



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

**TUESDAY 24 MARCH 2026
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON
& HYBRID MEETING SYSTEM**

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Committee Members Present:

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

Other Councillors Present:

Councillor McMillan

Council Officials Present:

Mr L Rockey, Chief Executive
Ms S Fortune, Depute Chief Executive
Ms L Brown, Depute Chief Executive
Ms N McDowell, Head of Education
Ms W McGuire, Head of Housing
Ms L Byrne, Head of Children's Services
Mr S Kennedy, Team Manager – Emergency Planning & Resilience
Ms H Barnett, Head of Corporate Support
Ms E Dunnet, Head of Finance
Mr D Stainbank, Service Manager – Internal Audit
Mr T Reid, Head of Infrastructure
Ms A Glancy, Service Manager – Corporate Accounting
Mr K Dingwall, Head of Development
Ms D Murray, Team Manager - Transport
Ms S Williams, Service Manager – Strategic Asset Capital Plan Management
Ms W Gillie, Team Manager - Estates
Mr E Hendrikson, Service Manager – Community Wellbeing Service
Ms S Allan, Senior Auditor
Ms D McKinlay, Corporate Fraud Officer
Mr L Wright, Emergency, Resilience & Response Officer
Mr P Grant, Service Manager – Property Maintenance
Mr B Axon, Chief Executive, Enjoy Leisure
Mr R Fennessy, Head of Finance & Systems, Enjoy Leisure
Mr S Bosworth, Emergency Planning & Risk Officer
Ms F O'Sullivan, Team Manager – Arts Service
Ms F McCallum, Service Manager – Strategy, Policy & Performance

Audit Scotland:

Mr M Ferris – Senior Audit Manager
Ms A Fitzpatrick – Senior Auditor

Clerk:

Ms R Crichton
Ms E Barclay

Apologies:

Councillor McLeod
Councillor Jardine

The Convener advised that the meeting was being held as a hybrid meeting, as provided for in legislation; that the meeting would be recorded and live streamed; and that it would be made available via the Council's website as a webcast, in order to allow public access to the democratic process in East Lothian. She noted that the Council was the data controller under the Data Protection Act 2018; that data collected as part of the recording would be retained in accordance with the Council's policy on record retention; and that the webcast of the meeting would be publicly available for five years from the date of the meeting.

The clerk recorded the attendance of Members by roll call.

Declarations of Interest:

N/A

Transparency Statement:

Councillor Menzies made the Committee aware she was a Council appointed member of Enjoy Leisure.

The Convener stated due to recent changes to the governance arrangements for the Dr Bruce Fund, the audit report as part of item 7 was no longer required as following the appointment of a lay member to the trust the fund now meets the criteria that removes the need for a full external audit.

1. MINUTES OF AUDIT & GOVERNANCE COMMITTEE 25 NOVEMBER 2025

The minutes from the Audit and Governance Committee from 25 November 2025 were approved as an accurate record.

2. AUDIT & GOVERNANCE ANNUAL WORK PLAN 2025/26

No presentation was necessary for this item.

All Members were happy to note the Action Record and Annual Work Plan.

3. AUDIT & GOVERNANCE ACTION RECORD 2025/26

Members agreed to close the items that were marked recommended for closure.

4. RISK REGISTERS

A report had been submitted by the Chief Executive to present to the Audit & Governance Committee the Education, Children's Services and Health & Social Care

Partnership Risk Registers for discussion, comment and noting. The Risk Registers are developed in keeping with the Council's Risk Management Strategy and are live documents, which are reviewed and refreshed on a regular basis, led by the Local Risk Working Groups (LRWG) within each service.

Scott Kennedy, Team Manager – Emergency Planning & Resilience provided a summary of his report and highlighted the Very High, High and Medium risks for the Education, Children's Services and Health & Social Care Partnership Risk Registers.

a) Education

Mr Tom Reid, Head of Infrastructure responded to a question relating to the cost of transporting materials and the effect this would have on pre-planned works should the work continue.

Nicola McDowell, Head of Education also responded to questions. She provided information on extra funding the Council had received in previous years for children with additional support needs which was put towards an interim plan of creating new classes within the existing ASN basis however, made Members aware capital funding would be required should the consultation be approved at the end of this academic session. She also informed Members that her service managers met on a very regular basis with finance colleagues to discuss budgets to ensure the service can operate within its allocated budget and provided Members with information on the long and short term risks associated with the school estate.

Ms McDowell also stated that she believed the risk around ASN provision could be minimised due to the consultation and mitigations put in place but would remain a risk at the moment due to its unpredictability. Herself and Mr Reid also provided information on how they would mitigate the risks from the budget for both education and infrastructure.

Ms McDowell made the Committee aware that ASN funding was now allocated to Head Teachers as they know the best way to allocate the funding across their school. This has had a great impact and allows Head Teachers to be flexible with their staffing across associated school groups.

There were no comments.

b) Children's Services

In response to questions from Members, Ms Byrne stated numbers of young people in placements out with East Lothian were changing but not necessarily reducing due to it not being possible to prevent them requiring placements externally. She also provided information on how the current budget pressures were increasing the risk for the delivery of children's services, how the impact of poverty within the general population would impact the risk as we move forward and what was being done to bring down the risk on non-compliance and data protection which included training sessions and managing work load.

There were no comments.

c) Health and Social Care Partnership

The Convener asked what additional risks the current budget pressures were putting on the service. There was not an appropriate officer online to answer, therefore the question would be added to the action log for a response.

The Convener stated it was difficult to see so much red throughout these risk registers but also important they were being recognised. She extended her thanks to all officers involved in the risk registers.

Decision

The Audit and Governance Committee agreed to note:

- The relevant risks that had been identified, and that the significance of each risk was appropriate to the current nature of the risk
- The total profile of the risks could 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 that are likely to be a feature of the risk registers over a number of years

5. INTERNAL AUDIT REPORT – MARCH 2026

A report was submitted by the Service Manager – 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 2025/26 annual audit plan.

Duncan Stainbank, Service Manager for Internal Audit provided Members with a summary of the report. Officers responded to questions from Members in relation to the ongoing issues with current systems used within commercial properties, the current work being done on the Enjoy business plan and confirmed the risk mentioned under planning decisions was a separate issue to the publication of planning decisions that had been discussed at Council recently.

Councillor Ritchie stated comparisons were now being seen across local authorities and on planning East Lothian Council came up well on their rates of speed of passing, particularly around major developments. She felt this was a testament to both the systems and the people and wished to give some encouragement to officers.

The Convener thanked Mr Stainbank for the report.

Decision

The Audit and Governance Committee agreed to note:

- The main findings and recommendations from the Internal Audit reports issued during the period from December 2025 to March 2026 as contained in Appendix 1
- The findings from Internal Audit's follow up work
- Internal Audit's progress against the annual audit plan for 2025/26 as set out in Appendix 2

6. INTERNAL AUDIT STRATEGY & PLAN 2026/27

A report was submitted by the Service Manager – Internal Audit to inform the Audit and Governance Committee of Internal Audit's operational plan for 2026/27.

Duncan Stainbank, Service Manager – Internal Audit presented the report drawing Members attention to the three key objectives for the team to undertake during 2025/26 and the internal audit plan which was split by operational area. He noted the plan was approved through the Council Leadership Team.

The Convener thanked Mr Stainbank for his report and moved to a roll call vote on the recommendations. Members unanimously agreed to approve the recommendations.

Decision

The Audit and Governance Committee agreed to:

- Approve the Internal Audit Plan for 2026/27 and;
- Approve the Internal Audit Strategy 2026/27.

[Change to agenda – item 7 to be moved to be presented after item 9]

8. COUNTER FRAUD ANNUAL PLAN 2026/27

A report was submitted by the Service Manager – Internal Audit to inform the Audit and Governance Committee of the Counter Fraud operational plan for 2026/27.

After providing Committee with a summary of the report, Mr Stainbank responded to questions from Members, confirming there is still only one Counter Fraud Officer within the Council, but he will continue to look at resources and a full breakdown of figures in relation to savings would be provided at the June Committee.

A roll call vote was carried out where a unanimous decision was reached to approve the recommendations.

Decision

The Audit and Governance Committee agreed to:

- Approve the Counter Fraud Plan for 2026/27

9. INTERNAL AUDIT CHARTER 2026/27

A report was submitted by the Service Manager – Internal Audit to provide the Audit and Governance Committee with the updated Internal Audit Charter, in accordance with Global Internal Audit Standards, for approval that defines the purpose of Internal Audit and the mandate for Internal Audit within East Lothian Council. The Charter clarifies the independence, organisational position and reporting relationships of Internal Audit; outlining the roles and responsibilities of the Audit Committee and the Chief Audit Executive, who is the Service Manager – Internal Audit for East Lothian Council and East Lothian IJB.

Duncan Stainbank, Service Manager – Internal Audit provided a short presentation, making Members aware of some minor updates to the Charter conclude the current structures.

There were no questions on this item.

The Convener thanked Mr Stainbank for his report and moved to a roll call vote on the recommendations. Members unanimously agreed to approve the recommendations.

Decision

The Audit and Governance Committee agreed to:

- Approve the revised Internal Audit Charter shown at Appendix 1 for use from 1 April 2026 and;
- Note that the Internal Audit Charter will be reviewed annually.

7. EAST LoTHIAN COUNCIL – DRAFT: ANNUAL AUDIT PLAN 2025/26 –

Amanda Fitzpatrick, Senior Auditor and Mark Ferris, Senior Audit Manager – Audit Scotland were both online participants but unfortunately due to IT issues were unable to present their report. Sarah Fortune, Depute Chief Executive presented the report which had set out the key areas of scope for the audit and the areas of risk focus.

Ms Fortune noted this was Mr Ferris' last Audit and Governance due to his upcoming retirement. She thanked him for providing support and challenge and for working pragmatically with Council officers through the course of the audit.

The Convener asked if there was anyway for the audit fees to be reduced. Officers agreed for this question to be added to the action log to allow Audit Scotland to respond. Ms Fortune added that the fee was set within a wider national framework, and it is recognised there is a cost to undertake the external audit, but it is really important the Council can demonstrate assurance and base value.

The Convener also thanked Mr Ferris for his hard work, guidance and kindness throughout the audit process.

Decision

The Audit and Governance Committee agreed to note the report.

10. EAST LoTHIAN LAND LTD 2024/25

A report was submitted by the Companies Manager – East Lothian Land Ltd to inform the Audit and Governance Committee of the work undertaken by East Lothian Land Ltd in 2024/25.

Lisa Deegan, Companies Manager – East Lothian Land Ltd presented her report which set out activity during the year until 31 March 2025 and set out the companies overall financial and governance position. However, since the report was written the East Lothian Land Board together with Senior Council Executives have taken the decision to formally wind up East Lothian Land so remaining assets of the company will transfer back to the Council including the residual funds and a piece of land.

Ms Deegan confirmed that she would be carrying any economic development through the wider discussions around repurposing of funds.

Decision

The Audit and Governance Committee agreed to note the contents of the report.

11. EAST LoTHIAN INVESTMENTS LTD 2024/25

A report was submitted by the Companies Manager – East Lothian Investments Ltd to inform the Audit and Governance Committee of the work undertaken by East Lothian

Investments Ltd (ELI) during 2024/25 and to provide and update on recent governance changes, including the modernisation of the Articles of Association.

Following the presentation of her report, Lisa Deegan, Companies Manager responded to questions from Members relating to balancing risk, her view on the governance and due diligence of ELI, analysis of lending decisions from a geographical perspective, collaborative work with East Lothian Works and she agreed to provide further information on what type of companies the loans went to.

Decision

The Audit and Governance Committee agreed to note the contents of the report.

12. THE BRUNTON THEATRE TRUST REPORT 2025

A report was submitted by the Brunton Theatre Trust for the year ended 31 March 2025.

Fiona O’Sullivan, Team Manager – Arts Service presented her report to Committee highlighting the closure of the Brunton Hall having a profound effect on operations and the financial impact of the East Lothian Council grant being reduced by £200,000, this has however since been reinstated. She provided an updated on future plans to maximise sustainability and improve audience numbers with the immediate priority being to continue delivery high quality programming across current venues while keeping operating costs to a minimum and rebuilding reserves.

Ms O’Sullivan responded to questions from Members relating to marketing the change of venues to attract new audiences, what skills new additions to the Brunton Theatre Trust Board have brought in and how this has strengthened capacity in several areas, her plans to engage young people and offer inclusivity around the arts. Ms O’Sullivan made Members aware of the implementation of a new ticket system and programmer who will help with the financial split to promoters and therefore advise on future ticket prices and highlighted the funding from Creative Scotland, bringing in a Trust and Foundations Fundraiser who will help with projected costs and hopefully help to reduce the current deficit and the exploration of collaborating with Fringe by the Sea and other local businesses in the future.

Overall Members founds the report positive given the circumstances the arts faced during Covid and the closure of the Brunton Hall. They commended the work of the Trust for being adaptable and forward thinking to try and be both sustainable and continue to deliver an excellent service. Members also hoped the Council would do everything in its power to support the work of the trust to ensure longevity until permanent premises are in place.

Decision

The Audit and Governance Committee agreed to note the report.

13. ENJOY LEISURE

A report was submitted by the Chief Executive – Enjoy East Lothian Ltd to set out the financial and operational performance of enjoyleisure (enjoy) since March 2024 as well as the various challenges and successes that enjoy have encountered during this period.

Following the presentation of his report, Bill Axon, Chief Executive and Robert Fennessey, Head of Finance & Systems, Enjoy Leisure responded to questions from

Members. He provided information on the current review taking place and confirmed enjoy currently received no funding from the NHS but instead ran their health and wellbeing courses with their own funds or from the help of the Council. He explained enjoy were currently working in conjunction with other trusts and local authorities to gain evidence of the benefits of these courses and hope to report the findings within the next 12 to 18 months and provided details on the expected timescales for work on the Loch Centre. Mr Axon also agreed to provide a breakdown of how each site is performing as part of next years reporting and to provide the specific numbers of new members to the Aubigny site after its refurbishment. It was agreed all these pieces of work would be added to the action log.

Members welcomed the suggestion of the breakdown of each site being provided as this would allow to see how any refurbishments has increased income. They commended the work that staff within enjoy were doing including coming up with innovative ways to improve facilities. Members also praised enjoy for employing young people and upskilling current staff. The Convener encouraged the public to use enjoy facilities all across the county to allow for the reinvestment in public facilities and thanked Mr Axon and Mr Fennessey for their report and attending the Committee.

Decision

The Audit and Governance Committee agreed to note the report.

14. EAST Lothian MID-MARKET HOMES LLP

A report was submitted by the Deputy Chief Executive to inform the Audit and Governance Committee of the 2024/25 accounts and the performance of East Lothian Mid-Market Homes (ELMMH).

Wendy McGuire, Head of Housing presented her report providing an overview of East Lothian Mid-Market Homes. She highlighted the set up of a senior management team and a board of members which was set up at the onset to ensure good governance and noted internal audit have been asked to carry out an audit this year to ensure the necessary controls are in place. She also provided an update on the financial model with projections on income and expenditure, changes to rental increase, bad debt, voids and increases in material costs for repairs and noted the team continue to explore opportunities to expand the portfolio further however, with the cost of construction continuing to rise this may be difficult without additional funding.

Ms McGuire answered questions from Members relating to the level of voids, the demand for mid-market homes, continued work with the Scottish Government and regional housing partners regarding investment and she confirmed there were not currently any mid-market home developments underway.

The Convener praised the mid-market home model, especially given the rent costs within East Lothian and pushed for any work to be done within Scotland and UK wide to gain investment and reduce the housing waiting lists.

Decision

The Audit and Governance Committee agreed to note the report.

Signed

Councillor L Menzies
Convener of the Audit and Governance Committee

Meeting Date	Internal Audit Reports	External Audit Reports	Governance	Risk	Accounts Commission/ Audit Scotland reports
16/06/26	Internal Audit June report – (individual audits tbc) Annual Internal Audit Report 2025/26 Controls Assurance Statement 2025/26	Management Letter/Report on Key Controls 2025/26 Best Value Thematic Review	Annual Treasury Management Review 2025/26 Corporate Governance Self-evaluation/ Annual Governance Statement 2026 Council Improvement Plan Monitoring Report Edinburgh Innovation Hub – annual audit and governance update Information Governance – may need to be moved later	Corporate RR Risk Strategy Update	Accounts Commission Financial Resilience 2024/25

**Invite either Carlo Grilli or Zarya Rathe to the agenda-setting meeting and send both the draft agenda and report deadline info.*

Audit & Governance
Action Record 2025/26

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Action Ref.	Meeting Date	Item Number and Title	Action(s) Agreed	Action Owner(s)	Target Completion Date	Actual Completion Date	Comments/Responses/ Additional Information
25/14	24 03 26	04c Health and Social Care Partnership Risk Register	An officer from the H&SCP to make Members aware of any additional risks the current budget pressures were putting on the service.	David Hood			
24/15	24 03 26	07 East Lothian Council: Draft – Annual Audit Plan 2025/26	Audit Scotland to make Members aware if there was any way fees could be reduced.	Amanda Fitzpatrick / Mark Ferris		27 03 26	Recommended for closure: Mark Ferris sent an email and attached the guidance on Audit Scotland's fee setting approach. He also provided details within his email on the 2025/26 fees. This was circulated to Members on 30 03 26.
24/16	24 03 26	11 East Lothian Investments Ltd	Companies Manager to provide further information on what type of companies loans were going to.	Lisa Deegan			
25/17	24 03 26	13 Enjoy	Enjoy to provide an update on evidence they have gathered in conjunction with trusts and local authorities on the benefits of health and wellbeing courses they provide.	Bill Axon	Within 12 to 18 months		

Action Ref.	Meeting Date	Item Number and Title	Action(s) Agreed	Action Owner(s)	Target Completion Date	Actual Completion Date	Comments/Responses/ Additional Information
25/18	24 03 26	13 Enjoy	Enjoy to provide an update on collaborative work they are doing with the NHS	Bill Axon	As soon as possible		
25/19	24 03 26	13 Enjoy	Enjoy to provide a breakdown of how each site is performing	Bill Axon	March 27		
25/20	24 03 26	13 Enjoy	Enjoy to provide specific numbers on new memberships at the Aubigny since its refurbishment	Bill Axon	As soon as possible		

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	16 th of June 2026
BY:	Chief Executive
REPORT TITLE:	Corporate Risk Registers
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To present to the Audit and Governance Committee the Corporate Risk Register for discussion, comment and noting.
- 1.2 This 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 Local Risk Working Groups (LRWG) within each service.

2 RECOMMENDATIONS

- 2.1 It is recommended that the Audit and Governance Committee notes this Risk Register and in doing so, the Committee is asked to note that:
 - the relevant risks have been identified and that the significance of each risk is appropriate to the current nature of the risk.
 - the total profile of the risks can be borne by the Council at this time in relation to the Council's appetite for risk.
 - although the risks presented are those requiring close monitoring and scrutiny over the next year, many are in fact longer-term risks and are likely to be a feature of the risk register over a number of years.

3 BACKGROUND

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

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

- Very High risk is unacceptable, and measures should be taken to reduce, transfer or treat the risk to a more tolerable position.
- High risk may be tolerable providing the Council is assured that adequate and effective control measures are in place.
- Medium risk is tolerable with control measures that are cost effective,
- Low risk is broadly acceptable without any further action to prevent or mitigate risk.

3.3 The risk register presented include the following number of risks.

- 6 Very High
- 7 High
- 6 Medium
- 1 Low risks

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 RESOURCE AND OTHER IMPLICATIONS

5.1 Finance:

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

5.2 Other (e.g. Legal/IT):

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

6 INTEGRATED IMPACT ASSESSMENT

6.1 *Select the statement that is appropriate to your report by placing an 'X' in the relevant box.*

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	N/A
Socio-economic disadvantage/poverty	N/A
Climate change, the environment and sustainability	N/A
Corporate parenting and care-experienced young people	N/A
Storage/collection of personal data	N/A
Other	N/A

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

7 APPENDICES

Appendix 1 – Corporate Risk Register

8 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Steven Bosworth
Designation	Emergency Planning and Risk Officer
Tel/Email	sbosworth@eastlothain.gov.uk
Date	04/05/2026

Head of Service Approval

Name	Eamon John
Designation	Head of Communities & Partnerships
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	
Approval Date	28/05/2026

EAST LOTHIAN COUNCIL CORPORATE RISK REGISTER

Risk ID	Owner	Category	Title	Description	Impact	Probability	Current Risk Score	Residual Risk Score	Corrective Actions	Review Date	Latest Update
R287	Wendy McGuire	Legal	Homelessness and Housing Pressures	<p>Rapid rehousing policy requires the Council to transform homelessness services, place people quickly into permanent accommodation (negating use of temporary accommodation) and significantly reduce temporary accommodation stock. Resource allocation, further exacerbated by a series of legislative change, has been and will continue to be insufficient for service transformation.</p> <p>Legislative change regarding local connection came into force in 2022 and requires the Council to accept rehousing responsibility for additional homeless cases. This adds to pressures posed by discretion around intentionality. Changes continue to be enacted without clear guidance on practical implementation, placing the Council at risk regarding threats of judicial review and presentations from neighbouring authorities are exacerbating existing pressures, within the context of the national / local housing emergencies.</p> <p>There is a higher financial cost burden for the general services budget due to as a result of the emergency accommodation being retendered, which is being revisited in 2026/27.</p> <p>Ongoing breaches of the Unsuitable Accommodation Order due to a shortage of 'suitable' temporary accommodation, and subsequent daily breaches.</p>	5	5	25	20	<p>619 - Continue new build activity to increase housing stock, exploring potential to further increase supply within context of the growth agenda.</p> <p>620 - Mid-market rent properties coming forward to be targeted at homeless / threatened with homelessness households.</p> <p>622 - Housing Options Training Toolkit is being rolled out to Community Housing and Homelessness staff to improve homelessness prevention and complement new Prevention Duty anticipated 2025, with revised approach to be agreed and implemented.</p> <p>628 - Significant resource channelled to improve void turnaround times including establishing a team to address long-term major works voids.</p> <p>630 - Further communication with the Housing</p>	30/09/2026	13/05/2026

Enforceable temporary accommodation standards framework implemented from 2021/22 which further reduces the existing portfolio of 'suitable' accommodation.

Proposed changes re the new prevention duty poses further risk to existing practice. Implementation will likely result in increased referrals and homeless assessments.

Reduced supply of private lets due to landlords' ongoing concerns re Private Residential Tenancy, legislative change, welfare reform impacts and cost of living increase, resulting in increased rents. A significant increase in LHA rates from April 2024 makes private lets more unaffordable.

The policy area of migrant homelessness and destitution is becoming increasingly complex within a context of limited guidance, noting a significant increase in MEARS properties in East Lothian.

SHR continuing to monitor ELC, noting breaches and length of stay in temporary accommodation.

There has been a slowdown in the Affordable Housing Supply Programme as a result of earlier reduction in investment. Although investment has been reversed, the mobilisation of sites has taken a bit longer. We have also recently received a 4 year allocation of investment which has resulted in a reprofile of sites and spend over the next 4 years to determine the impact on the affordable delivery programme.

The Homelessness Service is at risk of being unable to operate within budget going forward, due to a combination of rising costs generally, procurement of emergency accommodation which directly resulted in increasing costs, increasing demand from outwith EL, and lengthy periods of time in temporary accommodation.

ELC is in the process of developing a new housing management system, with the current system no longer fit for purpose. However a range of potential issues have been highlighted and implementation delayed, with ongoing concerns regarding the ability of the system to meet identified needs.

AVD homelessness database poses significant risks in respect of ownership, data capacity and noting ongoing technical issues.

ELC declared an affordable housing emergency in November 2024, with corresponding homelessness action plan, noting the issues associated with shortage of / reducing new build affordable housing and impact upon housing need and demand generally / homelessness pressures.

Concern is growing regarding conflict in the Middle East re service delivery i.e. fuel shortages.

Minister is likely, regarding requests for assistance to help alleviate housing pressures

631 - Planned tenancy conversions and temporary increase in % allocations to increase flow through the system and enable reduction in temporary accommodation to be met.

R267	Paul Iannetta	Financial Impact	Maintenance of Assets	<p>The Council has a significant asset base covering a wide range of services. Many of these physical assets require significant capital investment to ensure they meet both condition and suitability asset requirements and will also require significant on-going maintenance to ensure they can be maintained to an appropriate condition.</p> <p>There is a risk that the Council will not have the available financial resource and staffing requirement to carry out essential repairs and maintenance programmes to ensure buildings are maintained in a good condition, and on-going capital investment is required to ensure suitability and condition of buildings remain appropriate and aligned to national conditions.</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 and could ultimately result in a failure of building elements and impacts on safe operation of an asset 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</p>	5	5	25	20	<p>531 - On-going monitoring of condition and other data to inform the planned delivery of works required to ensure buildings comply with statutory and legal requirements and are maintained in a safe operating condition.</p> <p>532 - 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>533 - Review and identify staffing resource required within SACPM, Education and Engineering Services.</p> <p>534 - Identification and management of assets affected by RAAC and Siporex with option appraisals to identify remediation and or demolition and future provision.</p> <p>535 - The Asset and Engineering teams will use both the asset review, available budgets and</p>	31/08/2026	27/03/2026

			<p>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 RAAC/Siporex and subsequent costs from the implications in respect of management, remediation and or total loss of assets.</p> <p>There remains significant cost pressures aligned to on-going cost of construction including challenges around availability and supply of goods/ services.</p> <p>There are a growing range of new policy requirements aligned to public infrastructure and funding including net zero and energy targets, which require additional monitoring, specification requirements and costs. These require 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>asset management partnership working to identify temporary and permanent solutions.</p> <p>536 - Contingency plans are being prepared to mitigate 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>537 - 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>538 - 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>539 - Progress with work to support the asset review including Place Based Asset Review which will assist in prioritising future place-based assets and will inform future capital investment opportunities.</p>	
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R266	Sarah Fortune	Financial Impact	Managing the Financial Environment	<p>The financial environment continues to present substantial risks to the Council's capacity to meet its objectives and sustain service provision over the medium term.</p> <p>The Council faces a significant residual budget gap over the next 5 years, despite efforts to close this through identification of savings and planned increases to council tax income.</p> <p>Pressures arise from:</p> <ul style="list-style-type: none"> - The level and complexity of national funding, with resources not keeping pace with growing demands, and around 70% of national funding being directed to support specific policy obligations and settlement conditions. - Significant increased cost of service delivery arising from previous high inflation and pay settlements. - Growing pressure within demand led services arising from social, demographic and legislative change. - Significant and sustained population growth, giving rise to costs of new associated infrastructure such as new schools. <p>- Significant capital expenditure pressures including higher levels of inflation and interest charges, gaps between s75 contributions and the cost of new infrastructure, significant investment needed to support an aged and wide-ranging asset base, as well as meeting the cost of enhanced infrastructure policy obligations including net zero.</p> <p>Geopolitical instability arising from the Middle East conflict continues to create uncertainty in global financial markets, particularly in relation to energy costs, inflationary pressures and supply-chain resilience. These external factors may adversely affect the Council's financial environment by increasing revenue and capital expenditure, reducing the predictability of income streams, and limiting the accuracy of medium-term financial planning.</p> <p>The level of unallocated reserves being held by the Council as a contingency to mitigate any unforeseen events remains very low relative to the concurrent risks the Council currently faces. Given the risk environment, it is possible that the current level of reserves may not be sufficient to meet future unplanned events leading to earmarked reserves needing to be redirected.</p> <p>The IJB has set a balanced budget for 2026/27 but continues to face growing demand pressures and extremely limited capacity within reserves to offset any future budget overspends, meaning that these will likely need to be met through additional contributions from funding partners.</p> <p>This combination of financial challenges facing the council presents a risk to the delivery of current and future obligations within the resources which are now available, and it is important that focus is given to targeting resources at key</p>	5	5	25	20	<p>605 - Enhanced programme of monitoring of Council's budget aligned to risk currently being developed.</p> <p>606 - On-going review of Capital Planning and capital infrastructure priorities.</p> <p>609 - Continue to support national discussions through CIPFA Directors of Finance aligned to ensuring the on-going financial sustainability of local government.</p> <p>610 - On-going 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>612 - Continue to engage with Scottish Government and COSLA to adequately resource the funding requirements associated with population growth arising from the Local Development Plan, taking into consideration both revenue and capital costs.</p> <p>613 - Continue to support regional placed based funding discussions with City Region Deal Partners.</p> <p>615 - The financial and capital strategies will be refreshed and presented to Council in December.</p> <p>616 - Support national conversations aligned to SOLACE and Improvement Service Transformation Programme.</p> <p>640 - Updated scenario planning will be present to Council in August 2025.</p> <p>642 - Council management team leading on work to model the impact of budget reductions</p> <p>643 - Continue to prioritise and support the statutory annual audit process which underpins strong financial governance.</p> <p>644 - CIPFA's financial management code has</p>	01/07/2026	01/04/2026
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				important that focus is given to targeting resources at key priority areas, and redesigning services to ensure on-going financial sustainability.					<p>644 - CMT's financial management code has been adopted and remains under regular review by CMT and Audit & Governance Committee</p> <p>645 - The implementation of the new finance system</p> <p>670 - Updated scenario planning will be presented to Council in August 2026.</p>		
R270	Wendy McGuire	Impact on People	Refugee Asylum Schemes	<p>Both the UK and Scottish Government have responded to recent immigration and humanitarian crisis by introducing refugee schemes that largely required to be administered by local authorities, with confirmation January 2024 that changes to visa requirements / schemes will enable Ukraine households to remain in the UK until 2026.</p> <p>These schemes are broader in scope and of a significantly greater scale than previous 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. The challenges posed are further compounded by the requirement for local authorities to commit to accommodating refugees via the cap on safer and legal routes and request to assist Mears regarding local procurement of properties and corresponding support requirements.</p> <p>Two Tenancy Support Officer (refugee and asylum seeker) posts ended Nov 2023 and Feb 2024 with no dedicated resource for this client group.</p> <p>Implementation of mandatory national transfer scheme means the Council must accept an allocation of unaccompanied asylum-seeking young people set by the Home Office. Notification will be short notice and frequency is dependent on rate of arrival in</p>	4	5	20	16	<p>543 - Quantification of future resource requirements to be identified and articulated as new and changing schemes are rolled out.</p> <p>544 - Working closely with SG and COSLA to inform future iterations of Guidance for clarity and confirming with SG and COSLA colleagues that ELC cannot source social housing properties as housing pressure continues to be extreme.</p> <p>545 - Childrens services are considering a host families scheme to provide accommodation and support for UASC.</p> <p>546 - Discussions are ongoing with Scottish Government and the Home Office about the increase in numbers of UASC children coming to East Lothian.</p> <p>547 - Work with ALACHO, SOLACE, COSLA and others to ensure future funding arrangements are adequate, in accordance with the revised approach to a warm Scots future.</p> <p>548 - Completion and allocation of seven properties in Haddington (Brown Street) for a</p>	31/07/2026	13/05/2026

				<p>the UK. This presents a resource challenge re-provision of accommodation and social work support. The national local crisis in fostering resources is compounding the service risk.</p> <p>A change in Scottish Government policy focus from a 'warm Scots welcome' to delivery of a 'warm Scots future' within the context of wider homelessness and housing pressures.</p> <p>Mears procurement is being carried out with limited communication and arrivals flagged to local authorities with limited notice.</p>					small number of Ukraine households to be accommodated in settled accommodation until 2026 as host accommodation comes to an end.		
R271	Joyce Russell	Impact on Reputation	Cyber Security Threats	<p>External Cyber Security Threats</p> <p>There is a risk that the Council suffers a cyber-attack by a 3rd party (e.g. hacker, terrorism, nation state) causing the loss of access to or the destruction of all or part of its IT infrastructure and / or information systems.</p> <p>This could be caused by a direct attack on the Council or indirectly via an attack on a trusted supplier or element of national infrastructure.</p> <p>The attack vectors continue to evolve and in recent months supply chains and employee impersonation (via phishing) has become the most common.</p> <p>The current geopolitical situation is resulting in a continuous risk of Nation State led and sponsored cyberattacks on the UK which could potentially affect National Infrastructure in a way that has a direct impact on East Lothian Council.</p> <p>Internal IT Security Threats</p> <p>Council IT systems are compromised by the actions of an internal employee - causing the loss of a system, virus/trojan/ransomware infection or loss/disclosure of data.</p> <p>Unpatched/unsecured/hardened "shadow IT" has been</p>	4	5	20	15	<p>677 - Investigate use of a third off site Datacentre with capacity to support key systems and onsite backups of file stores</p> <p>678 - Improve on our ability to accurately , consistently and constantly monitor our key third party suppliers</p> <p>679 - Enhance our ability to securely administer cloud based and company wide MS products : 365/Azure/intune</p>	31/10/2026	01/04/2026

				<p>identified in some areas this alongside IOT devices. These provide easy path into the ELC network. IT are essentially blind to these devices and systems until they are found and removed.</p> <p>Our traditional security architecture needs to align with modern approaches, this has been the key finding for many data breaches, ransomware attacks alongside supply chain attacks which are becoming increasingly intelligent in their attack vectors.</p>							
R268	Paul Ritchie	Impact on People	Risk to Services Delivery due to Workforce Challenges	<p>Maintaining a stable and skilled workforce is essential to efficient, effective and safe delivery of services.</p> <p>The Council continues to face on-going workforce challenges to meet the diverse range of services including:</p> <p>Recruitment and retention of staff</p> <p>High level of sickness absence in some service areas, placing pressure on service delivery</p> <p>Impact of pay and grading structure and annual pay awards</p> <p>Attractive employment opportunities in other sectors risks staff migrating out of Council services</p> <p>Impact of Council financial mitigation measures including enhanced recruitment mitigations</p> <p>Aging workforce and impact on succession planning</p> <p>35 hour working week makes Council salaries look lower than neighbouring authorities paying the same hourly rate.</p> <p>Failure to preserve business critical activities within these services could lead to increased risks in respect of 'life and limb' services, financial and severe reputational damage to the</p>	4	5	20	15	<p>540 - Update Management Arrangements on Fire Safety and First Aid</p> <p>541 - Workforce planning to be added to service plan templates.</p> <p>542 - A review of the Council's workforce plan action plan.</p>	31/03/2027	05/05/2026

				<p>Council.</p> <p>Insufficient staff can also lead to an inability to open facilities, or to reducing opening hours/days, impacting on local access to services and reducing community programmes of activity, particularly those supporting early intervention and prevention activities.</p> <p>Staffing challenges may result in a lack of cross-service staff capacity to meet emergency response requirements and any other concurrent risks which may create risks to public safety, bringing reputational damage to the Council.</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>							
R273	Carlo Grilli	Legal	Limitation (Childhood Abuse) (Scotland) Act 2017	<p>The Act covers the period prior to 2004 for civil actions arising from allegations of childhood abuse for children who have been in the care system.</p> <p>The Scottish Child Abuse Inquiry is currently in its 10th Phase, and currently we are not involved in this phase.</p> <p>Survivors may continue to come forward for the period from 1964 to 2004. Historic and current insurers are put on notice where claims are received. The level of deductible or excess is the financial pressures if historic claims of child abuse are made and upheld against East Lothian Council as the statutory successor.</p> <p>The Council's insurers have indicated that where the policy can respond, they will cover appropriate external legal costs and compensation payments subject to the deductible in force. However, the requirements to comply with SCAI S21 requests are placing significant strain on internal resources within the legal, social work and records management teams for which there is no additional budget.</p> <p>Redress Scotland established to provide survivors with an avenue to compensation where they do not wish to submit a claim directly to a successor organisation. Where the Redress Scheme is not used, any legitimate claimant may still raise action against ELC.</p>	4	4	16	12	<p>558 - 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 Councils position</p> <p>559 - Fully engage with the SCAI to anticipate and forecast future claims and ensure ELC is represented well in the public hearings.</p> <p>560 - Ensure current social work practice with children who are accommodated away from home meets high professional standards and complies with legislation and national standards to ensure they are safe and reduce the likelihood of any 'new' claims arising.</p> <p>561 - Full review of the overall Council Records Management systems and behaviours required to be undertaken to streamline obtaining the relevant information requested.</p> <p>562 - A draft agreement regarding historical liabilities for the successor authorities of LRC is out for consultation with each authority and it is hoped it will be agreed in 2024.</p>	17/05/2027	19/05/2026

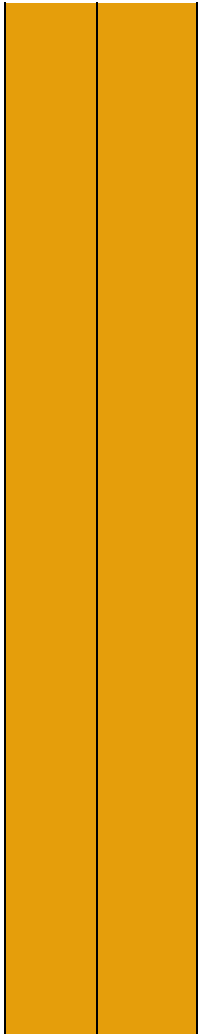
				Note that there remains a period from 2004 to present which is not covered by Scottish Government proposals/legislation for compensation schemes and as such any legitimate claim arising would need to be taken forward through ELCs Insurers.							
R272	Keith Dingwall	Impact on People	Climate and Nature Emergency	<p>Climate change will increase the severity, duration, and frequency of extreme weather events that will disrupt service delivery and reshape the East Lothian area. The same human activity that causes climate change also causes devastation to the natural environment, which further endangers the quality of our area. 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> <p>Failure to meet our statutory duty under Scotland's Climate Change Act (2009).</p> <p>Failure to meet our statutory duty under the Nature Conservation (Scotland) Act 2004.</p> <p>Lack of financial and staff resources to respond to the climate and nature emergency.</p> <p>Deteriorating natural environment and extreme weather affect our ability to deliver services reliably and to acceptable standards.</p> <p>There are no clear funding paths to meet the budgeted costs to</p>	4	4	16	12	<p>553 - 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>554 - Secure the tools, powers and resources to enable the delivery of a 'Net Zero Council' and a Climate-ready Council.</p> <p>555 - Identify interim emission reduction targets across Council Services. Identify effective and necessary climate adaptation measures for Council assets & services. Implement a monitoring & evaluation framework for both.</p> <p>556 - Engage East Lothian Partnership to include carbon emissions reduction targets in review and update of the East Lothian Plan.</p> <p>557 - Re-engage with the Resilient Communities initiative</p>	31/03/2027	19/05/2026

reduce greenhouse gas emissions and adapt to climate change. This includes moving all our energy in buildings and our fleet and supporting infrastructure to zero emission sources. To meet the challenge, investment for Buildings is estimated at £1bn. Fleet is more difficult to calculate at present due to the emerging technology and changes in market costs, but it is noted as a significant investment. Both cannot be met through existing core funding or grant availability.

