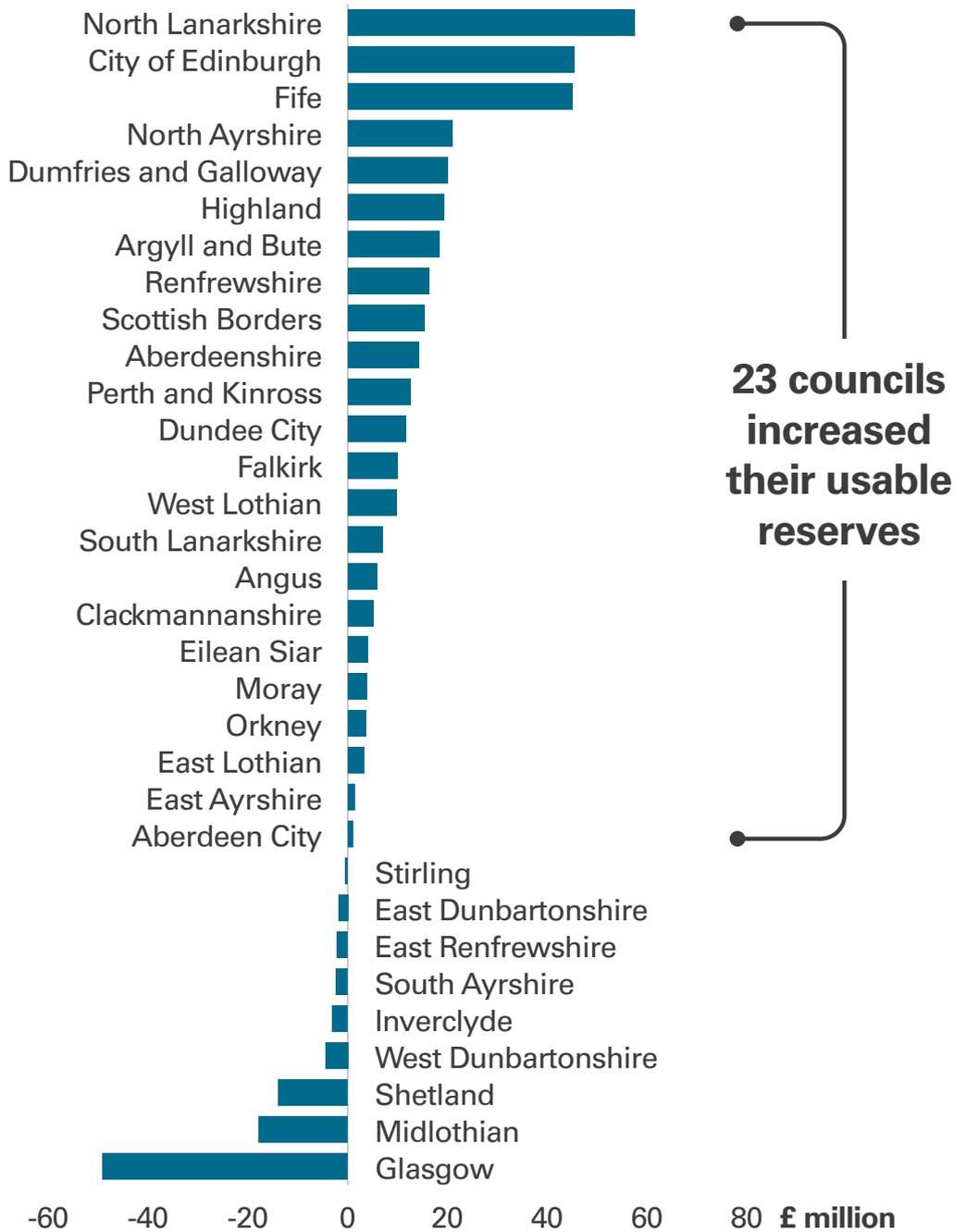
Note: Excludes East Dunbartonshire, Midlothian, Renfrewshire and Shetland due to not having savings targets in place for 2021/22.

Source: Audited financial statements 2021/22

Exhibit 7.

Changes in councils' usable reserves during 2021/22

Twenty-three councils increased their usable reserves.

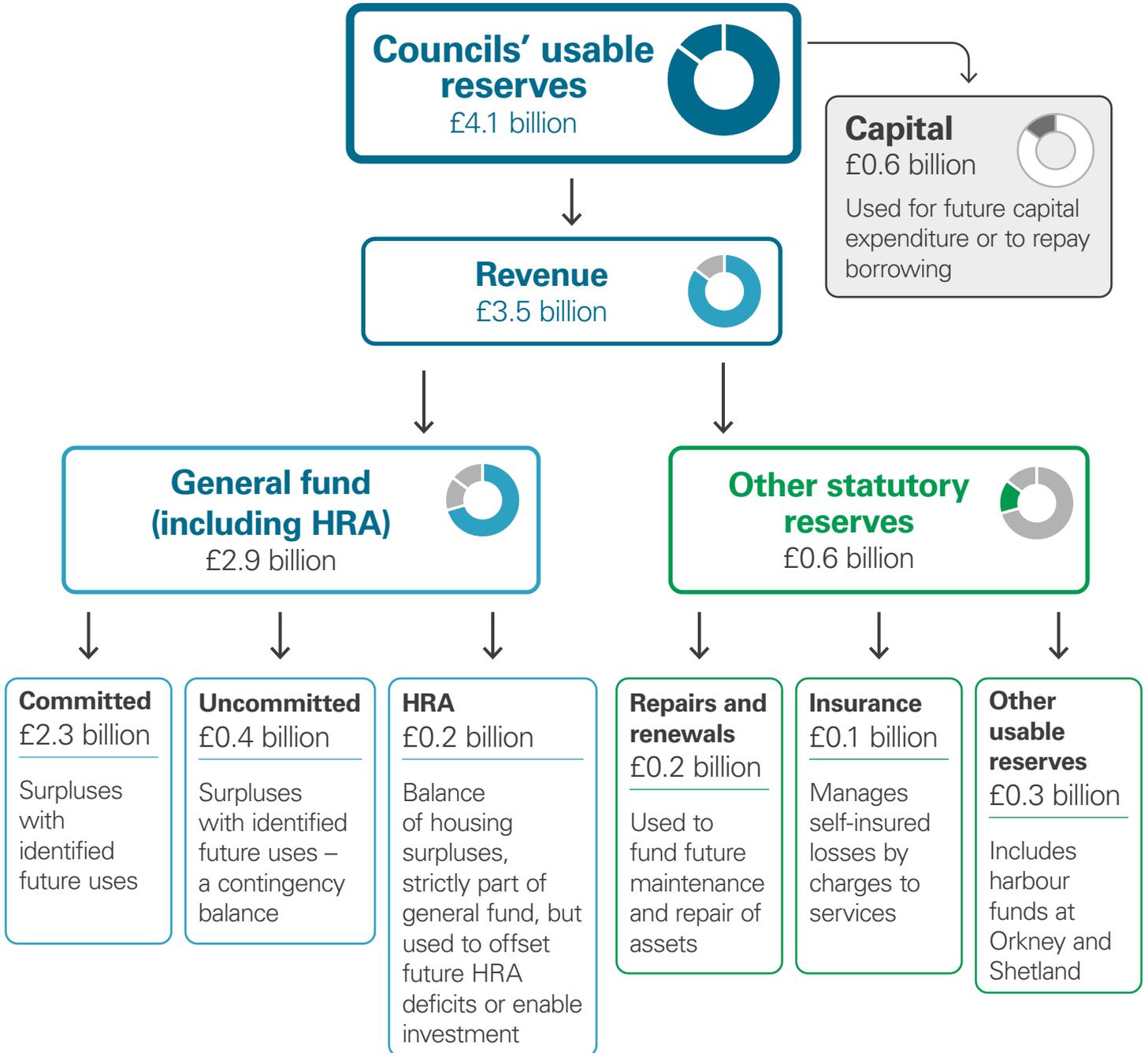


Source: Audited financial statements 2021/22

Exhibit 8.

The relative size and nature of councils' usable reserves

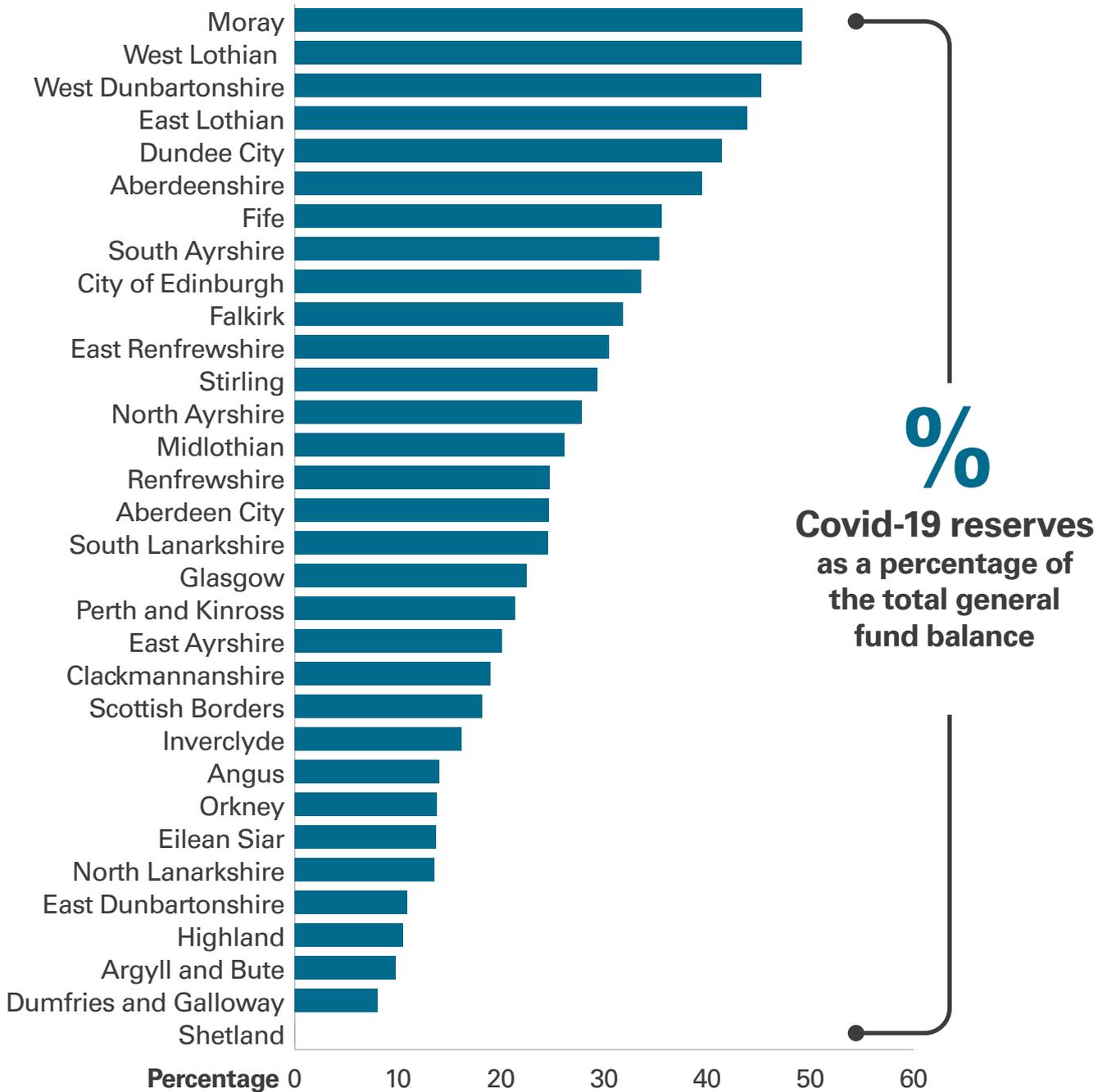
In 2021/22, usable reserves held by councils totalled £4.1 billion.



Source: Audited financial statements 2021/22

Exhibit 9.

Total Covid-19 reserves as a percentage of the total general fund balance for 2021/22



Note: Excludes Shetland as they do not have any Covid-19 related reserves carried forward.

Source: Audited financial statements 2021/22

27. In last year's [Local government in Scotland: Financial overview 2020/21](#) we noted that within the general fund, councils' accounts had not always clearly identified the element arising from Covid-19 funding and recommended that elements of Covid-19 funding that are being carried forward into general reserves should be clearly identified. Councils have improved the way in which Covid-19 reserves are disclosed in their accounts. However, this varies, with nine councils only providing a single line narrative and the remaining councils providing varying levels of detail as to how the funds have been allocated (eg, education, housing, business support, mental health and equalities). Eilean Siar and Aberdeen City had the most detailed breakdowns.

**Local government
in Scotland:
Financial overview
2020/21**

Accounts
Commission
March 2022



Capital

Capital expenditure increased in 2021/22 though was still below the level in 2019/20

28. Capital spending across Scotland increased by £0.7 billion in 2021/22, from £2.4 billion in 2020/21 to £3.1 billion ([Exhibit 10, page 19](#)). Capital spending in 2019/20 was £3.6 billion.

29. Twenty-six councils (81 per cent) reported higher capital expenditure in 2021/22 than in 2020/21. Only six councils spent less on their capital programmes in 2021/22 than 2020/21.

30. The main sources of capital financing are still government grants. These were largely unchanged from 2020/21 (£1.1 billion in 2021/22 compared to £1.2 billion the previous year), however, the overall increase in capital expenditure means that an increasing amount is financed by borrowing.

Covid-19, inflationary costs and shortages in construction materials had an impact on capital projects

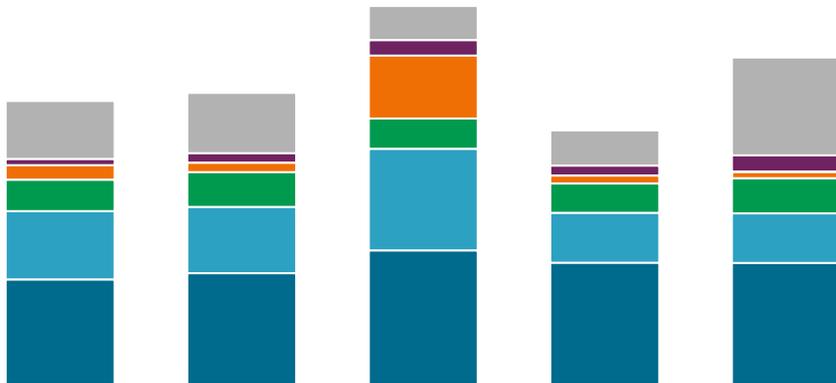
31. Auditors in councils reported slippage against capital projects and cited Covid-19, inflationary costs and shortages in construction materials as reasons for this. If these issues persist they will present risks to councils' capital programmes which are a necessary component of modernising services to deliver improved outcomes for local communities. There were some exceptions, for example in West Lothian where expenditure on capital was £141.3 million, an increase of £14.8 million against its original budget. Acceleration of £13.1 million for new developer-funded schools at Winchburgh was the most notable example.

Capital
spending
across
Scotland
increased in
2020/21 to
£3.1 billion

Exhibit 10.

Capital expenditure analysed by sources of finance 2017/18 to 2021/22

Capital expenditure increased in 2021/22 although an increasing proportion was funded through an increase in borrowing.



2017/18	2018/19	2019/20	2020/21	2021/22	
21%	21%	9%	14%	30%	An increase in borrowing
2%	3%	4%	4%	5%	Other contributions and Public Private Partnership (PPP)
5%	3%	17%	3%	2%	Capital receipts
11%	12%	8%	12%	11%	Capital Funded from Current Revenue (CFCR)
24%	23%	27%	20%	15%	Internal Loans fund repayments available to reinvest
37%	38%	35%	48%	37%	Government grants
2,687	2,749	3,605	2,408	3,099	Total expenditure (£ million)

Source: Audited financial statements 2017/18 – 2021/22

Further information about how councils may borrow money to fund capital expenditure can be found at [Local government borrowing: factsheet](#).

32. Slippage against capital projects was noted at some councils in 2021/22:

- **Dundee City Council:** Capital works costing £57 million were completed in 2021/22 against a budget of £117 million, representing slippage of 51 per cent. This was highlighted as a risk to the council delivering against strategic objectives.
- **East Dunbartonshire Council:** General services capital spending was £69 million compared with an initial budget of £96.3 million, which was subsequently revised downwards to £76.1 million for projects impacted by Covid-19. The main area of slippage was related to a new additional support needs school (£3.5 million) which has been rescheduled to 2022/23. Housing capital expenditure totalled £15.9 million against a revised budget of £17.5 million.
- **East Lothian Council:** The general services capital budget for 2021/22 was £97.7 million. A significant element of the £32.7 million underspend has been reprofiled to 2022/23. In addition to the issues and challenges arising from Covid-19, supply chain problems and the war in Ukraine were reported as having increased certain costs as well as the council's risk exposure for capital investment. The HRA capital budget for 2021/22 was £29.7 million. The overspend of £1.2 million reflects accelerated new build council housing, the costs of which have been partially offset by additional grant funding above the budgeted figure.

Net debt has increased by £0.2 billion since 2020/21

33. Total net debt (total debt less cash and investments) has increased across councils by £0.2 billion to £16.4 billion. Fifteen councils have increased their net debt in 2021/22. This compares to eight councils in 2020/21.

34. Councils' total debt has increased by £0.3 billion to £19 billion; this may be related to the increased need to borrow to fund capital expenditure, with 19 out of 32 councils having increased long-term borrowing from the previous year and 15 councils with increased short-term borrowing compared to the previous year.

Local government pension funds

2021/22 Pension Fund investment returns, although largely positive, were 62 per cent lower than in the previous year

35. Ten of the 11 main Scottish Local Government Pension Funds experienced positive investment returns in 2021/22. Orkney Islands Pension Fund recorded a loss on investment activity, representing 2.7 per cent of the net investment assets brought forward into 2021/22.

36. Although Pension Fund investment returns were largely positive, net returns on investments were 64 per cent lower than in 2020/21 (in cash terms). The net returns on investments, as a proportion of the brought forward net investment assets total, varied between a reduction of 2.7 per cent and an increase of 11 per cent in individual funds.

Scottish Pension Fund's funding positions have generally improved since the last triennial valuation

37. Scottish Pension Funds recorded a cumulative **funding level** of 104 per cent, ranging from 92 per cent to 118 per cent, per the triennial actuarial review figures as at 31 March 2020. At the time of this valuation, four of the 11 Scottish Local Government Pension Funds recorded liabilities as being greater than assets. Although four of the funds recorded liabilities in excess of assets, the 2020 position represented an improvement since the 2017 triennial valuation.

38. Auditors reported that the Covid-19 pandemic had a significant impact on Scottish Pension Fund's funding position and asset valuations, as indicated in the **triennial valuation** as at 31 March 2020. Auditors have indicated that since the valuation, asset values have largely recovered.

39. Preparation is under way for the next triennial valuation covering the period to 31 March 2023. Any changes to employer contributions as a result of the next valuation will not take effect until 2023/24.

Funding Level

This describes the pension fund assets as a proportion of the liabilities, arising from pension benefits payable.

Triennial valuation

Every three years an actuarial valuation is carried out to monitor the assets of the fund against the liabilities of the pension benefits payable.

2. Councils' financial outlook

Councils are having to deal with a number of significant financial challenges and will need to make some difficult decisions with their spending priorities

40. In last year's [Local government in Scotland: Financial overview 2020/21](#) we noted that the longer-term funding position for councils remained uncertain, with significant challenges ahead as councils continued to manage and respond to the impact of Covid-19 on their services, finances and communities.

41. At a time when councils and their communities are still feeling the impact of the Covid-19 pandemic, councils are now having to deal with the cost of living crisis and inflationary pressures. Councils consistently identified short- and long-term cost pressures in their initial 2022/23 budget papers, including:

- pay inflation and living wage costs
- costs associated with Covid-19 recovery
- energy inflation
- non-pay inflation (including cost of materials, construction costs and contract inflation)
- demand for and price sensitivity of chargeable services and the related impact on income from fees and charges.

42. Common themes across management commentaries from councils unaudited accounts for 2021/22 are that councils continue to face significant financial challenges going forward and will need to deliver consistent recurring savings and use reserves to deal with the immediate and on-going financial impacts. They also note that elected members will need to make increasingly difficult choices, which could include having to consider service reductions. Further commentary and analysis on the future funding position of councils and the associated challenges will be included in the wider local government overview being published in May 2023.

[Local government in Scotland: Financial overview 2020/21](#)

Accounts
Commission
March 2022



The future funding settlements set out in the Scottish Government's Resource Spending Review reflects flat cash funding settlements for 2022/23 to 2025/26

43. In May 2022 the Scottish Government published the first multi-year Resource Spending Review (RSR) in Scotland since 2011, outlining its resource spending plans to the end of this Parliament in 2026/27. The RSR assumes an overall cash-terms increase to the Scottish Government spending envelope of £5.7 billion over the period 2022/23 to 2026/27. The estimated increase in local government funding over this period would be £0.1 billion. This reflects flat cash funding levels for 2022/23 to 2025/26, with a small uplift in 2026/27. However, the outlook of the RSR may look different after the Scottish Government's 2023/24 budget.

44. The Fraser of Allander Institute [reported](#) in May 2022 that the RSR provides welcome insight on government priorities, and highlights a scale of challenges facing public services. However, spending plans are expressed at 'level 2' for the four years of the Spending Review period. That means financial information is at a less detailed level than public bodies would ideally like for planning purposes. It also noted that at the time of their review the RSR implies that the local government budget will decline by seven per cent in real terms between 2022/23 and 2026/27. The Convention of Scottish Local Authorities (COSLA) has expressed concerns that a flat cash settlement will result in fewer jobs and cuts to services.

45. Following the RSR, in December 2022, the Scottish Government presented their [proposed spending and tax plan for 2023/24](#) to the Scottish Parliament. In this updated position, the Scottish Government sets out that there will be an increase of over £570 million in additional revenue and capital funding available to councils for 2023/24. They also confirmed that they would not seek to freeze or set a cap on council tax increases, giving council's full flexibility to vary rates locally.

46. The recent Scottish Parliament Information Centre (SPICe) [publication](#) reports that, once adjustments are made for the in-year funding councils will receive for free school meals, the additional funding for 2023/24 was just under £640 million. SPICe report that this will represent a £223 million real terms increase in funding, based on 2022/23 prices.

47. COSLA had previously estimated a [£1 billion gap](#) for councils in 2023/24 and argue that the uplift amounts to £71 million once national policy commitments are taken into account. They welcome the flexibility to set their own council tax rates but state that the scope to do this will be limited due to the cost of living crisis.

Budgets for 2022/23

Councils intend to bridge the budget gap of £0.4 billion for 2022/23 with planned savings and reserves, but the reliance on non-recurring reserves is not sustainable in the medium to long-term

48. At the time of budgeting, councils identified budget gaps totalling £0.4 billion in real terms, which represented three per cent of the 2021/22 net cost of services. This is consistent with the gap identified in the previous years. The 2022/23 estimated budget gap as a proportion of 2021/22 net cost of services varied across councils from an anticipated surplus of 0.2 per cent to a gap of 23 per cent ([Exhibit 11, page 25](#)).

49. The majority of the estimated budget gap for 2022/23 was planned to be funded through the following ([Exhibit 12, page 26](#)):

- agreed recurring savings (36 per cent)
- use of reserves (32 per cent)
- increases in Council Tax (16 per cent).

50. Sixty-six per cent of councils intended to use reserves to help bridge the 2022/23 budget gap, however, the use of reserves is not sustainable in the medium to long term. The achievement of recurring savings and a movement away from the reliance and use of non-recurring reserves will be key to ensuring longer-term financial sustainability. This makes the case for a continued focus on service reform, based on strong engagement with communities, more important now than ever.

2022/23 funding settlement

Scottish Government revenue funding in 2022/23 decreased by 0.1 per cent in real terms when non-recurring funding elements are excluded

51. In [paragraphs 43 to 47](#) we have outlined the longer-term Scottish Government spending plans which were set out in the RSR. The initial local government revenue settlement from the Scottish Government in 2022/23, before taking into account non-recurring elements, increased by 3.9 per cent (cash terms) from 2021/22 to £12.0 billion. This was a real terms decrease of 0.1 per cent ([Exhibit 13, page 27](#)).

52. Non-recurring Covid-19 funding provided to councils in 2021/22 was £0.5 billion, the last year of this funding. In 2022/23, an additional £0.25 billion has been allocated to reduce council tax bills.

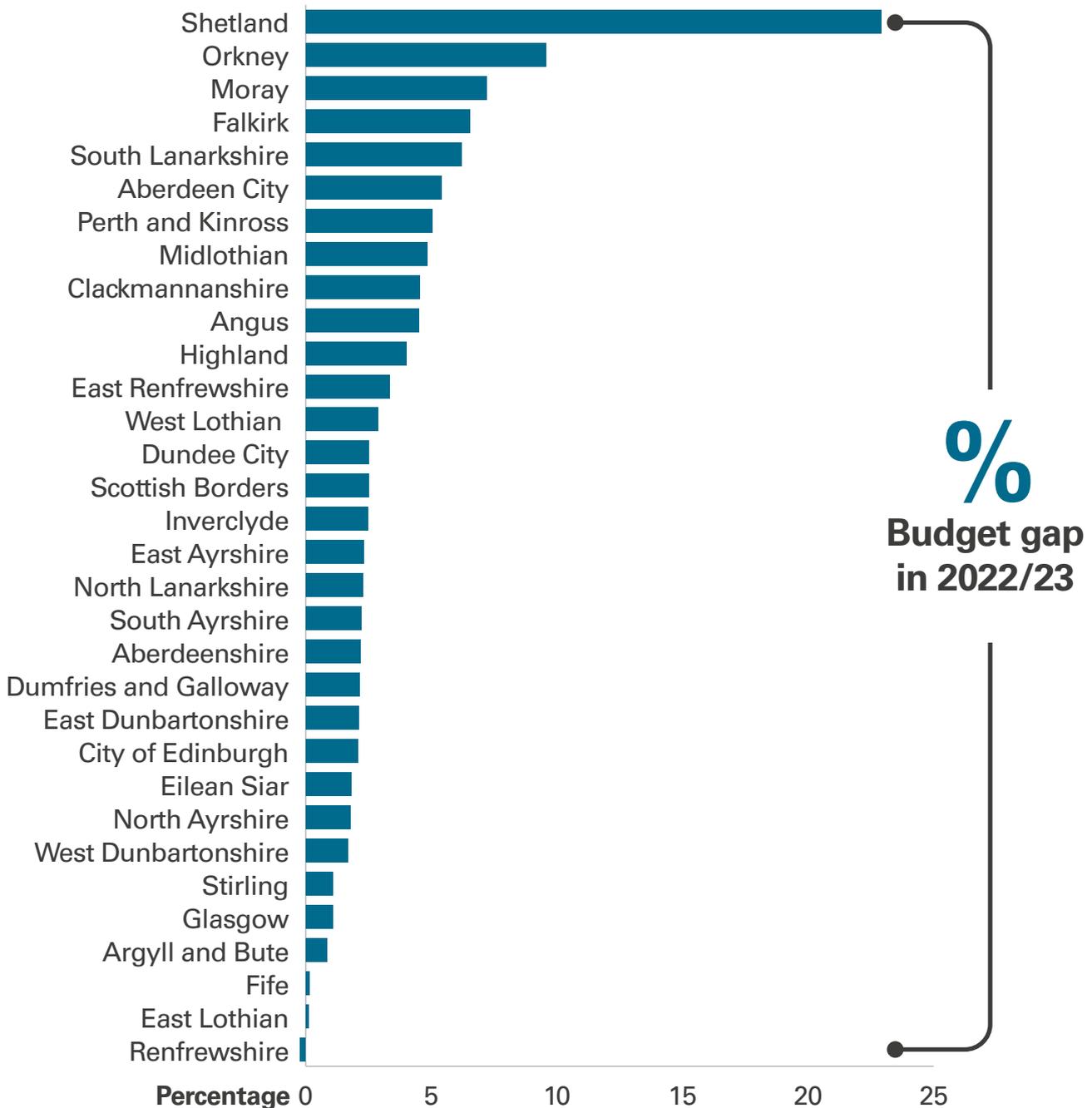
53. Total revenue funding in 2022/23 was £12.3 billion. This is a 2.4 per cent real-terms reduction on the 2021/22 position.

