

10.00am, Thursday, 5 February 2015

## Best Value (2) Audit Report 2014

<b>Item number</b>	8.4
<b>Report number</b>	
<b>Executive/routine</b>	
<b>Wards</b>	All

### Executive summary

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Since the establishment of Best Value in 2003, there have been two City of Edinburgh Council audits. The first Best Value Audit report was published in February 2007, followed by a second report in May 2013. The Accounts Commission at that time requested a progress update to be provided within 18 months. This was presented to the Account Commission in December 2014.

This report provides a summary of findings and recommendations for action from that Best Value follow up audit report. It also includes an improvement monitoring schedule which will be regularly scrutinised by the Corporate Management Team and Audit Scotland on the Account's Commission behalf.

### Links

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<b>Coalition pledges</b>	All
<b>Council outcomes</b>	All
<b>Single Outcome Agreement</b>	All

## Best Value (2) Audit Report 2014

### Recommendations

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- 1.1 The City of Edinburgh is asked to:
  - 1.1.1 note the findings from the above report;
  - 1.1.2 note that Audit Scotland will scrutinise the Council's outcomes of the improvement monitoring schedule in December 2015 and may decide to carry out a further audit; and
  - 1.1.3 refer this committee report and the improvement monitoring schedule to the Corporate Management Team and Governance, Risk and Best Value Committee for further scrutiny and information.

### Background

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- 2.1 The Local Government in Scotland Act 2003 introduced the statutory duty of Best Value. In response, the Accounts Commission began the audit of Best Value and Community Planning which are:
  - 2.1.1 based on findings from other local government inspectorates that form the Local Area Network (LAN);
  - 2.1.2 focused on the risks identified by the LAN and issues faced by individual Councils; and
  - 2.1.3 designed to provide a more rounded view of how well the Council is working with partner organisations, such as health, police and voluntary organisations to make improvements for local communities.
- 2.2 The first Best Value Audit report on the City of Edinburgh Council was published in February 2007. The second Best Value report was published on 30 May 2013.
- 2.3 Audit Scotland carried out a follow up audit in the summer of 2014 to track progress on key issues and areas for improvement. Key areas included:
  - 2.3.1 the Council's challenging financial position and the capacity to achieve the planned overall level of savings;
  - 2.3.2 issues that challenged public confidence such as the trams project and statutory repairs;
  - 2.3.3 ensuring that effective risk management and internal audit arrangements were in place;

- 2.3.4 developing a workforce strategy and improving ICT further to help improve services and deliver savings; and
  - 2.3.5 improving a range of services including adult social work, waste management and meeting housing need.
- 2.4 This report was considered by the Accounts Commission in December 2014 and additional recommendations were made.

## Main Report

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- 3.1 The progress report notes Edinburgh's constructive response to the Best Value report and highlights a number of achievements and improvements.
- 3.1.1 Progress has been made in governance and risk management and in achieving projected savings for 2013/14.
  - 3.1.2 Good progress has been made bedding in the changes to governance including a strong contribution to scrutiny and a well established Governance, Risk and Best Value Committee.
  - 3.1.3 The Council has improved risk management and internal audit, and there is an effective oversight of major projects through the Corporate Programmes Office.
  - 3.1.4 The Council has improved services highlighted in the Accounts Commission's findings on the 2013 Best Value report specifically adult social work services and waste management.
  - 3.1.5 The report recognised significant improvement in ICT.
- 3.2 The progress report also highlights where improvement has been slower than anticipated and states that:
- 3.2.1 like other councils in Scotland, it continues to face significant challenges to meet increasing demand for services while delivering the savings it needs to make;
  - 3.2.2 the Council still need to develop a comprehensive workforce strategy. While limited progress has been made this issue has been outstanding since the first publication in 2007;
  - 3.2.3 further high profile challenges impacting on the Council's public reputation have emerged during the audit period such as Mortonhall Crematorium, Liberton High and statutory repairs service.
- There are further specific areas which require addressing such as:
- 3.2.4 delivering a strong approach for transformational change of the BOLD programmes to ensure efficient and effective service delivery;
  - 3.2.5 providing a clear and accessible information to elected members to support their decision making and scrutiny;

- 3.2.6 enhancing corporate working between staff, elected members and Corporate Management Team and enable consistent and effective staff engagement; and
- 3.2.7 further improvements to ICT arrangements ensuring the organisation is fit for purpose following the establishment of the new ICT contract in 2016.
- 3.3 Since the report was published the Council has adopted a number of measures in recognition of the Account's Commission concerns, for example strengthening the governance of the BOLD Programme. The BOLD Programme Steering Group has been established and includes the Director of Corporate Governance as chair and the Head of Finance. This group will provide strong leadership and strategic direction to the transformation programme. An independent consultant will be appointed to support delivery and ensure objective challenge and scrutiny.
- 3.4 The Council has developed an improvement monitoring schedule to monitor progress on the best value actions which includes key quality assurance activities and milestones anticipated by the Council during that period. This improvement schedule will be aligned to the Council's Assurance and Improvement Plan which will be published in April 2015. Both documents will be scrutinised by the Corporate Management Team and the Council Leader on a monthly basis and by Audit Scotland throughout the year. A decision will be made in December 2015 if a further audit will be carried out.
- 3.5 It is recognised that to deliver this level of transformational change a significant commitment will be required from elected members, senior officers and staff.

## Measures of success

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- 4.1 The Accounts Commission acknowledged a range of improvements since the last Best Value audit and the report states that the Commission welcomes improving performance in partnership working, both at a political level within the council and with community planning partners; economic development; children's services; and aspects of reducing inequalities.
- 4.2 Progress will be measured by the improvement monitoring schedule which will enable effective, transparent and joined up monitoring of key improvement actions during the year and will facilitate follow up reporting when Audit Scotland returns to review progress in late 2015.

## Financial impact

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- 5.1 No financial impact is contained within the Best Value follow up report. All improvements implemented should lead to greater efficiencies and value for money.

## Risk, policy, compliance and governance impact

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6.1 No risk, policy, compliance and governance impact is noted within the Best Value report.

## Equalities impact

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7.1 No equalities impact is noted within the Best Value report.

## Sustainability impact

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8.1 No sustainability impact is noted within the Best Value report.

## Consultation and engagement

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- 9.1 Key stakeholders have been consulted and interviewed through the Best Value audit including:
- Elected Members;
  - Corporate Management Team; and
  - Managers and Staff.

## Background reading / external references

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[The City of Edinburgh Council Best Value Report May 2013](#)

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## Links

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<b>Coalition pledges</b>	All
<b>Council outcomes</b>	All
<b>Single Outcome Agreement</b>	All
<b>Appendices</b>	Appendix 1 - The City of Edinburgh Council Best Value Audit Report 2014, Appendix 2 - Best Value 2015 Improvement Monitoring Schedule

# **The City of Edinburgh Council**

## **Best Value Audit Report**

### **2014**

Prepared for the Accounts Commission by the Controller of Audit  
November 2014

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.

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# Introduction

1. In May 2013, the Controller of Audit presented a report to the Accounts Commission on the City of Edinburgh Council's performance of its statutory duty to secure Best Value. This was under section 102(1)(c) of the Local Government (Scotland) Act 1973. The Commission made findings on the report; the Controller's report and the Commission's findings were published on 30 May 2013.
2. Appendix 1 details the Commission's 2013 findings. The Commission recognised that the council had demonstrated a good understanding of the challenges it had faced and the need to restore public confidence. This had been damaged in light of high-profile issues such as the trams project and problems in the council's statutory repairs service.
3. The Accounts Commission expressed concerns about the scale of the challenges the council faced, including:
  - Reducing its spending to balance its long-term budgets. There were risks in whether the council could achieve its planned savings and in how much it was relying on the level of savings it expected to make from procurement (buying good and services).
  - Ensuring it had effective risk management and internal audit arrangements.
  - Developing a comprehensive workforce strategy to ensure it had the capacity and skills to deliver its ambitious improvement and change programme, and embedding the commitment of all staff to the need for change.
  - Improving its information and communications technology (ICT).
  - Improving a range of services including adult social work, waste management, and meeting housing need.
4. The Commission asked the Controller of Audit for a further report after around 18 months, to allow the Commission to review the council's progress in implementing actions and maintaining improvements. This audit report responds to the Commission's request.

