

# Notice of meeting and agenda

## Finance and Resources Committee

**10.00am, Thursday 12 May 2016**

Dean of Guild Court Room, City Chambers, High Street, Edinburgh

This is a public meeting and members of the public are welcome to attend

### Contact

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## **1. Order of business**

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- 1.1 Including any notices of motion and any other items of business submitted as urgent for consideration at the meeting.

## **2. Declaration of interests**

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- 2.1 Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

## **3. Deputations**

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- 3.1 If any

## **4. Minutes**

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- 4.1 Minutes of the Meeting of 17 March 2016 (circulated)

## **5. Business Bulletin**

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- 5.1 Finance and Resources Committee Business Bulletin – none.

## **6. Forward Planning**

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- 6.1 Finance and Resources Committee Key Decisions Forward Plan (circulated)
- 6.2 Finance and Resources Committee Rolling Actions Log (circulated)

## **7. Executive decisions**

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- 7.1 Transformation Programme – Progress Report – report by the Chief Executive (circulated)
- 7.2 Managing Workforce Change – Workforce Dashboard – report by the Acting Executive Director of Resources (circulated)
- 7.3 Revenue and Capital Budget Framework 2016/20 Update – report by the Acting Executive Director of Resources (circulated)
- 7.4 Report by the Accounts Commission – An Overview of Local Government in Scotland 2016 – report by the Acting Executive Director of Resources (circulated)
- 7.5 Care at Home – Contract Ref: CT0477 – report by the Chief Officer – Edinburgh Health and Social Care Partnership (circulated)

- 7.6 Disabilities Complex Care – Contract Ref: CT0466 - report by the Chief Officer – Edinburgh Health and Social Care Partnership (circulated)
- 7.7 Scotland's Energy Efficiency Programme - report by the Executive Director of Place (circulated)
- 7.8 Provision of a City Wide Car Sharing Scheme – report by the Executive Director of Place (circulated)
- 7.9 Approval for the Appointment of Consultants to Design Cycling and Walking Schemes - report by the Executive Director of Place (circulated)
- 7.10 Contract Award Under Urgency Procedure - Cafe Concessions for Parks and Greenspace and Museums and Galleries – Lot 2 – report by the Executive Director of Place (circulated)
- 7.11 Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service Update – report by the Acting Executive Director of Resources (circulated)

## **8. Routine decisions**

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- 8.1 Proposed New Lease at 56 High Street, Edinburgh – report by the Acting Executive Director of Resources (circulated)
- 8.2 Disposal of Land adjacent to 257a Colinton Road, Edinburgh – report by the Acting Executive Director of Resources (circulated)
- 8.3 Proposed Disposal of 0.22 Ha at Edinburgh Capital Hotel, 187 Clermiston Road – report by the Acting Executive Director of Resources (circulated)
- 8.4 Additional Function Space and Offices Project - Investment Sale of Atria Offices – report by the Acting Executive Director of Resources (circulated)

## **9. Motions**

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- 9.1 If any

**Kirsty-Louise Campbell**

Interim Head of Strategy and Insight

## **Committee Members**

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Councillors Rankin (Convener), Bill Cook (Vice-Convener), Corbett, Dixon, Edie, Godzik, Griffiths, Bill Henderson, Ricky Henderson, Jackson, McVey, Walker, Whyte, Burns(ex officio) and Ross (ex officio).

## **Information about the Finance and Resources Committee**

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The Finance and Resources Committee consists of 15 Councillors and is appointed by the City of Edinburgh Council. The Finance and Resources Committee usually meets every four weeks.

The Finance and Resources Committee usually meets in the Dean of Guild Court Room in the City Chambers on the High Street in Edinburgh. There is a seated public gallery and the meeting is open to all members of the public.

## **Further information**

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If you have any questions about the agenda or meeting arrangements, please contact Veronica MacMillan or Laura Millar, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4283 / 0131 529 4319 or e-mail [veronica.macmillan@edinburgh.gov.uk](mailto:veronica.macmillan@edinburgh.gov.uk) / [laura.millar2@edinburgh.gov.uk](mailto:laura.millar2@edinburgh.gov.uk)

A copy of the agenda and papers for this meeting will be available for inspection prior to the meeting at the main reception office, City Chambers, High Street, Edinburgh.

The agenda, minutes and public reports for this meeting and all the main Council committees can be viewed online by going to [www.edinburgh.gov.uk/meetings](http://www.edinburgh.gov.uk/meetings)

For the remaining items of business likely to be considered in private, see separate agenda.

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# Item 4.1 - Minutes

## Finance and Resources Committee

10.00am, Thursday, 17 March 2016

### Present

Councillors Rankin (Convener), Bill Cook (Vice-Convener), Corbett, Dixon, Godzik, Griffiths, Bill Henderson, Ricky Henderson, Jackson, McVey and Walker.

### 1(a) Deputation: UNISON - Transformation Programme - Progress Report

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The Committee agreed to hear a deputation from Tom Connolly and Gerry Stovin on behalf of UNISON in relation to item 7.1(a) – Transformation Programme – Progress Update

The main points raised by the deputation were:

- The proposed cuts were financially driven, short-sighted and could jeopardise Council Pledges.
- The dangers caused by lack of consultation with service users were highlighted and an extension of the health and social care consultation period was proposed.
- Concerns were raised that private companies were employed to pick up the backlog after staff reductions.

The Convener thanked the Deputation for their presentation and invited them to remain for the Committee's consideration of the report by the Chief Executive.

### 1(b) Transformation Programme: Progress Update

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An update was provided on the Council Transformation Programme. The report highlighted recent progress made in relation to the revised leadership and governance structure of the programme as well as the updated position on the uptake of Voluntary Redundancy and Voluntary Early Release Arrangements.

### Decision

- 1) To note the revised leadership and governance structure for the Transformation Programme, as detailed in Appendix 1 of the report.
- 2) To approve the procurement of a contractor for a 6 month interim period to act as Programme Lead, pending recruitment to the Tier 3 Transformation Senior Manager post.
- 3) To note the programme vision and objectives, as set out in paragraphs 3.6 – 3.14 of the report.

- 4) To note the progress made to date with key workstreams, including localities development, Health & Social Care and Customer.
- 5) To note there was a separate, detailed Asset Management Strategy update on the agenda under item 7.1(b).
- 6) To note the progress achieved to date with the implementation of organisational reviews.
- 7) To note the position with staff leaving the Council under Voluntary Early Release Arrangements (VERA) and Voluntary Redundancy (VR).
- 8) To note the management information dashboards attached at Appendix 2 of the report.
- 9) To note the importance of recruiting the Tier 3 Transformation Senior Manager post timeously.
- 10) To note the Convener and Vice-Convener would meet with the programme lead on a bi-monthly basis to receive updates on the progress of the Transformation Programme and would keep members of the Finance and Resources Committee informed via email.

(References – Finance and Resources Committee, 2 February 2016 (Item 7); report by the Chief Executive, submitted.)

### **1(c) Transformation Programme – Asset Management Strategy Update**

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An update was provided on the progress of the implementation of the Asset Management Strategy (AMS) for Property and Facilities Management.

#### **Decision**

- 1) To note the continued progress in each of the key AMS Transformation Programme work streams.
- 2) To note the development and content of the Management Information dashboard reports provided in Appendix B of the report.

(References – Finance and Resources Committee, 14 January 2015 (item 5); report by the Acting Executive Director of Resources, submitted.)

### **2(a) Deputation: UNISON – Re-employment and Re-engagement of Staff**

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The Committee agreed to hear a deputation from Tom Connolly and Gerry Stovin on behalf of UNISON in relation to item 7.4 – Re-employment and Re-engagement of Staff.

The main points raised by the deputation were:

- It was stated that that the proposed staff reductions would have a disproportionate effect of low-paid female workers.

- Other industries do not prevent employees from returning to an organisation following redundancy provided they were the most suitable for the role.
- A time-bar for employees working for the Council could have a detrimental effect on locum cover for services in Communities and Families and Health and Social Care.

The Convener thanked the Deputation for their presentation and invited them to remain for the Committee's consideration of the report by the Acting Executive Director of Resources.

## 2(b) Re-employment and Re-engagement of Staff

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Approval was sought for the implementation of a proposed time-bar of one year before re-engagement or re-employment of former employees who had left the Council via Voluntary Early Release Arrangement (VERA) or Voluntary Redundancy.

### Decision

- 1) To approve the proposed time bar of one year (from date of leaving) before re-engagement or re-employment of former employees who have left employment with the City of Edinburgh Council via Voluntary Early Release Agreement (VERA) or Voluntary Redundancy (VR).
- 2) To refer the report to the Governance, Risk and Best Value Committee to consider as part of its work-programme.

(Reference – report by the Head of Organisational Development, submitted.)

## 3. Minutes

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### Decision

To approve the minute of the Finance and Resources Committee of 2 February 2016 as a correct record.

## 4. Business Bulletin

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The Finance and Resources Committee Business Bulletin for 17 March 2016 was presented.

### Decision

To note the Business Bulletin.

(Reference - Finance and Resources Committee Business Bulletin, 17 March 2016, submitted.)

## 5. Key Decisions Forward Plan

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The Finance and Resources Committee Key Decisions Forward Plan from 17 March 2016 to 12 May 2016 was submitted.

### Decision

To note the Key Decisions Forward Plan from 17 March 2016 to 12 May 2016.



(Reference – Finance and Resources Committee Key Decisions Forward Plan, 17 March 2016 to 12 May 2016, submitted.)

## **6. Rolling Actions Log**

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The Finance and Resources Committee Rolling Actions Log for 4 June 2015 to 2 February 2016 was submitted.

### **Decision**

To note that Items 1, 4, 7, 8 and 9 had been closed.

(Reference – Rolling Actions Log, 4 June 2015 to 2 February 2016, submitted.)

## **7. Governance of Major Projects: progress report**

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An update on the major projects portfolio and forthcoming assurance review schedule was considered.

### **Decision**

- 1) To note the current synopsis of the dashboard reports for the major projects portfolio set out in appendix 1 of the report.
- 2) To note the updated assurance review schedule and findings of assurance review/health checks undertaken since previous reporting to Committee (see paragraphs 3.4 - 3.12 of the report).
- 3) To note that the Corporate Programmes Office was part of the Transformation Team under the new Strategy and Insight Division.

(References – Finance and Resources Committee, 26 November 2015 (item 7); report by the Chief Executive, submitted.)

## **8. Proposed Corporate Health and Safety Plan**

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Approval was sought for the Corporate Health and Safety Plan for 2016/17 and details provided on the Health and Safety performance for 2015.

### **Decision**

To approve the proposed Corporate Health and Safety Plan for 2016/17, and note progress and performance for health and safety in 2015.

(References – Finance and Resources Committee, 19 March 2015 (item 12); report by the Acting Executive Director of Resources, submitted.)

## **9. Managing Workforce Change – Workforce Dashboard**

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Details on managing workforce change were provided including information on the VR/VERA schemes and sickness absence.

### **Decision**

To note progress made to date on managing workforce change across the Council.

(References – Finance and Resources Committee, 2 February 2016 (item 8); report by the Acting Executive Director of Resources, submitted.)

## 10. Future Governance of Council Payments to Third Parties

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Committee considered a report detailing the proposals to improve the management of payments to third parties.

### Decision

- 1) To note the achievements to date of the corporate grants programme and opportunities to further improve the process as identified in the report.
- 2) To note the Transformation Programme Payments to Third Parties Workstream would in due course (i) be incorporated into the Commercial Excellence Programme and (ii) be managed by Commercial and Procurement Services (CPS) in 2016/17.
- 3) To note that the Council was continuing to listen to feedback on procurement (grant and contract) processes and that a further report on co-production and procurement would be provided in June 2016. This would include detail on new legislative requirements, lessons learned and options for improvements in council practice.
- 4) To note further work would also be undertaken to refresh the Council's Procurement Strategy, Handbook and Standing Orders.

(References – Finance and Resources Committee, 14 December 2015 (item 2); report by the Chief Executive, submitted.)

## 11. ICT Services Procurement: Transition Progress Update

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An update was provided on the transition of ICT Services to CGI by 1 April 2016 and the physical transition of services in May 2016.

### Decision

- 1) To note further progress on the programme since the last report to Committee in November 2015, to transition ICT services from the incumbent ICT provider to CGI IT UK Ltd (CGI) by 01 April 2016 and data centre cutover on 30 May 2016; delivering a range of contracted improvements and wider benefits to staff and citizens.
- 2) To note that the complexity of the transition posed significant technical and logistical challenges which were being jointly addressed by CGI and the Council.
- 3) To note that major project milestones were delivered over the period, and a wide range of project activities undertaken including: - data centre migration preparations, networking and infrastructure developments, business readiness preparations, ERP (Enterprise Resource Planning) design completion and operations to commence the new CGI service desk.
- 4) To note the application of industry best practice and proven approaches to readiness, transition and service take on, including a four stage service cutover and data centre migration plan.
- 5) To note that engagement had commenced in all community benefits areas and the programme was currently on track to meet all commitments including the creation of jobs and the inclusion of Small to Medium Enterprises (SMEs).

6) To note that an Assurance Review from the Corporate Programme Office was planned to take place prior to Service Cutover on 01 April 2016.

(References – Finance and Resources Committee, 16 November 2015 (item 13); report by the Chief Executive, submitted.)

## **12. Carbon Reduction Handbook**

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Approval was sought for the Carbon Reduction Commitment Handbook in compliance with the Carbon Reduction Commitment Scheme.

### **Decision**

- 1) To approve the Carbon Reduction Commitment Handbook.
- 2) To agree that the Carbon Reduction Commitment Handbook would be reviewed and updated on an annual basis to ensure it was in line with current legislation.
- 3) To agree that a Carbon Reduction Commitment financial report was considered by the Finance and Resources Committee annually following submission of the Council's annual Carbon Reduction Commitment report to the Environment Agency.

(Reference – report by the Acting Executive Director of Resources, submitted.)

## **13. Charitable Trusts Reserves Policy**

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Approval was sought for the Charitable Trusts Reserves policy and to address a significant finding from the 2014/15 Audit Scotland report.

### **Decision**

To approve the reserves policy for the Council's Charitable Trusts.

(References – Finance and Resources Committee, 14 January 2016 (item 27); report by the Acting Executive Director of Resources, submitted.)

## **14. Health and Social Care Integration – Update**

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An update was provided on the integration of Council social care functions with NHS Lothian health functions under the Public Bodies (Joint Working) (Scotland) Act 2014.

### **Decision**

- 1) To note adult social care functions and resources would be delegated to the Edinburgh Intergration Joint Board (EIJB) on 1 April 2016 subject to EIJB approval of its Strategic Plan.
- 2) To note the EIJB governance arrangements in place for the planning, resourcing, operational oversight and performance monitoring.

### **Declaration of Interest**

Councillor Ricky Henderson declared a financial interest as an Executive Board Member of NHS Lothian.

(References – Finance and Resources Committee, 14 January 2016 (item 18); report by the Chief Officer, Edinburgh Health and Social Care Partnership, submitted.)

## **15. Direct Award of Contract: Blackwood Homes and Care**

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Approval was sought for the direct award of a contract to Blackwood Homes and Care as part of a wider effort to develop new ways of providing night-time support to people with disabilities and/or poor mental health.

### **Decision**

- 1) To approve the direct award of a contract to Blackwood Homes and Care for the period 1 April 2016 to 31 March 2017 at a cost of £144,350, with an option to extend the contract for one further year at the same cost.
- 2) To refer the report to Health, Social Care and Housing Committee for information.
- 3) To agree to receive a report on the outcomes achieved via the contract at the midpoint and end of the recommended contract.

(Reference – report by the Chief Officer, Edinburgh Health and Social Care Partnership, submitted.)

## **16. External Funding Initiative and Smart City Priorities – referral from the Corporate Policy and Strategy Committee**

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The Corporate Policy and Strategy Committee on 23 February 2016 considered a report on the progress of the External Funding Initiative and its alignment to ICT Solutions. The report was referred to the Finance and Resources Committee for information.

### **Decision**

To note the report and the additional information detailed in Appendix 2 of the report.

(Reference – report by the Executive Director of Place, submitted.)

## **17. Contracts Awarded Under Delegated Authority (Waiver Reports) and Procurement Activity**

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Details were provided of the contracts awarded following a waiver of the Council's Contract Standing Orders (CSOs) and the contracts awarded with a value below the threshold that required Committee approval between 1 October and 31 December 2015.

### **Decision**

To note the report and the authorisations made under delegated authority.

(References – Finance and Resources Committee, 14 January 2016 (item 21); report by the Acting Executive Director of Resources, submitted.)

## **18. Award of Contract for Consultancy Services to undertake Retaining Wall Investigations**

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Approval was sought for the award of a contract for consultancy services to undertake retaining wall investigations throughout the city.

## **Decision**

To approve the appointment of Amey to undertake retaining wall investigations throughout the city for a contract sum of £45,785.42, plus expenses estimated at £14,630.00.

(Reference – report by the Executive Director of Place, submitted.)

## **19. Waiver Report for ISO Quality Standards Contract**

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Details were provided of a report which sought approval for a waiver of Contract Standing Orders to allow the direct award of contracts to allow the continued certification of ISO international quality standards pending procurement of a new contract that covered all of the individual departments' related ISO certification.

## **Decision**

- 1) To approve direct award of contracts to United Kingdom Accreditation Service (UKAS), British Standards Institute (BSI) and SGS United Kingdom Ltd. (SGS) for up to one year, from 17 March 2016 to 16 March 2017, for continuing certification of International Standards.
- 2) To note the plan to tender for these services for commencement of contract prior to March 2017.

(Reference – report by the Executive Director of Place, submitted.)

## **20. Community Transport – Public Social Partnership Arrangements**

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The Committee considered a report which required approval to enter into a Public Social Partnership with third sector community transport organisations to enable partnership working for the delivery of Community Transport services.

## **Decision**

- 1) To approve to enter in to a three year Public Social Partnership (PSP) between the City of Edinburgh Council and the Community Transport Providers (Lothian Community Transport Services, Handicabs Limited, South Edinburgh Amenities Group, Pilton Equalities Project, DOVE Transport) for the purpose of providing community and accessible transport to a range of groups and people with mobility impairments.
- 2) To approve the investment of £757,028 per annum in to the PSP for the period 1 April 2016 – 31 March 2019 (the equivalent to the current level of funding provided to the five Community Transport organisations).
- 3) To note the collective intention to address the Compact Partnership Strategy 2015-2020 to find cooperative solutions to service and budget pressures, prevention and mitigation of poverty and inequality.
- 4) To note that Lothian Shopmobility was not included within the Community Transport PSP and that funding remained in place for the service for the next 12 months.

(References – Finance and Resources Committee, 14 December 2015 (item 2); report by the Executive Director of Place, submitted.)

## **21. Café Concessions – Museums and Galleries and Parks and Greenspace**

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Approval was sought for the award of café concessions contracts across ten sites throughout the city following a competitive tender exercise.

### **Decision**

- 1) To approve the café concessions contract across 9 sites to the preferred suppliers listed in the report, apart from Lot 2.
- 2) To withdraw the award of Lot 2 listed in the report for further investigation into related issues and to bring a report back to the Finance and Resources Committee in May 2016.

(Reference – report by the Executive Director of Place, submitted.)

## **22. Award of Residual Waste Treatment Contract – Delegated Authority**

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Approval was sought to delegate authority to the Executive Director of Place to enter into and sign the contract documentation for the Zero Waste Residual Waste Treatment Project.

### **Decision**

To approve the delegation of authority to the Executive Director of Place, or in his absence the Head of Environment, to enter into and sign the following documents on behalf of the City of Edinburgh Council in each case subject to such amendments as the Executive Director of Place may deem appropriate:

- The Project Agreement with FCC.
- The inter-authority agreement with Midlothian Council dealing with the contract management regime between the two Councils for the residual waste treatment (“Inter-Authority Agreement”);.
- All other ancillary documentation relative to the Zero Waste Project (ZWP).

(References – Finance and Resources Committee, 21 April 2015 (item 10); report by the Executive Director of Place, submitted.)

## **23. Waivers – Homelessness Information System (HIS) and Edinburgh Common Client Outcomes (ECCO)**

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Committee considered a report which sought approval for waivers to allow the extension of contracts to deliver the Homelessness Information System (HIS) and the Edinburgh Common Client Outcomes (ECCO) system both of which supported service delivery and contract management of homelessness prevention facilities.

## **Decision**

- 1) To note the requirement for a further two year waiver for Niceworks Ltd to provide technical support for the Homelessness Information System (HIS) to April 2018, while the ICT support transitions to the new Northgate modules.
- 2) To note the requirement for a further two year waiver for Gallery Partnership for the provision of Edinburgh Common Client Outcomes (ECCO) to April 2018, while the IT support transitions to the new Northgate modules.
- 3) To approve the progression of a two year waiver for both Niceworks Ltd in respect of the HIS database and Gallery Partnership in respect of ECCO.

(References – Finance and Resources Committee, 19 March 2015 (item 21); report by the Head of Safer and Stronger Communities, submitted.)

## **24. Edinburgh Young Carers Contract**

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Approval was sought for a one year extension of contract with Edinburgh Young Carers and to waive the Council's Contract Standing Orders normal tendering requirements to allow a service review and a coproduction process to design a new service specification.

### **Decision**

To waive the Council's Contract Standing Orders normal tendering requirements and approve a 12 month contract extension to the Edinburgh Young Carers Contract for a total value of £75,000 for ongoing services to support young carers for a 12 month period from 1 April 2016 to 31 March 2017.

(Reference – report by the Acting Executive Director of Communities and Families, submitted.)

## **25. Interpretation and Translation Service – Waiver Request**

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Details were provided of a report which sought approval for a waiver to allow the continued use of external agency interpreters and translators by the Council Interpretation and Translation Service (ITS) pending the conclusion of the procurement process for all external agency staff to deliver the service by December 2016.

### **Decision**

To approve the continued use of external agency interpreters and translators by the Council Interpretation and Translation Service (ITS), pending the conclusion of a procurement process to tender for all external agency interpreting and translation in December 2016.

(Reference – report by the Acting Executive Director of Communities and Families, submitted.)

## **26. Extension of Contract with Pilton Retreat**

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Approval was required for a one year extension of the contract with Pilton Retreat to allow continued service provision and to develop a fundraising strategy with a view to securing its longer term future for the community of North Edinburgh.

## **Decision**

To approve the extension of the contract with Pilton Retreat for the 12 month period from 1 April 2016 to 31 March 2017.

(Reference – report by the Acting Executive Director of Communities and Families, submitted.)

## **27. Extension of Contract with Shakti and Edinburgh Women's Aid**

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Committee considered a report which sought approval for the nineteen month extension to the contracts with Edinburgh Women's Aid and Shakti. The extension would allow them to be included in a wider review of Domestic Abuse services concluding in November 2017, which would lead to a redesign of services and a new procurement process..

### **Decision**

To approve the extension of the contracts with Edinburgh Women's Aid and Shakti for the 19 month period from 1 April 2016 to 1 November 2017.

(Reference – report by the Acting Executive Director of Communities and Families, submitted.)

## **28. Direct Award of Independent Care Placement, Residential and Day School Contracts**

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Details were provided of a report which sought approval for the direct award of contracts to eighteen independent care placement, residential and day school providers delivering fifty-two individual placements for a two year period.

### **Decision**

- 1) To approve the direct award to 18 providers for a total estimated value of up to £4.569m per annum, subject to inflationary increases, for the two year period from 1 April 2016 to 31 March 2018.
- 2) To note direct awards were for services to support 52 placements, in total 24 children to attend an independent day school, 26 young people to attend an independent residential school provision, and two young people to be looked after by an independent care provider, all of which were either not on the current Scotland Excel Framework, or the placement began prior to the provider joining the Scotland Excel Framework.

(References – Education, Children and Families Committee, 19 May 2015 (item 22); report by the Acting Executive Director of Communities and Families, submitted.)

## **29. Extension of Children 1<sup>st</sup> Contract**

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Approval was sought for an eighteen month extension of the Children 1<sup>st</sup> Contract to allow a review of services and a coproduction process to design a new service specification.



## **Decision**

To approve the extension of two Children 1st contracts for a total value of £203,600 for ongoing services to families of young children for an 18 month period from 1 April 2016 to 30 September 2017.

(Reference - report by the Acting Executive Director of Communities and Families, submitted.)

## **30. Direct Award of Pre and Post Adoption Support Services to Scottish Adoption**

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Committee considered a report which sought approval to extend the contract with Scottish Adoption for one year. The extension would enable the Council to plan to absorb aspects of this work within existing provision and to plan a new tendering process for the remaining components.

### **Decision**

To approve the extension of the contract with Scottish Adoption at a cost of £71,920 for the period 1 April 2016 - 31 March 2017.

(References – Education, Children and Families Committee, 6 October 2015 (item 28); report by the Acting Executive Director of Communities and Families, submitted.)

## **31. Renewal of NHS Service Level Agreements**

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Approval was sought for the renewal of joint-funding arrangements for NHS services supporting enhanced integrated support for children and young people in need.

### **Decision**

- 1) To note the benefit of the integration of children's services between the NHS and Council to enable effective provision for children with additional support needs in line with statutory requirement, effective operations and Scottish Government guidance.
- 2) To agree that the relationship between the NHS and the Council as the key statutory agencies charged with responsibility for children in need, Additional Support Needs and as the Corporate Parents of Looked After Children, justified in principle the case for single sourcing.
- 3) To note that the Integrated Children's Services Board aligned strategic priorities, budgeting and performance management between the Council and NHS. It provided a robust structure for shared governance and accountability in the delivery of best value in the provision of integrated services.
- 4) To approve the extension of Service Level Agreement contracts for children's services with the NHS, to the value of £1.743 million per annum, listed at Appendix 1 of the report, from 1 April 2016, for a period of three years subject to strategic direction and monitoring by the Integrated Children's Services Board.

(Reference - report by the Acting Executive Director of Communities and Families, submitted.)

## **32. Extension of Barnardo's Locality Services for Additional Support for Learning Contract**

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Approval was sought for a twenty-four month extension to the Barnardo's contract for Locality Services for Additional Support for Learning to allow the re-design of the service and implementation of Council strategy to address the key priorities for children and families.

### **Decision**

- 1) To approve the extension of a Barnardo's contract up to a total value of £881,688 per annum for continuing services to children, families and schools for a 24-month period from 1 April 2016 to 31 March 2018.
- 2) To note that, in all the circumstances, this decision was in the best interests of children in need and in the Council's best interests and was consistent with the Council's duty to secure best value.

(References – Education, Children and Families Committee, 8 December 2015 (item 12); report by the Acting Executive Director of Communities and Families, submitted.)

## **33. Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service Update**

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An update was provided on the progress of Programme Momentum and the Edinburgh Shared Repairs Services (ESRS).

### **Decision**

- 1) To note the management information dashboard reports in Appendix 1 of the report.
- 2) To note the progress of debt recovery work.
- 3) To note the status of the remaining legacy projects.
- 4) To approve the extension of delegated authority to the Acting Executive Director of Resources in relation to statutory repairs as set out in the report.
- 5) To note the update on the pilot progress.

(References – Finance and Resources Committee, 2 February 2016 (item 20); report by the Acting Executive Director of Resources, submitted.)

## **34. Summary Report on Property Transactions concluded under Delegated Authority**

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Committee considered a report which detailed all the lease agreements concluded in terms of the Council's 'Scheme of Delegation to Chief Officials'.

### **Decision**

To note the 40 transactions detailed in the Appendix to the report had been concluded in terms of the Council's 'Scheme of Delegation to Officers.'

(References – Finance and Resources Committee, 26 November 2015 (item 25); report by the Acting Executive Director of Resources, submitted.)

### **35. Proposed Lease Extension at 19 Grassmarket, Edinburgh**

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Committee considered a report requesting approval of a ten year lease extension of the retail unit at 19 Grassmarket which trades as Mary's Milk Bar.

#### **Decision**

To approve a 10 year lease extension to Mary's Milk Bar Limited of retail premises at 19 Grassmarket, Edinburgh, on the terms outlined in the report and on other terms and conditions to be agreed by the Acting Executive Director of Resources.

(Reference – report by the Acting Executive Director of Resources, submitted.)

### **36. Land at Slateford Road – Proposed Disposal**

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Approval was sought to sell 96.17sq m of land at Slateford Road to the Housing Developer, AMA (Slateford) Ltd for incorporation into their wider development.

#### **Decision**

To approve the disposal of the land at Slateford Road, extending to 96.17 sq m or thereby to AMA (Slateford) Ltd, on the terms and conditions outlined in the report, and on such terms and conditions to be agreed by the Acting Executive Director of Resources

(Reference – report by the Acting Executive Director of Resources, submitted.)

### **37. Resolution to consider in private**

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The Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the following items of business on the grounds that they involved the disclosure of exempt information as defined in Paragraphs 6, 9 and 12 of Part 1 of Schedule 7(A) of the Act.

### **38. Property Conservation – Irrecoverable Sum and Debt recovery and Settlements Process**

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An update was provided on the irrecoverable sums approved under delegated authority and the current provision for impairment and settlements.

#### **Decision**

- 1) To note the settlement sums authorised to complainants and other affected owners, under delegated authority in Appendix 1 of the report.
- 2) To note the provision for Impairments and Settlements in Appendix 2 of the report.

(References – Finance and Resources Committee, 14 January 2016 (item 21); report by the Acting Executive Director of Resources, submitted.)

### **39. Miscellaneous Debts – Write Off**

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A summary was provided on the outstanding miscellaneous debt deemed uncollectable and recommended for write-off.

## **Decision**

- 1) To approve the write-off of miscellaneous debt of £166,884.25.
- 2) To note the position on the use of registered inhibitions as part of the debt recovery process.

(Reference – report by the Acting Executive Director of Resources, submitted.)

## **40. Unincorporated Associations and Liability**

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Approval was sought to delegate authority to the Chief Executive and Acting Executive Director of Resources to take action to minimise any risk to the Council that arose from the appointment of Elected Members to any unincorporated associations.

### **Decision**

- 1) To note that a further report would be submitted to the Council on 28 April 2016 recommending a course of action in regard to elected member representation on unincorporated associations.
- 2) To delegate authority for up to six months to the Chief Executive and the Acting Executive Director of Resources to take such action as may be required to minimise any risks to the Council and to deal with any potential claims that arose as a result of elected members having been appointed to any unincorporated association by the Council.

(Reference – report by the Chief Executive, submitted.)

## **41. Edindex Partnership Arrangements**

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Committee considered a report on EdIndex Partnership Arrangements.

### **Decision**

Detailed in the Confidential Schedule, signed by the Convener, with reference to this minute.

(Reference – report by the Executive Director of Place, submitted.)

# Item 6.1 - Key decisions forward plan

## Finance and Resources Committee

[12 May - 9 June 2016]

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Coalition pledges and Council outcomes
1.	Governance of Major projects	9 June 2016		Andrew Kerr, Chief Executive  Lead Officer: <a href="#">Kirsty-Louise Campbell</a> , Head of Strategy and Insight	
2.	Business Gateway - Workshops and Expert Help Sessions	9 June 2016		Andrew Kerr, Chief Executive  Lead Officer: <a href="#">Jim Galloway</a> , Service Manager	
3.	Business Case - CPOL Replacement	9 June 2016		Andrew Kerr, Chief Executive  Lead Officer: <a href="#">Kirsty-Louise Campbell</a> , Strategy and Governance Manager	
4.	Leasing of Sighthill Park	9 June 2016		Alistair Gaw, Acting Executive Director of Communities and Families  Lead Officer: <a href="#">David Bruce</a> , Senior Education Manager (Community Services)	
5.	Tynecastle Nursery	9 June 2016		Hugh Dunn, Acting Executive Director of Resources/ Alistair Gaw, Acting Executive Director of Communities and Families	

Item	Key decisions	Expected date of decision	Wards affected	Director and lead officer	Coalition pledges and Council outcomes
				Lead Officers: <a href="#">Nick Smith</a> , Interim Head of Legal and Risk and <a href="#">Billy MacIntyre</a> , Head of Resources	
6.	Managing Workforce Change: Progress update	9 June 2016		Hugh Dunn, Acting Executive Director of Resources  Lead Officer: <a href="#">Katy Miller</a> , Head of Human Resources	
7.	0.37 acre site at Newcraighall, Edinburgh	9 June 2016		Hugh Dunn, Acting Executive Director of Resources  Lead Officer: <a href="#">Peter Watton</a> , Acting Head of Corporate Property	
8.	Redhall House and Grounds , Redhall Drive - Update Report	9 June 2016		Hugh Dunn, Acting Executive Director of Resources  Lead Officer: <a href="#">Peter Watton</a> , Acting Head of Corporate Property	
9.	Bridgend Farmhouse and Steadings Update	9 June 2016		Hugh Dunn, Acting Executive Director of Resources  Lead Officer: <a href="#">Peter Watton</a> , Acting Head of Corporate Property	
10.	Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service Update	9 June 2016		Hugh Dunn, Acting Executive Director of Resources  Lead Officer: <a href="#">Andrew Field</a> , Head of Shared Repairs	

11.	Construction Professional Services Framework – Update Report	9 June 2016		Hugh Dunn, Acting Executive Director of Resources  Lead Officer: <a href="#">Tammy Gillies</a> , Acting Commercial and Procurement Manager	
12.	Contracts Awarded Under Delegated Authority (Waiver Reports) and Procurement Activity	9 June 2016		Hugh Dunn, Acting Executive Director of Resources  Lead Officer: <a href="#">Tammy Gillies</a> , Acting Commercial and Procurement Manager	
13.	Replacement of the Salvesen Steps on the River Almond	9 June 2016		Director: Paul Lawrence, Executive Director of Place  Lead officer: <a href="#">David Jamieson</a> , Parks and Green Space Manager	
14.	Award of Contract for Consultancy Services to Provide Water of Leith Basin Siltation Study	9 June 2016		Director: Paul Lawrence, Executive Director of Place  Lead Officer: <a href="#">Tom Dougall</a> , Maintenance Manager	

# Item 6.2 - Rolling Actions Log

## Finance and Resources Committee

27 August 2015 – 17 March 2016

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	RAG Status	Comments
1	04-06-15	<a href="#">Home Energy Efficiency Programmes for Scotland</a>	To provide a briefing note on how the impact of home energy efficiency programmes compared to scale with challenges of fuel poverty and carbon reduction that would be circulated to members.	Executive Director of Place	19-11-15	14-03-16	<b>G</b>	<b>A briefing note has been circulated to members - closed.</b>



2	27-08-15	<a href="#">Proposed 25 Year Lease of the Engine Shed, 19 St Leonard's Lane, Edinburgh</a>	<p>To request that officers from Corporate Property work alongside the Rivers Centre Public Social Partnership/Carr Gomm to identify alternative accommodation and to report the outcome back to Committee.</p>	Acting Executive Director of Resources	Not specified	Quarter 1 2016	<b>A</b>	<p><b>Negotiations are ongoing. The building in question is currently undergoing major external repairs and the potential date of entry has been delayed until completion of those external works. The works are due to complete late June / early July. Subject to completion, entry is anticipated for late summer.</b></p>
3	24-09-15	<a href="#">Bridgend Farmhouse and Steadings: Update</a>	<p>To instruct that a report was brought back to the Finance and Resources Committee detailing progress on all aspects of the project including the cost/benefits contributed to the collaboration by July 2016.</p>	Acting Executive Director of Resources	July 2016		<b>A</b>	<p><b>Report to be brought back to F+R by July 2016 – ongoing.</b></p>

4	29-10-15	<a href="#">Redhall House and Lawn - Progress Report</a>	To request an update report was brought to the Finance and Resources Committee at the conclusion of the planning process.	Acting Executive Director of Resources	June 2016		<b>A</b>	Planning application to be considered in May, and report would be brought to F+R in June 2016 - ongoing
5	14-01-16	<a href="#">Annual Workforce Controls Report</a>	To circulate a briefing note to members detailing the FTE reduction over the last two years.	Chief Executive	As soon as possible	March 2016	<b>G</b>	Briefing note circulated to members – closed.
6	14-01-16	<a href="#">Capital Investment Programme-Plan 2016-17 to 2023-24</a>	The Acting Executive Director of Resources to investigate extending the sustainability impact in relation to the Capital Investment Programme and to report back to Councillor Corbett.	Acting Executive Director of Resources	As soon as possible	08-03-16	<b>G</b>	Information provided to Councillor Corbett – closed.
7	02-02-16	<a href="#">Approval for Walking and Cycling</a>	To provide Councillor Jackson with details of the proposed cycling and walking routes.	Executive Director of Place	As soon as possible	10-03-16	<b>G</b>	Project briefs provided to Councillor Jackson – closed.

8	17-03-16	<a href="#">Transformation Programme AMS Update</a>	To circulate a briefing note to members on the progress of the Asset Management Strategy, the financial implications and impact on staff.	Acting Executive Director of Resources	As soon as possible	26-04-16	<b>G</b>	Briefing note circulated to members of the F+R Committee – closed.
9	17-03-16	<a href="#">Governance of Major Projects Progress Report</a>	To circulate a briefing note to members on the assurance review for ICT and how it related to the Transformation Programme.	Chief Executive	As soon as possible	22-04-16	<b>G</b>	Briefing note circulated to members of the F+R Committee – closed.
10	17-03-16	<a href="#">Reemployment and Reengagement of staff</a>	To circulate a briefing note to members on the implications of placing a time-bar and an upper or lower financial limit in relation to re-employment of staff.	Acting Executive Director of Resources	As soon as possible	01-04-16	<b>G</b>	Briefing note circulated to member of the F+R Committee – closed.
11	17-03-16	<a href="#">Carbon Reduction Commitment Handbook</a>	To provide Councillor Corbett with information on how Edinburgh's Sustainable Energy Action Plan target to reduce Carbon Emissions would be achieved and the related financial implications.	Acting Executive Director of Resources	As soon as possible	29-03-16	<b>G</b>	Information sent to Councillor Corbett – closed.

12	17-03-16	<a href="#">Health and Social Care Integration Update</a>	To circulate a briefing note to members with more detailed financial information in relation to Health and Social Care Integration.	Chief Officer – Edinburgh Health and Social Care Partnership	As soon as possible	19-04-16		<b>Briefing note circulated to members of the F+R Committee – closed.</b>
13	17-03-16	<a href="#">Community Transport Public Social Partnership Arrangements</a>	To update members following discussions with the Integration Joint Board on responsibility for funding of Community Transport.	Executive Director of Place	As soon as possible			
14	17-03-16	<a href="#">Cafe Concessions – Museums and Galleries, Parks and Greenspace</a>	1) To withdraw the award of Lot 2 to investigate issues related to this and to bring back a report to Committee in May 2016.	Executive Director of Place	As soon as possible	12 May 2016	<b>A</b>	<b>Report to be brought back to F+R Cttee on 12 May 2016 – ongoing.</b>
			2) To circulate a briefing note to members with further details in the consultation process with specific reference to Victoria Park.		As soon as possible		<b>G</b>	<b>Briefing note circulated to members of the F+R Committee – closed.</b>

			3) To arrange a meeting with Councillor Corbett to discuss how the Council could work with smaller businesses in relation to a contract of this size.		As soon as possible		<b>A</b>	<b>Procurement are in the process of arranging a meeting with Councillor Corbett – ongoing.</b>
15	17-03-16	<a href="#">Summary Report on Property Transactions Concluded under Delegated Authority</a>	To circulate a briefing note to members on the reasons for large rent increases.	Acting Executive Director of Resources	As soon as possible	31-03-16	<b>G</b>	<b>Briefing note circulated to members – closed.</b>
16	17-03-16	Miscellaneous Debts – Write-Off (B agenda)	To ensure that members of the Police and Fire Scrutiny Committee were aware of the withdrawal of Police funding for the Appropriate Adult service.	Acting Executive Director of Resources	As soon as possible	30-03-16	<b>G</b>	<b>An update was provided to members on the funding of the Appropriate Adult Service – closed.</b>
17	17-03-16	Unincorporated Associations (B agenda)	To circulate a briefing note to all elected members on the 11 unincorporated associations that members were currently appointed to.	Chief Executive	As soon as possible	19-04-16	<b>G</b>	<b>A briefing note was circulated to members – closed.</b>

Red – Action has not been completed within timescales indicated.

Amber – Action is in Progress.

Green – Action has been completed and recommended for closure.

# Finance and Resources Committee

10.00am, Thursday, 12 May 2016

## Transformation Programme: Progress Update

Item number	7.1
Report number	
Executive/routine	
Wards	

### Executive summary

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This report provides the Finance and Resources Committee with a single, consolidated status update on the Council Transformation Programme, aimed at delivering a lean and agile Council, centred on customers, services and communities. This report provides progress updates across the major workstreams and notes the most up to date position with VERA/VR and the delivery of organisational reviews. The report includes the most recent management information dashboards.

### Links

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[Coalition pledges](#)  
[Council outcomes](#)  
[Single Outcome Agreement](#)

## Transformation Programme: Progress Update

### Recommendations

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- 1.1 Note the progress to date with the realisation of savings through organisational reviews;
- 1.2 Note the progress made to date with the major workstreams;
- 1.3 Note the updated VERA/VR figures contained within this report and note that more detailed information is available in the Managing Workforce Change dashboard, at item 7.2 on this agenda; and
- 1.4 Note the management information dashboards attached at Appendix 1.

### Background

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- 2.1 The Council continues to operate in a challenging environment with increases in demand for services within ongoing financial constraints. In response, the Council has developed a Transformation Programme aimed at building a lean and agile organisation, centred on customers, services and communities.
- 2.2 On 25 June 2015, Council approved a report on the Transformation Programme which set out the future operating model for the Council.
- 2.3 This report highlights the following:
  - Progress to date with the realisation of savings through organisational reviews;
  - Progress with major workstreams;
  - Updated VERA/VR figures; and
  - Management information dashboards for the month to 15 April 2016.

### Main report

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#### **Progress of Organisational Reviews**

- 3.1 Good progress continues to be made with the realisation of savings through organisational reviews.
- 3.2 Four reviews have now completed (Tier 3, ICT, HR and Communications). Structures are operational and savings targets have been met. A further 10 reviews are now in the matching and assignment stage.



- 3.3 In a number of cases, reasonable extensions have been agreed to the consultation period for some aspects of services under review. This has been in agreement with the trade unions, to allow additional time for the consideration of structures, shift patterns or other issues. The relatively short timeframe involved means that there is no significant impact on the realisation of savings.
- 3.4 As reviews reach the end of consultation, the Transformation PMO is working closely with Lead Officers, Finance Managers and HR Business Partners to gather data on any revisions to the proposed structures and any associated financial implications, to ensure that savings targets are being met. This data will be reported to the Corporate Leadership Team (CLT) on a monthly basis going forward.
- 3.5 The table below shows the current status and projected benefits for organisational reviews which are currently underway (those either in consultation or matching and assignment phases). Reviews are on track to deliver their targeted savings.

Organisational Review	Consultation Start Date	Consultation End Date	STATUS	Projected Savings £M	Benefits Status
Communications	12/011/2015	26/12/2015	IMPLEMENTED	0.463	achieved
ICT	12/011/2015	26/12/2015	IMPLEMENTED	0.780	achieved
Human Resources	12/011/2015	26/12/2015	IMPLEMENTED	0.514	achieved
Business Support: Executive Support	28/01/2016	11/03/2016	MATCHING & ASSIGNMENT PROCESS	0.780	on track
City Strategy & Economy	28/01/2016	11/03/2016	MATCHING & ASSIGNMENT PROCESS	1.409	on track
Strategy & Insight	04/02/2016	18/03/2016	MATCHING & ASSIGNMENT PROCESS	1.816	on track
Transformation and Business Change	04/02/2016	18/03/2016	MATCHING & ASSIGNMENT PROCESS	0.336	on track
Transport & Planning	04/02/2016	01/04/2016	MATCHING & ASSIGNMENT PROCESS	3.513	on track
Communities and Families Operations	23/02/2016	12/04/2016	MATCHING & ASSIGNMENT PROCESS	0.141	on track
Children's Services - Management	09/02/2016	12/04/2016	MATCHING & ASSIGNMENT PROCESS	1.456	on track
Environment	12/02/2016	22/04/2016	MATCHING & ASSIGNMENT PROCESS	4.851	on track
Corporate Property - Phase 1 - Tiers 3 and 4	25/02/2016	11/04/2016	MATCHING & ASSIGNMENT PROCESS	0.379	on track

Housing and Regulatory Services	25/02/2016	25/04/2016	IN CONSULTATION - ON TRACK	1.835	on track
Safer & Stronger Communities* - Homelessness and Housing Support, Community Safety + Family Solutions	25/02/2016	29/04/2016	IN CONSULTATION - ON TRACK	3.306	on track
Business Support Shared & Locality Services	15/03/2016	16/05/2016	IN CONSULTATION - ON TRACK	2.007	on track
Legal Services	24/03/2016	07/05/2016	IN CONSULTATION - ON TRACK	0.443	on track
Commercial and Procurement	24/03/2016	07/05/2016	IN CONSULTATION - ON TRACK	0.624	on track
Customer Contact - Phase 1	15/03/2016	28/04/2016	IN CONSULTATION - ON TRACK	1.814	on track
<b>TOTAL</b>				<b>26.467</b>	

### Safer and Stronger Communities Organisational Review

- 3.6 Within Safer and Stronger Communities, it has been acknowledged that the development of locality-based, multi-disciplinary community/family support teams is key to achieving the positive outcomes for communities to which the Transformation Programme aspires.
- 3.7 Discussions have recently taken place between Children's Services, Community Safety and Housing Support to develop further proposals in this area. There is a strong commitment to focus on people's needs and local priorities, determined at a neighbourhood level, and supported by multi-agency and cross-sector partnerships in each locality. The general consensus, confirmed by CLT, trades unions and staff, is that the current review could be enhanced by an accelerated move to better integration.
- 3.8 The opportunity to achieve a better balance between specialist services and more generic ones, supported by single, integrated management arrangements in each locality is evident. The revised operating model proposed is based on bringing staff together in multi-disciplinary teams under a single integrated management structure.
- 3.9 The original Safer and Stronger review consultation period has therefore been extended for the following affected areas:
- Locality-based Community Safety teams (Safer and Stronger Communities)
  - Housing Support (Neighbourhood Support Service, including Sheltered Housing (Safer and Stronger Communities)
  - Family Solutions (Communities and Families)

- 3.10 This will allow time to consider these new proposals, which will allow for a level of flexibility in resourcing across the four localities. The revised structure is expected to deliver additional savings in comparison with the previous proposals, but the extent of these will be dependent on the grades assigned to posts.