Councils identified budget gaps totalling £0.4 billion (3%) in real terms, of the 2021/22 net cost of services

Exhibit 11.

Budget gap as a proportion of net cost of services for all 32 councils in 2022/23

The budget gap at a council level varied between a 0.2 per cent surplus and a 22 per cent gap.

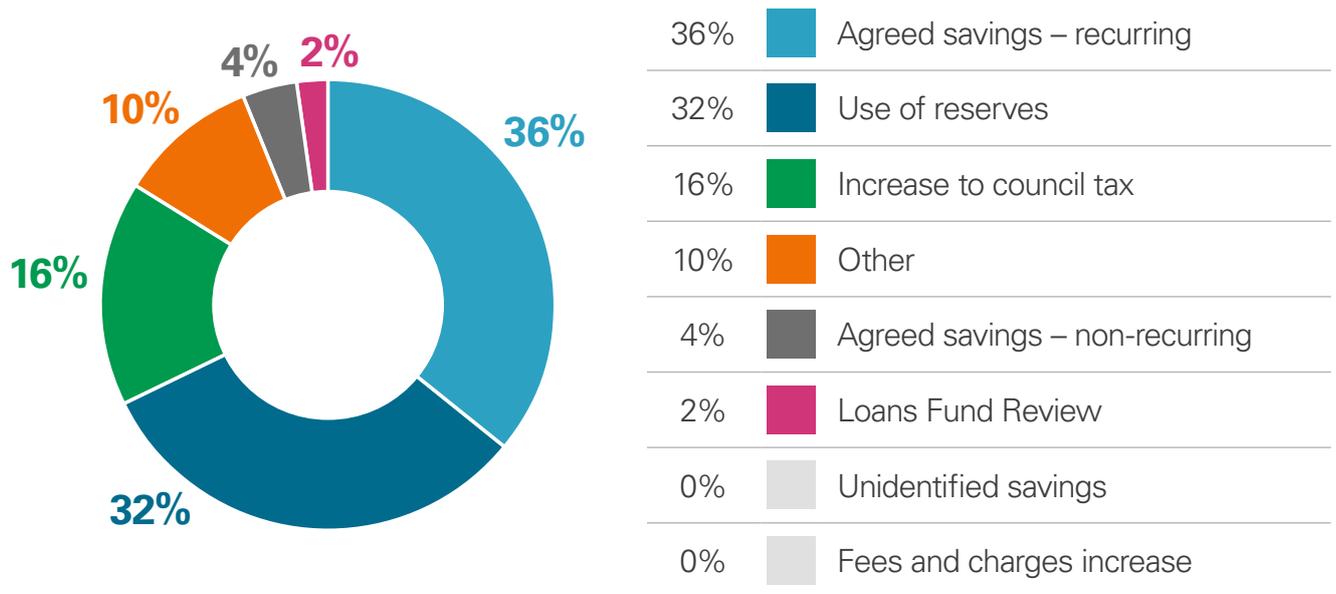


Source: Council budget papers, Auditor data returns

Exhibit 12.

Aggregate analysis of all 32 councils' proposed ways to meet the budget gap for 2022/23

The majority of the estimated budget gap for 2022/23 was planned to be funded through agreed recurring savings, use of reserves and increases in Council Tax.



Source: Auditor data returns

Exhibit 13.

Changes in Scottish Government initial revenue funding from 2021/22 to 2022/23

Total revenue funding will fall by 2.4 per cent in real terms in 2022/23.

	2021/22 £ million	2022/23 £ million	Cash change %	Real terms change %
General revenue grant	8,682	8,450	-2.7	-6.5
Non-domestic rate income	2,090	2,766	32.3	27.2
Specific revenue grants	776	785	1.1	-2.8
Non-recurring Covid-19 funding	515			
Cost of living funding		250		
Total revenue funding	12,063	12,250	1.5	-2.4
Total revenue excluding Covid-19/ cost of living	11,548	12,001	3.9	-0.1

Source: Finance circulars and Scottish Government budget documents

54. Scottish Government funding will not include Covid-specific allocations from the UK Government in 2022/23, however, there will be an increase in the overall Scottish Government budget. If we remove Covid-19 funding in 2021/22 from our analysis, the Scottish Government budget is set to increase by seven per cent in real terms, as opposed to a real-terms cut in local government funding of 0.1 per cent. However, if we include Covid-19 funding in the 2021/22 Scottish Budget, in 2022/23 it falls in real terms by ten per cent, a bigger fall than local government.

Capital funding

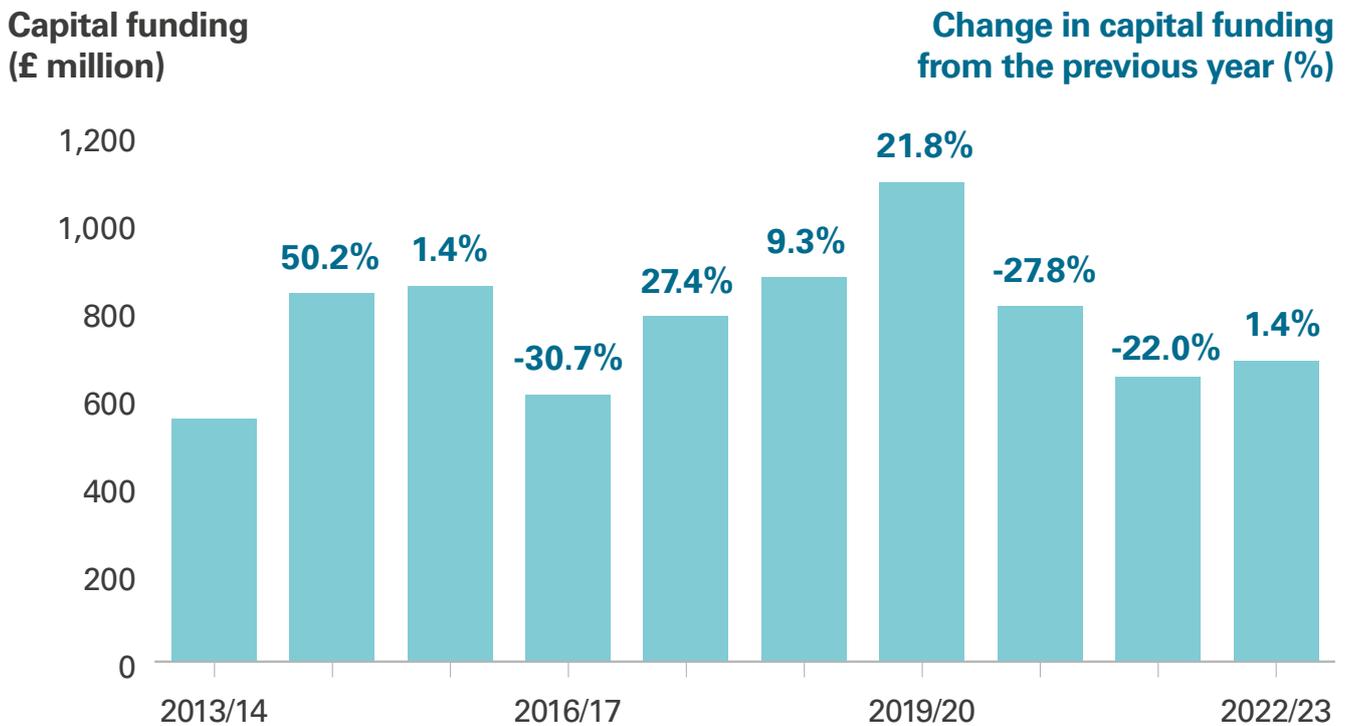
The Local Government capital settlement in 2022/23 increased from £649 million in 2021/22 to £685 million

55. Capital funding has increased by 1.4 per cent in real terms between 2021/22 and 2022/23. Capital funding had experienced significant increases up to 2019/20 before falling in 2020/21 and 2021/22. Real-terms total capital funding has now returned to levels closer to those seen in 2016/17 ([Exhibit 14, page 28](#)).

Exhibit 14.

Real-terms Scottish Government capital funding between 2013/14 and 2022/23

Scottish Government capital funding will increase slightly in 2022/23, but this follows two years of decreases over 20 per cent.



Source: Finance circulars and Scottish Government budget documents

56. Higher interest rates and inflationary costs will present risks to councils' capital programmes going forward. The affordability of capital spend will be significantly impacted by changes in interest rates. Some councils have anticipated costs will double, which has meant they will need to consider the affordability of their capital programmes going forward.

Local government in Scotland

Financial bulletin

2021/22

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ISBN 978 1 915839 01 5

Local government in Scotland

Overview 2023



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
May 2023

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

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Key messages and recommendations

Councils have never faced such a challenging situation, with demand and workforce pressures deepening after the Covid-19 pandemic and funding forecast to reduce in real terms. Radical change, achieved through greater collaboration, is urgently needed if councils are to maintain services.

1 Finances and resources

Budget constraints and increasing cost pressures are putting councils' finances under severe strain. An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it prevents councils from making decisions about how funds can be used at a local level, to meet local need. Councils have had to make significant savings to balance their budgets. Increasingly difficult choices about spending priorities and service provision are having to be made.

Recommendations:

The **Scottish Government and COSLA** need to take urgent action to finalise the New Deal for local government ([paragraphs 71–73](#)) and agree:

- a new partnership agreement with councils that supports collaboration
- a fiscal framework for local government that supports sustainable funding and greater financial flexibility and transparency.

The **Scottish Government** needs to provide more detailed financial information (eg, breakdown of type of funding and individual council allocations) to support councils longer-term financial planning.

Councils need to set out medium- to long-term financial plans that detail:

- how they will make recurring savings and reduce reliance on reserves to fill budget gaps
- how council resources are targeted to achieve their long-term policy and performance priorities.

2 Community needs and inequalities

The pandemic has affected performance across all service areas. There are signs of growing backlogs and declining performance in some service areas. Councils have a clear focus on tackling inequalities but the extent and impact of needs not being met is unclear. Some communities are facing crisis, with persistently high levels of poverty and increasing financial hardship putting additional pressure on services, at a time when councils have less capacity to support them.

Recommendations:

- **Councils** should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need.
- **Councils** should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data, and learning from those with lived experience.

3 Collaboration

The scale of the challenges ahead means that radical change is needed. It is only by working more collaboratively that councils and their local partners, communities and the third sector will be able to provide sustainable local services and deliver a significant programme of national reform to tackle issues such as climate change, child poverty and inequalities.

The pandemic demonstrated the benefits of partnership working and shared local goals. This needs to continue. Few councils provide services jointly or share professional support services. Many councils engage well with communities and local partners to better understand local priorities and needs. Now councils must better involve service users and communities, including those with lived experience, as they redesign services.

Recommendations:

Councils need to maximise the potential of collaboration by demonstrating they are:

- working with other councils, the wider public sector and the third sector to redesign and provide services
- involving service users and local communities in the redesign of services.

4 Leadership

Leaders must think radically and make fundamental changes to how councils operate in future, building on the collaborative and innovative ways of working many demonstrated during the pandemic. Leaders need to be open with their staff, communities and local partners about the difficult decisions ahead and be clear about how change will be achieved. The level of volatility, uncertainty (such as plans for a national care service) and immediate financial pressures make planning and delivering sustainable change more difficult. Ineffective leadership and high turnover identified at several councils, alongside tensions with central government present risks to their ability to make fundamental changes at the pace needed.

Recommendations:

Councils' leaders need to invest time and capacity in thinking radically about their future operating model, and:

- be open and clear with communities and staff about the need for change, what that means for future service delivery and involve communities in making difficult decisions
- set out a clear vision for their long-term policy and performance priorities, and how it will be delivered and monitored
- work with the Scottish Government to rebuild an effective relationship.

5 Workforce

Increasing workforce challenges, including a competitive labour market and high sickness absence levels, are putting councils under continued pressure. Councils need to innovate by developing the skills and building on the agility, flexibility and joint working demonstrated during the pandemic to make best use of their existing workforce. Wellbeing initiatives must continue and councils should monitor the impact of new ways of working such as hybrid working on both performance levels and staff wellbeing.

Recommendations:

Councils need to improve workforce planning to effectively develop and deploy their existing workforce. This includes:

- building the capacity, skills, strategic thinking and comprehensive workforce data needed for effective workforce planning
- updating workforce plans to reflect new models of service delivery and ways of working, including how they are:
 - identifying and addressing skills gaps, at operational and leadership levels
 - making best use of their existing workforce by collaborating with partners to overcome recruitment challenges
 - planning for the skills needed to deliver future services, focusing on collaborative and flexible working, including working with the higher education sector to plan and develop skills for the roles needed.

Background

About this report

In August 2020, the Accounts Commission agreed a strategic medium-term approach to reporting on the impact of the Covid-19 pandemic. This approach committed to producing a series of annual overview reports over a three-year period.

This report:

- is the third and final overview report in the series
- builds on the previous reports in the series and examines:
 - how has the pandemic affected councils and their performance?
 - what are the current and future challenges facing local government?
 - how well placed are councils to deal with the current and future challenges?
- draws on findings from the financial bulletin, considering these in the context of the wider overview.

The findings of this report are drawn from 2021/22 annual audits, performance and best value audit work carried out during 2022 and from specific research and analysis of available data and intelligence.

Web resources



To support improvement, we have developed a set of resources for councils which are available on our [website](#). These resources include two supplements:

- a collection of [case studies](#) to illustrate issues and practice across councils
- a checklist with [questions for elected members](#), to help in their scrutiny and decision-making roles and in their work with council executives.

Previous reports



This report follows the first two reports in the series:

- [Local government in Scotland: Overview 2021](#) considered councils' response to and management of the initial phase of the Covid-19 pandemic.
- [Local government in Scotland: Overview 2022](#) considered the ongoing impact of the pandemic and councils' progress towards recovery and renewal.

Each year we publish a financial overview. The most recent one, [Local government financial bulletin 2021/22](#), was published in January 2023.

The impact of the pandemic on councils' performance

Service performance was beginning to stall before the pandemic as a result of long-term reductions in funding and wider pressures. The pandemic has affected performance across all service areas. Some services are showing signs of recovery, but there are also signs of growing backlogs, declining performance in some areas and services at capacity. The extent and impact of needs not being met is not clear.

The pandemic has adversely impacted performance across all service areas and there are signs of growing backlogs, declining performance in some areas and services at capacity

1. In our [Local government in Scotland: Overview 2020](#), we reported that service improvement had begun to stall or even decline as councils dealt with increasingly challenging pressures and long-term reductions in funding. For example:

- performance in many areas of adult social care including delayed discharge, satisfaction and service quality had all slowed or started to decline
- some educational attainment and early years indicators had declined

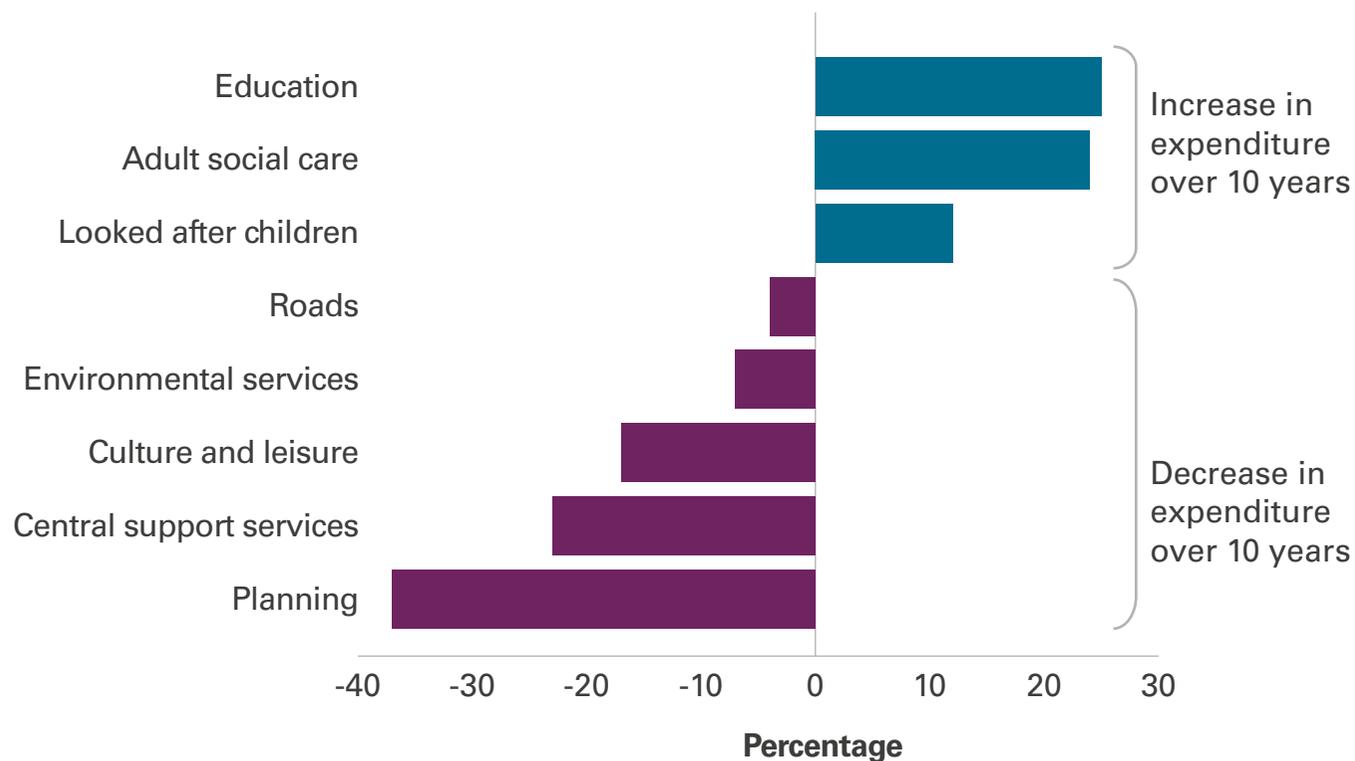
- improvements to recycling levels had stalled and satisfaction with street cleaning and waste collection had reduced
- costs for culture and leisure services had reduced and the number of attendances had increased, but satisfaction had declined across all service areas.¹

2. Over the last decade, there is a clear divergent pattern of spend. Spending on children's services (education and looked after children) and adult social care has been protected and increased because of national policy directives. This means that the remaining 'unprotected' services have borne a disproportionate level of spending reductions ([Exhibit 1, page 9](#)) and some services entered the pandemic already under pressure.

¹ Local Government Benchmarking Framework 2018/19

Exhibit 1.

Percentage change in expenditure (in real terms) over ten years from 2012/13 to 2021/22



Note: Economic development and Tourism services have seen a 43 per cent increase over the period. We have excluded this from the chart as year-to-year expenditure is volatile and there is not a consistent trend in spending over this period.

Source: Local Government Benchmarking Framework, 2021/22

3. Since March 2020, the context councils have been operating in has been unprecedented. While staff worked hard and adapted to maintain the delivery of key services during the Covid-19 pandemic, performance across all services areas was adversely impacted.

4. During the pandemic, councils gave priority to providing essential front-line services to support the most vulnerable. Other services such as culture and leisure were closed for extended periods in line with Scottish Government guidance. Although councils report that all services have restarted, some are not available to the same extent as before the pandemic, and backlogs remain.

5. Councils state that they have a clear understanding of where increased demand and backlogs exist and report on these publicly through committees. We found some good approaches to managing service level demands and backlogs, such as including them in strategic planning and budgeting as well as joint working with local partners.

6. A lack of publicly available data means that we do not know the scale of service demand, backlogs and, in particular, unmet need – and nor does the public. Councils need to be more transparent with the public about the impact of the pandemic, and pressures more widely, on service performance, the extent of backlogs and changes to eligibility criteria necessary to ration access to services.

7. [Exhibit 2 \(page 11\)](#) shows Local Government Benchmarking Framework performance indicators two years on from the start of the pandemic but before the recent cost-of-living crisis and inflationary cost pressures. Nationally, performance in some services is showing signs of recovery, eg education, but it is concerning that there are signs of backlogs, declining performance, and systems at capacity in some of the services that will be most in demand during the cost-of-living crisis, eg housing, homelessness and social care.

8. Councils can make different policy choices about their service and performance priorities. Councils also operate in different environments and these different local factors such as levels of deprivation, population distribution, size of council area and geography affect service demand and performance. An ageing population increases demand for social care services, rurality can make it more difficult to deliver services cost-effectively, and deprivation and poverty have wide-ranging impacts which can affect council services.

Exhibit 2.

Service performance during the covid-19 pandemic against selected Local Government Benchmarking Framework indicators up to 2021/22

Performance at risk or declining



Adult social care

There are signs that the sector is in crisis, with growing backlogs, declining satisfaction and no clear picture of demand or unmet need. Spending increased during the pandemic, continuing the longer-term trend. Homecare hours dropped slightly in 2020/21 before increasing to the highest levels ever recorded in 2021/22. Satisfaction continued to decline, and 2021/22 saw a drop of eight per cent in care services graded 'good' or 'better'.¹ Concerns have been raised about day centres not fully reopening. Delayed discharges, an indicator of capacity in the system, dropped at the start of the pandemic but are now at their highest levels since the current guidance came into place in 2016 (delays due to the non-availability of home care are also at their highest).



Housing and homelessness²

Housing performance indicators fell during the pandemic as a result of increasing financial hardship and Covid-19 restrictions limiting access to properties. Loss of income increased from rising rent arrears and voids. Maintenance performance fell. There was a large drop in housing quality in 2021/22 but overall energy efficiency continues to improve. This reflects Covid-19 related delays in carrying out electrical safety inspections, installing smoke and heat detectors, and upgrading work to improve energy efficiency.³

During the first year of the pandemic homelessness fell as a result of emergency extra protections but it is rising again. Some councils are not meeting their statutory duties in terms of homelessness. Performance in providing temporary accommodation is worsening, with record levels of children living in temporary accommodation. Social housing supply is insufficient to meet demand.



Environmental services

Performance declined during the pandemic. Recycling rates fell during 2020/21 and have not recovered. Cleanliness levels continued their long-term decline, especially in councils with the highest levels of deprivation. Against the long-term trend, parks expenditure increased in 2021/22 largely due to reinstatement of works, following reduced expenditure/income in 2020/21 during lockdowns.



Culture and leisure

Services were severely affected by the pandemic and future risks are significant. The impact on these services was severe in 2020/21 and into 2021/22 as many facilities closed in accordance with Scottish Government guidelines. This impact can be seen in lower attendances and increased costs per visit: leisure services and museums saw a partial recovery in 2021/22 but library services saw little rebound. With little resilience in these services owing to long-term funding reductions, future challenges are significant. A recent survey of leisure trusts suggests a high risk of closures as a result of inflationary cost pressures.⁴

Cont.

Performance mixed or recovering



Children's services

Performance during the pandemic was mixed, attainment and progress towards closing the poverty-related attainment gap stalled but has shown some recovery. Spending increased during the pandemic, continuing the longer-term trend. This was driven by the expansion of early learning provision. Primary schoolchildren's attainment improved in 2021/22 compared with 2020/21 but has not yet recovered to its pre-pandemic level. A similar trend is seen in the poverty-related attainment gap, which narrowed in 2021/22 compared with 2020/21 but remains larger than pre-pandemic. S3 pupils' attainment fell in 2021/22 compared with pre-pandemic, and the attainment gap widened. The improvement in senior secondary school pupils' attainment seen during the pandemic was sustained in 2021/22 when exams resumed, most strongly in councils with high levels of deprivation. It is concerning that the quality ratings of early learning provision continued to decline and developmental concerns for pre-school children have risen.



Economic development and tourism

Performance declined during the first year of the pandemic, as activity was refocused on Covid-19 financial support, but shows signs of recovery. Investment in economic development dropped during 2020/21 before rebounding to its highest level in 2021/22. That period also saw a huge increase in those helped into work by council employability programmes, reversing the previous trend. Councils' support for business start-ups, a measure of investment in wider economic development, fell early in the pandemic but has shown some recovery. Performance is likely to reflect the impact of councils redeploying staff from traditional employability and business support to focus on the distribution of Covid-19 support grants as well as wider uncertainty in the economy, labour shortages and disrupted supply chains.

Performance maintained



Corporate services

Performance dipped slightly but activity significantly increased, as corporate support services had a critical role in delivering Covid-19 grants, supporting financial hardship and facilitating homeworking for councils' workforce. Spending on the Scottish Welfare Fund and Discretionary Housing Payment rose significantly in 2020/21 and again in 2021/22. Councils processed £72.8 million in self-isolation support grants, mainly in 2021/22.

Notes:

Indicators capture national performance before the recent cost-of-living crisis and inflationary cost pressures. The Improvement Service advises that the methodology for measuring satisfaction indicators through the Scottish Household Survey has changed, so we do not have trends available for comparison.

1. Care service quality figures should be interpreted with caution, as the Care Inspectorate states that this may be due to a focus during the pandemic on higher-risk or failing services.

2. Homelessness statistics are not part of the LGBF. Source is Scottish Government homelessness statistics publication.

3. The decrease in performance against housing quality should be interpreted with caution as higher Scottish Housing Quality Standards were introduced in this time period.

4. [Current Landscape for Leisure and Culture Charities in Scotland](#), Community Leisure UK (Scotland), November 2022.

Source: Improvement Service's Local Government Benchmarking Framework 2021/22 and Scottish Government homelessness statistics

9. The impact of the Covid-19 pandemic on performance at a local level varied as these local factors affected the levels of need and demand, and councils' responses and solutions. Councils should use the Local Government Benchmarking Framework (LGBF) alongside local data and intelligence to compare their performance with neighbouring or similar councils to assess the effectiveness of new ways of working and to help inform them where improvements and better outcomes for communities can be achieved ([Case study 1](#)).