## The audit

5. The audit reviewed the council's progress over the 15 months between the publication of the previous report in May 2013, and August 2014. Audit work took place from June to August 2014 and this report reflects the position at that time, although we also took account of relevant developments up to October 2014.
6. In addition to reviewing and analysing key documents, the audit team interviewed:
  - the council's Leader and Deputy Leader
  - the Convener of the council's Governance, Risk and Best Value Committee
  - the Convener and Vice-Convener of the council's Finance and Resources Committee.

The team also interviewed the Chief Executive and the other members of the Corporate Management Team, managers from across the council's service areas, and trade union representatives. The team observed council committee meetings, attended a 'Pride in our People' event, and held two focus groups with council staff, one with a group of middle managers and the other with front-line staff.

7. I gratefully acknowledge the cooperation and assistance provided to the audit team by the Chief Executive, Sue Bruce, the Leader of the council, Councillor Andrew Burns, as well as the other councillors and staff who met with members of my team as part of the audit.

# Summary

## Overall conclusions

**In May 2013, the Accounts Commission concluded that the City of Edinburgh Council's financial position was particularly challenging. At that time the council reported that, assuming it achieved all planned savings, it still needed to find additional savings of £17 million to balance its budget in 2017/18. Since then, the financial challenges facing the council have increased significantly, with recent council reports now showing that the additional savings it needs to find in each of the next three years have increased, rising to £67 million in 2017/18.**

**The council's financial position requires significant changes in the council's operations over a relatively short period if it is to achieve a balanced budget in 2017/18. The council plans to generate a significant proportion of these additional savings from its new transformation programme (known as BOLD) and from improved arrangements for buying goods and services. It is too early to assess the effectiveness of these initiatives.**

**Dealing with long-running problems in the statutory repairs service and more recent issues, such as concerns about practices at Mortonhall crematorium, have absorbed significant amounts of senior managers' time. The council needs to ensure it has sufficient capacity to deal with problems as they emerge while increasing the pace of improvement and change.**

**The council has made good progress in developing its approach to scrutiny and risk management. The Governance, Risk and Best Value Committee provides effective scrutiny of the council's operations and performance. The council has also improved risk management, internal audit and the oversight of major projects. It needs to maintain this progress and ensure these changes are firmly in place across the organisation, to help identify risks earlier and to support improvement.**

**The council has still to develop a comprehensive workforce strategy, despite this being a key building block in ensuring it has the capacity and skills to address the challenges it faces. The council has improved its ICT arrangements and acknowledges the need to make further progress in this crucial area, to help improve services and achieve savings.**

**The council has improved those services highlighted in the Accounts Commission's findings on the 2013 Best Value report. However, it continues to face significant challenges to meet increasing demand for services while delivering the savings it needs to make.**

- 8.** In its findings on the 2013 Best Value report, the Accounts Commission urged the council to give absolute priority to ensuring that savings identified were both achievable and delivered. While the council has continued to manage its day-to-day finances well, it needs to deliver savings of around £37 million (around four per cent of its £950 million net annual spend) to balance its budget in 2014/15. While other councils also have to achieve savings, the City of Edinburgh Council faces particularly significant challenges to achieve the savings required over the next three years. Since May 2013, when we last reported, the council has revised its financial plans. The revised plans show that, assuming it achieves the savings identified in the plan, which are challenging in themselves, the amount of additional savings the council needs to find to balance its budget in 2017/18 has increased, from £17 million to £67 million. This

increase is substantial and will require significant changes in the council's operations over a relatively short period if it is to achieve a balanced budget in 2017/18.

9. The council has developed a transformation programme (BOLD, or Better Outcomes through Leaner Delivery) to generate additional savings options from 2015/16. However, the council has yet to confirm these proposals and it is too early to assess the programme's impact. The previous Best Value report noted that the council's financial plans depended heavily on savings from improved procurement (how it buys goods and services). The council's ambitions for savings from improved procurement remain strong but it has reduced considerably the amount of savings it expects to receive from this source in its financial plans. It has improved its procurement arrangements and its central procurement unit is working more closely with services to generate additional savings.
10. The council has had to deal with substantial issues of public concern in the 18 months since our last report. These include a fatal accident at Liberton High School and the outcome of an independent inquiry into practices at Mortonhall Crematorium. These matters, along with the need for action to resolve long-standing problems in its statutory repairs service, have absorbed significant amounts of senior managers' time. The council has made improvements since our last report, but elected members have expressed concerns about the pace of change. In view of the range of challenges the council faces, there is a risk that the council does not have sufficient capacity, both at leadership level and across the organisation, to resolve problems as they emerge while increasing the pace of change and improvement.
11. The Corporate Management Team (CMT) continues to improve how it works together, with strong leadership from the Chief Executive. However, the delay in resolving the statutory repairs issue, for example, has underlined the need for the CMT to ensure a consistent, coordinated approach to problems and risks. Changes in the composition of the CMT are planned following the resignation of the Director of Services for Communities in June 2014. Officers and elected members work well together and continue to recognise the need to restore public confidence and the council's reputation following its high-profile problems.
12. The council has made good progress in bedding in the changes to governance that were new at the time of our previous audit. The Governance, Risk and Best Value Committee is well established and makes a strong contribution to scrutiny. The council has improved risk management and internal audit, and the corporate programmes office effectively oversees major projects. The council recognises that it needs to maintain this progress to ensure these changes are firmly in place across the organisation, to identify risks earlier and to support further improvement.
13. Our previous report stated that workforce planning was underdeveloped and that ICT was weak. The council has still to develop a comprehensive workforce strategy setting out how it will make sure it has the workforce it needs to meet future service demands and to continue improving. In recent reports, the council recognises that having such a strategy is a key aspect of well-run organisations and is central in achieving Best Value, but progress has been slow. It now plans to develop a comprehensive strategy by the end of 2014. It has increased its engagement with staff to widen their understanding of the council's priorities but needs to

ensure these messages are communicated effectively across the organisation. The council has improved ICT but acknowledges the need to make further progress to help improve services and deliver savings.

14. In its findings on the May 2013 Best Value audit report, the Commission noted that the improvements the council needed to make would take time to achieve fully. Since then, it has made progress in a number of the areas highlighted in the Commission's findings. Other actions, such as embedding the commitment of all staff to change and transforming services to secure improvement and savings, will take longer. The council continues to face a range of significant long-term challenges, not least achieving substantial savings while meeting increasing demands for services.

# Audit assessment

**The council's financial position has become significantly more challenging since the previous Best Value report. The council's financial plans show that the additional savings it needs to find in 2017/18 have increased, from £17 million to £67 million**

15. In its findings on the 2013 Best Value report, the Accounts Commission noted that the City of Edinburgh Council faced particular challenges in reducing its budgets and delivering substantial savings in the period to 2017/18. The Commission urged the council to give absolute priority to ensuring that its savings plans were both achievable and delivered.

**The council continues to manage its day-to-day finances well but faces significant challenges to achieve the savings it needs to make**

16. The council has continued to achieve good overall in-year financial results. In 2013/14, all council services operated within budget, and the council achieved its savings target of £26 million. Of this, £14 million came from savings from across service areas (£3 million less than planned) and £5 million came from improved procurement (£4 million less than planned). The balance of £7 million came from savings in loans charges and from savings in individual services beyond those agreed as part of the original budget.<sup>1</sup> At the end of financial year 2013/14, the council's general fund balance was £123 million, £110 million of which was earmarked for future commitments and £13 million was unallocated. To balance its budget for 2014/15, the council needs to achieve savings of around £37 million (around four per cent of its £950 million net annual spend). It expects to achieve this by making £7 million savings from corporate procurement and £30 million in savings from across services.
17. The council has well-developed financial plans.<sup>2</sup> Its projections show that, between 2014/15 and 2017/18, spending will increase by 15 per cent because of increasing demands for services while its income will remain static in cash terms (that is, not allowing for inflation).<sup>3</sup> In May 2013, we reported that the council needed to deliver recurring annual savings of £107 million by 2017/18. Since then, the council has revised its plans. In September 2013, it reported that the total recurring savings it would need to achieve by 2017/18 had increased to £120 million.<sup>4</sup> By May 2014, this figure had increased to £138 million.<sup>5</sup>

<sup>1</sup> *Revenue monitoring 2013/14 - outturn report*. City of Edinburgh Council Finance and Resources Committee, 28 August 2014.

<sup>2</sup> *Scotland's public finances. A follow-up audit: Progress in meeting the challenges*. Audit Scotland, June 2014.