## **Workstream Updates**

### Development of the Localities Model

- 3.11 The first round of Locality Leadership Team (LLT) meetings have been held, all were well attended and discussion in each focussed on the role and remit of the teams; the need to engender a truly partnership approach to delivering services and sharing assets, and the need for this to be underpinned by robust and accurate insight data.
- 3.12 The next LLT meeting cycle will be a half day session held within the respective localities, with the proposed agenda focussing on locality planning; insight data from respective organisations and sectors; priorities, planning and engagement.
- 3.13 The Council's Locality Management Board (LMB) met on the 15 April, with discussion focussed on 'Place Making' and Locality Improvement Plans. Both LLTs and the LMB will have a focus on the development of Locality Improvement Plans, guidance for which has recently been issued, and the need to ensure strategic alignment at community planning level.
- 3.14 There is a recognised need for the Council's Strategic Planning Framework to integrate three separate approaches – the Council Business Plan; existing Community Planning requirements, and the Locality Improvement Plans introduced by the Community Empowerment Act 2015.
- 3.15 Scottish Government guidance on Locality Improvement Plans proposes two elements:
- a. 'All area dimension' that will coordinate delivery of services in all neighbourhoods, with agreed partnership priorities. This includes a commitment to citywide child poverty commitments.
  - b. 'Small area dimension' – where areas are identified which experience significantly poorer outcomes than the rest of the community planning area or Scotland as a whole' (10k - 30k population)

These will support the overarching Local Outcome Plan required by the Local Government in Scotland Act 2003.

- 3.16 The Scottish Government, NHS Scotland and Design and Architecture Scotland have created a Place Standard (see [www.placestandard.scot/#/home](http://www.placestandard.scot/#/home)) as an evaluation tool to assist in identifying the quality of a place, and a presentation to the LMB outlined the benefits such a tool can have in engaging and consulting with

communities. It was acknowledged that such an approach to identifying strength of community feeling will be important in the development of LITs.

3.17 Locality Improvements Plans have to be implemented by October 2017, however there is confidence that in Edinburgh our existing community engagement methods through Neighbourhood Partnerships provide a strong basis for the development of Locality Improvement Plans, and the strategy and Insight team have already commenced planning for this, with a design framework proposal ready for October 2016.

3.18 Priority areas for the Locality Management Board over the next 12 months include:

- A 'Go Live' date on 1 June 2016 and the need to quickly identify all key outstanding operational issues ahead of that.
- Create a 'Day One' Plan setting out available resources and transition arrangements. This includes impacts from services being delivered centrally (e.g. street cleaning, customer contact)
- Create a 12 month timetable setting out milestones towards full locality management implementation. This will be subject to ongoing review by the Board.
- Manage the expectations of staff and partners and ensure good communications with all key stakeholders by developing a more detailed communications plan to be approved by the LMB.
- Improve locality insight data through joint work with the Business Insight Team, and to undertake focus groups in localities to strengthen this information.

3.19 A report to the Corporate Policy and Strategy Committee in June 2016 will set out further detail on the localities model, the future approach to strategic planning and implementation.

#### Customer and Business Support

3.20 Three out of the five Customer function reviews have entered formal consultation equating to 1000 FTE from across the Council:

- Business Support Executive Support - the consultation closed on 21 March and all required interviews have been completed, allowing the matching and assignment process to be completed by 15 April. The future structure is on track to be operational by 2 May;
- Business Support Shared Services and Localities and Customer Contact are both in organisational review. Customer Contact's mid-point review has been completed, Business Support Shared Services and Localities

completion date has been revised due to an increase in scope and will now finish on 16<sup>th</sup> May (a two week delay).

3.21 The two remaining Customer function review are progressing as follows:

- Customer Transactions – The Transaction structure was approved by CLT and all documents have been completed; the organisational review will commence on W/C 18<sup>th</sup> April;
- Business Support in Schools – School engagement sessions are being held twice weekly across all sectors, potential delivery models are being developed to allow wider review and analysis. Discussions are being held to confirm the most appropriate start date for the review in this area.

3.22 The 4 reviews (excluding Business Support in Schools) are estimated to deliver over £7M in annual savings once completed. However, aligned to this are a number of risks. Mitigation actions are in place and will be continually monitored.

3.23 The main risks are highlighted below:

- Cultural Change, both internally and externally, is required to deliver all the benefits and to fully embed the new delivery model;
- Protection of income – the Customer Function is responsible for significant revenue which could be affected so the implementation must maintain current income levels as a minimum;
- Resources – there is significant amount of work required and the resources both in the delivery team and in specific key operational services need to be kept at the required levels or timelines and benefit realisation may slip.

3.24 Phase two planning has commenced to validate current opportunities and identify additional benefits that can be delivered. Targeted savings for phase 2 are circa £7m p.a. Workshops are being organised and a delivery plan is being developed. These will identify and prioritise the delivery of the improvement opportunities and further refine the savings targets and detail the benefits that will be realised.

#### Channel Shift

3.25 Good progress is being made with the roll out 153 new digital transactions. The programme is on track for the “go live” of the first two batches of transactions by the end of June, which are mainly related to Environment (roads, parks and waste) and Licensing. Design documents have been developed with new supporting business processes and these are currently being agreed with the relevant service areas. Business readiness plans are also in development. These will detail how training requirements, communications and business change will be managed.

3.26 Over 60,000 individuals have now signed up for online MyGovScot accounts. Proposals for improving digital participation have been developed in conjunction

with the Scottish Government and CGI, and these will now be subject to wide engagement to inform a detailed implementation plan.

- 3.27 Work is also continuing to inform new and improved ways of delivering face to face customer service.

#### Health and Social Care

- 3.28 Draft proposals for the future operating model in this area were considered by CLT in February 2016.
- 3.29 The proposed structure was then approved at the NHS Challenge Panel on 21 March 2016 and the next step is to secure the approval of the NHS Workforce Organisational Change Group which is expected to meet in early May.
- 3.30 It is anticipated that the organisational review of Health and Social Care will be delivered in three phases, with the senior management structure and locality hub and cluster managers implemented first, followed by middle management and then front line thereafter.
- 3.31 Job descriptions for the senior management posts have been completed, job evaluation is in progress and consultation packs have been drafted. The pooling detail is also complete for CEC staff. Assuming the necessary approvals are secured from the NHS, it is intended that consultation for the review of the senior management structure and locality hub and cluster managers will commence in mid to late May 2016.

#### Asset Management Strategy

- 3.32 The consultation period for the formal organisational review for tiers 3 and 4 closed on 11<sup>th</sup> April 2016. Final feedback and amendments to proposals are underway, with decisions on VR to be advised, and matching and assignment to begin at the end of April 2016.
- 3.33 Given there are a significant number of staff in facilities management who will be unavailable for consultation during the school summer holidays, a decision has been taken, in consultation with the Trade Unions, to split the next phase of organisational review into two phases.
- 3.34 Phase 2, which will include non facilities management staff below tier 4 is scheduled to commence in June 2016. Phase 3, which includes all facilities management staff below tier 4, will begin at the end of August 2016. Re-phasing organisational reviews will aim to deliver an operational structure by November 2016. This takes account of the summer holidays and time required for any external appointments.
- 3.35 The AMS team is working closely with colleagues in Communities and Families and the Integrated Joint Board to agree staff transfers related to facilities management that could take place as part of phase 3 of the organisational

review. Budget transfers to consolidate Property and Facilities Management spend across the Council into a single budget are also underway. These transfers aim to enable greater visibility of property costs and reduce internal recharges.

- 3.36 Outline Business cases for the first phase of property exits have now been developed and approved by the Corporate Leadership Team. These would see the exit of Lothian Chambers and 329 High Street, with the services relocated to other central properties. The design of the alternative locations is now being scoped with the services, and a report on Lothian Chambers will be presented to the Economy Committee in June. An outline business case has been approved for a regenerative 'Place' approach to delivering services in Wester Hailes, which is currently being developed further, for public engagement, anticipated later in May. Work is ongoing alongside the libraries and community learning service review to align property strategy with the service redesign. Work with partners regarding shared use of properties is ongoing.
- 3.37 The Investment Portfolio workstream is preparing a strategy paper for submission to the May 2016 Property and Facilities Management Board. Further work is being undertaken to complete a review of concessionary lets, constraints and recommendations for maximising income. Opportunities for income maximisation are being assessed, including reduction of rent and service charge arrears and reduction in irrecoverable costs, and identification of assets for disposal and possible opportunities for re-investing. The workstream will be reviewing the CAFM Estates Module against system requirements.
- 3.38 The Asset Condition core working group have completed a forward strategy relating to asset condition and maintenance which was approved by the Corporate Leadership Team. The group will now be taking forward the recommended actions from the paper which include working with estate rationalisation and finance colleagues to profile estimated capital receipts against projected expenditure and completing a qualitative and quantitative assessment of expediting a survey programme with external resource. The group have also been reviewing the functionality of the TF Cloud CAFM, including meetings and workshops with South Ayrshire Council's maintenance and survey teams. Physical testing of the system software is planned over the next period and any functionality gaps against expectations will be identified.
- 3.39 The draft FM Service Level Agreement (SLA) has now been fully developed, alongside consultation with Service Customers, to document the minimum service standards and the framework for measuring and reporting performance. The SLA has subsequently been handed over to Arcadis (the Technical consultant) to incorporate into their facilities management bottom up design and wider review of the FM service delivery model. In parallel to this ongoing redesign, draft SLA documents have been circulated to the Heads of Service with planned working group sessions intended to capture further feedback that will be used to finalise both the final SLA and the service delivery model.

### **VERA/VR Update**

- 3.40 As at 15 April 2016, staff accounting for a total of 486.8 FTE have left or are confirmed to be leaving the Council. These confirmed reductions will achieve recurring savings of £18 million. The one off VR/VERA and pension strain cost for those cases is £20.7 million and the overall payback period is 13.7 months, which is in line with planning assumptions.
- 3.41 Full details of VERA/VR are contained in the Managing Workforce Change dashboard, which is item 7.2 on this agenda.

### **Transformation Programme – Phase 2 Planning**

- 3.42 Work is underway to develop a more robust and detailed plan for Phase 2 of the transformation programme which will be based upon the objectives set out in the Council's target operating model blueprint. Each workstream will build detailed project plans which will consolidate into an overarching programme plan. The development of this plan is critical to allow us to successfully implement the future Council operating model through transformation activities and deliver previously approved savings. Once in place, this plan will clarify the approach of the programme, make key milestones more visible and will allow for more efficient exception reporting to Committee.
- 3.43 The plan will take into consideration key programme dependencies and delivery of core systems delivered via the ICT transformation programme.
- 3.44 A working group has been established with cross-Council representation and over the coming weeks, the detailed plan and vision will be finalised. Details will be reported to Committee in the next transformation programme update.

### **Transformation Management Information Dashboards**

- 3.45 The management information dashboards for the month to 15 April 2016 are attached as appendix 1.

### **Measures of success**

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- 4.1 The business cases have identified significant financial and non-financial benefits associated with the Transformation Programme.
- 4.2 The PMO have developed a clear financial and non-financial benefits framework which forms the basis of bi-monthly dashboard reporting to Committee.



## Financial impact

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- 5.1 As approved by Council the Transformation Programme is targeting the development and delivery of cumulative savings of £77.0m as a critical element of the Council's approved budget framework.
- 5.2 VERA and VR are being used to maximise delivery of workforce savings through voluntary measures. Annualised cost savings of £18m have been achieved to date with associated voluntary severance costs and pension strain costs totalling £20.7m. The overall payback period of 13.7 months is in line with planning assumptions.

## Risk, policy, compliance and governance impact

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- 6.1 A risk register has been developed as part of the PMO and is reported monthly to the Corporate Leadership Team.

## Equalities impact

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- 7.1 New locality management arrangements and local community engagement arrangements take cognisance of the needs of equalities communities of interest in addition to communities of place
- 7.2 New grant and contract programmes are designed to ensure the protection of the most vulnerable communities, families and individuals to maintain equality of opportunity.
- 7.3 Face to face contact and other contact channels are maintained for individuals, families and groups that have difficulties when accessing new or IT based channels.
- 7.4 Proposals comprising the budget framework will be assessed for their corresponding potential equalities and human rights impacts. The combined and cumulative impact of the proposals across the transformation programme will be assessed and reported to Committee. The results of these assessments will then be referred to Council to ensure that members pay due regard to them in setting the Council's 2016/17 budget.

## Sustainability impact

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- 8.1 The recommendations of this report have been assessed in line with the public bodies duties described within the Climate Change Scotland Act (2009). In summary, a move to enhanced locality working will provide for new opportunities to strengthen the Council's work to mitigate against climate change, adapt to climate change and act in a more sustainable manner.

## Consultation and engagement

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- 9.1 The Council Transformation Programme has engaged with staff using a number of methods, including drop-in sessions, workshops, a dedicated email address, ORB pages, blogs, communications updates and briefings from line managers.
- 9.2 A comprehensive customer and employee engagement plan will be developed for each of the workstreams, with a dedicated overarching change plan involving staff, elected members, partners and trade unions.

## Background reading/external references

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### Andrew Kerr

Chief Executive

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E-mail: [kirstylouise.campbell@edinburgh.gov.uk](mailto:kirstylouise.campbell@edinburgh.gov.uk) | Tel: 0131 529 3654

### Links

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[Report to Finance and Resources Committee, 24 September 2015 - 2016/2020 Revenue and Capital Budget Framework](#)

[Report to Finance & Resources Committee, 24 September 2015 - Transformation Programme: Property and Asset Management Strategy](#)

[Report to Finance and Resources Committee, March 2016 - Transformation Programme: Progress Update](#)

[Report to Finance and Resources Committee, March 2016 - Asset Management Strategy Update](#)

**Coalition pledges**

**Council outcomes**

**Single Outcome Agreement**

**Appendices**

Appendix 1 – Management Information Dashboards



# Transformation Programme Management Dashboard

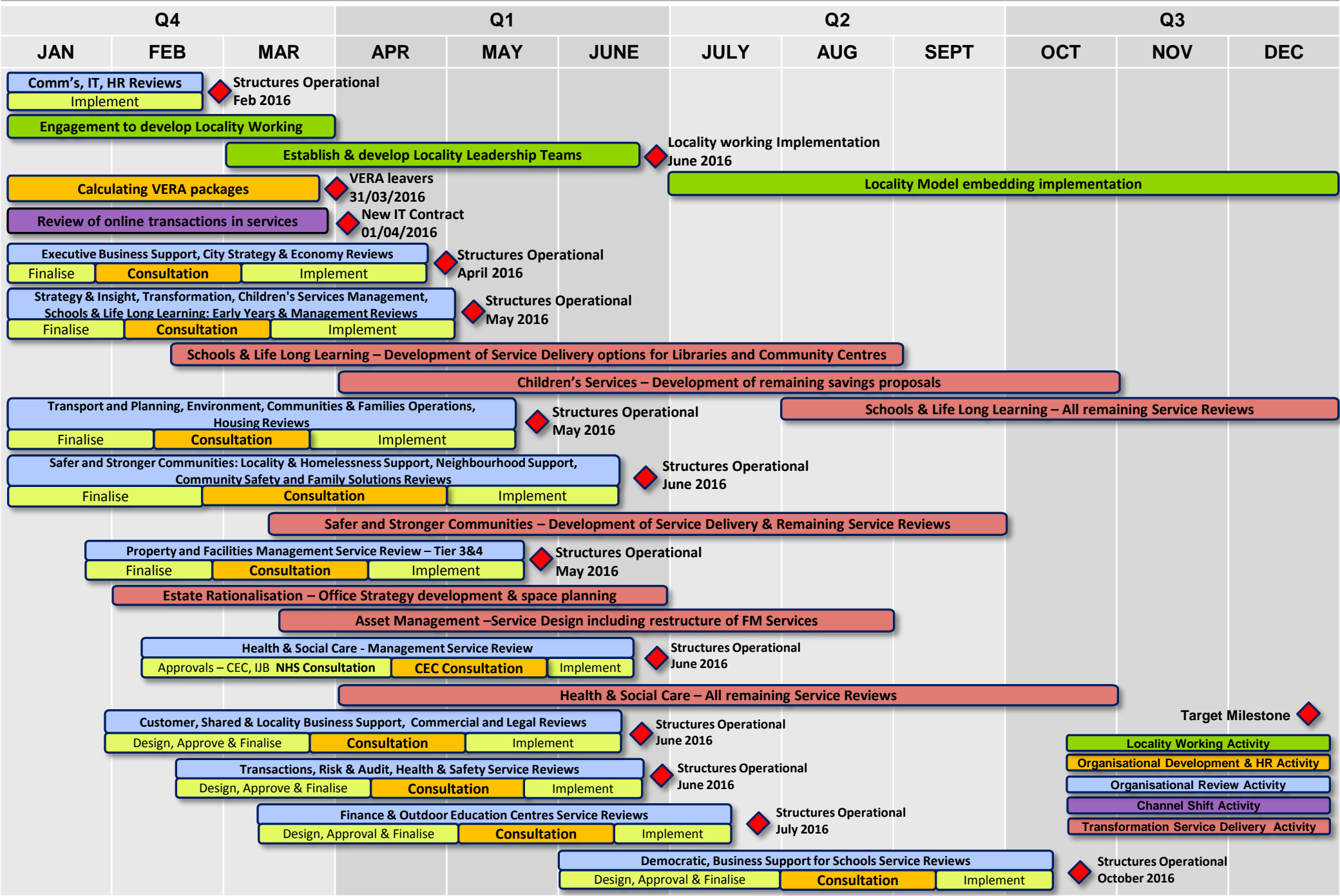
Monthly progress update - April 2016

## OVERVIEW OF PROGRESS

Over 4000 staff are now in Organisational Reviews . The first 3 Organisational reviews have completed and have meet their savings targets and a further 4 reviews have closed consultation. Programme Governance now aligned to the new Council Operating Model. Individuals continue to exit the organisation on VERA and VR terms achieving an annualised saving of 17.9m per annum including pension and NI contributions.

PROJECT	RAG	COMMENTS	KEY PROGRAMME DECISIONS & TIMESCALES		
			April	May	June
<b>Customer &amp; Business Support</b>	→	<ul style="list-style-type: none"> <li>Business Support Exec Support review- structure go live planned for 2<sup>nd</sup> May</li> <li>School engagement session are being held twice weekly across all sectors, initial analysis of potential delivery models are being developed</li> <li>Transaction Org review starts W/C 18<sup>th</sup> April</li> </ul>	Prepare Outdoor Education centres Executive Support, City Strategy and Economy Reviews	CLT Meeting Operational April	
<b>Health &amp; Social Care</b>	→	<ul style="list-style-type: none"> <li>Proposed date for initial review 23<sup>rd</sup> April</li> <li>Phase 2 and phase 3 to be mapped</li> <li>Consultation packs in draft for initial phase</li> <li>Meetings with NHS managers to agree service mapping</li> </ul>	Prepare Report for F&R	F&R Committee CLT Meeting	
<b>Asset Management</b>	→	<ul style="list-style-type: none"> <li>Service Level Agreements passed to Technical Consultant</li> <li>Tier 3-4 Review now closed to consultation</li> </ul>	Strategy & Insight, Transformation , Reviews Embedding Transformation – Implementation Planning	Operational May	
<b>Localities</b>	→	<ul style="list-style-type: none"> <li>Full locality structure and service mapping being progressed with Business Insight, pending revisions required post consultation</li> <li>Business Insight data being prepared to aid development of Locality Improvement Plans</li> </ul>	Phase 2 Programme Planning Environment , Children's Services, Communities & Families Ops, Housing, Schools and Lifelong Learning, Transport & Planning, Property and Facilities Management Tier 3 & 4 Reviews Customer, Safer and Stronger Communities, Business Support, Commercial, Legal, Transactions, Risk & Audit, Health & Safety Service Reviews	CLT Meeting Operational May	CLT Meeting Operational June
<b>Resources</b>	→	<ul style="list-style-type: none"> <li>Risk, IA and Resilience will commence organisational review W/C 18 April, Finance will commence organisational review W/C 09 May</li> <li>Review documents are being finalised working closely with HR and Finance</li> </ul>			
<b>Chief Exec Dept</b>	→	<ul style="list-style-type: none"> <li>Organisation Reviews are progressing well</li> <li>Work with Services to build on previous work to confirm, enhance and rationalise BI and performance requirements</li> </ul>			
<b>Place &amp; Economy</b>	→	<ul style="list-style-type: none"> <li>Consultation remains open for: a selected number of area, with the bulk of the service now closing to consultation</li> </ul>			
<b>Communities &amp; Families</b>	→	<ul style="list-style-type: none"> <li>Early Years &amp; Schools and Children's Services, with new structures operational during May 2016.</li> <li>Vibrant and Creative Communities – agree scope and continue to develop detailed service design proposals.</li> <li>Instrumental Music Service – analyse pupil data and continue to develop service options.</li> </ul>			
RISK	DESCRIPTION	RAG	MITIGATION		
<b>Service Failure</b>	Acceleration of the Programme to realise savings more quickly causes disruption	→	Forward planning of restructuring and realignment of staff with each service is underway. CLT reviewing robustness of all Organisational Review proposals. Cross-Council working group in place to drive forward plans to embed transformation across all services.		
<b>Engagement and Change</b>	Managing change with staff and partners may be difficult due to scale and complexity of programme	→	A communications plan is in place, aligned with regular committee reporting. Regular union engagement meetings are in place. A Wider Leadership forum has been established to engage and inform senior leaders and ensure cascade of vital information. Templates have been developed to support consistent and accurate comms for organisational review and this is supported by HR business partners, Lead Officers and the programme team. A localities communications and engagement plan is under development.		

# Transformation Programme Plan - Key Activities & Target Milestones to December 2016



Target Milestone

- Locality Working Activity
- Organisational Development & HR Activity
- Organisational Review Activity
- Channel Shift Activity
- Transformation Service Delivery Activity



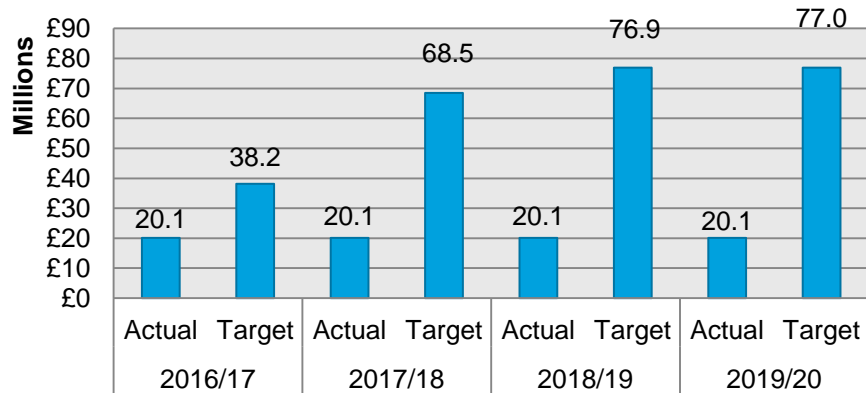
# Organisational Reviews

	VERA trawl	Cons starts	Cons ends	Match & Assign	Surplus Within Review	Vacancies to Redeployed	Vacancies Internal	Vacancies External
Tier 3								
Reputation & Communications								
Digital & IT								
Human Resources								
Strategy & Insight								
Executive Support								
Transformation & Business Change								
City Strategy & Economy								
Communities & Families Operations								
Early Years & School Management								
Transport & Planning								
Children's Services								
Environment								
Housing & Regulatory Services								
Safer & Stronger Communities								
Health & Social Care Locality Working Review								
Customer Contact								
Property and Facilities Management								
Business Support: Shared & Localities								
Legal Services								
Commercial & Procurement								
Transactions								
Finance								
Risk, Internal Audit & Resilience and Health & Safety								
Business Support: School Support								
Democratic Services								



# Finance & Benefits Update

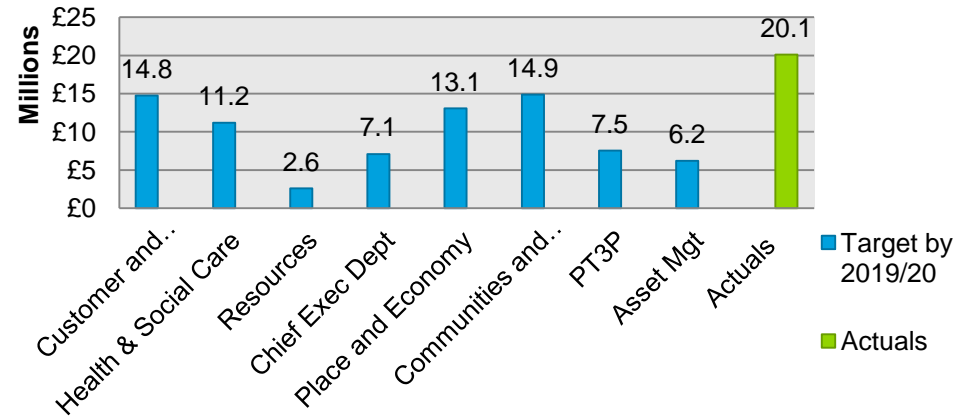
## Annual Savings Targets vs Actual



Summary:

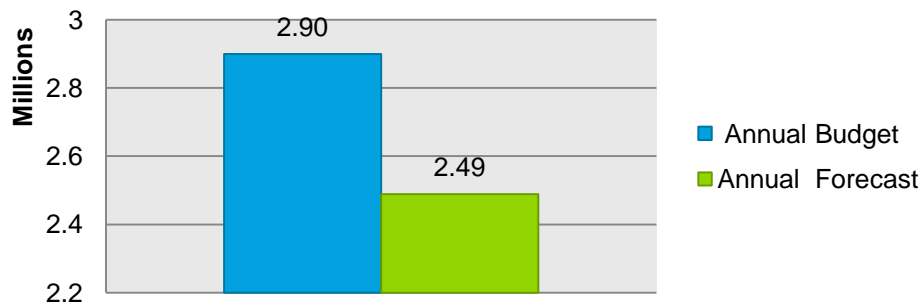
Actual Savings refer to £2.2m in PT3P and a further £17.9m from VERA/ VR confirmed exits (some of these may be accrue a partial year saving in 2016/17).

## Total Programme Savings

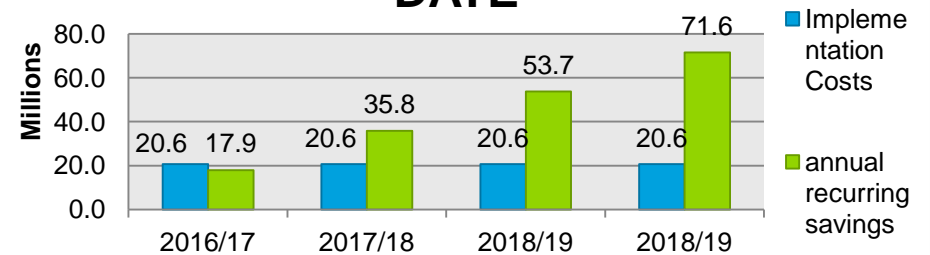


Actual Savings refer to £2.2m in PT3P and a further £17.9m from VERA/ VR confirmed exits to date. Three organisational reviews are now complete and have delivered targeted savings of £1.757m work is ongoing to establish there is no double count with VR/ VERA data before "banking" the funds.

## Programme Expenditure 2015 - 16



## VERA COST BENEFIT ANALYSIS FOR LEAVERS TO DATE



## Initiative

## Completed

## Planned



### Activity

- Business Support Shared Services and Customer Contact are in Org review. Customer contact's mid point review has been completed, Business Support SS completion date has been revised and will now finish on 16<sup>th</sup> May
- Business Support Exec Support review - all interviews are complete, matching/ assignment will be completed by 15/4, structure go live planned for 2<sup>nd</sup> May
- School engagement sessions are being held twice weekly across all sectors, initial analysis of potential delivery models is being developed
- Transaction structure was approved by CLT, it will start org review W/C 18<sup>th</sup> April
- Commenced phased 2 planning, further planning workshops are being organised

- Commence Transaction organisation review
- Continue to focus on Phase 2 planning, hold scoping and opportunity workshops resulting in a detailed delivery plan by the end of May
- Close the Customer Contact and Business Support and Shared Services organisation review hold final briefing session and commence matching and assignment.
- Continue to work with Schools to finalise review timelines and consult on proposed structures

RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
	Significant cultural change is required, internally and externally, to embed processes it will take 12-18 months, service levels could initially be impacted requiring close working with services and the real need for senior buy in for this to be successfully delivered	Close working with services will continue and plans developed to further build on this		
	Savings targets can only be achieved over two years, if the target is to be achieved in a tighter timeframe there is a risk services may be negatively impacted and savings would not be achieved	Targets have been phased over two years and continually monitored by the programme		
	Protection of income is vital to deliver the overall savings targets for the Customer Division, therefore, during implementation there must be a focus on maintaining current income levels as a minimum	Implementation plan needs to be tested so that impact in income levels are minimum		

ISSUE ID	CHANGES TO CURRENT ISSUES/NEW ISSUES	MITIGATION	RAG
	Scope change – maintaining a static scope position is crucial when designing and delivering an organisational design which will deliver the savings and service required. Movement between scopes has been high frequent and too close to the review dates	Continued discussion with Services areas and further development of the change control process	
	Scope with no Budget in BS and Customer – there are leavers from both scopes which need to be aligned to the scope in these areas	Working with Finance to understand where these numbers could be aligned	
	Team Resourcing - there is resource pressure on the team delivering multiple reviews with high numbers of staff	Staff from BAU areas have been assigned to support the Transformation	

### Risks & Issues



### Key Milestones

	April			May			June		
	1	2	3	1	2	3	1	2	3
Customer Contact and Business Support Shared Services & Localities org review starts/close	▶								
Business Support Shared Services Review Closes							▶		
Customer Contact Review Closes					▶				
Transaction org review starts				▶					
Business Support - Executive Support go live					▶				
Phase 2 plan developed								▶	

Project Dependencies
<b>Dependency on IT as an enabler</b> is critical for the delivery of savings in the required timescale. The delivery is reliant on the implementation of new systems in the required timescale and working closely with CGI

## Initiative



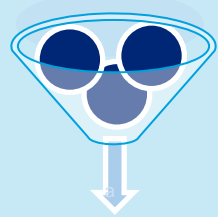
Activity

## Completed

- Structure design completed, costed and agreed for CEC staff and services
- CEC JD Evaluation
- Top structures and operational model presented to IJB and agreed in principle
- NHS Challenge Panel approved structures and operational model in principle : 21/3/16
- Consultation packs in draft for initial phase
- Draft pooling arrangements for initial phase
- Meetings with NHS managers to agree service mapping

## Planned

- NHS Services mapped onto structures : verification in progress
- NHS costs in progress
- Proposals to NHS Workforce Organisational Change meeting on 21/4/16
- Proposed date for initial review 23/4/16
- Phase 2 and phase 3 to be mapped



RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
	Insufficient management and HR capacity to deliver organisational reviews and manage change in the required timescales	Additional HR resource in place	Yellow	Yellow
	Completely new operating model will require extended implementation time	Business information identified to inform resource allocation, sourced from within H&SC	Red	Red
	Delay in implementation could impact on timescale for savings to be realised	Progress scoped from June 2016	Yellow	Yellow
	Review and implementation timescale later than other reviews could impact on Locality working	Interim Locality Managers for H&SC contract extended	Red	Yellow
	NHS services not yet costed to meet 10% required savings	Completion of structures to allow staffing costs and savings to be identified	Red	Yellow

ISSUE ID	CHANGES TO CURRENT ISSUES/NEW ISSUES	MITIGATION	RAG
	Extended time required to accommodate the integration of NHS and CEC delegated services	Frequent meetings with NHS Lothian managers to identify detailed information for effective and safe structures	Green
	Governance arrangements for delivery of nursing, AHP and social work services	Working with Chief Nurse, AHP Director, and Chief Social work Officer to ensure effective governance in place	Green
	NHS project support for Integration	NHS HR lead working with CEC HR and SL.	Yellow

## Risks & Issues

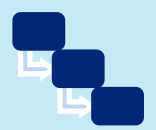
		April			May			June			July		
	<b>Organisational review</b>												
	TU engagement and consultation	█	█	█	█	█	█	█	█	█			
	Phase 1 : tiers 2 & 3 appointments								▶				
	Phase 2 : full structure implementation										▶	▶	

**Project Dependencies**

The Council's Support Services will need to be responsive and flexible to the development of the Locality model, so will require close partnership working with other work streams

Timescales and approvals for VERA applications from staff within the scope will have a significant impact on future savings targets and project delivery plans.

## Key Milestones





# Asset Management Strategy (AMS)

Previous Progress RAG	Current Progress RAG	Capability Maturity Rating

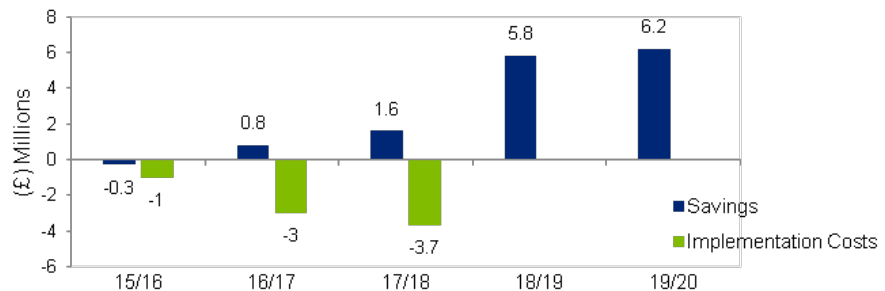
## Completed

- Service Level Agreements (SLAs) passed over to technical consultant (Arcadis).
- Directorate engagement with SLAs is ongoing.
- Tier 3 and 4 formal consultation has completed 11 April 2016.
- Tier 5+ org design ongoing.
- First tranche of Estate Rationalisation business cases developed and submitted to Property and Facilities Management board.
- Asset Condition and Maintenance strategy developed and submitted to Property and Facilities Management board.

## Planned

- Continuation of tier 3&4 post consultation activities.
- Continue process design work across all workstreams.
- Budget transfers for transitioned services ongoing following 1st April 2016.
- Identify project implementation support for CAFM.
- Continuation of tier 5+ org design in two phases.
- Develop Investment Portfolio strategy for submission to May 2016 Property and Facilities Management board.

Asset Management Savings Per Year



Financial Year	15/16	16/17	17/18	18/19	19/20
Savings	-0.3	0.8	1.6	5.8	6.2
Implementation Costs	-1	-3	-3.7		
Net Saving	-1.3	-2.2	-2.1	5.8	6.2
Cumulative Saving	-1.3	-3.5	-5.6	0.2	6.4

PROJECT RISKS	MITIGATION	RAG
<b>STAKEHOLDER / POLITICAL SUPPORT</b> There is a risk of failing to secure stakeholder and political support for property and facilities management transformation proposals resulting in a failure to deliver the anticipated savings.	Ensure the programme has support from Senior Sponsors, within the Council and utilise this support to achieve political buy in to the initiatives and recommendations.	Red
<b>PROGRAMME RESOURCES</b> There is a risk that key resources will exit the AMS programme prior to new management positions being in place resulting in delay thus adversely affecting the strategic direction of the programme.	CLT approved additional resources, sourcing now underway.	Yellow
<b>FM SAVINGS FROM TECHNICAL REVIEW</b> There is a risk that the FM workstream technical review and revised service levels cannot deliver the anticipated savings.	SLA will undergo consultation with services, however services must be delivered within an affordability envelope.	Red
<b>SERVICE AREA BUY-IN</b> There is a risk of service areas not accepting new service standards resulting in benefits from the new SLAs not being fully realised.	Ensure the programme has support from Senior Sponsors within the Council and utilise this support to achieve buy-in to the service area SLAs.	Red
<b>BACKLOG MAINTENANCE CAPITAL</b> There is a risk that a lack of capital availability affects the ability to reduce the backlog of maintenance across the operational estate.	An asset condition and maintenance strategy paper has identified estimated backlog maintenance requirements and has recommended further actions.	Red

	February	March	April	May
1 Technical Consultant in post	On track			
2 Technical service review		In progress	In progress	In progress
3 Budget transfer coordination		In progress	On track	
4 Directorate SLA presentation			On track	
5 CLT presentation				On track
6 Investment Portfolio Strategy			In progress	In progress
7 Estate Business Case engagement			In progress	In progress

## Project Dependencies

Key dependencies on BSS, CLS and OD work streams in terms of staff/budget transfers and impact on the operational estate.

Estates rationalisation key dependency on localities model.

Key: On track In progress Attention



## Initiative

## Completed

## Planned

Activity

- Locality Management Board meeting held 15/3/16
- Initial Locality Leadership Team meetings scheduled 16/3/16 – 5/4/16
- Wider Leadership Team meeting to discuss Localities development and implementation, further discussion at Locality Management Board 15/4/16

- Locality Management Board meeting 15/4/16
- Full locality structure and service mapping being progressed with Business Insight, pending revisions required post consultation
- Business Insight data being prepared to aid development of Locality Improvement Plans
- Embedding change plans being progressed across Transformation Programme, working group of Transformation Workstream lead officers established

RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
	Consultations are largely closed for organisational reviews, some elements of Environment, Housing and Regulatory Services and Safer and Stronger Communities remain open. This may affect design of final structures, and implementation of management arrangements locality wide	Working with Trade Unions and staff to understand representations and impact as quickly as possible	Red	Yellow
	'Customer' consultation still ongoing and outcome may affect management and flow of information in localities – organisational and political risk re performance	Transformation team working with locality managers to understand emerging structures and any actions required to mitigate	Red	Yellow
	Lack of agreement / coherence among public sector partners on aims and objectives of Locality Leadership Teams and Locality Improvement Plans	Wider Leadership team; Locality Management Board, and Locality Leadership teams have all met to discuss locality development, with further meetings planned	Red	Yellow

ISSUE ID	CHANGES TO CURRENT ISSUES/NEW ISSUES	MITIGATION	RAG
	Work ongoing to identify devolved finance arrangements for locality management	Finance managers working with Transformation team and Locality Managers	Yellow
	Work ongoing to map locality work to assets	Locality / Service managers awaiting consultation closure to recruit / allocate staff	Yellow
			Yellow

## Risks & Issues

	April			May			June			July		
Consultations close			Green									
Locality leadership teams half day session						Green	Green					
Service 'Embedding change' plans completed									Green			
Locality working implementation date							Green					
Health and Social Care consultation		Green										

### Project Dependencies

- Aspects of Business Support Services consultation and implementation will overlap implementation of services and localities model
- VERA and VR applications need to be tracked to ensure financial benefits are realised
- Work with Asset Management ongoing
- Allocation of staff , budget and HR functions to localities

## Initiative

## Completed

## Planned

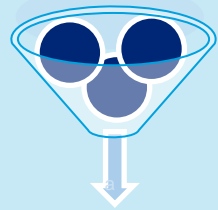


Activity

Consultation remains open for:

- Housing and Regulatory Services – Concierge services (extended to 22/4/16) and Standby arrangements for Environmental Health and Trading Standards (26/4/16)
- Environment – Waste disposal and Powderhall (15/4/16)

- Passenger Operations now agreed as being part of Environment Review. Structure, scope, pooling etc to commence
- Ongoing Trade Union consultation through to consultation closure in all Place reviews
- Embedding transformation plans – meetings organised with HoS to consider implementation phase of review
- Final work being commenced on consultation responses and potential for changes to structures, pooling, VR etc across all services



RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
	Organisational resilience – decreasing staff complement to deal with existing workloads	Prioritisation of work; process redesign and improvement, adoption of new working models. HoS working on 0-365 implementation plans.		
	Environment review – still awaiting significant number of Job Descriptions to be confirmed for resubmission to evaluation panel. Deadline for submission set for 12/4/16. Beyond this the schedule for evaluation will be busy and further risk that evaluation will be delayed, impacting timescales and savings.  Passenger Operations confirmed as being within scope of the Environment Service 12/4/16, but will be Phase 2 Organisational Review.	Ongoing consultation with trade Unions, staff engagement		
	Housing and Regulatory Services – no agreement on proposed changes to Edinburgh Building Services operating hours. Risk is to overtime cost long term and therefore ability to meet savings targets.	Trade Union and staff dialogue ongoing.		

ISSUE ID	CHANGES TO CURRENT ISSUES/NEW ISSUES	MITIGATION	RAG
	Extension agreed for Planning and Transport to allow time for staff to consider changes to shift patterns .	Proposal for 4 on / 4 off shift patterns removed from consultation so no further risk at present, this issue will form part of Phase 2 of the Organisational Review. Significant TU involvement required – risk of industrial action.	
	Job Descriptions across service reviews still being finalised and submitted	Managers aware of need to prioritise	
	Awaiting final confirmation from Finance that savings targets have been achieved	Request circulated to HoS requesting feedback on structures and financing	

## Risks & Issues

		April			May			June			July		
Org review consultations close													
Service implementation plans identified													
Localities Implementation													

Project Dependencies
<ul style="list-style-type: none"> <li>•Aspects of Business Support Services consultation and implementation will overlap implementation of services and localities model</li> <li>•VERA and VR applications need to be tracked to ensure financial benefits are realised</li> <li>•Allocation of staff to localities by 1/6/16</li> </ul>



## Initiative

## Completed

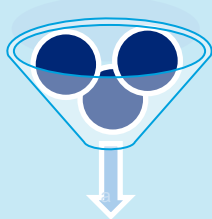
## Planned



Activity

- Strategy and Transformation has finished consultation on time interviews and matching and assignment are being completed
- Re-allocation of savings to align to with scope changes has been agreed and numbers aligned
- Preparation for Resilience organisation review has been finalised with formal consultation planned to commence 18/4/12
- ICT have identify and are planning for Phase 2 savings opportunities estimated to be c£200K
- Transformation interviews, matching and assignment are being finalised

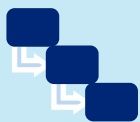
- Finalise implementation of the Strategy, BI and Performance and transformation functions
- Commence organisation review for resilience
- Develop Phase 2 plans where appropriate
- Finalise savings reallocation in line with scope changes
- Work with Services to build on previous work to confirm, enhance and rationalise BI and performance requirements



Risks & Issues

RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
	Without significant culture change the implementation of the new operating models will be less efficient and full benefits may not be delivered	As part of the programme implementation significant change management activities are being built into the delivery plan	Yellow	Yellow
	Due to a number of vacant posts there is potential for the functions to be unable to deliver at full capacity in the originally planned timescales	Continue to work with HR and Finance to ensure vacant post can be recruited as quickly as possible	Yellow	Green

ISSUE ID	CHANGES TO CURRENT ISSUES/NEW ISSUES	MITIGATION	RAG
	Significant reduction in the scope compared the August 2015 baseline means the savings target needs to be reduced to a pro-rata level. How these saving will be achieved by other areas need to be confirmed	A change request is being submitted and approved and the savings will be reallocated accordingly	Yellow



Key Milestones

	April			May			June		
	1	2	3	1	2	3	1	2	3
Strategy and Transformation org review complete	▶								
Strategy and transformation structures implemented						▶			
Resilience CLT	▶								
Resilience org review start			▶						
Resilience org review ends								▶	

Project Dependencies
Close working with Risk, Audit, HS and Resilience is required to allow the future operating model to be successfully delivered

# Safer and Stronger Communities

## Initiative

## Completed

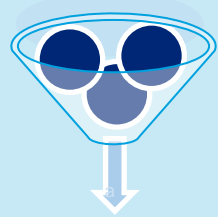
## Planned



Activity

- Separated out the service areas in scope for the revised proposal from those that remain as per original proposal
- Extended the consultation period for the 'new scope areas' (Neighbourhood Support, Community Safety and Family Solutions) to the end of April
- Met twice formally and once informally with trades union representatives
- Hosted 2 focus groups with front line staff and first line managers from the areas in scope about what works and what should be included in the design of the revision

- Finalise proposed draft structure
- Finalise draft job descriptions for the integrated management roles (first and second line manager) – this will include where necessary the statutory function of 'registered manager'
- Review pooling arrangements and consider the interface between different service areas, in scope and out of scope, and implications for mitigation against losses
- Confirm costs within envelope



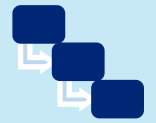
RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
	Business as usual affected during reviews. Staff feel de-motivated and not engaged with the organisation going forward	Ongoing consultation with trade unions, management briefings and midpoint reviews / implementation plans being drafted	Red	Yellow
	Significant budget reductions. Ongoing uncertainty over the scale and potential increase in savings targets over the next 2-3 years	Finance Lead involved in Service group , Ongoing work by Finance	Red	Yellow
	Discussions are underway between children's services, community safety, housing support and criminal justice to develop proposals in this area.	Clear plan to be developed with finance, service areas effected by changes. Development work underway	Yellow	Yellow
	Trades unions may press for a full 45 day consultation, as this seems to be their default position	to is negotiable within the end of April extension already agreed	Yellow	Yellow
	Significant development / training programme. Costs associated with training staff to work at a higher level (increasing staff from grade 3 to 4 and grade 5 to 6)	Work closely with Learning and Development to identify available resource vs requirement		Yellow
	Vacant tier 3 posts: Homelessness and Housing Support Regulation and Professional Governance	Recruitment awaiting finalisation of Health and Social Care structure		Yellow

## Risks & Issues

	April			May			June		
Safer and Stronger Consultation Closes			Green						
Service implementation plans		Green	Green	Green	Green	Green			
Localities implementation							Green	Green	Green

## Project Dependencies

The Council's Support Services will need to be responsive and flexible to the development of the locality model, and will require close partnership working with other work streams. Timescales and approvals for VERA/VR applications from staff within the scope will have a significant impact on future savings targets and project delivery plans.



## Key Milestones

## Initiative



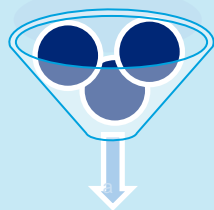
### Activity

## Completed

- **Organisational reviews** – consultation periods for reviews of management structures in Early Years & Schools and Children’s Services extended by two weeks at request of trade unions. Both reviews subsequently closed consultation w/c 11/04/16.
- **Outdoor Centres** – new structure proposal for Outdoor Centres considered at Programme Challenge Panel on 15/04/16 ahead of CLT consideration on 20/04/16.
- **Vibrant and Creative Communities** – Project Team in process of reviewing scope and further discussion on high-level design principles. Workshop on 20/04/16 to begin to develop more detailed design proposals.
- **Instrumental Music Service** – data compiled to inform options development.

## Planned

- **Organisational reviews** – complete matching and assignment to posts within new management structures in Early Years & Schools and Children’s Services, with new structures operational during May 2016.
- **Outdoor Centres** – develop documentation in order to commence organisational review consultation during May 2016.
- **Vibrant and Creative Communities** – agree scope and continue to develop detailed service design proposals.
- **Instrumental Music Service** – analyse pupil data and continue to develop service options.