10. Given the service demand and cost pressures facing councils it is unlikely that they will be able to maintain performance across all of the services they currently provide without radical change.

Councils will need to make difficult choices about what their service and performance priorities are. Strengthening the use of data and consulting and involving communities, especially the experience of service users, will be critical to informing these decisions.

Case study 1.

Use of LGBF data to inform improvement

South Lanarkshire Council worked collaboratively with the Improvement Service to achieve the most value from the LGBF indicators in a way that helps drive its improvement based on its strategic priorities.

In December 2021, the Improvement Service provided a bespoke analysis of LGBF indicators for the council, structured around the council's new Connect Plan. Each of the council's services considered which LGBF indicators added value for inclusion in a subset of indicators for future reporting. Of the 95 LGBF indicators available, 33 were identified as aligning with the outcomes of the council's new Connect Plan. These were embedded within the Connect Plan's reporting and used to focus attention on how well the council is performing in achieving its strategic outcomes. The bespoke approach aims to provide greater opportunities for elected members to scrutinise the LGBF within a council specific context and should allow for more meaningful use when making strategic decisions.

Source: [South Lanarkshire Council's annual audit report 2021/22](#)

In March 2023, the Improvement Service launched a newly developed [dashboard](#) that allows councils to explore and analyse all the LGBF performance indicators in an interactive data tool. This is intended to help councils better assess and benchmark their performance.



What are the current challenges facing local government?

Councils are operating in an increasingly volatile and uncertain landscape, as pressures increase after Covid-19 and funding is forecast to be reduced in real terms. Some communities are facing crisis, with increasing poverty and financial hardship putting additional pressure on services at a time when councils have less capacity to support them.



Financial

Budget constraints and increasing cost pressures are putting councils' finances under severe strain.



Local needs

Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected.



National policies

Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty.



Workforce

Increasing workforce challenges such as difficulty recruiting and high sickness absence levels are putting councils under continued pressure.



Leadership

While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high turnover identified at several councils present a risk.



Budget constraints and increasing cost pressures are putting councils' finances under severe strain

Councils' funding has been constrained for many years

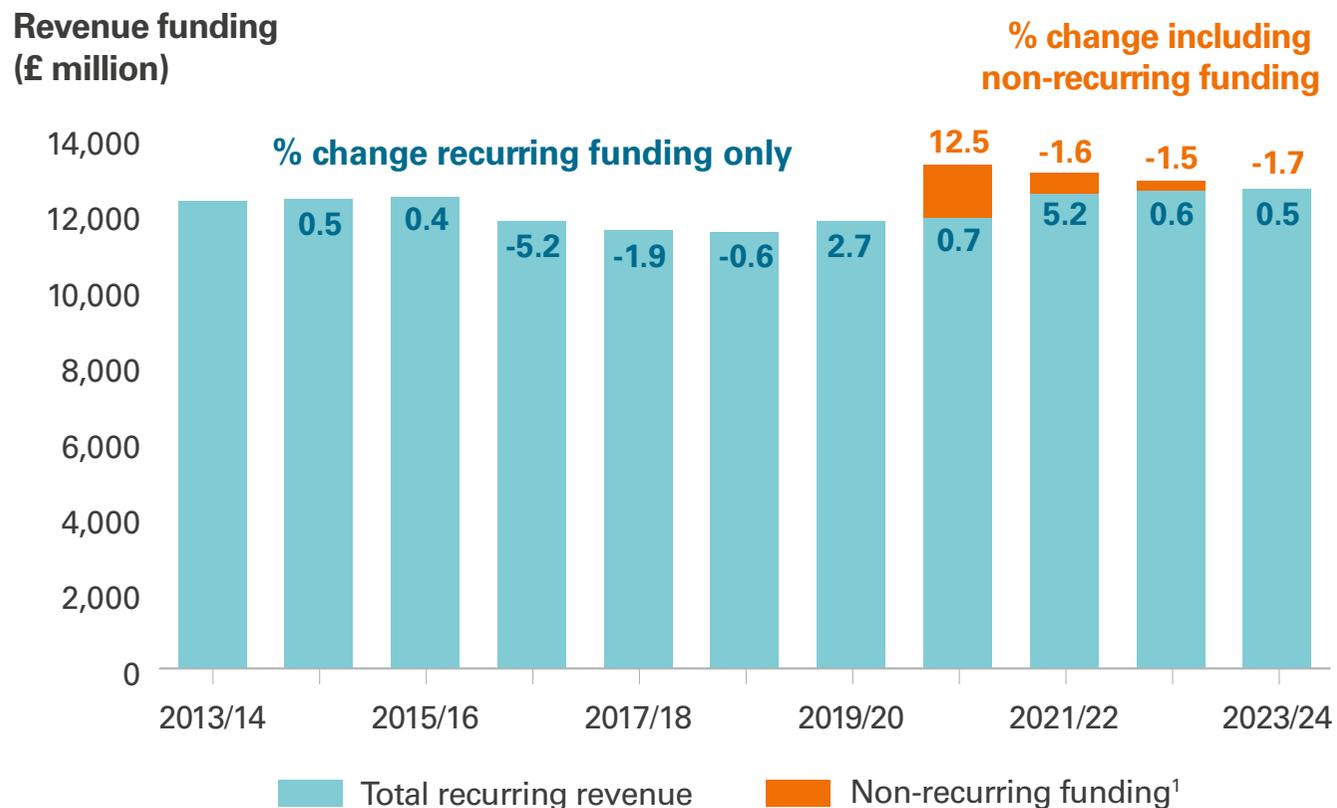
- 11.** Councils receive the majority (over 70 per cent) of their funding from the Scottish Government.
- 12.** [Exhibit 3 \(page 16\)](#) shows funding from the Scottish Government over the last decade. Over this period (comparing 2023/24 to 2013/14), revenue funding to local government has increased by 2.6 per cent in real terms.
- 13.** In 2021/22 (excluding Covid-19 funding elements which are non-recurring) revenue funding from the Scottish Government to councils increased by 5.2 per cent in real terms compared to 2020/21. This increase brought funding back to a level similar to what it was in 2015/16.
- 14.** Total revenue funding saw small real terms increases in both 2022/23 and 2023/24 when non-recurring elements of the settlement are removed.
- 15.** Despite additional Covid-19 funding amounting to £1.8 billion during the first two years of the pandemic, councils continued to face significant financial challenges, requiring substantial savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities.
- 16.** An additional pressure is that the funding of local government has not kept pace with other parts of the Scottish budget for many years.
- 17.** Our [Local Government in Scotland: Financial Bulletin 2021/22](#) provides further detail on councils' financial position.

Funding is forecast to reduce in real terms

- 18.** In May 2022, the Scottish Government published its Resource Spending Review 2022. This is the first multi-year spending plan in Scotland since 2013. It set out high level spending plans up to the end of this parliament in 2026/27, which show that 'core' funding is set to reduce in real terms ([Exhibit 4, page 17](#)).
 - 19.** The recent 2023/24 Scottish Budget allocated £10,933 million 'core' funding to local government for 2023/24 which is higher than what was forecast in May 2022. There was no update on whether future years will also see similar uplifts.
-
- We expect an updated funding outlook for 2024/25 and subsequent years to be published as part of the Scottish Government's medium-term financial strategy in May 2023.*
-
- 20.** While a multi-year spending plan is welcome, the financial information within the plan is not sufficiently detailed (nor is it broken down to individual council allocation) to fully support long-term planning purposes.

Exhibit 3.

Scottish Government revenue funding to local government (in real terms) and year-on-year percentage change, 2013/14 to 2023/24



Notes:

1. Non-recurring funding refers to Covid-19 related funding in 2020/21 and 2021/22 and cost-of-living support for council tax bills in 2022/23.

2. We use the finance circulars to compare the funding position year-on-year as we believe this is the most accurate comparison. These figures include funding for national policy initiatives and transfers from other portfolios. Figures calculated at 2023/24 prices.

Source: Scottish Local Government Finance Circulars

Exhibit 4.

Resource Spending Review financial outlook to 2026/27

The plan projected real-term reductions to 'core' funding for local government.

(£000s)	2023/24	2024/25	2025/26	2026/27	2027/28
Cash terms	10,616 ¹	10,616	10,616	10,616	10,716
Real terms	10,616 ¹	10,452	10,352	10,230	10,158
Percentage change cash		0.0%	0.0%	0.0%	0.9%
Percentage change real		-1.5%	-1.0%	-1.2%	-0.7%

Notes:

1. Since publication of the Resource Spending Review the 2023/24 Budget has been agreed which saw local government's allocation increased to £10,933 million for that year.

2. These figures represent funding before transfers from other portfolios. Real terms figures calculated at 2023/24 prices.

Source: Audit Scotland using the Resource Spending Review, May 2022 and the Scottish Budget 2023/24

Increasing cost pressures jeopardise the sustainability of local services

21. At a time when councils and their communities are still feeling the impact of the Covid-19 pandemic, councils are now also having to manage increasing cost pressures including:

- inflationary pressures, including rising energy costs, which are having a significant impact on the cost of providing services
- managing the ongoing recovery from Covid-19 and its longer-term impact, now that one-off Covid-19 funding has ended
- meeting the cost of new pay awards and Real Living Wage
- increasing demand for services from a population that is ageing, less healthy and facing increasing financial hardship
- higher costs of capital programmes as a result of inflation, slippage due to the pandemic and shortages in construction materials. These increased costs may affect councils' ability to deliver on capital transformation programmes, which are a necessary component of modernising services to deliver improved outcomes for local communities. We report further on capital pressures in our [Local Government in Scotland: Financial Bulletin 2021/22](#).

22. These significant cost pressures alongside forecasted reductions to funding are leading some chief executives to be concerned about the sustainability of councils. This could lead to cuts to services and job losses, particularly in the absence of a radical reform of services.

23. A UK-wide survey by the Society of Local Authority Chief Executives (SOLACE) found that 78 per cent of council chief executives and senior managers responding to the survey stated that they were facing a large or very large budget gap in 2023/24.¹ Those services they identified as at risk of cuts included:

- Environmental service (identified by 75 per cent of respondents)
- Libraries, leisure and tourism (67 per cent)
- Regeneration (50 per cent)
- Adult social care (44 per cent)
- Transport (38 per cent)
- Children’s services (37 per cent)
- Housing (33 per cent).

24. While there is no doubt that cost pressures and budget constraints are putting pressure on services, there is no clear picture yet of the scale and impact of service cuts or reductions.

Councils are relying on reserves to bridge budget gaps

25. In 2022/23 councils’ total budget gap stood at £0.4 billion. COSLA estimates that the budget gap for 2023/24 will be £1 billion. There is a large gap between what COSLA states councils need and the Scottish Government’s funding allocation and it warns this could mean fewer jobs and cuts to services.

26. Two-thirds of councils intended to use reserves to bridge the 2022/23 budget gap and target recovery activity. While this is understandable as some of this was Covid-19 funding carried forwards via reserves to spend in the following year, these funds were one-off payments. It is not sustainable to keep using reserves to meet financial pressures.

27. It is important that councils maintain overall reserve levels in line with local strategies to ensure longer-term resilience and sustainability. Having robust medium- and longer-term financial plans in place will continue to be key to maintaining financial sustainability. Councils will also need to make difficult choices about spending priorities.

Increasingly ring-fenced and directed budgets reduce financial flexibility

28. An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services.

29. In our [Local Government in Scotland: Financial Bulletin 2021/22](#), we calculated this to be 23 per cent of total revenue funding in 2021/22 compared to 18 per cent in the previous year. Ring-fenced and directed funding helps support the delivery of key Scottish Government policies but limits local discretion and flexibility over how these funds can be used locally by councils.

30. [Exhibit 5 \(page 19\)](#) details how we calculated ring-fenced and directed funding and how the Scottish Government and COSLA interpretations differ.

¹ SOLACE [Autumn statement survey](#), November 2022.

Exhibit 5.

Views on ring-fenced or directed elements of the Scottish Government's revenue funding to local government



Scottish Government's view

Only the specific revenue grant is formally ring-fenced to fund identified policies. Other funding commitments are directed for national policy commitments but are not formally ringfenced.

In 2021/22, the specific revenue grant was £776 million, representing seven per cent of total revenue funding for local government. This included funding for early learning and childcare expansion, Pupil Equity Fund and criminal justice social work.



COSLA's view

Includes the specific revenue grant plus obligations created by current and past Scottish Government policy initiatives and fixed obligations such as loan charges.

In 2021/22, COSLA estimated that these represented 65 per cent of local government revenue funding. As part of their estimate COSLA include all school teaching staff costs (due to the national commitment to maintain teacher numbers), all adult social work costs devolved to IJBs alongside other policies such as universal Free School Meal provision for P1–5.



Our calculation

We include the specific revenue grant and funding outlined in local government finance circulars and Scottish Government budget documents as being directed for national policy initiatives.

For 2021/22, we estimated that ring-fenced and directed funding totalled £2.7 billion, representing 23 per cent of total revenue funding for local government. A large amount of this was to support elements of education and social care service provision.

Source: [Local government in Scotland: Financial overview 2018/19](#), [Local government in Scotland: financial bulletin 2021/22](#) and information from COSLA including their [submission](#) to the Scottish Parliament's Finance and Public Administration Committee work on The Impact of the Cost of Living and Public Service Reform, August 2022



Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected

31. While the local impact of national demographic trends varies, for many years we have been reporting how changes in the structure of the population affect the need for and demands on many council services. These changes include:

- a declining population that is also ageing, with the proportion aged over 65 projected to increase by a third by mid-2045²
- falling life expectancy and falling healthy life expectancy. The gap in healthy life expectancy between the top and bottom socio-economic groups is about 25 years.^{3 4}

32. The legacy of the Covid-19 pandemic and now the cost-of-living crisis have brought new pressures or exacerbated existing ones ([Exhibit 6, page 21](#)). The situation faced by some is stark, with increasing financial hardship and a decline in levels of mental wellbeing. Low-income households and people already experiencing inequalities are most affected.

33. Child poverty remains persistently high. In 2019–22, 24 per cent of children were living in relative poverty, the same level as five years ago.⁵ Two issues should be taken into consideration when considering this year's child poverty statistics:

- As noted in our [Tackling child poverty](#) briefing paper the main indicator – relative poverty – is based primarily on income rather than outgoings and so does not fully capture the impact of the cost-of-living crisis on children and families.
- Two key policies that may have a positive impact on child poverty figures – the rollout and increase in value of the Scottish Child Payment and the expansion of funded early learning and childcare to 1,140 hours – are not yet fully captured in the data.

34. Councils have a key role in tackling these issues and providing support. These growing pressures affect:

- the demand for services, including social care, education, financial support such as Scottish Welfare Fund grants and discretionary housing payments, housing and homelessness, and employability
- council income in terms of rent and council tax arrears.

35. At a time when councils are under severe financial strain, finding the capacity and resources to respond to these pressures in the short and longer term will be a challenge.

² [Projected Population of Scotland \(2020-based\)](#), National Records of Scotland.

³ [Life Expectancy in Scotland, 2019–2021](#), National Records of Scotland.

⁴ [Healthy Life Expectancy 2019–2021](#), National Records of Scotland.

⁵ [Poverty and Income Inequality in Scotland 2019–22](#), March 2023.

Exhibit 6.

Examples of growing pressures



Persistently high levels of child poverty

In 2019–22, 24 per cent of children were living in poverty, affecting every aspect of their wellbeing and life chances. This is at the same level as five years ago, and the ongoing increases in the cost-of-living crisis risk more children experiencing poverty.

Increasing financial hardship for people living with a disability

Sixty-four per cent of respondents to a small survey by Inclusion Scotland in September 2022 said that they are cutting down on or going without items or services used directly to manage their impairment or health condition.

Increasingly stark situation for low-income families

Almost one in five low-income families are unable to afford food or heating. Eighteen per cent of low-income households have skipped or reduced the size of meals and not heated their home due to the cost-of-living crisis (Poverty in Scotland 2022, Joseph Rowntree Foundation).

Increasing food insecurity

In 2021, nine per cent of adults were worried about running out of food, six per cent were eating less, and three per cent were running out of food (The Scottish Health Survey, 2021). 45 per cent of children living in poverty live in households that lack food security (2019–22 Child Poverty Statistics).



Increasing rent arrears

Over 110,000 council tenants were in arrears as of March 2022 (an increase of 6.6 per cent since March 2021).

Ethnic minority households more likely to experience deeper levels of poverty

Ethnic minority households are likely to spend a greater proportion of their income on essentials that are subject to inflation. The proportion of children in relative poverty after housing costs in minority ethnic households is 39 per cent (2019–22 Child Poverty Statistics).

Increasing financial hardship for single parent families

Three in five single parents find it extremely difficult or are no longer able to afford utility payments, and two out of five say the same about food (One Parent Families Scotland research, March 2022).

Declining average levels of mental wellbeing

Levels were lower in 2021 than in 2019, following a decade in which levels had remained fairly constant. Women's average mental wellbeing fell by more than men's during the pandemic, and those people living in more deprived areas continue to report lower wellbeing. The lowest mental wellbeing scores were reported for young adults in the most deprived areas (Scottish health survey, 2021).



Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty

36. Councils have a unique role in shaping local communities. They provide many of the key local services that individuals and communities rely on. They also have a key local and, in many cases, regional role working with partners to set local priorities and improve long-term outcomes for their communities.

37. Alongside local priorities, councils play a leading role in delivering many national policies. Current areas of national policy or reform affect nearly every aspect of local government, such as education, early learning provision, tackling child poverty, adult social care and achieving net zero targets.

38. These policy initiatives will see fundamental changes in how council services are provided, come with substantial funding implications, and increased uncertainty. National policy initiatives also take up an increasing amount of council budgets which brings challenges in delivering local priorities and sustaining other service areas. This context makes longer-term financial planning challenging yet vital to ensure financial and service sustainability.

Plans for the new National Care Service are uncertain and divide opinion

39. The social care sector is under severe pressure from high demand and persistent workforce challenges, and a lack of action now presents serious risks to the delivery of care services for individuals. The [Independent Review of Adult Social Care](#) (IRASC), published in February 2021, sometimes referred to as the Feeley Report, proposed the formation of a National Care Service stating that the potential of social care support

in Scotland cannot be achieved without a new delivery system and that a National Care Service is needed to achieve consistency, drive national improvements, ensure strategic integration with the National Health Service, set national standards and terms and conditions, and bring national oversight and accountability by bringing together everyone with a role to play in planning and providing social care support.

40. The National Care Service Bill is at stage 1 but has been postponed until at least September 2023 because of concerns about the adequacy of parliamentary scrutiny based on only a framework Bill. There are still many unknowns. Details of the arrangements have yet to be determined and the scale of the costs involved in the financial memorandum are estimates with many caveats. The affordability of the vision set out is not certain given the actual scale of the costs are not yet clear. It is difficult for councils to plan current services with such uncertainty.

41. While there is consensus that fundamental reform is essential for long-term sustainability, there is not agreement about what that reform looks like and how it will be implemented.

Although local government agrees that reform is necessary, it disagrees that centralising services and structural reform will achieve the improvements needed. While the Scottish Government wants consistency of service across the country, stakeholders have raised concerns about the scale of reform and the time it will take to implement it.

42. Immediate concerns in the sector are that current issues (such as workforce and financial sustainability) in social care are in a critical state and these need addressed now.

43. We highlighted in our [Social Care](#) briefing (January 2022) that lessons need to be learned from past restructuring and public service reform, for example health and social care integration, police and fire reform, college sector regionalisation, and the development of social security responsibilities in Scotland.

44. Our reports in these sectors have found that reform is challenging, and public bodies have experienced difficulties implementing elements of reform – expected benefits are not always clearly defined and, even if they are, reform does not always deliver the expected benefits, particularly in the short term. Any difficulties in implementing social care reform could have a significant negative impact on vulnerable people who rely on care and support.



Our recent reports on other national policy areas:

Child poverty: in September 2022 the Accounts Commission and Auditor General for Scotland produced a briefing [Tackling child poverty](#).

Education: in March 2023, we published a blog [Encouraging progress on education data but still a long way to go](#).

Early learning and childcare: in June 2023 we will publish our third performance audit on the expansion of early learning and childcare.

Councils have a critical role in meeting national climate change goals

45. Councils have a critical role in achieving Scotland’s national climate change goals and contributing towards the national target of net zero by 2045. This includes councils:

- managing their own activities, estates, and assets to reduce their greenhouse gas emissions and achieve net zero – councils’ corporate emissions are the largest element of all public sector emissions in Scotland
- demonstrating leadership to tackle climate change across their local area, supporting behaviour change by helping their communities to adopt low carbon lifestyles and working with local partners to help communities adapt to the impacts of climate change.

46. In September 2022 we published [Scotland’s councils’ approach to addressing climate change](#) which set out that there are big differences in the targets that councils have set and their timescales for reaching net zero. We also found that councils need to be more transparent about their targets, their plans to meet them and the challenge ahead. Successfully addressing climate change is a huge challenge and will only be achieved with collaboration across all parts of government and society.

47. Financial constraints and a lack of specialist skills risk net zero ambitions not being realised. Failure to act early enough, however, will increase costs in future years. It could also make existing health and social inequalities worse, because the impacts of climate change, such as extreme weather events, can have a disproportionate effect on vulnerable groups and those living in poverty.



Increasing workforce challenges such as recruitment difficulties and high sickness absence levels are putting councils under continued pressure

48. Staff worked under unprecedented strain during the pandemic to adapt and maintain services and support communities. That same workforce is still under pressure.

49. Despite a focus on wellbeing, overall absence levels for non-teaching staff in 2021/22 were the highest on record ([Exhibit 7](#)). The Improvement Service highlight stress and burn-out as contributing to high absence levels.⁶

50. Recruitment and retention continue to be a challenge in both senior and front-line roles across Scotland as the employment market remains highly competitive ([info box, page 25](#)).

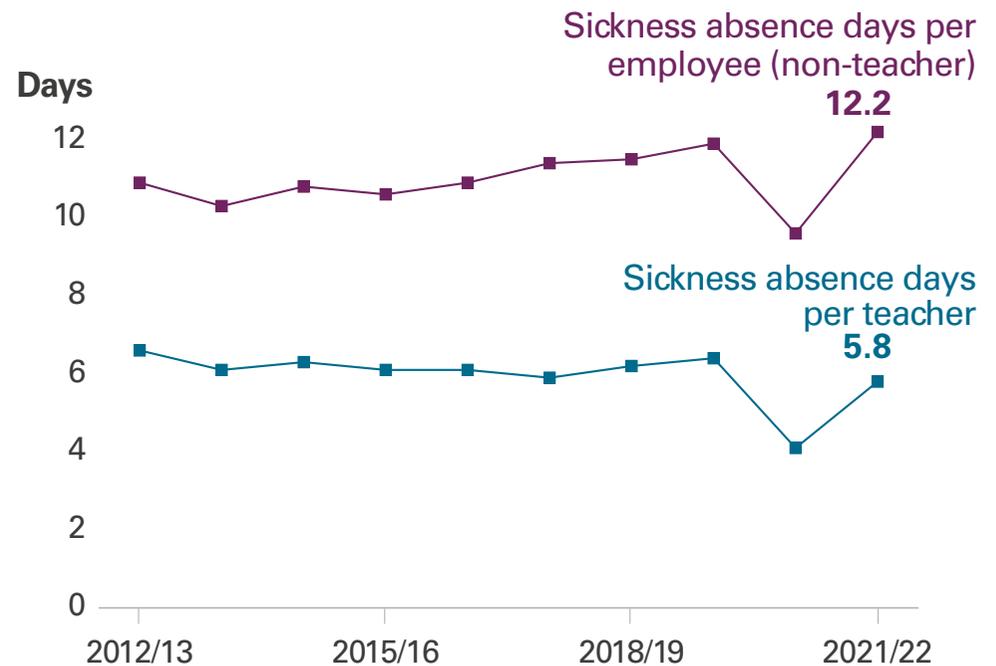
51. In our 2022 [Social care briefing](#), we reported that the sector faced ongoing recruitment and retention challenges, with high vacancy rates. This situation has worsened since, with 47 per cent of services reporting vacancies in 2021 compared with 36 per cent the previous year and 11 per cent across all sectors in Scotland. The whole-time equivalent vacancy rate in 2021 was 8.1 per cent, up from 5.1 per cent the previous year. In comparison, the vacancy rate across all sectors in Scotland was 1.9 per cent.⁷ Our briefing highlighted issues such as poor terms and conditions and staff not feeling valued as contributing to these recruitment difficulties.

⁶ [National Benchmarking Framework Overview Report 2021–22](#), Improvement Service, March 2023.

⁷ Care Inspectorate and Scottish Social Services Council (SSSC), Staff vacancies in care services 2021 report, Scottish Government’s Employer Skills Survey 2020.

Exhibit 7. Sickness absence levels over ten years from 2012/13 to 2021/22

Staff absence levels (excluding teachers) were the highest ever recorded in 2021/22. Teacher absence levels also increased in 2021/22 but remain lower than pre-pandemic levels.



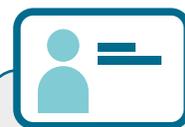
Note: Covid-19 absences are recorded separately and do not contribute to the trends.

Source: Local Government Benchmarking Framework 2021/22

52. The Society of Personnel and Development Scotland (SPDS) and the Improvement Service state that councils are also reporting emerging recruitment problems in new areas such as accountancy and corporate services, which may present risks to financial management.

53. The cost-of-living crisis, driven by inflationary cost pressures, led to industrial action by refuse workers and teachers over pay. While pay claims increase the pressure on budgets, prolonged negotiations adversely affect staff morale and service delivery.

54. Councils showed considerable flexibility in redeploying staff and adopting remote or hybrid working during the pandemic. However, it is still unclear exactly what impact hybrid working has on productivity or future models of service delivery. Recent research undertaken by the Scottish Government on this presents mixed findings.⁸ Our recent report [Resourcing the benefit service: A thematic study](#) found that remote working may present a risk to claims processing performance and recommended that councils regularly review flexible location working arrangements to determine the impact on service delivery and performance.



Reasons for recruitment and retention issues

Hybrid working has changed the way people work: they can now work remotely for an organisation in England or further afield. Private sector firms are offering hybrid working and looking to offer further improvements in quality of life.

Senior roles: bottom loading pay deals have narrowed the gap between junior and senior roles and made the latter less desirable. Public sector pay at senior levels has not kept pace with other sectors, so staff are leaving for better paid positions.

Retirement: the workforce is ageing and people are retiring, but now councils are seeing people retiring earlier.

Source: Audit Scotland using information from the Improvement Service, SPDS and Local Government Information Unit (LGIU)

⁸ [Working from home during the COVID-19 pandemic: benefits, challenges and considerations for future ways of working](#), Scottish Government, October 2022



While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high levels of change in senior officers identified at several councils present a risk

55. During the Covid-19 pandemic, many councils demonstrated strong collaborative leadership, working at pace with communities, the third sector and partners to provide the response needed. Councils' response was quicker where good partnership arrangements were already in place.⁹ Leaders used their local knowledge and set out clear priorities for working towards a common purpose.

