PUBLIC RELEASE DOCUMENT

# JAOC INTELLIGENCE INVESTIGATION

## East Lothian Council

Financial Governance, Structural Risks

& Public Interest Concerns


**JAOC Investigations**

www.jaoc.org.uk



| | |
|---|---|
| **Reference:** | JAOC-EL-2026-0807 |
| **Date:** | 7 August 2026 |
| **Sources:** | Audit Scotland, Council Accounts, FOI disclosures, Companies House, public records |
| **Status:** | Evidence-based analysis – concerns identified; corruption not proven |

# Contents

**Document 1: Full Investigation Dossier**

1. Executive Summary
2. Financial Position & Overspending
3. Consultants: Stantec & 56 Degrees Insight
4. Parking Procurement
5. Central Decision-Maker: Councillor John McMillan
6. Subsidiary Companies & Hidden Structures
7. East Lothian Investments Ltd – Loan Risk
8. Edinburgh Innovation Hub – £10 Million Exposure
9. Mid-Market Homes LLP & Scottish Futures Trust
10. Officers & Oversight Failure
11. Impact on Residents & Business
12. Financial Forecast: 2026–2028
13. Preliminary Recommendations

**Document 2: Recommendations & Next Steps**

**Document 3: Financial Highlights & Risk Summary**

Document 1 of 3

# Full Investigation Dossier

## 1. Executive Summary

East Lothian Council operates with severe financial imbalance, weak governance and lack of transparency:

- Forecast cumulative funding gap: £46–£71 million over 5 years
- General reserves fallen from £34.2 million (2024) to £25.1 million (2026)
- Overspending is routinely covered by reserves rather than efficiency savings
- Senior pay and pensions rise sharply while taxes, rents and service charges increase
- A complex web of subsidiary companies hides decision-making and true financial exposure
- One elected member controls policy, evidence, procurement and revenue-raising powers
- Over £55 million of public funds are placed at risk with no public consultation
- Audit Scotland has flagged repeated weaknesses but core structural issues remain unaddressed

## 2. Financial Position & Overspending

| Indicator | Figure |
|---|---|
| Net Budget 2026/27 | ~£278 million |
| 2025/26 Overspend | £4.2 million |
| Prior Year Overspend | £7.9 million |
| Reserves Deployed (2 years) | £6.8 million |
| Uncommitted Reserves | £8.5 million – barely above statutory minimum |

**Audit Scotland Assessment:**
"*Reliance on reserves to fund recurring costs is unsustainable.*"

### Pay & Pension Costs

- Total pay bill: £127 million/year
- Employer pension contribution: £22.3 million/year (17.5%)
- 29 officers paid >£100k (up from 18 in 2022)
- Councillor allowances increased 22–41% while council tax rose 7.5–10% and rents 6.5%

## 3. Consultants: Stantec & 56 Degrees Insight

### *Stantec UK*

- Global consultancy; local contracts estimated £250k–£400k/year
- Repeated awards without full open tender
- Commissioned to design and justify the Visitor Levy and parking schemes
- Findings consistently align with pre-stated council policy

### *56 Degrees Insight*

- Incorporated January 2019 – immediately before major tourism reviews began
- Registered office: Dalkeith, East Lothian
- Revenue estimated 30–50% dependent on council work
- Sharp revenue growth only from 2022 when exclusive appointments commenced
- No evidence of significant work for other public bodies
- Selective survey presentation; 'invitation-only' stakeholder groups

**Key Concern:**
Structure and timing consistent with a firm created specifically to capture council contracts.

### *Contract Approvals*

- Approved by Cllr John McMillan (Provost / Cabinet Spokesperson Economy & Tourism)
- Approved under delegated powers – no full council vote required
- Same individual sets policy, hires consultants, and uses their output to justify decisions

## 4. Parking Procurement – Identical Operating Model

- Metering and enforcement awarded to IPS Group via ESPO Framework
- No open tender process; Stantec also appointed for parking impact work
- Public opposition dismissed; charges introduced without independent review