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. These will be cascading risks that can lead to power outages, shortages of water and supplies, and disruptions to transportation. The Council must reduce its emissions to mitigate the severity of climate change and have robust climate adaptation measures to respond to this growing crisis.

The State of Nature Scotland Report (2019) found that 49% of Scottish species have decreased in abundance and 11% are under threat from extinction. Failure to halt biodiversity loss and restore nature will have a detrimental impact on our environment, economy, jobs, health and wellbeing and impact our capacity to adapt to and mitigate the climate crisis.

The Council is making progress in reducing the Climate and Nature Emergency risks. However, there is an urgent need to secure the funding, resources, tools and powers to enable us to deliver net zero and become nature positive. Until then, our capability for transformational change to reduce these risks is uncertain.



R274	Tom Reid	Impact on People	Flooding and Coastal Erosion	As the incidence of flooding and coastal erosion increases as an impact of Climate Change, there is an increased risk of disruption and damage to road and path networks, impact on public and community safety, property, businesses, harbours and natural heritage sites and an associated increase in claims against the Council.	4	4	16	9	<p>563 - Flood studies for Dunbar, West Barns & North Berwick (Coastal), Cockenzie, Port Seton, Longniddry & Prestonpans, and Tranent & Macmerry have been included in the 2021-28 Flood Risk Management Plan and the 2022-28 Forth Estuary LFRMP.</p> <p>564 - As part of the 2022-28 Local Flood Risk Management Plans Flood Protection Schemes for Musselburgh and Haddington are included in the list of actions for the Forth Estuary Local Plan District.</p> <p>565 - ELC have undertaken Flood Studies for Musselburgh and Haddington within the 2016-2022 FRM cycle and are currently progressing the Musselburgh Flood Protection Scheme which is a fully established project.</p> <p>566 - Musselburgh FPS is not yet approved under the Flood Risk Management (Scotland) Act 2009.</p> <p>567 - A full report on Coastal Change in Musselburgh was completed and published in March 2024.</p>	26/03/2027	16/04/2026
R277	Lindsey Byrne	Impact on People	Public Protection – Risk of Harm	<p>The Council has a legal responsibility to protect people from harm under a range of public protection functions. This includes the management of offenders and adhering to MAPPA arrangements.</p> <p>A failure to have in place efficient and effective Public Protection arrangements, covering Child Protection, Adult Support and Protection, local MAPPA arrangements, Violence against Women and Girls (VAWG) and Substance Misuse services, may result in the Council being unable to fulfil its statutory duties/duty of care which could contribute to a child or adult suffering harm and in some circumstances, death.</p> <p>The Council could face prosecution, compensation claims and serious reputational damage.</p> <p>Multi-agency public protection functions are governed by the Critical Services Oversight Group (CSOG). Any risks to public protection service delivery are formally raised to CSOG.</p>	4	3	12	12	No Planned Actions	26/06/2026	21/05/2026

R278	David Hood	Impact on Service Objectives	Duty of Care to Public	<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>The Council took out QBE policy in 2021 with Medmal, which now includes cover for some intrusive medical intervention (e.g. tube feeding or assistance with diabetic pumps). However, prior to this there is a 5 year period where the Council was without any cover, the claims for which may not be submitted for many years (particularly if it relating to children) meaning this risk will remain for some time.</p> <p>Members of the public access services in many public buildings which require to operate within statutory health and safety requirements relating to the building itself, and spaces within it. Some services are provided in the outdoor public realm. Failure to operate services safely both within ELC buildings and in outdoor spaces could risk harm to members of the public and staff, resulting in injury, financial liability and reputational damage.</p> <p>Serious and Organised Crime (SOC) poses a physical and virtual threat, be that human trafficking, drug supply, sexual exploitation, fly-tipping, fraud, unsafe consumer sales et al. These risks can include cyber-attacks, corruption, bribery, IT system infiltration, human 'plants' into organisations. SOC poses risks to our communities through targeting of vulnerable people and their properties e.g. to act as conduits for drug supply, door-step fraud, on-line crime et al.</p> <p>Concerns raised from staff that budgetary/financial constraints are impacting on service delivery and compromising social workers working to their code of practice.</p> <p>While there have been improvements on assurance processes there still remains challenges with financial resource to meet the needs of people at risk. For example those on unmet need list rated as red, waiting on care and those waiting on local authority care home placements.</p>	4	3	12	8	<p>585 - Refresh of Serious and Organised Crime Multi-Agency Plan, aligned to review of Anti-social Behaviour Strategy</p> <p>673 - Development of clear outcome focused assessments and reviews</p>	01/08/2026	13/05/2026
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R276	Nikki Brennan	Impact on Reputation	Data Protection Threats	<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 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) and other information (FOIs) continue to increase persistently in both number and</p>	4	3	12	8	<p>573 - the Team Manager–Information Governance and Team Manager-IT Infrastructure & Security drafting an Information Transformation Strategy</p> <p>675 - Development of an e-learning records management module is on hold pending procurement of a new Learning Management System (owned by OD)</p>	19/05/2027	21/05/2026

				<p>complexity (average increase of 28% every year since 2021). Staffing challenges and disproportionate impact of frequent requesters mean the Council is at higher risk of missing statutory timescales for responses. East Lothian Council is currently undergoing intervention by the Information Commissioner's Office in response to its running backlog of overdue responses to Subject Access Requests.</p> <p>DP compliance is dependent on good records management. The Council's Records Management Plan 2014-2019 needs to be formally updated to 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 statutory information request services and increased demand from Services for review of Data Sharing Agreements / Data Protection Impact Assessments are impacting capacity to address Records Management.</p>							
R279	Scott Kennedy	Impact on People	National Power Outage	<p>The National Electricity Transmission System (NETS) transports electricity across Great Britain. Total failure of this system would cause a nationwide loss of electricity supplies instantaneously and without warning. This would cause cascading failures across multiple sectors including telecoms, water, gas, sewage, food, health and fuel, and cause significant disruption to public service provision and most businesses and households. These disruptions could lead to physical and psychological casualties or fatalities due to the loss of the services relied upon by many, especially those with health and wellbeing vulnerabilities.</p> <p>ELC must be prepared, as best we can, to respond and recover should widespread electricity failure ever occur. Communications will be seriously interrupted, the care of vulnerable people will become hugely challenging and the continued provision of our critical activities, highlighted within our Business Continuity plans, will be seriously tested.</p>	5	2	10	6	<p>586 - Complete ELC NPO framework Plan</p> <p>587 - All services to carry out an annual BC test based on NPO.</p>	31/03/2027	28/04/2026

R280	Tom Reid	Impact on People	Severe Weather	<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 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. 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>	3	3	9	9	<p>589 - Upskill CMT and Service Manager cohort to increase response capacity in the event of any incident enduring more than 1 day.</p> <p>590 - Facilitate Resilient Communities workshop to include Severe Weather element and resilient community plans.</p>	26/03/2027	13/05/2026
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R275	Lindsey Byrne	Impact on Service Objectives	The Impact of the National Care Service on East Lothian Council	<p>Following feedback and discussion with people who access or deliver social care, social work and community health, as well as other stakeholders, the Scottish Government will not be creating a National Care Service. There will be changes to the Bill and a different approach to improving the social care system.</p> <p>Scottish Government will introduce a non-statutory advisory board, comprising of people with lived experience of accessing care, social care workers, care providers, trade unions, the NHS and local government. The board will be established to provide guidance and drive improvement within the sector. It is expected to meet for the first time in spring 2025.</p> <p>While the change in approach reduces the level of uncertainty for the workforce and protects current structures of service delivery, there will still be significant work to lead to improved outcomes for vulnerable people. There remains a degree of uncertainty about the impact of the work of the board and it will be crucial for East Lothian Council to be well engaged with the proposals through suitable national groups.</p>	3	3	9	9	617 - The Chief Social Work Officer and Chief Officer for the IJB will remain linked in with national forums to monitor the progression	26/06/2026	21/05/2026
R282	Fiona McCallum	Legal	Failure to meet Equality Act requirements	<p>Failure to meet duties and legislative requirements of the Equality Act 2010.</p> <p>The 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> <p>report on mainstreaming the equality duty;</p> <p>publish equality outcomes and report progress;</p> <p>assess and review policies and practices;</p> <p>gather and use employee information;</p> <p>publish gender pay gap information;</p> <p>publish statements on equal pay;</p> <p>consider award criteria and conditions in relation to public procurement;</p> <p>publish in a manner that is accessible.</p>	3	3	9	6	<p>594 - Development of a Sexual Harassment Policy, processes, and procedures.</p> <p>595 - Ensure that Prevention of Sexual Harassment Risk Assessments are undertaken by management.</p> <p>596 - Third party posters zero tolerance and be nice.</p> <p>597 - A Childrens Rights and Wellbeing Impact Assessment (CRIWA) template and guidance are now in place to be used across the organisation to uphold Childrens Rights and mitigate this risk. The Equality IIA review will include signposting to complete a CRIWA.</p> <p>638 - Updated and ongoing training for all employees and managers.</p> <p>639 - Ongoing communications and engagement with employees.</p> <p>676 - Review of work settings where risk may</p>	31/03/2027	22/05/2026

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.

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.

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.

Financial consideration should complaints go to Tribunal given any compensation payment would be uncapped and could be further uplifted by 25% by the Equality & Human Right Commission of any financial compensation.

To meet new legal duty to ensure compliance with the 26 October 2024 Prevention of Sexual Harassment duty which places an anticipatory and preventative duty on employers to take reasonable steps to prevent harassment. This duty is specific only to sexual harassment and briefings to SMT and CMT have been provided.

As an employer, to actively prevent sexual harassment at work in relation to all employees, ensuring prevention of sexual harassment by colleagues and workers – with a new duty to protect employees and workers from third parties such as service users and members of the public et.

The Scottish Government continues to extend their commitment to Equality, Inclusion and Rights, this includes the recent incorporation of the United Nations Convention on the Rights of the Child (Incorporation)(Scotland) Act, the British Sign Language (Scotland) Act 2015 and additional Public Sector Equality duties. At the time of writing this may bring in a duty on accessible and inclusive communication.

Equality & Human Rights Commission has new additional powers to enforce non-compliant employers to complete prevention of sexual harassment action plans.

be higher e.g., community settings, schools etc.

R281	Scott Kennedy	Impact on People	Threat of Terrorism	<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>	3	3	9	6	<p>591 - Awareness-raising sessions are being arranged with Police colleagues with independent service providers operating in East Lothian.</p> <p>592 - 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>593 - Further service specific Prevent training is being arranged for children's and justice social work services.</p>	30/11/2026	28/04/2026
R283	Scott Kennedy	Impact on Service Objectives	Failure to ensure currency of ELC Business Continuity	<p>Failure to ensure currency of Business Continuity Plans could lead to services not having a robust 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> <p>premises, through fire, flood or other unexpected incident;</p> <p>key staff or significant numbers of front-line staff for any reason e.g. a Pandemic;</p> <p>systems (IT, telephony, power failure etc.);</p> <p>any form of transportation due to a fuel shortage.</p> <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>	4	2	8	6	<p>598 - Progress Business Continuity Plans with Education and HSCP in order that each School and Care Home has a plan.</p> <p>599 - Progress updates to Council wide BC plans to ensure each Service has a live BC plan which is exercised fully on an annual basis and provides support to the Team if BC is invoked, including loss of premises or staff.</p>	30/11/2026	12/05/2026

R284	Scott Kennedy	Legal	Failure to maintain, review and exercise Emergency Planning, Incident Response and Management	<p>Failure to maintain, review and exercise Emergency Contingency Plans and to comply with current guidance and legislation or to contravene current legislation, which may result in severe penalties as well as an ineffective response to an emergency.</p> <p>Any ineffective preparation and planning for potential crises and disruptive events such as those reflected within the Community/UK Risk Register, that directly relate to the council as a 'Category 1 Responder' may result in the council's inability to effectively respond and manage the event in a way that minimises harm to the community, our employees and the reputation of the council. For example, connectivity between partner agencies during a response to spontaneous events/incidents is challenging due to several agencies using different software and platforms.</p>	4	2	8	4	<p>600 - Ongoing communication with ELC Resilient Communities, Community Councils and other Community Groups to create Resilient Communities plans.</p> <p>601 - Future Resilience training will be progressed with ELC staff, strategic, tactical and operational.</p> <p>602 - An ELC response plan for incidents of significant electricity failure</p>	31/03/2027	28/04/2026
R286	Carlo Grilli	Legal	Failure to meet Standards in Public Life	<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>	2	2	4	4	No Planned Actions	17/05/2027	19/05/2026

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

Key

Risk	Low	Medium	High	Very High
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COMMITTEE:	Audit & Governance Committee
MEETING DATE:	16 June 2026
BY:	Deputy Chief Executive Resources & Economy
REPORT TITLE:	Service Manager Internal Audit Interim Arrangements
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To Inform the Audit & Governance Committee of the temporary arrangements that have been put in place to manage the absence of the Service Manager Internal Audit for 9 Months, to ensure ongoing resourcing of the Internal Audit, Counter Fraud and Whistleblowing.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Note the Temporary Arrangements that have been put in place to provide continued Internal Audit, Counter Fraud and Whistleblowing Services for East Lothian Council and East Lothian Integrated Joint Board (IJB).

3 BACKGROUND

- 3.1 A requirement for a Service Manager to undertake the management of and an improvement project on the Information Governance Team within East Lothian Council has been identified for an initial 9-month period. The skills and experience of the Service Manager Internal Audit have been established as a good fit to take this piece of work on, and it was agreed to commence the work on the 27 April 2026.
- 3.2 As a result of this additional management responsibility and project work it was agreed that the Service Manager Internal Audit post required to be filled for the 9 Month period for East Lothian Council and East Lothian IJB. Stuart Allan as Principal Auditor has agreed to take this role on and as such be

the appointed Chief Audit Executive for East Lothian Council and East Lothian IJB for the 9 Month Period starting on the 27 April 2026.

- 3.3 The Service Manager Internal Audit is currently providing Chief Internal Auditor Services to Midlothian Council and Midlothian IJB under an SLA agreement. Arrangements have been made to provide Line Management support to the Internal Audit, Counter Fraud and Whistleblowing staff within Midlothian Council, however no formal cover is available in Midlothian for the 9-month period for the Chief internal Auditor (Chief Audit Executive) role. As a result, The Current Service Manager Internal Audit will continue to provide half a day a week support for Midlothian Council a Chief Internal Auditor, further arrangements are being made with NHS Lothian to cover the Midlothian IJB Chief Internal Auditor position.
- 3.4 As a result of these changes there will be a reduction in available resource within the Internal Audit, Counter Fraud and Whistleblowing teams equivalent to 0.5FTE for East Lothian Council and 0.4FTE for Midlothian Council. It is proposed that the Annual Self-assessment of the Audit & Governance Committee (East Lothian Council) and the Audit Committee (Midlothian Council) is postponed from September 2026 to March 2027, The work to create an Assurance Map for both councils be delayed until the 2027/28 financial year, and a further review of the Internal Audit Plans for both Councils is completed to present to the September Audit & Governance and Audit Committee.
- 3.5 Following agreed completion of the project work then the substantive positions would resume.

4 POLICY IMPLICATIONS

- 4.1 None

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: Staffing underspend will be noted for both councils within the Internal Audit & counter Fraud teams, however, increases in expenditure will be offset in Information Governance.
- 5.2 Human Resources: Staff involved have been communicated with appropriately and effective arrangements put in place.
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: reduced staffing within the Internal Audit and Counter Fraud teams reduces resilience in these teams during the year, however this reduces the larger risk of resourcing in the Information Governance Team in East Lothian Council.

6 INTEGRATED IMPACT ASSESSMENT

6.1 **Select the statement that is appropriate to your report by placing an 'X' in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken, and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

7.1 None

8 BACKGROUND PAPERS

8.1 None

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Duncan Stainbank
Designation	Service Manager Internal Audit
Tel/Email	dstainbank@eastlothian.gov.uk
Date	17 April 2026

Head of Service Approval

Name	Sarah Fortune
Designation	Deputy Chief Executive Resource & Economy
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Yes
Approval Date	4 June 2026

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	16 June 2026
BY:	Service Manager (Temporary) – Internal Audit
REPORT TITLE:	Internal Audit Report – June 2026
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 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 2025/26 annual audit plan.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Note the main findings and recommendations from the Internal Audit reports issued during the period from April 2026 to June 2026 as contained in Appendix 1;
- 2.2 Note the findings from Internal Audit's follow-up work;
- 2.3 Note Internal Audit's progress against the annual audit plan for 2025/26 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 audits of the Edinburgh Innovation Hub and Employee Performance Management. For both audits, the reviews provide management with **reasonable** assurance.
- 3.2 The main objective of the audits was to ensure that the governance, risk management and internal controls in place were operating effectively. A

summary of the main findings and recommendations from the Edinburgh Innovation Hub and Employee Performance Management audits can be found in Appendix 1.

- 3.3 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 2024/25. Our findings are detailed below:

Housing Voids

- 3.4 The Internal Audit report on Housing Voids was issued in March 2025 and provided Reasonable Assurance. Our follow-up review has confirmed that of the 13 recommendations made, nine recommendations have been fully implemented and actions to implement the remaining four recommendations are currently ongoing.

Sickness Absence and Monitoring

- 3.5 The Internal Audit report on Sickness Absence and Monitoring was issued in June 2025 and provided Reasonable Assurance. Our follow-up review has confirmed that of the six recommendations made, four have been fully implemented, one is partially complete (and will be implemented in full by the end of June 2026), while for the remaining recommendation there has been a change to the original agreed action and alternative arrangements are in place for monitoring sickness absence levels and working with service areas.

Progress Report 2025/26

- 3.6 A progress report attached as Appendix 2 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the revised annual audit plan for 2025/26.

4 POLICY IMPLICATIONS

- 4.1 None

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: None unless noted in the reviews.
- 5.2 Human Resources: None unless noted in the reviews.
- 5.3 Other (e.g. Legal/IT): None unless noted in the reviews

- 5.4 Risk: With the implementation of the audit recommendations noted in the follow-up activity, risks in these areas have been reduced.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 **Select the statement that is appropriate to your report by placing an 'X' in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

7 APPENDICES

- 7.1 Appendix 1: Executive Summary of Internal Audit Reports April 2026 to June 2026.

Appendix 2: Internal Audit Progress Report 2025/26.

8 BACKGROUND PAPERS

- 8.1 Approved Revised Internal Audit Plan 2025/26, September 2025 Audit and Governance Committee.

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Stuart Allan
Designation	Service Manager (Temporary) – Internal Audit
Tel/Email	sallan@eastlothian.gov.uk
Date	08 June 2026

Head of Service Approval

Name	Stuart Allan
Designation	Service Manager (Temporary) – Internal Audit
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Confirmed
Approval Date	08 June 2026

Appendix 1: Executive Summary: Edinburgh Innovation Hub

Conclusion: Reasonable Assurance

Appropriate governance arrangements are in place for the Edinburgh Innovation Hub Joint Venture between East Lothian Council (ELC) and Queen Margaret University (QMU). Considerable work has been carried out over many years to establish the Joint Venture with a strong legal and governance structure, and there has been regular reporting to both Council Members and Management on the progress being made in the delivery, operation and management of the Innovation Hub and the wider Edinburgh Innovation Park, including consideration of project timescales and the Council’s financial commitment. It is however important to ensure that all key risks to the Council from the Edinburgh Innovation Hub are identified, recorded, managed and monitored, which will include risks relating to the operational stage of the Innovation Hub and wider risks arising from the Council’s participation in the Joint Venture with QMU.

Background

East Lothian Council (ELC) and Queen Margaret University (QMU) developed in partnership the Edinburgh Innovation Hub, with the aim of driving company growth, supporting and developing existing businesses and creating sustainable new businesses. It is intended that the Hub will be a catalyst for the subsequent development of a wider Edinburgh Innovation Park, which aims to create a nationally significant centre of knowledge, exchange, innovation and high value business growth. Key reported project milestones in the development of the Hub include:

- March 2023 – Detailed design of the Edinburgh Innovation Hub is completed.
- November/December 2023 – Two tenders received and the contract is awarded to Heron Bros. Ltd.
- January 2024 – Construction works commence.
- April 2025 – Hub Director commenced work (since redesignated Hub Chief Executive).
- November 2025 – Completion and successful handover of the Hub and first tenant takes occupation.

Summary of findings & recommendations

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

- There is a need to ensure that all key risks relating to the Council from the Innovation Hub are identified, recorded, monitored and regularly reviewed. This should include risks relating to the operational stage of the Hub and wider risks arising from the Council’s participation in the Joint Venture. *Management have confirmed that all key risks will be identified and recorded by September 2026, with ongoing monitoring and review.*
- To enhance scrutiny arrangements within the Council, a report covering the governance and financial aspects of the Edinburgh Innovation Hub Joint Venture should be presented to the Audit and Governance Committee on an annual basis. *Management have confirmed that a report will be presented to the Audit and Governance Committee in June 2026 and on annual basis thereafter.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	2	-	2
Prior Report (Nov 2022)	-	3	-	3

Materiality

The Edinburgh Innovation Hub is a flexible 7,200 sqm GIA state-of-the-art Hub, in a prime strategic location next to the Queen Margaret University (QMU) campus. The Hub has been created to establish and grow a new innovation cluster and support high-value business creation and growth.

Headlines

Objectives	Conclusion	Comments
<p>1. Appropriate operational governance and company structures, and reporting arrangements, are in place for the Innovation Hub and there is appropriate Council representation within these structures.</p>	Reasonable	<p>Considerable work has been carried out over many years to establish the Joint Venture with a strong legal and governance structure, and appropriate governance arrangements are in place. East Lothian Council (ELC) and Queen Margaret University (QMU) are 50/50 shareholders in the Joint Venture and are equally represented at Board level. The key decision making company (the “main Board”) is Edinburgh Innovation Park Joint Venture Company Limited. The company has four Directors, two from QMU and two from ELC – the Council Leader and Council Chief Executive. With the Hub now operational, there is an opportunity to ensure that the wider strategic opportunities arising from the Edinburgh Innovation Hub are fully realised, both in terms of the Edinburgh Innovation Park and in respect of the Council’s key objectives of delivering sustainable and inclusive economic growth, developing training facilities and creating new jobs. We are advised that a number of workstreams are in place to harness these, which will continue to be developed on an ongoing basis.</p>
<p>2. There is appropriate regular reporting on the progress being made in the delivery, operation and management of the Innovation Hub and the wider Edinburgh Innovation Park, including consideration of project timescales and the Council’s financial exposure and commitments.</p>	Reasonable	<p>There has been regular reporting on the progress being made in the delivery, operation and management of the Edinburgh Innovation Hub and the wider Edinburgh Innovation Park, including consideration of project timescales and the Council’s financial commitment, and Council approval has been given where required at all key stages of the Innovation Hub Joint Venture. This includes regular reporting to Council, Members’ Library and Management on the progress being made, and on key reported project milestones. With the Hub now in an operational phase, and given its status as a key Joint Venture of the Council, to enhance scrutiny arrangements there is a need to ensure appropriate reporting to the Council’s Audit and Governance Committee, covering both the governance and financial aspects of the Edinburgh Innovation Hub.</p>
<p>3. Appropriate monitoring and assurance arrangements are in place for the Edinburgh Innovation Hub and key financial, operational and reputational risks to the Council are being identified, managed and transparently reported.</p>	Reasonable	<p>The Council’s Development Risk Register includes a risk on “Financial risks to the Innovation Hub EIP” with detailed control measures recorded, and we note that this risk has recently been updated. Going forward however it is important to recognise that while the Joint Venture offers many opportunities to the Council, there are also risks to the Council that require to be identified, recorded, managed and monitored. These may include both risks relating to the operational stage of the Innovation Hub (e.g. impact of low occupancy levels) and wider risks (e.g. financial, governance and reputational) arising from the Council’s participation in the Joint Venture with QMU.</p>

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	<p>The Council has approved a number of reports which have developed the legal and administrative structure required to make progress towards the development of the Innovation Hub. On 27 October 2020, the Council approved a private report “Commercial Heads of Terms between ELC and QMU for the Delivery of the Innovation Hub and Park”. The report set out eight key principles to signpost the detailed discussions that would be needed between ELC and QMU, to allow both parties to agree the commercial aspects of the delivery of the Innovation Hub and the wider Edinburgh Innovation Park. The Full Business Case for the Innovation Hub was approved by the Joint Committee of the ESES City Region Deal on 4 June 2021 and on 22 February 2022, a report was presented to Council who approved the Joint Venture Structure.</p>
2.	<p>The key decision making company (the “main Board”) is Edinburgh Innovation Park Joint Venture Company Limited. The company has four Directors, two from QMU and two from ELC – the Council Leader and Council Chief Executive. Regular Board Meetings are held and annual audited accounts are prepared. Three other companies are in place, including the Operating Company (Edinburgh Innovation Park Hub Operating Company Limited) which are in effect subsidiaries of the Joint Venture Company.</p>
3.	<p>The Hub commissioned an independent overview assessment of the governance arrangements for the Operating Company, which reported in July 2025, and a number of actions have been taken to implement the report’s recommendations, including to ensure independent and expert strategic leadership.</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, noncompliance 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: Employee Performance Management

Conclusion: Reasonable Assurance

There are currently mixed practices across service areas in relation to Employee Performance Management, and there is an opportunity to consider whether alternative approaches may better meet the Council's needs moving forward. A review of the Performance Review and Development (PRD) process should be undertaken, with clearly defined expectations in respect of the completion of PRDs or other agreed processes, alongside the implementation of review and oversight arrangements to monitor the completion and effectiveness of these processes.

Background

Employee Performance Management is the systematic, ongoing process through which the Council aligns individual employee objectives with the broader goals of the authority to improve effectiveness, accountability and service delivery. This approach ensures that employees understand what is expected of them, how their role contributes to Council priorities and the support available to help them achieve and maintain required standards. A Managing Employee Performance Policy has been in place since 12 November 2014, following formal approval by Cabinet, and identifies Performance Review and Development (PRD) as one of several key mechanisms for managing employee performance, alongside recruitment and selection processes and regular supervision. The policy also sets out the Council's approach when an employee does not meet the necessary standards of work for their job, or demonstrate the appropriate behaviours expected of an employee of the Council.

Summary of findings and recommendations

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

- The Council does not currently have an end-to-end, holistic approach to managing employee performance across the organisation. *Management has confirmed that a review of the Council's approach to employee performance management will be undertaken **by February 2027**.*
- The arrangements in place for completing PRDs (Performance Review and Development) require review – a number of service areas had not completed PRDs for employees in one or more of the financial years 2023/24 and 2024/25, indicating gaps in the formal performance review process. In addition, within service areas where PRDs were completed, formal mid-year reviews had not been undertaken, and PRD documentation was not always signed and dated. *Management advised that PRDs will be considered as part of the wider review of employee performance management, including the development of guidance setting out roles, responsibilities and minimum requirements, **by February 2027**.*
- There was a lack of effective arrangements in place for monitoring the management of employee performance across the Council, including oversight of PRD completion, increasing the risk that staff performance and development are not managed appropriately or consistently. *Management has confirmed that the monitoring and reporting of agreed processes will be included in the review to be undertaken **by February 2027**.*
- The effective performance management module within the leadership development programme should be fully developed and implemented. *Management has agreed that the module will be refined, completed and integrated into the leadership development programme **by December 2026**.*

Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	7	-	7
Prior Report	N/A	N/A	N/A	N/A*

* No prior report exists for Employee Performance Management.

Materiality

In 2024, a total of 1,058 employees completed the Employee Engagement Survey, and 59% stated that they had a personal/professional review within the past 12 months. In 2023, 1,170 employees participated in the survey, with 55% reporting that a review had taken place in the previous 12 months.

Headlines

Objectives	Conclusion	Comments
1. Adequate policies, procedures and guidance are in place for the effective administration of employee performance management.	Reasonable	The Council does not currently have an end-to-end, holistic approach to managing employee performance across the organisation, and existing arrangements, including PRDs (Performance Review and Development) require review to ensure they continue to meet the Council's needs moving forward. A Managing Employee Performance Policy has been in place since 12 November 2014, following formal approval by Cabinet. In addition, guidance to support line managers and employees with PRDs, along with a range of supporting forms, is available on the Council's intranet. In 2023, a working group of managers developed three versions of the PRD form, which were further revised in 2025.
2. Employee performance is reviewed in accordance with the policy requirements, including the timely completion of PRDs.	Limited	We selected a sample of 15 service areas and assessed the extent to which employee performance was managed, including the completion of PRDs. We found that the arrangements in place for completing PRDs require review – a number of service areas had not completed PRDs for employees in one or more of the financial years 2023/24 and 2024/25. In addition, within service areas where PRDs were completed, formal mid-year reviews had not been undertaken, and PRD documentation was not always signed and dated. For front-line services where PRDs were not completed, we were advised that regular supervision, ongoing discussions and one-to-one engagement takes place, although this is not always documented.
3. Adequate arrangements are in place for monitoring the management of employee performance, including oversight of the completion of PRDs.	Limited	We assessed the arrangements in place for monitoring the management of employee performance and reporting on PRD completion. We were informed that some service areas have a mandatory requirement for PRDs and regular supervision (e.g. Children's Services), while others have developed their own formats and forms to promote uptake. However, there was a lack of effective arrangements in place for monitoring employee performance management across the Council, including oversight of PRD completion, to ensure that staff performance and development are managed appropriately and consistently. The only available information on PRD completion rates relates to staff who participate in the Employee Engagement Survey.
4. Appropriate action is taken when employees do not achieve their targeted objectives.	Reasonable	For the sample of 15 areas reviewed, only one service area reported an employee being subject to current performance management action. HR advised that documentation relating to formal performance management cases is retained in Civica and that HR Advisers keep records of all engagements regarding poor performance. However, HR does not currently maintain a central record of performance management cases and are unable to produce a report from iTrent to identify such cases.
5. Appropriate training is provided to support staff in effectively managing employee performance.	Reasonable	The Managing Employee Performance Policy is available on the intranet, along with guidance on PRDs and a range of supporting forms. Staff do not currently receive formal training on employee performance management, with the PRD process referenced only within the employee induction checklist. A new Development Officer has recently joined the Council and is currently formulating a leadership development programme. As part of this programme, a module on effective performance management is being incorporated. The PRD process, which represents one element of effective performance management, will form part of this module for managers.

Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	A Managing Employee Performance Policy has been in place since 12 November 2014, following formal approval by Cabinet. The policy was reapproved with amendments in May 2015, after further consultation with the Joint Trade Unions.
2.	Guidance to support line managers and employees with PRDs, along with a range of supporting forms, is available on the Council's intranet.

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.

SERVICE AREAS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS	CURRENT PROGRESS
<p>Council Resources</p>	<p>Transformation Projects: Continue ongoing support and involvement in stage gate processes and consider specific reviews of control process adjustments resulting from implementation of the new finance system. (Inherent Risk Assessment: High)</p> <p>Cybersecurity: Interim review of Password security and incident management completed with a further review of Cybersecurity in line with Global Internal Audit Standards topical requirements on Cybersecurity. (Inherent Risk Assessment: High)</p> <p>Employee Performance Management: Review assurance that the council has adequate staff performance management processes in place within Council Personal review and Development processes to ensure compliance best practice and appropriate feed through to further appropriate Performance Management Processes. (Inherent Risk Assessment: High)</p>	<p>Transformation projects have been reviewed in previous periods, including Internet system replacement project stage gate review, Finance Systems Replacement Project ongoing.</p> <p>Cybersecurity – At Draft Report Stage</p> <p>Employee Performance Management – Complete</p>
<p>Place (Infrastructure, Housing, Development, Communities & Partnerships)</p>	<p>Planning Decision Notices: Provide assurance that best practice fleet management practices have been implemented across the Council and that fleet planning provides a sustainable best value. (Inherent Risk Assessment: High)</p> <p>Housing Rents: Assurance that housing rental charges are being set in accordance with Council Policy and regulatory best practice and that Governance and Control processes are in place in association with this process. (Inherent Risk Assessment: High)</p> <p>City Deal Innovation Hub: Provide assurance that the operational governance structures are in place and operating to ensure appropriate control and risk management for the Council investment in this project and to manage the expected delivery of outcomes. (Inherent Risk Assessment: High)</p> <p>Commercial Rents: Review the processes for ensuring that commercial rents are set collected and recovered in accordance with best practice and Council Income Policies to ensure best value. (Inherent Risk Assessment: Medium)</p>	<p>Planning Decision Notices – Complete</p> <p>Housing Rents delayed by revenues team resourcing</p> <p>Edinburgh Innovation Hub – Complete</p> <p>Commercial Properties – Complete</p>

SERVICE AREAS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS	CURRENT PROGRESS
Education & Children's Services	<p>School Transport: Provide assurance that School Transport provision is being planned and provided for in accordance with Council Policy and appropriate legislation/ regulation, that routes are planned, procured and improved to provide best value to the Council. (Inherent Risk Assessment: High)</p> <p>PPP Contract Management: Provide assurance that the Council PP contracts are being managed effectively to ensure that services are being provided effectively and actions resulting in additional fees appropriately reviewed and authorised, and payments are being accurately made. (Inherent Risk Assessment: High)</p> <p>Early Years: Provide assurance on the appropriate planning of expenditure for development of appropriate provision of early years education in compliance with the appropriate legislation, regulations and guidance. (Inherent Risk Assessment: Medium)</p>	<p>School Transport – Complete</p> <p>PPP Contract Management – not started</p> <p>Early Years proposed to delay until December 2026 due to current service reviews and replace with East Lothian Mid-Market Homes from 2026/27 plan (currently in progress).</p>
Adult Social Work	<p>Care at Home: Review the Control processes in place to ensure that best value is being achieved in the utilisation of care at home provision from external providers and in house provision, and the control processes are in place to ensure that appropriately qualified staff are available to meet identified needs. (Inherent Risk Assessment: High)</p> <p>Direct Payments – Self Directed Support: Review the Control processes in place to ensure as much as regulation allows that needs are met through provision of self-directed support appropriate council processes that ensure appropriate, timely and accurate payments. (Inherent Risk Assessment: High)</p>	<p>Care at Home – In Progress</p> <p>Direct Payments – Self Directed Support – Complete</p>
ALEO's (Arm's Length External Organisations)	<p>Enjoy Leisure: Establish if Enjoy Leisure has appropriate Governance and Assurance Processes in place that provide assurance to the council that risks are being properly managed within the organisation, and that the Council has appropriate processes in place to ensure appropriate risk management of the Council risks within the transactions provided and the arrangements in relation to use of Council assets. (Inherent Risk Assessment: High)</p>	<p>Enjoy Leisure – Complete</p>

SERVICE AREAS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS	CURRENT PROGRESS
Miscellaneous Grants	Internal Audit are currently undertaking annual audits of the Tyne and Esk Communities Development Fund . (Inherent Risk Assessment: Low)	Complete
SHR Annual Assurance Statement	Work required to provide assurance on the regulatory requirements set out in the Scottish Housing Regulators (SHR) Chapter 3 of the Regulatory Framework. (Inherent Risk Assessment: Low)	Complete
Fraud & Irregularity	Internal Audit will assist in investigations of suspected fraud or irregularity to support the 1 FTE of Counter Fraud Officer availability over the next year when required.	Support being provided when necessary.
National Fraud Initiative (NFI)	Time has been allocated for providing some assistance to the Corporate Fraud Officer in reviewing the NFI matches in particular the Creditors matches.	Review of 2024/25 NFI matches complete
Integration Joint Board	Time has been allocated for work that will be undertaken by Internal Audit for the East Lothian Integration Joint Board (IJB). A separate audit plan will be prepared which will be presented to the IJB Audit and Risk Committee for approval.	Audit Plan Partially Complete
Review of Previous Year's Work	Internal Audit will review the outcome of our previous year's work to ensure recommendations have been actioned as agreed and that risks accepted by Management have been properly managed.	Follow-ups as reported to A&G Committee.
Attendance at Stocktakes	Internal Audit will attend the year-end stocktakes at Property Maintenance (PM), Roads and Waste Services. We will review the final stock sheets.	March 2026 – Attended PM stocktake only.