56. Despite this, the following leadership risks have been identified in recent audit work:

- **Ineffective strategic leadership:** of the four Best Value Assurance Reports (BVARs) completed last year, in three (Moray, Shetland and Eilean Siar) we found that elected members were not demonstrating effective strategic leadership alongside senior management. This included leaders needing to better coordinate and drive forward plans, to have a stronger focus on strategic issues and elected members needing to work better together to deliver priorities.
- **Ineffective governance or scrutiny:** our 2021/22 annual audit work identified leadership risks relating to ineffective leadership in nine councils, often linked to ineffective governance, scrutiny, or both.
- **High levels of turnover:** most councils reported changes in senior leadership during 2021/22. Six chief executive or depute positions saw changes. Recent BVARs highlight that some councils are experiencing persistent difficulties in recruiting to key leadership posts.

57. The growing scale of the challenges facing local government requires leaders to make decisive and fundamental changes to how councils will operate in future. The leadership and strategic vision of elected members and senior officers will be crucial. Ineffective leadership and high turnover put at risk councils' leadership capacity to bring about fundamental change at the pace needed.

The pandemic and cost-of-living crisis have exacerbated tensions in central and local government relations

58. Effective partnership working between the Scottish Government and local government, built on a foundation of mutual trust, is essential for councils to be able to perform their key role in leading and shaping communities.

59. The pandemic and cost-of-living crisis has exacerbated tensions in central and local government relations. While local government demonstrated the positives of localism during the pandemic, and the Scottish Government is committed to local self-governance and community empowerment, local government feels that it should be involved in policymaking as well as implementing those policies at a local level.

60. There is appetite to rebuild an effective relationship between local and central government so that the strengths and capacity of both can be maximised to meet the challenges. Meaningful steps to realising these potential benefits would include Scottish Government and COSLA agreeing the New Deal ([paragraphs 71–73](#)).

⁹ [Community empowerment: Covid-19 update](#), Audit Scotland, October 2021

How are councils responding?

Councils must focus urgently on solutions that will deliver a sustainable future for local government.

Councils need to challenge old ways of doing things and take urgent action to reform

61. The scale of the challenge that lies ahead is greater than anything local government leaders (elected members and senior officers) will have ever experienced. Councils must work on three planning horizons: continue to deliver services here and now, identify and make improvements in the short term and plan for the longer-term radical change. This is an incredibly hard thing to do with an exhausted workforce but with councils' future funding position forecast to reduce in real terms, radical change is necessary so that councils can continue to serve their communities, respond to needs, meet demand and improve outcomes for people in the future.

62. Delivering services differently should be focused on improving performance and outcomes in ways that are innovative, affordable, and sustainable. A decade on, the four pillars in the Christie Commission report – people, prevention, performance, and partnership – are just as important and councils should embed them into their long-term visions and priorities.¹

63. The Commission recognises the challenges, complexities, and uncertainties that local government faces. In our [Local Government in Scotland 2019](#) report, we emphasised the need for councils to urgently consider making fundamental changes in how they provide

services. No one could have predicted the years that were to follow, nor the pressures that councils would face, yet evidence that councils are delivering radical sustainable reform is limited.

64. In this section, we set out how councils are placed to respond to the challenges they face and to move towards adopting a sustainable future model of local government. We consider the following themes:



Finances and resources



Leadership



Collaboration



Workforce



Community needs and inequalities

65. To achieve radical change, leaders need to build on the innovative ways of working demonstrated during the pandemic. [Exhibit 8 \(page 28\)](#) draws on lessons learned from the pandemic response based around the five themes above as well as outlining where we judge that more still needs to be done.

¹ [Christie Commission on the future delivery of public services, June 2011](#)

Exhibit 8.

Lessons learned from the pandemic and what more needs to be done





Councils need to balance immediate financial pressures with planning for and delivering long-term sustainable services

66. As the whole public sector faces the most difficult financial outlook seen for many years, councils need to make increasingly difficult choices about their spending priorities and balance short-term pressures with planning fundamental reform to provide long-term financial sustainability.

67. In the short term, councils have focused on immediate budget pressures. In our [Local Government in Scotland: Financial bulletin 2021/22](#) we reported that for 2022/23 the majority of the estimated budget gap (that is the gap between anticipated expenditure and revenue) was planned to be bridged by:

- **Recurring savings:** these savings were expected to meet about 37 per cent of the budget gap. For 2021/22 (the most recent year of accounts), councils' savings performance continued to improve but some chief executives and COSLA are concerned that forecasted reductions to funding will mean reductions or cuts in services and job losses.
- **Use of reserves:** two-thirds of councils intended to use reserves to help bridge the gap. This reliance on non-recurring reserves is not sustainable in the medium to long term.
- **Increasing council tax rates:** the Scottish Government lifted the freeze on council tax in December 2021. For 2022/23, the majority of councils increased council tax rates by three percent (in 2023/24, the majority increased rates by five per cent).
- **Use of financial flexibilities:** about four per cent of the gap was expected to be met by councils reprofiling their loans funds repayments by extending the repayment period. This generates one-off savings and is not sustainable in the long term.

- **Increasing income through fees and charges:** the scope for increasing income and the scale that can be achieved is currently limited but options being explored include councils introducing charges for garden waste, a transient visitor levy ('tourist tax') and tariffs for public electric vehicle charging.

68. The achievement of recurring savings and a movement away from the reliance and use of non-recurring savings and reserves will be important to ensuring longer-term financial sustainability.

69. Councils also need to focus on making increasingly difficult choices about their spending priorities and medium- to long-term financial planning must mature as councils look to make more fundamental change.

70. In May 2022, the Scottish Government published the first multi-year resource spending review in Scotland since 2011, outlining its resource spending plans up to the end of this Parliament in 2026/27.

While welcome, the financial information was not sufficiently detailed for planning purposes, with spending plans expressed at 'level 2' for the four years of the spending review period without individual council allocations indicated.

Agreeing the New Deal will be an important step forward

71. The May 2022 Resource Spending Review also set out plans to agree a New Deal for local government. The Scottish Government, COSLA and SOLACE are working together to advance this, building on the work of the paused local governance review (which was launched in 2017).

72. In its Programme for Government 2022/23 (published in September 2022), the Scottish Government reinforced its commitment to agreeing a New Deal including a fiscal framework for local government. The New Deal was expected to be agreed by April 2023.² However, the Cabinet Secretary for Social Justice, Housing and Local Government indicated in January 2023 that it was likely to be delayed by several months.³ Since then there has been a new First Minister and changes to senior posts in the Scottish Government and COSLA.

While it is important to get the New Deal right, action is now urgently needed to agree this. Further delays present considerable risks to the wider urgent action that councils need to take.

73. The New Deal is an important step in developing a partnership agreement that supports collaboration and trust, as well as developing a new fiscal framework that supports more certainty of funding, greater transparency and more flexibilities for local government. This should enable councils to better plan their long-term priorities and future service delivery models, and to manage council resources more effectively to deliver them.

² [Investing in Scotland's Future: Resource Spending Review](#), Scottish Government, May 2022.

³ [17 January 2023 Local Government, Housing and Planning Committee](#).



The New Deal is anticipated to include three elements:

- a partnership agreement with councils
- a fiscal framework to support greater transparency and accountability
- a working group to explore different options for the funding of local government in the future.

The aims of the New Deal include:

- balancing greater financial flexibility with accountability for delivering national priorities
- increased flexibility in and scope for revenue raising powers, such as the 'tourist tax' and workplace parking levy
- exploring how best to transform the digital administration of the non-domestic rates system
- increasing the flexibility available to councils for existing service concession arrangements, such as PFI- or NPD-funded projects
- a comprehensive capital accounting review.

Source: Audit Scotland using information from the [Scottish Government's Resource Spending Review](#), May 2022 and updates from [Letter from the Cabinet Secretary](#) to the Social Justice, Housing and Local Government, July 2022 and [Committee report](#), Net Zero, Energy and Transport Committee, January 2023.



Leaders need to invest time and capacity into thinking radically about their councils' future operating model, how it will be achieved and be open with communities and staff

74. Leaders (elected members and senior officers) must respond to the immediate pressures while also providing a long-term vision for their local areas and how services will be delivered differently in future. Leaders are vocal about the challenges ahead, and there is an increasingly clear appetite for change. However, the level of uncertainty and volatility faced by councils makes planning for the future more difficult.

75. In our Best Value reports on individual councils, we have seen that the quality of leadership and the pace and appetite for change varies. The current challenges may reinforce this gap with the risk that some councils will be left behind. The experience of leading through the pandemic and building on the lessons learned; reducing bureaucracy, working with partners and communities, focusing on the vulnerable, pivoting to digital and using the workforce in flexible ways must be consolidated and built upon.

76. In our [2022 report](#), we outlined important leadership principles that enabled councils' response to the pandemic – communication, collaboration, emotional intelligence, data-driven, agile and flexible, culture-focused, and enabling community empowerment. Leaders should draw on these to overcome the challenges now faced.

77. The challenging context needs leaders to invest time and capacity into thinking about radical changes to their council's future operating model. It is important that leaders are clear about their long-term policy and performance priorities, are managing council resources effectively to deliver them and are open with communities about what range and levels of services they can expect to receive in future.

78. It is important that councils with identified leadership risks develop the leadership skills needed to respond to this complex and uncertain

environment. It is positive that most councils have undertaken an assessment of senior leadership skills and developed action plans to address any skills gaps. High turnover at leadership level presents a risk to delivering change, and councils will need to continue to assess how best to recruit, pay and keep the talent needed.

79. Councils have structured induction programmes for new elected members and many also have further training programmes or development opportunities. Several councils have personal development plans to provide bespoke training for elected members ([Case study 2, page 32](#)). Elected members have a crucial role in engaging with their communities to explain future priorities and what that means for services and the local area, and to manage expectations. Many councils have been working on this through participatory budgeting and consultations on spending and service priorities ([Case study 3, page 32](#)).

80. Leaders recognise the need to engage with staff and trade unions on the implications of fundamental reforms for the workforce. They also recognise the need to involve them in developing solutions, innovating, and committing to a clear vision and aims for the council, its services, and the way it works with partners, the third sector and communities to make the most of scarce resources in their places. It is recognised, however, that this is particularly challenging in an environment of potential job losses.

Leadership is the focus of the Commission's annual Best Value thematic work this year and will be covered in all council annual audit reports published in Autumn 2023.

Case study 2. Elected member training and induction

West Lothian Council has an elected member development programme, which includes an online structured induction programme. Key topics include climate change, emergency planning and quality assurance procedures. Members are also supported to complete a personal development plan to enable them to identify and discuss specific and individual needs. Members are encouraged to review their role and consider what will help them to improve their performance and develop their knowledge, skills and abilities. This could be through training events, coaching, working with an experienced colleague or project work.

An evaluation of the induction programme was undertaken in July 2022 and positive feedback was received from elected members.

Source: Audit Scotland auditor data return and information from West Lothian Council

Case study 3. Community budget consultations

Perth and Kinross Council asked residents for their views on the council's 2023/24 budget and priorities for the next five years via an online survey accessed through the council's consultation hub. The council also held several in-person and online budget and corporate plan engagement events where communities could voice their views on the proposed new vision for Perth and Kinross. Residents were presented with the council's seven draft priorities and asked whether they agreed that these are the key issues that the council should focus on.

A summary of the responses from the survey and the engagement sessions was included in the report considered by the council when agreeing the corporate plan and budget.

Source: Audit Scotland using information from Perth and Kinross Council



Councils need to collaborate with communities, other councils and the wider public sector to tackle the challenges

Collaboration with communities

81. Our [2022 overview](#) report outlined how communities were a vital asset in the response phase of the pandemic but that more needed to be done to involve communities and service users in the recovery and the redesign of services. As councils take steps to fundamentally change how they provide services, the involvement of service users and communities will be critical to redesigning services that meet community needs and tackle long-term issues such as climate change and inequalities while also being sustainable.

82. Councils regularly consult with their communities to inform decision-making, including on setting annual budgets, redesigning services, and priorities for strategic plans. Reflecting the exceptionally challenging funding context this year, we have seen examples of councils engaging with their communities to explain the gaps in their budget and how they intend to bridge them ([Case study 3, page 32](#)).

83. We found good approaches to consulting communities to better understand the impact of the pandemic and inform decision-making on emerging challenges such as community impact assessments, research focused on the impact of the pandemic and establishing lived experience panels for the cost-of-living crisis ([Case study 4](#)).

84. Councils could still do more to empower communities and work more with them on the redesign of services. Our [Community empowerment: Covid-19 update](#) report brings together the learning points from the community response to the pandemic to help public bodies develop their longer-term approaches to supporting and empowering communities.

Case study 4.

Community engagement to better understand community needs and inform decision-making

East Renfrewshire Council uses a wide range of consultation and engagement approaches to understand community needs and issues and uses this intelligence to identify local priorities and inform strategic plans and service redesign. For example, it recently commissioned research on the impact of the pandemic to inform strategic decision-making and the redesign of services.

Source: Audit Scotland using information from East Renfrewshire Council

Collaboration with local partners

85. Councils have a good history of working with local partners and a statutory duty to do so through community planning partnerships.

86. The Covid-19 pandemic showed what can be achieved by working closely with local partners, including the third sector. Councils led a 'place-based approach' ([info box, page 35](#)) that worked across organisational and functional boundaries with aligned objectives and outcomes. This should now be consolidated into service delivery but there is concern that the momentum could be lost. Many organisations are facing their own funding and demand pressures that could threaten their ability to provide services and limit their capacity to explore new partnership working.

87. A recent report exploring barriers to effective collaboration between the third and public sectors identified four main themes: funding, meaningful collaboration, procurement and the cross-cutting issue of lack of trust.¹ All partners need to work with each other to overcome these barriers if councils are going to meet the challenge to deliver sustainable public services going forward.

88. Despite the barriers there are many positive examples of collaborative, place-based approaches and existing partnerships for councils to build on ([Case study 5](#)). The scale of the challenges mean that it is only by working together that councils and their local partners (including their communities and the third sector) will be able to provide sustainable public services and tackle long-term complex issues such as climate change, child poverty and inequalities.

¹ [Supporting collaboration between the third and public sectors: evidence review](#), Scottish Government, COSLA, SCVO and TSI Scotland Network, October 2022.

Case study 5. Local partnership working

Clackmannanshire Council works with local public sector partners and relevant third sector partners to deliver the STRIVE (Safeguarding through Rapid Intervention) programme.

Sharing crucial pieces of information at the earliest opportunity between trusted partners means practitioners are better able to 'join the dots' to understand the overall vulnerability of cases and share knowledge of existing support and interventions underway: this better informs the most appropriate action, reduces the likelihood and impact of people experiencing crisis and reduces the intensive resource required by services. An evaluation of STRIVE was undertaken in March 2021 and identified many benefits including preventing homelessness, improving financial security, providing rapid and direct access to mental health support, keeping families together and reducing alcohol and drug use. Building on the success to date, an early intervention approach has been added to other Family Wellbeing Partnership work in the area.

Source: Audit Scotland using information from COSLA and Clackmannanshire Council

Collaboration with other councils

- 89.** Councils need to radically rethink how they work with other councils to move towards a more sustainable model of service delivery. Shared services and shared professionals offer efficiencies and can help to manage recruitment pressures and skills shortages.
- 90.** Councils have made limited progress in this area. Few councils are sharing services. Only six out of 26 councils reported sharing services and four of these were sharing internal auditors ([Case study 6](#)).

Case study 6. Working with other councils

Scottish Borders Council and Dumfries and Galloway Council are working with other regional partners to develop and deliver a south of Scotland regional economic strategy. Through a Regional Economic Partnership, the councils have developed a long-term vision to guide and coordinate efforts to recover from the impacts of the Covid-19 pandemic, adjust to the UK's withdrawal from the EU, address the climate crisis and capitalise on new opportunities.

Source: Audit Scotland using information from Dumfries and Galloway Council and the South of Scotland Regional Economic Partnership



A place-based approach is about understanding the issues, interconnections and relationships in a place and coordinating action and investment to improve the quality of life for that community. The Scottish Government and COSLA have adopted a Place Principle. This promotes the need for communities, public organisations and businesses to work collaboratively with the assets and services in a place to achieve better outcomes.



Workforce planning must improve so that councils have the staff, skills and leaders needed to bring about change and create a resilient workforce for the future

91. Councils and their leaders need to respond to the direct pressures facing their workforce in terms of wellbeing and recruitment while managing the impact of pay demands and balancing the budget. Councils must invest in workforce planning to ensure a resilient workforce in the future.

92. Staff wellbeing was a priority during the pandemic and councils continue to take measures to promote staff health and wellbeing. With rising absence levels and persistent recruitment issues, some councils are looking at making roles more attractive by improving work-life balance through new ways of working ([Case study 7](#)).

93. Lessons learned from the pivot to remote working and then hybrid working during the pandemic indicate there are many potential benefits. For example, the flexibility to work remotely attracts more people and from a wider geographic spread, potentially bringing in more skills, it can support increased wellbeing and work life balance for existing staff, as well as reducing the carbon footprint through less travel to work. However, councils should continue to monitor the impact of new ways of working on employees' wellbeing and on service users' experience, productivity, and the local economy.

94. In future, councils' workforces may look and work quite differently as a result of job losses (fewer staff), increased digital processes, changing population demographics (an ageing workforce) and new service delivery models. Councils should embed the approaches they took during the Covid-19 pandemic which saw them adapt to working flexibly and being agile in how they deployed staff and working more closely with partners and communities.

Case study 7. Wellbeing initiatives

Angus Council runs a resilience programme to promote staff wellbeing and a programme for leaders is in development.

Dumfries and Galloway Council has created a robust wellbeing framework that includes cross-council and cross-sector collaboration.

North Lanarkshire Council updated its wellbeing communications to reflect new working practices and is also working closely with partners and providers to make sure the council's wellbeing offering meets staff needs.

South Lanarkshire Council has developed a 'New Deal for Employees' which encourages and supports employees to prioritise their own health and wellbeing. South Lanarkshire Council is the first in Scotland to ensure employees have the 'right to disconnect' outside of working hours.

[More information](#) is available on our website.

Source: Audit Scotland using information from the Improvement Service

95. The severe financial situation facing councils inhibits their ability to recruit and brings the risk of job losses. To meet rising demand and to deliver new Scottish Government policies, councils need to innovate to make the best use they can of their existing workforce to continue to provide sustainable services.

96. Effective workforce planning will be essential to:

- address current workforce challenges in recruitment, retention and skills shortages
- look ahead at longer-term capacity and skills requirements as councils fundamentally change how they deliver services
- ensure that councils reduce their workforce in an informed way so that skills and knowledge are not lost.

This requires sufficient capacity and skills, strategic thinking and comprehensive workforce data. See Audit Scotland’s workforce planning maturity matrix ([Exhibit 9](#)).

97. For several years we have reported that workforce planning needs to improve. Our auditors have told us that 16 out of 26 councils have updated their workforce plans since the Covid-19 pandemic and a further three have plans in development. Some councils have also been working to include succession planning in their workforce plans to develop future leaders or specific skills required across their workforce. Some are also now working with a three-year, rather than five-year, workforce planning cycle reflecting the more uncertain context.

98. However, councils continue to report that they lack the resources to support workforce planning, and that they are looking at ways to try and address this. Councils have been collaborating with one another, the Improvement Service and SPDS to share practice and to make improvements. The SPDS has suggested that COSLA have a role in engaging with the Scottish Government to develop a more holistic approach.

99. Workforce planning is the focus of the Commission’s annual Best Value thematic work next year and will be covered in all council annual audit reports published in Autumn 2024, followed by a national thematic report.

Exhibit 9. Workforce planning maturity matrix

Basic	Developing	Mature
<ul style="list-style-type: none"> • Short-term operational focus • Limited workforce data and analytics • Workforce plan not linked to priorities and delivery of strategic plans 	<ul style="list-style-type: none"> • Medium-term focus • Aligned to delivering priorities • Workforce and recruitment plans • Some workforce analysis • Annual review 	<ul style="list-style-type: none"> • Long-term focus on strategic priorities • Workforce and market analysis • Recruitment, development, retention and succession included in workforce planning • Workforce plans reflect new ways of working and scenario planning of future models service delivery and demands • Real time monitoring including of performance levels and staff wellbeing

Source: Audit Scotland



Councils have a clear focus on tackling inequalities and strengthening the use of data will help them to better understand community needs and focus fundamental change on improving long-term outcomes

100. Councils have a clear focus on tackling inequalities. We found evidence of data-driven approaches, partnership working, and community engagement being used to understand community needs and to develop plans and programmes to target inequalities and poverty. Positive findings include councils:

- setting up specific committees focusing on tackling poverty and inequalities ([Case study 8, page 39](#))
- working with partners, especially community planning partnerships, to understand need and develop place-based plans to tackle inequalities
- involving people with lived experience to better understand needs and demand.

101. Using lessons learned from the pandemic, councils have moved quickly to offer support to people in their communities most affected by the cost-of-living crisis. Many councils are working closely with third sector partners to help distribute crisis grants and provide support and funding to third sector partners directly to increase their support work. Some exceptional data-driven approaches are being used to identify and offer support to those most in need ([Case studies 9 and 10, page 39](#)).

102. Data can help councils to understand need, inform decision-making and service redesign, and drive improvement. Making better use of local data is still challenging especially the availability of equalities data and data sharing. Councils should supplement national datasets with local data and insight. Information from Scotland's Census 2022 is expected later in 2023 and should provide a valuable source of intelligence.

103. While we are seeing the emergence of some positive approaches to involving people with lived experience to better understand their needs, councils can do more ([Case study 4, page 33](#)). As councils take steps to radically change how they deliver services, the needs of the most vulnerable or people living in poverty must be at the centre. A key objective from the Christie Commission is that reform should 'prioritise prevention, reduce inequalities and promote equality'. While the pressures facing councils are immediate, they must not lose the focus on prevention and improving outcomes in the long term. A loss of preventative services will increase demand in the long term.

'Children growing up in poverty are at risk of poorer outcomes in the short and longer term'

[Tackling child poverty](#)

Accounts Commission and Auditor General for Scotland

Digital exclusion

104. The Covid-19 pandemic accelerated the shift to online services. While essential during the pandemic to allow the continued delivery of some services, the shift has increased the risk of digital exclusion. Councils have a variety of initiatives to reduce digital exclusion, such as working alongside the third sector to develop place-based approaches to reducing digital exclusion via library services or providing devices with internet access.

105. Digital technology will be a central component of future service delivery. Councils need to understand the needs of people experiencing digital exclusion and develop strategies to ensure that no one is left behind. We are currently undertaking a performance audit on digital exclusion. Our findings will be published later this year.

Case study 8. An approach to tackling inequalities

Aberdeen City Council has set up an anti-poverty and inequality committee to determine steps the city can take and to help key groups such as children, disabled people, women, people from black and ethnic minority communities, and those of pensionable age. The committee will also seek the views of those with lived experience and consider in-work poverty, youth employability, community food provision and energy costs. Several external advisers have been appointed to the committee. The expected benefits of the new committee include centralising all poverty and inequalities information which should allow elected members to thoroughly scrutinise reports, question council managers and directors and engage with the external advisers.

Source: Audit Scotland using information from Aberdeen City Council

Case studies 9 and 10. Supporting vulnerable communities

Inverclyde Council's Warm Hand of Friendship initiative was set up to help ensure that spaces, resources, advice and support are available throughout the council area for those who need them. Working with its partners and voluntary organisations, the council offers warm spaces or hubs and have delivered more than 400 activity sessions for adults and children such as book clubs and classes on IT skills. This has resulted in over 3,500 people being provided with a warm space, food and social interaction. Two thousand 'Warm Boxes' packed with useful items such as tea bags and blankets to help the most vulnerable keep comfortable throughout the winter were also distributed free to people receiving homecare support in Inverclyde.

Source: Audit Scotland using information from Inverclyde Council

Glasgow City Council: last year we reported on the council's innovative approach of using administrative data to identify and target resources at the most vulnerable communities during the pandemic. The council has continued this approach to target resources at those most affected by the cost-of-living crisis. The council distributed gift cards worth £105 to 85,000 to households who receive council tax reductions. They have also used data to identify people potentially eligible for Attendance Allowance and other benefits and used this provide an income maximisation service to clients over the age of eighty. Over the last year, 571 clients have been contacted by the service and over £1 million of financial gains have been secured on behalf of clients.

Source: Audit Scotland using information from Glasgow City Council

See our [website](#) for more examples of councils' approaches to reducing inequalities and better understanding the impact cuts have on people experiencing inequality.

Local government in Scotland

Overview 2023

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ISBN 978 1 915839 07 7

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 13 June 2023

BY: Chief Executive

SUBJECT: Corporate Risk Register

10

1 PURPOSE

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

The Corporate Risk Register has been 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 Corporate Risk Working Group (RWG).

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes the Corporate Risk Register and in doing so, 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 Corporate 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 and are likely to be a feature of the risk register over a number of years.
 - note that the Council Management Team will review all risks in the Corporate Risk Register on a regular basis.

3 BACKGROUND

- 3.1 The Risk Register has been compiled by the Corporate RWG on behalf of and in consultation with Council Management Team. All risks have been evaluated using the standard (5x5) risk matrix (Appendix 2) which involves multiplying the likelihood of occurrence of a risk (scored 1-5) by its potential impact (scored 1-5). This produces 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.
- 3.4 The 2023-24 Corporate Risk Register as updated, currently includes 8 Very High Risks, 5 High Risks, 7 Medium Risks and 1 Low Risk.
- 3.5 All most recent updates to risk text are highlighted in red.
- 3.6 In accordance with the Risk Management Strategy 'Very High' and 'High Risks' identified in the Corporate Risk Register will be subject to closer scrutiny by the Council Management Team, the Cabinet and the Audit and Governance Committee.
- 3.7 The CMT sub-group on Risk Management meets on a bi-monthly basis to monitor and drive Risk Management council-wide and to review the Corporate Risk Register. This group includes the Executive Directors and ensures that Risk is given prominence by CMT.
- 3.6 Risk CR1 on 'Managing the Financial Environment' remains our highest risk score (this is the highest risk scoring the Council has reported hitherto), due to the very significant external pressures the Council is facing, including rising utility and energy costs, rising inflation across many of our contracts and supply chains, interest rate rises, significant increased cost of borrowing and consequences of national pay awards.
- 3.7 Risk CR5 'Maintenance of Assets' has been moved from the Infrastructure Service Risk Register to the Corporate Risk Register due to the risks posed through the identification of RACC/Siporex and subsequent estate management implications likely to arise in respect of management, remediation and or total loss of assets. The risk will remain on the Corporate Risk Register whilst ongoing building surveys are undertaken and will be updated regularly.
- 3.8 Nine Council services are currently operating in emergency response arrangements with business continuity plans invoked at the time of this report; these are - Facilities Management, Forestry Squad, Estates, Legal, Housing Options, Garden Waste, Finance, Engineering Services and Children's Services Support and Intervention. These services' Business Continuity Plans are invoked predominantly in response to staffing pressure arising from a very challenged employment market and limited volume and calibre of response to recruitment campaigns. Activation of Business Continuity Plans for these services results in the available staffing resource being deployed to deliver 'business critical' activities as priority.