### Risks & Issues

RISK ID	CHANGES TO CURRENT RISKS/NEW RISKS	MITIGATION	INHERENT RAG	RESIDUAL RAG
	New operating models, after efficiency savings realised, unable to support full range of current activities	Develop strong links with locality leadership and build a comprehensive communication and engagement plan ensuring council and local priorities are addressed.	Red	Yellow
	Changes in culture and practice necessary to support the new Children’s Services management structure are not successfully implemented or embedded, negatively impacting on service delivery and increasing risk to vulnerable children	Continue to build a learning culture across Children’s Services and within multi agency partnerships. Develop management capacity among front line Team Leaders and Assistant Team Leaders to support staff in undertaking their duties.	Red	Yellow
	Failure to communicate and engage with the public and Councillors could lead to service user expectations being unfulfilled	Transition arrangements will form part of communication and engagement plan.	Red	Yellow



### Key Milestones

		May			June			July			August		
<b>Review of Early Years and Schools management</b>	Matching and assignment; new structure operational	Green	Black										
<b>Review of Children’s Services management</b>	Matching and assignment; new structure operational	Green	Black										
<b>Vibrant and Creative Communities</b>	Design phase	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
<b>Instrumental Music Service</b>	Options development	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green

### Project Dependencies

- **Asset Management** – to support relocation of community based services within VCC, where appropriate, and to support the move to four localities for locally based Children’s Services (eg Children’s Social Work Practice Teams).
- **Business Support** - service design to align with emerging business support structure in localities and schools.

10.00am, Thursday, 12 May 2016

## Managing Workforce Change – Workforce Dashboard

Item number 7.2

Report number  
Executive/routine  
Wards

### Executive summary

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The attached Workforce Dashboard provides monitoring information on:

- the number of employees exiting the organisation through Voluntary Early Release (VERA) and Voluntary Redundancy (VR);
- the associated annualised cost savings;
- the number of surplus staff and associated costs;
- the number of managers who have participated in the Leading for Change Transformation development programme; and
- the number of VERA applications declined and the reasons for decline.

### Links

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Coalition pledges P25,26,27,29 & 30

Council outcomes CO24,25,26 & 27

Single Outcome Agreement



## Managing Workforce Change – Workforce Dashboard

### Recommendations

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- 1.1 To note progress made to date.

### Background

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- 2.1 The Council faces unprecedented financial challenges over the next twelve months. The total savings target from organisational reviews is £64m, to be achieved by March 2017.
- 2.2 In order to achieve this target the following reduction in staffing levels is proposed:
- management posts 27%;
  - business support posts 26%; and
  - front line posts 15%
- 2.3 At its meeting on 29 October 2015, the Finance and Resources Committee acknowledged the need to reduce the number of staff by encouraging employees to apply for voluntary severance and agreed revised terms for VERA and VR.
- 2.4 It was also agreed that the following categories of staff would not be authorised for VERA at this time:
- employees in posts which are seen as essential for the delivery of services;
  - employees who are identified as having key skills critical to the organisation;
  - school based employees; and
  - employees in posts which are difficult to recruit to.

### Main report

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- 3.1 The attached dashboard provides indicators to monitor change through the Council Transformation programme.
- 3.2 A summary of the findings is detailed overleaf:
- 5 Organisational reviews have concluded and 17 are currently underway with 4,618 employees in review as at 29 April 2016;

- Employees totalling 537.3 FTE have exited the organisation through VERA or VR since December 2015 as part of either organisational reviews or business as usual releases. This equates to £20.0m annualised cost savings;
- The two council wide VERA trawls have concluded;
- 48 employees were recorded as being surplus as at April 2016 at a cost of £2.1m;
- 625 managers have now participated in the Leading for Change development programme which is designed to help managers to think about and plan how they will lead their teams through the pending organisational reviews;
- The Career Transition Service has supported 303 one to one meetings with individuals to discuss their needs and 436 people have taken advantage of the services offered by our out placement provider;

## Measures of success

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- 4.1 That where possible the Council achieves the necessary staff reductions by voluntary means.

## Financial impact

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- 5.1 Annualised cost savings (including national insurance and pensions) of £20.0m have been achieved to date.

## Risk, policy, compliance and governance impact

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- 6.1 The VERA and VR releases are essential to ensure that the Council is able to manage and plan the people impact of achieving the planned business change and associated savings.

## Equalities impact

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- 7.1 There are no significant equalities impacts arising directly from this report.

## Sustainability impact

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- 8.1 There is no sustainability impact of this report.

## Consultation and engagement

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- 9.1 Consultation and engagement with key stakeholders, including senior management teams, Trade Unions and elected members is ongoing.

## Background reading/external references

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[Managing Workforce Change report to F&R Committee 29 October 2015.](#)

### Hugh Dunn

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## Links

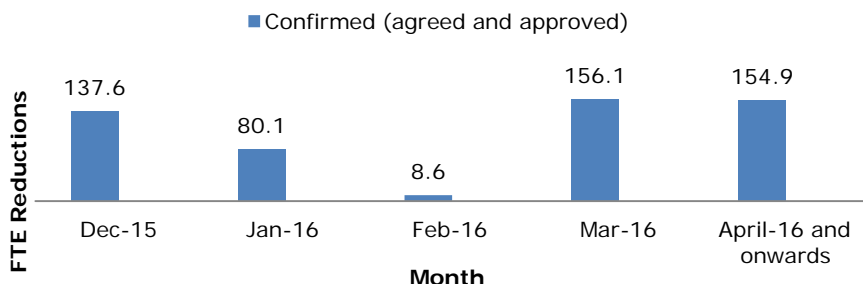
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<b>Coalition pledges</b>	P25: Introduce a “living wage” (currently set at £7.20) for Council employees, encourage its adoption by Council subsidiaries and contractors and its wider development P26: Establish a policy of no compulsory redundancies, P27: Seek to work in full partnership with Council staff and their representatives P29: Ensure the Council continues to take on apprentices and steps up efforts to prepare young people for work P30: Continue to maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	CO24, CO25, CO26, CO27
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 – Workforce Dashboard - Transformation Programme Summary

## Organisational review summary

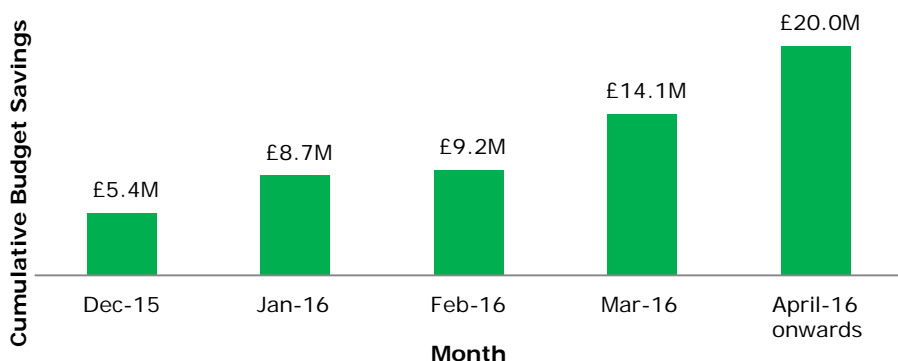
4,618 people are currently involved in ongoing organisational reviews and further voluntary redundancy cases are expected in future.

## VERA/VR leaver reductions (FTE)



Staff accounting for a total of 537.3 FTE have left the Council under VERA and VR arrangements.

## Current and projected cumulative budget savings



The overall organisational review savings target is £64m. The confirmed 537.3FTE reductions from VERA and VR will achieve recurring savings of £20.0M.

The one off VR/VERA and pension strain cost for those cases is £22.6m and the overall payback period is 13.6 months, which is in line with planning assumptions.

## Employee support / Career Transition Service

	Nov 2015	Dec 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016
Number of people in review	263	263	510	3383	4294	4618

### To Date:

- Number of 1 to 1's – 303
- Number of online registrations for Right Everywhere access – 436
- Number of people attended Interview Skills Training – 331
- Number of people attended Leading Through Change – 625

Communication through line managers and the trade unions have continued to encourage employees to take advantage of this service.

## Redeployed – number of people and cost

	Nov 2015	Jan 2016	Feb 2016	Mar 2016	Apr 2016
Number of people on register	54	50	64	59	48
Annual salary cost	£1.9M	£1.6M	£2.8M	£2.6M	£2.1M
Surplus – not currently redeployed	10	8	21	17	11
Temporarily redeployed less than 6 months	4	2	1	2	2
Temporarily redeployed more than 6 months	40	40	42	40	35

48 people are now recorded as being surplus, representing an annual salary cost of £2.1 million.

This represents a decrease of 2 people since the last dashboard, both of whom left the Council under VERA/VR.

Those not currently redeployed represent annual salary costs of £0.4m

## Workforce Dashboard Summary

The information presented within this paper reflects the latest available information from the monthly Workforce dashboard. The next update will be available week commencing 16 May 2016.

### Staff Numbers

	FTE	Headcount
Apr 14	15,347	19,086
Apr 15	15,564	19,668
Mar 16	14,944	18,705

As at end March 2016, a total of 14,944 full time equivalent staff were employed by the Council.

This represents a drop of 620 FTEs in the period since April 2015.

### Sickness absence

	12 month rolling average
Apr 12	4.57%
Apr 13	4.50%
Apr 14	4.51%
Apr 15	4.99%
March 16	4.88%

A total of 4.88% of working days in the 12 months to March 2016 were lost to sickness absence.

This represents a drop of 0.1% in the period since April 2015, but remains high in comparison to previous years.

### Agency expenditure

	Adecco Agency Expenditure
Jan 15	£1.21M
Apr 15	£875.4K
Jan 16	£928.4K
Feb 16	£997.2K
March 16	£988.1K

Agency expenditure covers the period January 2015 to March 2016. The increases in January & February represent temporary staff in Customer Services & Place, both of which will see a decrease on completion of organisation reviews.

Data recorded here refer to agency expenditure recruited through Adecco, the Council's contracted provider of temporary agency workers.

A total of £988,091 of agency staff expenditure was recorded in March 2016.

### Vacancies

	Number of roles	Type
Resources/CEO Office	4	Change and Portfolio
Communities and Families	18	Teachers Early Years Officers Pupil Support
Health and Social Care	4	Social Care Workers/Assistants
Place	4	Library Cleaners

As at 24<sup>th</sup> April we have 30 live vacancies.

6<sup>th</sup> April CLT agreed all vacancies would only be advertised internally (for permanent FTC) expect in predefined categories. This was communicated and live from 25<sup>th</sup> April

# Finance and Resources Committee

10am, Thursday 12 May 2016

## Revenue and Capital Budget Framework 2016/20 update

Item number	7.3
Report number	
Executive/routine	
Wards	

### Executive summary

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On 21 January 2016 Council approved a balanced revenue budget for 2016/17 as part of a longer-term framework. This report provides members with an overview of a number of recent announcements that, subject to the outcome of upcoming Scottish Parliamentary elections, may impact on the framework going forward. A summary of progress in discharging actions arising from the approved budget motion is also included.

### Links

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Coalition pledges	P30
Council outcomes	SO25
Single Outcome Agreement	

# Report

## Revenue and Capital Budget Framework 2016/20 update

### Recommendations

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- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note the contents of the report; and
  - 1.1.2 note that progress in the delivery of approved savings and any material changes to budget framework assumptions will be reported to the Committee later in the year.

### Background

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- 2.1 On 21 January 2016, Council approved a balanced revenue budget for 2016/17 and indicative balanced budgets for the following two years, subject to confirmation of grant funding levels for 2017/18 and 2018/19. The approved budget framework leaves a £15.3m residual gap in 2019/20, with the intention that this be bridged by the identification of further savings once the new structures and service models underpinning the transformation programme have bedded in.
- 2.2 Since the setting of the budget, a series of further announcements covering proposed reforms to local taxation, drawing upon the main recommendations of the Commission on Local Tax Reform published in December, have been made. This report considers the potential impact of these changes on the budget framework as well as updating members on proposed monitoring and scrutiny arrangements of approved savings during the year.

### Main report

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#### **Proposed reforms to local taxation**

- 3.1 As was noted in the Business Bulletin considered by the Finance and Resources Committee on 17 March, the Scottish Government has proposed, subject to its re-election, a number of changes to current Council Tax arrangements. These include revisions to existing differentials between bands, changes to the system of reliefs and an ending of the current freeze policy, allowing councils to increase average rates by up to 3% each year from 2017/18 onwards.
- 3.2 Across Scotland as a whole, the proposed changes to the multipliers for higher-banded properties are expected to increase total income by around £100m per annum, with this income supporting additional attainment-related investment in schools. Given the number and profile of properties in the city, it is anticipated that the changes will increase Council Tax income raised in Edinburgh by about

£15m. Under the needs basis of the grant distribution system, however, it is likely that Edinburgh's share of the schools-related funding will be around £7m, with the remaining £8m offset by a corresponding adjustment to its revenue grant.

- 3.3 The Council's budget framework assumes annual increases in Council Tax levels of 3% with effect from 2017/18. Subject to subsequent Council approval, the Scottish Government's proposals are therefore consistent with these assumptions. Monies received in respect of maintaining previous years' freezes will be retained within the Local Government Settlement as these underpin current approved levels of expenditure.
- 3.4 In the medium- to longer-term, the Scottish Government's proposals also include, subject to further discussion with COSLA, devolving an element of Income Tax receipts to councils, with the aim of incentivising them to contribute to their areas' economic development.

### **Grant funding projections**

- 3.5 A one-year Local Government Finance Settlement for 2016/17 was announced on 16 December 2015, with the level of revenue resources provided representing a cash-terms reduction of around 3.5% relative to the previous year. Due to a combination of the timing of the UK Spending Review in late November and on-going (at the time) discussions around fiscal framework arrangements between the UK and Scottish Governments, indicative allocations for the following three years were not provided. While no further details are available at this time, it is anticipated that the Draft Scottish Budget will revert to being announced in September 2016, with a three-year Settlement then provided in early December.
- 3.6 Following agreement of the basis of the fiscal framework between the UK and Scottish Governments, a wider discussion around income tax policy has ensued in the context of the Scottish Parliamentary elections. Given that the level of funding provided to the Council is already the complex product of the operation of the Barnett formula, Scottish Government priorities and the distribution process amongst local authorities, it is not however possible to draw any direct conclusions on the potential implications of any changes at this stage. As such, the existing assumptions of further cash-terms reductions of 1.2% and 0.5% in 2017/18 and 2018/19 respectively will be retained, although there is a risk, given the extent of the reduction in 2016/17, that the actual level of settlement will be worse than this.

### **Updates on other framework assumptions**

- 3.7 In overall terms, current assumptions within the budget framework are considered to remain valid at this time. There are, however, a number of known and emerging issues, the impact of which will require to be considered as part of the framework over the medium-term:
- (i) any short-term or on-going funding requirement in respect of the proposed **Edinburgh and South East Scotland City Region Deal**;



- (ii) any short-term or on-going funding requirement with regard to the **proposed tram extension to Newhaven**. High-level preparatory works are continuing with a view to bringing forward to Council a further report, making a final recommendation on whether to proceed, after the Local Government elections taking place in May 2017;
- (iii) continuing discussions with the Chief Officer of the Edinburgh Health and Social Care Partnership and Interim Chief Finance Officer of the Edinburgh Integrated Joint Board on **the precise level of resourcing for Council-provided or procured services to be made available in 2016/17 and future years**. Of particular relevance are additional costs arising from the UK-wide National Living Wage effective from April 2016 (affecting, amongst other things, sleepover costs) and, more materially, the application of the Living Wage across the adult care sector to include voluntary and independent providers from October 2016. Discussions are continuing around the allocation of the element of the £20.2m provided to the Edinburgh IJB through the Social Care Fund in 2016/17 to address these pressures;
- (iv) potential additional costs arising from the introduction of a UK-wide **apprenticeship levy** from April 2017, set at 0.5% of larger employers' pay bill (equating to around £2m in the Council's case). A proportionate share of revenues raised will, however, be passed back to Scotland through block grant arrangements and pending further discussions between the Scottish and UK Governments, the net impact on the Council cannot be quantified at this time;
- (v) any short-term or on-going funding requirement associated with **the Local Development Plan**. Cost estimates are being refined as the nature and content of the plan become clearer but currently point to a potential capital funding gap across education and transport infrastructure alone of more than £135m. Recurring annual revenue costs of up to £8.5m arising from the additional education infrastructure required to address additional demand (primarily staffing and building running costs) from new housing have also been identified;
- (vi) incremental provision for additional demographic growth relative to current budget framework assumptions affecting, in particular, Communities and Families services. Not including costs linked directly to the Local Development Plan, service estimates point to a potential shortfall of £1.4m in 2017/18, rising to £7.0m by 2019/20 and to £12.2m by 2021/22.

3.8 The combined impact of the above factors could clearly place considerable additional calls upon the Council's revenue and capital budgets. These and other factors will therefore continue to be actively monitored and regular updates brought back for members' consideration. As with all service investment and expenditure pressures, however, budget framework provision is only affordable

and sustainable through the identification of corresponding recurring savings or additional income.

### **Savings implementation planning**

- 3.9 Building on the additional scrutiny fostered by the establishment of “budget challenge” meetings involving Directors, the Chief Executive, Head of Finance and relevant elected members, a series of progress updates on the preparation of savings implementation plans (with clear milestones, timescales and associated responsibility for delivery) has been considered by the Council Leadership Team. These assessments have been undertaken both prior to and following Council’s approval of the budget framework on 21 January. The importance of this scrutiny cannot be overestimated, with almost £70m of savings to be delivered in 2016/17 alone.
- 3.10 The updates have, in the main, provided assurance that robust plans are in place. They have also, however, highlighted the need for further preparatory work for a number of more transformational proposals, the savings from which are in the main planned to be delivered from 2017/18. These proposals include changes to arrangements for the provision of school music tuition, library services, the second phase of the business support and customer service transformation plans (including business support in schools) and a number of Health and Social Care-related savings. These issues will be explored further at budget challenge meetings during the year and the resulting proposals brought forward subject to public engagement.

### **Actions arising from budget motion**

- 3.11 As in previous years, the approved budget motion instructed the Chief Executive and other senior officers to initiate a number of actions over the coming months. Progress against those actions with anticipated implementation dates by the end of September is included in Appendix 1.
- 3.12 Members’ attention is drawn in particular to the mid-year review which will provide a full update on progress in delivery of approved savings targets, highlight any areas of shortfall and/or risk and set out additional detail on a number of approved proposals, the delivery of which is planned for 2017/18 and subsequent years. While dependent upon the timing of the announcement, an initial assessment of the implications of the Scottish Draft Budget across the period of the framework will also be provided.

### **Capital Investment Programme 2016/21**

- 3.13 Members may recall that in approving the 2016/21 Capital Investment Programme (CIP) on 21 January, £7m of funding in each of 2019/20 and 2020/21 was left unallocated. Members did, however, agree to earmark some £7.9m of anticipated additional capital receipts equally between supplementing planned repairs and maintenance spend through use of the Capital Fund and providing funding for future LDP infrastructure requirements.

- 3.14 In addition to the £14m of unallocated funds, £35m of Asset Management works funding over the period of the programme remained unallocated at the time of budget-setting pending completion of estate-wide condition surveys. These surveys have now been completed and a prioritised list of works developed. Asset management remains a key priority within the capital plan, with the level of funding identified to date only able to address an element of backlog maintenance and health and safety concerns.
- 3.15 As part of the 2016/21 CIP, Directors also identified their respective top three priorities, highlighting unfunded pressures totalling around £142m. Amongst these priorities are Meadowbank Stadium replacement and South Morningside Primary School, as well as long-standing funding requirements to increase the provision of affordable housing and improve roads infrastructure within the city. Members will continue to receive updates on these and other capital budget-related issues.

### Measures of success

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- 4.1 Relevant measures in setting the revenue budget include:
- Accurate capturing and quantification of the key determinants of the Council's overall expenditure requirement and available sources of income, allowing a balanced overall budget for 2016/17 and subsequent years to be set as part of a longer-term sustainable framework;
  - Development of savings and investment options aligned to the Council's priority outcomes, with due opportunity provided for public consultation and engagement; and
  - Subsequent delivery of the approved savings, particularly where these are linked to additional service investment.

### Financial impact

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- 5.1 Delivery of a balanced budget in any given year is contingent upon the development, and subsequent delivery, of robust savings, alongside management of all risks and pressures, particularly those of a demand-led nature.

### Risk, policy, compliance and governance impact

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- 6.1 An annual report on the risks inherent in the budget process is considered by the Finance and Resources Committee in January and referred to Council as part of setting the revenue and capital budgets.
- 6.2 The savings assurance process is intended to ensure that, as far as is practicable, those proposals approved by Council deliver the anticipated level of financial savings in a way consistent with the expected service impacts outlined in the respective budget templates. This process has been aided by the integration into a single cost reduction plan of savings derived from the respective transformation and service prioritisation programmes, monitoring

against which is being reported to the Finance and Resources Committee on a bi-monthly basis.

- 6.3 Recent improvements to the budget monitoring process should also enhance CLT and elected member scrutiny of the management of service pressures and delivery of approved savings. An update will be provided in the Period 2-based monitoring report to be considered by the Finance and Resources Committee on 18 August and a full analysis then included as part of the mid-year review to be considered by the Committee on 29 September.

### **Equalities impact**

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- 7.1 As in previous years, those proposals comprising the budget framework have been assessed for their corresponding potential equalities and human rights impacts. The results of this assessment were reported to the Finance and Resources Committee on 14 January 2016 to allow members to pay due regard to them in setting the 2016/20 budget framework.
- 7.2 A progress report outlining the effectiveness of the mitigating actions put in place to address those approved proposals with potential adverse impacts will be considered by the Committee on 9 June.

### **Sustainability impact**

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- 8.1 The proposals comprising the budget framework have also been subject to an assessment of their likely corresponding carbon impacts, with the main findings reported to Council on 21 January 2016.

### **Consultation and engagement**

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- 9.1 An extensive period of public engagement was undertaken on the proposals comprising the framework, with the findings reported to the Finance and Resources Committee on 14 January 2016 and informing the final approved budget.

## Background reading/external references

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[2016/20 Revenue and Capital Budget Framework](#), Finance and Resources Committee, 24 September 2015

[2016/20 Revenue and Capital Budget Framework](#), Finance and Resources Committee, 26 November 2015

[2016/20 Revenue and Capital Budget Framework](#), Finance and Resources Committee, 14 January 2016

[Council's Budget 2016/17 – Risks and Reserves](#), Finance and Resources Committee, 14 January 2016

[Capital Investment Programme/Plan 2016/17 to 2023/24](#), Finance and Resources Committee, 14 January 2016

[Capital Coalition Budget Motion](#), City of Edinburgh Council, 21 January 2016

[Business Bulletin](#), Finance and Resources Committee, 17 March 2016

### Hugh Dunn

Acting Executive Director of Resources

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### Links

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<b>Coalition pledges</b>	P30 - Continue to maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	CO25 - The Council has efficient and effective services that deliver on objectives.
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	One – Actions emerging from Approved Budget Motion – progress update

## Appendix 1 - Actions emerging from Approved Budget Motion – progress update

Report / Review / Future Budget Development	Brief Description	Responsible Officer	Timescale	Progress and RAG status
<b>Voluntary sector – further partnership working</b>	To prepare a report on the benefits, outcomes, management and improved transparency of various funding streams including grants, co-production and contracts for the voluntary sector	Chief Executive	Finance and Resources Committee, 17 March 2016	Green; report considered and approved by Finance and Resources Committee, 17 March; further report on lessons learned from recent grant awards programme to be considered by the Committee in June.
<b>Additional potential income sources</b>	To continue to investigate alternative sources of income in line with the recommendations contained within the Commission on Local Tax Reform report	Acting Executive Director of Resources	On-going	Amber; the Council is seeking the power from the Scottish Government to introduce a tourist levy. Talks with Ministers are ongoing.
<b>Common Good</b>	To instruct the allocation of £100,000 (increasing to £250,000 in 2017/18) to develop and maintain a Common Good asset register and report on progress	Acting Executive Director of Resources	Council, 30 June 2016	Green; a report setting out the timetable going forward will be considered at the Council meeting on 30 June.

<b>Report / Review / Future Budget Development</b>	<b>Brief Description</b>	<b>Responsible Officer</b>	<b>Timescale</b>	<b>Progress and RAG status</b>
<b>Mid-year budget review</b>	To establish a mid-year budget review meeting of the Council which will monitor progress against the Capital Coalition's financial commitments and act as an early warning system against potential risks	Acting Executive Director of Resources	Finance and Resources Committee, 29 September	Green; savings tracking in place; initial "budget challenge" meetings for all service areas have also been scheduled for April and June.
<b>Equalities and rights and carbon, climate change adaptation and sustainable development impacts</b>	To report to Committee early in the new financial year on how the actual impacts of approved proposals compare with those anticipated and, where necessary, the effectiveness of the mitigating actions put in place.	Acting Executive Director of Resources	Finance and Resources Committee, 9 June 2016	Green; report on schedule

# Finance and Resources Committee

10am, Thursday 12 May 2016

## Report by the Accounts Commission – An overview of Local Government in Scotland 2016

Item number	7.4
Report number	
Executive/routine	
Wards	

### Executive summary

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The Accounts Commission has recently published its national overview report for 2016, based on in-depth scrutiny and inspection work undertaken across Scotland's local authorities. While noting councils' success in delivering necessary savings to date, the report emphasises that longer-term financial sustainability will require more difficult decisions, rooted in the need to focus investment on key services and consider alternative delivery models.

### Links

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Coalition pledges	P30
Council outcomes	SO25
Single Outcome Agreement	



## Report by the Accounts Commission – An overview of Local Government in Scotland 2016

### Recommendations

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- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note the contents of the report; and
  - 1.1.2 refer the report to the Governance, Risk and Best Value Committee as part of its work programme.

### Background

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- 2.1 As an element of its annual programme of scrutiny and inspection across Scotland's local authorities, the Accounts Commission publishes a high-level, independent overview report. The report draws on work undertaken in the preceding year, summarising findings and key themes emerging from financial statement, Best Value, Community Planning and wider performance audits.
- 2.2 This year's report, published on 17 March and included as Appendix 1, is aimed primarily at councillors and senior officers and assesses councils' financial performance in the context of a number of existing and emerging challenges. These challenges centre on reconciling demographic-led increases in service demand, other cost pressures and growing complexity and aspirations arising from legislative change (particularly the integration of adult health and social care services and the Community Empowerment Act) with on-going real-terms reductions in funding.
- 2.3 The report concludes that while incremental changes to services, increased charges and reduced staff numbers have together by and large allowed financial challenges thus far to be addressed, a more strategic approach, coupled with longer-term planning and a greater openness to alternative forms of delivery, is required going forward. This, in turn, requires officers and members to have appropriate skills and knowledge in such areas as option appraisal, commissioning, finance and scrutiny.
- 2.4 Given its Scotland-wide coverage, the report's recommendations are correspondingly general. Edinburgh-specific and other reports covering areas of relevance to the Council's activities are, however, regularly considered by the Governance, Risk and Best Value Committee and a number of relevant references are included in the "background reading" section of this report. In addition, at its meeting on 10 March 2016, Council considered the [2016 Best Value Audit report](#) which noted the significant progress made in addressing a number of specific recommendations made in the Council's 2014 Best Value report, some of which echo recommendations made in the overview.

- 3.1 The Accounts Commission report comprises three distinct sections. A summary of its contents and conclusions is initially presented on pages 6 to 9. In addition to highlighting the Commission's key messages, this section sets out a number of specific questions for councillors to consider, along with a link to [a supporting "toolkit"](#), in scrutinising their authority's financial performance and preparedness for the challenges that lie ahead. This section also includes a useful analysis of the range of pressures affecting local authorities and the resulting priorities for senior officers and members.

### **Financial performance**

- 3.2 Part 1 of the report then provides a comprehensive overview of revenue and capital funding and expenditure trends across Scotland's local authorities. As referenced in 2.3 above, the report notes that the majority of councils maintained expenditure within budgeted levels in 2014/15. Going forward, however, a number planned to use unallocated reserves in 2015/16 and the report highlights the unsustainability of such an approach where these are used to support day-to-day recurring spending. The Council, however, maintained its unallocated reserves at the level underpinning its medium-term financial strategy during both 2014/15 and 2015/16.
- 3.3 Part 1 of the report includes a number of direct or indirect references to Edinburgh as follows:

**Paragraph 11** – capital budget spend – following centralisation of the capital budgeting and monitoring functions in late 2012, the amount of net expenditure slippage for 2013/14 and 2014/15 in Edinburgh has not exceeded 1% of budget in either year, being the lowest such level across all of Scotland's councils;

**Paragraphs 15 to 17** – revenue budget outturn – in common with the majority of other Scottish authorities, the Council recorded a slight overall underspend in 2014/15. The report makes reference, however, to the demand-led service overspend in Health and Social Care. In addition to recognising underlying service pressures through the provision of a recurring additional £7m within the budget framework, opportunities to redesign existing services through further preventative investment have now also been identified and their delivery underpins the sustainability of the framework going forward;

**Paragraphs 18 to 21** – reserve levels – the report notes that the precise level of reserves held by an authority is a product of known commitments and potential liabilities whilst maintaining an ability to react to unforeseen pressures, be they additional expenditure or income reductions. The range and level of the Council's reserves are considered annually as part of the budget process, with the [last such review undertaken in January 2016](#) concluding that the level of both unallocated and earmarked reserves remained appropriate given known commitments and other risks. The Council was furthermore one of the two authorities shown in Exhibit 7 to use an element of its earmarked reserves as planned;

**Paragraphs 21 to 24** – borrowing levels – the Council’s overall level of long-term debt in 2014/15 fell by £45m, consistent with the treasury management strategy of using available cash balances in lieu of undertaking external borrowing. Further details are provided in the [Annual Treasury Strategy 2016/17](#). The overall affordability of the proposed level of borrowing is considered each year as part of the budget process to ensure that repayments of interest and principal can be met on a sustainable basis;

**Paragraphs 28 to 34** – pension funds – following the March 2014 Lothian Pension Fund triennial valuation, the budget framework incorporates the agreed phased increase in employer contribution rates from 2018/19. The framework also makes explicit provision for increased teachers’ contributions effective from September 2015, loss of the employer’s National Insurance “contracted-out” rebate from April 2016 and an anticipated further increase in pension scheme membership following the ending of the Council’s auto-enrolment transitional period in September 2017;

**Paragraphs 36 and 37** – equal pay – the Council’s 2014/15 financial statements included a provision of £2.645m in respect of remaining settlements and this sum is considered to remain appropriate in light of estimated liabilities at this time;

**Paragraph 38** – Living Wage and National Living Wage – the approved budget for 2016/17 was aligned to the Local Government pay award which included provision for an employee pay rate for directly-employed staff of at least £8.33 per hour. The impact of both the Living Wage and National Living Wage, particularly as they affect the provision of social care services, is being specifically considered in the wider context of establishing an appropriate and sustainable level of contribution to the Integrated Joint Board; and

**Paragraphs 39 to 46** – financial planning – on 21 January, the Council set a balanced budget for 2016/17 and indicative balanced budgets for the following two years, subject to confirmation of grant funding levels in those years. A five-year financial strategy was also approved by the Finance and Resources Committee in June 2015.

### **Performance and Best Value**

- 3.4 Part 2 of the report provides an overview of Scotland-wide council performance in service delivery and how current delivery models are being reconsidered amidst wider pressures on available funding. The report highlights the need for councils to consider all potential options for service delivery, including more radical transformation and empowering local communities to deliver services. The budget framework includes a number of approved proposals founded upon these principles, including the creation of a local authority trading company for social care services and a fundamental re-design of school music instruction and library services. Plans to deliver these savings remain at a formative stage and stakeholder engagement will be vital if they are to achieve the sums concerned without material detriment to service levels.

- 3.5 The main themes set out in the overview report also formed the backdrop to the Council's 2016 Best Value Audit, findings from which were reported to Council on 10 March 2016. These findings were:
- 3.5.1 Considerable progress has been made in addressing the Council's increasingly challenging financial position. The Council has a clear strategy for changing the way it delivers services, reducing its workforce and achieving substantial financial savings.
  - 3.5.2 Elected members and senior managers now have a shared understanding of the challenges facing the Council and the action that needs to be taken.
  - 3.5.3 The Council's various improvement projects have been consolidated into a single transformation programme. The programme is now being used to redesign services and change the way the Council operates.
  - 3.5.4 A workforce strategy has been developed, supported by more detailed plans, setting out the size and shape of its future workforce needs.
- 3.6 In building upon these improvements, a number of further actions were identified, specifically that the Council needs to:
- 3.6.1 Maintain stability of effective leadership over the next few years.
  - 3.6.2 Monitor the changes within workforce and service delivery and be able to demonstrate that decisions, such as retaining in-house estate and property services, represent Best Value.
  - 3.6.3 Ensure the transformation programme is fully implemented and delivers the planned savings.

### Measures of success

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- 4.1 Relevant measures in setting the revenue budget include:
- 4.1.1 Accurate capturing and quantification of the key determinants of the Council's overall expenditure requirement and available sources of income, allowing a balanced overall budget for 2016/17 and subsequent years to be set as part of a longer-term sustainable framework;
  - 4.1.2 Development of savings and investment options aligned to the Council's priority outcomes, with due opportunity provided for public consultation and engagement; and
  - 4.1.3 Subsequent delivery of the approved savings, particularly where these are linked to additional service investment.

### Financial impact

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- 5.1 Delivery of a balanced budget in any given year is contingent upon the development, and subsequent delivery, of robust savings, alongside management of all risks and pressures, particularly those of a demand-led nature.

## **Risk, policy, compliance and governance impact**

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- 6.1 An annual report on the risks inherent in the budget process is considered by the Finance and Resources Committee in January and referred to Council as part of setting the revenue and capital budgets.
- 6.2 The savings assurance process is intended to ensure that, as far as is practicable, those proposals approved by Council deliver the anticipated level of financial savings in a way consistent with the expected service impacts outlined in the respective budget templates. This process has been aided by the integration into a single cost reduction plan of savings derived from the respective transformation and service prioritisation programmes, monitoring against which is being reported to the Finance and Resources Committee on a bi-monthly basis.
- 6.3 Recent improvements to the budget monitoring process should also enhance CLT and elected member scrutiny of the management of service pressures and delivery of approved savings. An update will be provided in the Period 2-based monitoring report to be considered by the Finance and Resources Committee on 18 August and a full analysis then included as part of the mid-year review to be considered by the Committee on 29 September.

## **Equalities impact**

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- 7.1 As in previous years, those proposals comprising the budget framework have been assessed for their corresponding potential equalities and human rights impacts. The results of this assessment were reported to the Finance and Resources Committee on 14 January 2016 to allow members to pay due regard to them in setting the 2016/20 budget framework.
- 7.2 A progress report outlining the effectiveness of the mitigating actions put in place to address those approved proposals with potential adverse impacts will be considered by the Committee on 9 June.

## **Sustainability impact**

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- 8.1 The proposals comprising the budget framework have also been subject to an assessment of their likely corresponding carbon impacts, with the main findings reported to Council on 21 January 2016.

## **Consultation and engagement**

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- 9.1 An extensive period of public engagement was undertaken on the proposals comprising the framework, with the findings reported to the Finance and Resources Committee on 14 January 2016 and informing the final approved budget.

## Background reading/external references

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[2016/20 Revenue and Capital Budget Framework](#), Finance and Resources Committee, 24 September 2015

[City of Edinburgh Council: Report to those charged with governance on the 2014/15 Audit](#), Finance and Resources Committee, 24 September 2015

[2016/20 Revenue and Capital Budget Framework](#), Finance and Resources Committee, 26 November 2015

[Council's Budget 2016/17 – Risks and Reserves](#), Finance and Resources Committee, 14 January 2016

[2016-20 Budget Proposals: Overview of Feedback and Engagement](#), Finance and Resources Committee, 14 January 2016

[The City of Edinburgh Council: Best Value Audit 2016](#), City of Edinburgh Council, 10 March 2016

Audit Scotland National Reports:

[Procurement in councils: impact report](#)

[Major Capital Investment in councils: follow-up](#)

[Scotland's public sector workforce: impact report](#)

[Health and Social Care Integration](#)

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### **Andrew Kerr**

Chief Executive

## Links

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<b>Coalition pledges</b>	P30 - Continue to maintain a sound financial position including long-term financial planning
<b>Council outcomes</b>	CO25 the council has efficient and effective services that deliver on objectives.
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 – An Overview of Local Government in Scotland 2016

# An overview of local government in Scotland 2016



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
March 2016


# The Accounts Commission

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

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

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website: [www.audit-scotland.gov.uk/about/ac](http://www.audit-scotland.gov.uk/about/ac) 

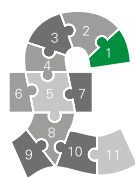
Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively.



# Contents



Chair's introduction	4
Summary	6
Part 1. Managing financial performance	10
Part 2. Delivering services	25
Endnotes	40



These pound sign icons appear throughout this report and represent key facts.



These question mark icons appear throughout this report and represent questions for councillors.



## Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

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# Chair's introduction



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In our 2015 overview report we said, 'Councils tell us that they should manage budgetary pressures in 2015/16 but the years beyond pose a level of challenge not previously experienced.' The Commission recognises the achievement of councils – both councillors and officers – in meeting these challenges to date.

But the scale of the challenge in 2016/17 and beyond has significantly increased because of the local government funding settlement. The settlement has substantial implications for services to the public, councillors and the local government workforce.

Next year councils and health boards, through health and social care partnerships, jointly have the responsibility to make a significant start in the shift from hospital care to care at home and care in the community. This is the most far-reaching public service reform since the establishment of the Scottish Parliament.

And these challenges are compounded by: a one-year financial settlement, cost pressures, increasing demands on services from an ageing and growing population, the ambitions of the Community Empowerment (Scotland) Act 2015, and the political pressures created by elections in both 2016 and 2017.

The majority of our recent Best Value audits have highlighted a dependency on incremental changes to services, increasing charges and reducing employee numbers in order to make savings. But these are neither sufficient nor sustainable solutions set against the scale of the challenge facing councils. Cuts can only be part of the solution. What is required is a more strategic approach, longer-term planning and a greater openness to alternative forms of service delivery.

It is challenging for councillors and officers to fundamentally change the way a council has provided a service over a lengthy period of time. But there are significant consequences to not conducting comprehensive option appraisals: services may not be as efficient or effective as they could be and may not be achieving value for money, resources may not be directed to priority areas such as preventative services, and councils may not be able to demonstrate that they are achieving best value.

In considering all viable options, it will be essential that councillors are provided with comprehensive and objective information on the cost, benefits and risks of each option. This will help them make considered decisions in partnership with service users and communities.

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**the scale  
of the  
challenge has  
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increased –  
cuts can only  
be part of the  
solution**

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As the landscape of service delivery becomes ever more complex, councils will need to ensure they have people with the necessary knowledge and skills to manage that complexity. This is important for councillors and council officers, as both must have, for example, skills in options appraisal, programme management, commissioning, finance and scrutiny.

And in a climate of reducing resources the importance of scrutiny has never been greater. Scrutiny arrangements must add demonstrable value in monitoring the planning, execution and follow-up of key decisions. The public needs to have confidence that their council's arrangements are transparent, independent and effective. If they are not, the public interest is not being met.

The Commission hopes that this overview report will be a helpful tool for councillors and officers to stand back and assess their progress in the journey of improving outcomes for service users and communities. As always, the Commission welcomes feedback on its overview report.

**Douglas Sinclair**  
Chair of the Accounts Commission

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# Summary



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## Key messages

- 1** Councils' revenue funding from the Scottish Government will reduce by five per cent in 2016/17, bringing the real terms reduction in revenue funding since 2010/11 to 11 per cent. At the same time, they face additional financial pressures and greater demands on services. Councils have been effective in balancing their annual budgets until now but councillors face increasingly difficult decisions about how best to spend their reducing budgets. This requires clear priorities and better long-term planning.
  - 2** Councils' responses to budget reductions have mainly focused on incremental savings to existing services. In the face of further funding reductions, councils should be evaluating options for more significant changes to delivering key services, beyond health and social care integration.
  - 3** Despite reducing their spending, performance measures show that councils improved in areas such as educational attainment, the quality of council housing and waste recycling, in 2014/15. However, customer satisfaction with some services declined and there are more significant funding reductions to come in 2016/17 and beyond.
  - 4** Most councils have reduced their workforces to save money, and many are planning further staff reductions. In doing so, they need to ensure they have people with the knowledge, skills and time to design, develop and deliver effective services in the future.
  - 5** Councils and their partners also need to respond to the Community Empowerment (Scotland) Act 2015, by involving local people more in making decisions about services, and empowering local communities to deliver services that are sustainable and meet local needs.
  - 6** Councillors need to keep updating their skills and knowledge to fulfil their complex and demanding role. In particular, it is increasingly important that they are able to challenge and scrutinise decisions and performance, and fully assess options for new and different ways of delivering services within their reducing budgets.
-

## Recommendations

Councillors are now leading complex organisations in increasingly challenging circumstances. There are a range of sources to help them understand and manage their council's financial and service performance, for example the Improvement Service. Our recommendations are intended to complement other sources of support and help councillors in carrying out their role effectively.

### Councillors should:

- satisfy themselves that their council has a longer-term financial strategy (five or more years) supported by an effective medium-term financial plan (three to five years). These should show how the council will prioritise spending to achieve its objectives, make any necessary savings and remain financially sustainable
  - appraise all practical options for how to deliver the services their communities need within the resources available. This includes examining opportunities to work with and empower communities to deliver services in different ways, and learning lessons from others and from wider public service reform. They should ensure they get all necessary information and support from officers to help them fully assess the benefits and risks of each option
  - ensure their council continues to develop workforce strategies and plans that clarify the numbers and skills of staff needed in future. In assessing their council's workforce, councillors should consider whether they have people with the knowledge, skills and time to support them effectively in making the difficult decisions that lie ahead, and to design and implement new ways of delivering services
  - make sure that decision-making processes and scrutiny arrangements remain appropriate for different ways of delivering services. This includes:
    - having clearly written and manageable information to help them make decisions and scrutinise performance
    - carrying out business openly and improving public reporting
  - regularly review their personal training and development needs. They should work with council staff and others to create opportunities to update their knowledge and skills in increasingly important areas, such as financial planning and management, options appraisal, commissioning services, partnership working and scrutiny. These opportunities should also be available to any new members after the local elections in 2017
  - use the questions in this report and the separate self-assessment tool to help them assess their council's position.
-

## About this report

**1.** This report provides a high-level, independent view of councils' management and performance. It draws on the findings from local government audit work in 2015, including audits of 2014/15 financial statements, Best Value, Community Planning and performance. All reports are available on Audit Scotland's website.

**2.** The report is primarily for councillors and senior council officers as a source of information and to support them in their complex and demanding roles:

- **Part 1** reviews the financial context in which councils are operating and gives a national overview of councils' financial performance. Information that compares one year with another is shown in real terms (taking inflation into account, based on 2014/15 prices) unless otherwise stated.
- **Part 2** considers how councils are performing in delivering services and how they are changing the way they operate in the context of increasing pressures. It looks at the implications for councils' workforces and highlights key aspects of governance.

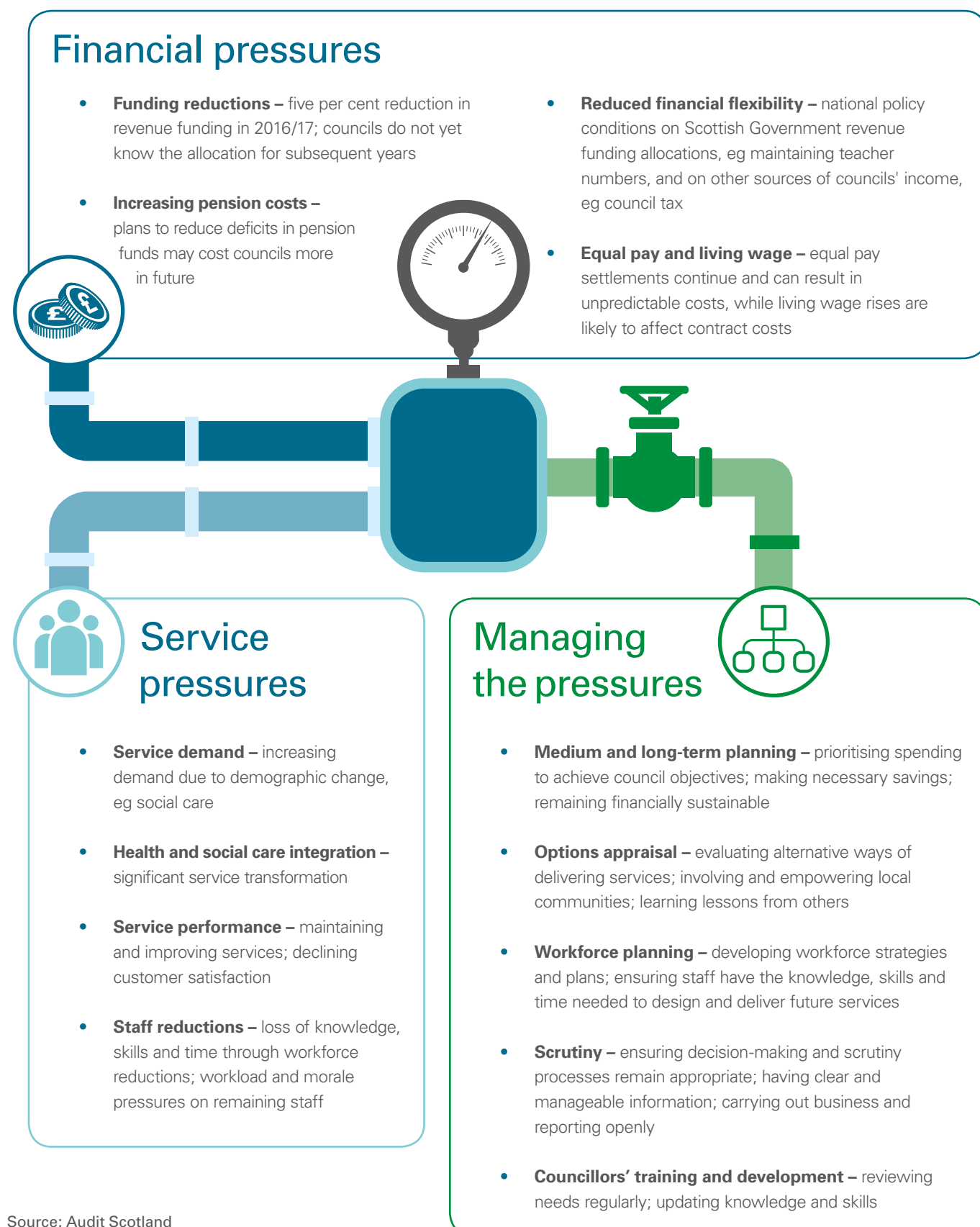
**3. [Exhibit 1 \(page 9\)](#)** provides a summary of the main pressures that councils face.