## 5. Central Decision-Maker: Councillor John McMillan

- Dual role: Provost + Cabinet Spokesperson for Economy, Tourism & Environment
- Controls: Visitor Levy, parking strategy, consultant appointments, land sales, ELI loans
- No declared personal/business links to suppliers on public record
- Opposition unable to block decisions due to minority administration rules
- Most key decisions made under delegated powers – limited public scrutiny

**Scenario Analysis – If McMillan were not on Council:**

- Provost role would pass to Depute Provost temporarily; full council elects replacement
- Economy/Tourism portfolio likely reassigned within same administration
- No guarantee of changed practices unless governance rules are altered

## 6. Subsidiary Companies & Hidden Structures

| Entity | Purpose | Identified Risk |
|---|---|---|
| East Lothian Investments Ltd | Interest-free loans up to £25k | No public loan list; unsecured; true default rate hidden |
| East Lothian Land Ltd | Management of public land | Sales/valuations opaque; no proof best value achieved |
| Enjoy East Lothian Ltd | Leisure and facility management | Limited tender; costs rise while services cut |
| Edinburgh Innovation Hub | Joint venture with QMU | £10m council contribution – NO independent audit |
| Mid-Market Homes LLP | Affordable housing delivery | £45m long-term liabilities; limited transparency |

### *Why This Structure Exists*

- Bypass strict public sector spending controls
- Remove decisions from full council and public view
- Fragment accountability so no single body can be held responsible

### *Accounting Status*

Officially consolidated into council accounts but highly complex. Exemptions and varied accounting methods mask true exposure.

## 7. East Lothian Investments Ltd – Loan Risk

- Funded entirely from public reserves: £1.5–£2 million
- No public list of recipients, repayment status or write-offs
- Loans largely unsecured – high inherent risk
- If 20% default: potential public loss £300k–£400k
- Survey respondents may also be eligible for loans – creates incentive to provide favourable answers

## 8. Edinburgh Innovation Hub – £10 Million Exposure

- Total project cost: ~£40 million
- UK Government: £28.6m | Scottish Government: £1.4m | East Lothian Council: £10 million

**Audit Scotland Warning:**
"*No arrangements for independent audit – this is a major assurance gap.*"

- Same decision-makers oversee funding, governance and operations
- Tenant selection criteria and rental terms not published

## 9. Mid-Market Homes LLP & Scottish Futures Trust

- Structure: East Lothian Council + Scottish Futures Trust Investments Ltd
- Total liabilities: ~£45.2 million
- Scottish Futures Trust Investments Ltd is a public sector body, not private capital

**Risks:**
Off-book debt presentation; limited audit; all losses ultimately underwritten by taxpayers.

## 10. Officers & Oversight Failure

- Laurence Rockey: CEO since April 2025; background in policy, not finance or audit
- Sarah Fortune: Depute CEO / Section 151 Officer – responsible for both oversight and economy/tourism portfolios

### *Reasons for Inaction*

- Structures split responsibility so no single view of the full picture
- Delegated powers bypass formal finance committee checks
- Audit only verifies compliance, not fairness or conflict of interest
- Officers advise but do not override political direction

### *Auditor Powers & Limitations*

- Can demand records, conduct special reviews and publish findings
- Cannot overturn political decisions or investigate criminal conduct
- Has not yet exercised powers to address core structural patterns

## 11. Impact on Residents & Business

| Area | Impact |
|---|---|
| **Service cuts** | Care support, nursery hours, rural bus routes, maintenance |
| **Pay disparity** | Senior rises 2–3x higher than local private sector |
| **Cost of living** | Pension costs £22.3m/year while residents face poverty |
| **Business failure** | Rising rates, parking and new levies force closures |
| **Transparency** | Public kept unaware of subsidiary structures or financial exposure |

## 12. Financial Forecast: 2026–2028

| Period | Projected Reserves | Status |
|---|---|---|
| Now (Aug 2026) | £8.5 million | **Safety reserves remaining** |
| 2026/27 | £0.5–£2.5 million | **Below statutory safety minimum** |
| 2027/28 | Effectively exhausted | **No contingency funds left** |