<sup>3</sup> *2015/18 revenue and capital budget update*. City of Edinburgh Council Finance and Resources Committee, 7 May 2014.

<sup>4</sup> *Revenue and capital budget framework*, City of Edinburgh Council Finance and Budget Committee, 19 September 2013.

<sup>5</sup> *2015/18 revenue and capital budget update*. City of Edinburgh Council Finance and Resources Committee, 7 May 2014.

18. The increase in the overall savings requirement of £31 million since May 2013 was due to two main factors, namely<sup>6 7</sup>:
- Changes to the council's budget assumptions, including a number of service pressures, increasing the council's required net savings by 2017/18 by about £5 million.
  - The council anticipates that, compared with its previous estimates, grant funding from the Scottish Government will reduce by £26 million by 2017/18.
19. The council's current savings plans will, if achieved, generate savings of £71 million by 2017/18. These are from various sources, including:
- service reviews (including staff management)
  - efficiencies (better ways of doing things, including improved procurement)
  - additional income (raising more money from charges for council services).
20. The previous Best Value report highlighted that, in addition to its planned savings, the council needed to find additional savings of £17 million in 2017/18 to balance its budget. In September 2013, the council reported that the additional savings it needed to achieve each year to 2017/18 had increased, rising to £32 million in that year. In May 2014, the council reported that these additional savings had increased further, rising to £67 million in 2017/18; that is, the council's £138 million overall savings requirement (paragraph 17) less planned savings of £71 million (paragraph 19) ([Exhibit 1](#)). The increase in the council's required additional savings was due to the increase in its overall savings requirement and its decision to reduce the amount of savings expected from procurement. Compared with April 2013, the council's budgeted savings from improved procurement in 2017/18 have decreased by about £30 million. We consider procurement in more detail in paragraph 31, and the council's revised approach to recording and reporting procurement savings in paragraph 35.

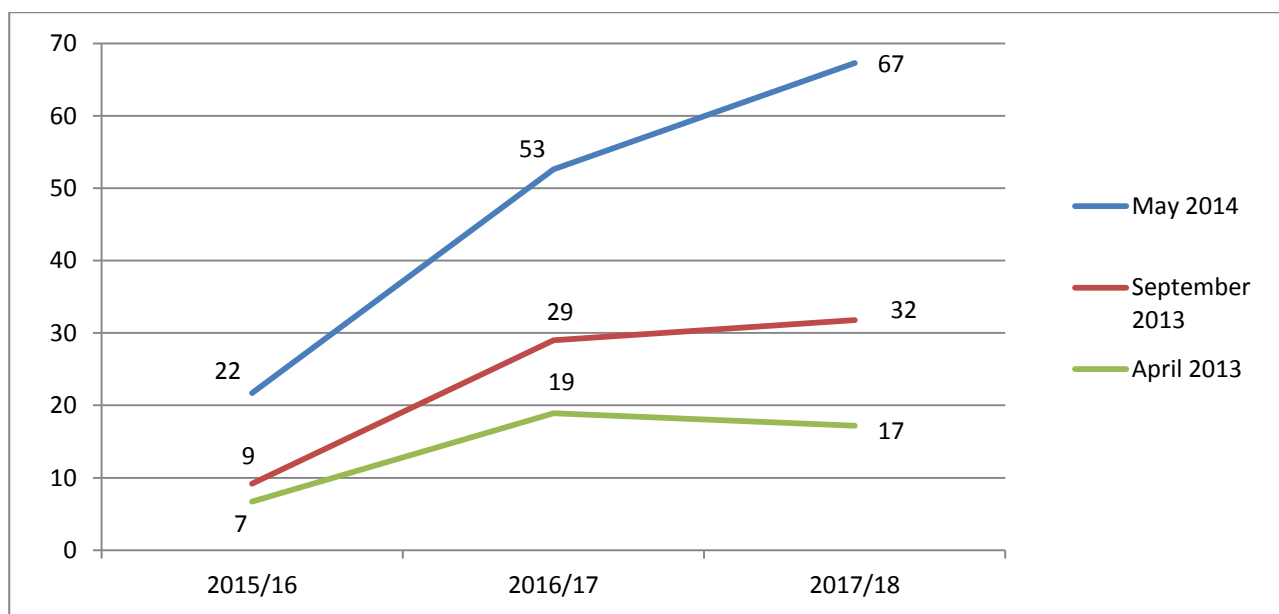
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<sup>6</sup> 2015/18 revenue and capital budget update, City of Edinburgh Council Finance and Resources Committee, 7 May 2014.

<sup>7</sup> Revenue and capital budget framework, City of Edinburgh Council Finance and Budget Committee, 19 September 2013.

**Exhibit 1****Additional savings requirements set out in the council's financial plans, 2015/16 to 2017/18**

Since April 2013, the additional savings the council needs to achieve in each of the next three years have increased, rising to £67 million in 2017/18.



Sources: *The City of Edinburgh Council's financial plan update reports*

21. Over and above the planned savings (£71 million) and the additional savings that it has yet to identify (£67 million), the council faces a range of pressures that are likely to affect its longer-term financial position:

- The council has identified a number of priority projects that may require capital funding during the period 2014-19. These include improvements to schools, sports facilities and leisure facilities, and they have a total value of about £200 million.<sup>8</sup> The council has yet to confirm which of these projects will be taken forward and, consequently, to assess any impact on its revenue position. In addition, recent condition surveys have identified a backlog of essential works across a range of council properties, including roads and schools. While the council's asset management plan allows it to target spending on priority areas, it does not have enough money to clear the backlog.
- As with many councils, spending pressures affect individual services. The council has identified a range of potential financial pressures, including:
  - likely increases in demand for services such as school meals, school transport and domestic care;
  - the impact of legislative changes such as giving people more control over buying personal care under self-directed support;

<sup>8</sup> 2015/18 revenue and capital budget update, City of Edinburgh Council Finance and Resources Committee, 7 May 2014.



- the potential loss of existing external funding such as European Social Fund for employability projects;
- additional costs from setting up a new shared repairs service for people living in tenements;
- revised Scottish Government targets, such as reducing delayed discharges from hospital.

At May 2014, the council estimated these additional spending pressures would total over £15 million in 2015/16.<sup>9</sup> The council has not reflected these additional pressures in its budgets as directors are expected to develop proposals to address them.

- There are potential financial liabilities associated with the council's arm's-length external organisations (ALEOs). The council is aware of its exposure to financial risks associated with its ALEOs, and there are concerns about the financial position of some organisations. For example, an independent report indicated that the current financial position of the Edinburgh International Conference Centre (EICC) is not sustainable and raised concerns about whether the EICC business plan can be achieved over the life cycle of the project.<sup>10</sup> If council ALEOs experience financial difficulties, the council may have to provide additional financial support.

22. Uncertainties also remain about the money the council will be able to recover from statutory repairs work that has yet to be billed ([Exhibit 2](#)).<sup>11</sup> In July 2014, the council reported that it needed to resolve financial issues with an overall value of almost £30 million. The council's financial statements allow for up to £12.5 million that the council may not recover from statutory repairs work undertaken. In addition, a further £3.9 million has been earmarked within council reserves to cover the costs of any further claims against the council in respect of statutory repairs.<sup>12</sup>

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## Exhibit 2

### Financial implications for the council of resolving the statutory repairs issue

In 2011, following allegations of poor service, overcharging and mismanagement, investigations started into the council's property conservation service. The service was responsible for serving statutory notices requiring repairs to commonly owned parts of buildings such as roofs.

By May 2013, the council had paid £22 million to contractors for repairs but had not yet billed property owners. In June 2014, the council stated that consultants had examined £15 million,

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<sup>9</sup> *2015/18 revenue and capital budget update*, City of Edinburgh Council Finance and Resources Committee, 7 May 2014.

<sup>10</sup> *Governance of Major Projects: progress report*. City of Edinburgh Council Finance and Resources Committee, 30 July 2014.

<sup>11</sup> See paragraphs 39-40 and Exhibit 2 for further information about the statutory repairs issue.

<sup>12</sup> *Property Conservation Closure & New Service Programme - Progress Report*, City of Edinburgh Council Finance and Resources Committee, 30 July 2014.

and assessed £11.5 million of that as billable. The council has formal assurance reports supporting £7.5 million of the £11.5 million billable amount.