**4.** Throughout the report we identify questions that councillors could ask to help them understand their council's financial position, scrutinise performance and make good decisions. Councillors should satisfy themselves that they understand, and are comfortable with, the answers to the questions most relevant to them in their role within the council. These questions are also in a [separate self-assessment tool](#) on [Audit Scotland's website](#), where we have also provided selected financial facts about each council to help comparisons and benchmarking.

## Exhibit 1

### Local government pressures

In the face of financial and service pressures, councils should be planning for the longer term and evaluating options for more significant service redesign.



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# Part 1

## Managing financial performance

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### Key messages

- 1** Councils received £10.76 billion of funding from the Scottish Government in 2014/15. This included £9.92 billion for revenue funding, which helps pay for day-to-day running costs, including staff. This was almost the same as the previous year and 6.5 per cent less in real terms than in 2010/11. While revenue funding in 2015/16 also remained largely unchanged in real terms, major challenges lie ahead for councils. The Scottish Government has reduced revenue funding in 2016/17 by five per cent in real terms. This equates to an 11 per cent reduction in revenue funding between 2010/11 and 2016/17. Councils also received capital funding in 2014/15 of £0.84 billion.
  - 2** Councils have continued to balance their budgets each year by reducing their spending. The majority underspent their 2014/15 budgets and increased their reserves in anticipation of future funding reductions.
  - 3** Local Government Pension Scheme (LGPS) funds report shortfalls between the value of funds and the future pension commitments to be paid. This does not create immediate problems. Pension funds have plans in place to reduce any deficits within a 20-year period.
  - 4** Councils' debt has been increasing since 2011/12, although it decreased slightly in 2014/15. In addition, many councils predict gaps between their income and spending in future years. This may threaten their financial sustainability if risks are not well managed.
  - 5** The challenging financial environment, together with changing demographics and rising demands on services, means that effective medium-term (three to five years) and longer-term (five or more years) financial planning is critical for councils. This is more challenging for councils when they do not know what their future funding and income will be, meaning that they need to plan for a range of possibilities.
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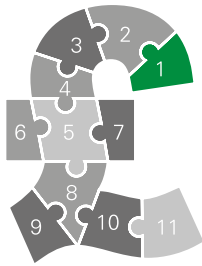
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**councils have effectively balanced their budgets but long-term planning is critical in this challenging financial environment**

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## In 2016/17, Scottish Government revenue funding for councils is 11 per cent lower (in real terms) than in 2010/11



**5.1 per cent:** reduction in Scottish Government revenue funding for councils in 2016/17



**6.5 per cent:** reduction in Scottish Government revenue funding between 2010/11 and 2014/15

**£0.4 billion:** increase in non-domestic rates (NDR) income between 2010/11 and 2014/15

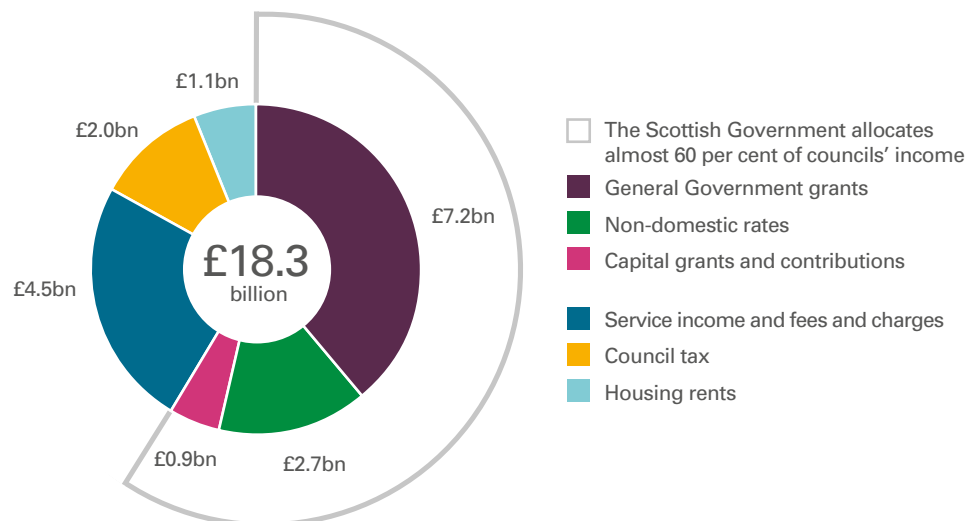
**£18.3 billion:** councils' total income in 2014/15

5. Councils' 2014/15 accounts showed that their total income was £18.3 billion. In line with previous years, the Scottish Government allocated almost 60 per cent of this (£10.76 billion) ([Exhibit 2](#)). This included revenue funding of £9.92 billion for day-to-day running costs, including staff; and capital funding of £0.84 billion to invest in buildings, roads and equipment. In real terms, the £10.76 billion is six per cent lower than in 2010/11, when total funding was at its highest.

### Exhibit 2

#### Sources of councils' £18.3 billion of income in 2014/15

Almost 60 per cent of councils' income is allocated by the Scottish Government.



#### Notes:

1. Service income, fees and charges may include specific, service-related grants and income such as payments from the Scottish Government, NHS or other councils. They exclude housing rents which are shown separately as housing income.
2. Capital grants and contributions include income from the Scottish Government and others such as central government bodies, National Lottery and the European Union.
3. Figures sum to £18.4bn due to rounding.

Source: Councils' annual accounts, 2014/15

6. Scottish Government revenue funding remained almost unchanged (in real terms) in 2014/15 and 2015/16. In 2016/17, it will be five per cent lower than in 2015/16. This represents a reduction of 11 per cent in real terms since 2010/11.

7. In 2014/15, Scottish Government revenue funding included £343 million as part of the council tax reduction scheme, replacing council tax benefit that until 2013/14 came from the UK Government. It also included £490 million for freezing council tax at 2007/08 levels. The Scottish Government has added £70 million each year since 2008/09 to make up for income councils would have received if they had increased council tax in line with inflation each year. As part of the funding agreement for 2014/15, councils committed to implementing national policies to freeze council tax, and maintain teacher numbers and pupil to teacher ratios.

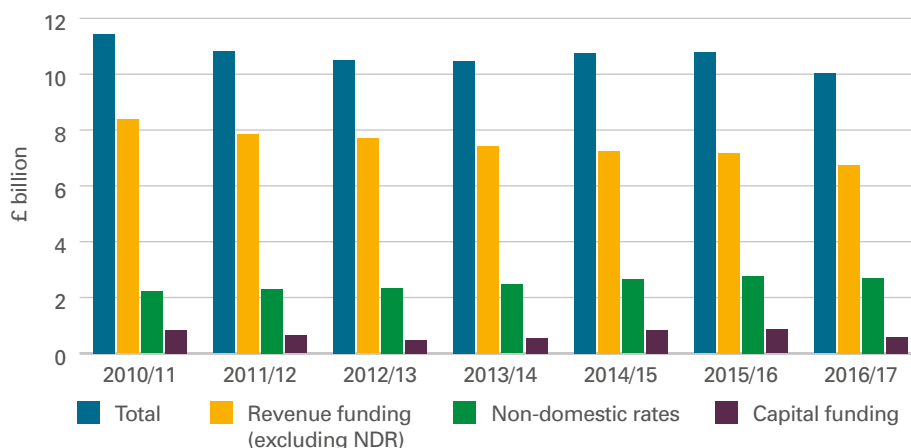
### NDR makes up an increasing share of the revenue funding allocated by the Scottish Government

8. Non-domestic rates (NDR) are a tax on business property to help pay for local services. The Scottish Government sets the rate of tax, councils collect the money, and the Scottish Government redistributes it as part of its funding allocation to councils. NDR income has risen in recent years due to annual increases in the rate of tax and rises in the number of business properties on which the tax is paid ([Exhibit 3](#)). This increase, alongside total revenue funding decreases, has led to NDR making up 25 per cent of allocated revenue funding in 2014/15 compared with 19 per cent in 2010/11.

## Exhibit 3

### Scottish Government funding to councils from 2010/11 to 2016/17, at 2014/15 prices

NDR income has been rising while total revenue funding has reduced.



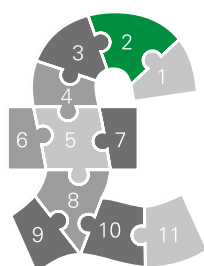
#### Notes:

1. Funding allocations up to 2012/13 have been adjusted to remove funding for police and fire. Responsibility for these services transferred from local to central government in April 2013.
2. The Scottish Government has not yet set out its plans for local government funding beyond 2016/17.
3. From 2013/14, revenue funding includes payments for council tax reduction, replacing council tax benefit which previously came from the UK Government. This was £356 million in 2013/14 and £343 million in 2014/15, at 2014/15 prices.
4. The 2016/17 figures do not include £250 million that the Scottish Government allocated to health and social care integration authorities. This is an allocation from the Scottish Government health budget to NHS boards, rather than councils. The NHS boards will direct the funding to the integration authorities.

Source: Local Government Finance Circulars, Scottish Government, 2011-2016



## Capital funding from the Scottish Government increased significantly in 2014/15 as part of a phased plan



**£37.1 billion:** value of physical assets owned by councils, for example buildings, schools, roads and equipment



**£2.2 billion:** amount councils invested in capital projects in 2014/15

**£498 million:** revenue and capital payments for Private Finance Initiatives (PFI) and Non-Profit Distributing (NPD) contracts in 2014/15

**9.** As part of its 2011/12 Spending Review, the Scottish Government rescheduled payments of some planned capital grant funding for councils for 2012/13 and 2013/14 by two years. This was to provide more capital funding for government bodies that are not allowed to borrow money. The Scottish Government then increased capital allocations to councils by £120 million in 2014/15 and £94.2 million in 2015/16. Similar shifts in capital funding are planned between 2016/17 and 2019/20, with lower funding in the first two years and higher in the last two years.

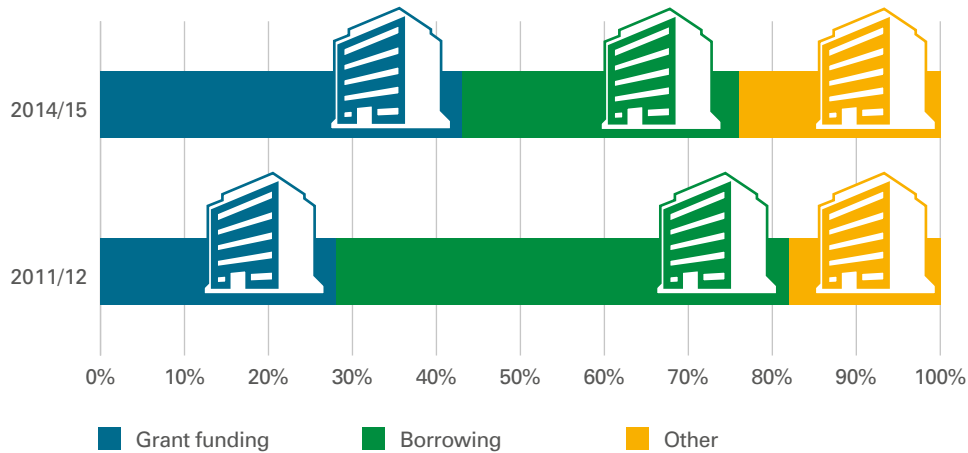
**10.** Between 2011/12 and 2014/15, capital grant funding increased from £720 million to £925 million (at 2014/15 prices). The Scottish Government provided about 80 per cent of grants in this period. Councils' total capital spending has decreased over the same period, from £2.5 billion to £2.2 billion (at 2014/15 prices). Councils are now using more capital grants than borrowing to fund their capital programmes ([Exhibit 4, page 14](#)). In 2016/17, councils face a decision about whether to increase their borrowing or decrease their capital programmes due to planned capital funding reductions by the Scottish Government.

**11.** Twenty-eight councils underspent their capital budgets in 2014/15. Capital underspends can have significant effects on a council's financial position, including cash flows from year to year, and how well it achieves its objectives. They may also have an effect on current and future borrowing. It is therefore important that capital spending plans are realistic. Councils should closely monitor capital spending and make sure there is effective communication between their capital investment and treasury management functions (the latter of which manages cash flow, borrowing and investments). Councils' treasury management strategies should set out for councillors how the borrowing strategy is informed by corporate priorities and capital investment needs ([Borrowing and treasury management in councils \[PDF\]](#)).<sup>1</sup> Councils should also demonstrate to elected members and service users how planned capital investment will help achieve their long-term strategic priorities ([Major capital investment in councils: follow-up \[PDF\]](#)).<sup>2</sup>

## Exhibit 4

### Sources of funding for capital spending

From 2011/12 to 2014/15, funding from capital grants increased and funding through borrowing decreased.



Note: Other sources of capital finance include money from the sale of assets, revenue funding used for capital spending and contributions from specific capital funds.

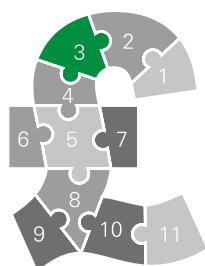
Source: Audit Scotland

**12.** As councils make decisions on how to manage reducing budgets, they must consider both the short and long-term implications of capital financing. This includes considering innovative funding options available for capital programmes, such as City Deals which attract additional funding from both the UK and Scottish Governments, as well as borrowing in traditional ways.

**13.** Councils are making significant revenue payments for Private Finance Initiatives (PFI) and Non-Profit Distributing (NPD) contracts, mostly for new and refurbished schools. In future, they will also face revenue charges associated with new projects financed through similar contracts or through newer funding models. It is important that both capital investment plans and treasury management strategies take into account the future revenue costs of capital financing options. Being aware of these costs allows councillors to fully scrutinise the long-term implications and affordability of funding decisions and to assess the sustainability of capital investment plans.

**14.** Councils have long-term assets worth nearly £40 billion, including physical assets, such as buildings, roads, vehicles and equipment, and long-term investments. The value increased by 1.7 per cent during 2014/15. The reported value of existing assets, shown in councils' annual accounts, is expected to increase greatly from 1 April 2016 when council-owned roads are to be valued on a different basis.

## Councils have balanced their budgets by reducing their spending but face additional pressures on top of funding reductions



**£18.7 billion:** spending on day-to-day running of services (including interest costs and accounting adjustments)



**23 councils** spent less than their income on providing services in 2014/15

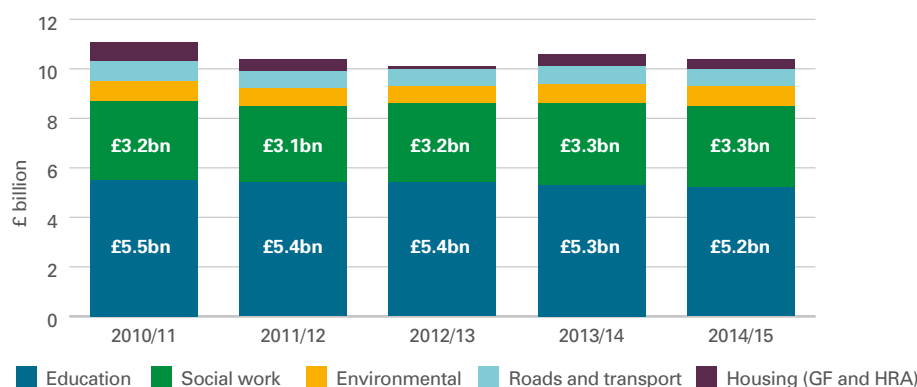
**15.** Councils have managed financial pressures by reducing spending across many of their main services and activities, except in social work ([Exhibit 5](#)). Councils' 2014/15 accounts showed expenditure of £18.7 billion. This looks like councils overspent by £0.4 billion but is actually due to adjustments that councils must make in their annual accounts, under local government accounting rules, for things like the accounting treatment of fixed assets and pension costs. In fact, the majority of councils underspent against their overall budgets in 2014/15. The one notable exception to this was Falkirk Council, which overspent by £2.9 million (0.8 per cent of its General Fund revenue budget). The most significant overspend of £3.3 million occurred in social work services and was partially offset by underspends in other areas.

**16.** The large number of underspends suggests that councils have successfully controlled their spending on services in preparation for the anticipated further funding reductions from 2016/17 onwards. Preparations for planned reductions in future years can also contribute to underspends if opportunities arise to

### Exhibit 5

#### Council spending on main services 2010/11 to 2014/15, at 2014/15 prices

Councils have reduced their real terms net spending in service areas except in social work.



Notes:

- The figures show net spending, which is the total amount spent less any income from fees, charges or other service-related income.
- Housing figures include spending from the General Fund (GF) and Housing Revenue Account (HRA).

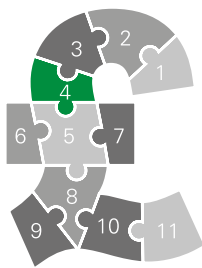
Source: Councils' annual accounts, 2010/11-2014/15



make savings ahead of schedule. Councils will find it increasingly challenging to underspend or balance their budgets from 2016/17 onwards because many incremental savings have already been made.

**17.** Even where councils underspent against their overall budgets, about a third of councils reported overspending their social work or social care budgets. The highest overspend in 2014/15 was in City of Edinburgh Council's health and social care service, which overspent its budget by £5.9 million due to demand pressures. The council has commissioned an external review to identify the main reasons for this and to help manage the budget in future. With demand rising because people are living longer, combined with further funding reductions, social care budgets will come under increasing pressure for many councils and for the new health and social care integration authorities. In 2016, we will publish a report, *Social work in Scotland*, which will look at the scale and impact of the financial and demand pressures facing social work and how councils and their partners are addressing these challenges.

### Councils increased their usable reserves during 2014/15 in anticipation of further funding reductions



**£1.9 billion:** councils' usable reserves (excluding Orkney and Shetland Islands councils)



**£375 million:** unallocated General Funds (excluding Orkney and Shetland Islands councils)

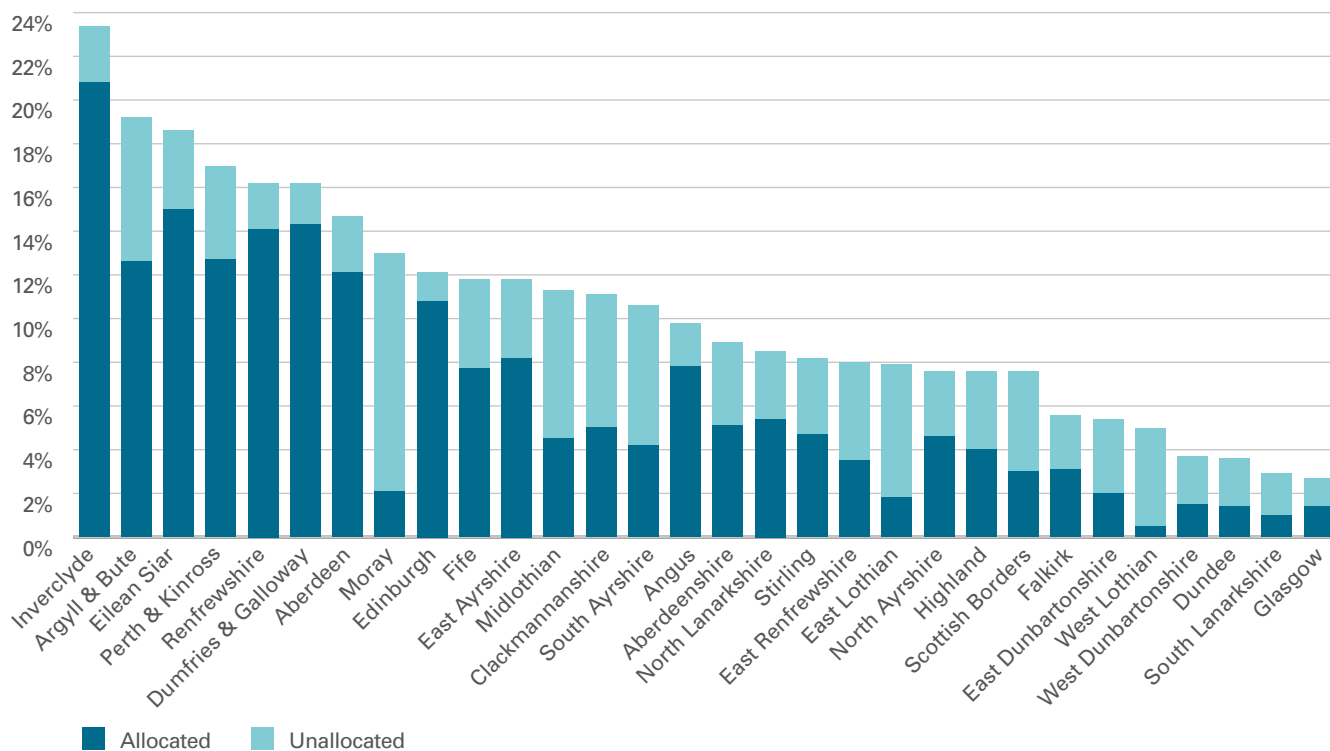
**13 councils** planned to use reserves for day-to-day spending in 2015/16

**18.** By the end of 2014/15, councils (excluding Orkney and Shetland Islands councils) had usable reserves of £1.9 billion, which is £31.4 million more than at the beginning of the year. £1.1 billion of this was in General Funds, available for councils to spend as required. £375 million of the £1.1 billion of General Funds were unallocated, meaning they were not earmarked for a specific purpose and therefore available as a contingency for unforeseen spending, such as making up shortfalls in income or savings, or for possible future commitments. Unallocated General Funds rose by 18.5 per cent during 2014/15. They are now 39 per cent higher than they were in 2010/11. Council finance directors tell us this is largely because they are being careful to save whenever opportunities arise, in anticipation of further funding reductions. Across Scotland, there is wide variation in the level of reserves councils hold and the levels of unallocated General Funds, with eighteen of the 30 councils having allocated more than half of their General Funds ([Exhibit 6, page 17](#)).

## Exhibit 6

### General Fund reserves held as a percentage of service costs, 2014/15

There is wide variation in the amount of General Fund reserves that councils hold compared to the cost of providing services.



#### Notes:

- Figures exclude Orkney and Shetland Islands councils, which hold large reserves and balances arising mainly from harbour and oil-related activities, which affect what is included in their General Funds.
- Service costs in this context are taken as the General Fund net cost of services, as reported in councils' annual accounts.

Source: Councils' annual accounts and data returns from auditors, 2014/15



**19.** Eighteen out of the 30 councils allocated more than half of their General Fund. Thirteen of Scotland's 32 councils planned to use reserves to bridge a gap between their income and spending in 2015/16 or beyond. Using reserves to support day-to-day spending on services is unsustainable. Financial plans and reserves policies must strike a balance between the planned use of reserves and being prepared for any unforeseen changes in circumstances to ensure councils can manage external pressures. For example, there have recently been multi-million pound compensation payments for multiple equal pay claims. Such events can significantly affect councils' reserves and their plans for using them.

**20.** The level of reserves that a council holds is a local decision, but should be clearly informed by an annually reviewed reserves policy. Thirty-one councils had a reserves policy in 2014/15, the exception being The Moray Council which plans to finalise a policy in March 2016. It is important that officers advise councillors of the rationale for holding specific levels of reserves. Councillors need to be satisfied that their council's reserve level is both appropriate and necessary. Reserves policies set a minimum or target level of reserves to be held but half of councils ended 2014/15 with unplanned increases or decreases in their General Fund ([Exhibit 7, page 18](#)). This underlines the importance of ensuring reserve levels are adequate and policies are regularly reviewed.



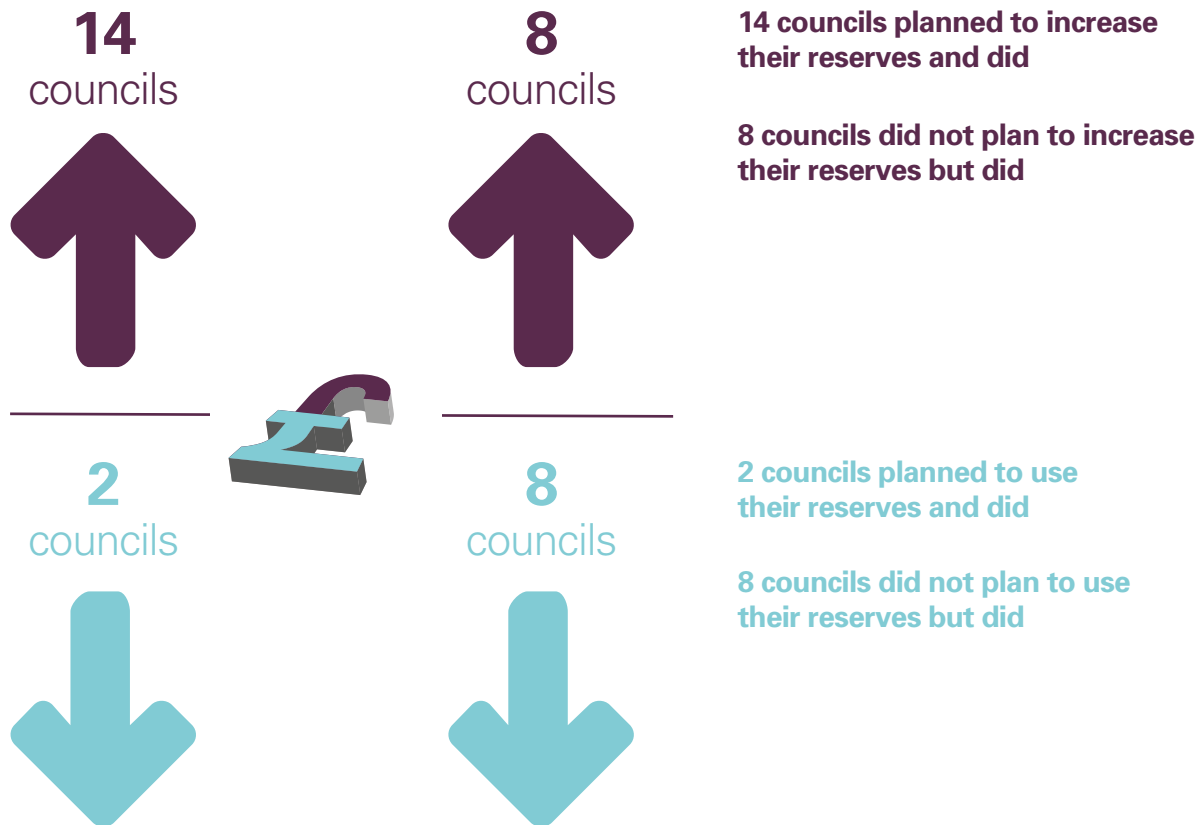
**What level of reserves do we need, both allocated and unallocated?**

**How effectively are we using the reserves we hold?**

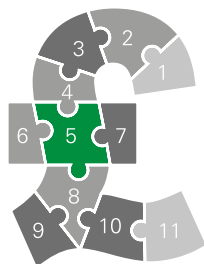
## Exhibit 7

### Increases and decreases in General Fund reserves

Total General Fund reserves increased overall but half of councils did not increase or decrease their reserves as planned.



Source: Councils' annual accounts and data returns from auditors, 2014/15



**£39.9 billion:** value of councils' long-term assets including their physical assets (£37.1 billion) and other assets such as long-term investments and money they are owed



**£13.8 billion:** councils' net debt – the difference between what is borrowed and owed (£15.2 billion) and the value of short-term investments (£1.4 billion)

**£12.5 billion:** councils' total short and long-term borrowing, which is the majority of their debt

**£0.5 billion:** increase in borrowing during 2014/15



### Councils' net debt has increased since 2010/11, but decreased slightly in 2014/15.

**21.** Councils' debt includes money they have borrowed as well as commitments made under PFI, NPD and finance leases. Councils paid interest and repayment charges of about £1.5 billion in 2014/15, similar to the amount they paid in 2013/14. Most of councils' borrowing is for capital projects and helps them spread the cost of building, refurbishing and replacing their assets over a number of years.

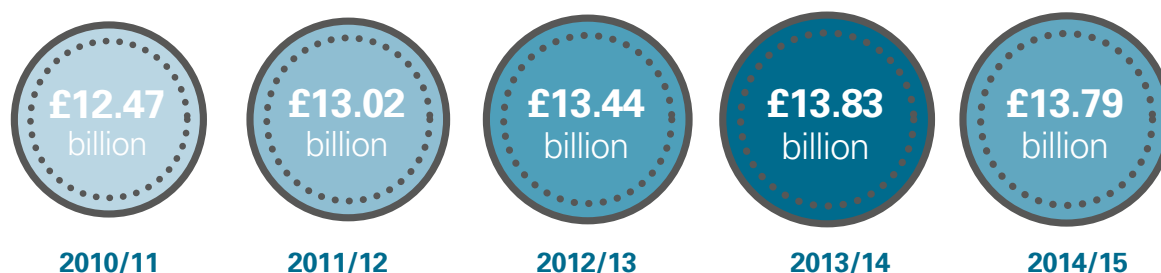
**22.** Councils' net debt (total debt minus investments and cash) decreased by £44 million during 2014/15. At £13.8 billion (excluding Orkney and Shetland Islands councils), it remains £1.3 billion more than in 2010/11 ([Exhibit 8](#)).

**23.** Councils need to assess the affordability of borrowing and other forms of debt. In the short term, they do this using a number of 'prudential indicators', which show the effects on revenue budgets, in compliance with The Prudential Code.<sup>3</sup> We recommended in [Borrowing and treasury management in councils \[PDF\]](#) that councils should do more to assess the long-term affordability of borrowing and other forms of debt.

## Exhibit 8

### Councils' net debt, 2010/11 to 2014/15

Councils' net debt has increased since 2010/11, but decreased slightly in the last year.



#### Notes:

1. Net debt is calculated as total debt (long-term borrowing, short-term borrowing, bank overdrafts and other long-term liabilities) minus external investments (short-term investments and cash, and cash equivalents).
2. Figures exclude Orkney and Shetland Islands councils, which have large investments associated with harbour and oil activities.

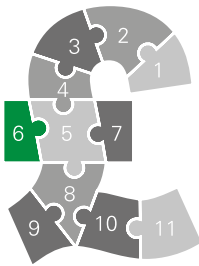
Source: Councils' audited accounts, 2010/11-2014/15

**24.** Borrowing levels are not an indication of financial problems or that a council may not be financially sustainable. As long as repayments are affordable and the council can finance its debts, then borrowing is a valuable means of financing longer-term capital costs. It is up to individual councils, taking into account their existing commitments, to determine how much they can afford to pay in annual repayments. Councils have reduced their borrowing in recent years, at the same time as there were changes in capital funding allocations from the Scottish Government and reductions in the overall size of capital programmes. Their overall level of outstanding borrowing has increased to £12.5 billion.



**What implications do different borrowing and financing options have for our future revenue budgets?**

## Local Government Pension Scheme fund deficits can vary from year to year and long-term plans are in place to finance them



**£33.8 billion:** assets managed by the 11 separate LGPS funds in Scotland

**£44.5 billion:** total liabilities of the 11 LGPS funds

**£10 billion:** councils' share of the £10.7 billion long-term LGPS fund deficits



**25.** Pension contributions are a significant cost for councils. Most council staff pay into either the Scottish Teachers' Superannuation Scheme (STSS) or the Local Government Pension Scheme (LGPS). The Scottish Government is responsible for the STSS while councils are responsible for the LGPS. Staff in other related organisations, such as colleges, can also be members of these schemes.

**26.** The LGPS has 11 separate investment funds. These vary in size from Strathclyde Pension Fund, which manages about £16 billion (over 45 per cent) of the £33.8 billion LGPS assets, to a number of smaller funds each managing less than five per cent of total assets.

**27.** The value of the pension funds is fully assessed every three years to set contribution rates, most recently in 2014. Annual estimates are also made in between assessments. A range of factors are taken into account each time, for example inflation and life expectancy, and so annual estimates of fund values and future pension payments can vary from year to year.

**28.** At the end of 2014/15, there was an estimated £10 billion shortfall, or deficit, between the value of councils' pension funds and the future pension payments that will be made. This has increased by around £2.5 billion since 2011. During 2014/15, there were significant deficit increases in Glasgow City (£234m, 18 per cent), City of Edinburgh (£191m, 36 per cent), South Lanarkshire (£140m, 28 per cent), Falkirk (£128m, 51 per cent) and North Lanarkshire (£111m, 26 per cent) councils.

**29.** Pension deficits do not create immediate problems because staff and employer contributions and future payments will be made over a long period. There are long-term plans in place for funds to address current estimated deficits within 20 years.

### The LGPS costs for councils are increasing

**30.** There are three main factors that determine variation in costs associated with the LGPS, and may result in increased pension costs for councils:

- Employer contribution rates: these range from around 17 to 22 per cent of employees' pay in 2014/15. They are not directly comparable between funds, or between councils within the same fund, because some councils make separate payments specifically to reduce deficits. But rates are set to increase. For example, by 2017/18 contribution rates will increase for five of the 11 councils that manage and administer the funds.

- Administration costs: these include the investment management fees for each fund, and other administration costs, and have been increasing. These are not comparable between funds, but the way the fees are reported has been changed to improve transparency and comparability between funds.
- Investment performance: the investment strategy for a fund takes into account the size of the fund's assets compared to its future liabilities, as well as other external market factors, when setting performance targets. Expected returns on investments are used to set employer contribution rates. In 2014/15, eight of the 11 LGPS funds reported above-expected returns and three reported returns below the targets they set for themselves (Highland, North East and Shetland).

**31.** Most LGPS funds have a growing number of pensioners within their schemes. The number of contributing members has also been increasing, despite staff reductions. Auto-enrolment into pension schemes is expected to result in more people joining. However, increases in the number of contributing members alone are not expected to offset the growing number of pensioners.

**32.** Councils face rising pension costs due to increases in pension scheme membership, raising the number of employees for whom they must contribute. Voluntary severance agreements can also increase the costs of paying pensions early and adding years to relevant employees' pensions. These agreements also result in councils having to make separate redundancy payments, although these are not pension costs.

**33.** Future employer contributions are part of a cost-sharing arrangement which may limit future increases. Employee contributions may however increase. Also, from 2016/17, employees and employers will no longer benefit from a reduction in National Insurance contributions, leading to increased costs for both.

**34.** There have been several recent developments to strengthen the governance and reporting of LGPS funds. In compliance with The Public Sector Pensions Act 2013, a local pension board was established for each LGPS fund before 1 April 2015. The board's role is to assist the fund manager to comply with rules relating to governance and administration of the fund.

**35.** A new Scottish Local Government Pension Scheme Advisory Board has also been set up as part of these reforms. Its role includes advising ministers on how the LGPS is operating and on any changes that may be desirable. It is likely to consider whether the structure of the LGPS in Scotland, with 11 separately administered funds, is efficient. That might include considering the value of the approach taken in England, of combining LGPS fund assets to allow collective investments to be made. The Accounts Commission welcomes this review of the LGPS.

#### Equal pay remains a significant cost pressure

**36.** By March 2015, councils had paid out £605 million to employees in equal pay compensation. During 2014/15, 24 councils settled nearly 4,000 equal pay claims, worth a total of £24.9 million. Councils currently estimate that about 30,000 cases remain outstanding. Councils had put aside £117 million in anticipation of further payments in 2015/16 and beyond. This includes £78 million by North Lanarkshire Council to compensate employees whose claims were brought to tribunal and agreed in 2014/15.



**What are the implications of workforce reductions on our pension costs?**

**How will these affect our pension liabilities and pension administration costs?**

**37.** Some councils do not expect many more significant equal pay claims and have reduced the money set aside for this purpose. However, recent cases highlight that councils' provisions can be significantly lower than the final costs. For example, Fife Council made a provision for equal pay claims of about £7 million in its 2014/15 accounts, based on the number of existing cases it had. However, in 2015/16 the council agreed to settle a large number of claims brought against it on the basis that the council's application of its job evaluation, pay protection and job assimilation arrangements under single status were unfair. The council's previous estimates of equal pay liability did not anticipate the application of its job evaluation scheme as being at risk. Therefore, the cost to the council of settling these cases is predicted to be many times greater than the financial provision it had made. This will significantly affect the council's financial position, including its planned spending on services and other projects or programmes. It is unclear how many other councils could potentially be in a similar position to Fife. The Accounts Commission plans to look at equal pay issues across local government in more detail during 2016/17.

#### **Minimum and living wage rises have cost implications for councils**

**38.** The living wage in Scotland is £8.25 per hour.<sup>4</sup> Councils have a collective agreement with Scottish Joint Council trade unions on pay for the period 2015/16 to 2016/17. As part of this agreement, councils committed to a pay settlement which set the living wage at a level of £8.33 per hour. In addition, the UK Government is aiming for a minimum wage of £9 per hour by 2020, which would mean significant pay rises for those currently on or near the current minimum wage (£7.20 per hour for those aged 25 and over from April 2016). While there are clearly benefits to low-paid workers through the living wage commitment, the increases in employee costs and contract costs – when contractors pay their staff the living wage – will put additional pressure on councils' finances. It will also require councils to review their grading structures where the living wage moves jobs out of existing pay scales.

#### **Good financial planning and management is required to manage future pressures and ensure financial sustainability**

**39.** At March 2015, all councils had balanced their budgets and were not planning to spend more in 2015/16 than they could afford. External auditors reported that councils had adequate reserves and could afford to repay their current debts. However, audit work has highlighted concerns about some aspects of financial planning, management and sustainability in a small number of councils.

**40.** Auditors are most concerned about those councils that have been spending, or plan to spend, a significant amount of their reserves but still face a large gap between their expected income and spending. At March 2015, more than half of councils that had prepared indicative budgets for both 2016/17 and 2017/18 were reporting a funding gap between income and expenditure, even after they had identified savings and planned whether to use some of their reserves. At that point, five councils were predicting cumulative funding gaps of more than five per cent of their service costs by 2017/18. These were Clackmannanshire (14 per cent), Argyll and Bute (ten per cent), and Aberdeenshire, Orkney and Fife (five to six per cent) ([Exhibit 9, page 23](#)).

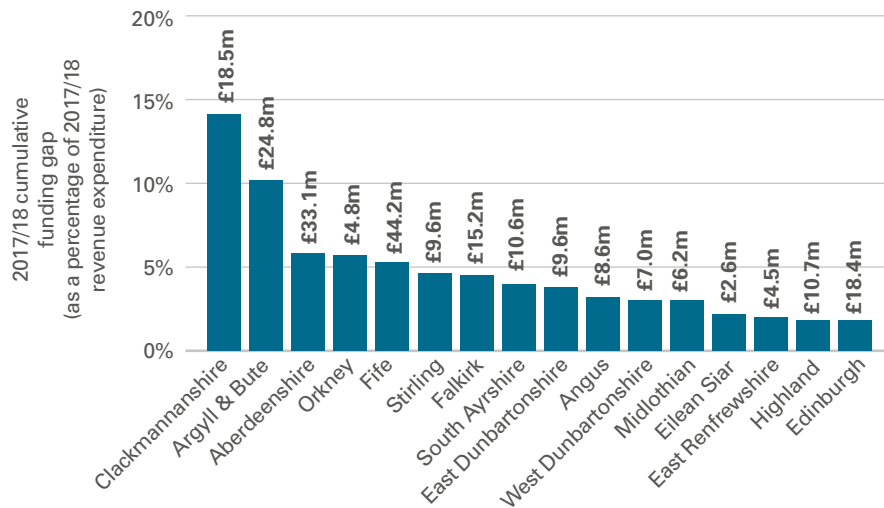


**How fully do our financial plans identify estimated differences between income and expenditure (budget shortfall)?**

## Exhibit 9

### Predicted funding gaps at March 2015

At March 2015, five councils were predicting cumulative funding gaps of more than five per cent in 2017/18.



#### Notes:

1. Figures are the 2017/18 cumulative funding gaps. Ten councils predict a balanced budget in 2017/18. Six councils had not prepared a budget for 2017/18 by March 2015.
2. Many councils have updated their estimates of funding gaps since this data was collected in March 2015 but we have not collected this updated information.

Source: Audit Scotland



**41.** The extent of the Scottish Government's funding reduction for 2016/17 is likely to result in councils identifying even larger funding gaps between the cost of delivering current services and their income, after taking account of planned savings or additional sources of income. Addressing this will require councils to go beyond incremental cost-saving measures to existing services and to fundamentally rethink their models of service delivery.

**42.** Councils' financial sustainability continues to be at risk as they face the combined challenges of reduced funding, increasing cost pressures (such as pensions, the living wage and equal pay) and rising demand for services from an ageing and growing population. Auditors will continue to assess councils' financial health and how well they are planning and managing their finances. Councils with good medium and longer-term financial plans and strategies are better equipped to manage these risks effectively.

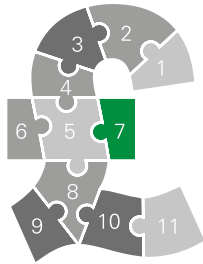


**What options do we have to address this budget shortfall for example, redesign services, use reserves?**

**How big is the remaining funding gap after we implement our selected options?**

**What actions are we taking to close any remaining funding gap?**

## Financial planning is crucial as councils face significant pressures in 2016/17 and beyond



**15 councils** have long-term financial strategies covering five or more years

**29 councils** have medium-term financial plans covering three to five years



**43.** A good financial strategy sets out a council's financial objectives and how it will achieve them. It shows clearly how the council will use the money it has to help achieve its Single Outcome Agreement (SOA) and strategic objectives. A financial strategy should cover at least five years and should set out the risks and liabilities, any assumptions made about income and the implications for affordability. Councils should also have in place detailed financial plans that set out fully-costed annual spending plans over at least the medium term (three to five years). When future Scottish Government funding is not known, councils should plan for a range of possible scenarios so they are prepared for different levels of funding and income.

**44.** Almost all councils have financial strategies that are accompanied by detailed financial plans covering at least three years. About a third of councils have financial plans covering five or more years. In a small number of councils, auditors reported that plans and strategies were still being developed.

**45.** Effective financial strategies and plans must take into account future financial pressures and how the council intends to respond to these. For example, councils need to assess how affordable the different options are for changing the way they deliver services. It is therefore important that financial plans support councils' priorities, savings and service change programmes, and asset management and workforce plans.

**46.** Shetland Islands Council, for example, has a five-year financial plan based on forecasts of future income, cost pressures, managing spending within the budget and financial risks. The council also intends to develop a 35-year asset investment plan to help it maintain the assets needed to deliver its priorities without reducing the money left for day-to-day running of services.



**Do we have a long-term financial strategy covering at least five years that accounts for future pressures?**

**Is our five-year strategy supported by detailed financial plans covering a minimum period of three years?**

**How well do our financial plans set out the implications of different levels of income spending and activity?**

**How does our financial strategy link to our vision for the future?**

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# Part 2

## Delivering services

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### Key messages

- 1** Councils' performance in 2014/15 continued to improve across many of the performance measures in the Local Government Benchmarking Framework (LGBF). Councils have well-established systems to manage their performance and are improving how they report to the public.
- 2** Health and social care integration is the most significant aspect of public sector reform for councils. New integration authorities may not be in a position to make an impact in 2016/17. Significant risks need to be addressed if integration is to fundamentally improve the way health and care services are delivered.
- 3** The Accounts Commission continues to be concerned about councils' slow progress in delivering services differently, rather than relying on incremental savings to existing models of service delivery. There are some examples of councils achieving savings and community benefits through increasing online access to services, sharing services, collaborating on procurement and using arm's-length external organisations (ALEOs). Councils, however, need to be more ambitious in their plans, better at longer-term planning, and willing to appraise all practical options for delivering services more efficiently and effectively. This includes empowering and supporting local communities in delivering local services.
- 4** Most councils continue to reduce staff numbers. It is essential that they have comprehensive workforce strategies and plans, which must take into account not only workforce-related cost pressures, but the staff knowledge, skills and time they will need to plan and deliver services differently in future.
- 5** There is a need for councillors to continuously review and develop their skills and knowledge to help them carry out their increasingly complex and challenging role effectively. They need to have the skills and the necessary information to allow them to carry out effective scrutiny of performance. This becomes ever more important as councils develop new and different ways of delivering services within their reducing budgets.

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**councils need to be more ambitious and consider all the practical options for delivering services differently in future**

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## Councils' performance improved in many service areas in 2014/15





47. Within the resources they had available in 2014/15 (for example money, people and buildings), councils continued to improve several key service performance measures, such as secondary school educational attainment, the balance between care at home and in care homes, the quality of council housing and waste recycling (**Exhibit 10**). Whatever their performance, the LGBF provides the starting point for councils to compare themselves with others to understand differences and learn lessons that will help them to improve performance.

48. The LGBF shows that public satisfaction with services has generally declined in recent years. This suggests a need for councils to work more closely with their communities and service users to establish service priorities.

### Exhibit 10






#### Councils' service performance at a national level






There have been improvements across many of the performance indicators in the LGBF.