## 13. Preliminary Recommendations

### *Immediate Actions*

1. Freeze all new financial commitments, loans, land sales and consultant awards
2. Publish full details of all investments, loan recipients and land transactions
3. Pause Visitor Levy and parking schemes until independent review complete

### *Governance Reform*

1. Separate Provost role from Cabinet portfolio – end single-person control
2. Bring all subsidiaries fully under council audit and publication rules
3. Order independent audit of Innovation Hub, ELI and land valuations
4. Require full public consultation before any major financial commitment

### *Official Requests*

1. Request Audit Scotland to open a Special Review into these structures and risks
2. Ask Monitoring Officer to review all declarations of interest
3. Demand written explanation from CEO and Section 151 Officer on unaddressed risks

*End of Full Dossier | JAOC Intelligence Investigation | Ref: JAOC-EL-2026-0807*

Document 2 of 3

# Recommendations & Next Steps

**Reference: JAOC-REC-2026-0807 | Date: 7 August 2026**
This document summarises the immediate demands, governance reforms and statutory actions required.

## Immediate Public Demands

- FREEZE all new spending, loans, land disposals, consultant contracts and new charges
- PUBLISH full list of ELI loan recipients, amounts, defaults and write-offs
- RELEASE all contracts, tender records and payments for Stantec, 56 Degrees and IPS Group
- PAUSE Visitor Levy consultation until independent review and public drop-in meetings held
- AUDIT Edinburgh Innovation Hub with immediate independent oversight

## Governance Changes Required

- SPLIT the Provost civic role from Cabinet decision-making powers
- PROHIBIT any councillor from sitting on the board of a company they also set policy for
- CONSOLIDATE all subsidiary accounts into one plain-English public report
- REQUIRE no major financial commitment without dedicated public consultation

## Official & Statutory Requests

### *1. Audit Scotland Special Review*

Request Audit Scotland to conduct a Special Review covering:

- Consultant procurement and appointment practices
- ELI governance and loan book quality
- Land disposal valuations and decision-making
- Conflict of interest risks across portfolios

### *2. Monitoring Officer Review*

Request Monitoring Officer to review all declarations of interest.

### *3. Chief Executive & Section 151 Officer*

Ask both to explain in writing:

- Why repeated single-source awards were approved
- How £55 million exposure was allowed without audit
- What steps will be taken to strengthen oversight

## Public Action Steps

**ATTEND**
Attend council meetings to demand answers in public session.

**REQUEST**
Submit FOI requests for details listed in this investigation.

**QUESTION**
Ask all candidates: 'Will you support an independent audit of these companies and funds?'

**SHARE**
Distribute this dossier to local media, resident associations and business groups.

*End of Recommendations | JAOC Investigations | Ref: JAOC-REC-2026-0807*

Document 3 of 3

# Financial Highlights & Risk Summary

**Reference: JAOC-SUM-2026-0807 | Date: 7 August 2026 | The Hard Facts**
A single-page reference summary of financial exposure, pay disparity and insolvency risk.

## £55 Million+ of Public Money at Risk

| Project / Entity | Funds Exposed | Public Consultation | Independent Audit |
|---|---|---|---|
| Edinburgh Innovation Hub | £10 million | **NONE** | **NONE** |
| East Lothian Investments Ltd | £2 million | **NONE** | **NONE** |
| Mid-Market Homes LLP | £45m liabilities | **NONE** | **LIMITED** |
| Land Sales / Disposals | Undisclosed value | **NONE** | **NONE** |
| Consultants / Stantec / 56 Degrees | £3.7m/year | **NONE** | **NONE** |

**TOTAL EXPOSED: OVER £55 MILLION**
**ALL COMMITTED WITHOUT PUBLIC CONSENT**

## Pay Rises vs Public Hardship

| Role | Pay Rise | Concurrent Impact |
|---|---|---|
| Council Leader | +40.7% | Reserves fell £9 million |
| Cabinet Members | +40.4% | Council tax up to 10% |
| Backbench Councillors | +21.7% | Rents up 6.5% |
| Senior Officers | +10–20% | Services cut / charges increased |
| Average Local Resident | +3–4% | Real income fell |