Of the £22 million the council paid to contractors, it has issued bills for £6 million to date and collected £3 million. To ensure completion of all unbilled case assessments, the council has extended its contract with the consultants to January 2015, around twelve months longer than originally anticipated.

The prolonged resolution of the property conservation issue continues to affect council finances. To date, the council has written off around £1.3 million and estimates that the final debt write-offs for unbilled work will be around £9.4 million. The council increased its overall limit for writing-off bad debts from £10 million in 2012/13 to £12.5 million in 2013/14. It subsequently made additional provision of £3.9m to account for settlement offers which may be made in respect of paid bills to owners who have been affected by statutory notice works. The cost of the consultants contracted to help with debt recovery was around £1.3 million at March 2014. The council faces further, unquantified costs in resolving the issue, such as the costs of additional staff.

*Source: Audit Scotland.*

23. In May 2014, the council described its financial position as 'more severe' because it now expects to receive less grant funding than previously anticipated.<sup>13</sup> It recognises that the scale of spending reductions it needs to achieve means that it needs to go beyond incremental, efficiency-driven measures. It also recognises that it needs to adopt more fundamental changes that will both transform how it provides services and meet its strategic priorities. The council's main approach for making its planned savings is through developing and implementing its Better Outcomes through Leaner Delivery (BOLD) programme. The programme includes savings from improved procurement practices.

### **The BOLD programme is generating options for delivering additional savings but it is too early to assess its impact**

24. The council launched the Better Outcomes through Leaner Delivery (BOLD) programme in November 2013 as one of its main responses to financial pressure. The programme cuts across council directorates and is intended to identify new and fundamentally different ways of providing services.
25. There is strong commitment to the BOLD programme. The council has seconded senior staff from across the council with appropriate skills and experience to the delivery team. To ensure strong governance and support, the Corporate Management Team (CMT) is the programme board and receives weekly updates, and a member-officer working group meets every two weeks to discuss progress. The council established the Corporate Programme Office (CPO) in January 2013 to review and support major council projects and change programmes. The CPO monitors the BOLD programme's overall progress.

<sup>13</sup> 2015/18 revenue and capital budget update, City of Edinburgh Council Finance and Resources Committee, 7 May 2014.

26. The BOLD team has consulted extensively with staff and external stakeholders, including other councils and the NHS, in developing savings proposals across 12 themes ([Exhibit 3](#)). These range from traditional approaches such as staff reductions and increased charges for services, to more transformational approaches. Examples of these include neighbourhood projects, which look at how services are organised and provided in specific areas in the city. In September 2014, the council's Finance and Resources Committee drew on these BOLD themes to approve additional savings proposals with a total value of £28.5 million in 2015/16. The council will engage with the public on these proposals. If achieved, the savings would bridge the council's anticipated funding gap of £22 million for 2015/16 and allow a degree of additional investment in priority areas.

### Exhibit 3

#### BOLD programme savings themes

Council staff generated proposals across 12 themes.

Workforce controls	Education transformation
Flexitime, agency and sickness	Health and social care transformation
Employee benefits package	Coordinated services - Business Support
Property rationalisation	Efficiency
Income maximisation	Third sector payments
Neighbourhood model	Enablers and tools

Source: *The City of Edinburgh Council*.

27. The council needs to ensure that, once it confirms savings proposals, it provides the funding and management skills needed to implement the projects successfully, particularly larger-scale projects. In contrast to some aspects of the council's previous approach to delivering procurement savings (see paragraph 31), the BOLD team plans to ensure that there is clear responsibility and ownership within service areas for making savings from BOLD initiatives.
28. The council has evaluated the first phase of the BOLD programme and found that, overall, staff are buying into and participating in it, with strong support from CMT and elected members. The review also highlighted areas for improvement, including:
- a stronger customer focus
  - providing adequate resourcing
  - better management information to identify where the council most needs to improve.

29. The council recognises that the first phase of the BOLD programme adopted a largely traditional approach to achieving savings. It has now started phase 2 of the programme. This will include a series of strategic service and activity reviews across the council. In view of the increase in the level of savings required by 2017/18, there is now even greater expectation on the BOLD programme to identify and deliver savings.
30. The BOLD programme has the potential to make a significant contribution to the savings the council needs to achieve. However, it is too early to assess the effectiveness of the BOLD programme and there is a long way to go before it secures the transformational changes the council is seeking to achieve.

### **The council is improving its procurement practices but has substantially reduced the savings from procurement included in its financial plans**

31. The council recognises that its previous policies and systems for procurement were not effective. It identified the following factors for the shortfall in its 2013/14 central procurement target:
  - a lack of clarity and ownership on implementation of the savings across services
  - a focus on agreeing targets rather than delivering on projects
  - risk aversion across some service areas
  - contract management difficulties.
32. The council has taken action aimed at improving procurement practices including: developing a procurement strategy and handbook; introducing mandatory purchase orders; and developing a management information system to allow better understanding and transparency of procurement spending. Since 2013, the council's Procurement Capability Assessment score (which assesses an organisation's purchasing strategy, operations and performance) has improved from 59 per cent to 76 per cent. This places the council in the 'superior performance' category under Scotland Excel's ratings.
33. The council continues to rely on improved procurement to help reduce its costs and make savings. In 2013/14, it only achieved £5 million of the £9 million planned corporate cash savings from procurement. Across the organisation, however, it reported total savings of over £22 million from improved commercial and procurement activities.<sup>14</sup> This total included cash savings from procurement of £10.6 million, with the remainder being savings from major projects (such as avoiding costs in buying new ICT equipment) which did not represent savings against budget for the council in 2013/14.<sup>15</sup>
34. In our previous report, we highlighted that the council anticipated cumulative savings from improved procurement of £104 million across the whole organisation over the four years to

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<sup>14</sup> *Commercial Excellence Programme - Update*. City of Edinburgh Council Finance and Resources Committee, 5 June 2014.

<sup>15</sup> These procurement-related savings are the council's forecast savings in 2013/14, and may be achieved over several years. They are therefore not comparable with the council's in-year 2013/14 savings of £28 million.

2017/18. Since then, the council has revised the amount of savings from corporate procurement (that is, expected procurement savings in the corporate budget) included in its financial plans. In September 2013, the financial plan included budgeted procurement savings over the four years to 2017/18 of £64 million.<sup>16</sup> In May 2014, the council further revised its estimated corporate procurement savings and, as a result, its cumulative savings target in this area is about £40 million over the four years to 2017/18.<sup>17</sup>

35. The council's reduced budgeted level of corporate savings reflects its revised approach to recording and reporting procurement savings. Its revised corporate procurement target is more clearly in line with each project's stage of delivery, which allows greater confidence that these savings will be delivered. In addition to corporate procurement savings, some service-based budgets also include procurement-related savings. Under the council's revised approach, individual services are now expected to work more closely with the central procurement unit to develop and implement further procurement-related savings and to record these savings directly against their budgets. The council expects that this will provide a greater incentive to individual services to meet their savings targets. The council's ambitions for savings from procurement remain strong and it continues to work with external consultants to deliver procurement savings, but it has yet to include many of these savings in its budgeted savings plans. It is therefore too early to assess the effectiveness of the council's revised approach in achieving additional savings from procurement.

### **Elected members need consistent information to allow effective scrutiny of the council's financial position**

36. The council provides quarterly financial monitoring reports to the Finance and Resources Committee and the Governance, Risk and Best Value (GRBV) Committee. These reports show the updated forecast position for the year, including information on service pressures and the financial challenges facing the council.
37. However, there is not always a full and accessible summary of the council's financial position, or progress against all savings plans. For example, while the council's May 2014 update report on its 2015/18 revenue and capital budgets included the additional savings it would need to make by 2017/18, it did not include a clear statement on the increased overall savings it would need during this period. To ensure effective governance and scrutiny of its financial position and performance, it is important that elected members are provided with clear and comparable information.

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<sup>16</sup> *Revenue and capital budget framework*, City of Edinburgh Council Finance and Budget Committee, 19 September 2013.

<sup>17</sup> These savings comprise £6.8 million in 2014/15 and £11 million in each subsequent year to 2017/18.

## **There is a risk that the council does not have sufficient capacity to deal with problems as they emerge while increasing the pace of change and improvement**

### **Dealing with high-profile problems has taken up significant amounts of senior managers' time**

38. In recent years, the council has faced significant high-profile problems, including contractual disputes arising from the trams project and difficulties in its statutory property repairs service<sup>18</sup>. The council recognises that the action taken to resolve problems in its statutory repairs service has not been effective and elected members have expressed frustration about the lack of progress.<sup>19</sup> The council recently made a number of changes to help ensure more effective governance and scrutiny of statutory repairs ([Exhibit 4](#)).