SERVICE AREAS	CURRENT PROPOSED AUDIT ASSIGNMENTS FROM RISK ANALYSIS	CURRENT PROGRESS
Annual Governance Statement	Completion of the activities to assist with the CLT review of Governance and the administration of Governance Information to provide a draft Annual Governance Statement for consideration by the Audit & Governance Committee and inclusion in the draft accounts.	Work with Head of Corporate Support and Monitoring Officer on revised processes.
Audit & Governance Committee Annual Review	Assist the Chair and Audit & Governance Committee Members with the completion of the Annual review of the Committee in line with the CIPFA Statement and best practice	Complete
Annual Planning	Complete the review of Risk Assessment processes, identification of key risk areas assessment against the audit universe and identification of the links between the Council Objectives and the Internal Audit work for the 2026/27 annual audit plan.	Complete

Key:

- Complete**
- In Progress/Partly**
- Delayed**

SA 08/06/26

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	16 June 2026
BY:	Service Manager (Temporary) – Internal Audit
REPORT TITLE:	Annual Internal Audit Report and Opinion 2025/26
REPORT STATUS:	Public

1 PURPOSE

- 1.1 The Global Internal Audit Standards (GIAS) UK Public Sector Application Note states that a chief audit executive must prepare an overall conclusion at the level of the organisation about the effective governance, risk management and control, at least annually, in support of wider governance reporting, mindful of any specific sector obligations or processes.
- 1.2 This report provides a summary of the work undertaken by East Lothian Council's Internal Audit team and an annual opinion (overall conclusion) on the effectiveness of the Council's governance, risk management and internal control environment for financial year 2025/26. This provides a supporting element for the Council's Annual Governance Statement.

2 RECOMMENDATION

- 2.1 The Audit and Governance Committee is asked to note the contents of the Annual Internal Audit Report and Opinion 2025/26 and the 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 2026.

3 BACKGROUND

- 3.1 East Lothian Council have established an Internal Audit team to strengthen East Lothian Council (including group components) and the East Lothian Integration Joint Board's (ELIJB) ability to create, protect and sustain best value by providing the Audit and Governance Committee and management with independent, risk-based, and objective assurance, advice and insight.

The Internal Audit Team operate in accordance with GIAS as amended by the UK Public Sector Application Note.

- 3.2 Internal Audit reports administratively to the Depute Chief Executive Resources and Economy (the section 95 officer), functionally to the Audit and Governance Committee and the Chief Executive and also has direct access to the Monitoring Officer.
- 3.3 GIAS standard 12.1 requires that the chief audit executive must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. At least annually, the chief audit executive must communicate the results of the internal quality assessment to the board and senior management. The results of the external quality assessments must be reported when completed. In both cases, such communications include:
- The Internal Audit function's conformance with the Standards and achievement of performance objectives.
 - If applicable, compliance with laws and/or regulations relevant to internal auditing.
 - If applicable, plans to address the Internal Audit function's deficiencies and opportunities for improvement.
- 3.4 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 2025/26 through the following processes:
- A review of compliance with GIAS.
 - 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).
- 3.5 The internal review of compliance with GIAS identified, as reported to the Audit & Governance Committee in March 2026, that GIAS Standard 9.5 Coordination and Reliance states that, "The chief audit executive must coordinate with internal and external providers of assurance services and consider relying upon their work. Coordination of services minimizes duplication of efforts, highlights gaps in coverage of key risks, and enhances the overall value added by providers. If unable to achieve an appropriate level of coordination, the chief audit executive must raise any concerns with senior management and, if necessary, the board". The audit plan has been developed with coordination and reliance on the work of Audit Scotland as the appointed external auditor, specifically in relation to work on transformation covering many of the identified key Council risks. However, coordination and reliance on other assurance providers including Education Scotland, Care Commission, Health and Safety Inspectorate, has not been

possible for the 2026/27 plan. Full compliance with this element of the standards has not been completed as East Lothian Council does not yet have a full assurance map.

- 3.6 It was planned to develop an assurance map in 2026/27, however with the temporary reduction in Internal Audit resource as the result of the secondment of the Service Manager – Internal Audit to other duties, this will now be completed in 2027/28 and presented as part of the audit planning process in March 2028 to the Audit and Governance Committee.

Delivery of the Internal Audit Service

- 3.7 In March 2025, the Audit and Governance Committee approved the Internal Audit Plan for 2025/26. The plan was scoped to address the Council's key risks and strategic objectives.

- 3.8 In order to ensure a constant review of ongoing concurrent risks to the Council a revised Internal Audit Plan for 2025/26 was then approved by the Audit and Governance Committee in September 2025. Subsequent changes to the Audit Plan was also notified to the Audit and Governance Committee in March 2026 as part of this ongoing review.

- 3.9 The Audit team has been fully staffed during most of the 2025/26 financial year, however the Service Manager – Internal Audit has recently been seconded to an Information Governance role within the Council for nine months, and is being backfilled by the Senior Auditor.

- 3.10 In 2025/26, Internal Audit completed 10 audit reviews. Table A (see section 3.12 below) outlines the audit work undertaken in 2025/26. For each audit, Internal Audit has provided Management with an assessment of the adequacy and effectiveness of their systems of internal control. Of the 10 audit reviews completed in 2025/26:

- In 1 case, Internal Audit provided Substantial assurance.
- In 8 cases, Internal Audit provided Reasonable assurance.
- In 1 case, Internal Audit did not grade the overall report.

- 3.11 For the 10 audits finalised, a total of 56 recommendations were made – 49 recommendations were graded as medium (i.e. recommendations which will improve the efficiency and effectiveness of the existing controls); seven recommendations were graded as low (recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency); and there were no high graded recommendations. Our recommendations sought to address the weaknesses identified in the design of controls and/or their operational effectiveness.

- 3.12 We have completed the following reviews in 2025/26:

Table A

Audit Assignment	Level of Assurance
Tyne and Esk Funding	Substantial
Scottish Housing Regulator Annual Assurance Statement	Not Graded
Direct Payments	Reasonable
Roads	Reasonable
Commercial Properties	Reasonable
Enjoy East Lothian Limited	Reasonable
Planning Decision Notices	Reasonable
Home To School Transport	Reasonable
Edinburgh Innovation Hub	Reasonable
Employee Performance Management	Reasonable

3.13 Internal Audit also completed stage gate reviews in conjunction with the Transformation team's control and governance processes, including provision of reports to project sponsors, for the following Project: TP049 Website Replacement Stage Gate 3. Support has been provided to the Finance Systems Replacement project throughout the year.

3.14 Counter Fraud and Internal Audit have also undertaken six Whistleblowing/Fraud and Irregularity or management request investigations/reviews in 2025/26, see the Counter Fraud Annual Report for further details.

3.15 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

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

Performance Indicators

3.17 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 2025/26 covers:

- Completion of the annual Audit Plan – **75%**
- % of recommendations accepted by Management – **100%**
- % of staff with CCAB accounting qualifications or working towards them – **87%**

Basis of Opinion on Governance, Risk Management and Internal Control

3.18 The Council's senior management has responsibility for establishing a sound system of governance, risk management and internal control and for monitoring the continuing effectiveness of these processes. The main objectives of the Council's governance, risk management and 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.

3.19 A sound system of governance, risk management and 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 governance, risk management and internal control.

3.20 Our evaluation of the control environment is informed by a number of sources in addition to the work of Internal Audit:

1. The policies and procedures of the Council, including:

- Standing Orders and Financial Regulations;
- Counter Fraud Strategy & Policy;
- Anti-Bribery Policy;
- 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 Council Leadership Team.

Assessed Areas for Improvement

3.21 During 2025/26, areas identified with scope for improvement included the following:

- Internal governance processes in providing assurance that strategy policy and procedure frameworks are being reviewed and considered for approval in a timely manner are not always operating on an effective basis. The Internal Audit of Roads highlighted that the Local Transport Strategy and associated plans and strategies had not been reviewed in a timely manner, the Internal Audit of Commercial Properties highlighted that there had not been a policy framework to manage historic discounted or peppercorn rents, although a Community Benefit Policy was already being developed to resolve this, and the Home to School Transport audit highlighted that the Home to School Transport Policy did not clearly specify the eligibility criteria for the provision of free school transport. These individual recommended improvements are being taken forward, however additional resource in the implementation of a Service Manager – Strategy, Policy and Performance has already been implemented to review and improve governance and controls, the success will be monitored during 2026/27.
- IT systems are not always providing optimum performance or being appropriately reviewed and maintained particularly in Council service areas, that do not have dedicated systems administration staff. The Internal Audit of Roads highlighted that the job costing system had control weaknesses and was nearing end of life with no definitive plan for replacement; and the Internal Audit of Commercial Properties highlighted that the Property Management System is not performing as required resulting in manual workarounds that, whilst operating, are inherently a greater risk than an effectively operating system. The development and implementation of an officer post of Strategic Digital Lead provides additional resource to establish a framework to improve control over the Council's digital portfolio, the work in this area will be monitored and assisted in implementation by the Council Leadership Team (CLT) during 2026/27.
- Greater focus on the governance and control processes for the Council's group components is required to ensure that they continue to clearly assist in the delivery of appropriate best value outcomes for the Council. The Internal Audit of Enjoy East Lothian Limited identified improvements in governance, assurance and risk management that require review. Reinstitution of annual reporting on all group components to the Council's Audit and Governance Committee during 2025/26 and 2026/27 and continuing and renewed focus on group entities through Internal Audit planning and monitoring of implementation of recommendations will assist in the improvement of the governance, risk management and control of these group components.

- The Internal Audit of Employee Performance Management found that the Council does not currently have an end-to-end, holistic approach to managing employee performance. There is currently mixed practice within the Council and two of the five audit objectives were graded as limited. Management have agreed to review the current approach with a view to establishing an appropriate framework for implementation across the Council.
- 3.22 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 2025/26 identified that 89% of the 53 recommendations reviewed from 2024/25 have been fully implemented, with management actions currently ongoing for the remaining recommendations.
- 3.23 The Council has highlighted risk R266 Managing the Financial Environment as a Very High risk on the Corporate Risk Register which also remains Very High following mitigations. This indicates that the Council is currently operating beyond the risk tolerance of the Council. The Budget Development 2026-27 Onwards paper presented to Council on 24 February 2026 stated that “the cumulative impact of growth has resulted in a growing gap between expenditure demands and available resources... if the costs of providing services and infrastructure for the county’s growing population cannot be met through proportionate uplifts in external funding, this will become increasingly difficult for the Council to sustain over the medium term. These pressures apply to both revenue and capital budgets and remain the subject of ongoing dialogue with the Scottish and UK Government” The statement of robustness of estimates and adequacy of reserves within the same paper; “concludes that while the budget proposals for the forthcoming financial year are considered to be competent, the funding gap for the period beyond this remains significant and presents a risk to the Council’s capacity to set balanced budgets in future years. It also highlights that unallocated general balances, which the Council holds to offset the impact of unforeseen risks and emergencies remains low relative to the overall risk environment”. Significant work on the medium term financial position on a cross party basis continues, as does work to consider the more timely implementation of Transformation across the Council to assist in the financial position in the long term.
- 3.24 The Council has also highlighted risk R267 Maintenance of Assets as a Very High risk on the Corporate Risk Register which also remains Very High following mitigations. The risk highlights that the Council may not have the available financial resource and staffing requirement to carry out essential repairs and maintenance programmes to ensure buildings are maintained in a good condition, and the on-going capital investment required to ensure suitability and condition of buildings remain appropriate and aligned to national conditions. The Council has in place a Corporate Asset Group, chaired by the Head of Infrastructure, which receives regular

reports on any risks which identify impact on the operation or safety of the assets to enable planned action to be considered and implemented; and a wider asset review is being progressed by the Council which includes exploring opportunities to repurpose, dispose of, or rationalise assets, and undertake a place-based asset review of existing assets.

- 3.25 Finally the Council has also highlighted risk R287 Homelessness and Housing Pressures as a Very High risk on the Corporate Risk Register which also remains Very High following mitigations. The risk highlights that the Rapid Rehousing Policy requires the Council to transform homelessness services, place people quickly into permanent accommodation (negating use of temporary accommodation) and significantly reduce temporary accommodation stock. Resource allocation, further exacerbated by a series of legislative change, has been, and will continue to be, insufficient for service transformation. East Lothian Council declared an 'Affordable Housing Emergency' on the 12 November 2024, interim amendments to the Council's Housing allocations Policy were approved on the 10 September 2024 and continue to be reviewed and amended to ensure that the Council is continuing to do all it can do to prevent, tackle and mitigate homelessness pressures. Ongoing dialogue and reporting with the Scottish Government Housing Minister, the City Region and other stakeholders continues to provide improved solutions when possible.
- 3.26 The opinion is restricted by the assurance work that has not yet been completed, however 75% audit plan full completion, in conjunction with additional assurance work completed, allows a formal assessment to be made on substantial evidence.

Opinion

- 3.27 It is Internal Audit's opinion, subject to the weaknesses outlined in section 3.21 above and the comments made in 3.22 – 3.26 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 2026.

4 POLICY IMPLICATIONS

- 4.1 None

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: None.
- 5.2 Human Resources: None.
- 5.3 Other (e.g. Legal/IT): None

5.4 Risk: As per paragraphs 3.22 - 3.26 above.

6 INTEGRATED IMPACT ASSESSMENT

6.1 **Select the statement that is appropriate to your report by placing an 'X' in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

7 APPENDICES

7.1 None

8 BACKGROUND PAPERS

8.1 Approved Revised Internal Audit Plan 2025/26, September 2025 Audit & Governance Committee.

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Stuart Allan
Designation	Service Manager (Temporary) – Internal Audit
Tel/Email	sallan@eastlothian.gov.uk
Date	08 June 2026

Head of Service Approval

Name	Stuart Allan
Designation	Service Manager (Temporary) – Internal Audit
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Confirmed
Approval Date	08 June 2026

COMMITTEE: Audit and Governance Committee

MEETING DATE: 16 June 2026

BY: Service Manager (Temporary) – Internal Audit

REPORT TITLE: Counter Fraud Annual Report 2025/26

REPORT STATUS: Public

8

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the Counter Fraud and Whistleblowing, prevention, detection and investigation work undertaken during 2025/26.

2 RECOMMENDATION

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

3 BACKGROUND

- 3.1 The Audit and Governance Committee approved the Shared Service arrangement with Midlothian Council in October 2022. As part of the overall agreement the funds being received from Midlothian Council were utilised to recruit a Counter Fraud Officer. This Officer was then recruited on a two-year contract and started work in May 2023. Following the evaluation completed in the summer of 2024, the Counter Fraud Officer has now been made a permanent post in the Internal Audit and Counter Fraud Team. This report provides an update on the work completed by the Counter Fraud Officer who is supported by the Internal Audit team and many other services within the Council, including Revenues, Housing and People & Council Support.
- 3.2 The work of the Counter Fraud Officer has 4 key areas of focus, which are the following:
- National Fraud Initiative (NFI) investigation work;

- Fraud investigations undertaken following reporting from service teams either through counter fraud reporting processes or whistleblowing;
- Pro-active fraud detection processes and further data matching analysis; and
- Preventative processes with communication of Council counter fraud processes, procedures, risk management and reporting best practice.

3.3 The NFI is a UK wide data matching exercise, which is led by Audit Scotland and runs every two years. The purpose of the exercise is to match electronic data (e.g. names, addresses, Dates of Birth, National Insurance Numbers), both within and between participating bodies, to detect fraud and overpayments. East Lothian Council, along with other local authorities and public sector bodies, participates in the NFI data matching exercise. NFI seeks to help participating bodies identify possible cases of fraud and detect and correct any over or under payments. The data for NFI in Scotland is processed by the Cabinet Office on behalf of Audit Scotland. The savings accruing in 2025/26 were as a result of the 2024/25 NFI data matching exercise.

3.4 As part of the 2024/25 NFI exercise, the Council submitted data for the following areas:

- Housing (Current Tenants and Waiting Lists)
- Payroll
- Residents Parking Permits
- Council Tax and Electoral Register
- Creditors (Standing Data and Payment History)
- Taxi Driver Licences
- Council Tax Reduction Scheme
- Non-Domestic Rates Small Business Bonus Scheme
- Personal Budgets (Direct Payments)
- Private Supported Care Home Residents

In addition, Benefits details are submitted by the DWP, HMRC provide various data sources, and Blue Badge details are submitted directly by the Blue Badge Digital Service.

3.5 Appendix 1 provides a summary of the Counter Fraud outcomes achieved that includes the NFI outcomes that have been delivered. For the 2024/25 exercise matches, these became available from January 2025 to January 2026 and all matching exercises are now complete. Of the core 89 data match reports received, to date 1,514 cases have been processed with 1,348 cases cleared, 165 errors found, and 1 fraud identified, including:

- 73 individuals were removed from the Housing Waiting list with NFI estimated savings of £312,659;
- 69 individuals had Blue Badges cancelled with an NFI estimated saving of £54,786;

- 1 taxi driver, who was in receipt of Council Tax reduction failed to declare income and Council Tax Reduction was removed with an estimated NFI saving of £1,968;
 - 1 fraud was found to have been committed where a Council tenant was identified as having purchased a property however failed to end their tenancy, the property was recovered with an NFI estimated saving of £78,300.
- 3.6 In addition to these matches the NFI process also provides Council Tax Single Person Discount (SPD) matches with the electoral register, identifying when data suggests more than one individual lives in a property. A process has been developed by the Counter Fraud Officer to review the households identified against existing Council information and then write to households for further details when required. Following either receipt of further information or non-response to reminder communication a request is made for the Revenues team to remove SPD or make further amendments based on current household situation. In addition, Council officers submit further information which allows for further recovery of Council Tax. A total of £70,112.96 has been added to Council Tax bills since January 2026 and a further £81,273.64 is in the process of being recovered. This work is ongoing and increased income is expected in future years as a result of the work done against Council Tax SPD matches.
- 3.7 In addition to the NFI matches, the Counter Fraud Officer is carrying out ongoing Counter Fraud training with Housing, Housing Options and Council Tax teams and has developed processes to review potential further fraud issues. From January 2026 this has resulted in further SPD frauds being recovered to the amount of £32,680.55, and 5 further Council properties being recovered following investigation of potentially abandoned/sublet tenancies. Using information obtained by the Counter Fraud Officer, the NFI estimates this as a saving to the Council of £391,500. In addition, 5 homeless applications were withdrawn/cancelled prior to issue of temporary accommodation, resulting in an estimated saving of £21,190 based on NFI estimates. Further investigations are ongoing in Housing aimed at ensuring that social housing is allocated to appropriate households. Overall, 149 Housing and Council Tax fraud investigations have been undertaken in the 2025/26 year based on information reported by staff.
- 3.8 In January 2026 an external Council “Fraud Report It” page was set up on East Lothian Council’s public website, and monitored by the Corporate Fraud Officer, resulting in 32 anonymous Council Tax alleged frauds being reported. All have been investigated with future saving calculations pending.
- 3.9 In addition, the Counter Fraud Officer and other Internal Audit staff have been involved in 6 whistleblowing investigations (received either through whistleblowing or directly from management). Two of these investigations remain ongoing and reports are provided when appropriate improvements are required by management.

- 3.10 From September 2025, an East Lothian Council Integrity Group has been in place to improve the Council's resilience to fraud, corruption, theft and crime (including cybercrime and money laundering). The group meets every three months led by the Corporate Fraud Officer and Head of Corporate Support.
- 3.11 During August to December 2025, Corporate Fraud carried out Fraud Risk Assessments and training with all Heads of Service and Service Managers, producing East Lothian Council's Fraud Risk Register, which will continue to be reviewed every 12 months. This is to ensure the Council are protected under the new offence of "Failure to Prevent Fraud" created by the Economic Crime and Corporate Transparency Act 2023 (ECCTA), which came into effect on 1 September 2025.
- 3.12 Within the last year the Counter Fraud Officer has investigated in excess of 1,500 cases and provided estimated savings of approximately £1,044,470.15, through NFI work and staff reporting, while bringing back into use six Council properties.
- 3.13 In conclusion the NFI exercise remains a useful and appropriate way of detecting fraud, providing a capability to detect and recover underpaid income and overpaid expenditure. In addition, the increase in staff and public reporting of Housing and Revenue fraud, is having a beneficial outcome on protecting the public purse. As a result an external "Report It" Fraud page is currently under development for members of the public to be able to report all types of fraud directly to the Corporate Fraud Officer.
- 3.14 A corporate communication is in the process of being released to all internal staff to provide an update on the work carried out and to encourage continued reporting of fraud by staff.

4 POLICY IMPLICATIONS

- 4.1 None

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: None.
- 5.2 Human Resources: None.
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: None.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 ***Select the statement that is appropriate to your report by placing an 'X' in the relevant box.***

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

7 APPENDICES

7.1 Appendix 1: Counter Fraud Savings 2025/26

8 BACKGROUND PAPERS

8.1 None

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

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Date	08 June 2026

Head of Service Approval

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Designation	Service Manager (Temporary) – Internal Audit
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Confirmed
Approval Date	08 June 2026

Appendix 1: Counter Fraud Savings 2025/26

Savings Type	Total Estimated future Savings *	Recovering	TOTAL
NFI – Blue Badge Parking Permit to DWP Deceased/Movement out of area	£54,786.00		£54,786.00
NFI – Waiting List to DWP Deceased/Housing Benefit Claimants	£312,659.00		£312,659.00
NFI – Council Tax Reduction Scheme for Taxi Drivers	£1,968.00		£1,968.00
NFI – Housing Tenants to HMRC Property Ownership	£78,300.00		£78,300.00
NFI – Council Tax Single Person Discount (SPD) Exercise	70,112.96	81,273.64	£151,386.60
Council Tax Team Reported Fraud (SPD)		£32,680.55	£32,680.55
Reported Tenancy Fraud (Tenancy Abandonment – Property Reclaimed)	£391,500.00		£391,500.00
Temporary Accommodation Recoveries	£21,190.00		£21,190.00
	£930,515.96	£113,954.19	£1,044,470.15

*Recovery value based on NFI outcome calculations.

COMMITTEE:	Audit & Governance Committee
MEETING DATE:	16 June 2026
BY:	Deputy Chief Executive – Resources & Economy
REPORT TITLE:	Self-evaluation 2026: Best Value Thematic Asset Management Improvement Plan
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the outcome of the Public Service Improvement Framework (PSIF) Asset Management self-evaluation and to seek endorsement of the improvement plan attached as Appendix 2 to this report.

2 RECOMMENDATIONS

- 2.1 Members are recommended to:
- 2.1.1 Note the findings of the PSIF Asset Management self-evaluation as detailed in this report and Appendix 2 and
 - 2.1.2 Agree the improvement actions in Appendix 3

3 BACKGROUND

- 3.1 The Council has implemented the Public Service Improvement Framework (PSIF) model of self-evaluation. PSIF is a self-assessment approach to support improvement in organisations, with a comprehensive review of their own activities and results. It promotes a robust approach to continuous improvement and is mapped to a number of organisational improvement tools.
- 3.2 PSIF provides a framework of statements to challenge existing performance through a structured process, which is developed to suit organisational needs and drivers. The standard PSIF statements can be

adapted for use at a service, corporate or organisational level to support continuous improvement.

- 3.3 PSIF is an Improvement Service initiative. This year, the Improvement Service and Audit Scotland have collaborated to identify opportunities to strengthen the role of self-assessment within the Best Value framework. For this year's theme of Asset Management, Audit Scotland agreed to work with the PSIF team to design the self-assessment checklist (Appendix 1 to this report).
- 3.4 The Asset Management Checklist enables councils to assess their strengths and areas for improvement within the audit theme, while collecting supporting documentation to ensure thorough preparation for the forthcoming audit. By conducting self-evaluation prior to the audit, councils may facilitate a more efficient and less resource-intensive audit process.
- 3.5 Although the audit process is now well underway, it has been beneficial to carry out the self-evaluation as the audit is progressed; it has helped to demonstrate the Council's commitment to continuous improvement.
- 3.6 The checklist was circulated to Heads of Service following agreement by Corporate Leadership Team. Meetings were held with the Infrastructure service management team as well as the Head of Finance and Principal Accountant to support with responding to the self-evaluation.
- 3.7 The self-evaluation considered performance against the three PSIF Asset Management questions:
 - the extent to which the Council has a clear asset management strategy aligned with corporate objectives, new ways of working, changing population needs and net zero commitments;
 - the extent to which governance and accountability arrangements support effective asset management; and
 - the extent to which the Council has a robust approach to working with partners and communities in managing its assets.
- 3.8 The self-evaluation demonstrates that the Council has strong foundations in asset management, including an approved Asset Management Strategy aligned to corporate and place-based priorities, improving governance arrangements through the Strategic Asset Board, and a well-established approach to partnership working and community asset transfer.
- 3.9 The main challenges identified were strategic and cross-cutting in nature rather than operational. These included long-term affordability and sustainability of the estate, maintenance backlogs, deliverability of net zero ambitions within available resources, and the need to further mature performance reporting and governance clarity.

- 3.10 An Improvement Plan comprising four priority actions is attached as Appendix 1 to this report. The plan has been deliberately limited in scope in line with PSIF best practice, which emphasises prioritising a small number of high-impact actions that address root causes rather than producing extensive action lists.
- 3.11 The actions address the underlying drivers of many of the issues raised during the self-evaluation, including long-term financial integration, strategic prioritisation, governance clarity and performance management. Areas identified as strengths, such as partnership working and community engagement, are reflected through consolidation and embedding rather than additional new actions.
- 3.12 The draft Improvement Plan is therefore proportionate, deliverable within existing capacity and aligned to PSIF expectations around leadership, governance, Best Value and long-term sustainability.
- 3.13 The PSIF Asset Management self-evaluation has also been undertaken in the context of ongoing external scrutiny, including the Best Value thematic work currently being undertaken by Audit. The themes explored through the PSIF process closely align with areas of focus within the Best Value framework, particularly governance, strategic leadership, financial sustainability, and the effective stewardship of assets.
- 3.14 By undertaking a structured, evidence-based and organisation-wide self-evaluation, the Council can identify issues proactively, demonstrate organisational awareness of risk, and evidence a clear commitment to continuous improvement. This provides relative risk reduction in relation to external scrutiny by ensuring that known challenges—such as long-term affordability, asset condition and deliverability of net zero ambitions—are explicitly recognised, understood and subject to planned mitigating actions rather than emerging through external review.
- 3.15 A robust and rigorous self-evaluation process also supports the Council’s ability to demonstrate Best Value by providing assurance that asset-related risks are being actively managed, governance arrangements are under review, and improvement activity is prioritised and proportionate. This strengthens the Council’s evidence base in advance of, and alongside, Audit Scotland’s work, and supports a more informed and constructive dialogue during external scrutiny.
- 3.16 The approach taken through this PSIF exercise is also consistent with the national direction of travel on self-evaluation, ahead of the implementation of the national self-evaluation framework in 2027. By embedding PSIF methodology now, the Council is positioning itself well to align with future national expectations ensuring that self-evaluation, improvement planning and external scrutiny are joined-up, routine and integral to corporate governance arrangements.

- 3.17 In line with the Council's standing orders a report and the improvement plan will be presented to Audit & Governance Committee at its meeting on 16 June 2026.

4 POLICY IMPLICATIONS

- 4.1 This report and the draft Improvement Plan support delivery of existing Council strategies and policies, including the Asset Management Strategy, Capital Investment Plan, Council Plan and Climate Change Strategy. They do not introduce new policy requirements.

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: The Improvement Plan focuses on strengthening strategic alignment, governance and prioritisation within existing financial constraints. No additional funding commitments are sought through this report.
- 5.2 Human Resources: None
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: Failure to progress the Improvement Plan would increase the risk of reduced asset sustainability, affordability pressures and difficulty evidencing Best Value. These risks will be mitigated through regular monitoring of progress via the Strategic Asset Board and existing governance arrangements.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 **Select the statement that is appropriate to your report by placing an 'X' in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

X

7 APPENDICES

- 7.1 Appendix 1 – PSIF Asset Management Checklist 2025
- 7.2 Appendix 2 - Draft Improvement Plan

8 BACKGROUND PAPERS

8.1 None

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

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Head of Service Approval

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Designation	Head of Corporate Support
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Confirmed.
Approval Date	2 June 2026

Public Service Improvement Framework

Asset Management Checklist 2025

Focus of the Checklist

The checklist contains 39 statements across 3 sections which aim to answer the following questions.

- To what extent does the council have a clear asset management strategy and plans that align with its corporate objectives, new ways of working, the changing needs of its population and net zero commitments?
- To what extent do the council’s governance and accountability arrangements support effective asset management?
- To what extent does the council have a robust approach to working with partners and communities in managing its assets?

The Checklist Approach

Stage 1 - Issuing the Checklist

Normally following a brief awareness session, the checklist is issued as an electronic survey to those officers taking part in the self-assessment. The checklist contains 39 statements and should take approximately 1-hour 30mins to complete. You are asked to rate the extent to which you as an individual agree/ disagree with each statement, as per the table below:

Strongly Agree	Agree	Disagree	Strongly Disagree	Don’t Know
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The ‘Don’t Know’ option should be used when you feel you do not have sufficient information about the particular statement to enable you to make a judgment.

At the end of each section there are three comments boxes. The first requires you to provide examples of positive work the council is doing in the areas covered within that section. The second text box requires you to provide further details of how you think the council can improve in relation to the statements covered by the section.

The final text box asks you to reference any additional documents or materials that may be used as evidence for the section. You will not be able to proceed through the Checklist without providing input to the comment boxes.

All checklist responses are anonymous and non-attributable.

Stage 2 - Consensus Session

In advance of the consensus session, checklist findings are analysed and a short report is compiled summarising the responses and highlighting key points for discussion during the consensus session.

The consensus session should typically take between 2 to 3 hours. The purpose of the session is to discuss the strengths and areas for improvement emerging from the checklist responses, agree appropriate improvement actions and prioritise them.

Stage 3 - Improvement Planning Session

This session will focus on the development of an Improvement Plan, which will cover the following areas:

- The actions/tasks that will be undertaken to deliver improvement
- Ownership of improvements
- Timescales for implementing improvements
- Resources/costs/risks associated with improvements
- Defined measures to demonstrate the impact of improvements

If you require any additional advice or support, please contact the PSIF team at the Improvement Service, psif@improvementservice.org.uk

Evidence

Evidence is an important element of the self-assessment. It's recommended that evidence is gathered and presented to the assessment team during the self- assessment.

Question 1 - To what extent does the council have a clear asset management strategy and plans that align with its corporate objectives, new ways of working, the changing needs of its population and net zero commitments?

Evidence

When answering the following statements, please review the evidence below to support your answers.

- Council's Asset Management Strategy

- Council's Corporate Objectives
- Two Asset Management Plans which cover two priorities set out in the Council's Asset Management Strategy
- Council's Capital Programme
- Council's Medium-Term Financial Strategy

The Statements

Sub-question 1 - Does the council have a clear, up-to-date and well-informed asset management strategy?

1. The council's asset management strategy is up to date.
2. The council's asset management strategy provides an overview of the organisation's land and property, including the performance (such as condition, occupancy rates etc.) of the existing estate.
3. The council's asset management strategy includes information about how the organisation, services and the community is changing (e.g. trend in school population v places).
4. The council's asset management strategy sets out how assets support service delivery plans (e.g. the school estate, health and social care facilities) and link to financial planning.
5. The council's asset management strategy sets out the approach and governance arrangements for managing and developing its assets.

Sub-question 2 - Does the council's asset management strategy align with its corporate objectives, new ways of working, the changing needs of its population, and net zero commitments?

6. There are clear links between the council's asset management strategy and its corporate objectives.
7. The council's asset management strategy covers at least 3-5 years to enable longer-term planning.
8. There is evidence that the council's asset management strategy has considered new ways of working, the changing needs of its population and the demand for services (e.g. school places, trend in overall population size and house building plans).

9. The council's asset management strategy sufficiently covers how it intends to meet its net zero commitments (e.g. by specifying its approach, key programmes of work and how progress will be monitored).

Sub-question 3 - Does the council have clear asset management plans and a capital programme that aligns with the asset management strategy?

10. The council has clear asset management plans with specific actions, timescales and costs, for implementing its asset management strategy.
11. There is a clear link between asset management action plans, the capital programme, and the ambitions of the asset management strategy.

Sub-question 4 - How well does the council consider affordability in asset management strategy and plans?

12. The council can demonstrate that it prioritises the following investment hierarchy.
 - To support sustainability and cost-effectiveness, asset management strategies prioritise:
 1. maintaining and optimising existing assets
 2. repurposing or upgrading existing assets to meet the needs of the community
 3. new investment only when necessary.
13. The council sufficiently considers the affordability of its asset management plans by assessing potential funding sources (e.g. borrowing, capital funding, reserves).
14. The council sufficiently considers the affordability of its asset management plans by considering the whole-life costs of assets, such as maintenance, energy use etc., efficiency of asset use (e.g. occupation rates, service impact).
15. The council sufficiently considers the affordability of its asset management plans by carrying out scenario/ risk analysis, for example the impact of changes in inflation and interest rates on repayments

(revenue implications), or the impact of changes in demand for services.

16. The council sufficiently considers the affordability of its asset management plans by considering its debt to expenditure ratio and keeping borrowing within prudent and sustainable levels.

Sub-question 5 - Has the council taken a sufficiently proactive approach to managing building safety risks, such as flammable cladding and Reinforced Autoclaved Aerated Concrete (RAAC), in its estate?

17. The council makes explicit reference to the building safety risks in its asset management strategy and plans.
18. The council can provide evidence of surveys or assessments to identify the number of affected buildings and their condition.
19. The council can provide evidence of how risks are prioritised, and how they will be monitored and reported on.
20. The council can provide specific actions, timescales and costs for any remedial work needed.

Thinking about the statements covered in this section:

Please provide positive examples to evidence how the council can answer the question - To what extent does the council have a clear asset management strategy and plans that align with its corporate objectives, new ways of working, the changing needs of its population and net zero commitments?

Please provide details of how the council could improve its approach to any of the areas covered in this section.

Please reference any other documents or materials that the council could use as evidence to support the answering of the question.

Question 2 - To what extent do the council's governance and accountability arrangements support effective asset management?

Evidence

When answering the following statements, please review the evidence below to support your answers.

- Council's Asset Management Strategy

- Terms of Reference/ organisation chart for relevant committees/boards –
- Review a sample of recent papers and minutes from relevant committee/ board meetings
- Review recent examples of asset management and capital programme progress reports
- Analysis of relevant performance information on corporate asset management targets/ KPIs
- Relevant LGBF indicators

Sub-question 1 - Do reporting and monitoring arrangements enable good scrutiny and oversight of progress towards implementing the council's capital programme and asset management plans?