Committee can be reassured that CMT, its Risk Management Sub-Group, the Corporate Risk Management Group and its Linking Risks Sub-Group,

continue to closely monitor all Corporate Risks. Informed by global and national risks, via the annual Global Risk Report produced by the World Economic Forum in January each year, and by the Scottish Government's National Risk Assessment (NRA) produced annually, every effort is made to ensure that the Corporate Risk Register reflects current and future risks with appropriate mitigations in place.

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 –The financial impact of the associated risks and measures remain under regular close monitoring and review. Any unplanned and unbudgeted costs that arise in relation to any of the corporate risks identified will be subject to review by the Council Management Team, and if required will be reported to Council.
- 6.2 Personnel – There are no immediate implications, however, given the current significant staffing challenges and operational impacts resulting, this area is under constant review.
- 6.3 Other – Effective implementation of the Corporate Risk Register will require the support and commitment of the risk owners identified within the register.

7 BACKGROUND PAPERS

- 7.1 Appendix 1 – Corporate Risk Register
- 7.2 Appendix 2 – Risk Matrix

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DATE	01 June 2023

East Lothian Council Corporate Risk Register 2023-24

Risk Ref.	Risk Category	Risk Description	Existing Risk Control Measures	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Timescale for Completion / Review Frequency	Evidence held of Regular Review
				Likelihood	Impact	Total		Likelihood	Impact	Total		
				L	I	L x I		L	I	L x I		
ELC CR 1	Financial Service Objectives	<p>Managing the Financial Environment</p> <p>The Council is operating in an increasingly complex financial environment.</p> <p>The Scottish Government published its medium term Resource Spending Review (RSR) in May 2022, followed by a one year national funding settlements covering 2023/24. The RSR set out a very challenging future landscape for local government (and this Council) in the medium term. Since its publication the external operating environment has significantly worsened, and it remains highly likely that there will remain on-going pressures on public finances, and national funding settlements will not be able to meet on-on-going expenditure commitments.</p> <p>At the same time the Council continues to face significant cost and demand pressures. Many of these pressures are driven by the external operating environment, with details set out below:</p> <ul style="list-style-type: none"> Rising utility costs, with more details set out in risk CR4; Inflationary pressures causing increases to the cost of goods and services, contractual commitments (for index linked contracts in particular), and commissioned contract services; Meeting the total costs of public sector pay awards; Increased demand for council services arising from external factors including the Ukraine war, EU exit and cost of living crisis, and recovery from the pandemic; Reducing levels of core national funding relative to demand, with an increased proportion of overall funding being allocated to specific or new policy objectives. Increasingly complex, short term funding settlements which create significant uncertainty and impede robust medium term financial planning; Supporting the resource requirements associated with the delivery of the growth agenda resulting from the Local Development Plan, in particularly the revenue consequences associated with growth; Associated demographic change and social-economic pressures; Potential financial costs associated with a wide range of new obligations or legislative changes. 	<p>The Council has well developed medium term financial planning arrangements, which have recently been updated as part of the recent review of budget development framework.</p> <p>The Council annually refreshes the Financial Strategy, Capital Strategy and Treasury Management Strategy to take cognisance of any new / emerging financial risks. These documents support the medium term financial planning for the organisation.</p> <p>The Financial Strategy contains an enhanced reserves strategy which sets out the current level of reserves and associated commitments, including a requirement to maintain a minimum level of uncommitted reserves to support any unforeseen event.</p> <p>The Council has a wide range of on-going cost control and financial management arrangements to manage in year budget performance and delivery of planned efficiencies. This includes regular management information to CMT and wider Council management, and quarterly financial reporting through political governance. This provides mitigating controls in terms of the immediate financial risk and pressures the Council is faced with.</p> <p>Given the scale of the escalating levels of financial risk and pressures, the Council has agreed an enhanced range of urgent cost control measures aimed at mitigating and limiting the scale of these rising costs. These include:</p> <ul style="list-style-type: none"> Delivering service commitments within approved budget levels, including preserving existing underspends and supporting cost recovery actions; Prioritise recruitment to roles in business critical risk areas; Enhanced review of reserves; Explore opportunities to apply 'flexibilities' within existing national funding streams; Enhanced review of all capital projects and exploring opportunities to pause non committed spend projects; Enhanced review of council assets to minimise energy and maintenance costs, including options to temporarily mothball buildings, and where possible bring forward capital receipts' Maintain temperature in all public buildings at a maximum of 18 degrees where possible; 	5	5	25	<p>Prioritisation of enhanced in year monitoring and review of expenditure commitments against approved budgets, including progress against cost mitigation measures.</p> <p>Continue to progress discussions to explore wider flexibilities on existing national funding streams with a view to mitigating the recurring costs associated with the 'unfunded' national pay award.</p> <p>Continue to progress discussions to explore all wider national fiscal flexibilities to support options which deliver a sustainable net benefit to the revenue account.</p> <p>Continue to support national discussions through CIPFA Directors of Finance aligned to ensuring the on-going financial sustainability of local government.</p> <p>Early commencement of work to develop the financial and capital strategies for 2024/25 onwards, with an initial report to Council in June 2023.</p> <p>Accelerate the delivery of an enhanced Transformational Programme and Asset Review aligned to the approved budget development principles, which will support the further transformation of services and deliver an enhanced programme of efficiencies.</p> <p>Continued engagement with Scottish Government and COSLA on local government funding and distribution to support a fair and adequate allocation of resources to deliver local services.</p> <p>Given the significant scale of the funding gap, work with CMT and elected members to accelerate, develop and implement additional budget savings proposals which will also include budget reductions and income generation opportunities aligned to the meet the scale of the funding gap over the medium term. These budget savings options will remain aligned to the principles of the budget development framework.</p> <p>Continue to engage with Scottish Government and COSLA to adequately resource the funding requirements associated with growth arising from the Local Development Plan, taking into consideration both revenue and capital costs.</p>	5	4	20	<p>Actions ongoing and under continuous review while monitoring arrangements will continue to be applied.</p>	<p>Risk reviewed by Head of Finance and Executive Director Council Resources, May 2023 with no change to assessment of scores.</p> <p>Risk refreshed November 2022 by CMT Sub-Group on Corporate Risks with current score increased from 20 to 25 and residual from 16 to 20 due to the current climate.</p>

Risk Ref.	Risk Category	Risk Description	Existing Risk Control Measures	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Timescale for Completion / Review Frequency	Evidence held of Regular Review
				Likelihood	Impact	Total		Likelihood	Impact	Total		
				L	I	L x I		L	I	L x I		
		<ul style="list-style-type: none"> Enhanced risks relating to receipt of S75 contributions arising from wider economic risks which will impact on capital and revenue financial planning. Higher interest rates resulting in increased capital financing costs which will present a risk to the sustainability of the capital programme. Proposed capital accounting review, with potentially significant financial impact, albeit this has been delayed by 12 months. The risks posed through the identification of RACC/Siporex and subsequent costs from the implications in respect of management, remediation and or total loss of assets. There remain enhanced risks relating to the ability for the IJB to meet the planned savings aligned to delegated Council budgets. Should this materialise and the IJB remain unable to meet the wider savings gap, this will result in an additional financial pressure for the Council. There remains continued risks around national funding being made available to support planned flood prevention schemes given the on-going national review of the flooding resources. <p>The projected medium term funding gap facing the Council over the next 5 years is £71.3 million. Whilst the Council has set a balanced budget for 2023/24, further and very significant additional savings proposals will need to be developed to address the scale of this funding gap.</p> <p>The Council has balanced the 23/24 budget with a planned use of reserves of £7.378m. In addition, there remains a potential unplanned reserve drawdown related to the projected overspend for 2022/23. The current level of reserves remains marginally above the approved minimum level of reserves and the continued use of reserves presents an increased risk that these one-off resources will not be available to support and enable service delivery redesign or the council's response to unforeseen events in the future.</p> <p>External market pressures are also impacting on investments managed on behalf of the Common Good and Trust Funds. These investments are currently managed by an external investment firm.</p> <p>Given the enhanced range of financial pressures, wider risks and challenges, there remains a significant risk that the Council will not be able to support and meet these collective pressures alongside delivering policy and legislative obligations within current and future available resources.</p>	<ul style="list-style-type: none"> Introduce energy champions in all public buildings and explore the option of community champions. <p>The Council Leader has also written to UK and Scottish Government setting out the scale of financial challenges and urgent review on how local government is funded.</p> <p>Furthermore, it has been agreed that given the significance, quarterly financial reviews will now reported formally to Council rather than Cabinet for wider scrutiny setting out the in-year financial performance against approved budgets.</p> <p>The budget development framework now incorporates a cross party budget working group which meets regularly throughout the year, as well as a commitment to minimise the use of on-off reserves to balance the budget and that reserves should be used in principle to support on-going cost reductions; and an expanded remit / use of some previous earmarked reserves.</p> <p>The Charging Policy has been refreshed and agreed by Cabinet, and supports the recovery of costs associated with the delivery of council services where the council has discretion to charge.</p> <p>Officers continue to engage in national discussions with COSLA, wider professional bodies such as CIPFA Directors of Finance and also wider professional commentators, and professional advisers to consider the financial sustainability of Local Government and associated challenges.</p> <p>Regular engagement with the external investment advisers in relation to the financial stewardship of the Common Good and Trust Funds, to identify any significant decrease in the value of investments.</p> <p>On-going engagement with Treasury advisers. Annual treasury indicators approved as part of Treasury Strategy and mid-year review against indicators reported through political governance structures of A&G Committee.</p> <p>On-going discussions with the IJB CFO around planned efficiencies.</p>				Planned meeting with DFM to discuss the financial challenges facing East Lothian.					

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ELC CR 2	Impact on Service Objectives Financial Legal	<p>Homelessness</p> <p>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.</p> <p>Scottish Government require the implementation of a Housing First approach as a key priority, although no funding is available for ongoing revenue costs.</p> <p>Legislative change regarding local connection has come into force on 29th November and will require the Council to accept rehousing responsibility for additional homeless cases and future changes to discretion around intentionality and 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.</p> <p>Continued levels of low turnover results in limited lets available and longer average time spent in temporary accommodation. Scottish Housing Regulator has noted this.</p> <p>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.</p> <p>Ongoing breaches of the Unsuitable Accommodation Order due to a shortage of 'suitable' temporary accommodation, with extension of the Order commencing October 2021 and subsequent daily breaches.</p> <p>Enforceable temporary accommodation standards framework to be implemented from 2021/22 which further reduces the existing portfolio of 'suitable' accommodation.</p> <p>Proposed changes to Homelessness Code of Guidance / new prevention duty pose further risk to existing practice / Homelessness Operations Policy. Implementation will result in increased referrals and a percentage increase in homeless assessments.</p> <p>Reduced supply of private lets due to landlords' ongoing concerns re new Private Residential Tenancy, legislative change (energy efficiency and repairing standard), welfare reform impacts and cost of living increase.</p> <p>Requirement to prioritise sisted eviction cases upon opening of Sheriff Court.</p>	<p>Housing Options preventative approach to provision of advice.</p> <p>Continued monitoring of RSL nomination process (new build and routine turnover).</p> <p>Allocation Policy reduced number of offers for each Homeless applicant to 1, to encourage quicker throughput in temporary accommodation.</p> <p>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.</p> <p>Cabinet approval of allocations targets to general needs / homeless applicants. Performance to targets kept under ongoing review. Cabinet approval of Allocations Policy Review.</p> <p>Open Market Acquisitions increase supply prioritising the western part of the county, where demand is highest.</p> <p>Housing First protocol in place and placements ongoing.</p> <p>Significant work complete re policies and procedures to increase flow through the rent deposit scheme.</p> <p>Audit of existing accommodation undertaken in advance of extension to unsuitable accommodation order.</p> <p>Refreshed performance monitoring framework in place to enable improved ongoing monitoring of key aspects of service.</p> <p>Fortnightly monitoring of voids performance to ensure turnaround times are kept to a minimum.</p> <p>The Council Leader has written to the Minister noting the challenges around meeting our ambitions to deliver on our RRTP as a result of both recent and planned legislative changes, the impact of Ukraine and other Resettlement schemes and the risk that if interventions don't happen timeously the adverse impacts on our local housing system are significant.</p>	5	4	20	<p>Further iteration of Rapid Rehousing Transition Plan (RRTP) drafted Autumn 2022, with a clear plan to transform homelessness services by 2024 and kept under regular review in context of resource allocation and changing legislation.</p> <p>Continue new build activity to increase housing stock, exploring potential to further increase supply within context of the growth agenda.</p> <p>Significant growth in mid-market rent properties coming forward.</p> <p>Housing Options Training Toolkit to be rolled out during 2022/23, to improve homelessness prevention and complement new Prevention Duty anticipated late 2021.</p> <p>Exploration of flat share / hosting models and shared tenancies ongoing, which could potentially make better use of existing stock.</p> <p>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.</p> <p>Improved partnership working with existing partners and neighbouring authorities could potentially result in new ways of working and economies of scale.</p> <p>New approach to spend to save, utilising RRTP resource allocation could result in cost savings re B&B spend.</p> <p>Continue to engage with the Scottish Government to review and monitor the impact of legislative changes and Resettlement Schemes are having on meeting RRTP ambitions to ensure any adverse impacts are addressed quickly.</p> <p>Significant work to improve void timescales could assist with improved flow through temporary / permanent accommodation.</p> <p>Consideration of business case/options appraisal in respect of alternative forms of accommodation in response to forthcoming legislative change.</p> <p>A new LHS is being drafted which will set out the challenges and actions for the next 5 years.</p> <p>A follow up letter will be sent to the new Housing Minister asking for further engagement and assistance to help alleviate some of these Housing Pressures.</p>	5	4	20	<p>October 2023</p> <p>March 2024</p> <p>March 2024</p> <p>October 2023</p> <p>April 2024</p>	<p>Risk updated by Head of Housing and Service Manager - Comm Housing & Homelessness May 2023 with no changes to risk scores.</p> <p>Decision to move risk H1 to Corporate Risk Register following update by Service Manager – Comm Housing & Homelessness October 2022 with residual score increased from 16 to 20.</p>
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		<p>Potential increase in service demand due to poverty and relationship breakdown associated with cost of living crisis.</p> <p>Uncertainty over future funding of supported housing (DWP) and proposed changes in respect of restructuring the financing of temporary accommodation.</p> <p>A focus is required on migrant homelessness and destitution in 2022/23, an area of complexity subject to limited Scottish Government flexibility.</p> <p>The Scottish Government aim to pursue a right to adequate housing through a Human Rights Bill, which will pose additional homelessness / supply pressures.</p> <p>Legislative change is likely to increase demand on homelessness services and corresponding duties to accommodate, meaning increased spend.</p> <p>There is increasing homelessness and housing demand pressure arising from a number of Resettlement schemes, mainly the Ukrainian refugee schemes with host arrangements breaking down early and ongoing pressure from a range of sources to carry out homeless assessments with associated temporary accommodation and ultimately permanent accommodation duties. These demands are likely to increase with further UK and Scottish Government commitments in respect of the disembarkation of the HMS Victoria in Edinburgh which is due to disembark in July. There are also other humanitarian schemes including but not limited to the existing Afghan schemes and the forthcoming changes around the new asylum seeker dispersal scheme. The immediacy and fast paced change of the Ukraine crisis has required a refocus in priorities away from homelessness to Ukraine and this remains ongoing, requiring business continuity measures within the Housing Options Team. Diverted resources from across the wider housing service have resulted in service strain elsewhere including the Housing Options Team and Community Housing. The focus on Ukraine has resulted in an inability to prepare an updated RRTP in June 2022 with delays ongoing.</p>	<p>New team in place in response to Ukrainian refugee situation from October 2022.</p>				<p>Ongoing review to convert tenancies to enable RRTP targets re reduction in temporary accommodation to be met.</p> <p>Increased focus on homelessness prevention for vulnerable groups, via transformation of Prevention / Response Teams.</p> <p>Team being strengthened and consolidated with the recruitment of full-time resettlement and tenancy support staff to allow 'borrowed' staff to resume to substantive duties - completion of this is dependent on clarity around existing and ongoing funding. Arrangements are in place to provide adequate staff cover in the meantime.</p> <p>The City Region is looking to take more of a regional holistic approach to reviewing and understanding the Housing pressures across the region, particularly in relation to Homelessness and Ukraine to help find a more joined up solution</p>				<p>October 2023</p> <p>October 2023</p> <p>December 2023</p>	
ELC CR 3	<p>Financial</p> <p>Service Objectives</p> <p>Legal & Regulatory</p>	<p>The Impact of the National Care Service on East Lothian Council</p> <p>The Scottish Government proposal to establish a National Care Service, which could extend to all adult social work and social care services, children's services, justice social work services will result in the largest re-organisation of local government since the creation of single tier local authorities in 1995/96.</p> <p>The council's concerns at the risk involved in this proposal were detailed in the Council's response to the Scottish Government's consultation on its proposals (report to Members Library, November 2021). These include the following:</p>	<p>The council provided a detailed and comprehensive response to the Scottish Government's consultation on its proposals, outlining the concerns and risks involved in the creation of a National Care Service (report to Members Library, November 2021).</p> <p>Council officers will actively engage in National Professional networks and feedback any relevant information to the working group.</p> <p>CMT will continue to monitor the development of the proposal and report as appropriate to the Council.</p>	5	4	20	<p>The Council has established a working group that will consider the scope and impact that the NCS may have on Council Services. The working group will also monitor ongoing developments and respond to any request for information and engage in the consultation.</p>	5	4	20	<p>In line with Scottish Government decisions</p>	<p>Risk reviewed April 2023 by Executive Director, Education & Children's Services with no changes to risk scores.</p> <p>Risk reviewed July 2022 by Executive Director - Education & Children's Services and Head of Children's Services with the residual score</p>
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		<ul style="list-style-type: none"> The creation of a new national body will require significant resourcing and will lead to years of uncertainty and anxiety within the workforce, with no evidence that this singular structure and model will necessarily deliver better outcomes for people who use services. There are significant questions about how the National Care Service will be funded and the resulting impact on local government finance, and support services. There are very significant risks in breaking up the existing 'whole system approach' that is provided through social work and social care being part of local government. The centralisation of responsibility and services under a NCS risks removing the local approach to service planning and delivery which is critically required to deliver a holistic approach to providing "care" that must be seen within the context of housing, education, and community services. The Council is progressing a major Transforming Children's Service programme that will have fundamental implications for how we deliver services for vulnerable families and children. This will be impacted by the uncertainty created by the proposal to include Children's Services within the scope of the NCS The proposals have significant implications for large parts of the council's workforce, including the future employee status of staff working in social work and whether they would be TUPE transferred to the National Care Service. <p>The National Care Service (Scotland) Bill has been published as at 22nd June 2022. The Bill sets out principles for the NCS and places a duty on Scottish Ministers to promote a Care Service designed to secure improvements in the wellbeing of the people of Scotland. The full scope of the NCS is still to be determined, although, the inclusion of Adult Social Work and Social Care must be assumed. There will be a period of formal research and consultation to inform the decision about the inclusion of Children and Justice Social Work Services. The Bill states that the NCS will be up and running by 2026.</p> <p>The potential for elements of the proposed changes to lead to improved outcomes for vulnerable people is acknowledged. However, the unintended consequences of the changes on how effectively and efficiently the council can continue to meet its statutory obligations to its citizens is a risk.</p>	<p>Council agreed to delegate authority to the Exec Dir of E&CS to respond to consultation exercises, and submit evidence, in respect to the Scottish Government's proposal for a National Care Service for Scotland and the National Care Service (Scotland) Bill.</p>								<p>increased from 16 to 20 due to the uncertainty around what the Council can do to treat the risk.</p> <p>Risk reviewed May 2022 with no amendments made.</p> <p>New Corporate Risk created March 2022 by Head of Children's Service, also to replace risk on Public Sector Reform.</p>		
ELC CR 4	Financial Service Objectives Legal & Regulatory	<p>Cost of Living Pressures and Economic Volatility</p> <p>Construction Materials Supply Chain Construction costs are now causing serious risk of non-delivery of key projects e.g. Blindwells, Craighall and Whitecraig Primary Schools, extension to Aberlady Primary School, after all mitigations have been applied.</p> <p>The construction materials market is currently volatile due to a number of factors including Brexit, the war in</p>	<p>Regular discussions with current suppliers around market conditions, and alternative specifications / materials.</p> <p>Close engagement and monitoring of national frameworks and conditions through Scotland Excel.</p>	5	4	20	210	<p>On-going review of capital projects and plans exploring options for enhanced value engineering and prioritisation of specification and design parameters.</p> <p>Reviewing the opportunity to phase planned works rather than deliver wholesale projects.</p>	4	4	16	<p>The risk and all planned measures are reviewed / progressed on a weekly basis.</p> <p>All actions ongoing and dependant on</p>	<p>Risk reviewed by CMT, April 2023 with no change to risk scores.</p> <p>New risk created by Executive Director – Place, November 2022 by combining elements of previous</p>

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		<p>Ukraine and the Pandemic impact upon the production and supply chain. Current market uplift percentage is in the region of 15% - 20%. Moving forward we predict a quarterly uplift of 5 % over the next year. Current challenges include:</p> <ul style="list-style-type: none"> • Significant / unexpected upturn in worldwide workload • Covid-19 recovery & logistical constraints • Supply from the European Union • Hedging and bulk ordering • Increase in cost of raw materials – due to Covid-19, post-Brexit trading rules and rising oil prices • Shortage of drivers of Heavy Goods Vehicles • The war in Ukraine and reduction in manufacturing <p>These challenges have had significant impacts on construction, including:</p> <ul style="list-style-type: none"> • Massive increase in demand is resulting in shortages on key products and placing strain on labour availability. • During the pandemic manufacturing facilities were closed and the world's distribution network was impacted and is still recovering. • Although there is now a trade agreement, the borders and customs processes add administration, time and cost. • Materials suppliers, main contractors and major UK projects (e.g. HS2) have stockpiled or bulk secured manufacturing and supply slots. • High percentage increases in the cost of particular materials e.g. copper, steel, timber, concrete. • The lead-in times for delivery of materials have increased. • Shortages in components e.g. for mechanical, electrical and IT. In particular networking and specialised IT equipment which can now take up to 42 weeks to be delivered. • The war has impacted on Ukrainian steel production <p>The main impacts are live project delays, delays to future projects, cost increases, contractors unable to submit fixed-price Tenders, higher risks for Contractors.</p> <p>The risks apply to capital and revenue-funded works for</p> <ul style="list-style-type: none"> • Property • Roads • Housebuilding generally • Affordable housing programme • Voids and relets • Maintenance and lifecycle works in the operational / non-operational and learning estate and PPP Project. • Maintenance and repairs • Domestic compliance programmes • Energy efficiency programmes • Regeneration projects (including grant funded and delivered by others/communities) • The majority of all other procurement related purchasing is being impacted 	<p>Prioritisation – deciding which works are essential, balancing time, cost and risk, possibly delaying works until the market settles.</p> <p>Planning – assessing project programmes and possible procurement options</p> <p>Reporting – providing information to funding bodies, Council management and other services</p> <p>Monitoring – Continuing to liaise with industry bodies, working groups, other local authorities, the Scottish Government, suppliers and contractors to keep the Council informed.</p> <p>The Council is aiming to pre-order and provide enhanced stock management on certain materials where appropriate.</p> <p>Regular discussions are taking place on the Capital and Revenue Investment Plans.</p> <p>Continue to apply BCIS increases, monitor acceptance of offers and continue to maintain dialogues with framework contractors.</p> <p>Continue further engagement with Scottish Government, Government Agencies and Professional bodies.</p> <p>An enhanced review and on-going monitoring of the Council's capital projects remains on-going to identify financial implications associated with the cost of construction and ensure capital investment plans remains affordable.</p>				<p>Consideration to delaying capital and revenue projects where appropriate and possible.</p> <p>Enhanced partnership working with HUB and major suppliers to enable pre ordering and project budget caps to be set - whilst this carries risk of increased front loaded costs used correctly it can cap risk and enable controlled project delivery.</p> <p>Consideration of enhanced contract payments to transfer risk to the private sector – by paying upfront to cap project risks of escalating costs from Covid and material increases project caps can be set to limit overall risk to the Council.</p> <p>Wider review of approved Capital Plan and prioritisation – to ensure programme remains affordable and focussed on critical priorities.</p> <p>Enhanced contract management processes to drive efficiency and value.</p>				<p>decisions taken by UK Government</p>	<p>risks on Rising Energy Costs, Brexit and Supply/Cost of Materials.</p>

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		<p>Risks have both financial and programme implications.</p> <p>Higher material and labour costs are not necessarily being reflected in the building cost indices (BCIS) used to vary building framework prices in line with Procurement rules. This could result in ranked framework contractors declining offers of work or tendering for future contracts.</p>										
		<p>Brexit / Labour Market Impacts & Replacement EU Funding</p> <p>The end of European funding streams places service provision (business support and employability) at risk.</p> <p>The labour market post-Brexit presents substantial challenge in terms of labour availability. This is particularly evident across key sectors:</p> <ul style="list-style-type: none"> • Tourism & Hospitality • Farming & Agriculture • Facilities Management • Care • Transportation 	<p>UK Government have established the shared Prosperity Fund prospectus to replace previous EU funding arrangements. The council approved a Local Implementation Plan (LIP) for year 1 investment arrangements and awaits UK Government response.</p> <p>The Connected Economy Group (CEG) continues to take a partnership approach to assessment of Brexit related impacts providing connected support and advice to business and ensuring as far as possible aligned collegiate understanding in a continually challenging and dynamic environment. Employability partners including Skills Development Scotland (SDS) and DWP are working in partnership with East Lothian Works and employers to address challenges.</p>				ELC considered the LIP submission to UK Government for years 2 & 3 in February 2023. Work is ongoing to further develop regional interventions particularly in year 3.					
		<p>Rising Energy Costs</p> <p>Volatility in energy markets will result in significantly higher energy costs for the foreseeable future. Increasing rates will impact on the cost to operate buildings, street lighting provision, third party users of services, electric vehicle charging rates etc. Rising energy costs will indirectly impact the cost of other goods and services e.g. materials, consumables, transportation.</p> <p>There is a risk that electricity, gas, and unregulated fuels (heating oil, LPG, and biomass etc.) rates could increase further in 2023/24.</p>	<p>Electricity, gas and oil is procured through Scottish Procurement. The rates for 2022/2023 will rise significantly however Scottish Procurements purchasing strategy provided some protection throughout the volatility.</p> <p>The Council's Energy Transformation Board seeks to improve energy efficiency and energy supply from renewable sources reducing reliance on fossil fuels.</p> <p>Energy Transformation Project Board have appointed an advisory partner to advance market development of solar, wind, gas hybrid and hydrogen opportunities.</p> <p>Some additional funding has been reflected in 2023/24 approved budget with the expectation that energy costs will continue to fall in future years.</p> <p>The Council has approved a number of existing mitigation measures aimed at controlling existing cost pressures including the need to ensure the temperature in all public buildings is maintained at 18 degrees maximum.</p> <p>Engagement through professional networks to support national discussions on wider market conditions and supporting interventions.</p> <p>Energy controls and thermostats are being used to reduce temperatures across the estate monitored to weather patterns and the Asset team are mothballing</p>									