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<sup>18</sup> The statutory repairs service was responsible for serving statutory notices requiring repairs to commonly owned parts of buildings, such as roofs.

<sup>19</sup> Minutes of the City of Edinburgh Council Finance and Resources Committee meeting, 5 June 2014.

## Exhibit 4

### Edinburgh's statutory repairs problems

The council's progress in resolving the statutory repairs issue has taken longer than planned.

The council's statutory repairs service was responsible for issuing statutory notices requiring repairs to commonly owned parts of buildings, such as roofs. In many cases, home owners have disputed or refused to pay for the work. In June 2014, an internal review identified shortcomings in the council's arrangements for dealing with complex complaints and legacy statutory notices, including:

- An unsuccessful pilot scheme to deal with more complex complaints using an external law practice to act as mediators
- Insufficient knowledge and expertise to resolve legacy statutory notice projects
- A fragmented approach for resolving problems arising from the statutory repairs scheme, including how it dealt with complaints.

The council subsequently made a number of changes to help ensure more effective governance and scrutiny of statutory repairs. These include setting up a dedicated cross-council project board which is responsible for complaints resolution, billing of projects and recovery of outstanding debts. In July 2014, the council established a new approach called Programme Momentum which aims to bring together all its workstreams relating to statutory repairs. The council has recently made progress in reviewing unbilled projects and complex complaints, and plans to send out all invoices and settlement offers by January 2015. The Chief Executive now has overall responsibility for resolving complaints and recovering debt, and has delegated authority to write off sums of up to £100,000 per project.

This change in responsibility and accountability is intended to ensure a more effective, corporate approach for resolving outstanding complaints. Officers will provide monthly reports to the Finance and Resources Committee, and the Chief Executive will update the committee's Convener and Vice-convener on progress every two weeks.

*Source: Audit Scotland.*

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39. Since our last report, the council has also had to deal with a fatal accident at Liberton High School and the publication of an independent report that was highly critical of practices at Mortonhall Crematorium.<sup>20</sup> Dealing with these high-profile problems and the statutory repairs issue has absorbed a large amount of senior managers' time.
40. The council has made improvements since our last report, but elected members have expressed concerns about the overall pace of change, for example over the statutory repairs issue and developing a strategic workforce plan (paragraph 59). In view of the range of challenges the council faces, there is a risk that it does not have sufficient capacity (that is, enough people with appropriate skills and experience), both at leadership level and across the

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<sup>20</sup> The report related to the cremation of babies at Mortonhall Crematorium.



wider organisation, to address the challenges while increasing the pace of change and improvement. A lack of capacity could, for example, affect the progress of improvement programmes such as BOLD.

### The CMT continues to improve how it works together but needs to ensure it always takes a coordinated approach to resolving issues

41. The CMT comprises the Chief Executive and directors of five service areas: corporate governance; services for communities; health and social care; children and families; and economic development. The Head of Finance, the council's statutory officer for finance, is also a full member of CMT and has direct access to the Chief Executive and senior elected members. In considering the recent Accounts Commission/Auditor General report on *Scotland's Public Finances*, the council confirmed that this important role is established properly within its overall governance arrangements.<sup>21</sup> The lead officers for communications, and people and organisation, also attend CMT.
42. The CMT continues to improve how it works together, with strong leadership from the Chief Executive. It now adopts a more corporate and coordinated approach to issues such as tackling homelessness and reducing delayed discharges from hospital. The CMT's actions following the Liberton school accident and the publication of the Mortonhall report helped ensure a cross-council response in difficult circumstances.
43. The CMT needs to ensure that it maintains a corporate approach to resolving issues. The council may have identified problems in resolving the statutory repairs issue earlier had the CMT monitored progress more closely and adopted a more corporate approach. There was also a lack of coordination within CMT in dealing with an internal review of the council's approach to health and social care integration, a highly significant matter for the council and its services and finances.<sup>22</sup> In short, there was poor communication within the CMT about a report provided to elected members about the council's position. The statutory repairs issue and the review of health and social care integration highlight the risks, when the CMT's oversight of major issues is not fully co-ordinated, to:
  - effective corporate working
  - the confidence of elected members and council staff in the CMT.
44. Following the Liberton accident and the publication of the Mortonhall report, the council suspended the Director of Services for Communities. The Director subsequently resigned in June 2014. To ensure continuity of leadership, the Chief Executive initiated a series of acting-

<sup>21</sup> *Audit Scotland national report: Scotland's public finances - a follow-up audit*. City of Edinburgh Council Finance and Resources Committee, 30 July 2014.

<sup>22</sup> In August 2014, the council approved a proposal to adopt the Integrated Joint Board model for planning and resourcing adult health and social care services in Edinburgh. The council and NHS Lothian must jointly submit an Integration Scheme to the Scottish Government by April 2015, and establish a new Integration Authority by April 2016. The estimated annual budget of the new health and social care partnership will be around £400-500 million.



up arrangements. Although managers in temporary promoted posts have responded well, the council must ensure that it has sufficient long-term capacity at senior management level to:

- lead its improvement programme
- increase the pace of change
- ensure the council is providing good quality services.

Some elected members have expressed concerns about the long-term viability of the current acting-up arrangements and, more generally, about the range of some senior managers' responsibilities. The council is currently developing new organisational arrangements to address this issue.<sup>23</sup> The proposed approach cuts across service directorates, with a greater emphasis on local priorities and outcomes. The council will consider its approach in more detail in November 2014.

45. The council recognises that good working relationships between elected members and officers are key to a successful, high-performing council.<sup>24</sup> Service directors reported strong relationships with conveners of the respective council committees. Members and officers recognise the need to restore public confidence and the council's reputation following the issues of public concern that the council has faced in recent years. The council monitors residents' views through an annual survey, and the 2013 survey showed increased public confidence in the council. For example, 74 per cent of people said they were satisfied with the way the council was managing the city (an increase from 2012, and an improving long-term trend).
46. While elected members and officers informed us that relations between them are generally good, some members see the need for more discussion at an earlier stage on the options for service changes. Similarly, elected members expressed some concerns about progress in implementing decisions and with the quality of some of the information they receive to inform decision-making and to support scrutiny. The council is currently revising its member/officer protocol to clarify the information elected members require to fulfil their duties, including scrutinising and challenging the council's operations and decisions.<sup>25</sup>

## The council has made good progress in developing its approach to scrutiny and risk management

47. The council set up new political governance arrangements in October 2012 in which a committee system replaced the previous cabinet system. The new arrangements aim to improve the effectiveness of the council's decision-making, policy development and scrutiny. Sub-committees provide a policy development and review function. The council recently consulted members and officers on the effectiveness of the policy development and review

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<sup>23</sup> *Organise to deliver: the principles for change*. The City of Edinburgh Council, 23 October 2014.

<sup>24</sup> *Operational Governance: Member/Officer Protocol*. The City of Edinburgh Council, 12 December 2013.

<sup>25</sup> *Update to Member/Officer Protocol*, The City of Edinburgh Council Governance, Risk and Best Value Committee, 14 August 2014.

sub-committees. At the time of our audit, the council was considering whether to retain and strengthen the sub-committees or return their functions to the main committees.<sup>26</sup>

48. The Governance, Risk and Best Value Committee (GRBV) is chaired by an elected member from an opposition party and plays a significant role in scrutinising the council's operations and performance. The committee works well and is effective in holding officers and members to account. As part of its commitment to improve, committee members have expressed interest in training on financial scrutiny to help them further develop their role. Officers have facilitated this as part of a wider training programme for elected members that focuses on key areas of governance.
49. The council has also made good progress towards its commitment to openness and transparency. For example, it set up the Petitions Committee in October 2012. It has received a total of 27 petitions to date and has considered nine of the 15 valid petitions. In each case, the committee agreed that the issues raised merited further action and the petitions have been referred to the relevant committees to agree and implement appropriate actions. The council began webcasting full council meetings in 2012 and has recently expanded this programme with live webcasting of many committees, with archived webcasts available on its website.
50. At officer level, the council established a Corporate Programme Office (CPO) in January 2013 to oversee and support major council projects and change programmes. The CPO has so far carried out over 20 assurance reviews, including a review of the planned integration of health and social care services.
51. The CPO has also helped to support projects that have had difficulties. For example, it helped to resolve difficulties with the first phase of the Water of Leith flood prevention project. This included mediating with the contractor and improving the project management and governance arrangements. It has also carried out an assurance review of the second phase of the project. The CPO has recently started to assess the council's approach to resolving the statutory repairs issue and procuring its new ICT contract.
52. The CPO reports monthly to the CMT and quarterly to the council's Finance and Resources Committee. The CMT and elected members provide strong support to the CPO, and look to it for advice and assurance on how effectively major projects and programmes are managed. While the CPO is now well established, the team is currently operating with about half of the number of staff included in the CPO plan. The council needs to build on the CPO's initial success and assess the risk that it does not have enough staff to maintain its effectiveness.
53. The council has made good progress in developing its approach to scrutiny and risk management. A 2012 review by external consultants concluded that the council's risk management arrangements were not adequate for an organisation of its size, nature and complexity. The council has appointed consultants to help it improve its risk management and internal audit arrangements. It aims to use these improved arrangements to identify risks earlier and to make improvements.