21. The council has appropriate leadership arrangements for asset management at the senior officer level - for example, a director who is part of the corporate management team, such as a director of place or director of assets and resources.
22. The council has appropriate leadership arrangements for asset management at the head of service level by a head of property or asset management, or similar.
23. The council has appropriate leadership arrangements for asset management at the political level by a cabinet member with asset management as part of their policy and service portfolio.
24. Reporting arrangements are sufficiently regular (e.g. quarterly or other appropriate frequency), at the appropriate levels (e.g. asset management board, cabinet, relevant committee, corporate management team level) and provide clear enough information about progress towards implementing asset management plans.
25. Reports include long-term trends against corporate asset management targets/ Key Performance Indicators.
26. Reports include progress, including financial reporting (cost against budget) of the capital programme and recommendations for any further actions or approvals needed. This may include any corrective action being taken to address slippage within plans.
27. Reports include any impact of delays on service delivery.
28. There is evidence of sufficient oversight and scrutiny (e.g. sufficient discussion/ challenge about progress and a clear rationale for decision-

making) at the appropriate levels (e.g. asset management board, cabinet, corporate management team level).

Sub-question 2 - How well is the council delivering its asset management plans and capital programme?

29. The council is on track to deliver the commitments in its asset management strategy and determine the main enablers and barriers to progress (e.g. procurement challenges, programme management, etc.)
30. The council is addressing maintenance backlogs in a planned way, rather than reactively, to reduce long-term costs.
31. The council can show long-term progress in meeting its own corporate asset management KPIs and targets.
32. The council is able to demonstrate long-term improvement in performance as measured by relevant LGBF indicators.

Thinking about the statements covered in this section:

Please provide positive examples to evidence how the council can answer the question - To what extent do the council's governance and accountability arrangements support effective asset management? Please provide details of how the council could improve its approach to any of the areas covered in this section. Please reference any other documents or materials that the council could use as evidence to support the answering of the question.

Question 3 - To what extent does the council have a robust approach to working with partners and communities in managing its assets?

Evidence

When answering the following statements, please review the evidence below to support your answers.

- Council's Asset Management Strategy
- Plan which evidences collaborative planning and management of assets
- Example or case study which demonstrates innovative approaches to collaborating with partners
- Council's approach to engaging with communities around asset management (may be set out in the asset management strategy)

- Recent example of engagement and how this fed into decision-making
- Council's approach to community asset transfers (may be set out in the asset management strategy)
- Recent example of transfers/ transfer requests where available

Sub-question 1 - Does the council consider how it can work collaboratively across its own services, and with other councils, public and third sector organisations, to manage assets as a collective resource in their area?

33. The council can demonstrate how it uses assets collaboratively across its own services.
34. The council can demonstrate how it considers new and collaborative ways of using its assets such as working with other councils, public and third sector organisations and community planning partners in their area.

Sub-Question 2 - Does the council have a clear and robust approach to engaging with the community on its asset management plans, e.g. changing the use of community facilities or disposing of assets?

35. The council can demonstrate its approach to engaging with communities on asset management plans.
36. The council can evidence how outcomes of engagement feed into decision-making.

Sub-question 3 - Does the council have a clear and transparent approach to supporting and assessing community asset transfer requests?

37. The council can demonstrate it is meeting its key responsibilities relating to supporting and assessing community asset transfer requests.
38. The council engages with community groups to support them to develop viable proposals.

39. The council assesses requests transparently against criteria including community benefit, sustainability and the impact on council services.

Thinking about the statements covered in this section:

Please provide positive examples to evidence how the council can answer the question - To what extent does the council have a robust approach to working with partners and communities in managing its assets?

Please provide details of how the council could improve its approach to any of the areas covered in this section.

Please reference any other documents or materials that the council could use as evidence to support the answering of the question

Appendix 2

Analysis of self-evaluation

Overview

Overall, the self-evaluation demonstrates a maturing and increasingly robust asset management approach, with clear progress on governance, placemaking, and partnership working. However, consistent themes emerge around strategic integration, affordability, long-term planning, and funding capacity, particularly in relation to maintenance backlogs and net zero ambitions.

Question 1

To what extent does the council have a clear asset management strategy and plans that align with corporate objectives, new ways of working, changing population needs and net zero commitments?

Strengths

- Strong consensus that the Council has an approved and up-to-date Asset Management Strategy (2024–2028) aligned with the Council Plan, capital programme and place-based approach.
- Clear evidence of alignment with service delivery priorities, particularly:
 - Learning Estate strategy and school capacity planning
 - Housing Revenue Account asset and investment planning
 - Placemaking and community empowerment activity
- Positive examples of new ways of working, including estate rationalisation, exit from leases, office reconfiguration, and co-location opportunities.
- Active programmes supporting energy efficiency and emissions reduction (e.g. LED lighting, solar PV, EV fleet transition).

Key Issues Identified

- Affordability and deliverability are the main constraints, rather than strategy clarity:
 - Net zero ambitions widely described as unachievable at scale without additional funding, particularly for retrofit.
 - Maintenance and lifecycle investment consistently described as under-resourced, limiting progress against targets.
- Longer-term planning gaps, including:
 - A need for greater planning between finance and asset management over a longer period to address challenges
 - Need for stronger integration between asset strategy, a 30-year business plan, and long-term financial sustainability.
- Asset strategy alignment is strong conceptually, but implementation risks remain high due to cost pressures, inflation, and borrowing constraints.

Overall assessment: A strong strategic framework is in place, but delivery is increasingly constrained by financial capacity and long-term affordability, creating risk to corporate priorities including net zero and service resilience.

Question 2

To what extent do governance and accountability arrangements support effective asset management?

Strengths

- Very strong and consistent feedback on improving governance arrangements, including:
 - Establishment of the Strategic Asset Board, welcomed as a key improvement.
 - Clearer officer-level decision-making and reduced silo working.
- Regular reporting occurs across multiple forums (Asset Boards, Transformation Board, HRA Board, Learning Estate Board and Cabinet), with many respondents highlighting:
 - Improved visibility of priorities
 - Better challenge and scrutiny
- Recognition of good practice in:
 - Risk management and programme monitoring
 - Use of dashboards and project reporting
 - Clear links between asset decisions and significant financial or service impacts

Key Issues Identified

- Roles and responsibilities remain unclear in places, particularly:
 - Duplication and complexity across governance forums still being refined.
- Performance reporting needs to mature:
 - need to develop long term asset KPIs and trend data
 - Variable reporting of service impacts where projects are delayed
- A persistent issue of insufficient revenue and maintenance funding, undermining the ability of governance structures to secure outcomes.

Overall assessment: Governance arrangements are a clear area of improvement and momentum, but further clarity, simplification, and stronger performance management are required to translate this into sustained outcomes.

Question 3

To what extent does the council have a robust approach to working with partners and communities in managing its assets?

Strengths

- Very strong consensus that the Council has a well-established culture of collaboration, including:
 - Place-based working and the Place Programme
 - Strong partnership with NHS Lothian and HSCP
 - Engagement in national initiatives (e.g. Scottish Futures Trust, Single Scottish Estate)
- Community Asset Transfer (CAT/CBSL) described as a particular strength:

- Clear processes in place
- New investment in capacity-building roles
- Good track record across a variety of asset types
- Numerous positive examples cited, including:
 - Community management of a number of different facilities
 - Co-location opportunities
 - Community Wealth Building approach

Key Issues Identified

- Need to embed and evidence impact, rather than develop new policy:
 - More time required to demonstrate outcomes of engagement
- Opportunity to further improve collaboration with:
 - Scottish Government
 - Other councils on strategic estate planning
- Capacity constraints (both council and community) remain a risk to pace and consistency.

Overall assessment: This is a relative strength, with focus now needed on consolidation, consistency, and demonstrating impact rather than new frameworks.

APPENDIX 3: Draft improvement plan

Improvement action	Rationale from self-evaluation	Lead officer	Outcome	Target completion
<p>Agree and implement a long-term, financially integrated Asset Management framework</p> <p>What: Finalise and align the Asset Management Strategy with the Council plan, capital strategy, and medium-term financial planning.</p> <p>Why: Wider consideration recurring concerns about affordability, long-term liabilities (PPP hand backs), and delivery risk within current fiscal framework.</p>	<ul style="list-style-type: none"> • Strong agreement that strategy exists, but repeated concerns about affordability, maintenance backlogs and long-term liabilities. • Clear recognition that net zero and estate ambitions are constrained by funding and lifetime cost pressures. 	<p>Head of Infrastructure</p> <p>Head of Finance</p> <p>Head of Corporate Support</p>	<p>Clearer prioritisation, improved resilience, and stronger Best Value evidence.</p>	

Improvement action	Rationale from self-evaluation	Lead officer	Outcome	Target completion
<p>2. Strengthen performance management and reporting for assets</p> <p>What: Develop a small core set of corporate asset KPIs (condition, utilisation, backlog, carbon impact) and embed consistent longitudinal reporting.</p> <p>Why: Responds to identified gaps in trend analysis and visibility of long-term improvement.</p>	<ul style="list-style-type: none"> • Governance arrangements improving, but: <ul style="list-style-type: none"> ○ KPIs and trend data not consistently reported ○ Service impacts of slippage not always visible • Strong appetite for clearer dashboards and long-term evidence of improvement. 	<p>Head of Infrastructure</p> <p>Supporting officers</p> <ul style="list-style-type: none"> • Service Manager – Strategy, Policy and Performance • Finance Business Partners • Sustainability & Climate Change Officer (for carbon metrics) 	<p>Improved scrutiny, clearer decision-making, and demonstrable progress over time.</p>	<ul style="list-style-type: none"> • Q2 2026/27 – Agree KPI set and reporting format • Q3 2026/27 – Pilot reporting through Strategic Asset Board • Q4 2026/27 – Fully embedded across governance and committee reporting
<p>3. Consolidate and clarify asset governance arrangements</p> <p>What: Complete the governance review to:</p> <ul style="list-style-type: none"> • Clarify roles of Cabinet, Strategic 	<ul style="list-style-type: none"> • Strong support for the new Strategic Asset Board. • Ongoing issues around: <ul style="list-style-type: none"> ○ overlapping forums ○ unclear boundaries between 	<ul style="list-style-type: none"> • Head of Infrastructure • Head of Corporate Support <p>Supporting officers</p>	<p>Simpler, more transparent and faster decision-making.</p>	<ul style="list-style-type: none"> • Q1 2026/27 – Governance review completed and options agreed • Q2 2026/27 – Revised Terms of Reference approved

Improvement action	Rationale from self-evaluation	Lead officer	Outcome	Target completion
<p>Asset Board and officer groups</p> <ul style="list-style-type: none"> • Reduce duplication • Embed learning estate, PPP, and operational assets within a single governance framework <p>Why: Builds on positive momentum but addresses ongoing complexity and role clarity issues.</p>	<p>strategic and operational decisions</p> <ul style="list-style-type: none"> ○ learning estate and PPP arrangements not yet fully embedded. 	<ul style="list-style-type: none"> • Service Manager – Strategy, Policy & Performance • Service Manager - Governance 		<ul style="list-style-type: none"> • Q3 2026/27 – New governance arrangements fully operational
<p>4. Develop a realistic, prioritised approach (within financial framework) to net zero and asset sustainability</p> <p>What: Agree a phased, affordable net zero delivery plan focused on:</p>	<ul style="list-style-type: none"> • Consistent feedback that: <ul style="list-style-type: none"> ○ net zero ambitions exceed available funding ○ retrofit at scale is not currently affordable ○ estate reduction and partnership 	<ul style="list-style-type: none"> • Climate Change & Sustainability Officer, reporting through the Strategic Asset Board 	<p>Credible net zero trajectory aligned to financial reality and asset priorities.</p>	<ul style="list-style-type: none"> • Q2 2026/27 – Options appraisal and prioritisation agreed • Q3 2026/27 – Draft delivery plan aligned to capital programme

Improvement action	Rationale from self-evaluation	Lead officer	Outcome	Target completion
<ul style="list-style-type: none"> • Estate reduction • Invest-to-save measures • Clear links between carbon impact, service benefit and affordability <p>Why: Self-evaluation highlights ambition but significant delivery and funding gaps.</p>	<p>working are key levers.</p> <ul style="list-style-type: none"> • Need to maintain credibility and focus on achievable outcomes. 			<ul style="list-style-type: none"> • Q4 2026/27 – Cabinet approval and implementation commenced

COMMITTEE:	Audit and Governance
MEETING DATE:	16 June 2026
BY:	Depute Chief Executive - Resources and Economy
REPORT TITLE:	Annual Governance Statement - 2025/2026
REPORT STATUS:	Public

1 PURPOSE OF REPORT

- 1.1 To present the draft Annual Governance Statement (AGS) 2025/2026 and provide the Audit and Governance Committee with the opportunity to scrutinise the Statement prior to it being included in the draft Annual Accounts 2025/26.

2 RECOMMENDATIONS

Members are recommended:

- 2.1 To scrutinise the Annual Governance Statement prior to it being included in the draft Annual Accounts 2025/26, attached at appendix 1.
- 2.2 To note the approach taken to develop and inform the Annual Governance Statement 2025/26 and the conclusion reached that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's systems of governance, risk management and internal control.
- 2.3 To approve that the Annual Governance Statement is published in the Council's Annual Accounts 2025/26, noting the requirement for the final Statement to be signed by the Chief Executive, Depute Chief Executive - Resources and Economy (Chief Financial Officer), and Leader of the Council at the conclusion of the external audit process.

3 BACKGROUND

- 3.1 As members will be aware, the Council is accountable to the public and other stakeholders for ensuring that there is a sound system of governance. To support this, the Council is required to prepare and

publish an Annual Governance Statement (AGS) as part of the Annual Accounts.

- 3.2 In December the Council approved the Local Code of Corporate Governance which aligns to the principles of good governance set out in the Chartered Institute of Public Finance & Accountancy and Society of Local Authority Chief Executives model framework Delivering Good Governance in Local Government (“the CIPFA/SOLACE framework” 2016) (including the May 2025 addendum).
- 3.3 This Local Code provides a framework to assess where the Council is in terms of governance. This exercise was carried out by the Council’s Corporate Leadership Team and tests the design of the Council’s internal control framework (minor tracked changes made) and improvement actions were developed, attached at Appendix 2.
- 3.4 The exercise does not attempt to rate how effectively or consistently controls were applied. This is undertaken during the population of assurance schedules by members of the Corporate Leadership Team. Each Head of Service and Depute Chief Executive was required to provide a detailed assurance statement on compliance principles set out in the Local Code and identify any areas for improvement. To further strengthen the approach to the review of the application of controls, Heads of Service also carried out a detailed self-evaluation to inform their assurance schedules. Together these exercises combine to provide a holistic look across the Council’s control framework, incorporating both design and application and provide a strong basis to draft the AGS.
- 3.5 In addition, reviews of Internal Audit, External Audit and other assurance providers work was completed by the Monitoring Officer.
- 3.6 Section 8 of the Statement sets out the Progress on 2024/25 Improvement Areas of Governance and Section 10 sets out a governance action plan for 2026/2027.
- 3.7 The Statement concludes that reasonable assurance can be placed upon the adequacy and effectiveness of East Lothian Council’s systems of governance, risk management and internal control.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications. Consideration of policy is made within the Annual Governance Statement and Local Code of Corporate Governance.

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: There were no additional resource requirements to develop the 2025/26 Annual Governance Statement.
- 5.2 Human Resources: The assurance process and draft statement was led by the Council’s Monitoring Officer and had input from all senior officers.

- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: Risk is a key element of the Annual Governance Statement and commentary is provided throughout.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 **Select the statement that is appropriate to your report by placing an 'X' in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

- 7.1 Appendix 1 – East Lothian Council Draft Annual Governance Statement, 2025/26
- 7.2 Appendix 2 – East Lothian Draft Local Code of Corporate Governance

8 BACKGROUND PAPERS

- 8.1 [CIPFA/SOLACE Addendum to Delivering Good Governance, May 2025](#)

9 AUTHOR AND APPROVAL DETAILS

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Date	02 June 2026

Head of Service Approval

Name	Sarah Fortune
Designation	Depute Chief Executive
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Confirmed
Approval Date	05 June 2026

1. Introduction

This Annual Governance Statement explains how the Council has maintained sound governance arrangements during the financial year 1 April 2025 to 31 March 2026, and up to the date of signing.

The Annual Governance Statement explains how the Council has complied with the Council's Code of Corporate Governance (the Local Code), sets out the Council's governance arrangements and systems of internal control, and reports on their effectiveness.

The conclusion from the review activity completed and subject to the successful progression of the areas for improvement highlighted below, our opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of East Lothian Council's systems of governance, risk management and internal control.

2. Scope of Responsibility

East Lothian Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.

The Council also has a statutory duty of Best Value under the Local Government in Scotland Act 2003 to make arrangements to secure continuous improvement and performance, while maintaining an appropriate balance between quality and cost; and in making these arrangements and securing that balance, to have regard to economy, efficiency and effectiveness.

In discharging this overall responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of East Lothian Council's affairs and facilitating the exercise of its functions in a timely, inclusive, open, honest and accountable manner. This includes setting the strategic direction, vision, culture and values of the Council, effective operation of corporate systems, processes and internal controls, engaging with and, where appropriate, lead communities, monitoring whether strategic objectives have been achieved and services delivered cost effectively, and ensuring that appropriate arrangements are in place for the management of risk.

This statement also covers the organisations included in the Council's Group Accounts.

This Statement has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, the Council's Local Code of Corporate Governance, and CIPFA/SOLACE Delivering Good Governance in Local

Government (2016) framework and the May 2025 addendum.

3. The Governance Framework

East Lothian Council decision-making responsibilities are exercised by the full Council, Cabinet, and service and regulatory committees. The full Council, comprising of all elected members, is responsible for setting the strategic direction of the authority, including approval of the budget and key strategies, and for ensuring overall democratic accountability. The Cabinet plays a central role in advancing the Council's priorities, policies and overseeing delivery of the Council Plan, while service committees provide oversight and scrutiny of performance, policy implementation and service delivery across their respective areas.

These arrangements are supported by the scrutiny committees, including the Audit & Governance Committee, which provides assurance on the effectiveness of risk management, internal control and financial governance, and the Policy and Performance Review Committee providing scrutiny on Council performance. A clearly defined Scheme of Delegation sets out the responsibilities of officers, ensuring that decisions are taken at the appropriate level and in accordance with established procedures.

This is a high-level summary of decision-making arrangements and does not set out all governance groups. The Council's Standing Orders including the Scheme of Administration and Scheme of Delegation are available on the Council's website.

A Chief Officer structure is in place with new appointments to the positions of Chief Executive (Head of Paid Service), Head of Development and Head of Communities within the reporting period.

Collectively, these arrangements support transparent, accountable and effective decision-making, with appropriate checks and balances and a clear alignment between political leadership and officer management.

The Council Plan 2022–2027 is the Council's key strategic document, setting out the overarching vision, priorities and direction for East Lothian alongside the supporting actions required to deliver these outcomes.

Following a review in 2022 and 2024, the Council agreed to reprioritise the Plan to reflect a changing operating environment, resulting in three core priorities:

(1) ensuring the financial sustainability of the Council through delivery of approved savings and transformation of services;

(2) targeting resources on statutory services and focusing on the highest risks and those most in need; and

(3) delivering key infrastructure, economic development and environmentally sustainable projects within available resources while maximising external funding.

Within the reporting period, the Council Plan Action Plan has been updated and streamlined, reducing the number of actions from 68 to 36, with a clearer alignment to these priorities and removal or consolidation of actions now considered business as usual, thereby providing a stronger focus on delivery and performance. As noted later in this statement, the Corporate Leadership Team has commenced the development of a new Council Plan to align with the Council's budget development strategy for 2027.

Further, East Lothian Council delivers its priorities through a range of established partnership arrangements that support integrated planning, service delivery and regional collaboration. This document does not attempt to list all partnership arrangements but central to this is the East Lothian Partnership, the Council's Community Planning Partnership. Similarly to most other authorities, the Council is a constituent partner alongside NHS Lothian within the East Lothian Integrated Joint Board with responsibility for the strategic planning, commissioning and oversight of integrated health and social care services, while the Council (and NHS Lothian) retain responsibility for the operational delivery of delegated services.

At a regional level, the Council is a key partner in the Edinburgh and South East Scotland City Region Deal, working collaboratively with neighbouring local authorities, the Scottish and UK Governments, and other partners to drive inclusive economic growth, investment in infrastructure and skills development.

4. Our Review of Effectiveness Process

Following consideration by the Audit and Governance Committee, East Lothian Council approved its Corporate Governance Framework in December 2025, which is consistent with the principles and requirements of the CIPFA/SOLACE *Delivering Good Governance in Local Government* (2016) framework and the May 2025 addendum relating to the annual review of governance and the Annual Governance Statement. In doing so, the Council specifically approved the East Lothian Council Local Code of Corporate Governance and noted the approach to the 2025/26 annual assurance process. This process was led by the Council's Monitoring Officer on behalf of the Chief Executive.

An annual review of the adequacy and effectiveness of the Council's overall governance framework has been undertaken.

The review has been informed by assurances from:

- assessment of compliance with the Local Code of Corporate Governance (by key operational officers and the Corporate Leadership Team);
- written assurance statements from the Depute Chief Executives and Heads of Service;
- the Internal Audit annual opinion, findings and recommendations;
- External Audit, including comments and recommendations from the External Auditor; and
- other external scrutiny bodies and inspection agencies.

The outcome of this review is set out in this Annual Governance Statement. The Statement does not include an extensive description of the different aspects of the authority's governance arrangements, as these are available in the Local Code.

Internal Audit

The Council's Internal Audit function operates in accordance with the Global Internal Audit Standards (GIAS) and provides independent, risk-based assurance on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control, including its group components and the East Lothian Integration Joint Board. During 2025/26, Internal Audit completed 10 audit reviews aligned to the Council's key risks and priorities, with the majority of opinions assessed as reasonable assurance, alongside one substantial assurance and one ungraded review. Across these audits, a total of 56 recommendations were made to strengthen control arrangements, with all recommendations accepted by management.

Internal Audit has identified areas where improvements are required, including strengthening internal governance processes, improving IT system controls, enhancing oversight of group entities, and ensuring consistency in staff performance management arrangements. In addition, significant strategic risks remain in relation to the Council's financial sustainability, asset maintenance and housing pressures, all of which continue to be actively managed. Taking account of the work undertaken, the findings reported and progress made in implementing prior recommendations, Internal Audit's annual conclusion is that reasonable assurance can be placed on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control for the year ended 31 March 2026, recognising that further improvements are required in the areas identified.

External Audit

East Lothian Council's most recent Best Value report was published by Audit Scotland (on behalf of the Accounts Commission) on 3 July 2025 and was based on evidence collected by auditors in the 2022/23 and 2023/24 annual audits. Since then, Audit Scotland has also completed the 2024/2025 Annual Audit Report. Both reports are available on the Council website.

A summary table of the key findings of the Best Value report, agreed management actions and the current status has been included below. The actions continue to be tracked and progress updates reported regularly to the Audit and Governance Committee. There is further commentary on several of the actions later in this statement.

Finding	Action	Status
1	Continue to progress the delivery of the Council's financial strategy and work towards the development of balanced budgets for 2026/27 onwards.	Balanced budget set in February 2026. See further commentary below.
2	Deliver a plan to PPRC to support elected member development.	Complete
2	Finalise and implement review of performance reporting	Complete. See commentary below to further develop performance reporting.
2 & 4	Finalise review of Workforce Plan	Under development and is aligned to the development of the new Council Plan, scheduled for December 2026.
2	Complete review of Council Plan Action Plan to refocus actions and present to Council	Complete
3	Implement and develop new finance system	The first phase of the new system is currently being replanned and will likely be scheduled for implementation in Autumn 2026 and will be delivered in several phases thereafter.
4	Annual report on ESES City Region Deal to Council	Complete
5	Finalise development of participation and engagement strategy	In February 2026, the Council agreed to work to strengthen community engagement and to commission an independent peer review to provide objective assessment and

		recommendations for future delivery. This Review is underway, and Council will consider recommendations within the next reporting period including the development of a participation and engagement strategy.
6	Implement planned improvements to staff engagement and the employee survey	Complete. See commentary below to further address staffing matters.

5. Our Assessment of Effectiveness

The key elements of the Council's governance arrangements, as set out in the Council's Local Code of Corporate Governance are summarised below. As noted above, this summary is not intended to provide a comprehensive description of all aspects of the Council's governance framework; full details are set out in the Local Code of Corporate Governance, which is available on the Council's website

Principle	Key Arrangements (Summary)
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> • Code of Conduct for Councillors • Standing Orders, including Scheme of Administration, Scheme of Delegation, Councillor/Officer Protocol and Financial Regulations • The East Lothian Way Values and Behaviours (Council Plan) • Employee Performance Review and Development • Appointment of statutory officers • Whistleblowing Policy • Counter Fraud Strategy and Policy • Procurement Strategy (2023–2028)
B. Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> • Council meetings held in public and webcast • Committee report templates, including impact assessments • Access to Information Policy • Local Outcome Improvement Plan (2026–2036) • East Lothian Partnership Engagement Report (2025) • East Lothian Residents Survey • Community Engagement Review • Partnership working arrangements across sectors • Area Partnerships structure • Consultation Hub ("We asked, you said, we did") • Trade Union Recognition Agreement
C. Defining outcomes in terms of sustainable	<ul style="list-style-type: none"> • Local Outcome Improvement Plan (2026–2036) • Council Plan (2022–2027, reprioritised 2024/25) • Quarterly financial performance reporting

economic, social, and environmental benefits	<ul style="list-style-type: none"> • Refreshed Performance Framework • Risk Management Strategy • Five-Year Financial and Capital Strategies • Transformation Strategy (2024–2029) • Procurement Strategy including community benefits • Equality Plan (2025–2029) • Integrated Impact Assessments
D. Determining the interventions necessary to optimise the achievement of intended outcomes	<ul style="list-style-type: none"> • Council-approved budget process and Cross-Party Budget Group • Budget modelling and scenario planning • Five-Year Financial and Capital Strategies • Business case development and approval processes • Performance Framework • Improvement Framework – Improvement to Excellence • Service planning (three-year plans with annual review) • Quarterly financial performance reporting • Procurement Strategy (2023–2028) • Community Wealth Building Charter and action plan • Integrated Impact Assessments
E. Developing the entity's capacity, including leadership capability and workforce	<ul style="list-style-type: none"> • Elected Member Induction and briefing programme • Regular leadership meetings (Chief Executive, Leader, Provost, Group Leaders) • Fortnightly Council Leadership Group • Service planning arrangements • Asset Review / Place-Making Programme • Improvement Framework – Improvement to Excellence • Transformation Strategy (2024–2029) • Workforce Plan (2023–2027) • Leadership development programmes • Staff learning and development programme • Employee Performance Review and Development • HR policies framework

<p>F. Managing risks and performance through robust internal control and strong public financial management</p>	<ul style="list-style-type: none"> • Audit & Governance Committee • Risk Management Strategy and Policy • Risk Appetite Statement • Corporate Risk Group • Corporate and Service Risk Registers • Business case governance processes • Performance Framework • Improvement Framework • Service planning arrangements • Procurement Annual Report • Financial Regulations • Counter Fraud Strategy and Policy • Integrity Group • Access to Information Policy • Records Management Policy • Data sharing protocols
<p>G. Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<ul style="list-style-type: none"> • Performance Framework and public performance reporting • Council meetings held in public and webcast • External Audit reports to Committee • Internal Audit Charter and annual plan • Annual Assurance process • Statutory Annual Accounts • Other statutory annual reports • Council Improvement Plan

6. Governance Improvements During the Year

As part of the Council's continuous improvement approach, the following areas were identified as governance improvements in 2025/2026:

- The Monitoring Officer conducted a review of officer governance and decision-making arrangements. The key objectives of the review were to ensure that the Corporate Leadership Team was fully informed of all governance groups currently in place across the organisation; to confirm that appropriate governance documentation was in place; to clarify lines of accountability and reporting; and to identify any governance gaps, risks or duplication. Where possible, proposals were developed to streamline governance arrangements. Individual delegations within the Scheme of Delegation and operational service management decisions were out of scope. The Corporate Leadership Team approved recommendations in June 2025 and October 2025 in relation to "tier one" governance groups (Executive Leadership Team, Corporate Leadership Team and Senior Leadership Team) and "tier two" groups reporting directly to these groups, in support of these objectives. These changes strengthened governance by improving transparency, clarifying accountability, and reducing duplication across decision-making structures.

- The Council approved changes to the Chief Officer structure, providing stability and clarity following a period during in which temporary arrangements had been in place. This improved governance by ensuring clear leadership responsibilities and consistent strategic oversight across services.
- A revised Council Action Plan was approved in August 2025, prioritising the actions set out in the Council Plan 2022–2027 (revised in 2024). Senior officers have also commenced the development of a new Council Plan for 2027 onwards. This enhances governance by strengthening strategic alignment, prioritisation, and the Council’s ability to monitor delivery of key objectives.
- The Local Outcome Improvement Plan (LOIP) was approved by the East Lothian Community Planning Partnership Board on 9 March 2026, including the associated governance structure, and was subsequently noted by the Council. This improves governance by reinforcing partnership accountability and ensuring clear oversight of shared outcomes with community planning partners.
- The Risk Management Strategy 2026–2028 was approved providing a structured and consistent approach to identifying, managing, and monitoring risks across the organisation.
- The Financial Regulations were updated and approved reflecting the current practice.
- The Council approved a new approach to performance reporting, further rolled out the corporate approach to self-assessment and further embedded service planning across the organisation. These improvements enhance governance by enabling better monitoring of performance, supporting evidence-based decision-making, and driving continuous improvement. Please see Forward Look section below.
- A review of digital decision-making took place within the reporting period to is strengthening the Council’s ability to provide clear decision routes, manage digital risks, and develop internal controls for the approval, monitoring and review of digital systems. Please see the Forward Look section below.
- The Council has continued to strengthen its cyber security posture in response to the elevated risk environment and sector-wide incidents. This has included ongoing internal audit activity and assurance reviews to validate the effectiveness of existing controls, alongside targeted technical assessments to identify and remediate vulnerabilities within key systems.

In parallel, the Council has enhanced its incident response capability through the development and refinement of formal response plans and monitoring processes, ensuring that potential threats can be identified, reported and managed in a timely and coordinated manner. As part of this, a multi-agency cyber incident table-top exercise (Project Blue Claw) was undertaken to test organisational readiness, decision-making and response coordination in the event of a significant cyber incident. These activities were further informed by precautionary actions taken within the education environment in response to technical antivirus alerts (no compromise confirmed).

These steps will be built upon in 2026/27. Planned activity includes ongoing risk assessment and assurance work to ensure controls remain effective against an evolving threat landscape, alongside continued investment in technical controls, vulnerability management, and monitoring capabilities. The Council will also further embed its incident response arrangements, including learning from recent exercises and operational events, and aligning processes with national guidance and best practice. Collectively, these actions are intended to strengthen the Council's ability to prevent, detect and respond to cyber threats, while maintaining continuity of critical services.

- The Integrity Group was established in September 2025, chaired by the Council's Monitoring Officer and is a formal sub-group of the Corporate Leadership Team. The purpose of the Integrity Group is to improve the Council's resilience to fraud, corruption, theft and crime (including cybercrime and money laundering) and provides assurance to the S95 Finance Officer, the Corporate Leadership Team and to the Audit and Governance Committee. The Counter Fraud Strategy and Policy, along with the Corporate Fraud Risk Assessment, were also approved.
- Other key policy updates during the year included the Anti-Bribery Policy and the Access to Information Policy.
- Governance has been strengthened within some of the Council's Group Components and strategic partnerships including the Edinburgh Innovation Hub where the Chief Executive of the Council is a Board Member and the formulation of a Board overseeing the development of the Blindwells Strategic Outline Business Case.

7. Improvement Areas of Governance

- As noted within the 2024/2025 Annual Governance Statement, weaknesses have previously been identified by both Internal and External Audit, as well as the Finance Team, within the control environment for

purchasing and payment authorisation. These are being addressed through the implementation of a new financial system.

However, the implementation of the new system has been delayed, and the Council has therefore continued to operate using its existing manual processes and multiple systems throughout 2025/26. The first phase of the new system is currently being replanned and will likely be scheduled for implementation in Autumn 2026 and will be delivered in a number of phases thereafter.

It was also noted that there has been an upward trend in the use of single-source procurement and Voluntary Ex Ante Transparency (VEAT) notices. The Procurement Team has continued to monitor this throughout 2025/26. To support improvement, a contract and supplier management online training module, alongside face-to-face training, is being rolled out to contract owners and managers. This is intended to strengthen contract management practices and support forward planning of procurement activity, with completion targeted by summer 2026.

- The Council continues to operate within a very challenging financial environment, with further savings and pressures anticipated in the coming years. A lack of clarity regarding future funding settlements creates uncertainty and makes medium-term financial planning particularly challenging.

In December 2025, the Council approved the Financial and Capital Strategies for the period 2026/27 to 2030/31, setting out how it intends to manage its resources over this period to achieve financial sustainability. The *Budget Development 2026/27 Onwards* report, presented to Council in February 2026, outlined the local and wider economic context within which budgets have been developed. It also highlighted the key factors contributing to the funding gap between forecast income and expenditure demands.

Following recommendations from Internal Audit and Audit Scotland, a statement was prepared setting out the Section 95 Officer's opinion. This concluded that, while the budget proposals for the forthcoming financial year were considered competent, the funding gap beyond this period remains significant and presents a risk to the Council's ability to set balanced budgets in future years. It also noted that unallocated general balances, held to mitigate unforeseen risks and emergencies, remain low relative to the overall risk environment.

The Corporate Leadership Team has commenced planning for the 2026/27 budget aligned to the development of a new Council Plan and is undertaking a review of current Strategic Change (formerly

Transformation) portfolio. A significant programme of change will be required to respond to financial and operational challenges, particularly in the context of sustained service demand and growth pressures.

- The Homeless Persons (Unsuitable Accommodation) (Scotland) Order came into effect on 1 October 2021. As noted in the Council's 2024/2025 Annual Governance Statement, the Council is in breach of this Order. The Housing Service has implemented a range of measures to address this issue, with a significant reduction in the number of breaches. Breaches have reduced from a peak of 152 in Q2 2023/24 to 75 by the end of 2025/26, with a total of 15 breaches recorded as at 31 March 2026.

The Scottish Housing Regulator met with the Council in March 2026 and welcomed the improvements and transformation work undertaken across the service. As a result, the Council's status was revised from being at "heightened risk of systemic failure regarding the delivery of homelessness services" to a position of "continued monitoring of temporary accommodation for people experiencing homelessness in East Lothian."

The Scottish Housing Regulator will continue to engage with the Council during 2026/27 and has requested that the Council:

- continues to make every effort to meet its statutory duty to provide temporary accommodation and to comply with the Unsuitable Accommodation Order; and
 - keeps the Scottish Housing Regulator updated on its capacity to meet these statutory duties and achieve compliance with the Order.
- Due to budget constraints, there is a risk that backlog maintenance on Council assets, including roads and coastal and harbor defenses, is not being addressed at the required pace. This may lead to further deterioration in the condition and value of these assets.

The Property Asset Strategy and Management Plan, approved in June 2024, sets out the Council's vision for its property portfolio, along with the guiding principles for asset strategy, management and investment.

A comprehensive review of property assets is central to delivering an efficient and effective estate. The Asset Review Programme has already delivered savings and service improvements. The Place Making Project forms part of this programme and will need to continue at pace throughout 2026/27. Although completed outwith this reporting period, the Council has now completed a Self-evaluation 2026: Best Value Thematic Asset Management Improvement Plan and is committed to the implementation of the recommendations from the Audit Scotland Best Value Asset Management review (due 2026).

- HM Inspector of Health and Safety contacted the Council in January 2026 outlining health and safety contraventions in relation to the Health and Safety at Work etc Act 1974 Control of Asbestos Regulations in Council Assets. The Council has developed an action plan with a programme of works to address the matters raised. Following feedback and adjustments made by the Council, the Inspector confirmed he is supportive that a risk-based approach is being applied and that the Council progress as per the amended action plan.
- Information requests - During the reporting period, the Council approved a new Access to Information Policy. This was developed in response to findings arising from appeals to the Office of the Scottish Information Commissioner under the Environmental Information Regulations (EIR). These cases highlighted areas where the Council's handling of requests, approach to charging for the provision of information, and disclosure practices required review and strengthening.

Over the same period, there has been an increase in both the volume and complexity of EIR requests, Freedom of Information (FOI) requests and complaints. This increase is partly attributable to changes in policy and practice. While response and compliance rates have remained at an acceptable level, this has placed increased pressure on a relatively small team.

In common with many local authorities across the UK, the Council is currently experiencing delays in meeting statutory timescales for responding to Subject Access Requests (SARs), which relate to individuals requesting access to their personal data. This is due to a combination of factors, including a significant rise in the number and complexity of requests. In some cases, requests involve reviewing and redacting thousands of pages of information to remove third-party data and other exempt material.