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			<p>and reducing property use and portfolio where possible.</p> <p>The UK Government has introduced temporary arrangements to place price caps on energy supply costs for consumers and introduced the Energy Bill Relief Scheme for businesses, although these remain under review.</p> <p>Community Windpower has made a £1m donation to East Lothian to support local people with energy costs and the cost of living over the winter, to 31 March 2023. The Council operated as a 'trusted partner' of the scheme being run through Advice Direct, submitting applications on behalf of clients in receipt of benefits or otherwise in financial hardship. The scheme paid up to £1,200 per eligible household to 3 March 2023.</p>									
		<p>Increased Financial Hardship</p> <p>The financial implications from COVID and subsequent concurrent economic volatility has continued to impact on the financial position of local business, local households and the Council</p> <p>Low income households spend a larger proportion than average on energy, food and interest payments and will therefore be relatively more affected by increases in prices.</p> <p>Businesses are being significantly impacted by cost base rises including energy costs, and staff shortages (often attributed to EU exit), putting pressure on margins and viability, as well as pushing up the prices charged to consumers and the availability of some goods and services.</p> <p>These factors continue to increase pressure on Council services in respect of welfare / poverty, employability, and business support.</p> <p>The council's 2022/23 budget included funding from the Local Authority Economic Recovery (LACER) Fund to provide support to low income households, as well as a one-off contribution from reserves to support low income households. No equivalent funding has been made available through the 2023/24 budget, meaning that the council's capacity to support residents experiencing financial hardship has reduced.</p>	<p>Support for Residents</p> <p>Some welfare benefits have changed in response to this in order to help alleviate financial hardship, and some additional national funding has been made available to support those in need.</p> <p>All teams are continuing to provide support and advice for EL residents and businesses struggling financially at this time and are continuing to encourage those who can continue to pay to do so.</p> <p>The Revenues Service has developed a new leaflet 'Helping with the cost of living crisis', which is being widely publicised by all Revenues teams and other Council services to make sure that details of the help and support available is well communicated to local residents.</p> <p>Support for Businesses</p> <p>The Connected Economy Group (CEG) continues to take a partnership approach to assessment and monitoring of energy related costs to business and makes representation to UK and Scottish Governments in the context of temporary and medium term mitigation measures as well as providing connected support and advice to business and ensuring as far as possible aligned collegiate understanding in a continually challenging and dynamic environment.</p>			<p>The Council is continuing to promote the 'Boost Your income' campaign.</p> <p>East Lothian Poverty Plan – Action Plan Update is in progress for submission to Members Library Service in June 2023.</p> <p>A cost of living survey of council tenants has been conducted and the outputs will be considered by the financial inclusion team and poverty working group.</p>						
		<p>Recovery and Renewal</p> <p>Without a Recovery & Renewal Plan in place our economy and County could fail to thrive following the impacts of COVID-19.</p>	<p>The East Lothian Recovery & Renewal Plan (approved by Council 16 November'21) sets out 8 priority key priority areas, direct supporting actions and an articulation of when recovery will have occurred and the plan worked. The plan will remain dynamic and flexible and will be kept under constant review.</p> <p>The recovery and Renewal Plan is being overseen by the East Lothian Partnership and a reporting</p>				<p>Ongoing monitoring of the EL Recovery and Renewal Plan/Action Plan with production of ongoing performance and progress reports.</p> <p>By June 2023 a further progress report on the COVID Recovery & Renewal Plan will be submitted to Members' Library.</p>					

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			<p>framework through the Strategic Partnerships and the ELP Governance Group has been developed.</p> <p>The Council has had to adapt its delivery of services beyond the COVID pandemic and now subsequent concurrent challenges including the cost of living crisis and ensuing economic volatility. The Recovery & Renewal Plan interventions remain valid and under constant review. ELC will continue to lead recovery supported by our partner agencies context of the Civil Contingencies Act 2004.</p> <p>The new ELC Plan approved at Council in June 2022 embeds the COVID Recovery and Renewal Plan actions.</p> <p>A COVID Recovery & Renewal Plan Members' Library Report was submitted in February 2023.</p>									
CR 5	Financial	<p>Maintenance of Assets</p> <p>Risk of insufficient staffing and financial resource to carry out repairs and maintenance programmes to ensure buildings are maintained in a good condition. Core Facts returns to The Scottish Government confirm that this is a risk which requires to be addressed.</p> <p>A budgeted, programmed plan of work is required for all existing property assets to confirm how these will be improved from Condition C/D to B or maintained as Condition A/B for their lifetime. Significant additional financial and staff resource is required to achieve this.</p> <p>Failure to carry out repairs and maintenance programmes could result in unavailability of buildings e.g. school closure and reputational damage to the Council.</p> <p>Repairs and maintenance cost pressures and adoption of new facilities e.g. school extensions mean a real term reduction in resource and availability. This could ultimately result in a failure of building elements with the risk of closure or enforcement by Statutory or Regulatory authorities.</p> <p>Failure to carry out repairs and maintenance programmes could result in injury/loss of life of public building users and legal action against the Council. There is also a high risk to health and safety and of reputational damage.</p> <p>The risks posed through the identification of RACC/Siporex and subsequent costs from the implications in respect of management, remediation and or total loss of assets.</p> <p>Fabric issues in property assets are now having serious operational and reputational consequences – Loch Centre, Brunton Hall, Preston Lodge High</p>	<p>Annual update of programme of works based on Condition, Suitability and Statutory Compliance assessments to inform budget requirement.</p> <p>Building Surveyor now in post who will be working on accuracy of Asset Condition information.</p> <p>Assets Project Manager now in place whose main function will be to look for opportunities to repurpose, dispose of, or rationalise assets. The Manager will also continue to look for opportunities to co-locate and share facilities to reduce the number of assets held by the Council. This is now eighteen months into a temporary two-year contract and is focused on the office rationalisation. In order to progress review of the whole property estate, a permanent asset review team will be required – This is being progressed. Recruitment to the new permanent Team Manager – Property Asset Review in the SACPM service has been progressed and there is a Preferred Candidate. Recruitment to two other posts in this team will proceed, as soon as possible.</p> <p>Reports to the Corporate Asset Group will highlight risks which identify impact on the operation or safety of the assets to enable planned action to be considered and implemented.</p> <p>SFT SG revenue funding on new build schools.</p> <p>Ongoing review and update of programme of works based on Condition, Suitability and Statutory Compliance assessments to inform budget requirement.</p> <p>Management and survey work to identify RACC/Siporex.</p> <p>A Desktop Assessment has been carried out involving:</p> <ul style="list-style-type: none"> Liaison with Officers to ascertain if they are aware of RAAC being present within any Public Building Assets. 	5	4	20	<p>Ensure Condition and other data is maintained up to date to inform the planned delivery of works required to ensure buildings comply with statutory and legal requirements and are maintained in a good condition.</p> <p>Looking at Lifecycle Costing as part of project/business plan and review on a project basis for future capital bids and budget setting.</p> <p>The service continues to regularly evaluate the current situation as regards material availability and works to mitigate any adverse effects of cancelled or delayed orders for this year's major summer works programme.</p> <p>Review and identify staffing resource required within SACPM, Education and Engineering Services. Service review ongoing.</p> <p>Comprehensive Learning Estate Review programme underway with pre-consultation about to commence. Delivery and implementation programme to be directly linked to school condition and suitability. This will be supplemented by a report to PPRC in relation to this risk for other assets.</p> <p>Identification and management of assets affected by RACC and Siporex with option appraisals to identify remediation and or demolition and future provision.</p> <p>Budgeted, programmed plan of work for all existing property assets to confirm how these</p>	4	4	16	<p>June 2023</p> <p>June 2023</p> <p>May 2023</p> <p>Ongoing – Learning Estate Review / PPRC report</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Risk reviewed by Head of Infrastructure, April 2023 with risks posed through the identification of RACC/Siporex and subsequent costs added. Risk also moved to Corporate Risk Register due to heightened issue. Current risk score increased from 16 to 20 and residual score from 12 to 16.</p> <p>Risk refreshed September 2022 by Service Manager – Strategic Asset & Capital Plan Management with no changes to risk scores.</p> <p>Risks on New and Existing Assets amalgamated to create new risk September 2021 with further amendments during December to add Children's Services elements.</p> <p>Risk refreshed April 2019 with current score increased from 12 to 16 and residual score from 8 to 12.</p> <p>New risk created March 2023 by Service Managers, ES & BS and SA&CPM.</p>

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		<p>School are the major ones, but there are others impacting to a lesser extent.</p> <p>Reinforced Autoclaved Aerated Concrete (RAAC)</p> <p>The Local Government Association (LGA) has recently issued advice/warnings about Reinforced Autoclaved Aerated Concrete (RAAC), which is also known as Siporex. This material has been commonly used in Public Buildings between the 1960's and late 1980's.</p> <p>Due to the relative lightweight nature of the material and limited durability there has been a number of roof failures in the past and as a result East Lothian Council require to determine the extent and location of RAAC (Siporex) to our Public Buildings and then ensure a robust inspection process is undertaken to determine its condition, level of risk and undertake any action deemed necessary to mitigate the risk to occupants and members of the public and to avoid any catastrophic failure.</p> <p>Use of part of buildings subject to inspections may be restricted or unavailable for a period of time following assessment.</p> <p>Currently there is an uncertainty in relation to material availability and delivery times to carry out the major summer works programme.</p> <p>Assess property estate against Scottish Government targets and imminent changes to energy performance requirements to address Climate Change. Plan programme of works to improve performance of buildings. Significant additional finance commitment and staff resource is required to achieve this, assess the current status, and plan works to bring buildings up to the required standard.</p> <p>There is currently a risk in relation to the lifecycle, maintenance and repair of Council assets which are operated by children's services (i.e. Lothian Villa Meadowmill and Olivebank)</p> <p>The need to ensure school security is enhanced and aligned between the asset and educational practice.</p>	<ul style="list-style-type: none"> An initial review of ELC Asset Register to identify Buildings/Extensions constructed between the 1960's and the late 1980's when RAAC was widely used. Buildings/Extensions constructed outwith this period can be excluded from a further assessment. Where As Built Drawings are available, these have been assessed to identify if RAAC has been specified. Information has been obtained from the Asset Register, Health & Safety Files, As Built Drawings, Microfiche Drawings & Condition Surveys. <p>Visual inspections are being undertaken to determine the location/condition of RAAC within Building Assets and where desktop Assessment identifies the possible presence of RAAC, an inspection will be carried out by a Building Surveyor / Structural Engineer.</p> <p>Areas where further investigation is required or where there is any indication of risk to users of a building have been isolated and removed from use pending consideration of remedial works required.</p> <p>Procurement for a Structural Engineer to investigate RAAC issues has been completed and site inspections currently underway.</p> <p>Risk highlighted at ELC PPP Monthly Meetings and at Innovate Board Meetings.</p> <p>Areas requiring immediate action highlighted to Innovate, PPP Provider, inspections carried out and reports received.</p> <p>Transformational work progressing to move to a Corporate Landlord Model and a fully functional, comprehensive property asset management system, possibly by expanding the capability of the existing CIPFA modules held by Engineering Services and Finance.</p> <p>A cross-service Learning Estate review team is in place and carrying out a pre-consultation during 2021/22. Hub South East have been appointed by the Council to analyse the data and progress a Learning Estate Improvement Plan.</p> <p>Education and Strategic Asset Management teams work closely to analyse the data provided by Education and identify requirements arising as a direct result of proposed development.</p> <p>An enhanced and robust school roll projection and class organisation system is in place in Education, which determines the future capacity needs of schools.</p> <p>Regular review meetings are held between Education, Planning, Finance and Strategic Asset and Capital Plan Management.</p>				<p>will be improved from Condition C/D to B or maintained as Condition A/B for their lifetime.</p> <p>Assess property estate against Scottish Government targets to address Climate Change. Plan programme of works to improve performance of buildings.</p> <p>Surveys are well advanced and continuing and have already identified remedial works, which have been instructed.</p> <p>Remedial works may involve installation of access hatches or similar to enable ongoing inspection by a structural engineer. However, it is anticipated that certain areas identified shall require replacement roofing works and significant resource & budget to address these findings.</p> <p>Formal notification of further inspections by consultant appointed by ELC to be issued to Innovate, PPP Provider.</p> <p>Inspections to be carried out in all eight PPP properties thereafter.</p> <p>Contingency plans to be prepared to anticipate restricted use or unavailability of parts of buildings following assessments. Council Management and Executive Team to be made aware of emergency planning proposals.</p> <p>Review on provision of the residential estate including contingency planning for re-provision of Lothian Villa (Meadowmill). New residential provision has been briefed and is included in the design proposals. The Infrastructure department of the Council has begun to seek alternative accommodation to Lothian Villa Meadowmill for Children's Services.</p> <p>The security of secondary school grounds will be reviewed with Education and will be prioritised in terms of risk and available capital and revenue budget. Work is ongoing.</p> <p>The security of primary school grounds will be reviewed with Education and will be prioritised in terms of risk and available capital and revenue budget.</p>				<p>Ongoing</p> <p>March 2024</p>	

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			Regular engagement with Care Inspectorate re-quality of care environment. Property Inspectors and the Asset Team within Engineering Services identify priorities on a 3-year rolling programme and implement within available budgets. Work is prioritised on a risk management basis, addressing statutory compliance matters first (fire safety, electrical, safety DDA etc.). PPP Team and Engineering team to review and align work streams related to asset security with Educational operational requirements and practice.									
ELC CR 6	Capacity	<p>Workforce Challenges</p> <p>Maintaining a stable and skilled workforce is essential to efficient, effective and safe delivery of services.</p> <p>Reduction in skilled, qualified and experienced workforce would result in an inability to provide good quality services, increased pressure on existing staff and increased likelihood of poor operational performance e.g. operating below required regulatory standards, potential harm to employees and / or the public, and reputational damage.</p> <p>Pressures in the recruitment market are compounded by reductions in staff attendance due to sickness absence, maternity leave and annual leave – placing additional pressure on the remaining ‘at work’ workforce. Post-COVID-19 response, some of the Council’s workforce are experiencing mental health issues, lowered resilience and fatigue.</p> <p>The recruitment market is challenging due to low levels of unemployment locally and a lack of specialist professional and technical within the market, exacerbated by Brexit related workforce supply issues within key sectors e.g. Facilities Management and Hospitality.</p> <p>The Council’s salary and grading structure for the Local Government Employee Group may not be competitive compared to other employers making it more difficult to recruit qualified staff to a wide range of posts. Attractive employment opportunities in other sectors risks staff migrating out of Council service into less stressful, often better paid, employment, where terms and conditions of employment can be negotiated.</p> <p>These pressures have resulted in a reduced ability to provide the full range of services to the public and impact on the Council’s ability to provide internal support services e.g. Legal services. Reflecting these workforce risks, the following services are currently operating under Business Continuity Plans:</p> <ul style="list-style-type: none"> Facilities Management Estates Children’s Services - Support & Intervention 	<p>The 2023-2027 Workforce Plan was approved by Cabinet (Jan 2023).</p> <p>A recruitment task group has been established (August 2022) with representatives from key services and an action plan drawn up with various options being explored by HR and services.</p> <p>The HR service in conjunction with Corporate Communications are reviewing community based advertising methodologies e.g. poster campaigns, pro-active social media campaigns and recruitment fairs. A number of school career events in the diary over Autumn/Winter 2022.</p> <p>Regular assessment of staffing capacity within services enables redeployment of available resources to maintain frontline service delivery, reducing service provision when essential in non-statutory services.</p> <p>Staff have opportunity to work additional hours and overtime when appropriate to service needs.</p> <p>Essential vacancies are advertised within the approved Recruitment & Selection Policy processes.</p> <p>Agency staffing is utilised within Agency procurement frameworks in extremis to meet service needs.</p> <p>Managers continue to apply the Managing Attendance Policy.</p> <p>Initiatives are in place to help employees manage their own stress, including Employee Assistance Programme, Listening Ears, Healthy Working Lives</p> <p>Organisational Development and Healthy Working Lives briefings to staff and managers on techniques etc. to support staff to maintain mental health and wellbeing.</p> <p>Salary placement within the Grade in Local Government Employee recruitment relevant to candidate skill and experience, rather than always on 1st point of the scale.</p>	5	4	20	<p>The 2023-2027 Workforce Plan actions will be implemented</p> <p>The Council is investigating the limited use of the Market Supplement Policy in difficult to recruit areas, where it can be demonstrated that the market rate makes the Council no longer competitive. (This will be considered on a case by case basis).</p> <p>Develop graduate intern opportunities to meet service professional requirements.</p> <p>Consideration of expanding the apprenticeship programme.</p> <p>Service Reviews involving inputs from HR and Finance to ensure appropriate role and grading definitions within the service and broader corporate context.</p> <p>Contingency planning and identification of non-business critical activities and staff who may be trained to deploy to essential activities when required; including consideration of closing service areas if required.</p> <p>H&SCP are in discussion with partner organisations to investigate whether locum staff can be recruited although this hasn’t had any significant impact as staff are still required for key tasks in other Councils service areas.</p> <p>Employee Engagement Survey 2023 conducted and feedback in analysis.</p>	5	3	15	October 2023	<p>Risk updated March 2023 by Service Manager – Improvement, Policy & Communications with no change to risk scores.</p> <p>Risk Refreshed November 2022 by CMT – amalgamating previous CR6, CR 15 and CR 18 – composing one ‘workforce challenges’ risk.</p> <p>Risk refreshed November 2022 by CMT Sub-Group on Corporate Risks with current score increased from 16 to 20 and residual from 12 to 15 given number of services in BC mode.</p>
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		<ul style="list-style-type: none"> Waste Services – Garden Waste Housing Options Team Legal Forestry Squad Finance <p>Failure to preserve business critical activities within these services could lead to increased risks in respect of 'life and limb' services, finance and severe reputational damage to the Council.</p> <p>Certain services such as FM, Garden Waste, Housing Options and Children's Services are likely to remain within Business Continuity arrangements for some time due to absence and recruitment challenges.</p> <p>Insufficient staff can also lead to an inability to open facilities, or to reducing opening hours/days, impacting on local service access and reducing community programmes of activity.</p> <p>A lack of cross-service staff capacity to meet emergency response requirements and any other concurrent risks e.g. winter weather emergency, refugee response, avian flu outbreak, ash dieback et al., would increase risks to public safety, bringing reputational damage to the Council.</p> <p>The Council recognises that a large proportion of the workforce is aged over 55 years and many staff with significant knowledge and experience could leave the Council leaving the Council at risk in key areas – an inability to recruit impacts on succession planning and risks key specialist roles remaining unfilled.</p> <p>The Council has a duty of care to the workforce, a breach of which may affect the health, safety and wellbeing of employees leading to increased sickness absence, pressures on service delivery and added potential for employee liability claims against the Council for incidents involving employees or non-employees or enforcement action by the Health & Safety Executive.</p> <p>Areas which have been identified as posing a particularly high level of risk to the workforce are:</p> <ul style="list-style-type: none"> Manual Handling Stress / Mental wellbeing Lone Working Unacceptable Behaviour Risks from Public Monuments Safe Driving at work School Trips 	<p>Efficient deployment of Disclosure Scotland checks.</p> <p>Review of recruitment options, online and face to face, in progress.</p> <p>Induction programmes for new employees have been updated.</p> <p>CMT operate a Business Continuity Plan and maintain up-to-date training in Emergency Planning and Response.</p> <p>Business Continuity Plans activated as necessary, reducing scope and scale of service delivery to focus existing resource on business critical and statutory functions. As an example Garden Waste collections which are non-statutory will remain on a monthly cycle to protect statutory services.</p> <p>Support is provided by Amenity services to supplement the winter emergency response team. Provision of LGV licence training to increase capacity amongst drivers within services e.g. to drive gritters.</p> <p>Service planning and mitigations, public information issued.</p> <p>Emergency Response debriefs are carried out e.g. most recently into Storm Arwen noting lessons learned and promptly implementing subsequent actions.</p> <p>Service planning and mitigations, public information issued.</p> <p>Investment in apprenticeships, Graduate Trainee opportunities and targeted recruitment e.g. With schools, colleges and universities.</p> <p>Refresh of Flexible working Policies - Homeworking and Worksmart - maximising work options for LGE staff.</p> <p>Health, Safety and Wellbeing Strategy 2018 – 2021 in place.</p> <p>All employees receive corporate and service appropriate induction including Health & Safety.</p> <p>All staff have job outlines and follow the PRD process ensuring all are role-capable and trained to perform safely in their roles.</p> <p>The Joint Health & Safety Committee and Joint Consultative Committee oversee joint health and safety arrangements for all staff.</p> <p>Management Arrangements in place outlining the responsibilities of each level of management and employees. A rolling programme of audit and</p>									

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		<p>The Cabinet Office introduced a zero tolerance approach for all LA's connected to the Public Sector Network (PSN). Scottish LA's use the PSN to register Births, Marriages & Deaths and connection to DWP for benefit provision. We have to re-accredit to this network every year and must meet stringent requirements. Failure to do so would mean disconnection from the PSN.</p> <p>In 2017 the Scottish Government introduced the Cyber - Public Sector Action Plan which sets out the minimum security standards for all public bodies</p> <p>New ways of working and shared buildings including the proposed Collaborative Hub between the Council, Police and other parties present new risks and challenges to maintaining IT Security and Data Privacy. Procedures, appropriate design of workspaces and staff training are needed to mitigate risks.</p> <p>Data Protection</p> <p>Under the Data Protection Act 2018 and the UK GDPR, the Council is required to ensure that personal data is processed lawfully, fairly and securely. Breaches of the Data Protection Act / GDPR could result in:</p> <ul style="list-style-type: none"> - harm to individuals; - legal action; - fines of up to £17.5 million or 4% of turnover, whichever is higher; - requirement to pay compensation; - adverse publicity; - damage to reputation <p>The Council has a mandatory 72 hour window in which to report relevant breaches to the Information Commissioner's Office.</p> <p>Limited security, procedural and environmental controls at the Dunbar Road records store mean that records and personal data are at risk of security breach and/or accidental loss or destruction. The shift to home/digital working in response to COVID-19 has also placed additional pressures to digitise paper records management systems and ensure new ways of working remain secure.</p> <p>Requests for personal data (SARs) have increased significantly in both number and complexity (50% increase on Jan-May 2022). Increase is partially attributable to the indirect impact of the Scottish Child Abuse Inquiry and the launch of the Redress Scheme. Combined impact with staffing challenges, increase in FOI requests and disproportionate impact of a number of frequent requesters, the Council is at higher risk of missing statutory timescales for responses.</p> <p>DP compliance is dependent on good records management. The Council's Records Management Plan 2014-2019 needs to be formally updated to</p>	<p>Council Information Governance and Security (IGS) Forum co-hosted by the IT Team Manager – Infrastructure and Security and the Team Manager – Information Governance / Data Protection Officer.</p> <p>The DPO/Team Manager-Information Governance & Team Manager – Infrastructure & Security (CISO) are members of the Collaborative Hub Working Group and the JMH User Group and provide advice and support re: compliance & Info Security.</p> <p>A new Information Security/DP Awareness Campaign was launched in Dec 21, which sends scheduled 'hot topic' awareness updates to employees.</p> <p>Acceptable use policy for all ELC employees has been refreshed and is now live following consultation. All employees will be expected to read, re-sign and adhere to the policy to keep themselves and the Council safe.</p> <p>Data Protection</p> <p>The Council has a comprehensive suite of measures to ensure compliance, including the retention of a statutory Data Protection Officer (DPO), the Data Protection Policy, Data Breach Procedure and multiple procedures governing the creation, use and disposition of records and personal data.</p> <p>IS, DP and Records Management Awareness training is a mandatory part of induction and must be refreshed every two years. E-learning module content was refreshed and redesigned in May 2022. The ELNet pages for Information Governance also include templates, guidance and information to support corporate compliance.</p> <p>The Council's Records Management Plan (RMP) covers how the Council manages its records and includes links to our IS, DP policies and retention schedule. There is an annual assessment of Progress of Records Management Plan by The Keeper's office. The Council is planning formal re-submission of its RMP for the Keeper's approval (date tbc).</p> <p>The Council has a close working relationship with SOLAR (Society of Local Authority Lawyers and Administrators) and attends meetings regularly. These meetings are also attended by the Information Commissioners office. The Council also attends and currently chairs ASLAWG (Archivists of Scottish Local Authorities Working Group) to share best practice with other record keeping professionals.</p> <p>2 vacancies within Customer Feedback now filled, with 1 Business Support post currently advertised, resource increased to 35 hrs from 21 hrs.</p>						<p>June 2023</p> <p>June 2023</p> <p>Ongoing – see updates to Existing Controls</p> <p>June 2023</p> <p>April 2023</p>			