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<sup>26</sup> *Review of political management arrangements.* The City of Edinburgh Council Governance, Risk and Best Value Committee, 9 October 2014.

54. The risk management steering group assesses how risks are classified and measured. Further work has resulted in a risk management policy and framework to help integrate risk management across the council and to clarify roles and responsibilities. The council recognises that, having taken steps to improve risk management, it needs to do more to ensure risk management is practised at all levels of the organisation. Risk management is included in induction for new staff and there are training and awareness-raising events for staff.
55. The external consultants are also helping the council to develop a more proportionate approach to internal audit, that is, identifying areas of most risk and focusing audit activity on these. Internal audit reports monthly to CMT and quarterly to the GRBV Committee. These include findings' reports, which identify medium and high risks, follow-up reports and reports which the committee requests on topics such as the council's ICT arrangements and workforce issues.
56. There is evidence that the revised internal audit arrangements are having a positive impact in a number of areas, including:
- progress against key performance indicators
  - financial savings
  - identifying areas requiring further progress
  - positive feedback from council service areas about the value of internal audit reviews.
57. In May 2014, the council became the first public sector organisation in Scotland to introduce a whistleblowing hotline for its staff. It is too early to assess its impact but it provides a way for staff to highlight problems that the council can then respond to. By September 2014, the council had received 12 disclosures, and it has identified areas for improvement to the whistleblowing service.<sup>27</sup> The council plans to assess the impact of the service after six months' operation.

## **The council has still to produce a comprehensive workforce strategy. It also needs to improve its ICT arrangements further, to help improve services and deliver savings**

### **The council's progress in developing a comprehensive workforce strategy has been slow**

58. In March 2014, the council employed 18,120 employees (15,495 full-time equivalents, FTE).<sup>28</sup> Between March 2010 and March 2012, the council's workforce decreased by around six per cent and then increased by around one per cent between March 2012 and March 2014.

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<sup>27</sup> *Whistleblowing policy: update*. City of Edinburgh Council Governance, Risk and Best Value Committee, 24 September 2014.

<sup>28</sup> Minutes of the City of Edinburgh Council meeting, 1 May 2014.

59. The council lacks a comprehensive workforce strategy and has made limited progress on this since our initial Best Value audit report in 2007. In recent reports, the council recognises that effective strategic workforce planning is an important feature of well-run organisations and is an important component of Best Value. It also recognises that it is essential in ensuring sufficient capacity for change and improvement and in meeting increased demand for services in the context of financial constraints.<sup>29</sup> However, although there are examples of good workforce planning within individual services, the council has still not produced a comprehensive workforce strategy for the organisation as a whole.
60. The council has recently taken steps to improve workforce planning, including:
- It appointed an interim Head of People and Organisation in March 2014 to replace the previous Head of Organisational Development and lead a range of workforce initiatives across the council.
  - It established a strategic workforce group to provide high-level oversight of workforce planning. The group comprises the Chief Executive, Director of Corporate Governance, Head of People and Organisation and the Head of Finance. The group will monitor progress and ensure appropriate actions are in place at CMT level.
  - A BOLD workstream on workforce management is generating new ideas and reviewing specific areas identified by a member-officer working group on workforce management.
  - It has set up seven workforce workstreams. These are working in areas such as gathering information on staff numbers and skills, deploying staff in new ways, identifying and developing staff strengths, and improving induction and training in areas such as risk management.
61. The council's people and organisation team is involving all directorates in developing the approach to strategic workforce planning. Due to problems with data quality, it has only recently produced baseline staffing data for each directorate. This information provides, for the first time, a comprehensive profile of the staff working in the organisation.
62. The council plans to produce a comprehensive workforce strategy by the end of 2014. This will involve elected members and consultations with trade union representatives.<sup>30</sup> It should refer to good practice guidance such as the Accounts Commission/Auditor General report on *Scotland's Public Sector Workforce* (published in November 2013) when developing its strategy.

### The council has increased its engagement with staff to widen understanding of its values and priorities

63. The previous Best Value audit report highlighted the need to embed the commitment of all staff in the need for change. In April 2013 the council launched its *Pride in our People (PioP)* programme to communicate the council's vision, values and priorities to staff ([Case study 1](#)).

<sup>29</sup> *Strategic workforce planning*, City of Edinburgh Council Finance and Resources Committee, 7 May 2014.

<sup>30</sup> *Presentation on workforce plan*, City of Edinburgh Council Finance and Resources Sub-committee, August 2014.

The programme involves a series of events at which the council Leader, the Chief Executive and other members of the CMT deliver presentations, followed by discussions among attendees. The initial events involved around 1,500 managers, and a further 1,500 have been involved in subsequent events.

64. Initial feedback has been positive. Managers have welcomed the presence and involvement of senior managers. The council will monitor further progress through staff questionnaires. To date, the programme has been limited to managers who are responsible for communicating the messages from the events to their teams. The council needs to monitor this and ensure that managers are effectively communicating these messages throughout the council to maximise the impact of PioP, and to monitor its overall impact. The programme has now expanded from the initial managers events to become part of the council's wider employee engagement strategy.
65. The council published its 2014 staff survey results in September 2014. It showed an improving trend across most measures since the previous survey in 2012, especially in the areas of line managers being approachable, available and listening. Pride in working for the council has increased since the 2009 survey from 44 per cent to 58 per cent. However, the 2014 results showed pressures around workload, a need to prioritise work objectives, and the need to use resources more effectively. They also highlighted that some respondents lacked confidence in:
- the decisions made by their directors and heads of service
  - the extent that directors and heads of service had a clear vision for the future of the council.

The council will agree actions in response to the survey and report on progress every six months to the Finance and Resources Committee.

## Case study 1

### Pride in our People programme

The overall aim of the programme is to engage, inform and involve staff in the council's vision and values. The council has asked staff for their views on the challenges it faces and is listening to their ideas on how to improve and change the council in the face of these challenges.

The council developed four values with groups of council employees:

- customer first: being client or customer-focused, taking ownership and responsibility
- forward thinking: managing performance and developing others, planning and decision-making
- honesty and transparency: political sensitivity, leading others, managing change
- working together: working effectively with others, communicating effectively.

The council has held several events at various locations around the city since May 2013. These events were hosted by the council's CMT and by the council's Leader and Deputy Leader. The events involved around 3,000 managers who were expected to share the messages and values with their teams. To help staff put the council's values into practice at all levels of the organisation, the values will be included in council employees' performance appraisals.

The council has also produced a video and various displays and posters to communicate the message. Overall, staff we spoke to recognised and agreed with the vision and values.

To gather the views of staff and improve communication, the council has installed whiteboards in their HQ building for staff to submit questions and comments. Staff have welcomed this. The council plans to collate the questions and comments, and provide responses on its intranet. The people and organisation team also plans to issue quarterly questionnaires to assess employee involvement.

*Source: Audit Scotland*

### The council has improved its ICT arrangements but acknowledges the need to make further progress and ensure it effectively procures and manages its new ICT contract

66. Our previous Best Value report highlighted that the council's information and communications technology (ICT) arrangements were weak. The council understands the prospects for delivering its overall improvement programme depend, in large part, on improving its ICT. Good ICT helps to improve communication, and makes it easier for people to access and share information. ICT has played, and will continue to play, an important role in delivering the financial savings the council needs to make. This could, for example, be through more efficient ways of working, such as online transactions and communications, or enabling new methods of providing services.