The Council is proactively engaging with the Information Commissioner's Office (ICO) on a pre-enforcement basis to improve SAR response times. An improvement plan has been agreed, and regular engagement with the ICO is ongoing to support recovery and ensure compliance.

As a result of these combined pressures, including increased demand, greater complexity of casework, and expanded requirements such as Data Protection Impact Assessments, the Information Governance Team has moved into Business Continuity arrangements. Additional senior and operational resources have been allocated to the team, and a plan to return to business-as-usual arrangements is currently being developed.

This plan is scheduled to be considered by the Corporate Leadership Team in June 2026, with implementation targeted during 2026/27.

- A further service area within the Council is currently operating within Business Continuity Arrangements—Environmental Health, Protective Services—with several others working close to this arrangement including the Roads department. Recruitment challenges, along with national factors outwith the control of the Council, continue to have an impact. The Council is currently reviewing the Local Government Pay and Grading model, its approach to developing internal talent and career pathways, and its approach to supporting apprentices and graduates within the organisation to address some of these recruitment challenges.
- Although there has been strengthened governance in place for some of the Council’s Group components in 2025/26 (referenced above), further work is required to ensure they all continue to clearly assist in the delivery of appropriate best value outcomes for the Council. The Internal Audit of Enjoy East Lothian Limited and the Edinburgh Innovation Hub provided improvements in governance, assurance and risk management that require review. The Internal Audit for East Lothian Mid-Market homes is due to take place in 2026/27 and will require to be responded to. Finally, East Lothian Land Ltd is currently in the process of being wound up and will be finalised within the next reporting period.

The introduction of annual reporting on all group components to the Audit & Governance Committee during 2025/26 and 2026/27 and continuing and renewed focus on Group entities through Internal Audit planning and monitoring of implementation of recommendations will assist in the improvement of the governance, risk management and control of these group components.

8. Progress on 2024/25 Improvement Areas of Governance

Improvement Areas Identified in 2024/2025	Updated position
Financial Weaknesses	Please see section 7, bullet point 1
Challenging Financial environment	Please see section 7, bullet point 2
The Homeless Persons (Unsuitable Accommodation) (Scotland) Order	Please see section 7, bullet point 3

adherence	
Council assets	Please see section 7, bullet point 4
Counter Fraud and Bribery procedures and risk	Please see section 6, bullet point 9
Cyber Security Risk	Please see section 6, bullet point 8
Internal Audit findings - Sickness Absence Levels - Housing Voids - Capital Expenditure Contracts All three audits were given reasonable assurance.	Sickness Absence Levels – Of the 6 actions agreed, 4 are fully implemented, 1 is partially implemented (and will be implemented in full by end June 2026), while in the remaining action there has been a change to the original agreed action and alternative arrangements are in place for monitoring sickness absence levels and working with service areas. Housing Voids – Of the 13 actions agreed, 9 are fully implemented and 4 remain ongoing. Capital Expenditure Contracts - All agreed actions have been fully implemented.

9. Forward Look

- In April 2026, the Corporate Leadership Team agreed to the development and implementation of a Corporate Policy Development and Review Framework for East Lothian Council. The proposed framework will provide a consistent, transparent and proportionate approach to the development, approval, monitoring and review of council policies, and will support improved corporate oversight, assurance and governance.
- As noted above, during 2025/2026, governance was strengthened in relation to the Council's corporate approach to self-evaluation, service planning, public performance reporting and the governance arrangements of the Community Planning Partnership. The Council appointed a Strategy, Policy and Performance Service Manager during the reporting period.

Work is ongoing to establish a team reporting to the Service Manager. The appointment of this team is key to fully implementing, further developing, monitoring, and reviewing this work. Along with the Policy and Development Framework, this will be a key focus in 2026/2027.

This team will also establish a corporate Data and Analytics resource within the Council for the first time, to better support data-driven decision-making. In addition, it will provide further capacity to support corporate equalities work, with an initial focus on reviewing the current approach,

guidance, training, and compliance levels for Integrated Impact Assessments. Further, this team will lead on the collation and monitoring of Council Improvement actions.

Progress on this work will be considered as part of the 2026/2027 Annual Governance Statement.

- As noted above, a review of the Council's "tier one" governance groups (Executive Leadership Team, Corporate Leadership Team and Senior Leadership Team) and "tier two" groups reporting directly to these has been completed, and recommendations have been implemented. The next phase of the review has commenced and will continue throughout 2026/2027 to examine the remaining officer groups currently in place across the organisation, as well as partnership groups.
- As noted above, senior officers have commenced the development of a new Council Plan for 2027 onwards. The approach will work to align the Plan with the Council's budget development strategy. This will not only enhance governance by strengthening strategic alignment, prioritisation, and the Council's ability to monitor the delivery of key objectives but will be required to work towards addressing the medium-term funding gap. Further, as noted above the Council is currently undertaking a review of current Strategic Change (formerly Transformation) Portfolio and this, alongside the budget development strategy and approval of the Council's new Strategic Workforce Plan, will be key to responding to the financial and operational challenges, particularly in the context of sustained service demand and growth pressures.
- As noted above, a review of digital decision-making took place within the reporting period to is strengthening the Council's ability to provide clear decision routes, manage digital risks, and develop internal controls for the approval, monitoring and review of digital systems. The findings of this review will be implemented within the 2026/2027 reporting period. Further work is also currently underway to assess how the Council delivers digital systems administrative support to ensure systems are being appropriately developed and maintained.
- The development of a Leadership Development Strategy, alongside the review of the Council's approach to Employee Performance and Review in 2026/2027, will strengthen governance by enhancing organisational capacity, accountability, and leadership capability. Strengthening leadership at all levels will support more effective decision-making, ensure that leaders are equipped to drive performance, manage risk, and deliver strategic priorities. A clear and consistent approach to employee performance and review will improve oversight of workforce performance, provide assurance that staff are supported and managed effectively, and

embed a culture of continuous improvement. Together, these actions will contribute to more robust governance arrangements by aligning individual performance with organisational objectives, improving transparency and accountability, and ensuring the Council has the skills, capacity, and leadership required to deliver its priorities and meet statutory obligations.

- A short-life Advisory Task Force has been established to review how the Council currently administers a range of Trust & Funds and to explore alternative approaches to deliver this the future. A report is expected to Council in summer 2026 and the implications of this will be considered as part of the 2026/27 annual governance process.
- In December 2025, Council agreed to support work through the Edinburgh and South East Scotland City Region Deal to explore opportunities for further regional collaboration. The outcomes of this work, alongside other partnership opportunities, will be considered in due course. The Council will need to fully consider any organisational and governance impacts of further collaboration and any transfer of duties and responsibilities.
- In February 2026, the Council agreed to work to strengthen community engagement and to commission an independent peer review of community engagement to provide objective assessment and recommendations for future delivery. This Review is underway, and Council will consider recommendations within the next reporting period.

10. Action Plan for 2026/27

Area of Governance Improvement	Actions (where no end date provided the completion will 31 March 2027)
Financial Weaknesses	<ul style="list-style-type: none"> (i) To implement the new financial system (likely implementation autumn 2026) (ii) To develop a contract and supplier management online training module, alongside face-to-face training, is being rolled out to contract owners and managers (currently scheduled for December 2026)
Challenging financial environment	(i) To align budget development

	<p>for the 2026/27 budget to the development of a new Council Plan (due to be presented to Council in December 2026)</p> <p>(ii) To undertake a review of current Strategic Change (formerly Transformation) Portfolio and agree a prioritised Strategic Change Portfolio (June 2026)</p> <p>(iii) To embed decisions following the recent review of digital decision making to provide clear decision routes, manage digital risks, and develop internal controls for the approval, monitoring and review of digital systems.</p>
The Homeless Persons (Unsuitable Accommodation) (Scotland) Order adherence	<p>(i) To continue best efforts to meet its statutory duty to provide temporary accommodation when it should and to comply with the Unsuitable Accommodation Order; and</p> <p>(ii) To keep the Housing Regulator updated on our capacity to meet our statutory duty to provide temporary accommodation when it should and to comply with the Unsuitable Accommodation Order</p>
Council assets	<p>(i) To progress the Place Making Project at pace throughout 2026/27.</p> <p>(ii) To deliver the Self-evaluation 2026: Best Value Thematic Asset Management Improvement Plan and any further recommendations</p>

		from the Audit Scotland Best Value Asset Management review (due 2026).
Information Requests	(i)	To approve an improvement plan to return the Information Governance Team to business-as-usual arrangements in June 2026, with implementation targeted during 2026/27.
	(ii)	To maintain dialogue with the Information Commissioner's Office (ICO) on progress with the agreed Subject Access Requests improvement plan to support recovery and ensure compliance.
Staffing challenges	(i)	To review the Local Government Pay and Grading model for implementation in 2027/2028
	(ii)	To review the Council's approach to developing internal talent and career pathways
	(iii)	To review the Council's approach to supporting apprentices and graduates within the organisation
	(iv)	To approve a medium-term Strategic Workforce Plan
	(v)	To approve a Leadership Development Strategy
	(vi)	To review the Council's approach to Employee Performance and Review
Full establishment of the Strategy, Policy and Performance Service to deliver corporate governance leadership and support	(i)	To roll out the Policy and Development Framework
	(ii)	To further develop and

	<p>embed the Council's corporate approach to self-evaluation, service planning, and public performance reporting</p> <p>(iii) To establish a corporate Data and Analytics resource</p> <p>(iv) To review the current approach, guidance, training, and compliance levels for Integrated Impact Assessments (IIAs)</p> <p>(v) To carry out the next phase of the operational governance review to examine the remaining officer and partnership groups.</p>
Trusts and Funds	To consider the findings of the Trusts and Funds short-life Advisory Task Force
Community Engagement	To consider the findings of the Independent Community Engagement Peer Review
Group Components	To ensure annual reporting of all group components to the Audit and Governance Committee for scrutiny

11. Conclusion and Assurance Statement

The conclusion from the review activity completed and subject to the successful progression of the areas for improvement highlighted above, our opinion is that reasonable assurance can be placed upon the adequacy and effectiveness of East Lothian Council's systems of governance, risk management and internal control.

Although areas for further improvement have been identified, the annual review demonstrates sufficient evidence that the Code is operating effectively, and the Council complies with the Local Code of Corporate Governance for the year ended 31 March 2026 in most respects to meet its principal objectives.

12. Approval and Signatures

Chief Finance Officer: _____

Chief Executive: _____

Leader: _____

Date: _____

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	16 June 2026
BY:	Depute Chief Executive – Resources and Economy
REPORT TITLE:	Annual Treasury Management Review 2025-26
REPORT STATUS:	Public

1 PURPOSE OF REPORT

An update to the Committee on Treasury Management activity during the financial year 2025-26.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Note the content of 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 2025-26 and reports performance against the indicators set out in the Treasury Management Strategy approved by Council in February 2025. 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 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: There are no direct financial implications associated with this report however the Council's Treasury Management and Capital activity clearly has a significant impact on the management of the Council's financial resources
- 5.2 Human Resources: None
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: None

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 **Select the statement that is appropriate to your report by placing an 'X' in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken, and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	

Subject	Impacts identified (Yes, No or N/A)
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

- 7.1 ELC Annual Treasury Report 2025-26 – Appendix 1

8 BACKGROUND PAPERS

- 8.1 Treasury Management Strategy 2024-25 to 2027-28 – East Lothian Council 20 February 2024
- 8.2 Treasury Management Mid-Year Review 2025-26 – Audit & Governance 25 November 2025

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

AUTHOR'S NAME	Ellie Dunnet Ann-Marie Glancy Michelle Ritchie Karen Duff
DESIGNATION	Head of Finance Service Manager – Corporate Accounting Principal Accountant – Capital, Treasury and Banking Treasury and Banking Officer

CONTACT INFO	edunnet@eastlothian.gov.uk aglancy@eastlothian.gov.uk mritchie1@eastlothian.gov.uk kduff@eastlothian.gov.uk
DATE	08 June 2026

Head of Service Approval

Name	Ellie Dunnet
Designation	Head of Finance
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	
Approval Date	08 June 2026



Annual Treasury Management Review 2025-26

Annual Treasury Management Review 2025-26

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 2025-26. 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 18 February 2025)
- a report on performance against all forward-looking indicators at least quarterly as part of the authority's integrated revenue and capital monitoring
- a mid-year (minimum) treasury update report (Audit and Governance 25 November 2025)
- 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 2025-26 are shown for illustrative purposes.

	2024/25 Actual £'000	2025/26 Budget £'000	2025/26 Outturn £'000
General Services			
Capital expenditure	91,921	57,517	55,198
Financed in year	(56,206)	(9,859)	(28,404)
Net Borrowing Need for the Year	35,715	47,658	26,794
HRA			
Capital expenditure	32,471	43,820	35,172
Financed in year	(5,913)	(9,636)	(8,997)
Net Borrowing Need for the Year	26,558	34,184	26,175
Total Net Borrowing Need for the Year	62,273	81,842	52,969

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 (2024-25) plus the estimates of any additional capital financing requirement for the current (2025-26) 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 2025 Actual £'000	31 March 2026 Budget £'000	31 March 2026 Outturn £'000
General Services			
CFR	342,283	390,824	355,687
Gross borrowing position	304,528	354,358	324,781
(Under) / over funding of CFR	(37,755)	(36,465)	(30,906)
HRA			
CFR	286,473	312,242	306,267
Gross borrowing position	254,874	283,108	279,655
(Under) / over funding of CFR	(31,599)	(29,133)	(26,612)

The use of fiscal flexibility for PPP assets has created a difference between the external borrowing position and the CFR (previously these were equal). An under-borrowing has been created and will change annually. The PPP CFR reflects the new profile for repayment. The under-borrowing is created when comparing this to the balance outstanding on the PPP contract. The CFR has also increased due to the inclusion of Right of Use Assets as required by IFRS 16.

	31-Mar-25 Actual £'000	31-Mar-26 Budget £'000	31-Mar-26 Actual £'000
PPP/Leases /Right of Use Assets			
CFR	54,102	51,326	54,828
Outstanding Debt	37,798	33,828	37,099
(Under) / over funding of CFR	(16,304)	(17,498)	(17,729)

4. Treasury Position as at 31 March 2026

At the beginning and the end of 2025-26 the Council's treasury position (excluding borrowing by PPP ,finance leases and Right of Use Assets), was as follows:

£'000	31 March 2025 Principal	Rate/ Return	Average Life yrs	31 March 2026 Principal	Rate/ Return	Average Life yrs
CFR	628,756			661,955		
Over / (under) borrowing	(69,353)			(57,519)		
Total debt	559,402	3.18%	22	604,436	3.36%	19
Total investments	25,506	2.78%	5	44,089	3.25%	3
Net debt	533,896			560,347		

- **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.

	2024-25 Actual £m	2025-26 Budget £m	2025-26 Actual £m
Authorised limit	708	741	718
External Debt	559	637	604
Operational Boundary	645	720	680

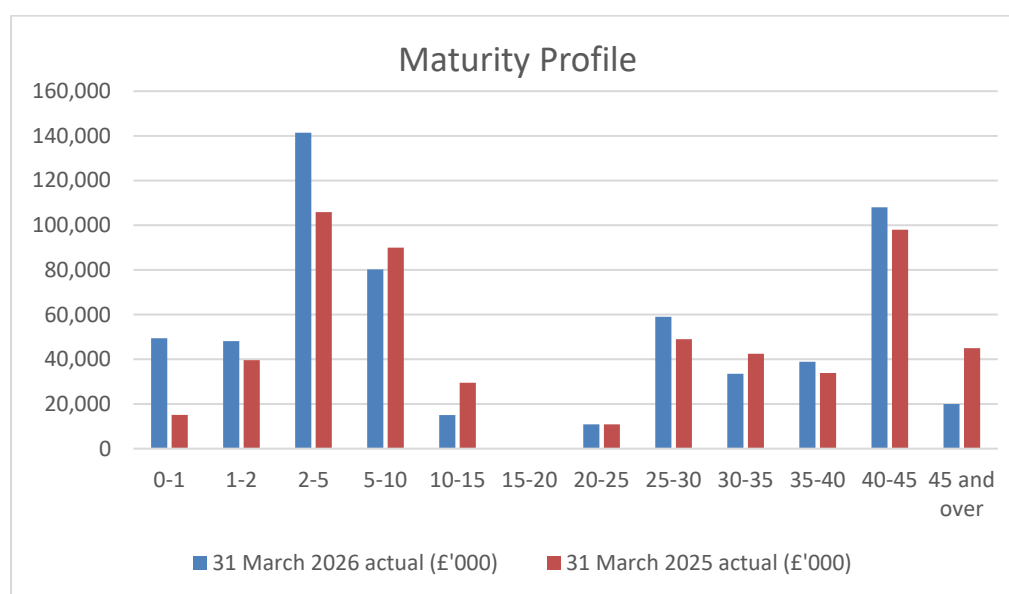
As at 31 March 2026 the average interest rate for all external debt was 3.36% (3.18% as at 31 March 2025). The average life across all loans is 19 years (22 years as at 31 March 2025). The changes in interest are due to the increasing interest rate environment and the decrease in average life is the positioning of the portfolio to match the forecast of when the interest rates should start to fall.

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

	31-Mar-25 Actual £m	(Paid) or New Loan* 2025-26 £m	31-Mar-26 Actual £m	Net movement** 2025-26 £m
Under 12 months	15.11	-15.11	49.41	34.29
12 months and within 24 months	39.63	8.93	48.12	8.49
24 months and within 5 years	105.90	47.78	141.38	35.48
5 years and within 10 years	89.96	12.43	80.23	-9.74
10 years and within 15 years	29.51	0	15.00	-14.51
15 years and within 20 years	0.00		0.00	0.00
20 years and within 25 years	10.90		10.90	0.00
25 years and within 30 years	49.00		59.00	10.00
30 years and within 35 years	42.50	-4	33.50	-9.00
35 years and within 40 years	33.90		38.90	5.00
40 years and within 45 years	98.00	-5	108.00	10.00
45 years and over	45.00		20.00	-25.00
Total	559.41	45.03	604.44	45.03

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

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



5. The strategy for 2025-26

5.1 Investment strategy and control of interest rate risk

The Council's approved investment strategy prioritises security, liquidity and then return. The Council adopts a prudent approach to managing risk and followed the approved 2025-26 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 returns decreased in 2025-26 as the Bank of England responded to a reduction in inflationary pressures, meaning that ongoing tighter monetary policy was not required. However, global factors have now made the market more volatile with an increased risk that the Bank will have to raise interest rates.

5.2 Borrowing strategy and control of interest rate risk

During 2025/26, the Authority maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as although near-term investment rates were equal to, and sometimes higher than, long-term borrowing costs, the latter were expected to fall back through 2025 and 2026 in the light of economic growth concerns and the eventual dampening of inflation. The Council has sought to minimise the taking on of long-term borrowing at elevated levels (>5%) and has focused on a policy of internal, short-dated borrowing (<5 years) and longer borrowing where Equal Instalments of Principal or Annuity payments are made as appropriate.

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.

Interest rate forecasts initially suggested gradual reductions in short, medium and longer-term fixed borrowing rates during 2025/26. Bank Rate did fall to 3.75% as anticipated, but the initial expectation of significant rate reductions did not transpire, primarily because inflation concerns remained elevated and global concerns continued to have an impact on market confidence.

Bank Rate reduced steadily through the course of the financial year (three 0.25% rate cuts in May, August and December) bringing the headline rate down from 4.50% to 3.75%. Borrowing became more expensive in 2025/26 as gilt yields have risen materially in March 2026, more than reversing the falls earlier in the financial year. The combination of pressures from higher inflation amid the ongoing energy price shock, higher interest rates and a weaker economy will ultimately put borrowing on an upward trend. With the rise in energy prices possibly pushing the Retail Prices Index inflation up to a peak of 5.7%.

Forecasts from our Treasury advisors at the end of March 2026 suggest interest rates will remain constant for 206/27 and start to gradually reduce over the following year before

settling at 3.25%. This remains a very challenging position, and the forecast and planning of borrowing will remain under review during 2026/27 and beyond.

MUFG Corporate Markets Interest Rate View 25.03.26												
	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28	Dec-28	Mar-29
BANK RATE	3.75	3.75	3.75	3.75	3.75	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	3.90	3.80	3.80	3.70	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.20	4.10	4.00	3.90	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.50
12 month ave earnings	4.60	4.50	4.40	4.20	4.20	4.00	4.00	3.80	3.80	3.80	3.80	3.80
5 yr PWLB	5.00	5.00	4.90	4.80	4.60	4.40	4.20	4.20	4.10	4.10	4.10	4.10
10 yr PWLB	5.50	5.50	5.40	5.30	5.10	4.90	4.70	4.70	4.60	4.60	4.60	4.60
25 yr PWLB	6.00	6.00	5.90	5.80	5.60	5.40	5.20	5.20	5.20	5.20	5.10	5.10
50 yr PWLB	5.80	5.80	5.70	5.50	5.40	5.20	5.00	5.00	5.00	5.00	4.90	4.90

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, the conflict in the Middle East, 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 falls and inflation (on the Consumer Price Index (CPI) measure) moves lower.

High/Low/Average PWLB Rates during 2025-26 over indicative borrowing terms:

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.25%	4.56%	5.13%	5.78%	5.46%
Date	27/02/2026	27/02/2026	02/03/2026	04/04/2025	04/04/2025
High	5.28%	5.47%	5.88%	6.43%	6.24%
Date	23/03/2026	23/03/2026	27/03/2026	27/03/2026	27/03/2026
Average	4.52%	4.82%	5.38%	6.06%	5.81%
Spread	1.03%	0.91%	0.75%	0.65%	0.78%

5. Borrowing Activity during 2025-26

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

Lender	Principal £m	Type	Interest Rate	Maturity	Date
PWLB	10	Maturity	4.53%	2 Years	03/04/2025
PWLB	5	EIP	4.09%	3 Years	28/11/2025
PWLB	11	EIP	4.16%	5 Years	19/12/2025
PWLB	9	Maturity	4.54%	2.5 Years	19/12/2025
PWLB	10	EIP	4.43%	4.5 Years	20/02/2025
PWLB	25	Annuity	4.72%	6 Years	17/03/2026

Total	70				
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As PWLB rates have remained at an elevated level during 2025-26 the Council has, in conjunction with our Treasury advisors decided to undertake borrowing at shorter durations than in recent preceding years as well as repaying principle in instalments over the period of the loan. This is to lessen interest costs in future as per Section 5.2 above, as interest rates are expected to reduce 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 £m	Type	Interest Rate	Maturity	Date
PWLB	0.529	Maturity	7.875%	30 years	21/12/2025
Barclays	5.00	Maturity	4.250%	60 years	25/07/2025
Dexia	4.00	Lenders Option/Borrowers Option	4.10%	49 years	30/09/2025
Total	7.64				

Instalments of £15.437 million were also paid on 13 loans which are payable as an Annuity or EIP (equal instalments of principal) basis rather than on maturity.

The early repayment of the Barclays loan gave a £1.1m discount. Dexia was repaid early due to the Lenders Option being exercised with an unfavourable rate.

6. Investment Activity for 2025-26

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 18 February 2025. 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 2025-26 and in accordance with the approved strategy, 136 short term investments were made and repaid, yielding interest of £0.688m. Any other surplus cash balances were held in the Council's bank account, which is an interest bearing account.

Investment with	Principal £m	Interest Rate	Investment Date	Term (Days)	Interest	Date Repayable/ Repaid
DMO/DMADF	8.00	4.450%	01/04/2025	2	1,950.68	03/04/2025
DMO/DMADF	6.00	4.450%	02/04/2025	5	3,657.53	07/04/2025
DMO/DMADF	6.00	4.450%	03/04/2025	7	5,120.55	10/04/2025
DMO/DMADF	4.00	4.450%	03/04/2025	4	1,950.68	07/04/2025
DMO/DMADF	5.00	4.445%	07/04/2025	4	2,435.62	11/04/2025
DMO/DMADF	5.00	4.440%	07/04/2025	7	4,257.53	14/04/2025
DMO/DMADF	5.00	4.440%	07/04/2025	10	6,082.19	17/04/2025
DMO/DMADF	6.00	4.445%	09/04/2025	2	1,461.37	11/04/2025
DMO/DMADF	6.00	4.440%	10/04/2025	7	5,109.04	17/04/2025
DMO/DMADF	3.00	4.435%	15/04/2025	17	6,196.85	02/05/2025
DMO/DMADF	6.00	4.450%	16/04/2025	1	731.51	17/04/2025
DMO/DMADF	6.00	4.450%	17/04/2025	7	5,120.55	24/04/2025
DMO/DMADF	4.00	4.450%	17/04/2025	12	5,852.05	29/04/2025
DMO/DMADF	7.00	4.450%	24/04/2025	8	6,827.40	02/05/2025
DMO/DMADF	4.00	4.450%	29/04/2025	1	487.67	30/04/2025
DMO	10.00	4.450%	01/05/2025	7	8,534.25	08/05/2025
DMO	5.00	4.385%	06/05/2025	3	1,802.05	09/05/2025
DMO	10.00	4.200%	09/05/2025	6	6,904.11	15/05/2025
DMO	5.00	4.200%	08/05/2025	8	4,602.74	16/05/2025
DMO	6.00	4.200%	15/05/2025	8	5,523.29	23/05/2025
DMO	2.00	4.200%	22/05/2025	15	3,452.05	06/06/2025
DMO	10.00	4.200%	28/05/2025	2	2,301.37	30/05/2025
DMO	5.00	4.210%	30/05/2025	13	7,497.26	12/06/2025
DMO	3.00	4.205%	02/06/2025	4	1,382.47	06/06/2025
DMO	3.00	4.205%	05/06/2025	4	1,382.47	09/06/2025
DMO	5.00	4.200%	11/06/2025	5	2,876.71	16/06/2025
DMO	3.00	4.200%	12/06/2025	1	345.21	13/06/2025
DMO	8.00	4.200%	16/06/2025	3	2,761.64	19/06/2025
DMO	3.50	4.200%	18/06/2025	1	402.74	19/06/2025
DMO	2.50	4.200%	19/06/2025	1	287.67	20/06/2025
DMO	2.50	4.200%	20/06/2025	7	2,018.49	27/06/2025
DMO	3.50	4.200%	24/06/2025	3	1,209.66	27/06/2025

DMO	9.00	4.205%	25/06/2025	5	5,184.25	30/06/2025
DMO	4.00	4.200%	01/07/2025	2	920.55	03/07/2025
DMO/DMADF	4.00	4.200%	03/07/2025	1	460.27	04/07/2025
DMO/DMADF	6.00	4.205%	02/07/2025	5	3,456.16	07/07/2025
DMO	10.00	4.210%	01/07/2025	9	10,380.82	10/07/2025
DMO/DMADF	8.00	4.210%	08/07/2025	10	9,227.40	18/07/2025
DMO/DMADF	10.00	4.210%	10/07/2025	14	16,147.95	24/07/2025
DMO/DMADF	3.00	4.205%	16/07/2025	5	1,728.08	21/07/2025
DMO/DMADF	5.00	4.210%	09/07/2025	21	12,110.96	30/07/2025
DMO/DMADF	7.00	4.210%	23/07/2025	7	5,651.78	30/07/2025
DMO/DMADF	6.00	4.210%	24/07/2025	8	5,536.44	01/08/2025
DMO/DMADF	8.00	4.210%	30/07/2025	7	6,459.18	06/08/2025
DMO/DMADF	4.00	4.200%	01/08/2025	7	3,221.92	08/08/2025
DMO/DMADF	5.00	4.070%	05/08/2025	7	3,902.74	12/08/2025
DMO/DMADF	8.00	3.970%	06/08/2025	7	6,090.96	13/08/2025
Central Bedfordshire	5.00	4.200%	14/05/2025	92	52,931.51	14/08/2025
DMO/DMADF	3.00	3.950%	07/08/2025	7	2,272.60	14/08/2025
Standard Chartered - Sustainable Deposit	5.00	4.290%	15/04/2025	91	53,478.08	15/07/2025
DMO/DMADF	5.00	3.950%	12/08/2025	7	3,787.67	19/08/2025
DMO/DMADF	5.00	3.950%	13/08/2025	9	4,869.86	22/08/2025
DMO/DMADF	5.00	3.950%	20/08/2025	6	3,246.58	26/08/2025
DMO/DMADF	6.00	3.950%	13/08/2025	15	9,739.73	28/08/2025
DMO/DMADF	4.00	3.950%	29/08/2025	6	2,597.26	04/09/2025
Standard Chartered - Sustainable Deposit	5.00	4.070%	15/04/2025	122	17,283.56	15/08/2025
Standard Chartered - Sustainable Deposit	5.00	3.810%	15/08/2025	31	16,179.45	15/09/2025
Perth & Kinross	5.00	4.000%	14/08/2025	32	17,534.25	15/09/2025
DMO/DMADF	3.00	3.955%	14/08/2025	29	9,426.99	12/09/2025
DMO/DMADF	4.00	3.950%	27/08/2025	16	6,926.03	12/09/2025
DMO/DMADF	5.00	3.950%	21/08/2025	8	4,328.77	29/08/2025
DMO/DMADF	3.00	3.955%	26/08/2025	24	7,801.64	19/09/2025
DMO/DMADF	4.00	3.960%	05/09/2025	14	6,075.62	19/09/2025
DMO/DMADF	3.00	3.950%	17/09/2025	2	649.32	19/09/2025
DMO/DMADF	1.50	3.960%	01/09/2025	28	4,556.71	29/09/2025
DMO/DMADF	3.00	3.960%	03/09/2025	26	8,462.47	29/09/2025
DMO/DMADF	7.00	3.960%	16/09/2025	13	9,872.88	29/09/2025
DMO/DMADF	2.00	3.950%	19/09/2025	5	1,082.19	24/09/2025
DMO/DMADF	3.00	3.960%	10/09/2025	22	7,160.55	02/10/2025
DMO/DMADF	3.50	3.950%	01/10/2025	2	757.53	03/10/2025

DMO/DMADF	7.00	3.950%	08/10/2025	5	3,787.67	13/10/2025
DMO/DMADF	5.00	3.960%	16/09/2025	35	18,986.30	21/10/2025
DMO/DMADF	1.50	3.965%	30/09/2025	24	3,910.68	24/10/2025
DMO/DMADF	3.00	3.950%	21/10/2025	3	973.97	24/10/2025
DMO/DMADF	3.00	3.970%	25/09/2025	35	11,420.55	30/10/2025
DMO/DMADF	3.50	3.950%	27/10/2025	4	1,515.07	31/10/2025
DMO/DMADF	4.00	3.950%	28/10/2025	3	1,298.63	31/10/2025
DMO/DMADF	5.00	3.950%	29/10/2025	2	1,082.19	31/10/2025
DMO/DMADF	2.00	3.945%	30/10/2025	8	1,729.32	07/11/2025
DMO/DMADF	3.00	3.940%	05/11/2025	2	647.67	07/11/2025
DMO/DMADF	2.00	3.950%	12/11/2025	2	432.88	14/11/2025
DMO/DMADF	2.00	3.950%	11/11/2025	7	1,515.07	18/11/2025
DMO/DMADF	2.00	3.920%	30/10/2025	22	4,725.48	21/11/2025
DMO/DMADF	3.00	3.880%	04/11/2025	17	5,421.37	21/11/2025
DMO/DMADF	3.00	3.950%	26/11/2025	1	324.66	27/11/2025
DMO/DMADF	3.00	3.950%	01/12/2025	4	1,298.63	05/12/2025
DMO/DMADF	4.00	3.950%	03/12/2025	2	865.75	05/12/2025
DMO/DMADF	3.00	3.950%	05/12/2025	7	2,272.60	12/12/2025
DMO/DMADF	1.00	3.950%	08/12/2025	4	432.88	12/12/2025
DMO/DMADF	2.50	3.890%	15/12/2025	4	1,065.75	19/12/2025
DMO/DMADF	2.50	3.900%	16/12/2025	3	801.37	19/12/2025
DMO/DMADF	5.00	3.705%	19/12/2025	5	2,537.67	24/12/2025
DMO/DMADF	6.00	3.710%	24/12/2025	13	7,928.22	06/01/2026
DMO/DMADF	6.00	3.705%	06/01/2026	3	1,827.12	09/01/2026
DMO/DMADF	2.00	3.700%	07/01/2026	2	405.48	09/01/2026
DMO/DMADF	3.00	3.710%	06/01/2026	10	3,049.32	16/01/2026
DMO/DMADF	2.00	3.710%	09/01/2026	7	1,423.01	16/01/2026
DMO/DMADF	2.00	3.700%	14/01/2026	2	405.48	16/01/2026
DMO/DMADF	1.50	3.700%	15/01/2026	8	1,216.44	23/01/2026
DMO/DMADF	2.00	3.700%	19/01/2026	8	1,621.92	27/01/2026
DMO/DMADF	3.00	3.710%	06/01/2026	23	7,013.42	29/01/2026
DMO/DMADF	5.00	3.710%	09/01/2026	21	10,672.60	30/01/2026
DMO/DMADF	2.00	3.700%	16/01/2026	14	2,838.36	30/01/2026
DMO/DMADF	2.00	3.700%	29/01/2026	1	202.74	30/01/2026
DMO/DMADF	5.00	3.700%	06/01/2026	31	15,712.33	06/02/2026
DMO/DMADF	3.00	3.700%	02/02/2026	11	3,345.21	13/02/2026
DMO/DMADF	1.50	3.705%	09/02/2026	4	609.04	13/02/2026
DMO/DMADF	3.00	3.700%	11/02/2026	2	608.22	13/02/2026

DMO/DMADF	1.00	3.710%	13/02/2026	6	609.86	19/02/2026
DMO/DMADF	6.00	3.700%	05/02/2026	15	9,123.29	20/02/2026
DMO/DMADF	2.50	3.710%	17/02/2026	9	2,286.99	26/02/2026
DMO/DMADF	2.00	3.710%	18/02/2026	8	1,626.30	26/02/2026
DMO/DMADF	5.00	3.705%	23/02/2026	3	1,522.60	26/02/2026
DMO/DMADF	4.00	3.700%	25/02/2026	1	405.48	26/02/2026
DMO/DMADF	2.00	3.710%	23/02/2026	11	2,236.16	06/03/2026
DMO/DMADF	3.00	3.710%	24/02/2026	10	3,049.32	06/03/2026
DMO/DMADF	2.50	3.705%	02/03/2026	4	1,015.07	06/03/2026
DMO/DMADF	7.00	3.710%	27/02/2026	13	9,249.59	12/03/2026
DMO/DMADF	2.00	3.710%	06/03/2026	6	1,219.73	12/03/2026
DMO/DMADF	4.50	3.700%	11/03/2026	1	456.16	12/03/2026
DMO/DMADF	6.00	3.710%	06/03/2026	13	7,928.22	19/03/2026
DMO/DMADF	9.00	3.705%	17/03/2026	3	2,740.68	20/03/2026
DMO/DMADF	4.00	3.700%	18/03/2026	2	810.96	20/03/2026
DMO/DMADF	3.00	3.710%	18/03/2026	6	1,829.59	24/03/2026
DMO/DMADF	5.00	3.710%	17/03/2026	10	5,082.19	27/03/2026
DMO/DMADF	4.00	3.710%	19/03/2026	8	3,252.60	27/03/2026
DMO/DMADF	3.00	3.720%	20/03/2026	7	2,140.27	27/03/2026
DMO/DMADF	1.00	3.705%	24/03/2026	3	304.52	27/03/2026
DMO/DMADF	7.00	3.710%	12/03/2026	18	12,807.12	30/03/2026
DMO/DMADF	10.00	3.710%	17/03/2026	13	13,213.70	30/03/2026
DMO/DMADF	2.00	3.710%	16/03/2026	15	3,049.32	31/03/2026
DMO/DMADF	4.00	3.720%	20/03/2026	11	4,484.38	31/03/2026
DMO/DMADF	8.00	3.705%	27/03/2026	6	4,872.33	02/04/2026
DMO/DMADF	10.00	3.715%	30/03/2026	10	10,178.08	09/04/2026
DMO/DMADF	4.00	3.710%	30/03/2026	8	3,252.60	07/04/2026
DMO/DMADF	2.50	3.710%	31/03/2026	7	1,778.77	07/04/2026

Additionally, a call account at Lloyds was used to hold funds which yielded a further £237k in interest.

The Council also has the following loans to third parties which fall under the scope of the Council's approved Investment Strategy.

	Loan balance at 31 March 2025	Loan balance at 31 March 2026
--	--	--

	£'000	£'000
East Lothian Housing Association	7,629	7,324

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 £0.031m for 2025-26 and was decreased to £0.029m for 2026-27 to reflect the risk profile of the debt in the current financial environment.