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		<p>account for GDPR/DPA18 as well as changes to recordkeeping practice across the Council. This is also a requirement of the Public Records (Scotland) Act 2011 (PRSA).</p> <p>Current pressures on Registration service and increased demand from Services for review of Data Sharing Agreements / Data Protection Impact Assessments are impacting capacity to address Records Management.</p>	<p><u>Records Management Plan</u>: Retention schedules and BCS have been updated in line with national models. Initial phase of Digital Preservation Plan currently underway to identify/register digital information assets, and procure baseline software/hardware.</p> <p><u>DSA/DPIA Process Reviews</u>: DSA and DPIA processes have been reviewed and simplified.</p> <p><u>Dunbar Road Options Paper</u>: CMT has approved proposals to contract out paper document management services, including records storage, retrievals, metadata management, scan-on-demand and secure destructions.</p>									
ELC CR 8	Physical and/or Psychological Impact on People Legal & Regulatory	<p>Refugee/Asylum Schemes</p> <p>Both the UK and Scottish Government have responded to the Ukrainian humanitarian crisis by introducing refugee schemes that are largely required to be administered by local authorities. These schemes are broader in scope and of a significantly greater scale than existing refugee schemes. Consequently, this means greater demands placed on Council services (including service areas not previously involved) in administering the schemes, supporting hosts and refugees as well as placing additional demand on schools and Health and Social Care services. There is also a potential role for the third sector, which requires careful thought and development.</p> <p>Current challenges include, but are not limited to:</p> <ul style="list-style-type: none"> Complexity and variation between four different schemes (Homes for Ukraine (H4U), Scottish Super Sponsor & Family Visa & H4U Extension Scheme (UES)) Constant changing and revision of national guidance, which continues to evolve through ongoing discussion between SG, COSLA, Home Office and local authorities Being clear on different funding arrangements, scope and operational deployment Being clear on extent of safeguarding responsibilities and wraparound support Being clear on role of third sector Understanding the scale of and resourcing the challenge in the context of existing commitments to the global refugee scheme and the Afghan schemes, and the future proposed Asylum dispersal scheme. Being clear on data protection requirements and which information can be shared between internal teams and with external partners General administration of the scheme in the medium to long-term including, but not limited to: <ul style="list-style-type: none"> Disclosure checks Property and welfare visits Wraparound support Refugee payments Host payments 	<p>Cross-Service Oversight Group meetings in place.</p> <p>Cross-Service Working group in place. Additional resources identified within Community Housing & Homelessness (CH&H) secured to deal with administrative tasks and casework</p> <p>Additional development resource identified from CH&H to provide third sector interface, assist with improvement work, address local community issues and maximisation of resources (internal and external)</p> <p>Plans in place re of how SSSS outreach work, disclosures, payments etc. will operate</p> <p>Regular attendance at meetings with SG, Home Office and COSLA.</p> <p>ELC Website page in place.</p> <p>ELC Ukraine enquiries contact email address set up.</p> <p>Initial dedication of two-full time officers from Housing Options team to set up procedures, team interfaces, casework and administration of schemes.</p> <p>Database of hosts and families created comprising all administrative aspects (disclosures, property checks, payments, education requirements etc.).</p> <p>Ongoing case management of hosts / guests, where appropriate.</p> <p>Resource requirements of other service areas identified and in operation, including the contribution of colleagues in HR, Protective Services, Finance, Education, Customer Services, Communications Team and HSC.</p> <p>Cross-Service agreement of how Disclosure checks will be undertaken, conduct of home visits, and administration of payments have been secured and procedures in place.</p> <p>Jira safeguarding system in place.</p>	5	4	20	4	3	12	<p>October 2023</p> <p>October 2023</p> <p>October 2023</p> <p>October 2023</p> <p>October 2023</p> <p>October 2023</p> <p>June 2023</p>	<p>Risk refreshed by Service Manager May 2023 with no changes to risk scores.</p> <p>Risk created 9th May 2022 by Head of Housing.</p>	

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		<ul style="list-style-type: none"> Interface with Education and HSC Clarity as to whether funding is adequate to cover all elements of the scheme, including potential remedial work to bring properties up to required standards Potential increased homeless and housing demand (where hosting arrangements break down or after six months) Service resource demands on all affected teams but particularly Community Housing & Homelessness Capacity of children's and Adult Social Work services, Education and HSC to cope with increased demands Additional demands continue to emerge through extensions and variations to all the schemes – including the rise in unaccompanied minors and associated responsibilities The disembarkation (ongoing and planned for July) of the two refugee ships will create additional demand and service pressures. Implementation of the mandatory national transfer scheme means East Lothian must accept an allocation of unaccompanied asylum seeking young people set by the Home Office. Notification will be at short notice and the frequency is dependent on their rate of arrival in the UK. This mandatory allocation has been increased without consultation. This presents a significant resource challenge in terms of providing accommodation, potentially a care placement, housing and social work support. The national local crisis in fostering resources is compounding the service risk. Some refugees and asylum seekers are reluctant to settle in East Lothian, preferring to be in bigger cities. There is a likelihood of them leaving on an unplanned basis putting them at risk of exploitation. 	<p>Children's and adult social work undertaking wellbeing assessment visits to all families.</p> <p>Privacy Statement signed off.</p> <p>Unaccompanied Asylum Seeking Children (UASC) are currently being supported by the Aftercare Team in children's services, making use of accommodation within the My Place project. Managers attend regular national meetings to ensure we understand best practice.</p> <p>Clarity on funding at national level, notwithstanding ongoing changes.</p> <p>Successful recruitment of two Tenancy Support Officers.</p>									
ELC CR 9	Reputation Financial	<p>Climate Emergency</p> <p>East Lothian Council has statutory duties to mitigate its emissions, adapt to climate change and act sustainably. The Scottish Government's Climate Change Act (2009) requires the Council to support the delivery of the national net zero targets and adaptation programmes.</p> <p>The risks associated with the responsibilities are:</p> <ul style="list-style-type: none"> Failure to meet our statutory duty in Scotland's Climate Change Act (2009). Lack of financial and staff resources to mitigate emissions and deliver the net zero interim target by 2030 and full target by 2045. Unknown costs of the transformational change needed to adapt to climate change impacts. Risk aversion, particularly in relation to new technologies that could support mitigation and adaptation. 	<p>Annual reporting to the Scottish Government to track CO₂e reductions and delivery of adaptation programmes.</p> <p>Annual reporting to the Council to track actions and delivery towards ELC's Climate Change Strategy (2020-2025) to achieve net zero by 2045.</p> <p>Quarterly Cross-Party Sustainability Forum meetings to ensure tracked progress and follow up of the Council's declaration of a climate emergency.</p> <p>Quarterly Climate Change Planning and Monitoring Group meetings to ensure Council-wide commitment to the Climate Change Strategy and Action Plan.</p> <p>Bi-monthly Energy Transformation Board meetings, to deliver a Local Heat & Energy Efficiency Strategy for the county, improve innovation and energy supply from renewable sources while generating income from installing low carbon technologies across the Council's estate.</p>	4	4	16	<p>Identify budget and funding streams to continue delivering transformational change to Fleet and Asset Management (e.g. staff resources to chase funding opportunities and support services to access them).</p> <p>Secure the tools, powers and resources to enable the delivery of a 'Net Zero Council'.</p> <p>Identify interim emission reduction targets across Council Services and implement a monitoring & evaluation framework in response to this.</p> <p>Engage East Lothian Partnership to include carbon emissions reduction targets in review and update of the East Lothian Plan. Work has commenced with Strategic Assessment Workshops and the internal Community Wealth Building Working Group.</p>	3	4	12	<p>Ongoing with annual review</p> <p>2025 - annual review</p> <p>Ongoing with annual review</p> <p>June 2023</p> <p>October 2023</p>	<p>Risk refreshed May 2023 by Sustainability and Climate Change Officer with no change to risk scores.</p>

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		<ul style="list-style-type: none"> Reputational damage and failure in corporate social responsibility if climate action is not mainstreamed across the Council. Lack of/unclear funding and unbudgeted costs to reduce carbon emissions, e.g. for the transformational changes needed in Fleet¹ and Asset² Management. <p>The latest IPCC sixth assessment reports show that we have reached a tipping point where we will face extreme weather and climate change impacts despite efforts to mitigate greenhouse gas emissions. To cope with these risks we need to ensure that our adaptation efforts are as ambitious as our mitigation actions.</p> <p>The Council are making progress on the Climate Emergency risks. However, there is an urgent need to secure the funding, resources, tools and powers to enable us to deliver net zero. Until then, our capability of transformational change to reduce these risks is uncertain.</p> <p>¹Fleet Management: We need to replace public sector fleet vehicles with ULEV by 2025. However, funding from the Scottish Government is limited and focused on smaller vehicles. Shifting ELC's heavy commercial fleet to a UNLEV platform will require additional unbudgeted funding. Currently, the cost of an EV refuse collection vehicle is 2.5 times more expensive than a fossil-fuelled equivalent. Another cost implication is the charging infrastructure needed to support these vehicles.</p> <p>²Asset management: We anticipate the costs of transformational change for our built assets to reach net zero to be substantial. To achieve net zero, we need to ensure that capital is available (e.g. capital for asset reconfiguration, energy efficiency measures, energy generation, etc.). It is key to manage Council assets in line with the climate change agenda.</p>	<p>The Council's COVID Recovery and Renewable Framework, in which a Green Recovery from COVID is a key principle.</p> <p>To address the climate change risks, the Council collaborates with:</p> <ul style="list-style-type: none"> Sustainable Scotland Network (SSN) and the Scottish Government, guiding public authorities to implement the National Climate Change Plan Update (Dec 2020). Adaptation Scotland and SSN, ensuring consistency and collaboration between public bodies in the response to the climate emergency. Transport Scotland, funding ELC's ULEV public sector fleet objective (2025). NB, funding options are limited to be either lease of part funded purchases. Thus, the opportunities to fully utilise ULEVs are limited. The Sustainable Transport Officers Group, which coordinates a multi-departmental response to increase active and sustainable travel. <p>East Lothian Climate Action Hub and Community groups, which supports public engagement to reach net zero. The Sustainability & Climate Change Officer continues engagement with SSN and Scottish Government to align work with the Scottish Public Engagement Plan for net zero (Sep 2021).</p> <p>Carbon Literacy Training is currently being rolled out to staff. The Council has set a target of training 500 staff members by 2027, as this is one way to comply with our statutory duty in the Climate Change (Scotland) Act 2009 that public bodies must act sustainably. Raising climate literacy helps each department to identify action and contribute to mitigating and adapting to climate change.</p> <p>Climate emergency workshops are being held to the Area Partnerships to include climate emergency in their Area Plans. NBC have had theirs, Musselburgh's is planned for June and discussions have been had with Haddington.</p> <p>Meet with Association of East Lothian Community Councils to discuss the climate impacts in the area and actions needed.</p>				Re-engage with the Resilient Communities initiative, to prepare East Lothian residents for emergencies and severe weather events. Progress made: internal adaptation workshop held, community workshop with East Lothian Climate Action Network planned.					
ELC CR 10	Legal & Regulatory	<p>Limitation (Childhood Abuse) (Scotland) Act 2017</p> <p>Introduced on 4 October 2017 removing the three year limitation period for civil actions arising out of childhood abuse (defined to include sexual abuse, physical abuse, and emotional abuse) relating to children who have been in the care system. The Act covers the period prior to 2004.</p> <p>In conjunction with the Scottish Child Abuse Inquiry there is an increased likelihood of survivors coming forward which will potentially result in financial pressures if historic claims of child abuse (see</p>	<p>It is a requirement under the act that the abuse occurred at a time when the individual was a child which is defined as being under 18.</p> <p>Child Abuse Claims Group and SCAI Overview Group – East Lothian co-ordination of responses, reported strategically, managed flow and collaboration.</p> <p>Close monitoring of the work of the Scottish CAI itself and review of any published materials. Scotland-</p>	4	4	16	<p>Discussions planned to consider how to ensure sufficient staffing resource available to deal with claims, court actions, and submission of S21 requests and recovery of documentation and to preserve the Council's position.</p> <p>Fully engage with the SCAI to anticipate and forecast future claims and ensure ELC is represented well in the public hearings.</p>	4	3	12	<p>All measures reviewed quarterly at cross service catch up meeting and will be ongoing for some time.</p>	<p>Risk reviewed April 2023 by Insurance, Legal and CSWO with no changes to risk scores.</p> <p>Risk reviewed May 2022 by Chief Social Work Officer with planned score increased from 9 to 12.</p>

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				L	I	L x I		L	I	L x I		
			<p>delivery of flood protection schemes is reliant on funding.</p> <p>An updated Timeline of Outline Design for the Musselburgh Flood Protection Scheme was approved in October 2022 and a community consultation event is scheduled for June 2023, with three events having taken place in both February and April 2023.</p> <p>Flood risk and drainage issues are considered when processing planning applications and within long-term development planning. This assessment is aligned to new policy within National Planning Framework 4 (NPF4), published February 2023.</p> <p>The Severe Weather Response Plan has been developed and ensures a co-ordinated and consistent multi-agency response across the county.</p> <p>Emergency surface water, coastal and river flooding procedures are in place and have proven effective.</p> <p>A Shoreline Management Plan has been produced.</p> <p>Advice on dealing with flooding is available on the Council website and directs people to the relevant websites, including SEPA's website.</p> <p>The Council is working with various organisations to promote and progress "Resilient Communities" as per the Scottish Government initiative "Ready Scotland".</p> <p>Communication with vulnerable groups regarding access and assistance during severe weather events.</p> <p>Maintenance of existing flood protection schemes.</p> <p>Improvements to introduce a risk-based process of undertaking watercourse inspections and delivering appropriate clearance and repair of watercourses was implemented in 2022.</p>				<p>its nine stages, and is currently progressing Stage 4 (Outline Design) of the Scheme Design in accordance with the project's PRINCE2 Project Management System.</p> <p>Musselburgh FPS is not yet approved under the Flood Risk Management (Scotland) Act 2009 – the formal approval process will take place once the Outline Design stage is complete.</p> <p>The Council's Severe Weather Response will be tested in an Emergency Planning exercise during 2023-24 which will incorporate Flooding.</p>				<p>2023-2024</p> <p>2023-2024</p>	
ELC CR 12	Physical and/or Psychological Impact on People	<p>Public Protection – Risk of Harm</p> <p>The Council has a legal responsibility to address concerns that may require a Child or Adult protection response. The Council also has an obligation to manage offenders through the Justice Social Work service and contribute to MAPPA arrangements. It should be noted that by the very nature of the work involved in Child Protection, Adult Protection, management of offenders and people experiencing domestic abuse this is a high risk business even with all the controls and measures in place.</p> <p>Any failure to adequately respond to concerns may negatively impact on children and adults, who may be at risk of harm. This could also result in serious harm/death to an individual/s, prosecution, having to pay compensation and have a negative impact on the reputation of the Council.</p>	<p>Strategic Structure</p> <p>The East and Midlothian Public Protection Committee (EMPPC) is the local strategic partnership responsible for the overview of policy and practice in relation to Adult Protection, Child Protection, Offender Management and Violence Against Women and Girls. The primary aim of the Committee is to provide leadership and strategic oversight of Public Protection activity and performance across East Lothian and Midlothian. It discharges its functions through four sub-groups which meet quarterly:</p> <ul style="list-style-type: none"> Performance and Quality Improvement sub-group maintains overview of work through the door and performance in relation to CP and ASP work 	3	4	12	<p>A Joint Strategic Needs Assessment for Public Protection is being taken forward by CSOG.</p> <p>The Council Management Team and EMPCC learning and development sub-group will seek assurance that arrangements are in place for completion of Level 1 training.</p> <p>Awaiting feedback from Scottish Government.</p> <p>L&D</p> <p>Work has begun to refresh the knowledge and understanding of both CMT and SMT that child protection is everyone's</p>	2	4	8	<p>June 2023</p> <p>May 2023</p>	<p>Risk reviewed April 2023 by Head of Operations, H&SCP with no change to risk scores.</p> <p>Risk refreshed October 2022 by General Manager - Adult Social Work and Public Protection Team Manager with current score reduced from 16 to 12 and residual score from 12 to 8.</p>

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				L	I	L x I		L	I	L x I		
		<p>A failure to secure efficient and effective Public Protection arrangements, covering Child Protection, Adult Support and Protection, local MAPPAs arrangements, Violence against Women and Girls (VAWG) and Substance Misuse services, may see the Council being unable to fulfil its statutory duties/duty of care which could contribute to a service user suffering harm/death or detriment. This would in turn result in reputational damage to and increased scrutiny of the Social Work services.</p> <p>There are continuing issues with the delivery of Social Care Services within the Care Home and Care at Home sector. There is the potential for a service failure which could place vulnerable adults at risk of harm.</p> <p>There has been a long standing waiting list for an Outreach Service from Women's Aid Mid and East Lothian which is the specialist service provider for Women experiencing or having experienced domestic abuse. There is a funding gap created by non-recurring revenue streams and increased demand.</p> <p>In the context of rising demand for domestic abuse supports in the county, the council's arrangements for delivering Equally Safe, the national strategy to eradicate violence against women and girls requires a stronger strategic and partnership focus. Without this, East Lothian will not reduce the numbers of people experiencing harm through domestic abuse.</p> <p>Police Scotland had proposed unilateral changes to information sharing arrangements within MAPPAs that would have had serious repercussions for the safe operation of MAPPAs and the council's ability to deliver its duties as a responsible authority. Whilst the imminence of this risk has been reduced by extending the deadline for the change, the underlying barriers have not been resolved and some uncertainties remain around operational joint working between ELC and Police Scotland. East Lothian has no access to ViSOR.</p> <p>There are currently a small number of vacancies at senior leadership level arising from the Head of Children's Services/Chief Social Work Officer the Head of Operations, H&SCP and General Manager - Adult Social Work moving on to new posts. This loss of experience presents a risk and has the potential to create some uncertainty amongst staff teams.</p>	<ul style="list-style-type: none"> Learning and Practice Development sub-group takes forward our 2021-23 strategy for Multi-agency training, and oversees our training programme. Training needs on aspects of Public Protection are considered by this group and are informed by Training Needs Analyses undertaken by the East Lothian Workforce Development Officers in Children's Services and the HSCP. VAWG delivery group keeps oversight of services for gender based violence East and Midlothian MAPPAs Group (EMMG) oversees MAPPAs arrangements. <p>Critical Services Oversight Group (CSOG), Provides governance and leadership of EMPPC on a quarterly basis.</p> <p>The CSWO is chair of the local Strategic Oversight Group for MAPPAs and actively involved in national and local discussions around MAPPAs information sharing, supported by ELC legal and justice services. The East and Midlothian MAPPAs Group provides oversight and assurance of local MAPPAs performance and practice.</p> <p>The CSWO remains actively engaged in national meetings aimed at achieving a long-term solution to the MAPPAs information sharing / ViSOR issue ahead of the implementation of the replacement system MAPPSS. The CSWO will continue to provide regular assurance of the safety of MAPPAs practice to the CEO.</p> <p>The CSWO and Chief Executive are fully sighted on the current situation regarding ViSOR. Access to ViSOR requires Non-Police Personnel Vetting L2 or L3 and this is a highly intrusive process and colleagues in legal, Information Governance and HR have advised that JSW staff cannot be instructed to undertake this vetting and have confirmed that JSW need access to the information that ViSOR holds only, not the system itself, to fulfil their duties under the Management of Offenders (Scotland) Act 2005 on which MAPPAs is based.</p> <p>An acting Head of Children's Services and CSWO has been put in place whilst the recruitment process is underway to fill the permanent post.</p> <p>Marac (Multi-agency risk assessment conferences) continues to operate on a four weekly basis, by Microsoft Teams, with additional meetings scheduled to respond to increase in demand, ensuring that the needs of and supports to highest risk victims of domestic abuse are planned for on a multi-agency basis.</p> <p>East Lothian Safe and Together implementation group will continue to meet to review and maintain oversight of training and embedding S&T in practice in East Lothian. This will also be monitored via EMPPC Learning and Development Sub-group.</p>				responsibility and to ensure that this key message is communicated and understood by all staff. <p>Under the new East Lothian Safety and Justice Strategic Partnership, the national strategy Equally Safe will be progressed through its own dedicated sub-group.</p> <p>The East Lothian Partnership's establishment of the new Community Safety and Justice Partnership, and creation of its 3 supporting groups – Community Safety Group, Community Justice Group and Equally Safe Group – will see a renewed focus on community safety and justice priorities during 2023/24.</p>				March 2024	Risk reviewed and refreshed by Public Protection Team Manager, March 2022. Risk reduced from 20 and 20 to 16 and 12 due to an improving picture.

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			<p>A Joint Strategic Needs Assessment for Public Protection has been developed and is being reviewed by CSOG. This projects increased demand for services and makes a number of recommendations for the future delivery of Public Protection services.</p> <p>ELC H&SCP Management attend NHS Gold meetings where the capacity gap is detailed and set in the context of the wider system risk caused by challenges facing NHS Lothian acute sites</p> <p>ELC H&SCP have regular Care at Home Oversight Group Meetings to monitor the levels of provision of essential care at home. The councils' CSWO attends this meeting to ensure discharge of assuring the quality of care. This will remain in place until there is assurance of stability.</p> <p>Care at Home service provision continues to be monitored via East Lothian and Midlothian Public Protection Committee and Critical Services Oversight Group which both meet quarterly.</p> <p>A risk management tool has been developed in relation to Care at Home to provide consistency in how the providers are assessing their capacity to respond and deliver their required level of service.</p> <p>Policies, Protocols, Procedures and Guidance are in place, subject to ongoing review and update and available on Public Protection website: www.emppc.org.uk.</p> <p>Chief Social Work Officer (CSWO) fulfils statutory role and responsibilities, overseeing and reporting on Public Protection issues to Chief Executive and Elected Members, reporting annually to Council giving oversight of Public Protection performance including assessment of risks and pressures.</p> <p>The Council, through the CONTEST Oversight working Group, Chaired by Head of Communities, continues to work towards delivering the UK Government's Counter Terrorism strategy, known as CONTEST, of which Prevent is a key element. EMPPC has a Prevent referral pathway which has been reviewed.</p> <p>The Lead Officer for Adult Protection leads the Council Officer forum, to support learning and practice and process consistency in Adult Protection.</p> <p>All Regulated Services e.g. Care homes for older people, residential units for young people, Schools are inspected by Care Inspectorate and Education Scotland. Improvement plans are implemented following all Regulated Services inspections. A weekly Care at Home Oversight Group has been established to oversee and manage risks in relation to staffing</p> <p>Both the Lead Officer for Child Protection and Adult Protection participate in the Inter-agency Referral</p>									

Contest Oversight Working Group reviewing forthcoming Protect Duty and obligations, relating to counter-terrorism security and safety measures in public places/spaces: final UK Government legislative requirements awaited.

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				L	I	L x I		L	I	L x I		
			Discussion Overview Group, which reviews and provides quality assurance of the decisions taken to manage vulnerable children and adults risks.									
ELC CR 13	Service Objectives & Legal Regulatory	<p>Duty of Care to Public</p> <p>The Council has a responsibility to provide care and support for the people of East Lothian and East Lothian's environment. Any breach of this duty of care may compromise legislative duties, health, safety and wellbeing, impacting on, for example, the protection of children and adults.</p> <p>Failure to fulfil the duty of care could also result in serious harm/death to an individual/s, prosecution, having to pay compensation and have a negative impact on the reputation of the Council.</p> <p>Additional pressure within this area caused by external providers struggling to deliver through staffing issues.</p>	<p>Prioritise maintenance of safe staffing levels for all statutory services the partnership delivers.</p> <p>Briefing sessions, specialist training and supports are in place.</p> <p>Regular formal supervision in place for all staff including completion of PRD's and e-KSF, focusing on specific and agreed development needs.</p> <p>Clinical & Care Governance Committee established which is to provide strategic oversight within the Partnership. Chief Social Work Officer, Chief Nurse, Clinical Director, AHP Lead oversight and review of practice to assess workload allocation and risk management.</p> <p>Specific oversight groups established for example Care Home, Health & Safety and Risk Management.</p> <p>Review ongoing through bi-weekly Care at Home meetings chaired by General Managers.</p> <p>Services comply with required professional registration standards for all staff, e.g. SSSC, HCPC, NMC etc.</p> <p>"Safer Recruitment" practices and PVG checks embedded.</p> <p>LSI mechanism in place with reporting structure through PPC.</p> <p>Regular engagement with the Care Inspectorate reviewing services in place</p> <p>Risk assessment documentation shared with providers with client RAG in place to ensure services are prioritised for those most at risk.</p> <p>Council owned buildings and open spaces subject to strict management and maintenance regimes, with all requisite risk assessments and safe operating arrangements in place.</p>	3	4	12	<p>Review of oversight and governance arrangements for assessment.</p> <p>Alteration of the workforce model for delivery of care a home services including expansion of internal delivery.</p> <p>Comprehensive pathway modelling underway lead by Head of Operations.</p>	2	4	8	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Risk reviewed April 2023 by Head of Operations, H&SCP with no change to risk scores.</p> <p>New risk created November 2022 by Head of Operations, H&SCP.</p>
ELC CR 14	Physical and/or Psychological Impact on People & Legal & Regulatory	<p>Communicable Disease Outbreaks of Public Health Significance</p> <p>ELC continue to liaise with NHSL Public Health Service, and wider national and international reports e.g. World Health Organisation, to monitor public</p>	<p>Processes in place to establish proactive communicating, and encouraging compliance with all government and public health authorities' advice and</p>	3	3	9	<p>Ongoing deployment of JCVI vaccine and booster programme and liaison with NHSL and PHS relating to any public health outbreak to inform service interventions and</p>	3	3	9	<p>All measures are live and monitored on a weekly basis.</p>	<p>Risk reviewed April 2023 by Head of Operations, H&SCP with current risk score reduced from</p>

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				L	I	L x I		L	I	L x I		
		<p>health advice and guidelines relating to all public health outbreaks e.g. legionella. Pandemic, et al.</p> <p>The ability to quickly and effectively respond to any declared national or local public health outbreak remains embedded in Civil Contingency Act 2004 first responders e.g. NHS, Police, Fire, Councils.</p>	<p>reducing the impact/spread of misinformation by relying on information from trusted sources.</p> <p>Established mechanism to stand up the Council Management Team (Critical Incident Response Team) to oversee and direct the Council's response to any public health outbreak.</p> <p>COVID19 Recovery and Renewal Coordination Group is deployed overseeing management of recovery and renewal across East Lothian.</p> <p>The Council has had to adapt its delivery of services beyond the COVID pandemic and now subsequent concurrent challenges including the cost of living crisis and ensuing economic volatility. The Recovery & Renewal Plan interventions remain valid and under constant review. ELC will continue to lead recovery supported by our partner agencies context of the Civil Contingencies Act 2004.</p> <p>Resilience Direct continues to be available for use to share information on a multi-agency basis.</p> <p>Business Continuity Plans in place in all services leading to staff continuing to work from home unless it is essential for them to be in their place of work.</p> <p>Public Health Scotland has published (September 2022) National Respiratory Surveillance Plan and also Plan for Monitoring and Responding to New SARS-Cov-2 Variants and Mutations. These plans detail how an effective and efficient surveillance service will be delivered in Scotland and sets out how the identification, investigation, risk assessment and response in relation to COVID19 variants and mutations will be carried out.</p> <p>The document recommends local authorities to stand ready to support any operational roll out of a VAM response.</p> <p>Protective Services continue to have regular engagement with NHS Lothian Health Protection Team and are ready to work in partnership with NHS Lothian in relation to standing up a response where required.</p> <p>HSCP continues to support delivery of the COVID19 vaccination programme.</p> <p>Resilient Communities Groups exist in each Community Council area and Groups are ready to stand-up when required.</p> <p>Volunteer Centre East Lothian collaboration over support for local Third and Voluntary sector organisations able to respond to consequences across communities.</p> <p>The Council provides a prime source of local EL public information, constantly updated, in the Council Website as well as regular updates on Social Media platforms.</p>				<p>timely community information and updates re service delivery and ongoing safety measures.</p>				<p>12 to 9 due to service not seeing a significant impact.</p> <p>Risk reviewed November 2022 by Head of Operations, H&SCP and Service Manager, Protective Services with risk title and content edited from only COVID to all Communicable Diseases.</p> <p>Risk fully reviewed and refreshed by Executive Director of Place, CMT and Risk Owners May 2022 with current risk score reduced from 16 to 12 and residual score from 12 to 9.</p>	

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				L	I	L x I		L	I	L x I		
			HSCP are following NHS and ELC guidance on staffing and using JPF to monitor the situation.									
ELC CR 15	Physical and/or Psychological Impact on People	<p>Severe Weather</p> <p>There is a risk that severe winter weather will lead to an increase in demand for gritting and snow clearing of roads/footpaths which exceeds normal capacity and supplies of salt.</p> <p>This could result in travel disruption, difficulties for people in accessing services, failure to maintain refuse collection timetable and school closures at short notice as well as a possible increase in insurance claims related to pothole damage.</p> <p>Communities may become isolated, particularly in rural areas, due to heavy and prolonged snow. In such cases communication with residents within these isolated areas may become difficult as they become cut off, possibly aligned to power failure caused by strong winds and/or the weight of snow on the lines.</p> <p>There are limitations to the service the council can offer. The Council Roads team focus on treatment and snow clearing of the main priority road network, made up of the major routes where the majority of vehicle movements take place and also includes accesses to hospitals, ambulance stations, fire stations, other emergency service establishments, railway stations and schools. Primary Routes are treated and cleared of ice and snow first and then the Roads team move onto Secondary Routes and finally tertiary and minor routes which include residential areas, cul-de-sacs.</p> <p>During periods of extreme weather and heavy snowfall when roads and footways are affected by significant levels of lying snow, priority will be given to primary carriageway routes and primary footpath routes with resources deployed on these specified routes continuously until satisfactory snow clearance has been achieved before resources are deployed to any secondary routes and tertiary routes, so it maybe some time before we can attend to these areas.</p>	<p>East Lothian Councils Winter Maintenance Plan has been in place for some time and ensures that the main transport routes are treated as priority.</p> <p>The Council has a Severe Weather and Adverse Events Policy in place for all staff while the Council has its own mitigating measures for its own estates/property during severe weather.</p> <p>During Severe Weather events our Contact Centre becomes the first point of contact for any issues to be raised and responded to whilst our Communications team shares warnings and other relevant information with the public as this becomes available.</p> <p>The ELC Severe Weather Response Plan has been developed over many years and ensures a co-ordinated and consistent multi-agency response across the county. This plan is reviewed annually in conjunction with support from partner agencies.</p> <p>The ELC Severe Weather Response plan includes reference to and improvements learned from the 'Beast from the East' (snow) incident in 2018 and Storm Arwen 2021 (wind).</p> <p>The Council's Salt Barn has a capacity of 8,000 tonnes to meet demand arising from severe cold weather.</p> <p>A fourth-generation SXL framework was approved by Executive Sub Committee in August 2022. This framework has commenced for salt for winter road maintenance for the period 1 November 2022 until 31 October 2026.</p> <p>Snow clearing equipment has been supplied to Primary Schools. Community Councils through Resilient Communities are able to request winter response equipment from the Council. These requests are considered as per their need. A number of grit bins are provided to enable self-help gritting of adopted roads and footways. Resilient Communities are encouraged to survey the grit bins in their area and report back to the Council if new bins or grit is required.</p> <p>Winter Maintenance operatives are trained to SVQ or equivalent in winter gritting and snow clearing. Winter Maintenance Duty officers trained as Winter Service Supervisors to City and Guilds level.</p> <p>The majority of Community Councils have Resilient Community Groups who have created their own emergency response plans or asset registers of volunteers/skills available at a time of crises. Each Resilient Community has its own Single Point of Contact (SPOC) and deputy for resilient matters</p>	3	3	9						Risk reviewed and updated April 2023, with no change to assessment of current scores.