LGBF indicator		2010/11	2011/12	2012/13	2013/14	2014/15
 <b>Education and Children's service</b>	% of pupils gaining 5+ awards at Higher (Level 6)	23.0	25.0	25.7	28.1	29.3
	% pupils from deprived areas gaining 5+ awards at Higher (Level 6) <sup>1</sup>	8.0	9.0	10.1	12.6	12.8
	% of children being looked after in the community <sup>2</sup>	91.0	91.2	91.0	91.0	–
	% of adults satisfied with local schools	83.1	–	83.0	81.0	79.0
	% of pupils entering positive destinations	88.9	89.9	91.4	92.3	92.9
 <b>Corporate services</b>	% of the highest paid 5% of employees who are women	46.3	48.5	48.7	50.7	51.7
	Domestic noise – average time (hours) to respond	47.8	31.6	43.2	80.7	58.9
	Sickness absence days per teacher	6.6	6.2	6.6	6.1	6.3
	Sickness absence days per employee (non-teacher)	10.8	10.4	10.9	10.3	10.8
	% of income due from council tax received by the end of the year	94.7	95.1	95.2	95.2	95.5
% of invoices sampled that were paid within 30 days	89.5	90.2	90.5	91.9	92.5	
 <b>Adult social care</b>	SDS <sup>3</sup> spend on adults 18+ as a % of total social work spend on adults 18+	1.6	3.1	5.9	6.4	6.9
	% of people aged 65+ with intensive needs receiving care at home	32.2	33.0	34.1	34.3	35.6
	% of adults satisfied with social care or social work services	62.1	–	57.0	55.0	51.0
 <b>Culture and leisure</b>	% of adults satisfied with libraries	83.5	–	83.0	81.0	77.0
	% of adults satisfied with parks and open spaces	83.1	–	86.0	86.0	86.0
	% of adults satisfied with museums and galleries	75.5	–	78.0	76.0	75.0
	% of adults satisfied with leisure facilities	74.6	–	80.0	78.0	76.0



## Exhibit 10 continued

LGBF indicator		2010/11	2011/12	2012/13	2013/14	2014/15
 Environmental services	Street cleanliness score (% acceptable)	95.4	96.1	95.8	96.1	93.9
	% of total household waste that is recycled	38.7	41.0	41.7	42.2	42.8
	% of adults satisfied with refuse collection	80.9	–	83.0	83.0	84.0
	% of adults satisfied with street cleaning	73.3	–	75.0	74.0	74.0
 Housing	Gross rent arrears (all tenants) as a % of rent due for the reporting year	–	–	–	5.6	5.9
	% of rent due in the year that was lost due to empty properties	1.3	1.3	1.2	1.3	1.2
	% of dwellings meeting Scottish Housing Quality Standards	53.6	66.1	76.6	83.7	90.4
	Average time taken to complete non-emergency repairs (days)	–	–	–	10.2	9.9
	% of council dwellings that are energy efficient	74.9	81.2	88.8	94.0	96.5
 Corporate assets	% of operational buildings that are suitable for their current use	73.7	74.8	75.9	78.2	79.0
	% of internal floor area of operational buildings in satisfactory condition	81.3	82.7	82.6	80.9	82.9
 Economic development	% unemployed people assisted into work from council operated / funded employability programmes	–	–	9.6	12.5	14.2
		2009/11	2010/12	2011/13	2012/14	2013/15
 Roads maintenance	% of A class roads that should be considered for maintenance treatment	30.3	30.5	29.4	28.7	29.0
	% of B class roads that should be considered for maintenance treatment	35.8	36.3	35.0	35.2	36.1
	% of C class roads that should be considered for maintenance treatment	35.0	36.0	34.8	36.6	37.3

	Decline in performance from previous year		Improvement from previous year		No change in performance
	Baseline year		No data available		

## Notes:

- This data is calculated from the Scottish Index of Multiple Deprivation (SIMD).
- Balance of care for looked after children: percentage of children being looked after in the community.
- Self-directed support.
- We have not included unit cost measures in this exhibit. Additional performance information is available at [www.improvementservice.org.uk](http://www.improvementservice.org.uk)

Source: Local Government Benchmarking Framework, Improvement Service, 2016

## Councils have well-established systems to help manage their performance and are improving how they report to the public

**49.** Councils have well-established systems for monitoring performance and continue to develop them. For example, in conjunction with the Scottish Public Services Ombudsman's (SPSO's) Complaints Standards Authority, councils are improving complaints monitoring as a means of better understanding public satisfaction with their services. Local government scrutiny bodies (Audit Scotland, the Care Inspectorate, Education Scotland, Scottish Housing Regulator and Healthcare Improvement Scotland), working collectively through the annual Shared Risk Assessment (SRA) process, have highlighted scope in some councils to use information more effectively in order to manage performance. This includes comparing performance with other councils and using self-evaluation.

**50.** Public performance reporting (PPR) is an important way for councils to demonstrate their performance to the public. Many councils have improved how they report their performance in public but there is a significant gap between top-performing councils and those that still need to improve their PPR.

**51.** The Accounts Commission will use LGBF data, complaints information and public performance reports as important sources of intelligence to inform future audits of Best Value.

## Health and social care integration is intended to transform services across Scotland, but councils and their partners still need to address significant risks

**52.** The most significant transformation to council services taking place is the integration of health and social care services. The Public Bodies (Joint Working) (Scotland) Act 2014 sets out an ambitious programme of reform for the Scottish public sector to improve support for people who need health and social care services. It creates a number of new public organisations and aims to encourage more effective joint working between NHS boards and councils.

**53.** Councils and NHS boards are required to establish integration authorities by 1 April 2016. There are now 31 integration authorities, including a joint arrangement in Stirling and Clackmannanshire. All integration authorities are required to integrate adult health and social care services, but they can also choose to integrate other services. The scope of services being integrated varies widely across Scotland. Most notably, in Argyll and Bute, and Dumfries and Galloway, the integrated services will include all NHS acute services, including planned and unplanned hospital services. The integration authorities are now establishing management and governance arrangements, including organisational structures and internal processes.


**54.** Our [Health and social care integration \[PDF\]](#) report found that integration authorities may not be in a position to make an impact in 2016/17.<sup>5</sup> We reported on the significant risks that need to be addressed if integration is to fundamentally change the delivery of health and care services. These include:

- difficulties in agreeing budgets and finalising comprehensive strategic plans, due to councils having to set their budgets before NHS boards, and uncertainty about longer-term funding



**How clearly do we report our plans and performance to the public?**

- uncertainty about how complex governance arrangements will work in practice
- significant long-term workforce issues, such as different terms and conditions for NHS and council staff, and difficulties in recruiting and retaining GPs and care staff.


**55.** The issues around budgeting, strategic planning and governance need to be addressed quickly in order to improve local health and social care services in the next few years. In the longer term, joint action by councils and NHS boards will be needed to address workforce issues. Our [Changing models of health and social care \[PDF\]](#)  report highlighted that, to transform services and successfully deliver better outcomes for users, NHS boards, councils and integration authorities will have to adopt innovative models of care and ways of working that are quite different from traditional services.<sup>6</sup>

### The quality and ambition of councils' savings and service change programmes vary greatly

**56.** Most of the savings councils have made over the last four years have relied on incremental reductions to a wide range of services and relatively small increases in income from fees and charges. Many savings have come from staff voluntary redundancies. There is a limit to how many staff can be lost before there is a major impact on the quality or quantity of services. Councils need to consider options for more fundamental changes to the way they deliver services.

**57.** Councils have been developing savings plans and service change programmes in response to current and future reductions in their income. However, auditors have highlighted variation in the ability of councils' programmes to make the savings required. Some are making good progress towards tangible savings and improvements to services for communities. For example, East Ayrshire Council's transformation strategy is designed to achieve sustainable savings of £34.7 million over the five-year period up to 2016/17. Planned savings in the first three years have already been achieved and, at the time of approving its 2015/16 budget, the council reported no funding gap up to 2016/17. The council reviews its transformation strategy annually and consults local communities and stakeholders on its priorities as part of the review.

**58.** Auditors have expressed concerns about the extent to which planned changes in some councils are enough to make required savings, whether these changes are being implemented quickly enough, and how any changes reflect a council's priorities. For example, in Aberdeenshire Council, the auditor has reported that there is little evidence of robust plans with clear links to outcomes.

**59.** The Accounts Commission is concerned about councils' slow progress in delivering services differently, rather than relying on incremental savings and staff reductions. Recent Best Value audits on East Dunbartonshire, Falkirk, and Argyll and Bute councils highlight that, regardless of the ambition of savings plans and service change programmes, only relatively small-scale changes have been delivered so far.<sup>7,8,9</sup> Larger-scale changes that make a bigger impact on budget shortfalls have proved more difficult to achieve. Our [East Dunbartonshire Council: the Audit of Best Value and Community Planning – a follow-up report \[PDF\]](#)  found a clear commitment to improvement but expressed concerns about the pace of delivering the improvements in practice. We recommended the council take urgent action to identify clearer priorities for its transformation programme.



**How will our savings plans help us achieve our corporate objectives and commitments made to our Single Outcome Agreement?**



**How open are we to considering all possible options to reduce the cost, and improve the quality and effectiveness of the services we provide?**

**60.** One area where councils are changing the way they work is in providing services online. This allows councils to provide services that better meet the needs of users, as set out in the Scottish Government's and COSLA's 2012 vision *Scotland's Digital Future – Delivery of Public Services*.<sup>10</sup> It also allows councils to deliver greater efficiency, reducing the number of staff required to deliver these services ([Case study 1](#)). However, it is important that councils continue to provide services for those who do not have access to, or simply do not want to use, online services.

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## Case study 1



### Examples of online services in councils

#### City of Edinburgh Council

The council is currently redesigning many of its customer care services and moving services online where possible. The council plans to deliver annual savings of £5.9 million, through reducing the number of support staff. There are early signs that this initiative is making an impact: 40 transactions, such as school placing requests, are already available online and savings of £355,000 over the past year have been made. The council now aims to roll out a further 153 new types of online transaction in 2016/17.

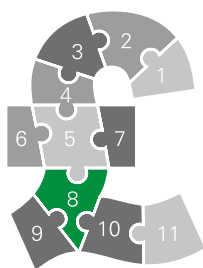
#### The Highland Council

The council aims to reduce the equivalent of 54.2 full-time employees and save £1.3 million by 2018/19 through its Digital First programme. In 2014, 82,000 transactions took place online with a corresponding ten per cent decrease in face-to-face transactions. The council currently offers 87 services online, such as paying rent online, and is aiming to have 40 per cent of customer transactions online by April 2017. The council has implemented the Improvement Service's customer portal 'myaccount'. This reduces the requirement for customers to prove their identity every time they apply, and gives customers the ability to upload scanned and photographed evidence.

Source: Audit Scotland

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## There is limited evidence of councils collaborating or sharing services




**£43 million:** saved by councils in 2012/13 by using collaborative procurement contracts



**61.** Collaborating or sharing services can help meet financial challenges. For example, East Ayrshire and South Ayrshire councils have a shared roads maintenance service, which has been operating since April 2014. It aims to maintain and improve the service while saving £8.6 million over the next ten years. Stirling and Clackmannanshire councils are jointly delivering social work and education services. However, they decided in late 2015 to withdraw from this arrangement, and they will revert to single-council services by April 2017. These shared services involved a lot of preparatory work. They highlight the need for sustained commitment if councils are to deliver shared services successfully and realise any planned longer-term benefits.

**62.** Our [Procurement in councils \[PDF\]](#)  report found that councils had saved £43 million in 2012/13 through using Scotland Excel or Scottish Government collaborative procurement contracts, and councils' use of collaborative contracts has been increasing since then.<sup>11</sup> Savings were not the only benefit to this collaborative working. Councils had been systematically using procurement spending to support local economic development, and they had begun to achieve community benefits, such as apprenticeships and environmental improvements, into procurement contracts.

**63.** Whatever the means of delivering services, a crucial element of achieving best value is using options appraisal effectively to evaluate current and alternative ways to deliver services. Our [How councils work: Options appraisal – are you getting it right? \[PDF\]](#)  report recommends rigorous and challenging appraisal of all the options.<sup>12</sup> It is important that councils consider a wide range of alternatives, including fundamentally different approaches, to help find the most effective and efficient way to achieve the council's priorities for its local communities ([Exhibit 11, page 32](#)).

**64.** In looking at possible options for delivering services, councils and their partners need to consider the opportunities presented by the Community Empowerment (Scotland) Act 2015. The Act aims to empower community bodies through ownership or control of land and buildings, and by giving them more say in decisions about public services.



**How fully have we appraised the options for sharing services with similar or neighbouring authorities or other public sector bodies?**

**What options do we have for collaborating or sharing services?**

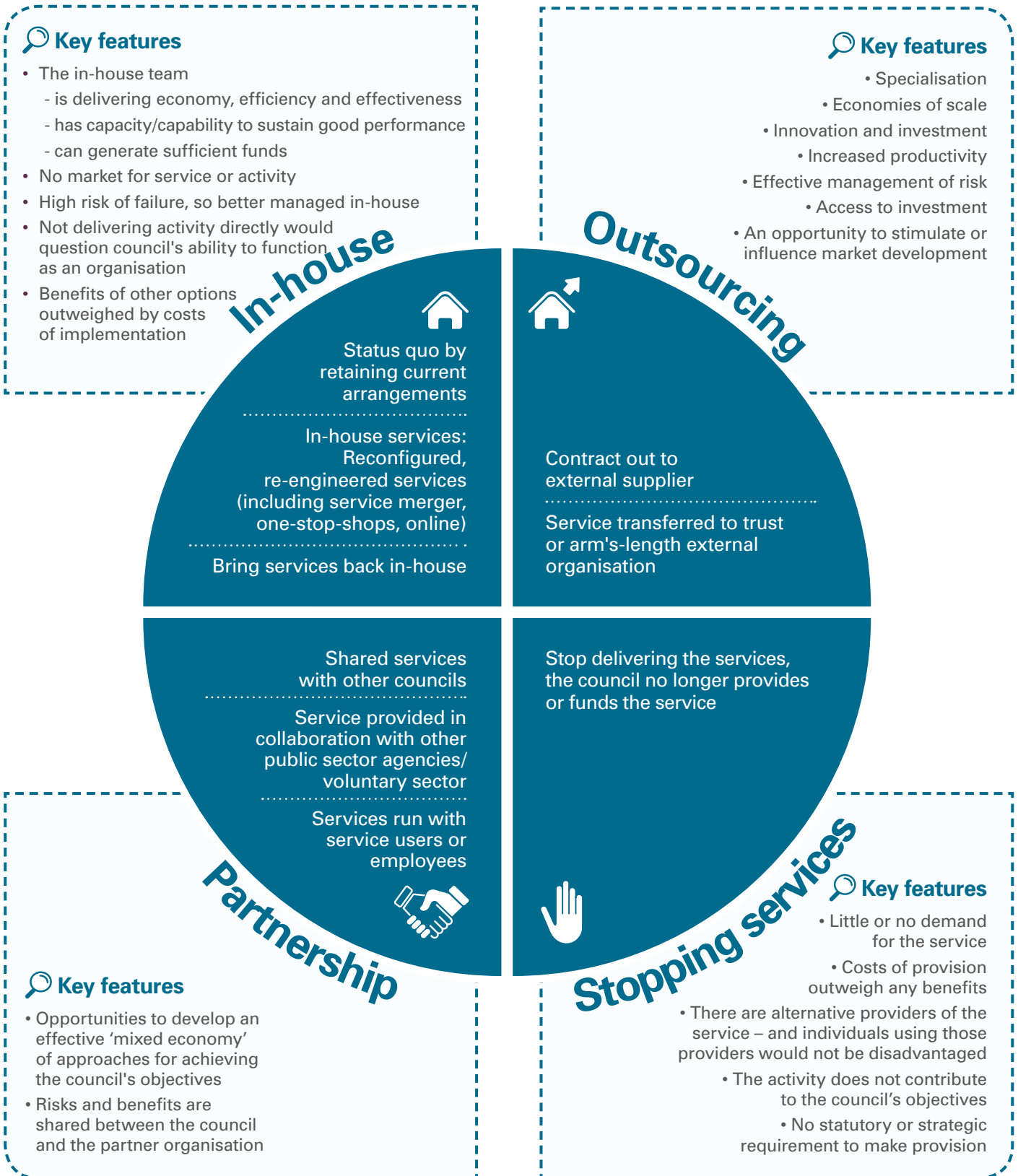


**How are we involving and empowering local communities to design and deliver services to suit local needs?**

## Exhibit 11

### Options for delivering services

Councils should use options appraisal to consider alternative ways of delivering services.



### Councils are planning to increase the number of ALEOs to deliver services

**65.** Councils use ALEOs to deliver services differently and more efficiently, as they offer different opportunities for generating income and making tax savings. ALEOs are typically used to provide more commercial activities, including leisure, property development, car parking, energy generation, and conference facilities such as the Edinburgh International Conference Centre. They are also used across a diverse range of services including social care and waste recycling. Auditors have identified approximately 140 ALEOs operated by Scotland's councils, with around three-quarters of these providing cultural, leisure, housing or economic development services. Councils are planning to deliver more services through ALEOs by establishing new ALEOs or expanding the remit of existing ALEOs ([Case study 2](#)).



**How do we learn from other changes we have made and the experiences of other organisations when identifying and considering all the options?**

## Case study 2

### Examples of new and expanded ALEOs



#### SB Cares

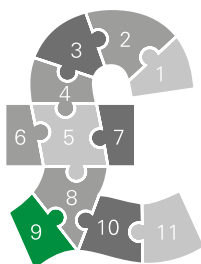
Scottish Borders Council established SB Cares to deliver most of the council's adult social care provision. Around 800 staff transferred to SB Cares on 1 April 2015. The new ALEO aims to make more efficient and flexible use of staff and generate additional income. The council expects to deliver £0.5 million savings in the first year.

#### Renfrewshire Leisure Limited

Renfrewshire Council expanded Renfrewshire Leisure Limited by transferring the management and staffing of cultural and leisure services, such as town halls, libraries and playing fields. It estimates £0.6 million of annual savings from the transferred services being eligible to pay reduced NDR.

Source: Audit Scotland

**As councils continue to reduce staff numbers, it is essential that they plan to have the staff knowledge, skills and time to deliver services differently in future**



**24 councils**, in September 2015, were planning to further reduce staff numbers during 2015/16 and beyond

**31 councils** have reduced and/or restructured their senior management in recent years, and 11 councils, in September 2015, were planning to make further changes




**66.** The majority of councils have reduced their workforces over the last few years to save money and establish more efficient ways of working. At 31 March 2015, there were approximately 200,800 people (full-time equivalent or FTE) employed by councils. This was around 800 fewer people (FTE) working in councils compared with the previous year. The net reduction in employment may be lower than 800 as it includes jobs transferring into ALEOs, although we do not have data on this. We have highlighted in previous reports that relying on reducing staff numbers to save money without changing the way councils deliver services is not sustainable.

**67.** With their income falling further, and as they identify funding gaps in the next two years or longer term, councils are planning further staff reductions. Some councils are now making compulsory redundancies to reduce costs and better manage their workforces. For example, over half of councils have policies that allow them to make compulsory redundancies if necessary, and seven have already made a very small number of compulsory redundancies in 2014/15. At the same time, councils feel that their ability to fully manage their workforce in line with local priorities is affected by other factors outwith their control, such as the Scottish Government's requirement for councils to maintain teacher numbers.

**68.** A key area of savings has been in reducing and restructuring senior management. Councils need to ensure that they manage the risks of relying on smaller numbers of individual officers with an increasingly wide range of responsibilities. There is also the risk that they may not have the management skills and time they need to plan and implement new ways of delivering services. In contrast, some councils have difficulties in recruiting and retaining people in some key roles. For example, Aberdeen City Council had difficulty filling the position of Director of Corporate Governance. More widely, there is a recognised shortage of qualified procurement professionals. Councils may therefore have to develop the skills of their existing staff or find new ways to attract people with the specialist skills they need. This highlights the importance of succession plans as part of workforce planning to avoid losing essential skills and knowledge, particularly when considering further staff reductions.

#### Further workforce reductions must reflect councils' priorities

**69.** A number of councils have been developing their workforce strategies and plans. An effective workforce strategy takes account of the skills needed for the future, not just the numbers and grades of staff. This means tying it in with the council's identified priorities and its plans for changing how services are delivered. For example, with councils expected to involve local communities more in planning, managing and delivering services, in response to the Community Empowerment (Scotland) Act 2015, they may need to retain or develop further their skills in this area.

**70.** Some councils have still to fully, or further, develop their workforce planning. We have raised concerns about workforce planning in recent Best Value reports. For example, East Dunbartonshire Council has a workforce strategy in place but it does not contain clear targets or timescales for meeting objectives, and so it is difficult to assess its impact. Our [Health and social care integration \[PDF\]](#)  report also identifies the need for long-term workforce strategies in the new integration authorities. Developing a suitably skilled workforce is particularly challenging in health and social care integration, given the wide range of people involved and the size of the workforce.



**How do we ensure our senior officers have the knowledge, skills and time to support us in making difficult decisions?**



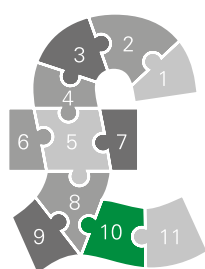
**What do we need the workforce to look like in terms of numbers, skills and knowledge?**

**How do we ensure the council's future pay structures do not discriminate against any groups of staff?**



**71.** We have also identified a risk that staff in some support services may be under severe pressure after significant staff reductions. For example, information collected by auditors shows that most councils have reduced finance staff. This has not had a negative impact on service delivery to date, with all councils submitting their unaudited accounts on time and all council audits being completed by the due date of 30 September 2015. Some councils are planning to reduce finance staffing further. This can pose risks for councils in being able to carry out good long-term financial planning, effective monitoring of budgets and savings, and responding to the additional work involved in budgeting for the new health and social care arrangements. However, it can also indicate better use of technology and therefore a need for fewer finance staff.

### There is potential to reduce staff time lost due to sickness absence



**10.8 days:** the average number of sickness days per employee (excluding teachers) in 2014/15

**6.3 days:** the average number of sickness days per teacher in 2014/15



**72.** In 2014/15, sickness absence across councils increased by almost half a day per employee, excluding teachers. Sickness absence per employee varied across councils from an average of 8.8 days per year in Orkney to 14.5 days per year in West Dunbartonshire ([Exhibit 12, page 36](#)). If councils with high absence levels could lower this to match the top eight performing councils (lower than 9.9 days), that would gain the equivalent staff time of close to 700 full-time employees (excluding teachers) across Scotland.

**73.** Sickness absence also varied in 2014/15 among teachers from an average of 3.6 days per year in North Ayrshire to 10.1 days per year in Clackmannanshire. Similarly, if councils with high teacher absences could match the top eight performing councils (lower than 5.7 days), that would gain the equivalent staff time of close to 200 full-time teachers across Scotland.

**74.** With councils' workforces reducing, this potentially increases the workload for remaining staff, which in turn can negatively affect morale and sickness absence. It can also impact on the ability of managers to deal with absence issues.

**75.** Reasons for sickness absence are complex and varied and therefore reducing absence is not easy. East Dunbartonshire Council has taken steps to reduce sickness absence, for example, by introducing better monitoring of short and long-term absences, identifying departments with high absence rates, and providing further support and guidance for managers. This has led to a decrease in staff absence levels, although they are still above the Scottish average. To try to reduce the cost of absence, the Improvement Service is helping councils to learn from each other, using the LGBF as a starting point.

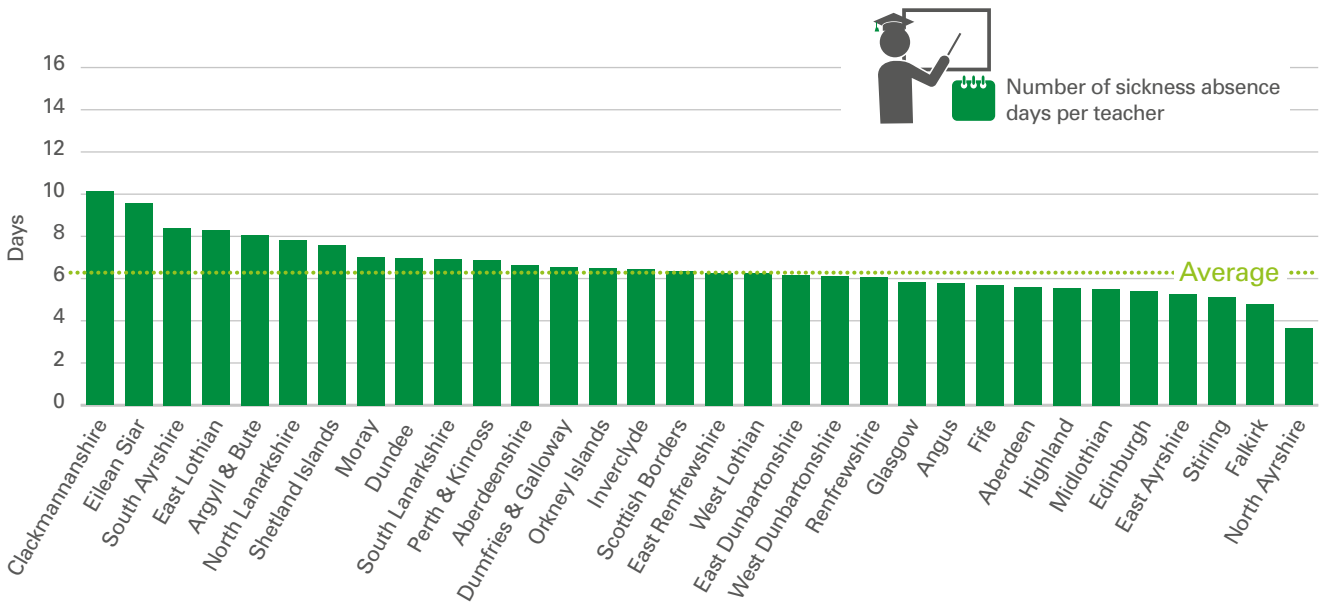
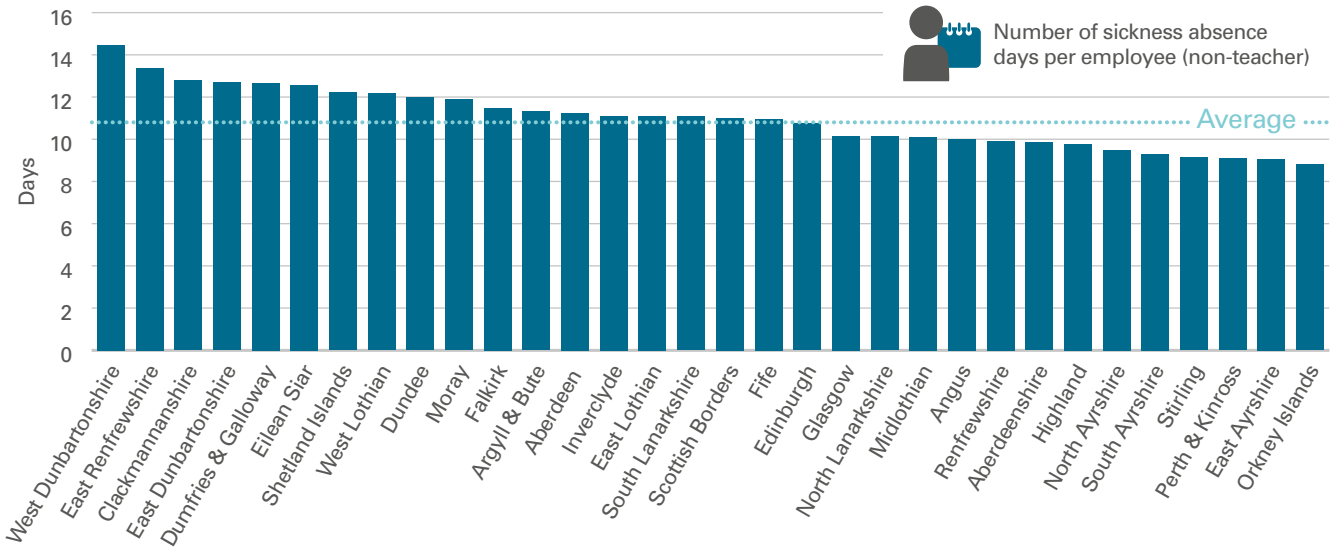


**How effectively is the council working to improve sickness absence among employees?**

## Exhibit 12

### Sickness absence for council employees in 2014/15

Clackmannanshire and West Dunbartonshire councils have the highest average number of sickness days for teachers and other employees respectively.

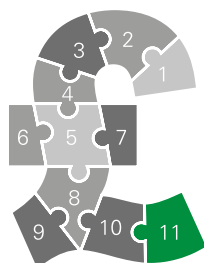


Note: Sickness absence varies from year to year. When councils use this LGBF information, they will want to consider the data for more than one year.

Source: Local Government Benchmarking Framework, Improvement Service, 2016



## Councillors need good quality information to make decisions and the appropriate skills to carry out their scrutiny role




**1,223:** the number of councillors in Scotland

**32:** all councils' audited accounts were unqualified in 2014/15



**76.** It is important that councillors have clear, understandable and manageable information to help them make decisions and scrutinise effectively. We have seen meeting papers where councillors were expected to read over 700 pages of information. Committee reports can be long, complex and written in very bureaucratic language, making them difficult to understand. This places significant demands on councillors and makes it difficult for them to focus on the most important issues, such as the council's underlying financial position.

**77.** Councils were required to add a management commentary to their annual financial reports for the first time in 2014/15. It replaces the previous explanatory foreword, as part of the move to make the accounts more accessible to readers. This should enable councillors and others to scrutinise the annual financial reports more effectively. We have prepared guidance for councils about financial reporting and scrutiny, with suggested questions for councillors to ask. This is available on our [website](#). We will review these in more detail next year.

**78.** As well as making the accounts more understandable, officers need to provide councillors with information, support and advice to help them scrutinise the accounts and other financial and service performance information. For example, there are gaps between the technical information, such as prudential indicators, and the straightforward explanations that many councillors need to fully understand the consequences of their decisions. Our [Borrowing and treasury management in councils \[PDF\]](#)  report found that councils need to improve their scrutiny in this area.

### Councils need to conduct their business openly in the interests of local accountability

**79.** Good governance requires councils to conduct their business in a transparent manner. In some of the Best Value audits we carried out in 2015, for example in East Dunbartonshire and Argyll and Bute councils, we highlighted that they are carrying out a relatively high proportion of business in private. A wider analysis of the number of reports that councils consider in private, rather than in public, has highlighted variation in approach. For example, around a quarter of councils discuss less than two per cent of reports in private at meetings of the full council or at a policy and resources committee (or equivalent). In contrast, a few councils consider over 15 per cent of items in private.



How do we ensure that the information we receive is clearly written, jargon-free and manageable?




How can we consider more of our business in public?

**80.** Decisions on considering items publicly or privately are influenced by a range of factors. In particular, they may be affected by local schemes of delegation to senior officers, allowing them to make certain operational decisions. They may also be influenced by the local culture developed over time in councils. In our recent Best Value report on Argyll and Bute Council, we recommended that the council establishes a more open and transparent culture and style of working, which includes minimising the amount of business it carries out in private. Councils should be looking to identify and adopt best practice to strengthen local accountability.

**81.** Every year, the Accounts Commission emphasises in its overview report the importance of good governance. This includes procedures for authorising spending decisions, systems for managing risks, processes for reporting and scrutinising financial and service performance, and the way councillors and staff behave. All of these are increasingly important as councils continue to adapt to changing circumstances and develop more creative and ambitious ways of achieving positive outcomes for communities. In doing this, they are working more with partners in the public, private and third sectors, and in partnership with their communities. It is therefore even more important for councils to review and update governance arrangements to ensure that they are fit for purpose. The principles of good governance are:

- creating and implementing a vision and focusing on outcomes
- councillors and officers working together to achieve a common purpose, with clearly defined functions and roles
- promoting the council's values and upholding high standards of conduct and behaviour
- taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- developing the capacity and capabilities of councillors and officers
- engaging with local people and other stakeholders to ensure robust public accountability.<sup>13</sup>

**82.** Councils should have appropriate arrangements in place to approve, monitor and hold ALEOs to account for the public funding that is provided to them. This includes complying with the Following the Public Pound Code. The Code is designed to ensure that openness, integrity and accountability are applied to all council decisions when public money is being spent, for example when establishing funding relationships with ALEOs. The importance of good governance was highlighted in Audit Scotland's [Conclusions on issues relating to the Lennoxtown Initiative \[PDF\]](#)  in November 2015.<sup>14</sup> The report found that more robust processes should have been put in place to demonstrate that the public funds provided were used for the charitable purposes intended, and that using resources in this way represented best value.

**83.** In 2015, the chair of the Accounts Commission wrote to all chief executives and council leaders highlighting the importance of good governance and to encourage councils to apply good practice more consistently across all ALEOs. Local Area Networks will continue to monitor how effectively councils are overseeing ALEOs, with audit work looking at the role of ALEOs in service delivery being considered for 2017/18.




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**How can we involve our communities more in local decisions?**

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### Councillors must develop their skills and knowledge as their role becomes more complex and demanding

**84.** Councillors face taking increasingly difficult decisions, often needing to consider new and more complex ways of delivering services. They need to be confident in their ability to appraise new ways of working and to scrutinise operational and financial performance. This will help them carry out their role effectively in the current demanding environment. Their continuing professional development should identify the skills and knowledge they need to develop.

**85.** Training on scrutiny tends to be provided at the start of a political term, as part of the induction scheme for new councillors, or targeted towards councillors who sit on scrutiny committees. However, scrutiny training needs to be provided more widely. Perth and Kinross Council, for example, developed an action plan after identifying a risk in councillors appointed to ALEOs not having the appropriate skills and training.

**86.** Our [Borrowing and treasury management in councils \[PDF\]](#)  report found that councillors said it was often difficult to attend training due to other commitments. This was said to be particularly difficult where training courses were scheduled to last for a full day. To keep knowledge and skills up to date, councils could consider providing more training in a variety of ways to suit councillors' needs, including short briefings and online training.

**87.** Following local elections in 2017, the induction and training for new and re-elected councillors will be very important in helping them fulfil their role and responsibilities in an increasingly complex and challenging environment. To contribute to this, the Accounts Commission is doing more work on roles and responsibilities in 2016/17.




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**How well do we scrutinise decisions on financial and service performance?**











**How do we ensure we have the knowledge and expertise we need to scrutinise effectively?**

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# Endnotes



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- ◀ 1 [Borrowing and treasury management in councils \[PDF\]](#) , Audit Scotland, March 2015.
  - ◀ 2 [Major capital investment in councils: follow-up \[PDF\]](#) , Audit Scotland, January 2015.
  - ◀ 3 *The Prudential Code for Capital Finance in Local Authorities*, CIPFA.
  - ◀ 4 Living Wage Foundation.
  - ◀ 5 [Health and social care integration \[PDF\]](#) , Audit Scotland, December 2015.
  - ◀ 6 [Changing models of health and social care \[PDF\]](#) , Audit Scotland, March 2016.
  - ◀ 7 [East Dunbartonshire Council: the Audit of Best Value and Community Planning – a follow-up report \[PDF\]](#) , Audit Scotland, June 2015.
  - ◀ 8 [Falkirk Council: the Audit of Best Value and Community Planning \[PDF\]](#) , Audit Scotland, August 2015.
  - ◀ 9 [Argyll and Bute Council: Best Value audit 2015 \[PDF\]](#) , Audit Scotland, December 2015.
  - ◀ 10 *Scotland's Digital Future – Delivery of Public Services*, November 2012.
  - ◀ 11 [Procurement in councils \[PDF\]](#) , Audit Scotland, April 2014.
  - ◀ 12 [How councils work: Options appraisal – are you getting it right? \[PDF\]](#) , Audit Scotland, March 2014.
  - ◀ 13 *Delivering good governance in local government, Guidance note for Scottish authorities*, SOLACE/CIPFA, 2008.
  - ◀ 14 [Conclusions on issues relating to the Lennoxton initiative \[PDF\]](#) , Audit Scotland, November 2015.

# An overview of local government in Scotland 2016

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ISBN 978 1 909705 85 2

This publication is printed on 100% recycled, uncoated paper



# Finance and Resources Committee

10.00am, Thursday, 12 May 2016

## Care at Home - Contract Ref: CT0477

Item number	7.5
Report number	
Executive/routine	
Wards	

### Executive Summary

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This report seeks the approval of the Finance and Resources Committee to award contracts to eight providers for the provision of Care at Home Services in eleven neighbourhood areas. Taking account of the new responsibilities of Integrated Joint Boards, the recommendations in this report are subject to receipt of directions and confirmation of funding by the Edinburgh Integrated Joint Board (EIJB).

Contract duration will be three years, with an option to extend for up to a further two periods of 12 months each. The total estimated value of the contracts, including extensions, is £120m.

The Contract establishes a fixed unit price of £16.00 per hour (a 6.7% uplift on the current rate of £15.00 per hour) and this provides for payment of the Living Wage of £8.25 per hour. The contract also provides for an increase of 2,500 hours per week over 2 years to expand capacity to support the objectives of integration and accommodate growth in demand for services. The contract assumes a reduction of 1,700 hours per week over 2 years through embedding of the reablement ethos. For the City of Edinburgh Council, this

### Links

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[Coalition Pledges](#)

[Council Priorities](#)

[Single Outcome Agreement](#)



equates to an estimated increase of £1.13m in costs in 2016/17. The estimated financial implications of the contract over 2016/17 to 2018/19 are summarised at paragraph 5.3.

## Care at Home - Contract Ref: CT 0477

### 1. Recommendations

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- 1.1 It is recommended that the Finance and Resources Committee approves award of contracts for the provision of care at home services in individual neighbourhoods as undernoted, subject to receipt of directions and confirmation of funding by the EIJB.

Neighbourhood	Provider
1. Almond	Avenue Care Services
2. Craigentiny / Duddingston	Call-In Homecare
3. Forth	Real Life Options
4. Inverleith	Real Life Options
5. Leith	The Human Support Group
6. Liberton / Gilmerton	Call-In Homecare
7. Pentlands	Shaw Healthcare
8. Portobello / Craigmillar	SCRT
9. South Central	Social Care Alba
10. South West	Shaw Healthcare
11. Western Edinburgh	Careline Homecare

### 2. Background

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- 2.1 This report follows on from the report to the Finance and Resources Committee on 29 October 2015 which sought approval to extend current Care at Home contracts pending the completion of the procurement exercise described in this report.
- 2.2 The contracts that are the subject of this report are intended to replace existing contracts which were awarded following a procurement exercise in 2011.
- 2.3 In terms of EU procurement regulations, social care services are Part B services. Although Part B services are not subject to the full rigours of EU procurement regulations, there is a requirement for openness, transparency and fair and equal treatment, as well as a requirement to comply with the Public Contracts (Scotland) Regulations 2012 and the Council's Contract Standing Orders.

### 3. Main report

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- 3.1 A Future Contract Opportunity Notice was published on the Public Contracts Scotland (PCS) website on 16 January 2015. Subsequently, a series of meetings were held with existing and potential providers during 2015 for the purpose of supplier engagement prior to the commencement of a formal procurement procedure.
- 3.2 A Contract Notice was published on the PCS website on 8 December 2015 and an open Invitation to Tender was published on the PCS -Tender website the same day. A total of fifty six organisations registered interest, all of whom were invited to a Tender Briefing on 16 December 2015. The Briefing provided an opportunity to outline the Council's key requirements of bidders, to explain the detail of the tender documentation and to confirm the procurement timetable. Attendees were also provided with a list of 'top tips' for bidders and were able to ask questions of the Council about the procurement process.
- 3.3 A summary of the tender process is provided at Appendix 1 of this report. Providers were invited to bid for one or more of 11 neighbourhood 'lots' which, together with the City Centre neighbourhood (which was sub divided for the purpose of the tender), comprise the 12 neighbourhood areas of the City of Edinburgh
- 3.4 Information about award criteria is provided at Appendix 2 of this report.
- 3.5 Thirteen organisations submitted tenders by the deadline of 29 January 2016.
- 3.6 All thirteen tenders were assessed as meeting the qualification criteria and were therefore taken forward for evaluation of technical (quality) content.
- 3.7 Evaluation of the technical (quality) content of the tenders was undertaken by an evaluation panel of council officers from Health and Social Care.
- 3.8 Two tenders scored below the threshold for the case study question in the technical evaluation and therefore were not considered for award of contract.
- 3.9 The Council has established a fixed unit price of £16.00 per hour for the service, which will be used to calculate budgets for individual packages of care for individual service users. There was therefore no evaluation of the commercial (price) content of the tenders, other than to check that the fixed price had been offered by tenderers.
- 3.10 Tenderers were required to identify the individual neighbourhoods where they wished to offer to provide the service and to list these in order of preference.
- 3.11 Where a provider had offered to deliver the service in multiple neighbourhoods, a risk assessment was undertaken to determine the maximum number of neighbourhoods for which a contract could be awarded to the provider. A description of the risk assessment methodology is provided at Appendix 3 of this report.
- 3.12 Taking account of the outcomes of the risk assessments, tenderers' preferences to deliver the service in specific neighbourhoods were used to match tenderers to

neighbourhoods, on the basis of first preference being given to the highest scoring tender and so on until all neighbourhoods were matched to providers.

- 3.13 The recommendation for award of contracts is based on the tenderers' scores matched to neighbourhoods. Information about tenderers' scores and matching to neighbourhoods is provided at Appendix 4 of this report.
- 3.14 It is recommended the contract to deliver the service in the Almond neighbourhood is awarded to Avenue Care Services. While Avenue Care's score of 49.93% is lower than Providers A and B, neither of these offered to provide services in the Almond neighbourhood and are therefore not eligible to be awarded the contract for that neighbourhood. The decision to recommend award to Avenue Care is also supported by three important contextual factors. Firstly, following its last two most recent annual inspections, the Care Inspectorate has awarded Avenue Care 'very good' grades (Grade 5) for the quality of care and support provided. Secondly, Avenue Care's score for the case study was comparatively strong (62.25%), demonstrating a good understanding of service delivery issues. Thirdly, Almond was Avenue Care's first preference, indicating a strong existing link between the provider and that neighbourhood.

#### **4. Measures of success**

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- 4.1 The new Care at Home contracts provide sufficient capacity to respond to levels of demand for the service.
- 4.2 Contract implementation is successful, with mitigation and communication strategies that facilitate transfer of service provision and reduce inconvenience for individual service users.

#### **5. Financial impact**

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- 5.1 It is estimated that Care at Home service expenditure will increase by £1.13m in 2016/17, based on expenditure and service volumes at March 2016. This sum comprises:
  - 5.1.1 An increase of £0.93m in respect of the estimated impact of the uplift of 6.7% to reflect the commitment to implement the Living Wage and;
  - 5.1.2 An increase of £0.47m to provide for an increase of 1,250 hours per week by 31st March 2017 to expand capacity to support the objectives of integration and accommodate growth in demand for services as a consequence of demographic change.
  - 5.1.3 A decrease of £0.27m to reflect the impact of embedding the reablement ethos within contract arrangements.
- 5.2 The EIJB has received an allocation of £20.180m through the Social Care Fund to support additional spend on expansion of social care to support the objectives of integration and to support the implementation of the Living Wage and other cost pressures. Subject to the approval of the EIJB, it is anticipated that £1.4m will be directed by the EIJB from the Social Care Fund to the City of Edinburgh Council to

fund the additional estimated expenditure which is set out in paragraphs 5.1.1 and 5.1.2 above. No expenditure can be authorised by Committee unless it is clearly detailed in directions issued to the Council by the EIJB. The EIJB will consider this matter at a meeting on 13th May 2016.

5.3 The approved budget for 2016/17 provides for savings through reablement and the estimated savings identified at 5.1.3 above will contribute to approved savings in 2016/17.

5.4 The table below summarises the estimated financial implications over the period 2016/17 to 2018/19. Forecasts for 2017/18 and 2018/19 are indicative and will be updated as experience of contract implementation is monitored. Increased expenditure in 2017/18 and later years is subject to availability of funding. The Council's approved budget allocation to the EIJB for 2016/17 provides for expenditure of £22.0m per annum reflecting delivery of 27,750 hours per week.

	2016/17	2017/18	2018/19
	£m	£m	£m
Baseline - Approved Budget 2016/17	22.00	22.00	22.00
Cumulative Impact of Uplift in Contract Rate	0.93	1.44	1.79
Cumulative Impact of Volume Increase	0.47	1.43	1.92
Cumulative Reablement Saving	(0.27)	(0.83)	(1.42)
Estimated Contract Cost	23.13	24.04	24.29

5.5 The contract provides for embedding of the reablement ethos within service delivery arrangements. The contract provides for an increase in the hourly rate to £16.50 in 2017/18 subject to the condition that providers achieve efficiencies of 5% by 31 March 2017 through reablement. A further increase from £16.50 to £17 per hour will be paid in 2018/19 on the same basis.

5.6 The estimated value of these contracts is £24m per annum.

5.7 The costs associated with procuring these contracts are estimated to be between £20,001 and £35,000.

## 6. Risk, policy, compliance and governance impact

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6.1 A risk assessment was undertaken prior to the decision to recommend award of contracts for more than one neighbourhood to any single provider. A mark was awarded on the basis of most recent Care Inspectorate grades and a mark was awarded for the provider's capacity plan, including proposed timescales and risk mitigation measures. A description of this risk assessment methodology is provided at Appendix 3 of this report. Financial probity assessments were also undertaken

by Finance to check the financial information submitted to providers, which included consideration of estimated contract value against turnover.

- 6.2 The designated contract manager will be responsible for contract implementation and contract management. Successful contract implementation will be contingent upon efficient and effective reablement ensuring no delays in referrals to providers.

## 7. Equalities impact

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- 7.1 An Equalities and Rights Impact Assessment (ERIA) has been undertaken.

## 8. Sustainability impact

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- 8.1 Award of contracts based on neighbourhoods is expected to lead to reductions in staff travel time and the carbon footprint associated with delivery of the service.
- 8.2 A range of specific community benefits have been offered by individual providers. These include apprenticeships, administrative work experience placements for senior school pupils, mentoring and training for volunteers and unpaid carers, funding for volunteering and community enhancement projects, targeted recruitment of previously unemployed people and service user involvement in additional activities. The designated Contract Manager will be responsible for monitoring delivery and reporting community benefits delivered by individual providers.

## 9. Consultation and engagement

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- 9.1 Private and third sector providers, NHS Lothian and the Health and Social Care Partnership/IJB Executive Team have all been engaged in the contract re-design process. Consultation with service users and carers is ongoing and will continue throughout contract implementation.
- 9.2 A Communications Plan is in place to ensure that service users are fully informed of the changes that may affect them and the options that are available to them.