Investments held by Fund Managers

The Council uses Rathbones (previously known as 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 31/03/2025	Investments held 31/03/2026	Return	Benchmark
Charitable Trusts	£3.844m	£4.204m	11.60%	10.40%
Common Good Funds	£3.891m	£4.263m	11.80%	12.30%
Total	£7.753m	£8.467m	£0.714m	

The Council's investment advisors have reported that the portfolio has performed well for 2025-26 with a return of 11.80% for the Common Good and 11.60% for the Charitable Trusts as global equity markets showed a fair amount of volatility. This was driven by continued geopolitical risks with a number of ongoing conflicts globally and the trade tariffs set in the USA. These are mitigated by having investments in companies with strong balance sheets.

Officers continue to engage with the 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 higher than the benchmark for the Charitable Trusts but lower for the Common Good Trusts.

Appendix 1: Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2024/25	2025/26	2025/26
	Actual £'000	Budget £'000	Outturn £'000
Capital Expenditure			
General Services	91,921	57,517	55,198
HRA	32,471	43,820	35,172
TOTAL	124,392	101,337	90,369
Ratio of financing costs to net revenue stream			
General Services	4.95%	7.30%	6.50%
HRA	33.63%	36.97%	29.00%
Gross borrowing requirement - General Services			
brought forward 1 April	313,376	356,643	342,283
carried forward 31 March	342,283	390,824	355,687
in year borrowing requirement	28,907	34,181	13,404
Gross borrowing requirement - HRA			
brought forward 1 April	265,745	284,350	286,473
carried forward 31 March	286,473	312,242	306,267
in year borrowing requirement	20,727	27,891	19,795
Gross Debt	£	£	£
CFR			
General Services	342,283	390,824	355,687
HRA	286,473	312,242	306,267
TOTAL	628,756	703,066	661,954
Annual Change in Capital Financing Requirement			
General Services	28,907	34,181	13,404
HRA	20,727	27,891	19,795
TOTAL	49,634	62,072	33,199
Annual Impact of Capital Investment Decisions			
General Services – Debt per Band D Equivalent	5,489	6,180	5,581
HRA – Debt per dwelling	30,427	32,781	32,245

2. TREASURY MANAGEMENT INDICATORS	2024/25	2025/26	2025/26
	Actual £'000	Budget £'000	Outturn £'000
Authorised Limit for External Debt -			
Borrowing	708,000	741,000	718,000
Other long term liabilities	38,000	34,000	38,000
Total	746,000	775,000	756,000
Operational Boundary for External Debt -			
Borrowing	645,060	720,562	679,685
Other long term liabilities	37,798	33,828	37,099
Total	682,858	754,390	716,784
Actual External Debt			
Borrowing	559,402	637,466	631,079
Other Long Term Liabilities	37,798	33,828	35,762
Total	597,201	671,294	666,841

3. LOANS FUND	31 March 2025 Actual £m	31 March 2026 Budget £m	31 March 2026 Outturn £m
General Services			
Opening balance	313,376	356,643	342,283
Add advances	35,715	47,658	26,794
Less repayments	(6,807)	(13,478)	(13,390)
Closing balance	342,284	390,824	355,687
HRA			
Opening balance	265,745	284,350	286,473
Add advances	26,558	34,184	26,175
Less repayments	(5,831)	(6,293)	(6,381)
Closing balance	286,473	312,242	306,267
Total			
Opening balance	579,121	640,993	628,756
Add advances	62,274	81,842	52,969
Less repayments	(12,638)	(19,770)	(19,770)
Closing balance	628,757	703,065	661,955

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. Consumer Price Index. 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.

COMMITTEE: AUDIT AND GOVERNANCE COMMITTEE

MEETING DATE: 16 JUNE 2026

BY: DEPUTY CHIEF EXECUTIVE, RESOURCES & ECONOMY

REPORT TITLE: INFORMATION GOVERNANCE ANNUAL REPORT

REPORT STATUS: PUBLIC

1 PURPOSE OF REPORT

- 1.1 To report on the delivery and continuous improvement of East Lothian Council's ('the Council's) compliance with regulatory regimes relating to Data Protection, Information and Records Management, and the Regulation of Investigatory Powers during 2025.

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Note the contents of the report and, where appropriate, highlight areas for further action or consideration.

3 BACKGROUND

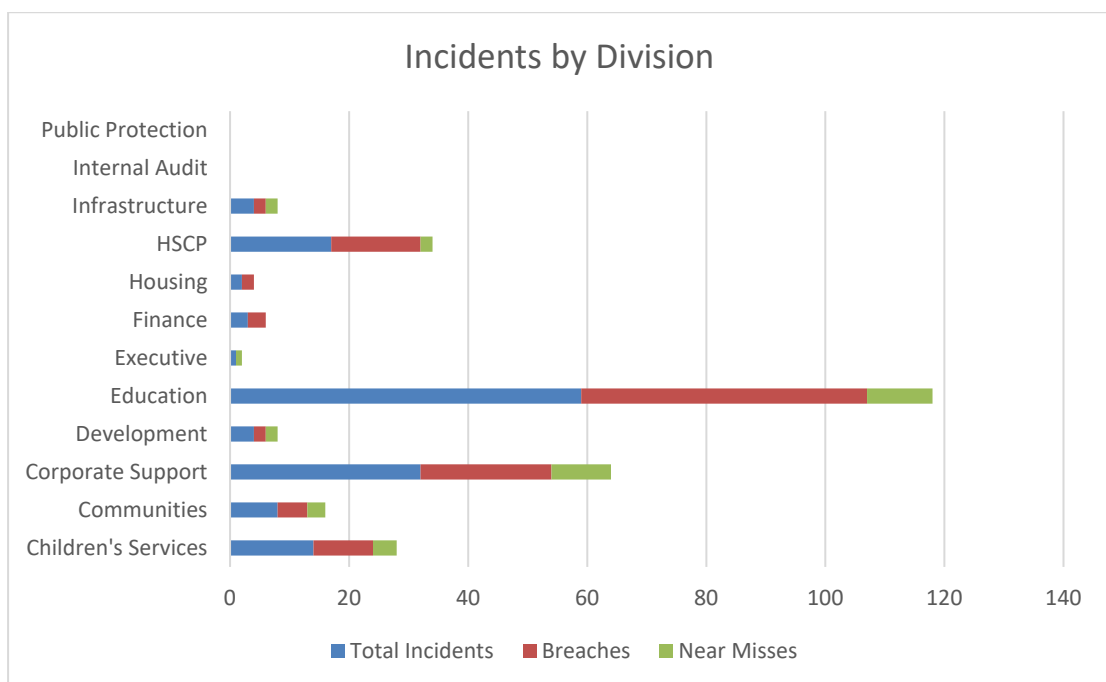
- 3.1 Information Governance covers a range of policies, procedures, tools and guidance used to support the Council in maintaining compliance with information legislation, ensuring that our information assets remain relevant and accessible over time, and empowering both the Council's employees and the citizens of East Lothian to derive the greatest possible benefits from the valuable public records in our custody.
- 3.2 A summary of the relevant legislation and key features is provided in Appendix 1 to this report.
- 3.3 Changes to legislation include the introduction of the Data Use and Access Act 2025, which supplements and clarifies existing legislation.

Data Protection

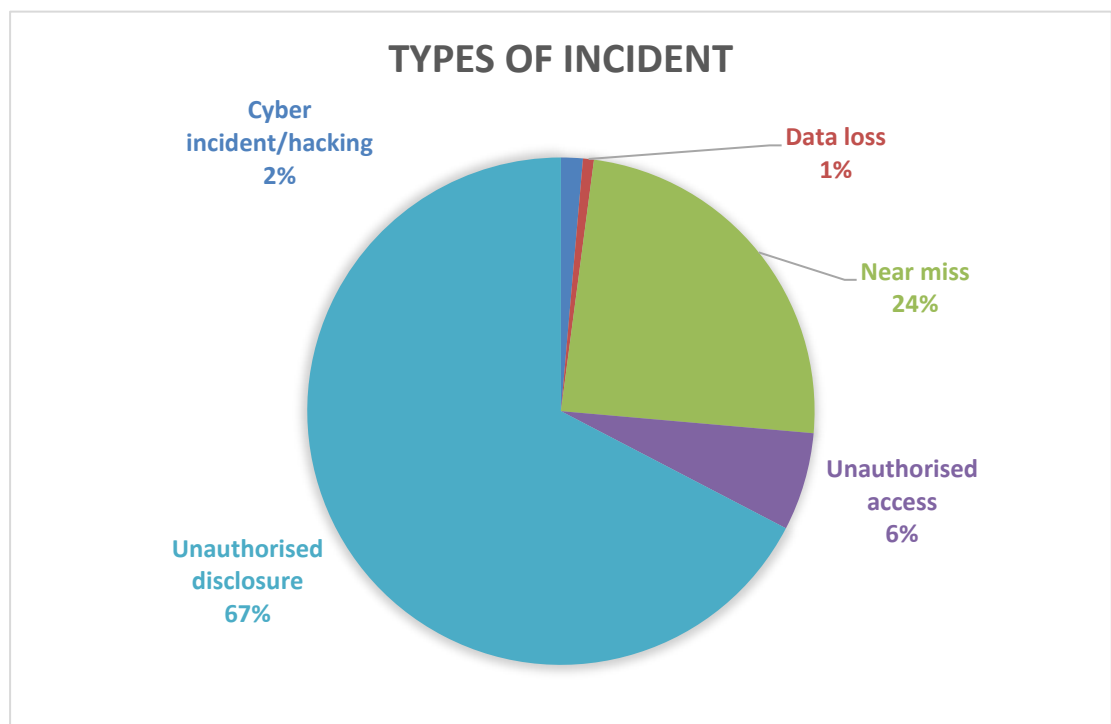
- 3.4 The protection of personal data in the UK is governed by the Data Protection Act 2018 ('DPA2018') and the UK General Data Protection Regulation ('UK GDPR'). In 2018, the Council implemented a raft of measures to support compliance and has continued to develop and enhance these measures year on year.
- 3.5 The Council's Information Governance staff continue to work with Procurement, IT and Legal Services to streamline the process for conducting Data Protection Impact Assessments (DPIAs) and the establishment of Data Sharing Agreements (DSAs) with contractors and data sharing partners.

Data Breaches

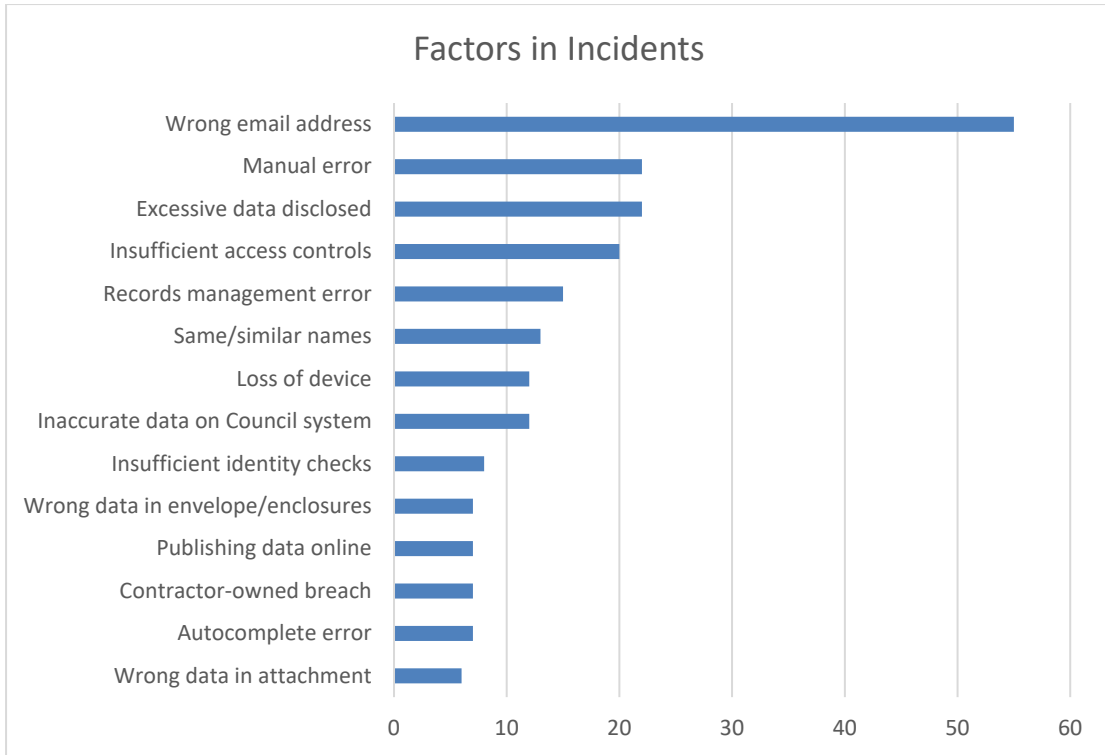
- 3.6 The Council's Data Breach Procedure requires all staff to report personal data breaches internally to the Council's Data Breach Team within 24 hours, to allow for a risk assessment and a decision to be taken whether to formally report to the national regulator, the Information Commissioner's Office ('ICO'). Where incidents meet the threshold of 'likely risk' to the rights of the data subject, by law the Council must report to the ICO within 72 hours; where incidents meet the threshold of 'high risk' to the data subject, the Council must also report the incident to the data subject(s) concerned.
- 3.7 Data breaches can present significant financial and reputational risks to the Council; the ICO has the power to levy significant fines and/or take enforcement action where significant or systemic failures are identified. Over the course of 2025, the Council recorded 109 Data Breaches and 35 Near Misses, resulting in a total of 144 incidents, a 47% increase compared with 2024. These incidents occurred across Council Divisions as follows:



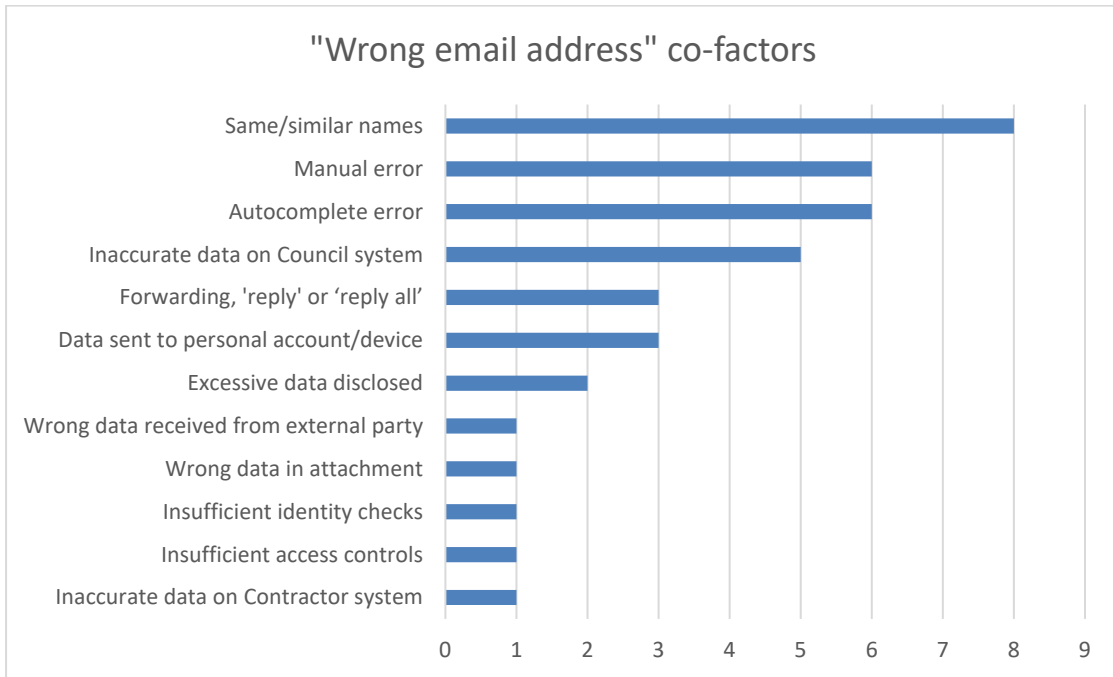
- 3.8 A total of eight incidents were reported to the Information Commissioner’s Office – a 100% increase on breaches reported in 2024. In all eight cases, the ICO found that the Council had appropriate technical and organisational measures in place and took no further action.
- 3.9 The most prevalent type of incident was unauthorised disclosure, i.e. the unnecessary or disproportionate sharing of Council-controlled personal data. There were also several incidents of unauthorised access, i.e. gaining or procuring access to Council systems without an authorised business purpose for doing so.
- 3.10 2025 has also seen a slight decrease in the number of cyberattacks reported by Suppliers involving Council-controlled data. Where appropriate, the Council continues to liaise actively with these Suppliers to ensure that all appropriate remedial action is taking place to reduce the impact of these incidents and the likelihood of recurrence in future. Where appropriate, the Council is seeking to change Supplier in cases where the balance of risk and business benefits no longer meets the Council’s needs.
- 3.11 In addition to Data Breaches, the Information Governance team tracks Near Misses to gather additional data, identify trends and put appropriate preventative measures in place. The Council is not required by law to track Near Misses, but this provides a useful tool in understanding information management practices and where/how breaches might arise.



- 3.12 There are a number of trends evident in the factors and circumstances contributing to incidents (including both Data Breaches and Near Misses). The most frequently occurring factor by far remains the misdirection of email, which occurred in 55 instances.



3.13 The factors identified above might not occur in isolation, i.e. a single incident might involve multiple factors. For example, an incident might involve the use of a 'wrong email address' due to the individual 'using "to" or "cc" instead of "bcc", and so both are recorded as relevant factors to the incident. The chart below identifies the factors that most commonly appear alongside a 'wrong email address':



3.14 Regarding the eight breaches reported to the ICO, contributing factors included:

- Manual error
- Records management errors
- Excessive data disclosed
- Publishing data online
- Inaccurate data on Council systems
- Wrong data posted, sent home or included in envelopes
- Wrong email address

3.15 While the ICO did not find enforcement action to be necessary in relation to the eight reported incidents, they did make a number of recommendations for the Council to consider going forward, including:

- Continuing to review our processes and procedures when changing or adding personal data to systems, for example enacting a policy whereby staff do not work on more than one record simultaneously;
- Implementing double-checking processes when changing or adding usernames/identity information to accounts;
- Reviewing the contents and frequency of data protection training, including role-specific training;
- Maintaining awareness of data protection amongst staff via the use of routine reminders provided through staff emails/newsletters, staff intranet, team meetings, posters and screensavers;
- Conducting quality assessment checks at reasonable intervals;
- Ensuring staff have the time they need to double-check their work to prevent further breaches;
- Increasing awareness and reviewing our policies for handling the personal data of those at most risk of harm. This may involve additional training to relevant members of staff, systematic tools to mark and track those at most risk of harm and well circulated policies for handling their data with sensitivity.

3.16 Three incidents were considered to meet the statutory 'high risk' threshold requiring reporting to the Data Subject(s). These incidents primarily involved manual errors, but also included emails sent to the wrong email address on the basis of inaccurate data held on Council systems.

Trends, lessons learned and next actions

- 3.17 Every data incident is assessed on a case-by-case basis, and accordingly the Information Governance team makes recommendations to Services for future improvements to their information management practices. In some cases, additional technical measures can be put in place, for example putting labels in Active Directory that identify employees with the same or similar names by department. Many cases, however, and particularly those involving misdirected email, require careful manual checking by individual employees, relying on their professional knowledge and training to maintain compliance.
- 3.18 In 2024, the Council recorded 71 data breaches and 27 near misses, resulting in a total of 98 incidents reported over the year. This means that 2025 has seen a 47% increase in the number of incidents reported compared with 2024, and a 71.4% increase compared with 2023. While this increase could be due to an increase in reporting, the extent of this increase is unlikely to be due to reporting alone. Accordingly, a key priority for 2026 will be the expansion of training for all staff on data protection compliance, information security, and records management.
- 3.19 Overall, the profile of the types of incident, factors in incidents and distribution of incidents in Council Services has remained similar to that of 2024; in 2024 the most prevalent factor in incidents was the use of the wrong email address, with same/similar names and manual errors the primary co-factors. The re-introduction of the autocomplete feature within Outlook has also contributed to the rise in email breaches, and there has been a marked increase in breaches with records management errors as a contributing factor. Unauthorised disclosure continued to be the most frequent type of breach, with the greatest number of incidents continuing to occur in Education.
- 3.20 In 2025 we have seen a slight increase in email breaches where the use of “to” or “cc” instead of “bcc” has been a factor compared with 2024, when it was a target for awareness-raising by the Information Governance / IT teams.
- 3.21 In relation to incidents reported to the ICO, the ICO has consistently highlighted points of good practice by the Council in relation to our policies, procedures, staff training and incident response. Recognising this, we remain committed to continuous improvement in data protection compliance across the organisation.

2025 Actions Taken:

- Delivered a programme of training sessions across the Council on data breaches, DPIAs and records management
- Continued development of MetaCompliance to enhance training and awareness
- Undertook testing of data breach reporting functionality within MetaCompliance in preparation for wider rollout

- Supported services in the completion and review of DPIAs and strengthened related processes
- Increased engagement with services to provide advice and support on data protection compliance
- Developed guidance and supporting materials to improve understanding of data protection requirements
- Promoted information governance awareness across the organisation
- Initiated development of compliance monitoring and governance arrangements

2026 Planned Actions:

- Deliver a targeted Information Governance improvement programme across services, focusing on training, DPIAs and privacy compliance
- Implement corporate data breach reporting via MetaCompliance to enhance oversight and learning
- Strengthen DPIA processes, monitoring and reporting to embed privacy-by-design
- Develop and implement an AI governance framework and policy aligned with Scottish Government initiatives, ensuring safe and ethical use
- Introduce a structured compliance monitoring and assurance programme
- Review and strengthen Data Sharing Agreements across the Council
- Undertake a corporate review of privacy notices to improve transparency and consistency
- Enhance management information and reporting to support governance oversight
- Promote a culture of accountability and awareness across services

Records Management

- 3.22 The Public Records (Scotland) Act 2011 ('PRSA') requires public authorities to develop and maintain a Records Management Plan ('RMP') subject to approval by the Keeper of the Records of Scotland ('the Keeper'). East Lothian Council's first and current RMP was approved in 2015 on an 'improvement plan' basis, highlighting a number of areas for ongoing development and improvement. The Council has continued to engage constructively with the Keeper's Assessment Team via a process of voluntary annual review since 2015, apart from a brief hiatus over the period of the pandemic. The Keeper has now reduced the review interval from annual to bi-annual.
- 3.23 In 2025, the Council mobilised its contract with an external document management service provider and is currently engaged in transferring the contents of its paper records store to the provider's facility. This move brings significant improvements to both compliance and service levels for records storage and security, making records more accessible and our services more resilient.
- 3.24 The Information Governance team continues to contribute to the Microsoft 365 ('M365') implementation project, including the completion of a pilot

SharePoint site and digital document store for Legal Services. The Information Governance features of M365 are robust and will allow the automatic application of retention rules to individual records belonging to all Council Services as well as automatic version control and tracking. This is a key step in practically applying the Records Management Plan to the Council's digital records and will provide a significant improvement to compliance.

- 3.25 The Council's digital preservation programme has continued to progress, including the creation of a digital asset register and the introduction of essential checks and maintenance of our permanent digital collections. Work will continue to procure appropriate technical tools to ensure that our records remain accessible over time.
- 3.26 The Council's Records Management Plan is modelled after the Keeper's Model Plan, which at the time of creation included 14 Elements (now 15 for current submissions).

2025 Actions Taken:

- Review of the corporate retention schedule continued on a service-by-service basis;
- Information Officers continued to feed in to the national group addressing model retention schedules for Scottish Local Authorities;
- Indexing and transfer of paper Planning files by document management Supplier;
- Digital Asset Register and Digital Preservation Audit Dashboard created for digital items in custody of the Council Archives;
- Records retention labelling, security classification and other key governance features went under testing in Microsoft Purview, to support the wider implementation of SharePoint and Microsoft 365;
- Records management training module published to Council Intranet.

2026 Planned Actions:

- Progress the digital preservation programme, including options for a digital repository;
- Complete and sign off Information Strategy to support the Council's Digital Strategy;
- Complete transfer of the paper records store to the contracted Supplier;
- Continue to support M365 implementation;
- Collaborate with the Team Manager-Information and Feedback to promote Records Management training and awareness;
- Continue to develop tools to assist managers across Services to monitor Supplier compliance with records management requirements in line with national guidance.

Covert Surveillance

- 3.27 The Regulation of Investigatory Powers (Scotland) Act 2000 ('RIPSA') was enacted to provide a statutory framework for the operation of covert surveillance investigative techniques by public authorities. This framework gives public authorities powers to undertake necessary and proportionate

surveillance while respecting the individual’s ‘right to respect for private and family life’ under the Human Rights Act 1998 (‘HRA’).

- 3.28 In order to carry out surveillance under RIPSAs, Council officers must follow a prescribed statutory process, according to statutory roles and responsibilities. In order to undertake an investigation under RIPSAs, the Investigating Officer must submit an application to a senior Authorising Officer, who must consider and document the decision to proceed. This process exists primarily to ensure that risks have been considered appropriately that effective mitigations are put in place, that the investigation is fully documented to appropriate standards, and that the investigation is monitored and reviewed over time.
- 3.29 East Lothian Council has to-date made very limited use of its RIPSAs powers, and there were no applications made in 2025.
- 3.30 At the end of 2024, the Council was advised that an inspection by the Investigatory Powers Commissioner’s Office (‘IPCO’) would not be required in 2025, due to the Council’s appropriate level of compliance. The next inspection by the IPCO will be in 2028.

2025 Actions Taken
<ul style="list-style-type: none"> • Documentation updated.
2026 Planned Actions
<ul style="list-style-type: none"> • Training and awareness resources to continue to be developed and publicised;

4 POLICY IMPLICATIONS

- 4.1 This report supports and evidences compliance with the following Council Policies:
 - Data Protection Policy
 - Information and Records Management Policy
 - Records Management Plan
 - RIPSAs Policy

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: None
- 5.2 Human Resources: None
- 5.3 Other (e.g. Legal/IT): This report supports and evidences the Council’s compliance with information legislation, including the Data Protection Act 2018 / UK GDPR, the Data Use and Access Act 2025, the Public Records (Scotland) Act 2011 and the Regulation of Investigatory Powers (Scotland) Act 2000.

- 5.4 **Risk:** The occurrence of data breaches carries the risk of reputational damage, financial penalty and/or other enforcement action against the Council by the Information Commissioner’s Office (ICO). Failure to adhere to the Council’s Records Management Plan and RIPSAs Policy also carry the risk of enforcement action by the relevant regulators. These risks are regularly reported and managed via the Council’s corporate and service-level risk registers, as well as the cross-operational Linking Risks group.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 **Select the statement that is appropriate to your report by placing an ‘X’ in the relevant box.**

An Integrated Impact Assessment screening process has been undertaken, and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council’s role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council’s website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

7.1 Appendix 1 – Legislation Key Features

8 BACKGROUND PAPERS

8.1 None

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Zarya Rathé and Nikki Brennan
Designation	Team Manager-Information and Records Management; Team Manager-Information and Feedback
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Date	05/06/2026

Head of Service Approval

Name	Sarah Fortune
Designation	Depute Chief Executive Resources and Economy
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Confirmed
Approval Date	09/06/2026

APPENDIX 1

Legislation	Key Features
Data Protection Act 2018 / UK GDPR	<ul style="list-style-type: none"> • Governs the protection of personal data; • Mandatory recording and reporting of personal data breaches. Any breach meeting the ‘likely risk’ threshold must be reported to the UK Information Commissioner’s Office (‘ICO’) within 72 hours. Any breach meeting the ‘high risk’ threshold must be reported to the data subject(s). • A ‘personal data breach’ is defined as ‘a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data.’
Data Use and Access Act 2025	<ul style="list-style-type: none"> • Amends existing UK data protection legislation, including the UK GDPR, Data Protection Act 2018 and Privacy and Electronic Communications Regulations; • Introduces a range of reforms to support more flexible and efficient use of data, while maintaining safeguards for individuals’ rights; • Includes updates to areas such as automated decision-making, subject access requests, scientific research provisions and international data transfers; • Introduces a new statutory right for individuals to complain directly to organisations about the handling of their personal data; • Requires organisations to implement a formal data protection complaints process, including clear routes for complaints, timely acknowledgement and response, and communication of outcomes; • Forms part of a wider programme of reform to enable responsible data sharing and innovation across the UK economy.
Public Records (Scotland) Act 2011	<ul style="list-style-type: none"> • Governs the management of public records;

APPENDIX 1

	<ul style="list-style-type: none"> • All named authorities must create a 15-point Records Management Plan in line with the Model Plan created by the Keeper of the Records of Scotland ('the Keeper'); • Authorities can undergo optional review of their Records Management Plans by the Keeper's Assessment Team on an annual basis, called the 'Progress Update Review Mechanism' ('PUR'). This is not mandatory, but active engagement provides greater assurances regarding the authority's compliance.
<p>Regulation of Investigatory Powers (Scotland) Act 2000</p>	<ul style="list-style-type: none"> • Governs the use of covert surveillance; • Provides a framework for public officers to undertake necessary and proportionate surveillance while maintaining compliance with 'the right to respect for private and family life' under the Human Rights Act 1998; • RIPSAs investigations undergo a rigorous process of authorisation and review with frequent oversight by qualified Senior Officers within the Council; • Only applies to 'core functions,' i.e. the specific public functions undertaken by a particular authority. It does not apply to 'ordinary functions' such as employment/Human Resources which are undertaken by all authorities.

COMMITTEE:	Audit and Governance
MEETING DATE:	16 th June 2026
BY:	Depute Chief Executive Resources and Economy
REPORT TITLE:	Edinburgh Innovation Hub
REPORT STATUS:	public

1 PURPOSE OF REPORT

- 1.1 To present the terms of the Audit report prepared by Cheine + Tait for the Edinburgh Innovation Joint Venture Company.
- 1.2 To provide an update on the governance arrangements for the operation of the Edinburgh Innovation Hub and the wider group structure.
- 1.3 To propose the presentation of a report covering the governance and financial aspects of the Edinburgh Innovation Hub Joint Venture to the Audit and Governance Committee on an annual basis

2 RECOMMENDATIONS

Members are recommended to:

- 2.1 Note the terms of the Audit report prepared by Cheine + Tait for the Edinburgh Innovation Joint Venture Company
- 2.2 Note the update on the governance arrangements for the operation of the Edinburgh Innovation Hub and the wider group structure.
- 2.3 Approve the presentation of a report covering the governance and financial aspects of the Edinburgh Innovation Hub Joint Venture to the Audit and Governance Committee on an annual basis

3 BACKGROUND

- 3.1 The main companies within the Edinburgh Innovation Park and Edinburgh Innovation Hub project are:
 - Edinburgh Innovation Park Joint Venture Company

- Edinburgh Holdco
- Edinburgh Innovation Park Hub Development Company
- Edinburgh Innovation Park Hub Operating company.

Companies do not qualify for an audit exemption if it meets at least two out of three of the undernoted criteria in two consecutive years.

1. Turnover over £10.2m
2. Gross assets over £5.1m
3. Average employees over 50

To date none of the above companies meet the auditing requirements.

QMU internal financial regulations/auditors sought an audit of the JV in accordance with their own financial requirements, and it was agreed that ELC could rely on this. The audit report concludes that the attached audit report (Appendix 1) raises no issues and supports that the Joint Venture be treated as a going concern.

- 3.2 The Government Overview assessment was prepared in June 2025, the terms of which were approved by the JV Board (“EIP Board”) in June 2025. The purpose of the report was to prepare an assessment of the governance arrangements for the operating company Edinburgh Innovation Park Hub Operating Company within its existing structure and to ensure that Edinburgh Innovation Operating Company is in line with best practice as the Edinburgh Innovation Hub moves into its operational phase. The full assessment is attached in Appendix 2 but to summarise the report provided that :-

Recommendation 1 – The board of the Edinburgh Innovation Hub (“EIH Board”) should establish Purpose, Values, and Strategy

The EIH Board must work with the EIP Board to define the EIH Board purpose, values, and strategy to ensure alignment with the Joint Venture Agreement.

Recommendation 2 – Appointment of an Independent Chair and Independent Board Members

The Chair should be fully independent of QMU and ELC. Where possible, other non-executive directors should also be independent to avoid conflicts of interest.

Recommendation 3 – Define Skills, Experience, and Remuneration Framework

The EIP Board, with input from the Hub Chief Executive and sector experts, should define required EIH Board skills, experience, and remuneration, and agree a process for appointing EIH Board members.

Recommendation 4 – Proceed with Recruitment of Operational Staff

Recruitment to support the Hub Chief Executive should continue under EIP Board oversight until the EIH Board is established.

Recommendation 5 – Establish Executive Leadership and Liaison Arrangements

The Hub Chief Executive should set in place appropriate executive leadership structures and operational liaison arrangements, reviewed periodically with the EIH Board.

Recommendation 6 – Transition Employment to EIH Board and Retitle Hub Director

The Hub Director should be retitled Hub Chief Executive, and once feasible, employment for the Hub Chief Executive and team should transfer from QMU to the Hub OpCo.

3.3 In line with the above recommendations the undernoted steps to implement the recommendations were taken:

Recommendation 1 – A terms of reference for the EIH Board were approved by the EIP Board in November 2025. The terms of reference are annexed in Appendix 3 and cover (1) the purpose value and strategy of the EIH Board *being “its primary purpose is to ensure that the Hub delivers its vision, mission, and strategic objectives in alignment with the priorities of its founding partners—Queen Margaret University(QMU) and East Lothian Council (ELC)”* (2) the scope and responsibilities of the EIH Board (3) EIH Board composition (4) the role of the independent Chair (5) Meeting timetable (6) Decision making (7) reporting and accountability (8) relationship with the operations group (9) EIH Board member responsibilities (10) skills, experience and attributes (11) provision to review the Terms of reference every 2 years. **IMPLEMENTED**

Recommendation 2 and 3 – A recruitment pack detailing (1) Background on the EIH Board and its governance structure (2) Roles and responsibilities of the Independent Chair and Independent EIH Board Members (3) Person specifications (4) Recruitment process and remuneration guidance (5) Skills & experience framework (6) Time commitment expectations was prepared and approved by the JV Board in November 2025. The detail of this is noted in Appendix 4. **IMPLEMENTED**

After a robust and lengthy recruitment process with support from external consultants, the appointment of an independent Chairperson is completed

Recommendation 4 - Recruitment of an operational manager and a receptionist by the Hub Chief executive is complete and the recruitment of further staff remains within the remit of the Hub Chief Executive. **IMPLEMENTED**

Recommendation 5 - Appendix 5 is attached to illustrate the overall reporting structure between the companies. Appendix 6 also demonstrates the preexisting arrangements to the new governance arrangements in terms of Board composition, meeting cycle and actions. **IMPLEMENTED**

Recommendation 6 - The transition from Hub Director to Hub Chief Executive is complete. Recruitment of operational staff will continue under JV Board oversight until the EIH Board is in place. **IMPLEMENTED**

3.5 At the time of drafting this report, it is understood that the Audit & Governance Committee will be presented with a report from Internal Audit with a recommendation that the Audit & Governance Committee receive a report covering the governance and financial aspects of the Edinburgh Innovation Hub Joint Venture on an annual basis. Members are asked to approve this.

3.6 On an annual basis consolidated accounts are prepared by Cheine and Tait, currently the appointed accountants for the Joint Venture. Consolidated accounts combine the financial results of a parent company and its subsidiaries into a single set of reports. They present a holistic economic picture of the entire corporate group, as if they were one single business, by stripping out internal transactions. Consolidated accounts are shared as background papers as part of this annual update and to offer assurance and exercise scrutiny over the JV.

4 POLICY IMPLICATIONS

4.1 not applicable

Governance asses

5.1 Finance: none

5.2 Human Resources: none.

5.3 Other (e.g. Legal/IT): 'none

5.4 Risk: none

Select the statement that is appropriate to your report by placing an 'X' in the relevant box.