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				L	I	L x I		L	I	L x I		
			<p>including severe weather. Communication and good working relationships have been created and maintained with these SPoCs/deputies by ELC Emergency Planning staff.</p> <p>Work continues with the Resilient Communities and also involves other voluntary groups such as Tenants and Residents Groups. ELC organises an annual workshop for Resilient Communities which allows lessons learned and best practice to be discussed and progressed. It also allows for the public to meet responder agency staff such as the 'blue lights', SEPA and the utility companies.</p> <p>ELC finances all 20 Community Councils' annual insurance premiums ensuring that Insurance is not perceived as a barrier to invoking such plans.</p> <p>Training and awareness sessions, related to the activation of the ELC Severe Weather response plan, are completed on a regular basis. Partner agencies are often involved.</p>									
ELC CR 16	Physical and/or Psychological Impact on People Legal Regulatory &	<p>Threat of Terrorism</p> <p>Delivering the UK Government's Counter Terrorism (CT) strategy, known as CONTEST (comprised of four components - Prevent, Protect, Prepare and Pursue).</p> <p>All Local Authorities in Scotland are required to comply with the statutory legislation issued under section 24 of the Counter Terrorism and Security Act 2015 that relates to Prevent.</p> <p>Failure to discharge this duty could mean sufficient steps are not taken to prevent an incident taking place, under Prevent, and could result in the Secretary of State issuing a direction to the Council via the powers within the act and would also result in a loss of reputation and negative publicity.</p>	<p>Multi agency 'J' Division CONTEST Meeting attended by East Lothian Council representatives.</p> <p>ELC has established a CT WG chaired by the Head of Communities with members consisting of CMT, key senior managers, Police Scotland and a QMU representative.</p> <p>ELC has appointed senior members of staff as SPoC (Head of Children's Services) and Deputy SPoC (Executive Director Education and Children's Services) for Prevent as per statutory guidelines.</p> <p>A SPoC for Prepare and Protect although not a statutory requirement, has also been appointed (Emergency Planning, Risk and Resilience Manager).</p> <p>Under Protect the CMT are prepared should the Government raise the Security Level to Critical. Service Business Continuity plans take this into account. This includes staff working from home as a result of council facilities being closed during any emergency response.</p> <p>ELC follows and contributes towards the 'J' Division Contest group implementation plan.</p> <p>The SPOC Prevent Group in the East of Scotland is attended by the ELC SPoC.</p> <p>Prevent Multi-Agency Panels Chair (SPoC) and Depute (Iain Gorman) identified to chair multi-agency meetings established to discuss any referrals.</p> <p>Regular internal and external communication of any national counter-terrorism updates. Information regarding Protect and Prepare is received from the National Counter Terrorism Security Office. This</p>	3	3	9	<p>Awareness-raising sessions are being arranged with Police colleagues with independent service providers operating in East Lothian.</p> <p>CT police are offering bespoke Prevent training across other council services and supporting managers to update paper-based training materials for manual staff.</p> <p>Further service-specific Prevent training is being arranged for children's and justice social work services.</p> <p>Roll out and 2022/23 uptake of mandatory Prevent e-learning will be reported to the Prevent working Group in May 2023.</p> <p>Protect e-learning rolled out wef March 2023 will be reported to the Contest Oversight Group in May 2024.</p> <p>Review and implement learning from Exercise Safe Steeple.</p>	2	3	6	<p>September 2023</p> <p>September 2023</p> <p>September 2023</p> <p>May 2023</p> <p>May 2024</p> <p>September 2023</p>	<p>Risk refreshed by Head of Communities, Contest Working Group Chair, April 2023 – no change to risk scores.</p> <p>Risk reviewed August 2018 by Board of Directors with Current Score reduced from 12 to 9.</p>

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				L	I	L x I		L	I	L x I		
			<p>information is then circulated to appropriate key ELC staff and local businesses.</p> <p>A Prevent working group, chaired by the Head of Children's Services, meets regularly and a Prevent reporting process has been established. A refreshed Prevent Delivery Plan has been completed and has been approved by the ELC Contest group. Progress of the Prevent delivery plan will be monitored through quarterly Prevent working group meetings and reporting to EL Contest group.</p> <p>Elected Members were briefed in January 2022.</p> <p>Joint training (with Midlothian) for PMAP members was undertaken.</p> <p>Home Office PMAP training was provided for managers in justice, children's and adult social work services.</p> <p>ELC have submitted an annual assurance statement of compliance with Prevent to Scottish Government in relation to the new statutory guidance for Prevent and PMAP (Feb 2021).</p> <p>Education personnel are fully engaged with Prevent and appropriate filters have been installed on the Education infrastructure.</p> <p>Updated Prevent referral pathway has been agreed with EMPPC and communicated on the intranet, including the new national Prevent referral form.</p> <p>Whilst ELC Managers have received Prevent training through LearnPro previously, since November 2020 interim mandatory e-learning for all staff has been in place via Home Office e-learning resources pending the roll-out of new Scottish Government training materials. Ongoing exploration of other arrangements including toolbox sessions.</p> <p>UK Government Home Officer e-learning for the new Protect Duty rolled out from March 2023, signposted to services/staff working in complex public buildings/venues and in outdoor arenas.</p> <p>ELC Emergency Planning, Risk and resilience and members of CMT attended Exercise Safe Steeple, March 2023, led by SGov Resilience to exercise multi-agency response to a marauding terrorist attack.</p> <p>The ELC Prepare and Protect SPoC liaises with Police Scotland and in particular the CT team to ensure current information on these areas is circulated to appropriate ELC key staff and staff in general if required. The SPoC also ensures important information is uploaded onto the ELC Intranet.</p>									
ELC CR 17	Service Objectives	Business Continuity Failure to ensure currency of Business Continuity Plans could lead to services not having a robust	Business Continuity Framework Plan in place and regularly reviewed.	2 231	4	8		2	3	6	September 2023	Risk refreshed March 2023 noting

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				L	I	L x I		L	I	L x I			
	Legal & Regulatory Physical and/or Psychological Impact on People	<p>response to an incident affecting their service area or critical services may not be maintained, while critical services for the public could be affected and statutory requirements not completed.</p> <p>Non availability of:</p> <ul style="list-style-type: none"> premises, through fire, flood or other unexpected incident; key staff or significant numbers of front-line staff for any reason e.g. a Pandemic; systems (IT, telephony, power failure etc.); any form of transportation due to a fuel shortage. <p>The occurrence of any of these may have an adverse effect on the Council to function fully and to complete critical services and statutory requirements.</p>	<p>Business Continuity Plans are maintained for all service areas, giving details of minimum levels of staff, alternate locations, exercise and review dates and version control.</p> <p>The Chief Executive has a statutory responsibility for the ELC BC process. The Heads of Service remain responsible for ensuring the BC process is completed within their area of work.</p> <p>Each service area now has a Single Point of Contact (SPoC) and deputy who are responsible for, their services BC Plan, exercising this plan and ensuring it is maintained. All BC Plans are managed through Continuity² Software.</p> <p>The Council carried out a Council Wide Business Continuity Exercise in November 2019 which successfully tested the BC capabilities of the Council. Each Service carries out an annual BC exercise.</p> <p>ELC staff have access to an e-learning package on Business Continuity which was reviewed and refreshed during March 2021.</p> <p>Business Continuity Plans are invoked as Services suffer BC issues with a fortnightly update of those plans invoked provided to CMT.</p> <p>An IT Disaster Recovery Plan is in place and will be regularly updated when any changes take place in the main data centres. For single server failure - there are over 100 systems now running on virtual servers which automatically fall over to another server if there are hardware issues. Specific disaster recovery arrangements are in place for the critical systems of telephony, e-mail and social care.</p> <p>Controls that are in place to prevent and limit the effects of IT system unavailability including firewalls, anti-virus software, system/data backup routines, and resilience in the form of a back-up generator for the main data centre at JMH.</p> <p>All Services asked to consider a National Power Outage as part of their BC Plan.</p> <p>ELC services are encouraged to take all risks that may impact on East Lothian into account when completing their Business Continuity (BC) plans as an example, severe weather or electricity failure or extreme staff shortages. BC plans are key to ensure ELC services continue to provide their critical activities.</p>				Progress Business Continuity Plans with Education and H&SCP in order that each School and Care Home has a plan.				changes to risk description and mitigation measures whilst no change to risk scores.		
ELC CR 18	Service Objectives Legal & Regulatory	<p>Development Plan</p> <p>Failure to prepare a new Local Development Plan within the 5 year timeframe set by the Scottish Government. This could result in an outdated Development Plan and could result in an out of date planning strategy and policy context for planning decisions in East Lothian; it could:</p>	<p>The NPF4 has been published by the Scottish Government, which now forms part of the Development Plan.</p> <p>Production of the LDP Evidence Report has started with public engagement planned in late Spring and Summer of 2023.</p>	4	2	8	232	Work on LDP2 has started and will continue from now until 2025/26. By starting the plan now the risk of the plan becoming out of date is reduced but the lack of approved national regulations and guidance provides a slightly heightened threat to the process.	2	2	4	May 2023	Risk reviewed by Head of Service - Development, April 2023 with current score increased to 8 from 6 and residual to 4 from 2.

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		<ul style="list-style-type: none"> contribute towards the Council not being able to achieve Council Plan objectives (particularly around the provision of sufficient employment land) – Growing our Economy and Growing our Communities – and related Single Outcome Agreement objectives; lead to failure to accord with other Council plans and more recent higher level plans and legislation; potentially undermine our ability to defend local planning decisions leading to 'planning by appeal'. This could result in unplanned development at odds with the planning strategy for East Lothian, and consequent reputational damage; undermine our ability to secure S75 contributions towards essential infrastructure with consequent impact on corporate capital and revenue planning. <p>Risk is added to the process for the production of the next LDP as it will be commenced without all the national regulations and guidance being published.</p>	<p>Maintenance of the Local Development Plan Scheme with timescales (last reviewed 2022).</p> <p>Interim Regional Spatial Strategy has been prepared, informing NPF4. The Regional Prosperity Framework has been ratified by the SE Scotland authorities.</p> <p>SG and SPG all approved/adopted, including Developer Contributions Framework.</p>									
ELC CR 19	Legal & Regulatory	<p>Corporate Events Management</p> <p>Effective preparation and co-ordination across a number of services, for events held in East Lothian, is essential. Failure to achieve this could result in event safety being compromised followed by a risk of adverse reputational damage for the Council on a local/national/international level as well as possible legal ramifications at fatal accident enquiries accounting for action or non-action.</p> <p>COSLA, Police Scotland and the Health & Safety Executive (HSE) recommend that Local Authorities form a core group, led by a senior (strategic) officer, who will meet to discuss all events taking place within their area over a pre-determined period of time. This group includes category 1 responders and other appropriate organisations and decide if each individual event should be organised through a separate, specific Safety Advisory Group (SAG) or if the event can carry on without interference, other than appropriate safety advice.</p> <p>The following criteria would be considered by the East Lothian Safety Advisory Group (ELSAG):</p> <ul style="list-style-type: none"> Status of the principal e.g. HM Queen Status of the event organiser e.g. Scottish Defence League The size of the crowd or the number of spectators Event site – proximity to residential area, remote, inaccessible Whether alcohol is available or any other license is required Impact upon local community Type of Activity - hazardous The profile of the event – National following increasing footfall/interest. The requirement for a TTRO At the request of one of the partner agencies At the request of an event organiser 	<p>East Lothian Council has a revised SAG policy in place which came into effect May 2022 (reported into Members' Library Service).</p> <p>The East Lothian Safety Advisory Group (ELSAG) strategy comprises two main elements:</p> <ul style="list-style-type: none"> Strategic Event Safety Oversight Group (SESOG) Safety Advisory Group (SAG) <p>The SESOG will hold SAG process overview meetings (at least twice annually) to prescribe criteria for which event organisers are invited to participate in the Safety Advisory Group process and to confirm which events require to attend SAG, based on the risk profile. The SESOG will be Chaired by an East Lothian Council Head of Service.</p> <p>The Emergency Planning, Risk and Resilience Manager, will Chair ELSAG meetings for Major and Large scale events and the ELC Emergency Planning, Resilient Communities and Events Officer will chair the ELSAG for small and medium scale events, except for any specific events where the SESOG determines otherwise.</p> <p>Events that require to be put through the SAG are managed through a risk profile process which grades each event as having a Red, Amber or Green (RAG) risk. Events graded as Green are not required to attend a SAG meeting. Those graded Red and Amber are required to attend a SAG meeting.</p> <p>The SAG process co-ordinates preparation for various events as per the risk profile, with representation from relevant Services areas and Multi-Agency Partners.</p> <p>Event guidance for organisers of events is published on the Council website.</p>	2	3	6	2	3	6		Risk refreshed March 2023 with no change to risk scores.	

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		<p>ELC is involved in events as they tend to take place in Council parks or on Council roads. The Council issues licenses and permits for events. The Council also has a statutory role in enforcement /inspection (building control, food hygiene etc.) and will help the organisers with traffic management, through TTRO's.</p> <p>If the event organisers fail to have the correct licences or safety processes in place it is the organisers who face the risk of possible criminal prosecution.</p> <p>East Lothian Council is itself responsible for organising several events on an annual basis. For each event an event organiser will be identified from within the Council.</p> <p>All event organisers should attend a SAG meeting if required to do so.</p>	<p>Where the SAG group is set up, for a specific event, it has no statutory power to stop it taking place. However, the SAG group can withdraw its support and co-operation, for any event, which may mean that the event cannot proceed. In these circumstances the event organiser will be advised to notify their insurance provider. That said other agencies or partners of the Group may act independently of the ELSAG and use their own statutory powers to unilaterally prevent the event from taking place. Police Scotland will always provide the final advice on public safety.</p> <p>Events information and documentation accessed through the ELC website reviewed by the ELC Event Safety & Resilience Officer, maintaining oversight of the processes linked with the ELSAG, through his/her line manager, to continually improve the overall system.</p> <p>Only events organised and managed directly by ELC are covered by our insurance, part of the due diligence into any event requires that all insurance/s are verified for the activities that are to be undertaken. Where ELC cover is not in place, it may be appropriate to have additional cover through event insurance providers.</p>									
ELC CR 20	Legal & Regulatory	<p>Equality</p> <p>Failure to meet duties and legislative requirements of the Single Equality Act 2010.</p> <p>The Single Equality Act 2010 and related guidance places a general duty on public authorities to be active in promoting equality, eliminating unlawful conduct and fostering good relations. It also places specific duties on public authorities to</p> <ul style="list-style-type: none"> report on mainstreaming the equality duty; publish equality outcomes and report progress; assess and review policies and practices; gather and use employee information; publish gender pay gap information; publish statements on equal pay; consider award criteria and conditions in relation to public procurement; publish in a manner that is accessible. <p>The Scottish Government has introduced the Fairer Scotland (socio- economic) duty. This will require the Council to consider the impact of our work on those living in poverty. The Council will need to respond to the full requirements of this new duty and raise awareness of the requirements on the Council.</p> <p>There is a risk that the Council may not be able to meet its general or specific duties and in particular at a time when difficult budget decisions are having to be made that there will be cuts in services or increases in charges that have a disproportionate impact on people who may need those services most because of their equality background.</p>	<p>ELC Equality Plan 2021-2025 was adopted in November 2021. This includes the commitments made by East Lothian Council as a Licensing Board and as an Education Authority. The plan outlines our commitments:</p> <ul style="list-style-type: none"> Continue to lead a culture where respect, choice and understanding is fostered and diversity positively valued; Maintain a working environment where unlawful discrimination, harassment, victimisation or bullying is not tolerated; Continue to develop our understanding of the needs of different individuals and communities in a time of rapid change; Continue to embed the equality agenda in all our work, and contribute to the early intervention and prevention approach adopted by the Council and its Partners; Improve understanding of the impact of poverty and inequality on people's lives; and Ensure that we plan and deliver services which meet modern standards of delivery and that are inclusive of a wide range of different needs from digital services to face to face interactions <p>The Integrated Impact Assessment Process is embedded and is now widely used. This includes consideration of poverty which should allow us to meet the requirements of the new socio economic duty. A programme of support, including training on the new IIA process is ongoing.</p>	2	3	6	<p>The Poverty Plan 2021-2023 (49 actions) will be reviewed and produced for the period 2023 – 2027. Delivery will be monitored by the Poverty Working Group and a new East Lothian Partnership Governance Group.</p> <p>The new Equality Plan 2021-2025 (28 actions) will be implemented.</p> <p>ELC Equalities Mainstreaming Annual Report 2022-23 will be published.</p>	2	3	6	<p>December 2023</p> <p>October 2023</p> <p>June 2023</p>	<p>Risk reviewed and updated March 2023 by Service Manager – Improvement, Policy & Communications with no change to assessment of current scores.</p>

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		The Council would be open to legal challenge of not meeting its duties and in particular of not carrying out adequate assessment of impact of policies and budget decisions.	<p>Continue to embed the use of the Scottish Government's Sustainable Procurement Tools into procurement procedures.</p> <p>The Health & Social Care IJBs (East & Midlothian and City of Edinburgh) along with NHS Lothian will use the 'checklist and IIA form' package, with East and Midlothian Councils using the IIA form only package.</p> <p>As per our statutory obligation, HR is annually capturing the Employment Monitoring information required under the Act. This is reported publicly alongside the requirement to publish an annual Equal Pay Report.</p> <p>Elearning equalities modules are available on Learn Pro and 'Get in on the Act' guides to the Council's legal responsibilities are available for all employees and Elected members. A new e learning package 'Understanding Poverty' has been added to support employees to understand about taking poverty into account when designing services and will be updated once details of the Socio Economic duty are known.</p>									
ELC CR 21	Reputation & Legal Regulatory	<p>Standards in Public Life</p> <p>Failure of corporate governance or to meet standards in public life.</p> <p>Failure of the Council's corporate governance or of officials or members to meet standards in public life could result in reputational damage.</p>	<p>Standing Orders (the Schemes of Administration and Scheme of Delegation) are regularly reviewed and revised. The Scheme of Administration was reviewed following the Local Government Elections in May 2022 to reflect the views of the incoming Administration</p> <p>The Council has an adopted Code of Conduct for its employees which gives all employees greater clarity around the standards of behaviour expected of them. Breach of the Code may amount to a disciplinary offence.</p> <p>Training on the Councillors' Code of Conduct is offered to Members periodically with regular updates from the Standards Commission circulated to Members.</p> <p>The Council's Monitoring Officer and Depute Monitoring Officers provide advice as required.</p> <p>An induction programme for new Councillors was delivered to both new and returning Members. This included training on standards in public life and, specifically, on compliance with the requirements of the Councillors' Code of Conduct.</p> <p>A 100-day review took place with our Elected Members in August 2022. This was carried out by way of face-to-face meetings with Elected Members and covered the Elected Member Induction Programme, the Councillors' Code of Conduct, PA support, office accommodation, Access to Council officers, committee papers, surgeries, and further training and development.</p>	2	2	4	<p>The Council's Standing Orders are being reviewed in advance of the implementation of Hybrid Committee Meetings to ensure they remain up to date and relevant. A report of changes will be taken to Council in April 2023</p>	2	2	4	April 2023	Risk Reviewed by Head of Corporate Support March 2023 with no change in risk scores.
Risk Score				20-25			Very High			235		

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				L	I	L x I		L	I	L x I		
				10-19	High							
				5-9	Medium							
				1-4	Low							

East Lothian Council Risk Matrix

Likelihood Description

Likelihood of Occurrence	Score	Description
Almost Certain	5	>90% chance of occurring
Probable	4	70%-90% chance of occurrence
Possible	3	30-70% chance of occurring
Unlikely	2	10-30% chance of occurring
Rare	1	<10% chance of occurring

Impact Description

Impact of Occurrence	Score	Description							
		Impact on Service Objectives	Financial Impact	Physical and/or Psychological Impact on People	Impact on Time	Impact on Reputation	Impact on Assets	Business Continuity	Legal & Regulatory
Catastrophic	5	Catastrophic failure in service delivery and key service standards are not met, long-term catastrophic interruption to operations, several major partnerships are affected	Severe impacts on budgets (emergency Corporate measures to be taken to stabilise Council Finances. Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves. The Council is expected to hold a reserve to budget ratio of 2%.	Single or Multiple fatality and or psychological impact, within council control, leading to fatal accident enquiry.	Serious - in excess of 2 years to recover pre-event position.	Highly damaging, severe loss of public confidence, Scottish Government or Audit Scotland involved. Prolonged regional and national condemnation.	Significant disruption to building, facilities, vehicles or equipment (Loss of building, vehicles, rebuilding required, temporary accommodation required, vital equipment lost without replacement capability available resulting in services being unable to be delivered).	Complete inability to provide service/system, prolonged downtime with no back-up in place.	Catastrophic legal, regulatory, or contractual breach likely to result in substantial fines or other sanctions, including substantial involvement from regulators.
Major	4	Major impact to service quality, multiple service standards are not met, long-term disruption to operations, multiple partnerships affected.	Major impact on budgets (need for Corporate solution to be identified to resolve funding difficulty). Consideration should be given as to whether this is an insured or uninsured risk and whether there may be reliance on reserves.	Number of extensive injuries (major permanent harm) or major psychological impact to employees, service users or public.	Major - between 1 & 2 years to recover pre-event position.	Serious negative national or regional criticism and publicity.	Major disruption to building, facilities, vehicles or equipment (Significant part of building unusable for prolonged period of time, alternative accommodation required, equipment or vehicles unavailable to provide significant elements of service delivery and no appropriate contingency arrangements in place).	Significant impact on service provision or loss of service.	Legal, regulatory, or contractual breach, severe impact to Council, fines and regulatory action publicly enforced.
Moderate	3	Significant fall in service quality, major partnership relationships strained, serious disruption in service standards.	Moderate impact on budgets (can be contained within overall directorate budget).	Serious injury requiring medical treatment or moderate psychological impact to employee, service user or public (semi-permanent harm up to 1yr), council liable.	Considerable - between 6 months and 1 year to recover pre-event position.	Adverse national media public attention with elected members becoming involved.	Moderate disruption to building, facilities, vehicles or equipment (loss of use of building for medium period, loss of equipment or vehicles requires contingency arrangements to be employed and has moderate impact on overall service delivery).	Security support and performance of service/system borderline.	Legal, regulatory, or contractual breach, moderate impact to Council, regulator action and or improvement required of the Council.
Minor	2	Minor impact to service quality, minor service standards are not met, short-term disruption to operations, minor impact on a partnerships	Minor impact on budgets (can be contained within service head's budget).	Non life changing injury or psychological impact to staff or member of the public requiring treatment.	Some - between 2 and 6 months to recover.	Minor adverse local, public or media attention and complaints.	Minor disruption to building, facilities, vehicles or equipment (alternative arrangements in place and covered by insurance, equipment or vehicles unavailable for small period of time minor impact on service).	Reasonable back-up arrangements, minor downtime of service/system.	Legal, regulatory, or contractual breach, minor impact to Council, regulator advice and improvement requested of the Council.
Minimal	1	No impact to service quality, limited disruption to operations.	Minimal impact on budgets (can be contained within unit's budget).	Minor injury or minor psychological impact to employee, service user or public.	Minimal - Up to 2 months to recover.	Public concern restricted to local complaints and of no interest to the media.	Minimal disruption to building, facilities, vehicles or equipment (alternative arrangements in place, equipment or vehicles alternative quickly available to replace or substitute).	No operational difficulties, back-up support in place and security level acceptable.	Legal, regulatory, or contractual breach, negligible impact to Council, regulator suggested improvements requested.

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

Key

Risk	Low	Medium	High	Very High
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