## 10. Background reading/external references

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- 10.1 Report to the Finance and Resources Committee meeting on 29th October 2015 - Item 7.11 Re-Tender of Care at Home Contracts

### **Rob McCulloch-Graham**

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## 11. Links

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### **Coalition Pledges**

<b>Council Priorities</b>	CP2 Improved health and well-being, reduced inequalities CP3 Right care, right place, right time
<b>Single Outcome Agreement</b>	SO2 Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Procurement of Care at Home Services - Contract Ref: CT 0477

Contract Period	Commencement between June and September 2016 for a period of three years, with the option to extend for a further two periods of up to twelve months.
Estimated value of contracts	£120m (total including extensions)
Standing Orders observed	2.4 EU Principles have been applied 2.7 Commercial and Procurement Manager provided resource to undertake tendering 3.2 Director has responsibility for all contracts tendered and led by their Directorate
Governing UK Regulation	Public Contracts (Scotland) Regulations 2012
Tenders Returned	13
Tenders fully compliant	13
Recommended Providers	See Appendix 3
Primary Criterion	Technical (quality) proposals
Evaluation criteria and weightings and reasons for this approach	Quality (100%) A fixed price was established by the Council.
Evaluation Team	Council officers from Health and Social Care
Consideration of procurement methodology and processes to ensure SME friendly	Future Contract Opportunity (FCO) notice published prior to procurement and provider briefing after publication of Contract Notice



## Appendix 2 - Award Criteria

Care at Home - Contract Ref: CT 0477

Technical (Quality) Evaluation - Award Criteria	Weighting
Case Study	30%
Management	10%
Service Delivery	15%
Performance Management	15%
Contract Implementation	10%
Fair Work Practices	15%
Community Benefits	5%
TOTAL	100%

## Appendix 3 - Risk Assessment Methodology

Only applied where Tenderers bid to deliver the service in more than one neighbourhood

Question	Tender Response
<p><b>Part A</b></p> <p>Please detail your organisation's Care Inspectorate (or equivalent, e.g. CQC, non UK) Grade for Quality of Care and Support in each of your last three most recent inspections.</p> <p><b>Part B</b></p> <p>Please detail the number of hours of care at home you are currently delivering on behalf of (a) City of Edinburgh Council and (b) other public bodies.</p> <p>If your Tender assumes a significant increase in the capacity you are currently delivering to the Council, please outline your plans to deliver this additional capacity and timescales for doing so. Please also identify the key risks associated with your plans and how these shall be mitigated.</p>	<p>Tenderer will provide details of Care Inspectorate (or equivalent) Grades received in last 3 inspections related to Quality and Support. (Average score will be identified by adding grades together and dividing by 3).</p> <p>Tenderer will demonstrate credible growth scenario, notably in respect of staff recruitment and retention plans and ability to deploy resources effectively across more than one neighbourhood area. The key risks will be identified including those noted as a minimum and any others which are considered appropriate by the Tenderer. Each risk identified will have robust plans for mitigation backed by the Tenderers proven ability and will provide the Council with full assurance of their capacity to work in more than one neighbourhood and to deliver the hours offered.</p>

NB: The outcome of the risk assessment for a Provider with less than 3 previous Care Inspectorate (or equivalent) grades will be high risk. However this would not preclude the award of a Contract, as the risk assessment will only be used where consideration is being given to the award of more than one contract.

Part A of the Risk Assessment will be scored as follows:

Score	Interpretation
5	Average Grade 4 – 6
3	Average Grade 3
1	Average Grade 2 or less
1	No Grade

Part B of the Risk Assessment will be scored as follows:

Score	Interpretation
4	Minimal Risk identified in Provider servicing multiple areas
3	Low Risk identified in Provider servicing multiple areas
2	Moderate Risk identified in Provider servicing multiple areas including concerns in relation to capacity
1	High Risk identified in Provider servicing multiple areas including concerns in relation to credibility of capacity growth plan

Total outcome of Risk Assessment:

Risk	Score	Result
Minimal Risk	9	Tenderer may be awarded a maximum of 6 neighbourhoods
Low Risk	7-8	Tenderer may be awarded a maximum of 5 neighbourhoods
Moderate Risk	5-6	Tenderer may be awarded a maximum of 2 neighbourhoods
High Risk	4 or lower	Tenderer may be awarded a maximum of 1 neighbourhood

## Appendix 4 - Tenderers' Scores and Matching to Neighbourhoods

Care at Home - Contract Ref: CT 0477

Provider	Score	Neighbourhood(s)
SCRT	93.03	Portobello / Craigmillar
Call-In Homecare	90.65	Craigtinny / Duddingston Liberton / Gilmerton
Careline Homecare	87.50	Western Edinburgh
Social Care Alba	78.68	South Central
The Human Support Group	75.88	Leith
Shaw Healthcare	68.70	South West Pentlands
Real Life Options	68.65	Inverleith Forth
Provider A	58.23	No preferences available
Provider B	54.48	No preferences available
Avenue Care Services	49.93	Almond
Provider C	44.08	No neighbourhoods unallocated

# Finance and Resources Committee

10.00am, Thursday, 12 May 2016

## Disabilities Complex Care - Contract Ref: CT0446

Item number	7.6
Report number	
Executive/routine	
Wards	

### Executive Summary

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This report seeks the approval of the Finance and Resources Committee to award a contract to Living Ambitions Ltd for the provision of a Disabilities Complex Care Housing and Support Service.

The contract duration will be three years, with an option to extend for up to a further two periods of 12 months each.

The total estimated value of the contract, including extensions, is between £3,115,476 and £4,673,214.

### Links

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[Coalition Pledges](#)  
[Council Priorities](#)  
[Single Outcome Agreement](#)

## Disabilities Complex Care - Contract Ref: CT0446

### 1. Recommendations

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- 1.1 It is recommended that the Finance and Resources Committee approves award of a contract to Living Ambitions Ltd for the provision of a Disabilities Complex Care Housing and Support Service.

### 2. Background

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- 2.1 As part of its efforts to reduce or avoid hospitalisation and the inappropriate use of secure accommodation, Health and Social Care wishes to source a housing and support service in suitably robust residential accommodation for a small group of between six and nine individuals with complex care needs.
- 2.2 There is currently no contract in place that directly addresses this requirement. Instead, in lieu of more appropriate accommodation, hospital admission is used or an out of authority placement, neither of which meets the care and support needs of the individuals as efficiently, effectively and economically as a locally based specialised housing and support service.
- 2.3 The service will offer transitional support to a range of people with challenging behaviours, autism and / or a learning disability, and ensure that this group of people receives safe, appropriate, high quality care.

### 3. Main report

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- 3.1 In terms of EU procurement regulations, social care services are Part B services. Although Part B services are not subject to the full rigours of EU procurement regulations, there is a requirement for openness, transparency and fair and equal treatment, as well as a requirement to comply with the Public Contracts (Scotland) Regulations 2012 and the Council's Contract Standing Orders.
- 3.2 The Council published a Future Contract Opportunity (FCO) notice on 7th April 2015 with a brief questionnaire attached for potential providers. Twenty five organisations registered interest.
- 3.3 Consultation confirmed that providers would be interested in offering to provide a housing and support service, including accommodation and staffing, for a small group of between six and nine people with complex care needs.

- 3.4 Following consultation with potential providers, the Council obtained benchmark contract and tender documents from another large UK local authority, which has established a framework agreement for disabilities complex care housing and support services. These documents provided useful references for the purpose of specifying requirements.
- 3.5 A Contract Notice was published on the Public Contracts Scotland (PCS) website on 8 January 2016 and an open Invitation to Tender (ITT) was published on the Public Contracts Scotland-Tender (PCS-T) website the same day. A total of twenty six organisations registered interest.
- 3.6 A summary of the tender process is provided at Appendix 1 of this report.
- 3.7 Information about award criteria is provided at Appendix 2 of this report.
- 3.8 Six organisations submitted tenders by the deadline of 26 February 2016.
- 3.9 All six tenders were assessed as meeting the qualification criteria and were therefore taken forward for evaluation of technical (quality) content.
- 3.10 Evaluation of the technical (quality) content of the tenders was undertaken by an evaluation panel of council officers from Health and Social Care.
- 3.11 The recommendation for award of contract is based on the tenderers' scores as detailed at Appendix 3 of this report.
- 3.12 A brief history of Living Ambitions Ltd is provided for reference purposes at Appendix 4 of this report.

#### **4. Measures of success**

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- 4.1 Replacement of out of authority placements or hospitalisation for people with challenging behaviours, such as autism or learning disabilities.
- 4.2 Provision of more appropriate support and safe, appropriate, high quality care for people with challenging behaviours, autism and / or a learning disability in a residential setting.
- 4.3 Lower costs and improved quality of support.
- 4.4 Notional or indirect savings for NHS Lothian in cases where individuals are referred to this service instead of being hospitalised.

#### **5. Financial impact**

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- 5.1 The estimated value of this contract is between £623,095 and £934,642 per annum.
- 5.2 The actual value of the contract will depend on the number of service users (minimum six) and is based on a fixed price per person per week.

- 5.3 Benchmarking against current alternative types of support has been undertaken and it is estimated that support costs will be around £500 per person per week lower than would otherwise be the case.
- 5.4 It is anticipated that service delivery under the contract will commence in 2017/18. The Council's budget framework includes additional provision of £2.7m in 2017/18 to expand capacity to accommodate estimated growth in demand for services for adults with learning disabilities. Budget provision in 2017/18 will be confirmed by the Edinburgh Integration Joint Board in due course.
- 5.5 The costs associated with procuring this contract are estimated to be between £10,001 and £20,000.

	Estimated Cost
1. Relatively low value, low risk and non repetitive	Up to £10,000
2. Moderate value and moderate risk	£10,001 - £20,000
3. High value / high risk / strategic procurements	£20,001 - £35,000

## 6. Risk, policy, compliance and governance impact

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- 6.1 For governance purposes, this report has been provided to the Executive Team of the Health and Social Care Integration Joint Board (IJB) for consideration prior to submission of the report to the Council's Finance and Resources Committee.
- 6.2 "Residential Care and Care at Home Contracts" is a Strategic Item in the context of procurement and is assessed as requiring a high level of contract and supplier management. There are comparatively few sources of supply, the contract is high value, it is a large spend area and the service specification is comparatively complex. The designated Contract Manager will be responsible for contract and supplier management.
- 6.3 Residential Care services are an Essential Activity (as identified in the Essential Activity List provided by the Council's Corporate Resilience Unit). The Provider will therefore be required to evidence acceptable arrangements in respect of business continuity.

## 7. Equalities impact

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- 7.1 An Equalities and Rights Impact Assessment (ERIA) has been undertaken and is logged as Disability Complex Care – Procurement Plan HSC9.



## 8. Sustainability impact

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- 8.1 No significant environmental impacts are expected to arise from this contract. There may be a slight reduction in carbon emissions, if journeys by family, friends, carers and social workers to out of authority placements are no longer required.
- 8.2 Community benefits offered by Living Ambitions Ltd include targeted recruitment and training, opportunities for apprenticeships and local outreach and education opportunities for those associated with or impacted by the types of service that will be provided. The designated Contract Manager will be responsible for monitoring delivery and reporting of community benefits by individual providers.

## 9. Consultation and engagement

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- 9.1 Potential service providers were consulted prior to commencement of the formal procurement process.
- 9.2 Service users who may be referred to the service have not yet been individually identified. Consultation with service users and their representatives will commence once the contract has been awarded. Service users and their representatives will be kept informed of progress with contract implementation and will be provided with information about how their change to a new living environment will be managed.

## 10. Background reading/external references

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- 10.1 The Scottish Strategy for Autism. Published in 2011, the national strategy sets out a clear vision for individuals living with autism, underpinned by the principles of dignity, privacy, choice, safety, realising potential and equality. It contains 26 recommendations and has clear goals to be met over a ten-year period.
- 10.2 The Keys to Life – Improving Quality of Life for People with Learning Disabilities. This 2013 Scottish Government policy document looks to build on the progress made in the ten years following the publication of The Same as You?(2000), the Scottish Government's previous 10 year national strategy for learning disabilities. It contains 52 recommendations, which cover areas such as specific health conditions, lifestyles, independent living, tackling stereotypes, interaction with criminal justice services, and managing complex care needs.

### **Rob McCulloch-Graham**

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## 11. Links

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<b>Coalition Pledges</b>	P8: Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites CO25: The Council has efficient and effective services that deliver on objectives.
<b>Council Priorities</b>	CP2 Improved health and well-being, reduced inequalities CP3 Right care, right place, right time CP4 Safe and empowered communities
<b>Single Outcome Agreement</b>	SO2 Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health SO3: Edinburgh's children and young people enjoy their childhood and fulfil their potential. SO4: Edinburgh's communities are safer and have improved physical and social fabric.

Appendix 1 - Summary of Tendering and Tender Evaluation Processes  
 Disabilities Complex Care Housing and Support - Contract Ref: CT 0446

Contract Period	Earliest commencement will be September 2016 for a period of three years, with the option to extend for up to a further two periods of twelve months each, undertaken at the sole discretion of the Council.
Estimated value of contracts	Maximum £4,673,214 (including extensions)
Standing Orders observed	2.4 EU Principles have been applied 2.7 Commercial and Procurement Manager provided resource to undertake tendering 3.2 Director has responsibility for all contracts tendered and led by their Directorate
Governing UK Regulation	Public Contracts (Scotland) Regulations 2012
Tenders Returned	6
Tenders fully compliant	6
Recommended Provider	Living Ambitions Ltd
Primary Criterion	Most economically advantageous tender to have met the qualitative and technical specification
Evaluation criteria and weightings and reasons for this approach	Quality (70%) Price (30%) Quality was of greater importance due to the nature of the services to be provided
Evaluation Team	Council officers from Health and Social Care
Consideration of procurement methodology and processes to ensure SME friendly	Future Contract Opportunity (FCO) notice published prior to procurement

## Appendix 2 - Award Criteria

Disabilities Complex Care Housing and Support - Contract Ref: CT 0446

Technical (Quality) Evaluation - Award Criteria	Weighting
Management	20%
Service Delivery	20%
Performance Management	20%
Fair Work Practices	20%
Communication and Collaboration with Key Stakeholders	10%
Community Benefits	10%
TOTAL	100%

Appendix 3 - Tenderers' Scores

Disabilities Complex Care Housing and Support - Contract Ref: CT 0446

Provider	Quality	Price	Total
Living Ambitions Ltd	50.75	24.28	75.03
Provider B	47.25	24.33	71.58
Provider C	50.75	18.72	69.47
Provider D	38.50	30.00	68.50
Provider E	43.75	24.27	68.02
Provider F	40.25	26.60	66.85

## Appendix 4 - Information about the Provider

Disabilities Complex Care Housing and Support - Contract Ref: CT 0446

Living Ambitions was originally formed in 1992 as part of the Care UK group of companies which had itself been formed in 1982.

Care UK Learning Disabilities Services Limited was acquired by the Lifeways group in May 2015 and subsequently changed its name to Living Ambitions Ltd in July 2015.

As part of the Lifeways group, Living Ambitions continues to provide and develop wide-ranging learning disability supported living and residential services, partnering with housing associations and developers to develop and deliver accommodation (including new-builds) for people with complex needs.

Living Ambitions currently employs over 1,000 people to deliver over 35,000 hours per week of specialist learning disability support services in Aberdeen, Glasgow, East Lothian and South Lanarkshire, as well as in England.

The service to be provided under this contract will be managed from the Living Ambitions office at Shawfair Park in Midlothian.

# Finance and Resources Committee

10.00am, Thursday, 12 May 2016

## Scotland's Energy Efficiency Programme

Item number 7.7  
Report number  
Executive/routine  
Wards

### Executive summary

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Scotland's Energy Efficiency Programme has been launched by the Scottish Government as part of its commitment to energy efficiency as a national infrastructure priority and as a means of meeting targets on fuel poverty and climate change. The first phase of the programme will provide funding for a number of Pathfinder Projects which aim to integrate both domestic and non domestic energy efficiency projects.

Local Authorities have been encouraged to submit applications to become a Pathfinder Project. Due to the deadlines for submission, Committee approvals for all Councils in Scotland are being sought retrospectively. Edinburgh has applied for £1.8m in funding.

### Links

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Coalition pledges [P8](#) [P53](#) [P50](#)  
Council priorities [CP4](#), [CP10](#), [CP12](#), [CP8](#)  
Single Outcome Agreement [SO4](#)

## Scotland's Energy Efficiency Programme

### Recommendations

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- 1.1 The Committee is asked to approve Edinburgh's application to Scotland's Energy Efficiency Programme.

### Background

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- 2.1 Energy efficiency is a national infrastructure priority for the Scottish Government. The creation of Scotland's Energy Efficiency Programme (SEEP) will be at the centre of activities led by the Scottish Government to improve the energy efficiency of all buildings in Scotland over the next 15–20 years. The key aim is to integrate both domestic and non-domestic energy efficiency projects. SEEP will be central in helping local authorities to pilot new and innovative approaches to energy efficiency.
- 2.2 As the first step in preparing for the launch of SEEP in 2018, the Scottish Government is inviting local authorities and their partners to submit proposals for pilot "Pathfinder" projects. This call was announced at the end of January with a deadline of 18 March 2016. The applications require Committee approval before being considered for funding. Due to the very tight timescales for completing the application and the long lead in time for Committees, most Councils are having to seek approval retrospectively.
- 2.3 Following consultation amongst Property and Housing officers, a number of projects have been selected. This report presents the Edinburgh SEEP application to the Pathfinder Fund.

### Main report

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- 3.1 The focus of the Council application is on Leith with all properties, domestic and non-domestic selected in this area. All projects will be funded through existing Scottish Government programmes. The Council has partnered with Changeworks for the domestic element of the project. The application is seen in Appendix 1.

#### **Non-Domestic Energy Efficiency Pilot Proposal**

- 3.2 For this element, the Council is the lead partner and has proposed three initiatives namely:



- the energy retrofit of Duncan Place Resource Centre, which includes the replacement of all lights with LED lights, roof insulation and the installation of air source heat pumps;
  - the installation of advanced building energy management systems (BEMS) in six primary schools and one community education centre; and
  - a feasibility study to explore options for the Council ESCo to deliver energy efficiency for both domestic and non-domestic properties.
- 3.3 Two of the non-domestic projects have strong elements of innovation including applying best practice in the renewable heating of a listed 'hard to treat' building, installation of LED lighting and sensor controls and best practice in detailed metering and monitoring. There is potential for project benefits to be distributed on a wider scale across the Council estate. The aim will be to integrate these projects with the domestic pilots detailed below in developing strategic area approaches to energy efficiency.

### **Domestic Energy Efficiency Pilot Proposal**

- 3.4 The domestic energy efficiency element of the application is being led by Changeworks and proposes a comprehensive initiative covering a large number of residential properties.
- 3.5 The project has selected two areas (Leith Redevelopment Area and Piershill Square), both of which contain data zones with 60% or higher of properties with Council Tax Band (CTB) A-C, and higher than average fuel poverty figures.
- 3.6 For the Leith redevelopment area this consists of 32 data zones, 60% of which is in the CTB A-C. In 16 of these data zones, there is around 30% of fuel poverty and 7 of the zones are in the lowest 25% of Scottish Index of Multiple Deprivation (SIMD) ranking. Two improvement approaches have been taken for the different property types in this area.
- **hard-to-treat cavities:** this will be carried out in properties suitable for extraction and refill; and
  - **whole-house approach:** this will be carried out in pre-1919 tenement flats in partnership with Port of Leith Housing Association and will include internal wall insulation, double glazing and replacement doors, as appropriate.
- 3.7 For the Piershill Square area, this also has high levels of deprivation, with 83% of properties having CTB A-C and 41% in fuel poverty. The area is also in the lowest 25% ranking of the SIMD. It contains properties of 'Macrae Stone' construction type that were built between 1919 and 1945. These properties have unfilled cavities and fall under the hard-to-treat category. Therefore these properties will be upgraded and any additional low cost measures (such as loft insulation and draught proofing) installed.

- 3.8 Overall the domestic energy efficiency pilot proposal will target a total of 738 properties, (397 homes assisted in the private sector and 341 homes assisted in the Social Landlord Sector).

### **Capital Costs**

- 3.9 Edinburgh has applied for over £1.8m of funding from SEEP. The non-domestic element is seeking funding of £635k while the domestic projects are looking for funding of £1.25m. The details of the funding can be seen in Appendix 1.

### **Next Steps**

- 3.10 The application, if approved by the Council, will be considered by the Scottish Government and a decision on whether the Council is successful will be announced in June. Funding will then be made available in two tranches - in July 2016 and January 2017. All capital works will need to be completed by December 2017.

## **Measures of success**

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- 4.1 The key measures of success, dependent on the successful implementation of the projects, will include:
- reduction of the number of households in fuel poverty;
  - a reduction in energy consumption in both domestic and non domestic buildings; and
  - reduction in carbon emissions thus complying with Council targets.

## **Financial impact**

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- 5.1 Edinburgh has applied for total funding of over £1.8m with nearly £1.3m for domestic energy efficiency projects and £635k for non domestic. The non domestic projects require a contribution in kind, for example staff time. This has been detailed in Appendix 1 and is manageable within existing budgets.

## **Risk, policy, compliance and governance impact**

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- 6.1 The implementation of energy efficiency projects for both domestic and non domestic properties will contribute to the Council's political pledges on carbon reduction. The projects will also contribute to the Council's SEAP, thus helping to mitigate any risks of non compliance with the Climate Change (Scotland) Act 2009. In addition, mandatory reporting of carbon will become a requirement for local authorities from October 2016. Any successful projects will be an important element of that report.

## Equalities impact

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- 7.1 By delivering affordable energy and reducing fuel poverty, any successful energy projects will contribute positively to key equalities outcomes of reducing inequality, poverty and deprivation.

## Sustainability impact

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- 8.1 The proposals in this report will have a positive impact on sustainability through actions specifically designed to alleviate fuel poverty and lower carbon emissions.

## Consultation and engagement

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- 9.1 Full engagement and consultation has been carried out with both Property and Housing service areas. In addition, Changeworks provided information and development of the housing projects. For a number of the projects, separate consultation has taken place with the energy users such as the housing tenants, management and community groups.

## Background reading / external references

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N/A

### Paul Lawrence

Executive Director Place

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## Links

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<b>Coalition pledges</b>	<b>P8</b> - Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites. <b>P50</b> – Meet greenhouse gas targets including the national target of 42% by 2020 <b>P53</b> - Encourage the development of Community Energy Cooperatives
<b>Council priorities</b>	<b>CP4</b> – Safe and empowered communities <b>CP8</b> – A vibrant, sustainable local economy <b>CP10</b> – A range of quality housing options <b>CP12</b> – A built environment to match our ambition

**Single Outcome  
Agreement  
Appendices**

**SO4** Edinburgh's communities and safer and have improved physical and social fabric

Appendix 1 : Scottish Energy Efficiency Programme: Edinburgh Application

## **Scotland's Energy Efficiency Programme: Pathfinder Fund Pilot Projects Application Form**

The application form for SEEP pilot projects is split into five elements:

**Part A** is an overview of the project.

**Part B** is the Low Carbon Infrastructure Transition Programme (LCITP) element. This should encompass non domestic energy efficiency and renewable heating elements.

**Part C** is the Home Energy Efficiency Programmes for Scotland Area Based Schemes (HEEPS:ABS) element. This covers domestic properties.

**Part D** is the certification by the local authority lead officer.

**Part E** contains instructions for submission of completed application forms

All enquires re the application forms, Q&A and Call to Action should be addressed to:  
[SEEP@gov.scot](mailto:SEEP@gov.scot)

*All tables below can be expanded.*

<b>Part A : Project Overview</b>
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1.	<b>Local Authority Name:</b> The City of Edinburgh Council
	<p><b>Lead Partner Details</b></p> <p><b>Lead Partner</b> The City of Edinburgh Council 4 East Market Street Edinburgh EH8 8BG</p> <p>Contact: Janice Pauwels, Sustainable Development Manager, Tel: 0131 469 3804, <a href="mailto:janice.pauwels@edinburgh.gov.uk">janice.pauwels@edinburgh.gov.uk</a></p>

2. **Provide a description of your pilot project(s)**

Although the Council has a number of energy efficiency initiatives underway in both domestic and non domestic buildings, there are still a number of key challenges in delivering efficiency savings namely the issues concerning hard to treat and “whole building retrofits” in residential and commercial buildings and the application of newer technologies such as air source heat pumps. This application for funding to become a SEEP Pathfinder is to address issues in an integrated way within a specific geographical area bringing housing and non housing partners together. This SEEP project will evaluate the potential benefits and delivery models for ESCo’s in delivering energy efficiency projects particularly for domestic properties and focus on the north east area of Edinburgh (Leith). Finally the benefits of applying higher standards of control systems i.e BS EN 15232 would be evaluated for a number of buildings.

**Location**

Figure 1 below shows the locations of the non-domestic elements (shown as star symbols) including the Council-owned Duncan Place Resource Centre, Leith Primary School, Leith Community Education Centre, Pilrig Park Primary School, Lorne Primary School, Prospect Bank Primary School, Hermitage Park Primary School and Victoria Primary School as well as black outlines indicating the domestic areas involved.

North East Edinburgh development area with CTB A-C (%) underlaid

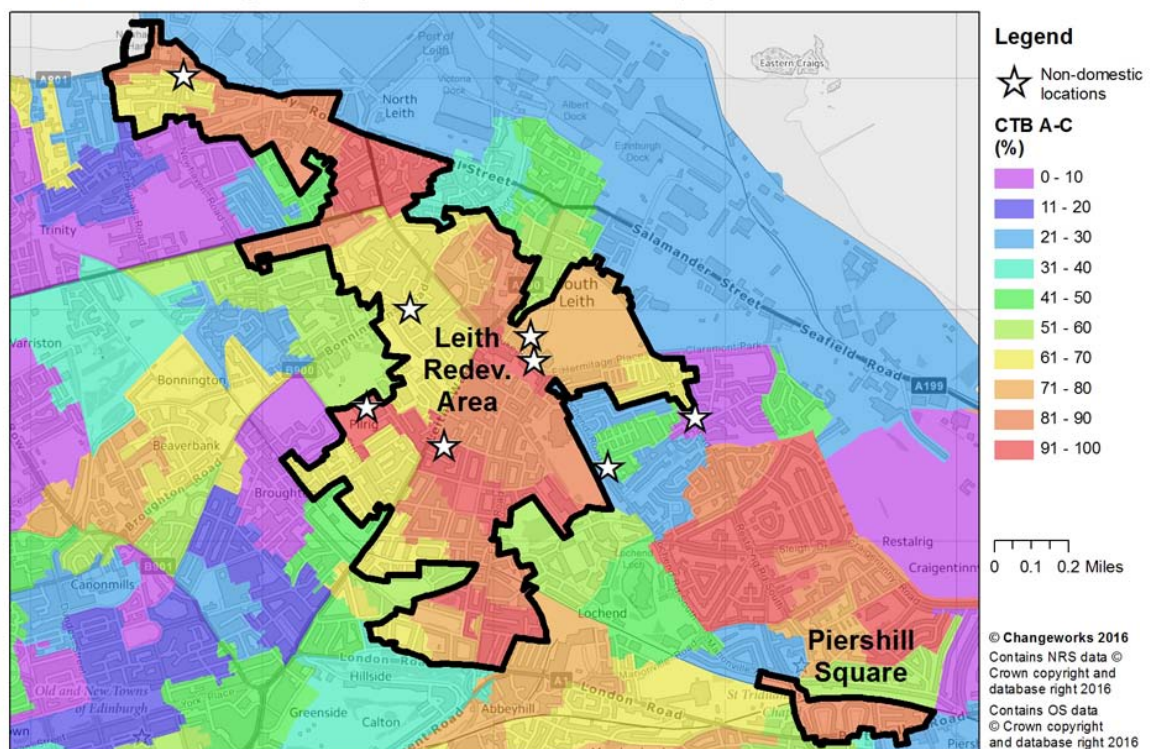


Figure 1: Locations of LCITP (non-domestic – shown as star markers) and HEEPS: ABS (domestic – shown as black outlines) installations with percentage of private tenure properties with Council tax band A-C underlaid.

## **Non-Domestic**

The locations of the non domestic buildings within the selected area include a number of schools and community centres and are seen on the above map. These will include energy efficiency improvements (including insulation) at Duncan Place Resource Centre and Building Energy Management System upgrades at the other seven non-domestic sites.

## **Domestic**

The HEEPS element of the North East Edinburgh regeneration programme initially involved identifying areas of high percentage Council tax band (CTB) A-C properties. This resulted in the selection of two areas, both of which contain data zones with 60% or higher of properties with CTB A-C

The two energy efficiency improvement approaches will be carried out in the Leith regeneration area:

- Hard-to-treat cavities. This will be carried out in properties suitable for extraction and refill.
- Whole-house approach. This will be carried out in pre-1919 tenement flats in partnership with Port of Leith Housing Association (PoLHA) and will include internal wall insulation, double glazing and replacement doors, as appropriate.

The Piershill square area contains Macrae stone properties that are suitable for cavity insulation and are classed as hard-to-treat.

## **Consents**

Planning consents and building warrants will be applied for once funding has been secured.

## **Capital Costs**

The capital costs for the elements of the project are as follows:

### *Non-domestic:*

- Duncan Place Resource Centre – £365K
- Duncan Place – DEVEX for design works and project management - £70K
- Building Energy Management (BEMs) System Upgrade and Demand Management Project - £170K
- ESCo feasibility - £30k

### *Domestic:*

- IWI of 60 properties - £360k
- Cavity extraction and refill of 678 properties - £658k
- Double glazing of 60 properties - £210k
- Replacement doors - £18k

NB These domestic capital costs do not represent the HEEPS: ABS contribution or funding from other streams, but rather the capital cost of the whole project.

## **Partners**

CEC will work alongside their partners Changeworks to deliver the domestic element of the works. Changeworks will provide the project management, commercial management, procurement, marketing and quality assurance for the project. As an experienced managing agent, Changeworks has worked with the City of Edinburgh Council for a number of years delivering energy efficiency projects through HIS, UHIS and now HEEPS: ABS. Under the leadership of an experienced programme manager, they will provide project administrators, a procurement

	<p>specialist and a quality assurance team to ensure the successful delivery of the project.</p> <p>We have also engaged Port of Leith Housing Association (PoLHA) for the pre-1919 domestic energy efficiency upgrades, which will draw on their knowledge and expertise of Leith housing stock (see letter of support – section 7 – other documents)</p> <p><b>Timescales</b></p> <p><b><u>Non domestic</u></b></p> <p>ESCo Feasibility: Start Date: July 2016. End Date: October 2016</p> <p>Duncan Place: Start Date: August 2016. End Date: November 2017</p> <p>BEMsand Demand Management: Start Date: August 2016. End Date: October 2017</p> <p><b><u>Domestic</u></b></p> <p>HTT Cavities: Start Date June 2016. End Date: Sep 2017</p> <p>IWI: Start Date: Jul 2016. End Date: Nov 2017.</p>
3.	<p><b>Fit with National and Local Energy Strategies.</b></p> <p>The City of Edinburgh Council approved its first Sustainable Energy Action Plan (SEAP) in February 2015 (approved by the European Covenant of Mayors in November 2015). This ambitious five year plan has the same carbon reduction target as the Scottish Government of a 42% reduction by 2020. The delivery of the SEAP is through a number of work programmes including energy efficiency, renewables and district heating. The approach for the SEAP is through the development of pilot projects that can be scaled up or replicated across the city. Energy efficiency is a particular priority for the Council (complementing the Scottish Government’s recognition of this as a national infrastructure priority). This is especially as energy use in existing residential and commercial buildings contributes significantly to carbon emissions across the city. More importantly, energy efficiency is an issue for fuel poverty. For Edinburgh, it is a particular challenge since 28% of households are identified as living in fuel poverty in the private sector, compared with 26% in the public sector and 18% in the private rented sector. (Source: Scottish House Condition Survey 2011-13).</p> <p>Both the SEAP and the Council’s City Housing Strategy have clear objectives relating to energy efficiency and low carbon, complementing many of the Government’s own energy and low carbon programmes and strategies for both domestic and non domestic buildings.</p> <p>Key SEAP projects include:</p> <ul style="list-style-type: none"> <li>• the Council signing up to the RE:FIT scheme to retrofit nine of the largest Council buildings ( first in Scotland to do so);</li> <li>• approving an energy services company- “Energy for Edinburgh” to deliver major energy projects in the city; and</li> <li>• a range of feasibility work for district heating schemes and sustainable heat.</li> </ul> <p>Under the SEAP energy efficiency theme, one key area is the need to ensure robust monitoring of projects in terms of smart controls and the need to adopt an intelligent approach to demand reduction and controlling demand at peak times. This is likely to become a key element of future energy management and efficiency for buildings. Another key project going forward will be the development of the Council ESCo and its role in delivering energy projects particularly energy efficiency projects.</p>



	<p>Within the review of the City Housing Strategy, (the new Strategy will be launched in 2017) investing to make homes more affordable to heat and tackling fuel poverty was one of the key priorities cited for 2015/16 and future years. Alongside this, improving energy efficiency was also one of the key priorities cited. The Council is committed to meeting the Energy Efficiency Standard for Social Housing (ESSH) for its own homes by 2020.</p> <p>As well as the investments above, for domestic properties, there will be a challenge of managing communal repairs and energy efficiency improvements in mixed tenure blocks. The Council's key priorities for 2016-17 will include focussing investment in Council homes to ensure continued compliance with SHQS and improving communications and advice in relation to energy efficiency and fuel poverty with greater focus on face-to-face advice and home visits.</p> <p>This SEEP bid will therefore meet many of the existing objectives in the Scottish Government's national energy and low carbon strategies as well as the Council's own targets. The Capital Coalition has made a political pledge to reduce carbon emissions by 42% by 2020 and therefore the work that Edinburgh is engaged in has full political support.</p>
4.	<p><b>Fit with SEEP Pilot Themes.</b></p> <p><b><u>Integration</u></b></p> <p>The SEEP Pilot themes have been a priority for the Council for some time and are clearly articulated in relevant Council strategies such as the SEAP and the City Housing Strategy. Investing in energy efficiency has been identified as a key priority in both. A common approach has been for Housing and Property services to progress projects in domestic and non domestic buildings separately from each other. However recently, these two services have been working more collaboratively together on city projects, for example with respect to district heating where mixed tenures are an advantage. The theme of "integration" for the SEEP therefore both complements and could help to further develop this emerging approach within the Council.</p> <p>This bid (if successful) allows service areas to pool expertise, share data proactively and potentially save on procurement. In addition, this bid will also bring together domestic energy agencies, communities and third sector organisations who possibly don't become involved with non domestic energy issues such as those related to schools buildings. In working jointly those agencies who have a city wide remit can apply a similar integrated geographical approach and thus the chances of replicating projects are higher as issues are understood better.</p> <p>The intention for this bid if successful would be to set up a joint project team with officers from Housing and Property together with relevant partners and create an integrated governance structure to monitor overall progress for the duration of the project.</p> <p><b><u>Innovation</u></b></p> <p>There are a number of new innovating elements to this bid.</p> <p><b>Non Domestic</b></p> <p>For the Duncan Place Projects, this exceeds current best practice across Local Authority buildings and will innovatively apply current best practice approaches in the renewable heating of a listed 'hard to treat' building. The pilot will also include the installation of LED lighting with advanced photoelectric dimming and passive infrared sensor (PIR) control. The advanced controls will allow for monitoring of the LED performance and energy reductions. The building controls system will be designed to monitor each room on an individual basis as well as a site wide view.</p> <p>The Council ESCO is a new arms length company being set up to deliver key energy projects for the SEAP. This is the first "strategic" ESCo in Scotland which has the remit to look at a wide range of energy projects not just district heating. Funding for a feasibility study is being looked for</p>

to evaluate how an ESCo might deliver energy efficiency measures to both domestic and non domestic buildings, identifying what the issues might be.

The BEMs pilot is particularly innovative. While most modern BEM systems are a valuable tool in energy management they do not by themselves guarantee efficiency savings. Careful attention needs to be paid to how energy is controlled within the building. This project will therefore pilot installations following the assessment method presented in BS EN 15232 (*Energy performance of buildings. Impact of Building Automation, Controls and Building Management*) and where practical adopts the best possible energy reduction. BS EN 15232 has not been applied to previous Council BEMS projects (and not in many other councils either) and therefore this would present a good opportunity to provide vital knowledge and experience that could have a profound impact on the wider estate. This project exceeds current best practice across Local Authority buildings and will innovatively apply current best practice approaches in the control strategies and associated monitoring of building services and other ancillary plant. Looking in detail at overall demand reduction and the opportunity to modulate and offset electrical demand will lead to innovative control solutions and strategies that will have relevance across Council buildings and the wider public sector in Scotland.

### **Domestic**

The SEEP Pilots contained within this bid are also an ideal opportunity to inform the development of the programme and maximise the effectiveness and impact that a broader approach will provide. City of Edinburgh Council will take a leading role in the delivery but there are a number of areas where a shared approach would be beneficial.

### **Stock Analysis of housing and non-domestic properties**

To inform the future development of the programme desk top analysis will be carried out, combining a range of data sources including Home Analytics, the EPC register, Local Authority data and small scale Census data. An approach will be developed to integrate non-domestic data and links to the heat maps developed. Individual analysis will be carried out for each local authority but a common methodology will be used.

The analysis will allow geographical prioritisation and mapping, and provide a broader overview of the housing types and non-domestic properties requiring retrofit.

### **Development of local supply chain**

The current delivery of the area-based schemes is limited a relatively small number of contractors often dependent on labour from outwith the local area. The delivery of the wider programme will require a greater number of trades companies able to work in the able-to-pay and non-domestic market with particular specialisms.

Development work is required to work with the Construction Industry Training Board, colleges and local firms to ensure that the workforce is suitably trained and qualified to carry out the work and a competitive range of firms are able and willing to bid for work.

The current framework has been in place for a number of years. The number of active bidders has reduced to a handful and there is a risk that the level of grant available is driving the prices up. With the expansion of the programme there is also a need to expand the range and type of contractors.

### **Development and delivery of pilot schemes**

The practical delivery of a range of energy efficiency schemes is the main element of the pilot. Individual projects will be focused on generic property types / ownership / socio-economic demographic which are replicated across South East Scotland at different levels within each local authority. Rather than each local authority seeking to carry out projects covering all types, different pilots have been selected within each local authority to provide exemplars and learning

for the other local authorities.

### **Innovative development and use of technology**

With such a large programme it will be important to identify new technological solutions to facilitate and carry out retrofit. Areas to be considered are:

- use of thermal imaging
- off-site construction
- use of new materials and methods for retrofit

Opportunities will be sought to integrate these in to the projects or to draw up further projects.

### **Able to Pay Market**

It would be the intention, in line with Edinburgh's SEAP, to engage with households out with CTB A-C to gauge the appetite for people who are not necessarily in fuel poverty and have the ability to pay for energy efficiency measures.

This will include invitation to local events, engaging local community groups and information leaflets.

### **MONITORING**

#### **Non Domestic**

The Duncan Place project will monitor savings across the building against pre-intervention baselines. For LED lighting, heat pumps and roof insulation upgrades this will be carried out through monitoring AMR data, LED lighting centralised control system and heat pumps sub metering. It will also be possible to support savings through recorded trend logs and sensor data. Cost data will be routed back to (metered) reduction in demand and current tariffs

The BEMs pilot will monitor saving across all sites against pre-intervention baselines. For BEMS upgrades this will be carried out through metered gas data and gas AMR data where available. Electricity savings will be monitored through AMR data and any available sub-meter data. It will also be possible to support savings through recorded trend logs and sensor data. Cost data will be routed back to (metered) reduction in demand and current tariffs.

### **ONGOING EVALUATION**

A new Governance structure will be set up that will review the overall project with representatives from the relevant sub project areas. This will meet 6 weekly.


#### **Domestic Evaluation and dissemination**

A full report will be produced for this Pathfinder project to allow dissemination and replication across Scotland. In the first instance this would provide a subjective narrative of successes and pitfalls in delivering the project (with each element in isolation). It will also provide a quantitative assessment of the following elements:

1. Number of measures installed. This information will be readily available from contractors and will have been reported to the Scottish Government throughout the project. This will therefore also give an indication of the scale of energy efficiency improvements in this project.
2. Carbon emissions reduction. As part of ECO applications, contractors must estimate the carbon savings as a result of installed measures. Therefore this information will be reported for each of the measures as part of the SEEP project.
3. Cost savings. To estimate cost savings to householders, the number of measures per house type will be cross-referenced with standard assumptions provided by the Energy Saving Trust.

	<p>Finally, the level of local community engagement will be reported with regards to procurement of local contractors, thus stimulating the local economy, and through tenant surveys, as has recently become standard practice through HEEPS: ABS programmes.</p> <p><b>Non Domestic</b></p> <p>For the Duncan Place and BEMs projects, internal steering groups will be set up to govern the project including key energy, engineering and FM representatives. Reporting against the project plan will be produced quarterly. Once installations are live, energy saving data will also be produced on a monthly basis.</p>
<p>5.</p>	<p><b>Provide a funding summary for each element of the pilot.</b></p> <p><i>Non-domestic</i></p> <ul style="list-style-type: none"> <li>• LCITP funding - £635K</li> </ul> <p><i>Domestic</i></p> <ul style="list-style-type: none"> <li>• HEEPS: ABS funding - £650k</li> <li>• ECO funding - £423k</li> <li>• Owner occupier contribution - £108k</li> <li>• Social landlord contribution - £163k</li> </ul>

**Part B: LCITP :Encompassing non domestic energy efficiency and renewable heating elements.**

<p>6.</p>	<p><b>Applications for funding from the LCITP should complete the attached application form.</b></p> <p>The attached application should be fully completed for assessment (and signed by 2 authorised signatories). A guidance note for completion is also attached. As there may be multiple applications for different projects it is anticipated that there will be one application per discrete application in the non domestic and heating side.</p> <p><b>Application Form</b></p> <div style="text-align: center;">  <p>SEEP - LCITP Application form (2).c</p> </div>
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## Part C: HEEPS:ABS: Encompassing domestic properties.

### 7. Applications for funding from HEEPS:ABS should complete the attached application form.

The inserted application should be fully completed for assessment. A guidance note for completion is also attached

#### Application form



CEC SEEP -  
HEEPSABS Applicati

#### Funding Summary



CEC SEEP HEEPSABS  
Funding Summary\_re

#### Other documents



Letter of Support  
PoLHA.PDF

## Part D: Certification

### 9 The SEEP application form should be certified by the senior responsible officer in the local authority promoting the pilot as being true, accurate and being formally approved for submission by the local authority.

*This will include the name, job title, address, e-mail address and phone number of the senior person and the date of committee approval for the submission. Where the application has not been approved by council committee you should indicate the date the committee will consider its approval. No applications will be approved without local authority committee approval. The application form should be submitted from the named officers e-mail address below. Complete the below:*

***On behalf of the council, I named below confirm that I have the authority to submit this application and that committee approved this application on the following date***

***JANICE PAUWELS***

***Sustainable Development Manager***

**The City of Edinburgh Council**  
**4 East Market Street**  
[Janice.pauwels@edinburgh.gov.uk](mailto:Janice.pauwels@edinburgh.gov.uk)  
**0131 469 3804**  
**Finance and Resources Committee 12 May 2016**

## **Part E: Completed Application Forms**

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| 10 | Completed application forms should be e-mailed to the <a href="mailto:SEEP@gov.scot">SEEP@gov.scot</a> mailbox by 5pm Friday the 18 <sup>th</sup> of March 2016. Where the LCITP application does not have two electronic signatures, a signed copy must also be sent by mail to Johann MacDougall, Scottish Government Heat and Energy Efficiency Unit, 4 <sup>th</sup> floor, 5 Atlantic Quay, 150 Broomielaw, Glasgow, G2 8LU with the appropriate authorised signatures to be received no later than Tuesday the 22 <sup>nd</sup> of March 2016. |
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# Finance and Resources Committee

10.00am, Thursday, 12 May 2016

## Provision of a City Wide Car Sharing Scheme

Item number	7.8
Report number	
Executive/routine	
Wards	All

### Executive summary

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This report seeks the approval of Committee to appoint City Car Club Ltd, to provide a city wide car sharing scheme for the City of Edinburgh Council. It will commence on 1 July 2016, for a period of four years, with an optional extension of up to a further three periods of 12 months each. The contract for the provision of these services in Edinburgh, has an estimated cost to the Council of £299,939.84 over four years. It is estimated that the indicative costs for the extension period of three years will be £224,954.88 based on the current costs.

### Links

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Coalition pledges	<a href="#">P44</a> , <a href="#">P50</a>
Council priorities	<a href="#">CP2</a> , <a href="#">CP7</a> , <a href="#">CP11</a> ,
Single Outcome Agreement	<a href="#">SO1</a> , <a href="#">SO2</a>

## Provision of a City Wide Car Sharing Scheme

### Recommendations

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- 1.1 It is recommended that Committee approves the appointment of City Car Club Ltd, to provide a city wide car sharing scheme for the City of Edinburgh Council. It will commence on 1 July 2016, for a period of four years, with an optional extension of up to a further three periods of 12 months, each undertaken at the sole discretion of the Council.

### Background

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- 2.1 The Council has always had a commitment, within its Local Transport Strategy, to encourage the more efficient use of cars through measures such as parking controls, management of the road network and promotion of car sharing. It is the Council's vision that, by 2030, Edinburgh's transport system will be one of the greenest, healthiest and most accessible in northern Europe. Car sharing is viewed as an integral part of achieving the Council's ambitious goals for transport.
- 2.2 In 1999, Edinburgh introduced the first pay as you drive car sharing scheme in the UK. Over the past 17 years the Council has worked in partnership with various service providers to develop, promote and sustain the growth of car sharing in Edinburgh.
- 2.3 Edinburgh has a single supplier, membership based, pay as you drive car sharing scheme operated by City Car Club Ltd. The scheme is currently the second biggest in the UK with over five thousand members, both private and corporate, and approximately 160 shared vehicles available to members.
- 2.4 Within the car sharing fleet, there is a dedicated pool of cars for exclusive use by Council employees during office hours. The Council pays a monthly fee for the pool car arrangement and receives reduced membership fees and discounted hourly rates of hire.
- 2.5 This model offered best value to the Council when the scheme was first introduced, augmenting existing transport options for staff whilst also helping to promote the relatively new concept of car sharing across the city. The pool car arrangements allow staff to make informed choices about their mode of travel, offering an alternative to private car use, when the use of public transport may not be practicable. Staff can also access car club vehicles outwith the dedicated pool cars on a pay as you go basis.



- 2.6 The scheme is administered by the Parking Operations Team within the Place Directorate. This work relates to associated Traffic Regulation Orders, utilising developers contributions under Section 75 of the Town and Country Planning (Scotland) Act 1997, lining, signing and enforcing parking places and ensuring the provision of car sharing continually improves for all users in the city.
- 2.7 The Council currently provides on street parking places for exclusive use by City Car Club Ltd vehicles, allowing members to have a reliable pick up and drop off point and ensuring accessibility for all road users to the scheme.
- 2.8 Continuing to provide a car sharing scheme in Edinburgh supports the Council's approved transport policies and encourages all road users to consider whether or not ownership or use of a private vehicle is attractive or necessary in a modern, connected city, with fully integrated public and active travel transport options.
- 2.9 The appointment of a suitably qualified and experienced service provider, to deliver a car sharing scheme, will further improve the city's reputation as being at the forefront of developing innovation and encouraging the use of shared, environmentally friendly vehicles and utilisation of public transport and active travel options.

## Main report

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- 3.1 As car sharing is now firmly established and widely used across Edinburgh, the original commercial arrangements have become outdated. A new commercial framework was required to ensure that the city's car sharing scheme is fit for the future and that the Council is receiving best value from any new commercial arrangements that are in place.
- 3.2 The main objectives of procuring this service were to deliver value for money to the Council and environmental benefits, such as the introduction of maximum average fleet emissions and the provision of a minimum of 12 electric vehicles.
- 3.3 A competitive procurement exercise also provided an opportunity for the Council to meet the agreed 2015/16 budget savings targets for this service, which were predicted to come from a combination of reducing Council staff usage and savings from the new contract.
- 3.4 Commercial and Procurement Services, conducted the tender and evaluation process in accordance with Council Contract Standing Orders and The Public Contracts (Scotland) Regulations 2012. A full Official Journal of the European Community (OJEU) tender exercise, was undertaken by placing an OJEU Contract Notice on the Public Contracts Scotland Portal, as a single stage procedure on 16 November 2015.
- 3.5 Ten organisations noted their interest in the Invitation to Tender (ITT). Two organisations submitted responses to the ITT by the tender closing date of 6 January 2016.