An Integrated Impact Assessment screening process has been undertaken, and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

X

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

Subject	Impacts identified (Yes, No or N/A)
Equality and human rights	
Socio-economic disadvantage/poverty	
Climate change, the environment and sustainability	
Corporate parenting and care-experienced young people	
Storage/collection of personal data	
Other	

[Enter information on impacts that have been identified]

The Integrated Impact Assessment relating to this report has been published and can be accessed via the Council's website:

https://www.eastlothian.gov.uk/info/210602/equality_and_diversity/12014/integrated_impact_assessments

7 APPENDICES

- 7.1 Appendix 1 – Audit & Governance report for the Joint Venture
- 7.2 Appendix 2 - Government Overview assessment
- 7.3 Appendix 3 - A terms of reference for the EIH Board
- 7.4 Appendix 4 - A recruitment pack
- 7.5 Appendix 5 – Overall reporting structure
- 7.6 Appendix 6 - Governance Structure

8 BACKGROUND PAPERS

- 8.1 Consolidated Accounts

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

Name	Catherine Molloy
Designation	Project Manager
Tel/Email	cmolloy1@eastlothian.gov.uk
Date	8th June 2026

Head of Service Approval

Name	Keith Dingwall
Designation	Head of Development
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Confirmed.
Approval Date	8th June 2026

EDINBURGH INNOVATION PARK HUB OPERATING COMPANY LIMITED

Registration Number SC726344 (Scotland)

Unaudited Financial Statements

for the year ended 31 March 2026

Draft

CT:

EDINBURGH INNOVATION PARK HUB OPERATING COMPANY LIMITED

Financial Statements for the year ended 31 March 2026

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Draft

CT:

EDINBURGH INNOVATION PARK HUB OPERATING COMPANY

Financial Statements for the year ended 31 March 2026

GENERAL INFORMATION

DIRECTORS

Mr P Grice
Mr S M Scott
Mr N Hampshire
Mrs C M Anderson

REGISTERED OFFICE

61 Dublin Street
Edinburgh
United Kingdom
EH3 6NL

CHARTERED ACCOUNTANTS

CT
61 Dublin Street
Edinburgh
EH3 6NL

COMPANY SECRETARY

Chiene + Tait LLP (Trading as CT)

Draft

EDINBURGH INNOVATION PARK HUB OPERATING COMPANY

Financial Statements for the year ended 31 March 2026

DIRECTORS' REPORT

The directors presents their report and the unaudited financial statements for the year ended 31 March 2026.

Principal activities

The company was involved in the development of building projects and renting of said buildings during the year.

Directors

The directors who served during the year were as follows:

Mr P Grice

Mr S M Scott

Mr N Hampshire

Mrs C M Anderson

Directors' responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under the law, the directors has prepared the financial statements in accordance with "FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland as adapted by Section 1A of FRS 102 [applying Section 1A of that Standard]" and applicable law). Under company law, the directors must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors is required to:

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors' report has been prepared taking advantage of the small companies' exemption of the Companies Act 2006.

This report was approved by the directors of the company on _____ and signed by:

Mr S M Scott

Director



Chartered Accountant's Report to the Directors on the Preparation of the Unaudited Financial Statements of Edinburgh Innovation Park Hub Operating Company Limited for the year ended 31 March 2026.

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Edinburgh Innovation Park Hub Operating Company Limited for the year ended 31 March 2026 which comprise the statement of comprehensive income and retained earnings, balance sheet and related notes from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of ICAS, we are subject to its ethical and other professional requirements which are detailed at <https://icas.com/icas-framework-preparation-of-accounts>.

This report is made solely to the directors of Edinburgh Innovation Park Hub Operating Company Limited, as a body, in accordance with the terms of our engagement letter dated 14 January 2025. Our work has been undertaken solely to prepare for your approval the accounts of Edinburgh Innovation Park Hub Operating Company Limited and state those matters that we have agreed to state to the directors of Edinburgh Innovation Park Hub Operating Company Limited, as a body, in this report in accordance with the requirements of ICAS as detailed at <https://icas.com/icas-framework-preparation-of-accounts>. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Edinburgh Innovation Park Hub Operating Company Limited and its directors as a body for our work or for this report.

It is your duty to ensure that Edinburgh Innovation Park Hub Operating Company Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and loss of Edinburgh Innovation Park Hub Operating Company Limited. You consider that Edinburgh Innovation Park Hub Operating Company Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the financial statements of Edinburgh Innovation Park Hub Operating Company Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

CT
Chartered Accountants
61 Dublin Street
Edinburgh
EH3 6NL

EDINBURGH INNOVATION PARK HUB OPERATING COMPANY LIMITED

Financial Statements for the year ended 31 March 2026

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

	2026 £	2025 £
Revenue	8,530	-
Administrative expenses	(852,373)	(73,053)
Operating loss	(843,843)	(73,053)
Loss before taxation	(843,843)	(73,053)
Tax on loss	-	-
Loss for the financial year and total comprehensive income	(843,843)	(73,053)
Profit and loss account at the beginning of the year	(112,912)	(39,859)
Loss for the year	(843,843)	(73,053)
Profit and loss account at the end of the year	(956,755)	(112,912)

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

EDINBURGH INNOVATION PARK HUB OPERATING COMPANY LIMITED

Financial Statements for the year ended 31 March 2026

BALANCE SHEET

	Notes	2026 £	2025 £
Fixed assets			
Tangible assets	2	25,317,479	-
Current assets			
Debtors	3	9,866,809	27,693,638
Cash at bank and in hand		11,073	654,359
		9,877,882	28,347,997
Current liabilities			
Creditors: amounts falling due within one year	4	(36,152,115)	(28,460,908)
Net current liabilities		(26,274,233)	(112,911)
Total assets less current liabilities		(956,754)	(112,911)
Net liabilities		(956,754)	(112,911)
Capital and reserves			
Called up share capital	5	1	1
Profit and loss account		(956,755)	(112,912)
Shareholder's deficit		(956,754)	(112,911)

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with Section 1A of FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

For the year ended 31 March 2026, the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The directors acknowledge their responsibilities for preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements were approved and authorised for issue by the Directors on _____.

Signed on behalf of the Directors

Mr S M Scott

The notes on pages 7 to 9 form part of these accounts.

Company registration number: SC726344

EDINBURGH INNOVATION PARK HUB OPERATING COMPANY LIMITED

Financial Statements for the year ended 31 March 2026

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

1.1 General information and basis of preparation

Edinburgh Innovation Park Hub Operating Company Limited is a private company limited by shares, registered in Scotland. The address of the registered office and registration number is given in the company information on page 2 of these financial statements.

These financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland as adapted by Section 1A of FRS 102 and the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, as modified by therevaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling which is the functional currency of the company.

1.2 Going concern

The financial statements have been prepared on a going concern basis. The directors have assessed the Company's ability to continue as a going concern and have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future with the support of the ultimate owners East Lothian Council and Queen Margaret University. Funds will flow between the entities once the construction has been completed. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Tangible fixed assets

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

All tangible fixed assets are initially recorded at historic cost. This includes legal fees, stamp duty and other non-refundable purchase taxes, and also any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, which can include the costs of site preparation, initial delivery and handling, installation and assembly, and testing of functionality.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Asset class	Useful life / depreciation rate
Freehold property	50 years
Fixtures and fittings	5 years

EDINBURGH INNOVATION PARK HUB OPERATING COMPANY LIMITED

Financial Statements for the year ended 31 March 2026

NOTES TO THE FINANCIAL STATEMENTS

Summary of significant accounting policies continued...

1.4 Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

1.5 Turnover and other income

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for rental of property, stated net of discounts and of Value Added Tax.

2. Tangible assets

Balances at year end and movements for the year

	Freehold property £	Fixtures and fittings £	Total £
Cost			
Additions	25,765,830	83,707	25,849,537
At 31 March 2026	25,765,830	83,707	25,849,537
Depreciation			
Charge for the year	(515,317)	(16,741)	(532,058)
At 31 March 2026	(515,317)	(16,741)	(532,058)
Net book value			
At 01 April 2025	-	-	-
At 31 March 2026	25,250,513	66,966	25,317,479

3. Debtors

	2026 £	2025 £
Other debtors	5,199,701	3,381
Prepayments and accrued income	19,863	-
Amounts owed by group undertakings	4,647,245	27,690,257
	9,866,809	27,693,638

EDINBURGH INNOVATION PARK HUB OPERATING COMPANY LIMITED

Financial Statements for the year ended 31 March 2026

NOTES TO THE FINANCIAL STATEMENTS

4. Creditors: amounts falling due within one year

	2026 £	2025 £
Trade creditors	132,658	4,511
Other creditors	36,019,457	28,456,397
	<u>36,152,115</u>	<u>28,460,908</u>

5. Called up share capital

	2026 Number	2025 Number
Authorised		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>
Issued		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

6. Related party transactions

The company has taken advantage of exemption under FRS 102 Section 1A from the requirement to disclose related party transactions with group undertakings.

7. Controlling party

The sole shareholder of the company is Edinburgh Innovation Park Hub Holdco Limited, a company registered at the same address (SC725833).

EDINBURGH INNOVATION PARK HUB OPERATING COMPANY LIMITED

Financial Statements for the year ended 31 March 2026

DETAILED INCOME STATEMENT

	2026 £	2025 £
Revenue		
Rent and service charge	8,530	-
Gross profit	8,530	-
Administrative expenses		
Accounting fees	(20,912)	(35,017)
Advertising	-	(1,914)
Professional Fees	(90,797)	(33,323)
IT Software And Consumables	(605)	(2,772)
Bank charges	(514)	(27)
Light and heat	(75,018)	-
Insurance	(18,017)	-
Repairs and maintenance	(235)	-
Subscriptions	(1,710)	-
Wages and salaries	(112,507)	-
Depreciation - Tangible assets	(532,058)	-
	(852,373)	(73,053)
Loss for the year	(843,843)	(73,053)

Draft

EDINBURGH INNOVATION PARK HUB DEVELOPMENT LIMITED

Registration Number SC711907 (Scotland)

Unaudited Financial Statements

for the year ended 31 March 2026

Draft

EDINBURGH INNOVATION PARK HUB DEVELOPMENT LIMITED

Financial Statements for the year ended 31 March 2026

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Draft

CT:

EDINBURGH INNOVATION PARK HUB DEVELOPMENT LIMITED

Financial Statements for the year ended 31 March 2026

GENERAL INFORMATION

DIRECTORS

Mr N Hampshire
Mr P Grice
Mr S M Scott
Mrs C Molloy

REGISTERED OFFICE

61 Dublin Street
Edinburgh
United Kingdom
EH3 6NL

CHARTERED ACCOUNTANTS

CT
61 Dublin Street
Edinburgh
EH3 6NL

COMPANY SECRETARY

Chiene + Tait LLP (trading as CT)

Draft

EDINBURGH INNOVATION PARK HUB DEVELOPMENT LIMITED

Financial Statements for the year ended 31 March 2026

DIRECTORS' REPORT

The directors present their report and the unaudited financial statements for the year ended 31 March 2026.

Principal activities

The company engaged in development of building projects during the year.

Directors

The directors who served during the year were as follows:

Mr N Hampshire

Mr P Grice

Mr S M Scott

Mrs C Molloy

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have prepared the financial statements in accordance with "FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland as adapted by Section 1A of FRS 102 [applying Section 1A of that Standard]" and applicable law. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors' report has been prepared taking advantage of the small companies' exemption of the Companies Act 2006.

This report was approved by the directors of the company on _____ and signed by:

Mr S M Scott

Director



Chartered Accountant's Report to the Directors on the Preparation of the Unaudited Financial Statements of Edinburgh Innovation Park Hub Development Limited for the year ended 31 March 2026.

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of Edinburgh Innovation Park Hub Development Limited for the year ended 31 March 2026 which comprise the statement of comprehensive income and retained earnings, balance sheet and related notes from the company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of ICAS, we are subject to its ethical and other professional requirements which are detailed at <https://icas.com/icas-framework-preparation-of-accounts>.

This report is made solely to the directors of Edinburgh Innovation Park Hub Development Limited, in accordance with the terms of our engagement letter dated 18 December 2024. Our work has been undertaken solely to prepare for your approval the accounts of Edinburgh Innovation Park Hub Development Limited and state those matters that we have agreed to state to the directors of Edinburgh Innovation Park Hub Development Limited, as a body, in this report in accordance with the requirements of ICAS as detailed at <https://icas.com/icas-framework-preparation-of-accounts>. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Edinburgh Innovation Park Hub Development Limited and its directors as a body for our work or for this report.

It is your duty to ensure that Edinburgh Innovation Park Hub Development Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and loss of Edinburgh Innovation Park Hub Development Limited. You consider that Edinburgh Innovation Park Hub Development Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the financial statements of Edinburgh Innovation Park Hub Development Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

CT
Chartered Accountants
61 Dublin Street
Edinburgh
EH3 6NL

EDINBURGH INNOVATION PARK HUB DEVELOPMENT LIMITED

Financial Statements for the year ended 31 March 2026

STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS

	Note	2026 £	2025 £
Administrative expenses		(96,638)	(14,660)
Operating loss		(96,638)	(14,660)
Other interest receivable and similar income		11,393	2,740
Loss for the financial year and total comprehensive income		(85,245)	(11,920)
Profit and loss account at the beginning of the year		(27,641)	(15,721)
Loss for the year		(85,245)	(11,920)
Profit and loss account at the end of the year		(112,886)	(27,641)

All the activities of the company are from continuing operations.

The company has no other recognised items of income and expenses other than the results for the year as set out above.

Draft

EDINBURGH INNOVATION PARK HUB DEVELOPMENT LIMITED

Financial Statements for the year ended 31 March 2026

BALANCE SHEET

	Notes	2026 £	2025 £
Current assets			
Work in progress		10,330,569	26,590,844
Debtors	3	99,655	3,208,888
Cash at bank and in hand		1,419,868	263,448
		<u>11,850,092</u>	<u>30,063,180</u>
Creditors: amounts falling due within one year	4	(11,962,977)	(30,090,819)
Net current liabilities		<u>(112,885)</u>	<u>(27,639)</u>
Total assets less current liabilities		<u>(112,885)</u>	<u>(27,639)</u>
Net liabilities		<u>(112,885)</u>	<u>(27,639)</u>
Capital and reserves			
Called up share capital	5	1	1
Profit and loss account		(112,886)	(27,640)
Shareholder's deficit		<u>(112,885)</u>	<u>(27,639)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with Section 1A of FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

For the year ended 31 March 2026, the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit of its accounts for the year ended 31 March 2026 in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006.

The directors acknowledge their responsibilities for preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements were approved and authorised for issue by the Directors on _____.

Signed on behalf of the Directors

Mr S M Scott
Director

The notes on pages 8 to 10 form part of these accounts.

EDINBURGH INNOVATION PARK HUB DEVELOPMENT LIMITED

Financial Statements for the year ended 31 March 2026

BALANCE SHEET

Notes	2026 £	2025 £
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Company registration number: SC711907

Draft

EDINBURGH INNOVATION PARK HUB DEVELOPMENT LIMITED

Financial Statements for the year ended 31 March 2026

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

1.1 General information and basis of preparation

Edinburgh Innovation Park Hub Development Limited is a private company limited by shares, registered in Scotland. The address of the registered office and registration number is given in the company information on page 2 of these financial statements.

These financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland as adapted by Section 1A of FRS 102 and the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling (£) which is the functional currency of the company and rounded to the nearest £.

1.2 Going concern

The financial statements have been prepared on a going concern basis. The directors have assessed the Company's ability to continue as a going concern and have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future with the support of the ultimate owners East Lothian Council and Queen Margaret University. Funds will flow between the entities once the construction has been completed. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Work in progress

Work in progress is measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

EDINBURGH INNOVATION PARK HUB DEVELOPMENT LIMITED

Financial Statements for the year ended 31 March 2026

NOTES TO THE FINANCIAL STATEMENTS

Summary of significant accounting policies continued...

1.4 Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and no -puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

2. Other interest receivable and similar income

	2026	2025
	£	£
Interest on cash and cash equivalents	11,393	2,740

3. Debtors

	2026	2025
	£	£
Trade debtors	99,654	-
Other debtors	-	3,208,887
Amounts owed by group undertakings	1	1
	99,655	3,208,888

EDINBURGH INNOVATION PARK HUB DEVELOPMENT LIMITED

Financial Statements for the year ended 31 March 2026

NOTES TO THE FINANCIAL STATEMENTS

4. Creditors: amounts falling due within one year

	2026 £	2025 £
Trade creditors	12,989	106,080
Other creditors	2,228,120	2,274,862
Amounts owed to group undertakings	4,666,865	27,709,877
Value added tax	5,055,003	-
	<u>11,962,977</u>	<u>30,090,819</u>

5. Called up share capital

	2026 Number	2025 Number
Authorised		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>
Issued	£	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

6. Related party transactions

The company has taken advantage of exemption under FRS 102 Section 1A from the requirement to disclose related party transactions with group undertakings.

7. Controlling parties

The sole shareholder of the company is Edinburgh Innovation Park Hub Holdco Limited, a company registered at the same address (SC725833).

EDINBURGH INNOVATION PARK HUB DEVELOPMENT LIMITED

Financial Statements for the year ended 31 March 2026

DETAILED INCOME STATEMENT

	2026 £	2025 £
Administrative expenses		
Accountancy fees	(8,018)	(7,752)
IT Software and Consumables	(475)	(933)
Professional fees	(46,347)	(5,938)
Bank charges	(100)	(37)
Rates and water	(39,988)	-
Subscriptions	(1,710)	-
	<u>(96,638)</u>	<u>(14,660)</u>
Operating loss	<u>(96,638)</u>	<u>(14,660)</u>
Other interest receivable and similar income	11,393	2,740
	<u>(85,245)</u>	<u>(11,920)</u>
Loss for the year	<u>(85,245)</u>	<u>(11,920)</u>

Draft

Profit and Loss

Edinburgh Innovation Park Joint Venture Company Group Consolidation
For the year ended 31 March 2026

	<u>DevCo</u>	<u>OpCo</u>	<u>HoldCo</u>	<u>JV</u>	<u>Consolidated</u>
Revenue					
200 Sales	-	8,530.49	-	-	8,530.49
Administrative expenses					
326 Direct expenses - professional fees	- 46,347.46	-	-	-	- 46,347.46
400 Advertising and marketing	-	-	-	-	-
401 Audit and accountancy fees	- 8,018.00	- 20,911.60	-	-	- 28,929.60
404 Bank fees	- 99.52	- 514.53	-	-	- 614.05
416 Depreciation expense	-	- 515,316.61	-	-	- 515,316.61
417 Depreciation expense - equipment	-	- 16,741.44	-	-	- 16,741.44
429 General expenses	- 0.01	-	-	-	- 0.01
433 Insurance	-	- 18,016.96	-	-	- 18,016.96
440 Professional fees	-	- 90,797.60	-	-	- 90,797.60
445 Light, power and heatings	-	- 75,017.78	-	-	- 75,017.78
463 IT Software and Consumables	- 474.50	- 604.50	-	-	- 1,079.00
465 Rates	- 39,988.11	-	-	-	- 39,988.11
473 Repairs and maintenance	-	- 235.30	-	-	- 235.30
477 Salaries	-	- 87,312.86	-	-	- 87,312.86
479 Employer's National Insurance	-	- 12,533.82	-	-	- 12,533.82
482 Pensions costs	-	- 12,660.75	-	-	- 12,660.75
485 Subscriptions	- 1,710.00	- 1,710.00	-	-	- 3,420.00
OPERATING LOSS	- 96,637.60	- 843,843.26	-	-	- 940,480.86
Other interest receivable and similar income					
270 Interest income	11,393.17	-	-	-	11,393.17
LOSS FOR THE YEAR	- 85,244.43	- 843,843.26	-	-	- 929,087.69
	DevCo PNL	OpCo PNL			-

Balance sheet

Edinburgh Innovation Park Joint Venture Company Group Consolidation
For the year ended 31 March 2026

	DevCo	OpCo	HoldCo	JV	Adjustments	Consolidated	Note
Fixed assets							
Tangible assets		25,317,480	-	-	-	25,317,480	BS Notes
710 Office equipment	-	83,707	-	-	-	83,707	
711 Less acc depr - office equipment	-	16,741	-	-	-	16,741	
740 Buildings	-	25,765,830	-	-	-	25,765,830	
741 Less acc depr - buildings	-	515,317	-	-	-	515,317	
Investments			2	1	3	-	
600 Investment in Edinburgh Innovation Park Hub Operating Company Limited	-	-	1	-	1	-	
600 Investment in Edinburgh Innovation Park Hub Development Company Limited	-	-	1	-	1	-	
600 Investment in Edinburgh Innovation Park Hub Holdco Limited	-	-	-	1	1	-	
Current assets							
Work in progress		10,330,569	-	-	-	10,330,569	BS Notes
630 Work in progress	10,330,569	-	-	-	-	10,330,569	
Debtors							
Trade debtors		99,654	-	-	99,654	0	
610 Accounts receivable	99,654	-	-	-	99,654	0	https://audit.myworkpapers.co.uk/auditfile/5744/H2
Other debtors		5,199,701	1	2	1	5,199,703	
820 VAT	-	5,199,701	-	-	-	5,199,701	https://audit.myworkpapers.co.uk/auditfile/5741/I4
670 Intercompany - Edinburgh Innovation Park Joint Venture Company Limited	-	-	1	-	1	-	
670 Intercompany - Queen Margaret University	-	-	-	1	-	1	BS Notes
670 Intercompany - East Lothian Council	-	-	-	1	-	1	BS Notes
Prepayments and accrued income		19,863	-	-	-	19,863	
620 Prepayments	-	19,863	-	-	-	19,863	BS Notes
Amounts owed by group undertakings		1	4,647,245	-	4,647,246	-	
615 DevCo Intercompany	-	4,647,245	-	-	4,647,245	-	
525 Intercompany - Edinburgh Innovation Park Hub Holdco Limited	1	-	-	-	1	-	
Cash and bank and in hand		1,419,868	11,073	-	-	1,430,941	
Opco	-	11,073	-	-	-	11,073	https://audit.myworkpapers.co.uk/auditfile/5741/I1
Park Hub Devco	1,419,868	-	-	-	-	1,419,868	https://audit.myworkpapers.co.uk/auditfile/5744/I1
	11,850,092	35,195,361	3	3	4,746,904	42,298,555	
Creditors: amounts falling due within one year							
Trade creditors		12,990	132,657	-	99,654	45,993	
800 Accounts payable	12,990	132,657	-	-	99,654	45,993	BS Notes
Other creditors		2,228,120	36,019,457	-	-	38,247,577	
805 Accruals	2,228,120	10,060	-	-	-	2,238,180	BS Notes
860 Rounding	0	-	-	-	-	0	
810 Income in advance	-	36,009,397	-	-	-	36,009,397	BS Notes
Amounts owed to group undertakings		4,666,865	-	2	4,647,247	19,621	
815 OpCo Intercompany	4,647,245	-	-	-	4,647,245	-	
ELC intercompany	19,620	-	-	-	-	19,620	https://audit.myworkpapers.co.uk/auditfile/5744/D4
780 Intercompany - Edinburgh Innovation Park Hub Development Company Limited	-	-	1	-	1	-	
780 Intercompany - Edinburgh Innovation Park Hub Operating Company Limited	-	-	1	-	1	-	
780 Intercompany - Edinburgh Innovation Park Hub Holdco Limited	-	-	-	1	-	1	
VAT		5,055,003	-	-	-	5,055,003	
820 VAT	5,055,003	-	-	-	-	5,055,003	https://audit.myworkpapers.co.uk/auditfile/5744/I4
Net current liabilities		112,885	26,274,233	1	1	0	26,387,119
Total assets less current liabilities		112,885	956,754	1	2	3	1,069,639
Net liabilities		11,962,978	36,152,114	2	1	4,746,901	43,368,194
Capital and reserves							
Called up share capital		1	1	1	2	3	2
950 Capital ordinary shares	1	1	1	2	3	2	
Profit and loss accounts		112,886	956,755	-	-	1,069,641	
Profit and loss	112,886	956,755	-	-	-	1,069,641	Consol PNL
Shareholders deficit		112,885	956,754	1	2	3	1,069,639
	0	0.00	-	-	0	0	

[DevCo BS](#) [OpCo BS](#) [HoldCo BS](#) [JVCo BS](#)

Balance Sheet Notes

Edinburgh Innovation Park Joint Venture Company Group Consolidation
As at 31 March 2026

1. Fixed assets

This represents the building that was transferred from DevCo to OpCo as well as the office equipment that OpCo obtained during the year,

	<u>Cost</u>	<u>Acc depr</u>	<u>Nett</u>	
Office equipment	83,707.20	- 16,741.44	66,965.76	
Buildings	25,765,830.42	- 515,316.61	25,250,513.81	
			<u>25,317,479.57</u>	https://audit.myworkpapers.co.uk/auditfile/5741/F4

2. WIP

This represents the costs incurred so far on the development which is still in progress.

Refer to the following for the breakdown of these costs:

<https://audit.myworkpapers.co.uk/auditfile/5744/G42>

3. Intercompany balances

	£
<u>Queen Margaret University unpaid share capital in:</u>	
Edinburgh Innovation Park Joint Venture Company Ltd	1.00
	<u>1.00</u>

East Lothian Council unpaid share capital in:

Edinburgh Innovation Park Joint Venture Company Ltd	1.00
	<u>1.00</u>

4. Prepayments

Prepayments relates to insurance costs that was prepaid by OpCo. Please refer to the following working paper for more information:

<https://audit.myworkpapers.co.uk/auditfile/5741/H3-1>

5. Trade creditors

Intercompany balances were removed on consolidation. Please refer to the following working papers for more information:

OpCo: <https://audit.myworkpapers.co.uk/auditfile/5741/J2>

DevCo: <https://audit.myworkpapers.co.uk/auditfile/5744/J2>

6. Accruals

Resrepresents accountancy accruals covering the following services:

- VAT returns for the period ended 31 March 2026
- Annual accounts preparation for the period ended 31 March 2026
- Corporation tax return for the period ended 31 March 2026
- Preparation of iXBRL accounts for filing of corporation tax return

Please refer to the following working papers for more information:

OpCo: <https://audit.myworkpapers.co.uk/auditfile/5741/J11>

DevCo: <https://audit.myworkpapers.co.uk/auditfile/5744/J3-1>

7. Income in advance

This realtes to the grant income received so far for the development of the property.

As the costs associated with the development have been deferred, the income is also deferred.

Once the asset is complete and recognised by OpCo, the grant income will be released over the life of the asset.

Please refer to the following working paper for more information:

<https://audit.myworkpapers.co.uk/auditfile/5741/J12>

Edinburgh Innovation Park Hub Development Limited
31-Mar-26

Profit and Loss

Administrative expenses	- 96,637.60
401 Audit and accountancy fees	- 8,018.00
404 Bank fees	- 99.52
463 IT Software and Consumables	- 474.50
326 Direct expenses - professional fees	- 46,347.46
429 General expenses	- 0.01
465 Rates	- 39,988.11
485 Subscriptions	- 1,710.00
Operating loss	- 96,637.60
Other interest receivable and similar income	11,393.17
270 Interest income	11,393.17
Loss for the financial year and total comprehensive income	- 85,244.43
Profit and loss account at the beginning of the year	- 27,638.93
Loss for the year	- 85,244.43
Profit and loss account at the end of the year	- 112,883.36

https://audit.myworkpapers.co.uk/auditfile/5744/_balancesheet

Edinburgh Innovation Park Hub Operating Limited
31-Mar-26

Profit and Loss

Revenue		8,530
	200 Sales	8,530
Administrative expenses		- 852,374
	401 Audit and accountancy fees	- 20,912
	404 Bank fees	- 515
	440 Professional fees	- 90,798
	463 IT Software and Consumables	- 605
	400 Advertising and marketing	-
	429 General expenses	-
	433 Insurance	- 18,017
	473 Repairs and maintenance	- 235
	477 Salaries	- 87,313
	479 Employer's National Insurance	- 12,534
	482 Pensions costs	- 12,661
	485 Subscriptions	- 1,710
	445 Light, power and heatings	- 75,018
	416 Depreciation expense	- 515,317
	417 Depreciation expense - equipment	- 16,741
Operating loss		- 843,843
Other interest receivable and similar income		-
	270 Interest income	-
Loss for the financial year and total comprehensive income		- 843,843
Profit and loss account at the beginning of the year		- 112,912
Loss for the year		- 843,843
Profit and loss account at the end of the year		- 956,755

https://audit.myworkpapers.co.uk/auditfile/5741/_balancesheet

Edinburgh Innovation Park Hub Development Limited
31-Mar-26

Balance sheet

Current assets

Work in progress		10,330,569
	630 Work in progress	10,330,569
Debtors		99,655
	Trade debtors	99,654
	610 Accounts receivable	99,654
	Other debtors	-
	Amounts owed by group undertakings	1
	525 Intercompany - Edinburgh Innovation Park Hub Holdco Limited	1
Cash and bank and in hand		1,419,868
	Park Hub Devco	1,419,868
		11,850,092
Creditors: amounts falling due within one year		- 11,962,978
	Trade creditors	- 12,990
	800 Accounts payable	- 12,990
	Other creditors	- 2,228,120
	805 Accruals	- 2,228,120
	860 Rounding	0
	Amounts owed to group undertakings	- 4,666,865
	815 OpCo Intercompany	- 4,647,245
	ELC intercompany	- 19,620
	VAT	- 5,055,003
	820 VAT	- 5,055,003
Net current liabilities		- 112,885
Total assets less current liabilities		- 112,885
Net liabilities		- 112,885
Capital and reserves		
Called up share capital		1
	950 Capital ordinary shares	1
Profit and loss accounts		- 112,886
	Profit and loss	- 112,886
Shareholders deficit		- 112,885

Edinburgh Innovation Park Hub Operating Company Limited

31-Mar-26

Balance sheet

Fixed assets

Tangible assets **25,317,480**

710 Office equipment	83,707
711 Less acc depr - office equipment	- 16,741
740 Buildings	25,765,830
741 Less acc depr - buildings	- 515,317

Current assets

Debtors

9,866,808

Other debtors	5,199,701
820 VAT	5,199,701
Prepayments and accrued income	19,863
620 Prepayments	19,863
Amounts owed by group undertakings	4,647,245
615 DevCo Intercompany	4,647,245

Cash and bank and in hand

11,073

Opco	11,073
------	--------

35,195,361

Creditors: amounts falling due within one year

- **36,152,114**

Trade creditors	- 132,657
800 Accounts payable	- 132,657
Other creditors	- 36,019,457
805 Accruals	- 10,060
810 Income in advance	- 36,009,397

Net current liabilities

- **26,274,233**

Total assets less current liabilities

- **956,754**

Net liabilities

- **956,754**

Capital and reserves

Called up share capital

1

950 Capital ordinary shares	1
-----------------------------	---

Profit and loss accounts

- 956,755

Profit and loss	- 956,755
-----------------	-----------

Shareholders deficit

- **956,754**

Balance sheet

Edinburgh Innovation Park Hub Holdco Limited

For the year ended 31 March 2026

Fixed assets

Investments

			2.00
600	Investment in Edinburgh Innovation Park Hub Operating Company Limited		1.00
600	Investment in Edinburgh Innovation Park Hub Development Company Limited		1.00

Current assets

Debtors

Other debtors			1.00
670	Intercompany - Edinburgh Innovation Park Joint Venture Company Limited		1.00

3.00

Creditors: amounts falling due within one year

Amounts owed to group undertakings			- 2.00
780	Intercompany - Edinburgh Innovation Park Hub Development Company Limited		- 1.00
780	Intercompany - Edinburgh Innovation Park Hub Operating Company Limited		- 1.00

Net current liabilities

- **1.00**

Total assets less current liabilities

1.00

Net liabilities

- 2.00

Capital and reserves

Called up share capital

950	Capital ordinary shares		1.00
-----	-------------------------	--	-------------

Profit and loss accounts

Profit and loss		-
-----------------	--	---

Shareholders deficit

1.00

Balance sheet

Edinburgh Innovation Park Joint Venture Company Limited
For the year ended 31 March 2026

Fixed assets

Investments			1
	600	Investment in Edinburgh Innovation Park Hub Holdco Limited	1

Current assets

Debtors

Other debtors			2
	670	Intercompany - Queen Margaret University	1
	670	Intercompany - East Lothian Council	1
			<hr/> 3

Creditors: amounts falling due within one year

Amounts owed to group undertakings			-	1
	780	Intercompany - Edinburgh Innovation Park Hub Holdco Limited	-	1
			<hr/>	<hr/>

Net current liabilities

1

Total assets less current liabilities

2

Net liabilities

- **1**

Capital and reserves

Called up share capital			2
	950	Capital ordinary shares	2

Profit and loss accounts			-
		Profit and loss	-
			<hr/>

Shareholders deficit

2

Edinburgh Innovation Park Joint Venture Company Limited

Registration Number SC725216 (Scotland)

Consolidated Financial Statements

for the year ended 31 March 2025

Draft

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

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Draft

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Company Information

Directors

Mrs C Molloy
Mr N Hampshire
Mr S M Scott
Sir P E Grice (Appointed 13 March 2025)
Mrs E A Porter (Resigned 26 February 2025)

Company Secretary

Chiene + Tait LLP (trading as CT)
61 Dublin Street
Edinburgh
United Kingdom
EH3 6NL

Auditor

CT Audit Limited
Chartered Accountant and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Draft

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Directors' Report

The directors present their report and the audited consolidated financial statements of the group and company for the year ended 31 March 2025.

Principal activities

The group engaged in development of building projects during the year.

Directors and secretary

The directors who served during the year were as follows:

Mrs C Molloy

Mr N Hampshire

Mr S M Scott

Sir P E Grice (Appointed 13 March 2025)

Mrs E A Porter (Resigned 26 February 2025)

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the consolidated financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have prepared the group and company consolidated financial statements in accordance with "FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland as adapted by Section 1A of FRS 102 [applying Section 1A of that Standard]" and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the consolidated and separate annual financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

Auditors

CT Audit Limited were appointed as auditor to the Company and in accordance to section 485 the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a general meeting.

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Directors' Report

This report was approved by the directors of the company on _____ and signed by:

On behalf of the directors

Mrs C Molloy

Draft

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Independent Auditor's Report To the Shareholder of Edinburgh Innovation Park Joint Venture Company Limited

Opinion

We have audited the consolidated financial statements of Edinburgh Innovation Park Joint Venture Company Limited (the 'parent company') and its subsidiaries (the 'group') which comprise the consolidated and company balance sheet as at 31 March 2025, and the consolidated statement of comprehensive income, the statements of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS102 The Financial Reports Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2025 and of group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for small entities in the circumstances set out in note 1 to the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

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

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

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

Other Information

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

We have nothing to report in this regard.

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Independent Auditor's Report To the Shareholder of Edinburgh Innovation Park Joint Venture Company Limited

Opinions on Other Matters Prescribed by the Companies Act 2006

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

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

Matters on which we are Required to Report by Exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the consolidated financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

Auditor's Responsibilities for the Audit of the consolidated financial statements

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

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

- We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the entity which were contrary to applicable laws and regulations, including fraud. This included gaining an understanding of the control environment for monitoring compliance with laws and regulations.
- Our audit procedures were designed to respond to risks of material misstatement in the consolidated financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Independent Auditor's Report To the Shareholder of Edinburgh Innovation Park Joint Venture Company Limited

We focussed on laws and regulations that could give rise to a material misstatement in the company's consolidated financial statements. Our tests included, but were not limited to:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.
- Performing analytical procedures to identify any unexpected movements which may indicate irregularities and substantiated the explanations given for these movements.
- Reviewing the accounting policies and the application of these policies to ensure compliance with the standard and consistency of application.
- Specific consideration was given to transactions with related parties.

There are inherent limitations in an audit of financial statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would be to become aware of it. We also addressed the risk of management override of internal controls, including reviewing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters

The comparative figures and other information within the financial statements for the financial year made up to 31 March 2024 is unaudited. As in the prior financial year the directors are of the conclusion that for the period ending 31 March 2024 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Independent Auditor's Report To the Shareholder of Edinburgh Innovation Park Joint Venture Company Limited

Use of this report

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

Katarzyna Kozak CA (Senior Statutory Auditor)

For and on behalf of:

CT Audit Limited

61 Dublin Street

Edinburgh

EH3 6NL

Draft

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Consolidated Statement of Comprehensive Income

	Group 2025 £	Group 2024 £
Administrative expenses	(87,712)	(37,535)
Operating loss	(87,712)	(37,535)
Interest receivable and similar income	2,740	48
Loss for the year	(84,972)	(37,487)
Other comprehensive income	-	-
Total comprehensive expense for the year	(84,972)	(37,487)
Profit and loss account at the end of the year	(140,551)	(55,579)

The notes on pages 13 to 16 form part of these consolidated financial statements.

All the activities of the group are from continuing operations.