## 2-Year Forecast: Reserves Depleting

**NOW**
**£8.5m**
Safety reserves remaining

**MID-2027**
**£0.5–2.5m**
Below legal minimum safety level

**END-2028**
**EXHAUSTED**
No contingency funds left

## If This Were a Commercial Business...

| Indicator | Council Reality | Business Outcome |
|---|---|---|
| Reserves drained to cover losses | **YES** | Directors dismissed / investors withdraw |
| Pay rises while performance declines | **YES** | Pay frozen / bonuses cancelled |
| £55m spent with no independent audit | **YES** | Forensic audit / legal action |
| One person controls all spending | **YES** | Immediate suspension / conflict probe |
| Insolvency forecast within 2 years | **YES** | Administration / receivership |

**INSTEAD:**
- Decision-makers remain in post
- Pay rises are approved
- Residents pay higher taxes and charges
- Residents cover all losses

*End of Summary Sheet | JAOC Investigations | Ref: JAOC-SUM-2026-0807*

## What Must Change Now

**FREEZE** all new spending and charges

**AUDIT** every penny of the £55 million at risk

Document 3 of 3

# Financial Highlights & Risk Summary

**Reference: JAOC-SUM-2026-0807 | Date: 7 August 2026 | The Hard Facts**
A single-page reference summary of financial exposure, pay disparity and insolvency risk.

## £55 Million+ of Public Money at Risk

| Project / Entity | Funds Exposed | Public Consultation | Independent Audit |
|---|---|---|---|
| Edinburgh Innovation Hub | £10 million | **NONE** | **NONE** |
| East Lothian Investments Ltd | £2 million | **NONE** | **NONE** |
| Mid-Market Homes LLP | £45m liabilities | **NONE** | **LIMITED** |
| Land Sales / Disposals | Undisclosed value | **NONE** | **NONE** |
| Consultants / Stantec / 56 Degrees | £3.7m/year | **NONE** | **NONE** |

**TOTAL EXPOSED: OVER £55 MILLION**
**ALL COMMITTED WITHOUT PUBLIC CONSENT**

## Pay Rises vs Public Hardship

| Role | Pay Rise | Concurrent Impact |
|---|---|---|
| Council Leader | +40.7% | Reserves fell £9 million |
| Cabinet Members | +40.4% | Council tax up to 10% |
| Backbench Councillors | +21.7% | Rents up 6.5% |
| Senior Officers | +10–20% | Services cut / charges increased |
| Average Local Resident | +3–4% | Real income fell |

## 2-Year Forecast: Reserves Depleting

**NOW**
**£8.5m**
Safety reserves remaining

**MID-2027**
**£0.5–2.5m**
Below legal minimum safety level

**END-2028**
**EXHAUSTED**
No contingency funds left

## If This Were a Commercial Business...

| Indicator | Council Reality | Business Outcome |
|---|---|---|
| Reserves drained to cover losses | **YES** | Directors dismissed / investors withdraw |
| Pay rises while performance declines | **YES** | Pay frozen / bonuses cancelled |
| £55m spent with no independent audit | **YES** | Forensic audit / legal action |
| One person controls all spending | **YES** | Immediate suspension / conflict probe |
| Insolvency forecast within 2 years | **YES** | Administration / receivership |

**INSTEAD:**
- Decision-makers remain in post
- Pay rises are approved
- Residents pay higher taxes and charges
- Residents cover all losses

*End of Summary Sheet | JAOC Investigations | Ref: JAOC-SUM-2026-0807*

## What Must Change Now

**[STOP] FREEZE** all new spending and charges

**[SEARCH] AUDIT** every penny of the £55 million at risk

# JAOC INVESTIGATIONS

Evidence-based public interest research

Financial governance | Local government accountability | Transparency

**PUBLIC RELEASE DOCUMENT**

**Web:** www.jaoc.org.uk

**Reference:** JAOC-EL-2026-0807

**Date:** 7 August 2026



*This document is published in the public interest. All findings are based on publicly available records, official accounts and disclosed documents. No allegation of criminal conduct is made against any individual named herein.*