- 3.7 In the ITT it was stated that the contract would be awarded to the top scoring supplier, on the basis of the Most Economically Advantageous Tender, with 30% of the overall score being given to quality and 70% given to price. The 70% price was split into four sections, two for income generation and two for costs.
- 3.8 This ratio was agreed to ensure maximisation of the savings to support the Council's budget, whilst also taking into account the quality of service to the general public and the Council.
- 3.9 The tender submissions received were evaluated individually by the three members of the evaluation team in terms of quality. Fourteen areas were evaluated, each having different weightings and being scored between 0 and 4, in accordance with the Evaluation Criteria Scoring Definitions included in the ITT. Further details of the procurement process, including the members of the evaluation team, and the fourteen evaluation areas and their respective weightings, is provided in Appendix 1.
- 3.10 On completion of the individual evaluation process a consensus meeting was attended by the members of the evaluation team and the contract administrator from Commercial and Procurement Services. Individual evaluation scores for responses to the quality questions were reviewed and debated and a consensus score reached for each. The appropriate weighting was then applied to each to arrive at a final quality score for each bidder.
- 3.11 Following completion of the quality analysis the pricing bids were opened and subjected to a cost analysis. The cost analysis was split into four sections to ensure that best value was achieved both for the Council and for the general public who use this service. The provider with the highest gain share offering based on the estimated future turnover was awarded a maximum of 10%. The provider offering the highest parking permit price was awarded 20%. The provider offering the lowest cost to provide a car sharing service to the Council was awarded 20% and the provider offering the lowest cost to provide a car sharing service to the general public was awarded 20%.
- 3.12 The quality scores were then combined with the scores from the cost analysis to give an overall score for each bidder out of a maximum of 100. The results are detailed in the table below.
- 3.13 Due to there only being two bids submitted, the actual prices are not included for reasons of commercial sensitivity.

<b>Tenderer</b>	<b>Price Score</b>	<b>Quality Score</b>	<b>Overall Score</b>
<b>City Car Club Ltd</b>	66.6%	25.5%	92.1%
<b>Bidder B</b>	53.2%	15%	68.2%

- 3.14 The bidder with the higher overall score which represents the most economically advantageous tender is City Car Club Ltd.
- 3.15 City Car Club Ltd demonstrated a full understanding of the requirements for delivering a successful car sharing scheme in Edinburgh.

## Measures of success

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- 4.1 Service users will have access to a fleet of vehicles suitable to their varied car sharing requirements.
- 4.2 Council staff will have access to a fleet of vehicles suitable to their varied car sharing requirements.
- 4.3 Service user satisfaction will continue to improve and membership numbers will continue to grow.
- 4.4 Increased availability and use of hybrid or electric vehicles helping to achieve the Council's and National greenhouse gas targets of reducing emissions year on year.
- 4.5 The Scottish Government's commitments to tackling climate change are set out in the Climate Change (Scotland) Act (2009). This requires a minimum 42% cut in emissions by 2020 (including international aviation and shipping) and defines annual emission targets from 2010-2050. The commitments represent the most stringent reduction targets in the UK.
- 4.6 Financial savings (as detailed in 5.1 below).

## Financial impact

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- 5.1 The overall total saving for this project over the initial four years is £1,095,260.
- 5.2 The costs associated with procuring this contract are estimated at from £10,001 to £20,000 based on the moderate value and risk route.
- 5.3 The contract will generate an estimated £947,772 of income over the initial four years. This figure is based on a combination of parking permit fee per vehicle, forecast at £430,272, and gain share payable based on revenue projections, forecast at £517,500.
- 5.4 It is estimated that this contract will generate savings to the Council of £36,872 per annum. This figure is based on a reduction of the current number of block booked vehicles from nine to six vehicles, saving £20,600 per annum, and a reduction on the current cost of car club memberships and variable costs such as hourly charge and mileage costs, saving £16,272 per annum.
- 5.5 Block booked vehicles were retained for staff use in the areas where they are heavily relied upon and reduced where either there was limited use, alternative transport was available or other car club vehicles were located nearby.
- 5.6 Whilst previously budgeted savings targets of £160,000 have not been fully realised in 2015/16, a new staff usage policy facilitated a reduction in overall staff costs of £44,599 across 2014/15 and 2015/16.

- 5.7 In addition to the Council's financial benefit, this contract will deliver savings to the general public members of Edinburgh's car club by reducing membership fees by approximately 25%. It is also anticipated that further savings will be made by the general public through the reduction in costs of hourly and mileage charges, estimated to be in the region of 20% to 30%.

## **Risk, policy, compliance and governance impact**

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- 6.1 Parking Operations will be responsible for contract management and will monitor the performance of the service and any risks or issues that arise throughout the duration of the contract.

## **Equalities impact**

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- 7.1 An Equalities and Rights Impact Assessment was undertaken with due regard to the protected characteristics outlined in the Equalities Act 2010.
- 7.2 Awarding a contract for car sharing in Edinburgh will encourage motorists to consider their travel choices further and make alternative modes of transport, other than private vehicles, more attractive.
- 7.3 Car sharing encourages and improves accessibility to transport which may not be affordable to those who do not own a private car.
- 7.4 The proposals may make car ownership a less attractive option and encourage car sharing or alternative modes of travel like walking, cycling or public transport modes. Evidence shows that the introduction of a car sharing vehicle can reduce the number of privately owned vehicles on the network. This has a good environmental impact which benefits all residents.
- 7.5 The proposals acknowledge the role a car club can provide giving accessibility to users with mobility difficulties or those drivers who are unable to drive manual vehicles. The proposals allow for the inclusion of automatic vehicles and vehicles large enough to store a wheelchair.

## **Sustainability impact**

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- 8.1 The impacts of this report have been considered in relation to Climate Change (Scotland) Act 2009 Public Bodies Duties and the outcomes are summarised below. Relevant Council sustainable development policies have been taken into account and would be met in the following ways: The Supplier:
- is required to make every effort to minimise the impact of the delivery of these services on the environment;

- shall use their best endeavours to achieve the efficient use of energy and, where possible, to maximise the use of biodegradable or recycled products;
  - shall have their own environmental policy to demonstrate compliance; and
  - shall apply (i) the minimum mandatory standards for CO2 emissions for the relevant vehicle category from the Government Buying Standards and (ii) the Cleaner Road Transport Vehicles (Scotland) Regulations 2010 for any new vehicles acquired for use in the delivery of this service.
- 8.2 The sustainability and community benefits which are anticipated to be brought about through the delivery of this contract are:
- Removal of diesel vehicles from Edinburgh car club fleet;
  - Introduction of maximum average fleet emissions of 99g/km;
  - Requirement for minimum of 12 electric vehicles;
  - The delivery of modern apprenticeships;
  - Two work experience placements per year; and
  - Provision of mentoring to local organisations and individuals.

## Consultation & Engagement

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- 9.1 The specification for this service was written after consultation between Commercial and Procurement Services and Parking Operations. Members of both teams met and consulted with other local authorities and met with users of car sharing schemes and charities such as Living Streets, which supports car sharing.
- 9.2 Parking Operations consulted with [Car Plus](#), a not-for-profit, environmental transport Non Governmental Organisation regarding the provision of a car sharing scheme contributing to the '[Developing Car Clubs in Scotland: The next five years](#)' policy document. Officers from both Commercial and Procurement Services and Parking Operations attended the [Shared Transport Conference](#) where Edinburgh's Car Sharing scheme was discussed with transport professionals, providers of shared mobility services and users of Car Sharing Schemes.
- 9.3 Parking Operations manage and promote the annual general meeting for users of the car sharing scheme in Edinburgh and feedback from users informed the development of the service specification.

## Background reading/external references

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None required.

### Paul Lawrence

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## Links

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<b>Coalition pledges</b>	P44 - Prioritise keeping our streets clean and attractive P50 - Meet greenhouse gas targets, including the national target of 42% by 2020
<b>Council priorities</b>	CP2 - Improved health and wellbeing: reduced inequalities CP7 - Access to work and learning CP11 - An accessible connected city
<b>Single Outcome Agreement</b>	SO1 - Edinburgh's economy delivers increased investment, jobs and opportunities for all SO2 - Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health
<b>Appendices</b>	Appendix 1 – Summary of Tendering and Tender Evaluation Process

## Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	Provision of a City Wide Car Sharing Scheme
Contract period	1 July 2016 – 30 March 2023 – (including a 3x1 year optional extension)
Contract value	£299,939.84 (over initial 4 years) plus an indicate cost of £224,954.88 for the 3 year extension period
Standing Orders observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	<a href="http://www.publiccontractsscotland.co.uk">www.publiccontractsscotland.co.uk</a>
EU Procedure chosen	Open
Tenders returned and compliant	2
Recommended supplier/s	City Car Club Ltd
Primary criterion	Most economically advantageous tender to have met the qualitative and technical specification of the client department
Mandatory Criteria	<ol style="list-style-type: none"> <li>1. Appropriate Insurances</li> <li>2. Environmental Policy</li> <li>3. Management of Health &amp; Safety at Work Regulations</li> <li>4. Experience &amp; Expertise</li> <li>5. CarPlus Accreditation</li> <li>6. Fleet Emissions</li> </ol>

<p>Evaluation criteria and weightings</p>	<p>Written responses were provided for the following award criteria areas:</p> <ol style="list-style-type: none"> <li>1. Delivery Of The Contract – 10%</li> <li>2. Complaints Procedure – 5%</li> <li>3. Collaboration, Monitoring &amp; Dispute Resolution - 5%</li> <li>4. Meeting KPI's &amp; Targets – 10%</li> <li>5. Management Information – 10%</li> <li>6. Car Club Growth – 10%</li> <li>7. Future Services &amp; Technologies – 10%</li> <li>8. Quality Assurance – 5%</li> <li>9. Business Continuity – 5%</li> <li>10. The Environment – 10%</li> <li>11. Continuous Improvement – 5%</li> <li>12. Equalities – 5%</li> <li>13. Booking System – 5%</li> <li>14. Community Benefits - 5%</li> </ol>
<p>Evaluation Team</p>	<p>Parking Operations Manager, Place  Project Officer, Strategic Planning  Senior Professional Officer, Place</p>



# Finance and Resources Committee

10am, Thursday, 12 May 2016

## Contract Award under Urgency Procedure - Café Concessions for Parks and Greenspace and Museums and Galleries - Lot 2

Item number	7.10
Report number	
Executive/routine	
Wards	City Centre

### Executive summary

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The Council carried out a tender process under public procurement rules to renew a number of café concession contracts throughout the city. The opportunity was taken to consolidate a number of new and existing sites through one tender exercise, separated into 11 lots, with one subsequent withdrawal.

A report seeking approval for the tender award for the remaining lots which had received bids, was submitted to Finance and Resources Committee on 17 March 2016. It was agreed at that Committee to award 6 contracts with the exception of Lot 2 – East Princes Street Gardens, due to the need to carry out further due diligence.

This report is to advise Committee of the action taken to award Lot 2 East Princes Street Gardens Kiosk under urgency powers following the satisfactory completion of the due diligence process.

### Links

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Coalition pledges	P48
Council priorities	CP9
Single Outcome Agreement	S04

## Contract Award under Urgency Procedure - Café Concession for Parks and Greenspace and Museums and Galleries - Lot 2

### Recommendations

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- 1.1 It is recommended that Committee notes the action taken to award of Lot 2 – East Princes Street Gardens to GIPA Capital Ltd, under the Urgency Procedure paragraph 4.1 of the Committee Terms of Reference and Delegated Functions.

### Background

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- 2.1 The Council has a number of cafe concessions throughout the city, which required to be tendered in 2016. The opportunity was taken to consolidate existing café concessions, with a number of newly identified sites to generate income to the Council, whilst offering further opportunities for small and medium enterprises to participate in this tender prospect.
- 2.2 The outcome of this tendering exercise was reported to Finance and Resources Committee on 17 March 2016, where approval was given for the award of 6 contracts where bids were received, with the exception of Lot 2 - East Princess Street Garden Kiosk, which was withdrawn due to further due diligence required. The remaining 3 lots which received no bids will be re-advertised under a second phase.

### Main report

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#### Tender Process

- 3.1 On 5 January 2016 an OJEU contract notice for a single stage open procedure was published in the national Public Contracts Scotland Portal inviting expressions of interest from suitable suppliers for a number of café concessions. Interested parties responding to the notice were provided with the tender documentation.
- 3.2 To ensure that the tender was awarded to the suppliers offering best value, the bids were assessed using the most economically advantageous methodology. The weightings used for the selection of the suppliers were based on Quality 40% and Price 60%.
- 3.3 The quality analysis was based on weighted Award Criteria questions, which were scored using a 0 to 10 matrix. Following completion of the quality analysis,

tenders that passed the minimum threshold score of 50% for quality were subject to a cost analysis.

### **Committee Approval – 17 March 2016**

- 3.4 6 lots were awarded on 17 March 2016 by this Committee, following removal of Lot 2.
- 3.5 At Committee it was indicated that a report seeking approval to award Lot 2 would be brought back on 12 May 2016.

### **Urgency Procedure**

- 3.6 Due to timescales for implementation of the contract, approval to award the contract for Lot 2 to GIPA Capital Ltd was sought using the Urgency Procedure, in consultation with the Convenor and Vice Convenor. The urgency procedure states that: 'If a decision which would normally be made by a Committee requires to be made urgently between meetings of the Committee, the Chief Executive or appropriate Director, in consultation with the Convener or Vice-Convener, may take action, subject to the matter being reported to the next Committee.
- 3.7 There were a number of unintended consequences that would have occurred should the urgency powers not have been invoked.
- 3.8 These consequences include:
- TUPE not applying, if there is a significant gap in service provision then TUPE is unlikely to apply to staff employed by the incumbent.
  - Avoidable break in trading over the summer period which is likely to impact on suppliers and customers
  - GIPA Capital Ltd have confirmed that their business plan is based on full operation for the Summer Period which includes a re-branding and re-opening of the café and there may not be sufficient time to do this if the award is delayed until June. There were concerns that waiting until June to award may result in the Council having a less attractive offer or that offer being withdrawn resulting in the need to retender.
  - Loss of income to the Council.
  - Temporary closure of the kiosk.

### **Award of Contract**

- 3.9 Due diligence was carried out by Council officers with a recommendation to award the tender for the kiosk at East Princes Street Gardens to GIPA Capital Ltd.
- 3.10 The bid price reflects an annual lump sum cost over a five year period for the rental of the site. Where no bid price has been included, this is due to the bidder failing the quality threshold or submitting a bid which did not comply with the minimum lump sum payment set by the Council.

Contractor	Price (60%)	Bid Price	Quality (40%)	Overall Score	Overall Rank
GIPA Capital Ltd	58.35	£424,000	24.60	82.95	1
Bidder 2	60.00	£436,000	20.20	80.20	2
Bidder 3	0.00		28.00	28.00	3
Bidder 4	0.00		16.40	16.40	4
Bidder 5	0.00		13.00	13.00	5

### Winning Café Concept

- 3.11 GIPA Capital Ltd are offering an Eco-friendly, socially responsible coffee shop with locally sourced fair trade Scottish produce. Selling a range of produce including coffee, cakes and sandwiches, the kiosk will have full Wi-Fi access and a range of seating options to enhance the customers' experience. The kiosk will operate throughout the year. GIPA Capital Ltd have committed to supporting a local charity that utilises the Gardens as well as a local football team through a sponsorship opportunity. They will also offer free coffees and refreshments to veterans at selected times during Remembrance Week.

## Measures of success

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- 4.1 Meeting the following vision statement which was included within the specification and summarised the key outcomes of the tender exercise. Cafés and catering outlets:
- Are sensitive to the historic and/or green space that they occupy;
  - Provide an inviting environment which add to the location in which they operate;
  - Offer a range of high quality food and beverages at a range of prices;
  - Offer a choice of healthy food and drink options;
  - Support locally sourced and Scottish produce and products; and
  - Are proactive in taking measures to be environmentally responsible.
- 4.2 In additional new sites are expected to create both direct and indirect employment.
- 4.3 The new high quality provision is expected to support the cities thriving tourist and visitor scene, provision for the general public, support increased visitor numbers to the parks and museums and galleries they operate in and will bring investment in the city from the successful suppliers.
- 4.4 This project demonstrates the city's ongoing commitment to supporting business development in Edinburgh.

- 4.5 Through proactive market engagement and consolidation of the sites available into one tender process, the Council has generated significant competition for all sites. This optimises the market value and income potential for all sites.

## **Financial impact**

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- 5.1 Through the use of the tender exercise The Commercial Excellence Programme, aimed to achieve market value for each site through subjecting tenderers to market competition.
- 5.2 The forecast income across all of the sites across the life of these contracts totals £1,040,150 which accounts for a combined increase in rental of £318,050 over the life of all contracts.
- 5.3 There are gain share arrangements in place for City Arts Centre and Lauriston Castle, which will result in further revenue income for the Council.
- 5.4 The costs associated with procuring this contract are estimated at up to £10,000.

## **Risk, policy, compliance and governance impact**

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- 6.1 Suppliers were required to detail Health & Safety policy and procedures and required to comply with Health & Safety at work regulations.
- 6.2 Tenderers were required to put forward copies of their certifications and policy and procedures on the following areas:
- Insurance;
  - Health & Safety;
  - Environment management; and
  - Customer compliant handling.

## **Equalities impact**

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- 7.1 Suppliers are required to comply with equal opportunities legislation in the terms and conditions of contract.
- 7.2 No negative impacts arise from the award of these contracts.

## **Sustainability impact**

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- 8.1 Suppliers were required to detail environment management processes and procedures, including site and waste management, including recycling.
- 8.2 For all sites specific requirements were detailed into the specification in order to protect the environment or historic buildings in which the supplier will operate.

- 8.3 The impacts of the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties. Any adverse outcomes are considered to be minimised by the duties placed on the providers.

## Consultation and engagement

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- 9.1 Consultation was carried out with *Historic Scotland* on an appropriate procurement strategy and factors to consider.
- 9.2 Previous supplier enquires and previous public engagement was used to inform the new sites across the Parks and Greenspace estate.
- 9.3 CPS worked closely with the Parks and Greenspace, and Museums and Galleries team to carefully capture specification requirements for each site.
- 9.4 A market research exercise to identify potential interested suppliers including incumbent, local and national suppliers was carried out. Email notifications were sent out to over 70 contacts/ suppliers identified who were directed to register on Public Contracts Scotland.

## Background reading/external references

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n/a

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## Links

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<b>Coalition pledges</b>	<b>P48</b> – Use Green Flag and other strategies to preserve our green spaces
<b>Council priorities</b>	<b>CP9</b> – A vibrant, sustainable local economy
<b>Single Outcome Agreement</b>	<b>S04</b> – Edinburgh’s communities are safer and have improved physical and social fabric

# Finance and Resources Committee

10.00am, Thursday 12 May 2016

## Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service Update

Item number	7.11
Report number	
Executive/routine	
Wards	

### Executive summary

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This report provides the Finance and Resources Committee with a progress update for Programme Momentum and the Edinburgh Shared Repairs Service (ESRS).

### Links

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Coalition pledges	<a href="#">P40</a> , <a href="#">P41</a>
Council outcomes	<a href="#">CO7</a> , <a href="#">CO19</a>
Single Outcome Agreement	<a href="#">SO4</a>

## Property Conservation – Programme Momentum Progress Report and Edinburgh Shared Repairs Service Update.

### Recommendations

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- 1.1 Committee is requested to:
  - 1.1.1 Note the management information dashboard reports in Appendix 1.
  - 1.1.2 Note the progress of debt recovery work.
  - 1.1.3 Note the progress of the settlement process.
  - 1.1.4 Note the update on the pilot progress and phased implementation of the Edinburgh Shared Repairs Service (ESRS).

### Background

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- 2.1 Programme Momentum has been established as a robust end-to-end process across all workstreams relating to the legacy Statutory Notice issues, including the development of the blueprint for the new enforcement service.
- 2.2 This report gives details of progress to the end of March 2016.

### Main report

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#### Management information

- 3.1 Management Information as at 25 March 2016 is attached in Appendix 1.

#### Delegated Authority – Irrecoverable Sums & Settlements

- 3.2 The provision for impairment and for settlement repayments is £17.9m.
- 3.3 As at 25 March 2016 a total of £11.6m has been approved for write-off against the provision comprising irrecoverable sums of £6.9m, aged debt of £0.5m and a total value of £4.2m for settlements to date.
- 3.4 The provision remains subject to regular review by the Head of Edinburgh Shared Repairs and the Acting Executive Director of Resources.

#### Billing and Recovery Update

- 3.5 Billing on Deloitte reviewed projects is now complete at a total of £17.8m.



- 3.6 To 25 March 2016, £11.4m has been received in payment from individual owners. A further £1.3m has been secured in payment plans and inhibitions. Total recovery rate in debt collected and secured debt is £12.7m (71%).
- 3.7 The balance of debt of £5.1m (29%) is being actively pursued, predominantly through Morton Fraser, and is at various stages of recovery.

#### Debt Recovery – Morton Fraser

- 3.8 Under the extended contracted arrangements, instructions continue to be sent to Morton Fraser for statutory notice debt recovery. Since 1 April 2015, 651 instructions have been issued to Morton Fraser with a total value of £6.7m for debt collection.
- 3.9 From April 2015 to 25 March 2016 the overall sums recovered or in payment plans secured by Morton Fraser total £1.9m (28%) over 231 customers (35%).
- 3.10 The costs of Morton Fraser to date in return for the £1.9m recovery is £50,000. As at 25 March 2016 the percentage solicitor's fees against sums recovered is 2.7%. The solicitor's fee to debt recovery ratio is £38 recovered for every £1 spent. These figures will vary from month to month.
- 3.11 Monthly review meetings are now established between the Council and Morton Fraser with performance measures, standards and reporting in place.
- 3.12 All Project Joule Statutory Notice debt related instructions are now with Morton Fraser to progress recovery action.

#### Debt Recovery - Suspended Debt

- 3.13 Suspended debt relates to historic Property Conservation projects which have been billed and where a customer or legal representative has raised a dispute leading to the invoice being put on hold.
- 3.14 Between January 2015 and March 2016 the suspended debt has reduced from £6.4m to £1.5m.
- 3.15 Of the remaining £1.5m suspended debt, 2 projects carry a combined value of £0.8 debt outstanding (53%). The settlement of both projects is currently being actively progressed.
- 3.16 Following Deloitte review, settlement credit notes will be raised for £0.3m against invoices which are currently suspended. The remaining suspended debt balance of £0.4m relates primarily to old legacy invoices which are at various stages of investigation and recovery.

#### Complaints Resolution and Settlements

- 3.17 All 407 customers who raised specific concerns relating to 155 Statutory Notice projects and had their cases reviewed by Deloitte have been issued with settlement letters. 1,731 additional owners were identified as being affected by the 155 projects. All of these owners have also been issued with settlement letters which brings this part of the settlement process to an end.

### Projects – Legacy

- 3.18 The Thomson Bethune contract completed in December 2015. The remaining projects have been handed over to ESRS for completion. The schedule for this is as follows:-
- 3 projects are due to be re-programmed for completion in Spring There are 25 projects still in the defect period to be signed off by ESRS.
  - 1 project currently requires intervention, where leaks are still present after defects works has been completed.
- 3.19 1 consultant run defect project handed over to CEC late in 2015 has still to be completed.

### New Service Update

#### Phased Implementation of ESRS

- 3.20 A phased launch of the new service is taking place from 1 April 2016. The customer contact area of the service has already adopted a change in script to customers calling for assistance with repairs to their properties.
- 3.21 We plan to revisit the website information provided online for the Shared Repairs Service. We have developed a series of slides which will be circulated to stakeholders at the beginning of April.

#### Pilot Progress

##### Customer Contact: 2 new cases

- 3.22 This area of the service is where a customer will contact the service to request assistance with a problem on their property. The customer contact team will gather information on the reported defect to determine at a high level whether the defect is within the scope of the service. If the defect reported does appear to be within scope, the team will then ask the customer to evidence what efforts have been made by the property owner to engage with their fellow neighbours. This evidence is requested to be sent to the service for further review before the case is passed to the Intervention part of the service.
- 3.23 At present the customer contact team inform customers that the service can provide advice and guidance for customers trying to organise a repair privately. If the customer is having difficulty then we may consider including the case in the phased implementation of the ESRS service.
- 3.24 Customer contact staff are currently offering advice and guidance on one additional potential case from last month, making two in total.

##### Facilitation: 3 cases

- 3.25 This area of the service is used when a customer has approached the service for assistance with defects on a property but for reasons of financial or reputational risk the service cannot assist at an enforcement level. The service can however assist the property owner in others ways, for example, corresponding with other

owners at the property or contacting other Council departments to help progress matters.

- 3.26 There are three cases in facilitation at present. One involves a very significant boundary wall between a railway line and residential estate. The Council are facilitating an agreed approach to the issue involving owners, factors and Network Rail. Another case involves a mural on the gable end of a tenement and the service is working closely with Culture & Sport on this matter.

The Intervention Service: 8 cases

- 3.27 The intervention service is made up of the activity undertaken following the identification of an essential repair and prior to taking a decision to enforce the repair, where the objective is to support owners to take responsibility for progressing the repair privately. Included in this area of work is diagnosis of the defect reported, tailored communication to owners, site visit and in some cases a stair meeting.
- 3.28 Case officers currently have eight cases with correspondence on-going with the lead owner and other owners engaging at each of these properties.
- 3.29 The case officers are currently finding that not all owners are willing to engage within our process and as a result we intend to review the mandate forms and processes to encourage more engagement from owners.

Successful Intervention: 3 cases

- 3.30 The phased Implementation service has successfully intervened in an additional case this month. A follow up will be undertaken to check work has been undertaken privately after three months has passed.

Panel Cases Rejected for enforcement: 1 case

- 3.31 The ESRS Panel has rejected one case after it was considered that the financial and reputational risk was too high for the Council to progress the works.

The Enforcement Service: 3 projects

- 3.32 The Enforcement service is activated when all intervention services have failed to provide a platform for owners to procure the works privately. Upon internal Panel approval the project will be allocated to the surveying department for progression through the standard operating procedures. The procedures include carrying out a full survey, preparation of cost estimates, preparation of risk registers, issue of the Statutory Notice, tender preparation including design and specification, tender approvals and award and contract administration on site.
- 3.33 Three projects have been approved by the ESRS Panel to progress to the enforcement process. Two are at survey stage and one is on site.
- 3.34 The major project at Gorgie Road has commenced. The scheduling of ordering of stonework is on-going. The stonework condition at the property is very poor and as such we have arranged a site visit for all the owners to come up the scaffold to view it for themselves. A photographic report will be sent to all owners

following this. The roofworks have also commenced with the replacement of the Cupola and flat roof.

- 3.35 We have successfully engaged with all flat owners now and carried out the dilapidations and fireplace survey's required in all flats.

## Measures of success

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- 4.1 Conclusion of reviewing statutory notice projects.
- 4.2 Collection of outstanding debt.
- 4.3 Resolution of complaints.
- 4.4 Launch of new replacement enforcement service.

## Financial impact

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- 5.1 The associated revenue cost in resolution of the legacy closure programme from April 2013 forecast to March 2016 totals £7.7m. A current assessed need of £1m has been budgeted for 2016/17 towards the closure of the legacy programme.
- 5.2 The financial statements include a provision of £17.9m for impairments and settlement repayments of which £11.6m has been approved as at 25 March 2016.
- 5.3 The adequacy of the impairment and settlement provision remains under regular review by the Head of Edinburgh Shared Repairs Service and the Acting Executive Director of Resources.
- 5.4 The overall 2015/16 available budget for both the legacy and Edinburgh Shared Repairs Service is £3.8m. The current year forecast expenditure, subject to final account, is £3.2m.
- 5.5 A budget of £1.6m has been set for the ESRS for 2016/17.

## Risk, policy, compliance and governance impact

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- 6.1 This area of work represents a significant financial and reputational risk for the Council.

## Equalities impact

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- 7.1 There is no equalities impact arising from this report.

## Sustainability impact

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- 8.1 There is no adverse environmental impact arising from this report.

## Consultation and engagement

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9.1 Not applicable.

## Background reading/external references

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[Report to Finance and Resources Committee, 19 March 2015 -Property Conservation - Programme Momentum Progress Report](#)

[Report to City of Edinburgh Council, 12 February 2015, Shared Repairs Services - Development of a New Service.](#)

[Report to City of Edinburgh Council 11 December 2014, Shared Repairs Services - Development of a New Service -](#)

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## Links

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<b>Coalition pledges</b>	P40 – Work with Edinburgh World Heritage Trust and other stakeholders to conserve the city’s built heritage P41 – Take firm action to resolve issues surrounding the Council’s Property Services
<b>Council outcomes</b>	CO19 – Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm
<b>Single Outcome Agreement</b>	SO4 – Edinburgh’s communities are safer and have improved physical and social fabric
<b>Appendices</b>	Appendix 1: Management Information Dashboards

# Edinburgh Shared Repairs Service Dashboard

## March 2016

Monthly progress update (for reporting purposes month end is 25 March)

LEGACY PROGRAMME			NEW SERVICE		
A number of legacy workstreams continue to draw to a close with the billing and the settlements processes now complete and historic projects on site reaching completion. Significant volumes of work remain in customer service and debt recovery.			The phased implementation of the pilot for the new service commenced on 1 September 2015 and will run until the end of March 2017. We are engaging with stakeholders in preparation for the Soft Launch of the New Service after the 1 <sup>st</sup> April 2016.		
TOP RISKS	MITIGATION	RAG	TOP RISKS	MITIGATION	RAG
1. Debt Recovery	Morton Fraser are leading on Debt Recovery.	Yellow	1. No. of Phased Implementation Cases	Communications to be increased with customers to identify additional cases for Implementation Phase, linked to soft-launch after 1st April. Business plan identifies £3.5m workload of enforcement cases in 16/17 which is unlikely to be achieved. Review this figure six months after launch.	Yellow
2. Bad Debt Provision	The provision will continue to be monitored and reported monthly.	Yellow	2. Tender returns at ITT stage	Twelve PQQs were returned. These will be reviewed with ITT to be issued in April 2016.	Yellow
3. Settlement Process	Settlement process completed.	Green	3. People	All staff that are permanent to the Council will be undergoing review. Following review the Business Plan will be implemented.	Yellow
4. Loss of legacy staff through service reviews	Discussion with relevant Directors to ensure service is maintained.	Yellow	4. Staffing Structure not established for New Service	Senior Management Team in place for Phased Implementation of the New Service. Ongoing review of Business Plan.	Yellow
			5. ICT Project Manager Support	ICT Project Manager contract due to end in March 2016. There will be no dedicated ICT Project resource putting delivery of the Project at risk. Three Month Extension now confirmed until 30 <sup>th</sup> June 2016.	Green
OVERALL STATUS	COMMENTS	RAG	OVERALL STATUS	COMMENTS	RAG
Case Reviews and Settlements	The settlement process is complete. At this time 100% of complainants have been issued with settlement with an acceptance rate of 58%.	Green	Governance	The Edinburgh Shared Repairs Service and Legacy Programme will be managed overall within the Corporate Property Service in the new Council structure.	Green
Debt Recovery	Debt outstanding is currently £10.9m. Of this debt £8.3m is being pursued through active billing, Morton Fraser recovery or other legal action. The remaining debt is either being pursued for legal action or is suspended debt.	Yellow	IT	Database for Pilot Service is up and running and being tested with Pilot Projects. Data cleansing report to be submitted in early 2016. Uniform System IDOX update took place mid January with management training currently ongoing.	Yellow
Projects	From the TB projects handed over to ESRS from 1 January : <ul style="list-style-type: none"> <li>• 1 project has construction related issues which has delayed completion</li> <li>• 3 project is due to be re-programmed for completion in spring</li> <li>• 25 projects are in the defect period to be signed off by ESRS</li> </ul>	Yellow	Processes	Draft procedure are being tested during Pilot phase. Proposed changes are being tracked, procedures will be updated internally and reissued by the end of June 2016. An internal audit is currently being carried out by PWC.	Yellow
Customer services	There remains a high volume of customer contact across the legacy service.	Yellow	Procurement	ITT document being prepared. Contractors framework is programmed to be in place by July 2016.	Green
			People	13 Applications were received for the Building Surveyor post following advertisement on My Job Scotland. Two suitable candidates identified. Recruitment of suitable technical resource will continue to be reviewed.	Yellow
KEY PLANNED ACTIVITIES			INFORMATION / DECISIONS		
Continuation of debt recovery programme. Continuation of legacy projects. Records Manger commencing 4 April 2016 Management of closure programme timelines			Continuation of ESRS pilot activity. underway Recruitment of a surveyor in for ESRS		
			Service review to be undertaken 2016/17 closure programme staffing under continual review		



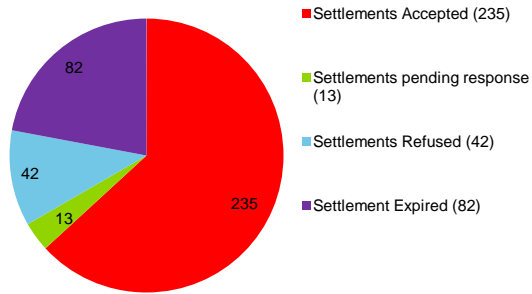
# Settlements & Customer Service

Programme dashboard as at 25 March 2016

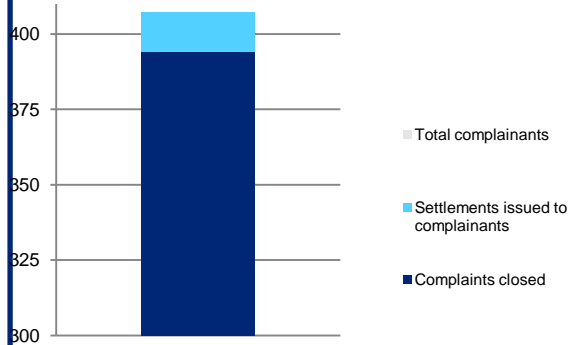
## PROGRESS

The settlement process for complainants has now been completed. Closure in respect of half of all settlement cases has now been reached, with 100% of all complainants issued with settlement. Acceptance rates from complainants are at 58%. Settlements to other affected owners have also been reached with 1,731 owners communicated, so settlements to all other affected owners is also now completed.

### Complainant Closure Status



### Settlements Issued to Complainants



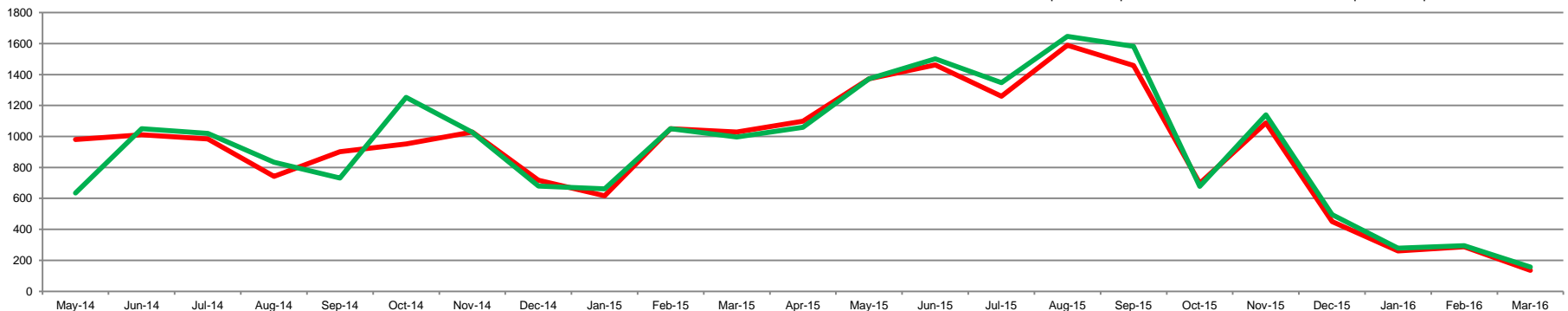
### Settlement Value

Total Value of projects reviewed	£12.9m
Total settlements approved under delegated authority	£4.2m
Settlements paid/credited to date	£4.1m

## PROGRESS

Customer Services has seen a continued dip in March on overall customer enquiries, complaints and FOI requests. Response rate for enquiries / complaints achieving 87% closed on time.

Property Conservation Enquiries complaints Raised / Closed





# Finance and Debt Recovery Overview

Programme dashboard as at 25 March 2016

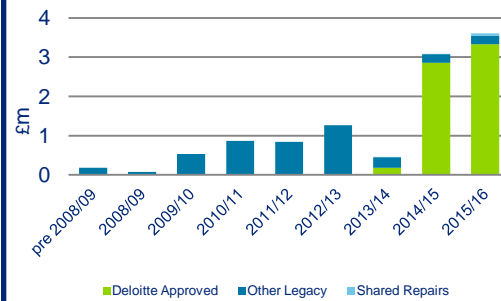


## PROGRESS

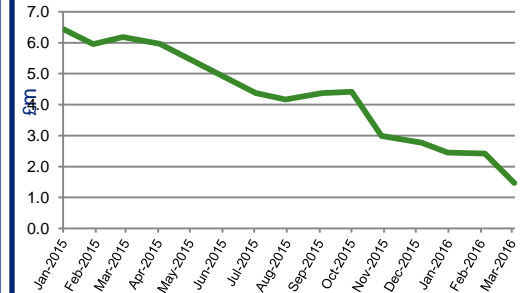
The current level of debt outstanding is £10.9m of which £6.4m is Deloitte (Project Joule) reviewed debt and £4.5m of Legacy and Shared Repairs debt. A total of £8.3m is being pursued through active billing. Debt of £2.6m is either being prepared for legal action or is suspended debt. Since Jan 2015 suspended debt has reduced from £6.4m to £1.5m as disputes are resolved and settlements processed.

Debt Status	Deloitte Project Joule (Reviewed)	Legacy And Shared Repairs	Total
Total debt being pursued	£6.3m	£2.0m	£8.3m
Total debt scheduled for action	£0.1m	£2.5m	£2.6m
<b>Total Debt</b>	<b>£6.4m</b>	<b>£4.5m</b>	<b>£10.9m</b>
Payment plans and inhibitions agreed within debt total	£1.3m	£0.4m	£1.7m

### Aged Debt As At 25 March 2016 By Year



### Suspended Invoice Balance Outstanding As At 25th March 2016

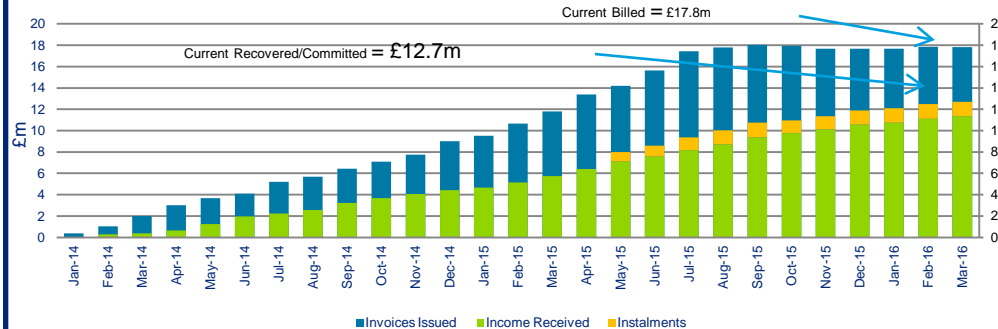


# Project Joule Billing and Recovery Progress

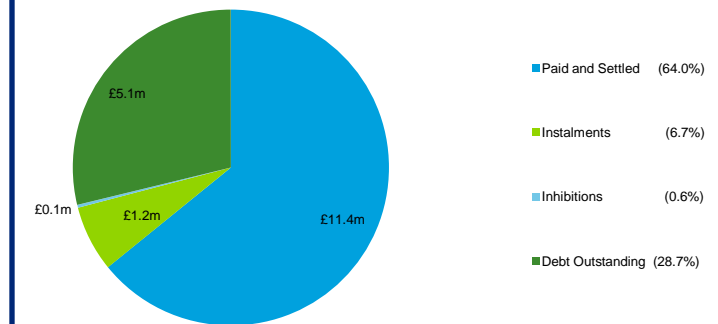
## PROGRESS

Billing on Deloitte reviewed (Project Joule) cases is complete and totals £17.8m. £11.4m has been received in settlement and a further £1.3m of secured debt in payment plans and inhibitions giving a total of settled and secured debt of £12.7m. This represents a current collection rate of 71%. The balance of debt of £5.1m is at various stages of recovery.

### Cumulative Analysis of Deloitte approved stat repair debt



### Deloitte Project Joule Debt from January 2014 to March 2016



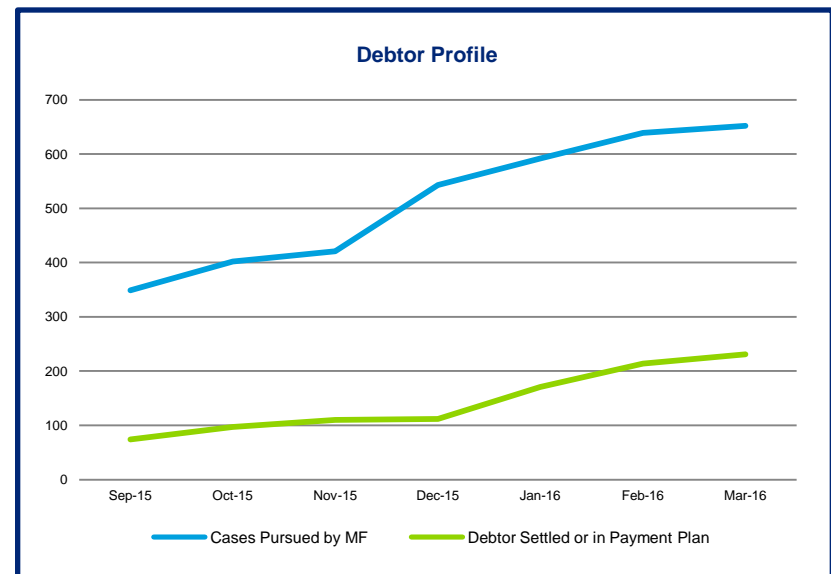
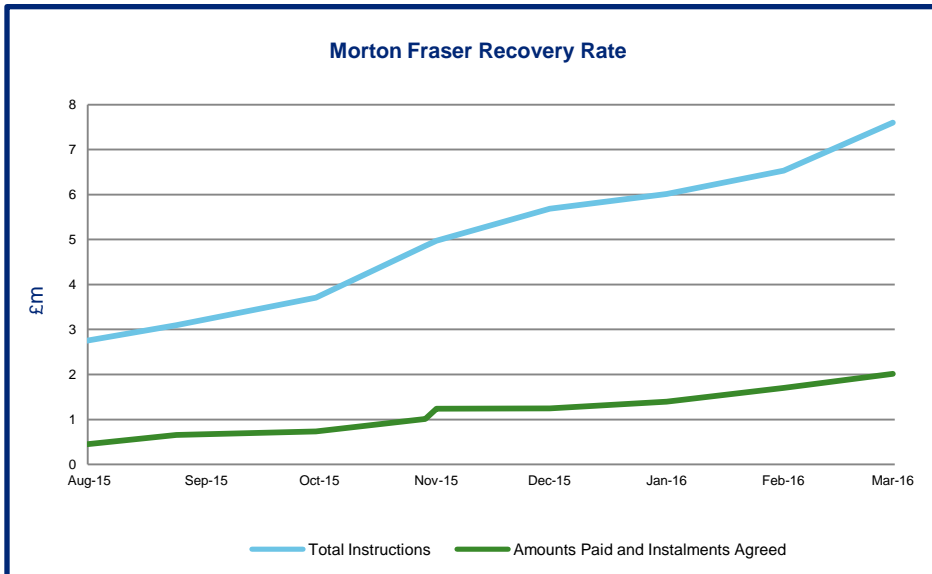
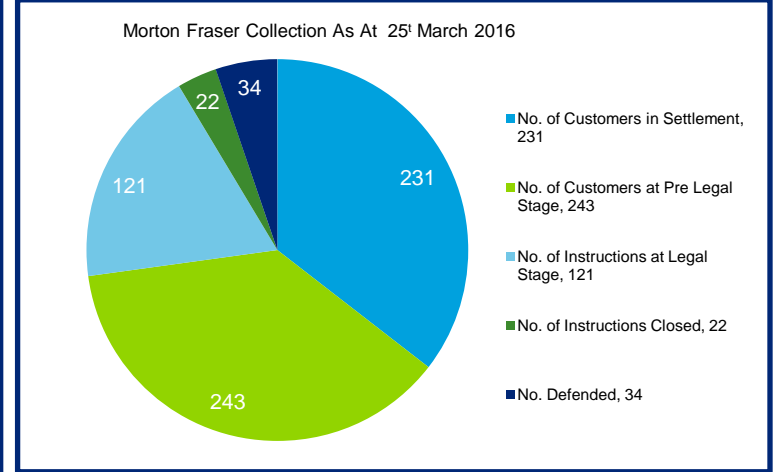




## PROGRESS

Under the extended contracted arrangements, Morton Fraser took on responsibility for statutory notice debt recovery in April 2015. To date, 651 instructions have been issued to Morton Fraser with a total value of £6.7m for debt collection. From April 2015 to date the overall sums settled or in payment plans total £1.9m over 231 customers, 246 cases are at pre legal stage, 121 at legal stage with 22 cases closed and 34 being defended.