Draft

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Consolidated and Company Balance Sheet

	Notes	Group 2025 £	Group 2024 £	Company 2025 £	Company 2024 £
Current assets					
Inventory	4	26,590,844	2,944,622	-	-
Debtors: Amounts falling due within one year	5	3,212,270	179,292	-	2
Cash at bank and in hand		917,807	128,649	-	-
		30,720,921	3,252,563	-	2
Current liabilities					
Creditors: amounts falling due within one year	6	(30,861,470)	(3,308,140)	(1)	(3)
Net current liabilities		(140,549)	(55,577)	(1)	(1)
Total assets less current liabilities		(140,549)	(55,577)	1	1
Net liabilities		(140,549)	(55,577)	1	1
Capital and reserves					
Called up share capital	8	2	2	1	1
Profit and loss account		(140,551)	(55,579)	-	-
Shareholder's deficit		(140,549)	(55,577)	1	1

The loss for the financial year of the parent company was £0 (2024: £0 loss)

These consolidated financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and in accordance with Section 1A of FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

The consolidated financial statements were approved and authorised for issue by the Board of Directors on _____.

Signed on behalf of the Board of Directors

Mrs C Molloy

The notes on pages 13 to 16 form part of these consolidated financial statements.

Company registration number: SC725216

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Statements of Changes in Equity - Group

	Called up share capital £	Profit and loss account £	Total £
Balance at 1 April 2023	2	(18,092)	(18,090)
Changes in equity			
Loss for the year	-	(37,487)	(37,487)
Total comprehensive income	-	(37,487)	(37,487)
Balance at 31 March 2024	2	(55,579)	(55,577)
Balance at 01 April 2024	2	(55,579)	(55,577)
Changes in equity			
Loss for the year	-	(84,972)	(84,972)
Total comprehensive income	-	(84,972)	(84,972)
Balance at 31 March 2025	2	(140,551)	(140,549)

Draft

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Statements of Changes in Equity - Company

	Called up share capital £	Total £
Balance at 1 April 2023	1	1
Balance at 31 March 2024	1	1
Balance at 01 April 2024	1	1
Balance at 31 March 2025	1	1

Draft

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Notes to the Consolidated and Separate Financial Statements

1. Summary of significant accounting policies

1.1 General information and basis of preparation

Edinburgh Innovation Park Joint Venture Company Limited is a private company limited by shares, registered in Scotland. The address of the registered office and registration number is given in the company information on page 2 of these consolidated financial statements.

These consolidated financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland as adapted by Section 1A of FRS 102 and the Companies Act 2006. The company constitutes a public benefit entity as defined by FRS 102.

The consolidated financial statements are prepared in sterling (£) which is the functional currency of the company and rounded to the nearest £.

The financial statements have been prepared on a going concern basis. The directors have assessed the Group's ability to continue as a going concern and have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future with the support of the ultimate owners East Lothian Council and Queen Margaret University. Funds will flow between the entities once the construction has been completed. Construction and handover of the innovation park occurred in October 2025, with the centre beginning to begin generating income after handover. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.2 Consolidation

The financial statements consolidate the financial statements of Edinburgh Innovation Park Joint Ventures Company Limited and all of its subsidiary undertakings.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not presented its individual profit and loss account.

The group qualifies as a small group under section 399 of the Companies Act 2006 and has therefore taken advantage of the exemptions available under FRS 102 Section 1A, including the exemption from preparing a strategic report and a consolidated cash flow statement.

1.3 Stocks

Stocks are stated at the lower of cost and estimated selling price, after making due allowance for obsolete and slow-moving items.

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing stock to its present location and condition. Cost is calculated using the first-in, first-out formula. Provision is made for damaged, obsolete and slow-moving stock where appropriate.

1.4 Investments

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value through profit or loss if the shares are publicly traded or their fair value can otherwise be measured reliably. Other investments are measured at cost less impairment.

Investments in joint ventures / associates are measured at cost less impairment.

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Notes to the Consolidated and Separate Financial Statements

Summary of significant accounting policies continued...

1.5 Financial instruments

Other financial assets

Other financial assets, including trade debtors for goods sold to customers on short-term credit, are initially measured at the transaction price including transaction costs, and are subsequently measured at the transaction price plus transaction costs not yet recognised, cumulative interest income less repayments and impairment, where there is evidence of impairment.

Staff numbers

The average number of persons employed by the Company (including directors) during the year, was 0 (2024 - 0).

Other financial liabilities

Other financial liabilities, including trade creditors, are initially measured at transaction price less transaction costs, and are subsequently measured at the transaction price less transaction costs not yet recognised in profit or loss and repayments plus cumulative interest expenses incurred.

2. Interest receivable and similar income

Interest receivable and similar income

	Draft	Group 2025 £	Group 2024 £
Other		2,740	48

3. Investments

The list of subsidiaries and other related undertakings is as follows:

Name	Address of the registered office	Nature of business	Interest
Held by the group			
Edinburgh Innovation Park Hub Holdco Limited	61 Dublin Street Edinburgh EH3 6NL	Activities of construction holding	100.00%
Edinburgh Innovation Park Hub Operating Company Limited	61 Dublin Street Edinburgh EH3 6NL	Development of building projects	100.00%

4. Stocks

Stocks comprise:

	Group 2025 £	Group 2024 £	Company 2025 £	Company 2024 £
Work in progress	26,590,844	2,944,622	-	-

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Notes to the Consolidated and Separate Financial Statements

5. Debtors

Debtors comprise:

	Group 2025 £	Group 2024 £	Company 2025 £	Company 2024 £
Amounts falling due within one year				
Other debtors	3,212,268	179,290	-	-
Amounts owed by group undertakings	2	2	-	2
	<u>3,212,270</u>	<u>179,292</u>	<u>-</u>	<u>2</u>

6. Creditors: amounts falling due within one year

Creditors: amounts falling due within one year comprise:

	Group 2025 £	Group 2024 £	Company 2025 £	Company 2024 £
Trade creditors	110,590	114,255	-	2
Accruals and deferred income	30,731,260	3,174,265	-	-
Amounts owed to group undertakings	19,620	19,620	1	1
	<u>30,861,470</u>	<u>3,308,140</u>	<u>1</u>	<u>3</u>

7. Capital commitments

As at the 31 March, the group had capital commitments on work in progress for the construction of the the Innovation Hub, amounting to £8,981,121. The committed expenditure is expected to be wholly incurred during the year ended 31 March 2026.

8. Called up share capital

Called up share capital

	Group 2025 £	Group 2024 £
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

There have been no changes during the year.

9. Contingent liabilities

At 31 March 2025, the company had a contingent liability of £434,332 relating to potential additional costs associated with the construction of the innovation hub.

The liability is dependent on the occurrence of certain contractual and project-related events. The timing and outcome of these matters remain uncertain, and no provision has been recognised in the financial statements.

Edinburgh Innovation Park Joint Venture Company Limited

(Registration Number SC725216)

Consolidated Financial Statements for the year ended 31 March 2025

Notes to the Consolidated and Separate Financial Statements

10. Related party transactions

10.1 Group companies

The group has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

10.2 Edinburgh Innovation Park Joint Venture Company Limited

During the year ended 31 March 2025, Edinburgh Innovation Park Joint Venture Company Limited received advances from East Lothian Council amounting to £25,286,571 (2024: £1,782,010). The advances were used solely for payment of expenses capitalised as work in progress, on the development of the Innovation Hub, as per Joint Venture Agreement.

At 31 March 2025, Edinburgh Innovation Park Joint Venture Company Limited owed £19,620 (2024: £19,620) to East Lothian Council.

11. Ultimate controlling party

There is no ultimate controlling party of Edinburgh Innovation Park Joint Venture Company Limited. There is no ultimate controlling party of Edinburgh Innovation Park Joint Venture Company Limited.

Draft

Edinburgh Innovation Hub Governance Overview Assessment

Introduction

1. Edinburgh Innovation Hub (EIH) commissioned a brief overview assessment of the governance arrangements for the operating company within its structure, to ensure that they are in line with best practice as EIH moves into its operational phase. This review does not change any of the arrangements for the overall joint venture to which the operating company reports.
2. This report is based on a review of existing governance documents, interviews with founding directors from East Lothian Council (ELC) and Queen Margaret University (QMU) and discussion with the Hub Director.

The UK Corporate Governance Code

3. Governance arrangements are considered in this report based on the principles and provisions set out in the **UK Corporate Governance Code**¹ (the Code). The Code is mandatory for certain classes of companies listed on the London Stock Exchange, so it is not a requirement for the EIH. The Code is, however, currently recognised best practice in governance of commercial companies, so it is a very useful starting point. There is no requirement to be bound by the Code, so other governance arrangements can be made for the EIH. In that case, keeping a record of the reasons for making other governance arrangements is likely to be helpful to the EIH in future.

Background

4. The EIH is a joint venture between QMU and ELC, and is a project within the Edinburgh and South East Scotland City Region Deal. QMU and ELC are shareholders in the Edinburgh Innovation Park Hub Joint Venture Company Ltd, which in turn controls the Edinburgh Innovation Park Hub Holdco Ltd. The Edinburgh Innovation Park Hub Holdco controls both the Edinburgh Innovation Park Hub Development Company Ltd and the Edinburgh Innovation Park Hub Operating Company Ltd. All four companies have the same four company directors, and all have Articles of Association in place. The four company directors form the board referred to in this report as the JV Board, which will remain in overall control of the joint venture.

The joint venture structure has been created based on experience from other joint venture projects and drawing on extensive legal advice. It is understood to be working well for QMU and ELC. This review therefore focuses on the arrangements for the Edinburgh Innovation Park Hub Operating Company (Hub OpCo) only.

5. A draft structure for the operational governance was set out in the JV Operational Business Plan and the JV Board has discussed this more recently. The latest thinking on this structure involves a new Board for the Hub OpCo, with directors from both QMU and ELC and the Chair role alternating between QMU and ELC. The current board members for the other three companies would remain in place as the JV Board, providing oversight of the Hub OpCo and all other aspects of the joint venture.
6. A decision has been taken in principle that the majority of operational and administrative services will be provided to the EIH by a management services company owned by QMU, which

¹ [Financial Reporting Council UK Corporate Governance Code January 2024](#)

means that the Hub OpCo governance should be able to focus mainly on the strategic and commercial aspects.

Key requirements for the Hub OpCo's governance

7. The following are key requirements for any governance structure for the Hub OpCo.
 - a. The Joint Venture Shareholders' Agreement (JVA) between QMU and ELC must be respected, and in particular the approval of QMU and ELC as shareholders must continue to be required for any of the matters specified in the schedule to the JVA.
 - b. The EIH must work to deliver the core objectives of the JVA shareholders, as already recognised in the business plan approved by the Edinburgh and South East City Region Deal and the conditions of the funding award.
 - c. The EIH must be a commercially viable entity in its own right and is operating a bespoke business. The Hub OpCo must be able to take swift decisions and respond effectively to the evolving business environment.

Findings and recommendations

8. The JVA, together with the Operational Business Plan, set a framework and overall vision for the EIH, but these may need to be refreshed and updated as the EIH moves into its operational phase. An incoming Hub OpCo Board will be required to 'establish the company's purpose, values and strategy' (principle B of the Code). The Code also notes in introductory text that parent companies should ensure there is adequate cooperation within the group. In practice, this means that the Hub OpCo must set its purpose, values and strategy in discussion with the JV Board to ensure that there is a clear, shared understanding of the expectations of the Joint Venture shareholders.

Recommendation 1: the incoming Hub OpCo Board should establish the company's purpose, values and strategy, working with the JV Board to ensure that these are consistent with the requirements of the joint venture and that the full requirements of the JVA are clearly understood by the Hub OpCo Board. **Timescale: as soon as the Hub OpCo board is in place.**

9. The Code (provision 7 in Section 1) says that 'The board should take action to identify and manage conflicts of interest'. It is important that the members of the Board of the Hub OpCo should be focused entirely on successful delivery, working within the joint venture structure. It is entirely possible that conflicts may arise in future between the interests of the EIH as a separate entity and either QMU or ELC – for instance, if there were to be a tenant operating in competition with QMU's academic research. The appropriate way for any conflicts to be managed is through the joint venture structure, but any board member of the Hub OpCo who is employed by QMU or ELC could be put in a very difficult position. Equally, any Councillor in ELC, member of the QMU court or anyone else holding an appointment in either body would be put in a difficult position. It would therefore be best for the directors not to be employed by or hold any position in either QMU or ELC so that they do not have to face potential situations where they may have divided loyalty. The Code (principle F) also says that 'The chair leads the board and is responsible for its overall effectiveness in directing the company', so it is important that there is one individual clearly identified to take on this responsibility rather than an alternating chair. It is particularly important that the Chair is an independent person with no role in either QMU or ELC, as the Chair will take the lead in managing any conflicts of interest which do arise.

10. In the public sector, organisations to which a body reports or which control funding sometimes place non-voting observers onto boards. Their role is primarily one of communication – ensuring that discussion at the board is informed by the views of the parent or funding organisation and that the parent or funding organisation is kept informed of proceedings at the board. The Code is silent on this option as it is not a normal element of governance for commercial companies. The observer role does add complexity to reporting lines and can make accountability less clear, particularly in the (hopefully unlikely) event of a significant governance failure, so it is not included as a recommendation here. It is accepted practice for a range of public sector organisations, however, so it could be considered for the Hub OpCo board, perhaps for an initial period, if that would give the ELC and QMU greater confidence in arrangements for oversight of the Hub OpCo.

Recommendation 2: an independent person, not holding any position in and not employed by either QMU or ELC, should be appointed as the Chair of the Hub OpCo. Ideally, other directors appointed to the Hub OpCo should also be independent of QMU and ELC. **Timescale: for decision now.**

11. The Code (principle A) says that ‘A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society’. The needs of the EIH as a commercial entity will be best served by a board made up of individuals with relevant skills and experience. The JV Board should consult with the Hub Director and others with commercial innovation sector experience to agree the skills, knowledge and experience that the Hub OpCo Board should have collectively, and then consider the most appropriate process to identify a suitable chair and board members. This should include considering the level of remuneration that will be required. Recognising that many public ventures have in the past been able to find talented people who are willing to share their substantial business experience for the good of Scotland for relatively modest remuneration, a benchmarking exercise would be useful. A good approach could be to identify an effective chair for the Hub OpCo Board and involve the chair in setting skills requirements for and recruiting other board members.

Recommendation 3: the JV Board should work with the Hub Director and others with commercial innovation sector experience to agree the skills, knowledge and experience it wishes to see on the Hub OpCo board, and also to agree the appropriate way to identify people who meet the requirements and the appropriate level of remuneration. **Timescale: carry out review to identify skills, experience, remuneration and approach to appointments as soon as possible. Progress appointments as soon as JV Board is content with proposed arrangements.**

12. At this stage, the Hub Director is the only executive in post who will report to the incoming Hub OpCo Board, but it is envisaged that she will establish a small team. As work is already underway, appointment of team members to support the Hub Director should not wait for the appointment of the Hub OpCo Board, but should proceed as agreed between the JV Board and the Hub Director.

Recommendation 4: recruitment of staff to support the Hub Director should proceed as agreed between the Hub Director and the JV Board until the Hub OpCo Board is in place. **Timescale: as soon as possible.**

13. Principle G of the Code says that ‘There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company’s business’. It would therefore be appropriate for the Hub Director to establish arrangements for executive leadership, which may include establishing operational liaison arrangements with others including the QMU management services company, and to work with the Hub OpCo Board to ensure that these arrangements meet the company’s needs over time. Ensuring that executive leadership and operational arrangements are under the control of the Hub Director, reporting to the Hub OpCo Board, is consistent with the requirement for swift decision-taking to support commercial success.

Recommendation 5: the Hub Director should establish appropriate executive leadership and operational liaison arrangements and work with the Hub OpCo Board to ensure that these meet the company’s needs. **Timescale: arrangements in place as soon as possible, and updated as required.**

14. For convenience at this stage, the Hub Director is employed by QMU, so additional team members may have to be similarly employed, but once the Hub OpCo Board is in place and the appropriate financial and administrative support is operational, arrangements should be made to transfer the employment of the Hub Director and her team to the Hub OpCo. In the meantime, it will be helpful to signify clearly to everyone that although the Hub Director is technically an employee of QMU, she reports to the Hub OpCo. One simple way to help with this would be to change the title of her role to ‘Hub Chief Executive’, to indicate that she is not a director of QMU.

Recommendation 6: the Hub Director should in future be known as the Hub Chief Executive, to indicate that she is not a director of the QMU, and once the necessary arrangements are in place, the Hub Chief Executive and her team should become employees of the Hub OpCo. **Timescale: job title change as soon as possible, and change in employment when feasible.**

Conclusion

15. A great deal of careful work has been put in overall several years to establish the Joint Venture with a strong legal and governance structure. That provides a solid foundation now to put in place effective operational governance for the Hub OpCo. The key success factors will be ensuring that the Hub OpCo Board has a chair and members with the right mix of skills, knowledge and experience and that the relationship between the Hub OpCo Board and the JV Board is clear and effective. The six recommendations above are intended to help the Hub OpCo Board and the Hub Chief Executive deliver successfully. I would be happy to discuss any of the findings or recommendations further.

Eleanor Ryan
 Managing Director, Glen Shuraig Consulting Ltd
 10 Jun 2025



Hub Governance - Progress Report

Annex 1 - Terms of Reference (ToR)

1. Purpose of the Strategy Board

The Strategy Board provides strategic leadership, oversight, and governance for the Edinburgh Innovation Hub (the "Hub"). Its primary purpose is to ensure that the Hub delivers its vision, mission, and strategic objectives in alignment with the priorities of its founding partners—Queen Margaret University (QMU) and East Lothian Council (ELC).

The Board:

- Sets the long-term strategic direction of the Hub.
 - Oversees governance, compliance, and financial stewardship.
 - Ensures that the Hub delivers sustainable impact for businesses, communities, and regional innovation.
 - Holds the Hub Chief Executive accountable for organisational performance.
-

2. Scope and Responsibilities

The Strategy Board is responsible for:

2.1 Strategic Leadership

- Developing, approving, and reviewing the Hub's vision, mission, and strategic plan.
- Ensuring alignment with regional economic, workforce, and innovation strategies.
- Approving annual business plans and KPIs.

2.2 Governance and Compliance

- Ensuring the Hub complies with relevant legislation, regulatory requirements, and partner policies.
- Overseeing risk management processes and ensuring appropriate mitigation plans are in place.
- Upholding high standards of governance, ethics, and transparency.

2.3 Financial Oversight

- Approving annual budgets and financial plans.
- Monitoring financial performance and ensuring efficient use of resources.
- Ensuring financial sustainability and value for money.

2.4 Oversight of Executive Leadership

- Appointing, supporting, and annually reviewing the performance of the Hub Chief Executive.
- Ensuring there is clarity of roles between the board, the Hub Chief Executive, and the Operations Group.

2.5 Stakeholder Engagement and Promotion

- Acting as ambassadors for the Hub with strategic partners, funders, and stakeholders.
- Supporting partnerships that strengthen the innovation ecosystem.
- Ensuring the Hub's activities contribute positively to local and regional outcomes.

2.6 Board Performance and Effectiveness

- Reviewing and improving the effectiveness of the Strategy Board annually.
- Ensuring the Board has the right balance of skills, experience, and perspectives.

3. Board Composition

The Hub OpCo Strategy Board consists of:

- **Independent Chair** (not employed by nor holding any position in QMU or ELC)
- **Independent Non-Executive Directors** (ideally not employed by nor holding roles within QMU or ELC)
- **Hub Chief Executive**
- Additional independent directors appointed based on required skills, experience, and sector knowledge
- **Commercial Advisor** (appointed as needed for expert guidance)
- **Non-Voting Observers** appointed by the JV partners to ensure communication with and representation of the views of the JV partners.

4. Role of the Independent Chair

The Independent Chair:

- Provides impartial leadership and ensures effective governance.
- Leads the Board in establishing purpose, values, and strategy, aligned with the JV Board and Joint Venture Agreement.
- Ensures conflicts of interest are identified, managed, and documented.
- Builds an effective, commercially focused Board with the skills needed to support long-term sustainability.
- Supports, challenges, and holds the Hub Chief Executive to account.
- Ensures clarity of purpose and alignment with the expectations of QMU and ELC as shareholders.
- Oversees Board recruitment and ensures appropriate skills and experience are represented.

5. Meetings

5.1 Frequency

- The Strategy Board meets **quarterly**.
- Additional meetings may be called by the Chair as required.

5.2 Quorum

- A quorum requires at least **three independent non-exec directors** plus the Chair (or vice-chair).

5.3 Secretariat

- Administrative support for agendas, papers, minutes, and action tracking will be provided by the Hub Chief Executive's office.

6. Decision-Making

- Decisions are made by consensus where possible.
- Where consensus cannot be reached, decisions may be made by a simple majority of voting members.
- Each organisation (QMU and ELC) hold observational roles, and decisions can be passed up to the JV Board for consensus.

The Board operates in the interests of the Hub as a whole, not individual partner priorities.

7. Reporting and Accountability

- The Strategy Board reports jointly to QMU and ELC through their established governance structures.
 - The Hub Chief Executive is accountable to the Strategy Board and provides quarterly performance, financial, and risk reports.
 - The Operations Group reports upward to the Board through the Hub Chief Executive.
-

8. Relationship with the Operations Group

The Strategy Board:

- Sets the strategic direction that guides the Operations Group.
- Receives operational performance updates via the Hub Chief Executive.
- Does not intervene in day-to-day operational matters, which are delegated to the Hub Chief Executive and Operations Manager.

The Operations Group provides operational oversight, problem-solving, and implementation support.

9. Board Member Responsibilities

Board members are expected to:

- Act in the best interests of the Hub.
 - Demonstrate high standards of integrity, confidentiality, and professionalism.
 - Attend all meetings where possible and review papers in advance.
 - Declare any conflicts of interest.
 - Contribute constructively to discussions and decision-making.
-

10. Skills, Experience, and Attributes

Collectively, the Board should demonstrate strength across:

- Strategic leadership and planning
- Financial oversight and budgeting
- Governance and compliance
- Innovation, entrepreneurship, or commercialisation
- Higher education and public sector experience
- Economic development and regional growth
- Partnership and stakeholder management
- Risk and performance management

Chair-specific attributes:

- Strong governance and leadership capability
 - Excellent communication and facilitation skills
 - Ability to build consensus and manage differing interests
 - Independence, impartiality, and sound judgment
 - Experience in chairing boards or strategic committees
-

11. Review of Terms of Reference

These Terms of Reference will be reviewed every **two years**, or earlier if required due to structural, legislative, or strategic changes.

Appendix A: Governance Recommendations from the 2025 Governance Overview Assessment

The following recommendations from the *EIH Governance Overview Assessment Report v1.0 (2025)* inform the structure and functioning of the Hub OpCo Strategy Board:

Recommendation 1 - Establish Purpose, Values, and Strategy

The Board must work with the JV Board to define the Hub OpCo's purpose, values, and strategy to ensure alignment with the Joint Venture Agreement.

Recommendation 2 - Appointment of an Independent Chair and Independent Board Members

The Chair should be fully independent of QMU and ELC. Where possible, other non-executive directors should also be independent to avoid conflicts of interest.

Recommendation 3 - Define Skills, Experience, and Remuneration Framework

The JV Board, with input from the Hub Chief Executive and sector experts, should define required Board skills, experience, and remuneration, and agree a process for appointing Board members.

Recommendation 4 - Proceed with Recruitment of Operational Staff

Recruitment to support the Hub Chief Executive should continue under JV Board oversight until the Hub OpCo Board is established.

Recommendation 5 - Establish Executive Leadership and Liaison Arrangements

The Hub Chief Executive should set in place appropriate executive leadership structures and operational liaison arrangements, reviewed periodically with the Hub OpCo Board.

Recommendation 6 - Transition Employment to Hub OpCo and Retitle Hub Director

The Hub Director should be retitled **Hub Chief Executive**, and once feasible, employment for the Hub Chief Executive and team should transfer from QMU to the Hub OpCo.

Appendix B: Board Skills and Experience Matrix

The Strategy Board should collectively demonstrate the following capabilities. This matrix will guide Board recruitment and succession planning.

Skill / Experience Area	Description	Required on Board
Strategic Leadership	Experience setting organisational vision, mission, and long-term strategy	✓
Commercial Innovation Sector	Knowledge of scaling innovation hubs, commercialisation, and market dynamics	✓
Financial Management	Budgeting, forecasting, investment appraisal, oversight of financial controls	✓
Governance & Compliance	Understanding of corporate governance, regulatory obligations, and Companies Act duties	✓
Risk Management	Ability to identify, assess, and mitigate operational and strategic risks	✓
Higher Education Sector Insight	Understanding of university structures and collaboration (desirable but not required for all)	○
Public Sector/Economic Development	Exposure to local government processes and regional economic strategy	○
Stakeholder & Partnership Development	Experience building and managing complex strategic partnerships	✓
Innovation Ecosystem Expertise	Knowledge of life sciences, tech, or related innovation verticals	✓
Leadership of High-Growth Organisations	Experience supporting or scaling start-ups or innovation-driven organisations	✓
Chair-specific Skills	High-level facilitation, impartiality, conflict management, Board development	✓

Legend: ✓ = Essential | ○ = Beneficial/Optional

Appendix C: Summary for the JV Board

The following summarises the key governance updates for JV Board consideration:

- Adoption of an independent governance model for the Hub OpCo Board.
 - Clear alignment of strategy, values, and purpose with the JV Agreement.
 - Appointment of an Independent Chair and independent non-executive directors.
 - Clarification of the role and authority of the Hub Chief Executive.
 - Strengthened conflict-of-interest protections.
 - Introduction of a Board skills matrix to guide appointments and refresh processes.
 - Establishment of appendices to ensure transparency and traceability to assessment recommendations.
-

Prepared by: Marian McNeil, CEO, 14/11/2025

Approved by: [To be completed]

Date: [To be completed]



Hub Governance - Progress Report

Independent Chair & Board Member Recruitment Pack

Version: Draft v1.0

Prepared by: Marian McNeil

Date: 14/11/2025

1. Introduction

The Edinburgh Innovation Hub (EIH) is entering an exciting operational phase as a new centre for innovation, enterprise, and knowledge-based business growth for East Lothian and the wider Edinburgh City Region. To ensure strong, independent, and commercially focused governance, EIH is now recruiting an **Independent Chair** and **Independent Non-Executive Directors** to form the new Hub Operating Company (Hub OpCo) Board.

This pack provides:

- Background on the EIH and its governance structure
 - Roles and responsibilities of the Independent Chair and Independent Board Members
 - Person specifications
 - Recruitment process and remuneration guidance
 - Skills & experience framework
 - Time commitment expectations
-

2. About the Edinburgh Innovation Hub

The Edinburgh Innovation Hub is a joint venture between **Queen Margaret University (QMU)** and **East Lothian Council (ELC)**, created to establish and grow a new innovation cluster and support high-value business creation and growth. The Hub is part of the Edinburgh & South East Scotland City Region Deal and sits within the wider development of the Edinburgh Innovation Park.

The Hub OpCo is responsible for:

- Facilitating innovation-led business growth

- Managing commercial operations of the Hub
- Delivering specialist business support services
- Driving regional economic development
- Coordinating with public, private, and academic partners

The Hub is led by the **Hub Chief Executive**, who reports directly to the Hub OpCo Board.

3. Governance Structure

The Hub OpCo Board is accountable to the Joint Venture (JV) Board, which comprises QMU and ELC leadership. The new governance arrangements require:

- An **independent Chair**, not employed by or holding a position in QMU or ELC
- A Board comprising a majority of **independent Non-Executive Directors**
- Strong skills in innovation, commercial operations, governance, and finance

The Board provides strategic oversight, commercial direction, and governance alignment with the Joint Venture Agreement.

4. Role: Independent Chair of the Hub OpCo Board

4.1 Purpose of the Role

The Independent Chair will lead the Hub OpCo Board, ensuring effective governance, strategic clarity, and strong commercial oversight. They will act as an impartial custodian of the organisation's purpose, values, and long-term objectives.

4.2 Key Responsibilities

The Chair will:

- Provide independent and strategic leadership to the Hub OpCo Board
- Ensure the Board sets and upholds purpose, values, and long-term strategy in partnership with the JV Board
- Lead on identifying and managing conflicts of interest
- Build a high-performing, commercially focused Board
- Support and hold the Hub Chief Executive to account
- Ensure effective and timely decision-making
- Oversee Board recruitment, succession, and evaluations

- Represent the Hub externally with credibility and neutrality

4.3 Person Specification: Independent Chair

Essential Experience & Skills

- Proven track record chairing strategic boards or equivalent senior governance roles
- Experience leading complex or commercially focused organisations
- Strong understanding of innovation ecosystems, commercialisation, or R&D-intensive sectors
- Strong strategic and financial acumen
- High degree of independence, judgement, and impartiality

Desirable

- Knowledge of the public sector, higher education, or economic development landscapes
- Experience working with joint ventures or multi-agency partnerships

Attributes

- Exceptional communication and facilitation skills
- Ability to manage competing priorities and perspectives
- Integrity, discretion, and a commitment to good governance

5. Role: Independent Non-Executive Director(s)

5.1 Purpose of the Role

Independent Non-Executive Directors (NEDs) will bring commercial, strategic, technical, and governance expertise to support the leadership and oversight of the Hub.

5.2 Key Responsibilities

NEDs will:

- Provide strategic guidance and constructive challenge
- Support the Hub Chief Executive through expertise and networks
- Oversee financial and operational performance
- Ensure alignment with the Joint Venture Agreement and shareholder expectations

- Promote good governance, transparency, and accountability
- Act as ambassadors for the Hub's mission and values

5.3 Person Specification: Independent NED

Essential Experience & Skills

At least one of the following:

- Innovation sector leadership (e.g., life sciences, tech, digital)
- Commercial operations or business scaling experience
- Financial governance / senior financial management
- Economic development or cluster development experience
- Risk, audit, or corporate governance expertise

Attributes

- Independent judgement
 - Strategic mindset
 - Collaborative and constructive approach
 - High ethical standards
-

6. Board Skills & Experience Framework

Board appointments will be guided by the following priority skill areas:

- Strategic leadership & organisational development
- Financial oversight and risk management
- Innovation sector commercial experience
- Higher education and/or public sector insights
- Stakeholder engagement and partnership development
- Knowledge of start-ups, scaling businesses, or cluster development
- Governance and compliance

Collectively, the Board must demonstrate these capabilities.

7. Time Commitment

Independent Chair

- Approximately **20-25 days per year**
- Quarterly Board meetings
- Monthly Chair-Chief Executive meetings
- Additional time for recruitment, Board development, or urgent decisions

Independent NEDs

- Approximately **10-12 days per year**
- Quarterly Board meetings
- Occasional sub-group or advisory meetings

Time commitments may increase during the first operational year.

8. Remuneration

A benchmarking exercise is being completed. Indicative ranges:

- **Independent Chair:** £12,000-£18,000 per annum
- **Independent NEDs:** £4,000 -£6,000 per annum

Final remuneration will be approved by the JV Board.

9. Appointment Process

Stage 1 – Approval

JV Board approves:

- Role descriptions
- Skills requirements
- Remuneration framework

Stage 2 – Recruitment

- Public advertisement and targeted search
- Longlist and shortlisting against skills matrix
- Interviews conducted by a panel including JV Board representation

Stage 3 – Appointment

- JV Board formally appoints successful candidates to the Hub OpCo Board
 - Induction programme delivered by Hub Chief Executive and JV Board
-

10. How to Apply

Applicants will be invited to submit:

- CV (maximum 3 pages)
- Cover letter outlining suitability and motivation
- Declaration of interests

Applications will be reviewed as part of a competitive and transparent process.

11. Contact Information

For questions or an informal discussion, please contact:

[Name] - Hub Chief Executive

[Email] - MMcNeil@edinburghihub.com

[Phone]

12. Appendix: About the Joint Venture

The Hub OpCo sits within a wider joint venture structure controlled by QMU and ELC. The JV Board provides oversight of:

- Strategic alignment with regional development ambitions
- Governance and financial frameworks
- Long-term sustainability of the Edinburgh Innovation Park

The Hub OpCo operates as a commercial entity within this framework, with delegated authority to deliver operational success.

End of Recruitment Pack



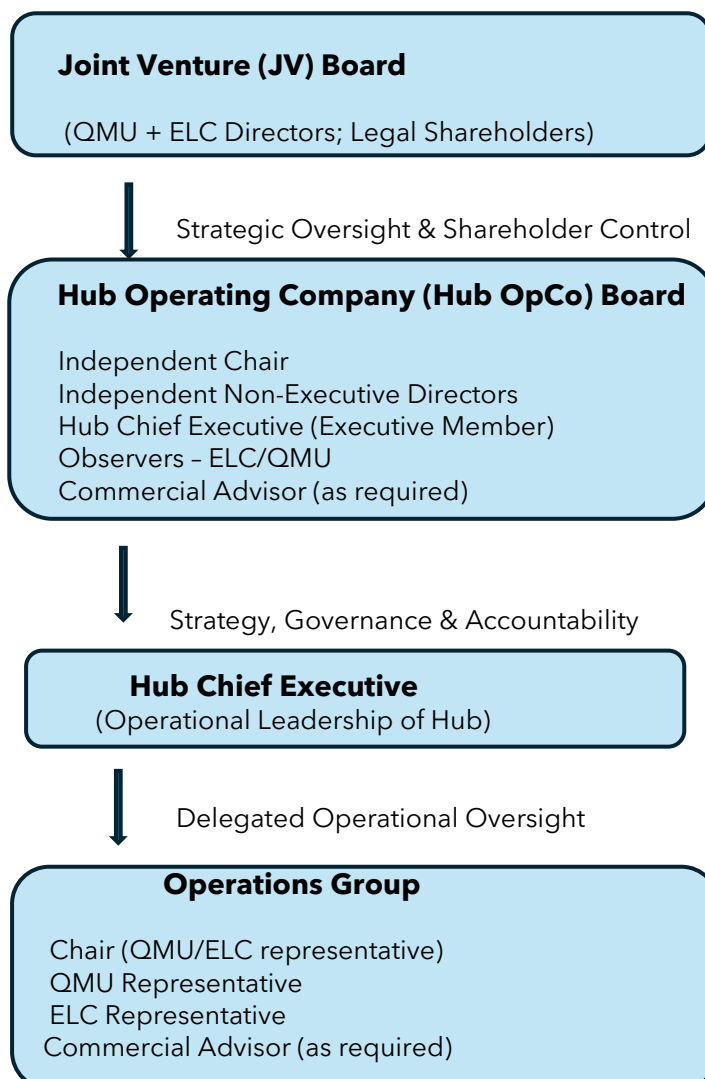
Hub Governance - Progress Report

Annex 3

Governance Flow Diagram

Below is a structured visual representation (text-based diagram) of the governance, reporting, and operating model for the Edinburgh Innovation Hub (EIH). This diagram aligns with the updated Terms of Reference and the 2025 Governance Overview Assessment recommendations.

1. High-Level Governance Structure



↓ Operational Reporting & Issues Escalation

Hub Operations Team
Operations Manager
Facilities Management
Finance / Admin / Marketing

2. Reporting Flows

2.1 Upward Reporting

- **Operations Team** → **Operations Group** (weekly → monthly)
- **Operations Group** → **Hub OpCo Board** (quarterly)
- **Hub OpCo Board** → **JV Board** (strategic updates, risks, performance)

2.2 Downward Direction

- **JV Board** → **Hub OpCo Board**: strategic alignment, compliance with JVA
- **Hub OpCo Board** → **Hub Chief Executive**: strategy, governance, KPIs
- **Hub Chief Executive** → **Operations Team**: operational direction

3. Decision-Making Hierarchy

JV Board

- ↳ Controls shareholder-reserved matters under JVA
- ↳ Approves major changes to strategy, structure, finance

Hub OpCo Board

- ↳ Approves annual strategy, KPIs, budgets
- ↳ Appoints & evaluates Chief Executive

Hub Chief Executive

- ↳ Leads operational and commercial delivery
- ↳ Manages staff and service contracts

Operations Group

- ↳ Provides operational oversight & rapid decision-making support
- ↳ Approves leases and operational adjustments (within delegation)

4. Independent Oversight & Conflict Management

- Independent Chair ensures impartial leadership and separation from shareholder interests.
- Independent NEDs reduce risk of conflict with QMU or ELC.

- JV Board remains the ultimate guardian of the Joint Venture Agreement.
-

5. Summary of Operating Model

- **Strategic Governance:** Hub OpCo Board
- **Shareholder Control:** JV Board
- **Executive Leadership:** Hub Chief Executive
- **Operational Oversight:** Operations Group
- **Operational Delivery:** Hub Operations Team

This model ensures a clear separation between **governance** and **operations**, supports commercial responsiveness, and maintains alignment with shareholder expectations.