67. Since May 2013, the council has taken steps to improve its ICT arrangements. It consulted a wide range of stakeholders including staff, citizens and local businesses about ICT priorities and areas for improvement. The council involved members of the public in designing and testing its new website. It now provides around 30 fully automated online transactions, including complaints and requests about council services such as bin collections and removing litter. This allows customers to request services 24 hours a day, and to receive automatic updates on the status of their requests. This work has reduced both the time and council resource required to meet requests, and the council plans to introduce another 30 digital transactions by the end of 2014.
68. The council set out its principles and vision for ICT in its ICT and digital strategy in December 2013. The ICT and Digital Strategy Board oversees the implementation of the strategy. The council has started several improvement projects separated into three programmes, each with an implementation plan. In 2013/14, the council completed a wide range of ICT projects, including improved online access to services, extending online coverage of council meetings and providing improved equipment and services for staff.
69. While these projects represent recent improvements to the council's ICT arrangements, it acknowledges that it still needs to make further progress. It has a contract with an external provider to manage and modernise ICT services, and has worked with the provider to deliver better value over the last 18 months.
70. The current ICT contract ends in March 2016, and the council's ICT and digital strategy includes how it will procure the next contract. This will aim to provide more flexible and responsive ICT services. The council plans to achieve this by having one main ICT provider responsible for a smaller set of core services with multiple suppliers for other ICT services. This will enable the council to amend its ICT requirements and suppliers to meet the changing demand of its customers.
71. In line with the McClelland Report, the council has designed the tender documents for the new contract to enable other public bodies to use it for their own purposes.<sup>31 32</sup> The council hopes this will bring potential benefits such as better compatibility between public sector bodies so that participating organisations can achieve better value for money and joined up services for citizens. It is not yet known how many public sector bodies will opt to use the contract.
72. The council currently spends around £26 million a year on core ICT services. It aims to save over £6 million a year through the new contract. It has set up a programme board to oversee the contract process, including representatives from services and from the procurement, ICT and finance functions. The CPO provides project and consultancy support.

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<sup>31</sup> *Review of ICT Infrastructure in the Public Sector in Scotland*, John F McClelland on behalf of the Scottish Government, June 2011.

<sup>32</sup> The council plans to spend about £20-22 million annually on the core contract over seven years. If the council takes up an option to extend the contract to a total of 19 years, and all other participating organisations also choose to use the contract for the whole period, the overall value of the contract could be up to £2 billion.



73. In addition to effective procurement, the council also is aware of the need to manage the new contract effectively to ensure it fully meets its requirements for ICT and digital services. The council has considered the recommendations in the Auditor General's report *Managing ICT contracts*, published in August 2012, and the checklist for scrutinising and challenging how to manage ICT programmes.

## The council faces significant challenges to meet increasing demand for services while securing the reduction in future spending it needs to achieve

74. The Commission's findings on the 2013 Best Value audit report identified scope for improvement in a range of services including adult social work, waste management and meeting housing need. This section of the report considers progress in each of these areas.

### The council has increased homecare for older people but demand continues to exceed supply

75. Over the next 25 years, the number of people in Edinburgh aged over 65 is expected to increase by around 65 per cent, from 71,000 to 117,000. By 2037, almost 20 per cent of people living in Edinburgh will be over 65, compared to about 15 per cent in 2012.<sup>33</sup>
76. In May 2013, we reported that the council's health and social care service had shown improved performance but faced increasing demand. To meet this demand, the council increased homecare by around 13 per cent in 2013/14, from 44,827 to 50,660 hours a week.<sup>34</sup> However, there was still an unmet demand for around 3,000 hours of care a week and estimates suggest this will increase by a further 2,000 hours in 2014/15.
77. Since 2012, the council has invested over £11 million in homecare services, but further investment is required to meet the growing demand. Inability to meet demand for homecare creates blockages in the wider health and social care system.
- In 2013/14, the council approached its target of a 40 per cent reduction in the need for homecare following the delivery of reablement services that help individuals maintain independent living. However, monthly performance fluctuated due to blockages created by the inability to meet homecare need.
  - In June 2014, 246 people were waiting for a homecare service, 74 of whom had been waiting over four weeks to be discharged from hospital. The council's target is to have no-one waiting more than four weeks to be discharged from hospital. The June 2014 figure was more than four times higher than the 17 people who waited more than four weeks to be discharged in June 2013.
78. The council buys around three quarters of homecare services from private organisations. Due to the competitive local labour market, these providers face difficulties in recruiting and

<sup>33</sup> Based on National Records of Scotland's 2012 population projections.

<sup>34</sup> *Cost of Care at Home*, City of Edinburgh Council Finance and Resources Committee, 30 July 2014.



retaining appropriately skilled staff. The council is currently developing a workforce strategy for care services and plans to implement the strategy in April 2015. To help meet the immediate unmet demand for homecare services, it has approved plans to spend a further £4 million to increase pay rates of contracted care providers, to increase staff numbers and improve staff retention.

79. The Scotland-wide policy of shifting the balance of care towards homecare has reduced the number of residential care home places in Edinburgh. There may also be unplanned reductions which can lead to a shortage in care home places. For example, in 2013 two private care homes were closed to new admissions following reports from the Care Inspectorate about poor standards. This involved the loss of over 400 beds.
80. In November 2013, the council established a programme to improve the standard of care in its 11 care homes for older people. The programme builds on existing good practice and aims to improve service quality and ensure consistency across all homes.<sup>35</sup> Recent work by the Care Inspectorate shows that the council has improved the quality of care in its homes for older people.
81. The council and its partners, including NHS Lothian, are jointly developing a range of short- and medium-term measures to improve the quality of care for older people, and achieve better outcomes such as preventing hospital admissions. These include initiatives that aim to shift the balance of care from residential care towards more care being carried out in the community. In the longer term, the council recognises the need to change how adult health and social care services are provided, to conform to changes in legislation and policy. An example of this is self-directed support, which aims to give people more choice in the social care services they use. The council is considering all aspects of the current system in planning changes to adult social care services. This includes better joint working across service areas. The council is also consulting the people who provide and use services to develop new ways of providing care. These will have a greater focus on preventing hospital admissions and allow people to be actively involved in selecting and shaping the services they receive.

### **Waste management performance has improved although the council missed some targets**

82. In 2012, the council implemented ImproveIT, an environmental service programme to change how it collects waste, and deliver £45 million net savings (that is, savings achieved after investing in improvements) over the seven years to 2018/19. The programme, which concluded in March 2014, led to a range of improvements in the council's waste management arrangements ([Case study 2](#)). Council performance improved in 2013/14 although it missed several targets:
  - The amount of waste going to landfill continued to fall but the council missed its 2013/14 target of 118,000 tonnes. In 2013/14, the council sent around 133,000 tonnes of waste to

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<sup>35</sup> *Working Together to Achieve Excellent Care in Care Homes for Older People*, City of Edinburgh Council Special Sub-Committee on Adult Social Care, 2 November 2013.

landfill, a reduction of over 15,000 tonnes (ten per cent) since the start of the ImproveIT programme. This reduction saved around £1.6 million in landfill costs.

- The council recycled 39.3 per cent of waste in 2013/14, an increase of 1.4 percentage points on the previous year. The council's target is to achieve a recycling rate of 50 per cent.
- The council met its target to achieve 95 per cent of streets being clean in every quarter of 2013/14.
- Complaints about waste management and street cleanliness peaked in September 2012, following changes to refuse collection routes. Since then, complaints have fallen to within the council's target (it received 1,569 complaints in March 2014, against a target of 1,632).

## Case study 2

### ImproveIT environmental service plan

The ImproveIT programme has made various improvements, including:

- a redesigned workforce, including a new management structure and working patterns
- modernised refuse collection fleet and technology
- improved performance management
- stronger focus on evidence-based decision making.

In June 2014, the council reported that ImproveIT delivered £6.7 million savings in 2013/14, and resulted in major cultural changes and improved skills across the Environment workforce. Staff received training and around 370 achieved SVQ qualifications.

The CPO carried out reviews throughout the life of the programme. This helped to ensure a disciplined approach and focus on making improvements, which has continued since the programme was completed in March 2014.