Morton Fraser Debt Recovery Cases pursued by the Council	December	January	February	March
Total debt recovery cases pursued by Morton Fraser	543	592	639	651
Total value of instructions issued	£5.7m	£6.0m	£6.5m	£6.7m
Total debtors settled or in payment plan	112	171	214	231
Total sum recovered or in payment plan	£1.1m	£1.4m	£1.7m	£1.9m
Total sum recovered in payment plan as % of debt recovery	22%	23%	26%	28%





# Provision for Impairment and Settlements

Programme dashboard as at 25 March 2016

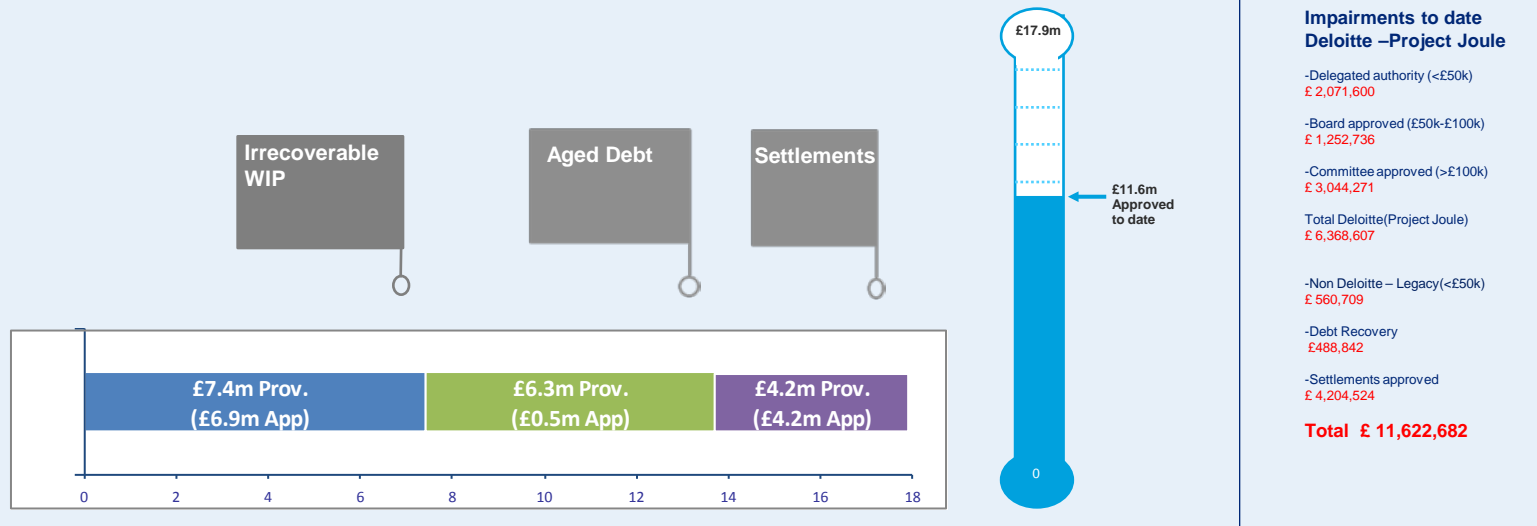


## PROGRESS

The provision recommended for impairment and settlement repayments is £17.9m. The basis of the provisions are as follows:

- **Irrecoverable WIP (£7.4m)** – This is based on the actual final sum of £6.4m for the Deloitte (Project Joule) Review outcomes on Irrecoverable Work-In Progress. In addition £1.0m has been made, based on Irrecoverable WIP for Non-Deloitte old legacy work for remedial projects, old unbilled Emergency Work and door closed entry systems.
- **Aged Debt (£6.3m)** –An overall collection rate of 47% is required to ensure adequacy of provision. Current recovery rate is 64%.
- **Settlements (£4.2m)** –Work on settlements is nearing completion with an expected write off sum of £4.2m.

## Provision for Impairment and Settlements





# ESRS Pilot Phase and Emergency Service Dashboard

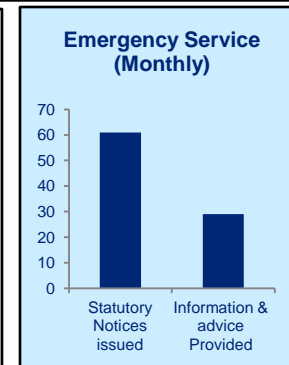
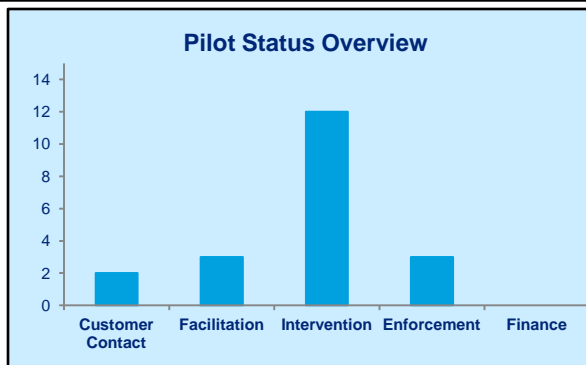
Programme dashboard as at 25 March 2016



## OVERVIEW OF PROGRESS

The phased implementation of the new service started in September 2015. The Pilot Phase currently consists of sixteen open cases with successful intervention achieved on three projects. The ESRS Panel has rejected one case after it was considered that the financial and reputational risk was too high for the Council to accept. We are working towards a soft launch of the new service on 1 April 2016. The customer contact area of the service has already adopted a change in script to customers calling for assistance with repairs to their properties.

CASE WORKLOAD PROGRESS		NO.
<b>Customer Contact:</b>	• Customer Services Enquiry	2
	• Collating Information from Lead Owner	
<b>Facilitation:</b>	• Advice and Information	
	• Council Correspondence	3
<b>Intervention:</b>	• Case Officer	
	• Communication 1 issued	3
	• Communication 2 issued	5
	• Panel Report pending	
	• Panel Cases Rejected for Enforcement	1
	• Closed with successful intervention	3
<b>Enforcement:</b>	• Site Survey / S24 Notice / S26 Notice	2
	• Procurement	
	• Projects on site	1
<b>Finance:</b>	• Final Account issued	
	• Invoices issued to owners	



## EMERGENCY SERVICE

ESRS Property Officers have responded to 90 requests for service in this period. The majority of requests were drainage and sewage issues however 17 of the requests were related to building roof defects with reports of loose slates, chimney pots and loose lead made safe. The number of requests this month is consistent with the same period received last year.

PROJECTS WORKLOAD	MAJOR	MINOR	ESTIMATED VALUE
1. Major Stonework / Roof (Procurement )	1		£364k (CEC)
2. Roof Works		1	Under £30k (Owner Quote)
3. Roof Works		1	Under £40k (Owner Quote)
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>£434K</b>

FACILITATION WORKLOAD (TYPE OF PROJECT)	MAJOR	MINOR	ESTIMATED VALUE
1. Major Stonework / Roof	1		£1m
2. Railway Wall	1		£1m
3. Mural		1	< £100k
<b>TOTAL</b>	<b>2</b>	<b>-</b>	<b>£2.1m</b>

EMERGENCY SERVICE	Jan 16	Feb 16	Mar 16	Trend
No of requests for advice/ info only.	264	451	265	↓
No. of service requests	78	104	90	↓
No of emergency repair inspections resulting in statutory notices issued	57	64	61	↓
No. of Emergency service requests where information/ advice was provided	21	40	29	↓
Value of invoices issued to owners for emergency repairs (cumulative)	£778,848	£800,732	£847,259	↑
Value of income received from owners for emergency repairs (cumulative)	£685,778	£707,736	£732,192	↑
No of visits to SRS webpage (Google Analytics)	4153	5322	3920	↓
Solicitors Enquiries Received	392	653	648	↓
Solicitors Enquiries Completed	289	653	558	↓

# Finance and Resources Committee

10.00 am, Thursday, 12 May 2016

## Proposed New Lease at 56 High Street, Edinburgh

<b>Item number</b>	8.1
<b>Report number</b>	
<b>Executive/routine</b>	Routine
<b>Wards</b>	11 – City Centre

### Executive summary

---

The retail unit at 56 High Street, Edinburgh is let to David and Susanna Heard and trades as Palenque.

The lease is due to expire on 28 May 2016 and the tenant has requested a new 10 year lease in the name of their company Palenque (Edinburgh) Limited.

This report seeks approval to the grant of a new 10 year lease to Palenque (Edinburgh) Limited on the terms and conditions outlined in the report.

### Links

---

<b>Coalition pledges</b>	<a href="#">P15</a> , <a href="#">P28</a>
<b>Council outcomes</b>	<a href="#">CO8</a> , <a href="#">CO9</a>
<b>Single Outcome Agreement</b>	<a href="#">SO1</a>

## Proposed New Lease at 56 High Street, Edinburgh

### Recommendations

---

- 1.1 That Committee:
  - 1.1.1 Approves the grant of a new 10 year lease to Palenque (Edinburgh) Limited of retail premises at 56 High Street, Edinburgh, on the terms outlined in this report and on other terms and conditions to be agreed by the Acting Executive Director of Resources.

### Background

---

- 2.1 The shop premises at 56 High Street extends to 51.08m<sup>2</sup> (550sq ft) or thereby and is shown outlined in red on the attached plan.
- 2.2 Since September 1992, Mr and Mrs Heard have been the tenant at the property operating a jewellery business trading as Palenque. The current rent is £15,000pa excluding VAT.

### Main report

---

- 3.1 The existing lease expires on 28 May 2016 and the tenant has requested that the Council grant a new 10 year lease from 29 May 2016 to their company, Palenque (Edinburgh) Limited.
- 3.2 The tenant has fulfilled all its legal and financial obligations in terms of the existing lease.
- 3.3 The following terms have been provisionally agreed:
  - Subjects: Retail shop at 56 High Street, Edinburgh;
  - New Lease: 10 years from 29 May 2016 until 28 May 2026;
  - Break Option: Tenant only break option on the fifth anniversary;
  - Rent: £21,300 per annum (current market rental value);
  - Rent Reviews: Reviewed on each fifth anniversary of the term to open market value;
  - Use: The sale of jewellery and associated goods;
  - Repairs: Full repairing and maintaining obligation; and
  - Other terms: As contained in a standard commercial lease.

## Measures of success

---

- 4.1 Granting a new 10 year lease will allow the tenant to continue its long term financial planning of the business and in turn sustain employment for its workers and also help maintain the vibrant mix of retailers found in the High Street.

## Financial impact

---

- 5.1 An increase in rent of £6,300 per annum payable to the General Property Account.

## Risk, policy, compliance and governance impact

---

- 6.1 This is a new 10 year lease to the existing tenants company. The existing tenant has been trading from the property since September 1992. It is considered there is little or no impact on Risk, Policy, Compliance or Governance issues.

## Equalities impact

---

- 7.1 An Equality and Rights Impact Assessment has been carried out.
- 7.2 An enhancement of rights has been identified as through a new lease, it will ensure that the tenant can continue to plan both financially and in terms of developing their business. This will allow them to continue to provide a high level of service and experience to their employees and customers. This directly links to an enhancement of the following rights namely (i) Legal Security, (ii) Education and Learning and (iii) Productive and Valued Activities.
- 7.3 A possible infringement has been identified in that by offering a new lease to the current tenant rather than placing the retail premises on the open market, there is the potential impact on others who may want to lease the shop. However, given the established nature of the tenants business and the possible effect on it if a new lease is not granted, the impact is considered to be proportionate and justifiable.

## Sustainability impact

---

- 8.1 There are no sustainability issues arising from this report as the property has been leased out as a retail shop for many years and this is set to continue.

## Consultation and engagement

---

- 9.1 N/A

## Background reading/external references

---

N/A.

### Hugh Dunn

Acting Executive Director of Resources

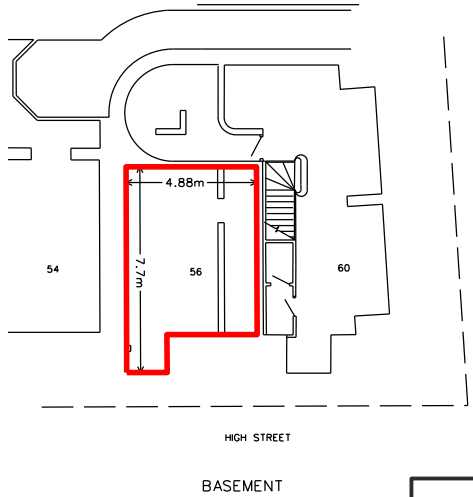
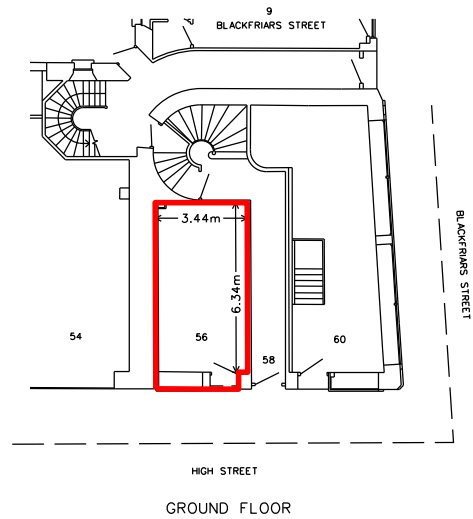
Contact: Iain E Lamont, Estates Surveyor

E-mail: [ian.lamont@edinburgh.gov.uk](mailto:ian.lamont@edinburgh.gov.uk) | Tel: 0131 529 7610

## Links

---

<b>Coalition pledges</b>	<p>P15 – Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors.</p> <p>P28 – Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the city.</p>
<b>Council outcomes</b>	<p>CO8 – Edinburgh’s economy creates and sustains job opportunities.</p> <p>CO9 – Edinburgh’s residents are able to access job opportunities.</p>
<b>Single Outcome Agreement</b>	<p>SO1 – Edinburgh’s Economy Delivers increased investment, jobs and opportunities for all.</p>
<b>Appendices</b>	<p>Location plan.</p>



<b>• EDINBURGH •</b> THE CITY OF EDINBURGH COUNCIL	
SERVICES FOR COMMUNITIES EDINBURGH	
SHOP AT 56 HIGH STREET EDINBURGH	
DATE	10/3/16
SURVEYED BY	
DRAWN BY	Mark ballantyne
SCALE	1:200 @ A3 SIZE
NEG. NO.	A3/14 39

LOCATION PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE

SITE PLAN

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# Finance and Resources Committee

10.00a.m, Thursday, 12 May 2016

## Disposal of Land adjacent to 257a Colinton Road, Edinburgh

<b>Item number</b>	8.2
<b>Report number</b>	
<b>Executive/routine</b>	Routine
<b>Wards</b>	9 – Fountainbridge/Craiglockhart

### Executive summary

---

Mr and Mrs J and D Terris, the owners of the cottage at 257a Colinton Road, encroached onto 26.81 sq metres of Council owned land and have been using it as garden ground.

The owners wish to purchase the ground and this report seeks authority to sell the ground on the main terms set out in the report.

### Links

---

<b>Coalition pledges</b>	<a href="#">P8</a>
<b>Council outcomes</b>	<a href="#">CO16</a>
<b>Single Outcome Agreement</b>	<a href="#">SO4</a>

## Disposal of Land adjacent to 257a Colinton Road, Edinburgh

### Recommendations

---

That Committee:

- 1.1 Approves the disposal of approximately 26.81 sq m of land adjacent to the cottage at 257a Colinton Road to Jenny and David Terris, on the terms and conditions outlined in this report and on other terms to be agreed by the Acting Executive Director of Resources.

### Background

---

- 2.1 The cottage at 257a Colinton Road is owned by J and D Terris having been sold by the Council in 1990. The property lies adjacent to the Firrhill Day Centre and former stables.
- 2.2 The owners have encroached into an adjoining 26.81 sq m of Council owned ground, shown edged red on the attached plan, utilising it as garden ground.
- 2.3 In order to resolve the encroachment issue, Mr and Mrs Terris wish the Council to sell the ground to them.

### Main report

---

- 3.1 Provisionally agreed terms for the sale of the ground are as follows:
  - Subjects: Ground extending to 26.81 square metres or thereby;
  - Purchaser: Jenny and David Terris;
  - Price: £4,000. This sum reflects the market value for the site; and
  - Costs: The purchaser is to pay the Council's surveyors and legal fees.
- 3.2 The Council is currently marketing the former Firrhill Stables which lie to the East of the land which is the subject of this report as shown hatched on the plan. Once the former stables are sold, the subject site will be isolated from the rest of the Council's land ownership and is of no operational benefit. Further, it is considered that the subject land would not add value to the sale of the stables, which are likely to be converted as a residential unit.

## Measures of success

---

- 4.1 The Council will receive a capital receipt for land which has no real operational benefit and will resolve the current encroachment issue.

## Financial impact

---

- 5.1 A capital receipt of £4,000 payable to the Capital Investment Programme in the financial year 2016/17.

## Risk, policy, compliance and governance impact

---

- 6.1 The proposed disposal will formalise the title position. There is a risk that the sale does not complete, leaving the existing problem still to be resolved.
- 6.2 If the sale does not go through, the intention is to include the land in the sale of the nearby Firrhill Stables, which is currently on the market. There is, however, no guarantee the purchaser of the stables would agree to take it.

## Equalities impact

---

- 7.1 By selling this land to the owners of the cottage, the right to legal security will be enhanced by the transfer of legal title to the current occupiers of the site.
- 7.2 The rights to health, standard of living and individual, family and social life will be enhanced because the cottage will have a guaranteed outdoor area from which the owners can benefit.
- 7.3 As the sale is an off market transaction, there is a potential infringement of the rights of other interested parties. Given the size of the site, the right of access to the cottage over the land and its location right next to the cottage, it is unlikely that another purchaser would be interested. In any event, any potential impact is considered to be proportionate and justifiable given the much greater impact on the proposed purchasers if the land was sold to another.

## Sustainability impact

---

- 8.1 The disposal of this land will have no impact on sustainability because the sale will formalise the existing position.

## Consultation and engagement

---

- 9.1 As the land lies within the grounds of Firrhill Day Centre, the staff there have been kept up to date regarding the proposed sale.

## Background reading/external references

---

N/A.

### Hugh Dunn

Acting Executive Director of Resources

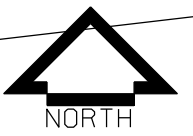
Contact: Lesley Turner, Senior Estates Surveyor

E-mail: [lesley.turner@edinburgh.gov.uk](mailto:lesley.turner@edinburgh.gov.uk) | Tel: 0131 529 5954

### Links

---

<b>Coalition pledges</b>	P8 – Make sure the city’s people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites.
<b>Council outcomes</b>	CO16 – Well-housed – People live in a good quality home that is affordable and meets their needs in a well managed Neighbourhood.
<b>Single Outcome Agreement</b>	SO4 – Edinburgh’s communities are safer and have improved physical and social fabric.
<b>Appendices</b>	Location plan.



LOCATION PLAN

SCALE 1:1250

SITE PLAN

SCALE 1:200

AREA SHOWN DELINEATED RED - 26.81 sq.m.

**• EDINBURGH •**  
 THE CITY OF EDINBURGH COUNCIL  
 PROPERTY AND FACILITIES MANAGEMENT  
 RESOURCES

Garden Ground  
 257A Colinton Road  
 Edinburgh

DATE	29/03/2016
SURVEYED BY	F McDonald
DRAWN BY	F McDonald
FILE NO.	
NEG. NO.	NT2269/A3/1656 A

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# Finance and Resources Committee

10.00am, Thursday, 12 May 2016

## Proposed Disposal of 0.22 Ha at Edinburgh Capital Hotel, 187 Clermiston Road

Item number	8.3
Report number	
Executive/routine	Routine
Wards	3 – Drum Brae/Gyle

### Executive summary

---

Hotel Property Fund (Syndicate 1) Limited (HPF) owns and operates the Edinburgh Capital Hotel, 187 Clermiston Road, Edinburgh.

The Hotel's car park is only partly owned by the Hotel with a section held on the Housing Revenue Account (HRA), and leased to the Hotel via a 99 year ground lease.

The owner has approached the Council seeking to acquire the leased section of the car park, in order to consolidate its ownership of the hotel grounds.

This report seeks authority to sell the land to HPF at market value on the main terms outlined in the report.

### Links

---

Coalition pledges	<a href="#">P17</a>
Council outcomes	<a href="#">CO7</a> , <a href="#">CO8</a>
Single Outcome Agreement	<a href="#">SO1</a> , <a href="#">SO4</a>

## Proposed Disposal of 0.22 Ha at Edinburgh Capital Hotel, 187 Clermiston Road

### Recommendations

---

That Committee:

- 1.1 Approves the disposal of the HRA land at 187 Clermiston Road, extending to 0.22 Ha (0.54 acres) or thereby, to the adjacent proprietor, Hotel Property Fund (Syndicate 1) Limited, trading as Edinburgh Capital Hotel, on the terms and conditions outlined in this report, and on such terms and conditions to be agreed by the Acting Executive Director of Resources.

### Background

---

- 2.1 The Edinburgh Capital Hotel is shown edged red on the attached plan with the car park section to be sold, shown hatched red, extending to 0.22 Ha (0.54 acres) or thereby. The land is currently leased to HPF on a 99 year lease expiring in May 2074. The rent is £1pa, with the hotel operator having paid a capital payment of £145,000 to the Council when it assigned the lease from the previous ground tenant, Capital International Hotels Ltd, in 2004.
- 2.2 Hotel Property Fund (HPF) has approached the Council to purchase the land, currently held by HPF, as ground tenant under a ground lease, to consolidate its ownership of the hotel grounds.

### Main report

---

- 3.1 Negotiations have taken place with the Hotel and provisional agreement has been reached with the land being sold subject to the following main terms and conditions:
  - Purchaser: Hotel Property Fund (Syndicate 1) Limited;
  - Subjects: 0.22 Ha (0.54 acres) or thereby of land at 187 Clermiston Road;
  - Purchase price: £180,000 (market value);
  - Use: Open space/car park;
  - Clawback: 50% of net uplift on future sale; and

- Council Fees: The purchaser will meet the Council's reasonably incurred legal fees and surveyors fees.
- 3.2 The purchase price reflects the existing use as open space & car parking for the hotel, and the fact it is leased until May 2074 at £1 per annum. Should the land be sold a Clawback Agreement will protect the Council's position, if a higher price is subsequently realised.

### Measures of success

---

- 4.1 A piece of ground that is unlikely to have any future economic or alternative use for the Council will be sold for a capital receipt.
- 4.2 The sale of the area of land will realise Best Value for an HRA asset with no operational value.

### Financial impact

---

- 5.1 A net capital receipt of £180,000 will be received in the financial year 2016/17.
- 5.2 The disposal will remove a potential future maintenance liability.

### Risk, policy, compliance and governance impact

---

- 6.1 There is a risk that the sale does not complete. This is the same for any offer of purchase.

### Equalities impact

---

- 7.1 The proposed sale will facilitate clean Title for the Hotel and thereby enhance the right to Legal Security.
- 7.2 Post acquisition, this will allow re-design of the car park and open space enhancing the rights to standard of living and individual, family and social life.
- 7.3 The sale of the area of land will lead to improved landscaping in the area. This will enhance the rights to health and physical security by improving the area for nearby residents.

### Sustainability impact

---

- 8.1 There are no sustainability issues arising from the recommendations of this report.



## Consultation and engagement

---

- 9.1 Consultation took place with surrounding residents receiving hand delivered letters with elected members and Drumbrae Community Council receiving email notification.
- 9.2 The West Neighbourhood Management Team supports the application.
- 9.3 No objections have been received regarding this proposed land transaction.

## Background reading/external references

---

N/A

### Hugh Dunn

Acting Executive Director of Resources

Contact: Robbie O'Donnell, Senior Estates Surveyor

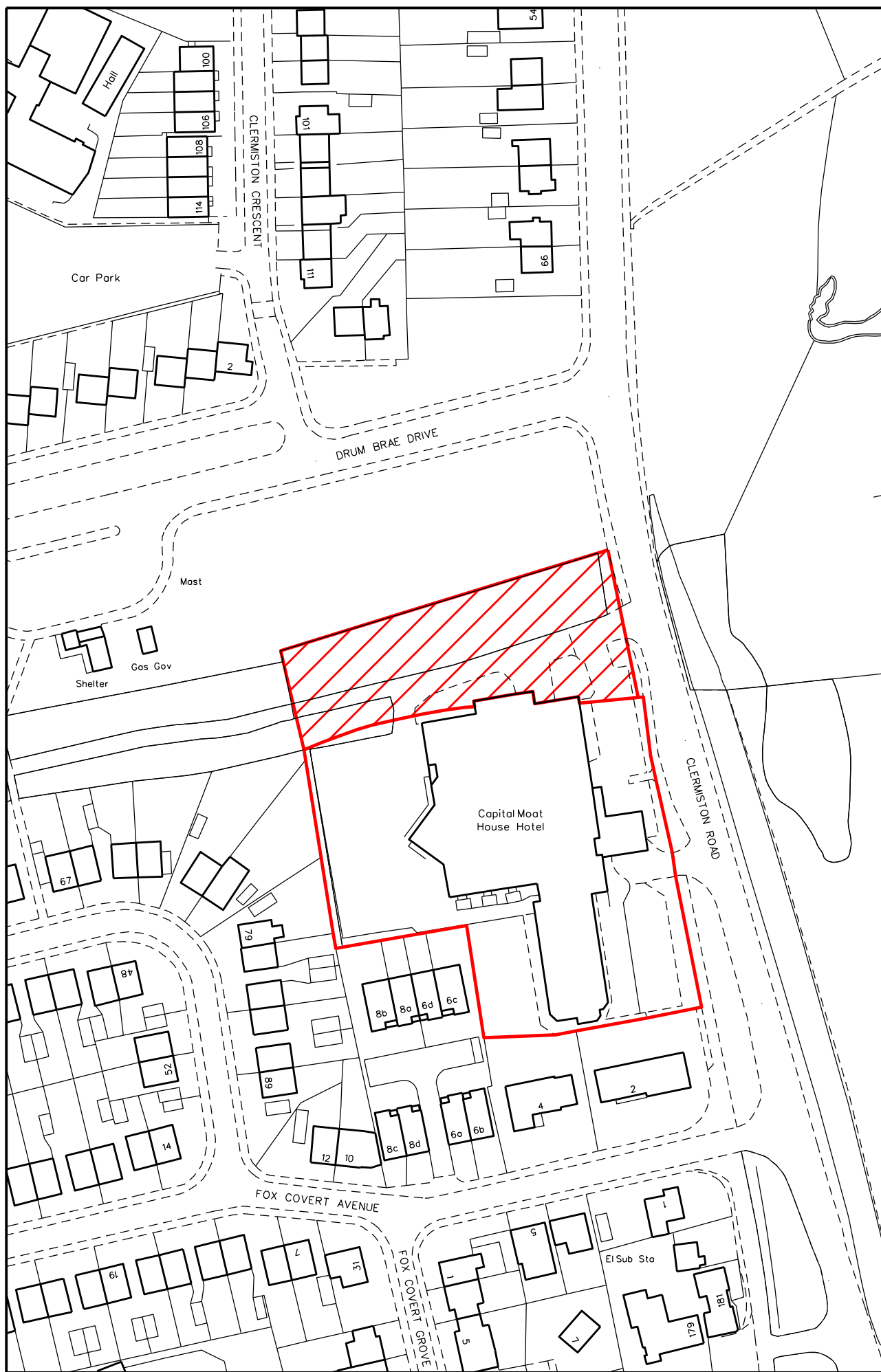
E-mail: [robbie.o'donnell@edinburgh.gov.uk](mailto:robbie.o'donnell@edinburgh.gov.uk) | Tel: 0131 529 6560

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## Links

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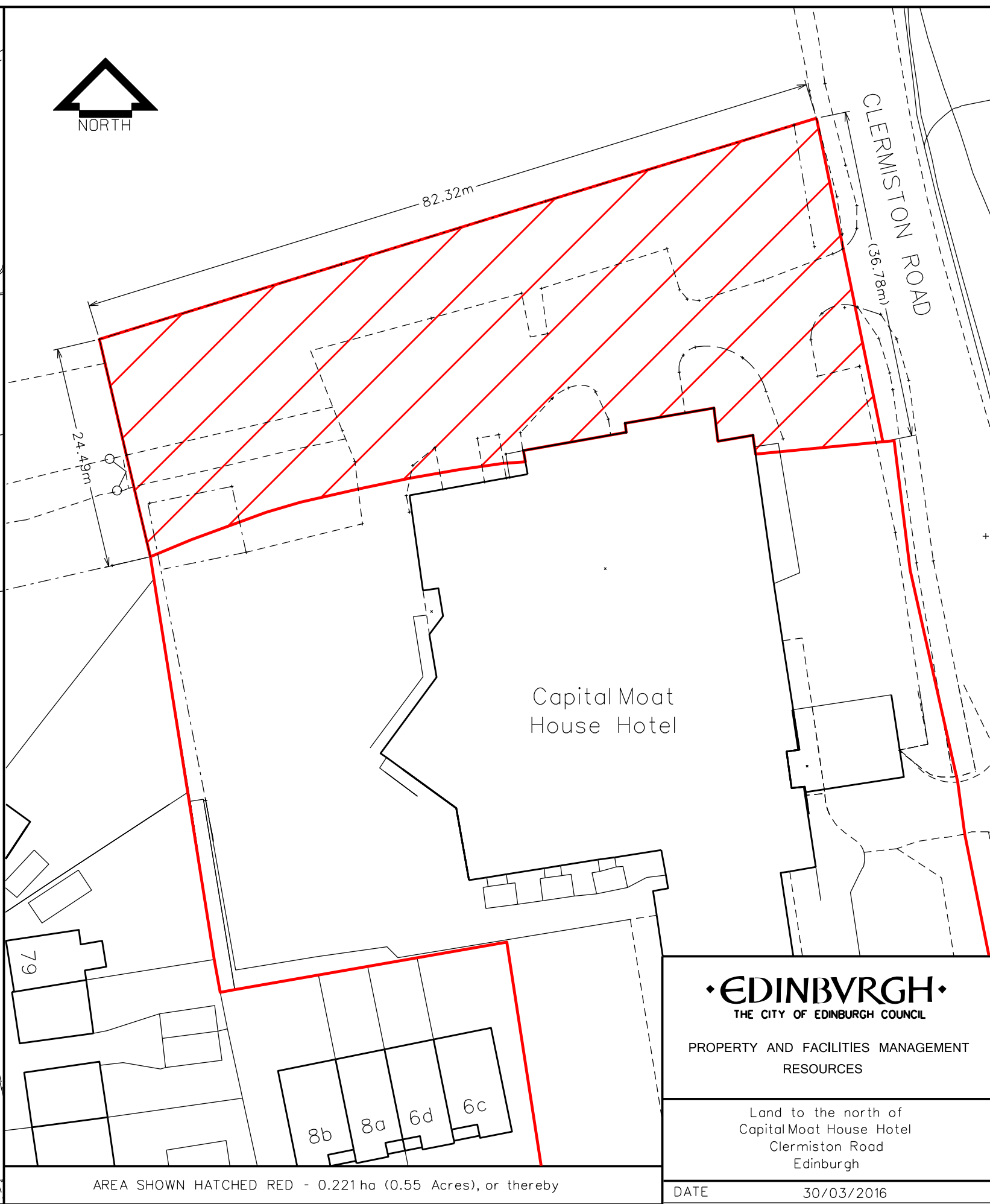
<b>Coalition pledges</b>	P17 – Continue efforts to develop the city's gap sites and encourage regeneration.
<b>Council outcomes</b>	CO7 – Edinburgh draws new investment in development and regeneration. CO8 – Edinburgh's economy creates and sustains job opportunities.
<b>Single Outcome Agreement</b>	SO1 – Edinburgh's Economy Delivers increased investment, jobs and opportunities for all. SO4 – Edinburgh's communities are safer and have improved physical and social fabric.
<b>Appendices</b>	Location plan showing ground lease area.



EXISTING HOTEL BOUNDARY SHOWN DELINEATED RED

LOCATION PLAN

SCALE 1:1250



AREA SHOWN HATCHED RED - 0.221 ha (0.55 Acres), or thereby

DIMENSIONS IN BRACKETS ARE BASED ON THE ORIGINAL TITLE PLAN

SITE PLAN

SCALE 1:500

**• EDINBURGH •**  
THE CITY OF EDINBURGH COUNCIL

PROPERTY AND FACILITIES MANAGEMENT  
RESOURCES

Land to the north of  
Capital Moat House Hotel  
Clermiston Road  
Edinburgh

DATE 30/03/2016

SURVEYED BY MB/AP

DRAWN BY MB

FILE NO.

NEG. NO. NT2074/A3/706 A

# Finance and Resources Committee

10.00 am, Thursday, 12 May 2016

## Additional Function Space and Offices Project - Investment Sale of Atria Offices

<b>Item number</b>	8.4
<b>Report number</b>	
<b>Executive/routine</b>	Routine
<b>Wards</b>	11 - City Centre

### Executive summary

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In June 2010, the Council approved the investment decision to proceed with the construction of the Additional Function Space (AFS) and Offices project, which involved the construction of an expansion to the Edinburgh International Conference Centre (EICC) and a speculative grade A office development. The approved funding model required that the office development was leased, and then sold, to repay the costs of construction and development.

This report asks Committee to note that the construction project has now been delivered on programme, and within budget, and that the office development (Atria) has been sold to Deko Immobilien GmbH for a gross price of £105.25m.

### Links

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<b>Coalition pledges</b>	<a href="#">P17</a>
<b>Council outcomes</b>	<a href="#">CO7</a> , <a href="#">CO8</a>
<b>Single Outcome Agreement</b>	<a href="#">SO1</a>

## Additional Function Space and Offices Project - Investment Sale of Atria Offices

### Recommendations

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That Committee:

- 1.1 Notes the successful completion of the Additional Function Space (AFS) and Offices construction project on time and within budget; and
- 1.2 Notes the investment sale of the offices (Atria One and Two) as shown outlined red on the attached plan, for a gross price of £105.25m.

### Background

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- 2.1 The original business plan for the expansion of the Edinburgh International Conference Centre (EICC) was predicated on the private sector delivering the project. However, in October 2007, after the sudden and unexpected withdrawal of the private developer Cala/AWG, the Council authorised EICC Ltd to initiate the procurement process for direct development of the Additional Function Space (AFS) and Offices project. Authority was granted to procure the professional team to allow the scheme to be fully developed and tenders sought for the construction contract.
- 2.2 Reports in March 2008 and January 2010, confirmed that the project was progressing within budget and programme and that the procurement for the principal contractor was ongoing.
- 2.3 In June 2010, the Council noted that a viable project business case and funding strategy were in place. Consequently, Council approved the investment decision to proceed with the project; approved the funding strategy and total development budget of £85m; and authorised EICC Ltd, as agent for the Council, to enter into a formal contract with Sir Robert McAlpine for the construction. In recognition of the need for the team to act promptly, and with strict confidentiality as commercial opportunities arose in relation to the letting and sale of the offices, the Council granted authority to the Director of City Development (in consultation with the Director of Finance and Head of Legal and Administrative Services) to enter into, amend or terminate legal agreements as required to achieve delivery of the project.
- 2.4 The project comprises the construction of two floors of subterranean multi-function space providing a total of approx 149,000 sq ft (13,844 sq m) of conference facilities, complete with a state of the art moving floor, and a seven storey grade A speculative office building comprising 202,000 sq ft (18,799 sq

m) (net) with three retail units and car parking including electric car charging points. Atria One comprises seven floors and sits above the AFS while Atria Two comprises two floors of offices above the EICC Atrium building (the main entrance at Morrison Street into the AFS). Once completed, the office was to be sold as an investment opportunity to repay borrowing costs, in accordance with the approved funding model. The innovative funding model comprised the use of remaining monies in the Lothian Road Income Trust Fund, a contribution from Scottish Enterprise (SE), proceeds of the investment sale from the completed offices and prudential borrowing supported by the EICC business case.

- 2.5 The final contribution from SE comprised a £10.1m consideration for the sale of Conference House and £5.9m capital loan. The capital loan plus interest was repayable to SE from any profit generated from the sale of the offices development or future EICC operating surpluses.

## Main report

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- 3.1 Construction began in July 2010 and was completed in March 2013, on time and within budget.
- 3.2 Throughout the construction and letting of the offices, the approved governance structure operated via the Project Board and Investment Steering Group. Both were chaired by the Council in recognition of the funding and risk structure.
- 3.3 Sectional completion of Atria One and Two and the AFS was granted on 28 March 2013 with practical completion granted on 25 April to coincide with the opening of the new pedestrian street, Ladyfield, which includes an art wall showing the skyline of Edinburgh and a quote from the renowned Scottish author, Alexander McCall Smith who opened Ladyfield in April 2013. Both Atria One and Two achieved BREEAM ratings of “Excellent” and “Very Good” for the AFS. The AFS held its first conference of the International Investigative Dermatology on 8 May 2013 and received its royal opening of the Lennox Suite, on 15 January 2015, by Her Royal Highness the Princess Royal.
- 3.4 Prior to completion, the office development secured its first pre-let to Brewin Dolphin, a private equity wealth management firm in January 2012, who took approx 47,500 sq ft (4,413 sq m) of space. Since then the building has continued to lease successfully to a variety of blue chip tenants including PwC, UK Green Investment Bank, Alliance Trust plc, AON, The Law Society of Scotland, EICC Ltd, Lothian Pension Fund, with Cafe Klaris (a local business) and The CO-OP taking two of the three retail units. The building is now just under 70% let, and has achieved some of the highest rents per sq ft in Edinburgh.
- 3.5 Atria has been positively received by the commercial market and is seen as one of the most successful grade A speculative office schemes in Edinburgh. It has won various industry awards including the Estates Gazette Property Company of the Year 2013; the Scottish Property Awards 2014 Judges Award of Merit; The

Royal Institution of Chartered Surveyors Award for Commercial Development of the Year 2014; and CoStar Deal of the Year for the letting to PwC.

- 3.6 The sale of the offices was always an integral part of the funding strategy for the project to recoup development and funding costs. When the project was approved in June 2010, it was anticipated that the investment sale would occur a year after completion and would bring in a gross consideration of approximately £83.2m. As the project progressed, it became clear that the timing of the sale was crucial to maximise returns. Although postponement of the sale would incur additional holding and funding costs, these would be more than offset by a higher consideration from a sale at the optimum time. Therefore, in June 2015, the retained investment agents Jones Lang LaSalle and Montagu Evans recommended that, due to exceptionally strong conditions in the investment market, the marketing of Atria for sale should commence in September 2015.
- 3.7 Consequently, in June 2015, the Project Board, in consultation with the Head of Property and Facilities Management and Head of Legal and Risk authorised the commencement of the sale process.
- 3.8 The marketing material was prepared along with a comprehensive package of due diligence material, which was placed in a virtual data room prior to the commencement of marketing.
- 3.9 In September 2015, a full open market campaign was launched covering local, national and international investors. Direct presentations were carried out by Jones Lang LaSalle and Montagu Evans as well as comprehensive and targeted mail shots issued to investors and agents.
- 3.10 Due to the strong interest received a closing date was set for 29 October 2015, when 5 bids were received. This was expected as the significant lot size restricts the range of investors that would bid for the investment. After detailed analysis, parties were asked to submit best and final offers at a second closing date on 3 November 2015. Three bids were received from European and American investors. After further detailed financial analysis, Dekam Immobilien Investment GmbH, a global real estate investment company based in Germany, was identified as the highest financial offer. The main terms are as follows:
- Purchaser: Dekam Immobilien GmbH;
  - Subjects: Atria office development comprising Atria One and Atria Two plus three retail units as shown outlined red on attached plan;
  - Price: £105.25m (gross), exclusive of VAT; based on full rental of the property
  - Funding: Cash funder; and
  - Fees: Each party to bear own legal and professional fees.
- 3.11 In line with the delegated authority granted to ensure prompt conclusion and commercial confidentiality, and to ensure the transaction could be concluded and money received by 31 March 2016, the Project Board, in consultation with

the Acting Executive Director of Resources, Acting Head of Property and Facilities Management and Head of Legal and Risk, and with the approval of the Convenor of Finance and Resources Committee, gave authority to conclude a contract for sale with Deka on the main terms outlined above.

- 3.12 Although overall project costs are still being finalised, the total development costs (before funding costs) are expected to amount to £79m compared to a budget of £85m, a saving of around £6m. Once funding costs are taken into account, including a repayment of £10.9m to SE, a surplus in the region of £13m is expected to be returned to the Council. This is considered to be a highly successful outcome bearing in mind the gross sale proceeds have also covered the repayment of the construction costs of the AFS of approximately £30m.
- 3.13 In summary, the AFS and Offices project has been completed on time and within budget, and has secured a significant net receipt for the Council. The award winning project is a highly successful example of public sector innovation. Its successful delivery now completes the regeneration of the Exchange district which has become Edinburgh's prime financial district and is home to some leading names in the business and finance sector and endorses the Council's decision to undertake a significant construction project and speculative commercial development to fulfil a key economic development objective.

## Measures of success

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- 4.1 The completion of construction of the AFS and Offices now completes the regeneration of The Exchange Financial District.
- 4.2 The AFS allows EICC to retain and enhance its competitive position in the global conference market and contribute economic impact to the Scottish economy.
- 4.3 The Atria office development provides much needed grade A office accommodation for Edinburgh.

## Financial impact

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- 5.1 The proceeds of sale will be used to repay development costs and funding costs to facilitate the development.
- 5.2 The net proceeds of sale will enhance the City's Strategic Investment Fund and help deliver the Transformation Programme.

## Risk, policy, compliance and governance impact

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- 6.1 There are no risk, policy, compliance or governance impacts as a result of this report.

## Equalities impact

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- 7.1 Generating a substantial capital receipt for the Council's Strategic Development Fund has the potential to enhance a variety of rights depending on where the money is focussed. This could include the rights to health, physical security, education and learning, standard of living and individual family and social life.

7.2 The Council has also enhanced its right to legal security by using a proportion of the capital receipt to reduce its financial borrowing.

## Sustainability impact

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8.1 There are no sustainability issues arising from the recommendations of this report.

## Consultation and engagement

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9.1 N/A

## Background reading/external references

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[City Of Edinburgh Council – 25 October 2007 – Edinburgh International Conference Centre Limited \(EICC\) – Requirement for Additional Function Space - Reports](#)

[City of Edinburgh Council – 13 March 2008 – Edinburgh International Conference Centre Limited \(EICC\) – Requirement for Additional Function Space \(AFS\)](#)

[City of Edinburgh Council – 28 January 2010 - Edinburgh International Conference Centre Limited \(EICC\) – Requirement for Additional Function Space \(AFS\)](#)

[City of Edinburgh Council – 24 June 2010 - Edinburgh International Conference Centre Limited \(EICC\) – Requirement for Additional Function Space \(AFS\)](#)

## Hugh Dunn

Acting Executive Director of Resources

Contact: Ruth Macdonald, Acting Estates Manager (Development and Disposals)

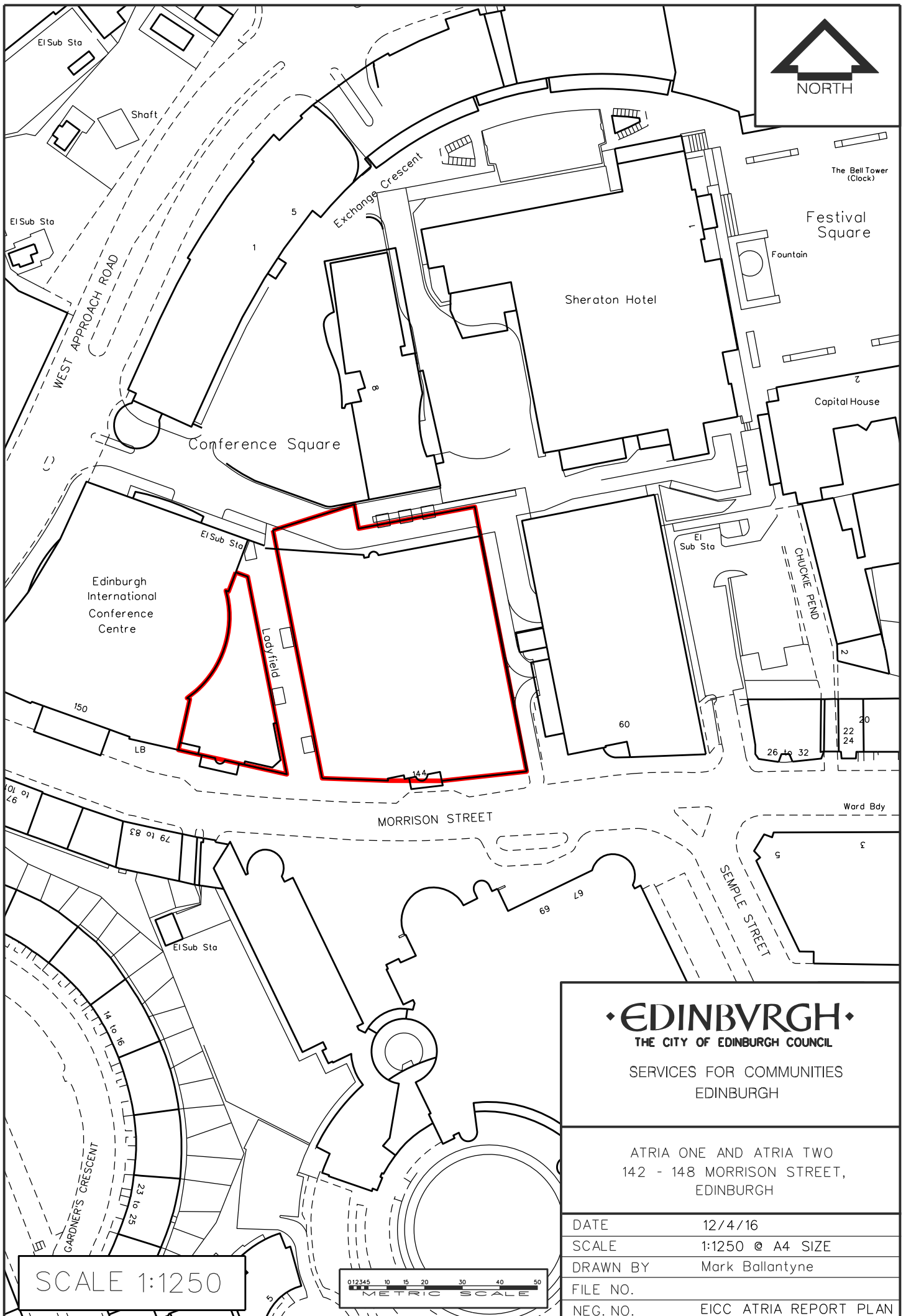
E-mail: [ruth.macdonald@edinburgh.gov.uk](mailto:ruth.macdonald@edinburgh.gov.uk) | Tel: 0131 529 5963

## Links

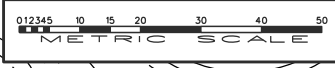
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<b>Appendices</b>	Location plan.





SCALE 1:1250



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 THE CITY OF EDINBURGH COUNCIL  
 SERVICES FOR COMMUNITIES  
 EDINBURGH

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ATRIA ONE AND ATRIA TWO  
 142 - 148 MORRISON STREET,  
 EDINBURGH

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DATE	12/4/16
SCALE	1:1250 @ A4 SIZE
DRAWN BY	Mark Ballantyne
FILE NO.	
NEG. NO.	EICC ATRIA REPORT PLAN