Source: Audit Scotland

83. The council is relying on modernised services and improved efficiency to meet its savings targets from improved waste management. It has achieved cumulative savings of £14.2 million since 2011/12, but failed to meet its financial target of £16.5 million due to missed recycling and landfill targets and overly optimistic assumptions for savings.<sup>36</sup>
84. The council has shown good customer focus in changing its waste management arrangements, involving communities in initiatives, and developing a communication plan to help residents increase recycling. The council is aware of the risks and challenges it faces in meeting its performance targets for managing waste and its savings targets. It has developed

<sup>36</sup> *ImproveIT Programme – Final Update*, City of Edinburgh Transport and Environment Committee, 3 June 2014

a long-term plan to meet these challenges but needs to ensure it has the required staff and equipment to deliver this.

### **The supply of affordable housing has increased but the council still faces a challenge to tackle homelessness**

85. In May 2013, we reported that the council and its partners faced challenges in making sure the people of Edinburgh had access to suitable housing. The number of new private homes built reduced significantly between 2008/09 and 2010/11, but has shown some recovery in 2011/12 and 2012/13. The council and its partners have also increased the supply and quality of affordable housing in the city in the past year:
- They approved 1,375 new affordable homes (exceeded the target of 700)
  - They completed 1,285 affordable homes (trebled since 2008/09)
  - 88 per cent of council homes met the Scottish Housing Quality Standard (up from 82 per cent in 2012/13, and the council aims to achieve 100 per cent by 2015).<sup>37</sup>
86. Edinburgh needs 1,600 new affordable homes every year for the next ten years. If it is to meet the city's housing need, the council and its partners need to maintain the increase achieved in recent years. They also need to explore and expand new funding models, although there are risks associated with these.<sup>38</sup> The CPO oversees the council's affordable housing programme, and the BOLD programme includes an initiative to encourage house building.
87. The council is taking steps to reduce homelessness. It increased the availability of accommodation (such as Private Sector Leasing) and is working with housing providers to develop more permanent solutions and move people on from temporary accommodation within six months. Where appropriate, it diverts people who are at risk of becoming homeless to other council services to help resolve problems that increase the chance of homelessness. It is also developing a pilot scheme with its partners, to provide housing advice and support services.
88. A focus on preventing homelessness and intervening early contributed to a six per cent reduction in the number of homeless applications in 2013/14. However, during the same period the number of households in temporary accommodation increased by over 12 per cent and the length of time those households spend in temporary accommodation increased by over six per cent.<sup>39</sup> For those requiring temporary accommodation, 51 per cent spent at least one night in bed and breakfast accommodation. This is down from 56 per cent in 2012/13 but still double the national figure of 25 per cent. The number of households in bed and breakfast accommodation continues to show an upwards trend in Edinburgh, whereas bed and

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<sup>37</sup> *Achieving Excellence Performance Report October 2013 to March 2014*, Corporate Policy and Strategy Committee, 10 June 2014; *City Housing Strategy 2012-17 Annual Review*, Health, Social Care and Housing Committee, 17 June 2014; Scottish Housing Regulator Performance data, August 2014.

<sup>38</sup> *Housing in Scotland*, Audit Scotland, July 2013.

<sup>39</sup> City of Edinburgh Council

breakfast use across Scotland is reducing.<sup>40</sup> Edinburgh also has the second highest incidence of repeat homelessness in Scotland (ten per cent).<sup>41</sup>

89. Edinburgh faces a particular challenge in tackling the problem of rough sleeping. The city has the highest incidence of any council in Scotland in the percentage of homelessness applicants who had previously been sleeping rough (11 per cent).<sup>42</sup> This figure has increased by around a quarter since 2012/13 and this is double the rate of increase seen across Scotland.
90. In January 2013, a Scottish Housing Regulator inquiry recommended that the council review its homelessness service and use of temporary accommodation.<sup>43</sup> The council has increased the supply of affordable housing and temporary accommodation, and improved its homelessness services. It has also reviewed arrangements for using temporary accommodation to ensure it is being used efficiently. However, the continued high number of households in temporary accommodation, and the high level of rough sleeping, reflects the continuing gap between the demand for, and supply of, affordable housing.

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<sup>40</sup> Scottish Government HL1 and HL2 Datasets

<sup>41</sup> *Operation of the Homeless Persons Legislation in Scotland: 2013-14*, A National Statistics Publication for Scotland, 24 June 2014

<sup>42</sup> *Operation of the Homeless Persons Legislation in Scotland: 2013-14*, A National Statistics Publication for Scotland, 24 June 2014. This figure is for cases where a previous application from the household had been closed less than 12 months before the current assessment.

<sup>43</sup> *Scottish Housing Regulator Inquiry – Homelessness Services*, Health, Wellbeing and Housing Committee, 29 January 2013

# Areas for improvement

**The council has responded constructively to the previous Best Value report and implemented a number of improvements. However, progress in certain areas has been slower than anticipated. It is therefore important that the council increases the pace of change and improvement. This report identifies the following areas for improvement:**

- The council needs to ensure that it applies the lessons learned from the first phase of the BOLD programme when considering its approach for the second phase. This includes adopting genuinely transformational approaches to providing services and delivering savings. The council also needs to ensure that, once it confirms BOLD proposals, it provides the funding and management skills needed to implement the projects successfully, particularly larger-scale projects.
- The council should ensure that elected members are provided with clear and accessible information to help their decision-making and to support scrutiny. This is particularly important for information about the council's financial position, including progress against planned savings from the BOLD programme and improved procurement.
- The council needs to ensure that its Corporate Management Team takes a consistent, coordinated approach to resolving issues. This is important to ensure effective corporate working and to maintain the confidence of elected members and council staff in the CMT.
- The council needs to develop a comprehensive workforce strategy to make sure it has sufficient people with appropriate skills and experience, both at leadership level and across the wider organisation and including the Corporate Programme Office, to meet the challenges it faces while increasing the pace of change and improvement.
- The council should ensure that it involves and communicates effectively with staff at all levels to embed its vision and values across the organisation. It also needs to monitor staff views to assess the impact of this engagement, and to involve staff at an early stage when planning major changes.
- The council needs to make further progress to its ICT arrangements to ensure they are fit for purpose and help to improve services and make savings. The council also needs to ensure it has the required skills and expertise when planning and managing its new ICT contract.

# Appendix 1: Accounts Commission's 2013 findings

1. The Commission accepts the Controller of Audit's report.
2. The Commission acknowledges a range of improvements since the last Best Value report in 2007. It welcomes improving performance in partnership working, both at a political level within the council and with community planning partners; economic development; children's services; and aspects of reducing inequalities.
3. The council demonstrates a good understanding of the challenges it faces and the need to restore public confidence, which has been damaged in light of high-profile issues such as the trams project and the statutory repairs service. These issues are substantial, and the Commission will continue to monitor progress. Overall, the Commission is concerned about the scale of the challenges that the council faces.
4. The council needs to develop a comprehensive workforce strategy; improve its information and communications technology (ICT); ensure it has effective risk management and internal audit arrangements; and improve a range of services including adult social work, waste management, and meeting housing need. It needs to ensure it has the capacity and skills to deliver its ambitious improvement and change programme, and embed the commitment of all staff to the need for change.
5. The challenge of reducing budgets is found in other councils, but the Commission considers there is a set of circumstances which makes Edinburgh's situation particularly challenging. The council decided not to proceed with alternative business models to provide services and achieve substantial savings. Currently, its four-year budget for 2014–18 requires recurring annual savings of £107 million by 2017/18 and is heavily dependent on improved procurement delivering recurring annual savings of £41 million by 2017/18. Assuming all elements of the savings plan are achieved including all the savings from procurement, the council will still require to find further substantial savings.
6. There are risks in whether the planned savings are achievable and in the reliance on the level of saving to be achieved from procurement. These risks are compounded by the unknown financial impact of fully resolving the statutory repairs problem which is unique to Edinburgh. There is an additional risk that not achieving the required overall savings will hinder the Council's ability to restore public confidence.
7. In light of these significant risks and uncertainties, the Commission urges the council to give absolute priority to ensuring that savings identified are both achievable and delivered.

8. The Commission has stated previously in its overview reports that a need for focus on finances in councils means that the statutory financial officer is increasingly important and must have the appropriate access and influence to perform this crucial role. Given the scale of the financial challenge facing the Council, the Commission would encourage the council to assure itself that this is the case.

9. The council is on a journey of improvement: it needs to complete that journey. The recent strong leadership needs to continue in order to translate plans into reality. To this end, the Commission asks the Controller of Audit to report on progress in around 18-months' time.

