

Notice of meeting and agenda

Governance, Risk and Best Value Committee

2.00pm, Monday, 19 October 2015

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 – Gavin King, Committee Services Manager

E-mail: gavin.king@edinburgh.gov.uk

Tel: 0131 529 4239

Laura Millar, Assistant Committee Clerk

E-mail: laura.millar2@edinburgh.gov.uk

Tel: 0131 529 4319

1. Order of business

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

2. Declarations of Interest

- 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

- 3.1 None.

4. Minutes

- 4.1 Minute of the Governance, Risk and Best Value Committee of 23 September 2015 – submitted for approval as a correct record.

5. Outstanding Actions

- 5.1 Outstanding Actions – October 2015 (circulated)

6. Work Programme

- 6.1 Governance, Risk and Best Value Work Programme – October 2015 (circulated)

7. Reports

- 7.1 Pride in our People and key engagement activity update 2015 – report by the Deputy Chief Executive (circulated)
- 7.2 Revenue Monitoring 2014/15 – Outturn Report - referral report from the City of Edinburgh Council (circulated)
- 7.3 Revenue Monitoring 2015/16 – Month Three Position - referral report from the City of Edinburgh Council (circulated)
- 7.4 Treasury Management – Annual Report 2014/15 – referral report from the City of Edinburgh Council (circulated)
- 7.5 Committee Report Process – report by the Deputy Chief Executive (circulated)
- 7.6 Whistleblowing update – report by the Deputy Chief Executive (circulated)

8. Motions

- 8.1 If any.

Carol Campbell

Head of Legal, Risk and Compliance

Committee Members

Councillors Balfour (Convener), Child, Dixon, Gardner, Howat, Keil, Main, Mowat, Munro, Orr, Redpath, Shields, and Tymkewycz.

Information about the Governance, Risk and Best Value Committee

The Governance, Risk and Best Value Committee consists of 13 Councillors appointed by the City of Edinburgh Council. The Governance, Risk and Best Value Committee usually meet every four weeks in the City Chambers, High Street in Edinburgh. There is a seated public gallery and the meeting is open to all members of the public.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Gavin King, Committee Services, City of Edinburgh Council, Waverley Court, Business Centre 2.1, Edinburgh EH8 8BG, Tel 0131 529 4239, e-mail gavin.king@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.

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Item 4.1 Minutes

Governance, Risk and Best Value Committee

2pm, Wednesday 23 September 2015

Present

Councillors Balfour (Convener), Child, Bill Cook (substituting for Councillor Munro), Gardner, Howat, Keil, Lewis (substituting for Councillor Dixon), Main, Mowat, Orr, Redpath, Shields and Tymkewycz.

Also present: Councillor Ricky Henderson

1. Minute

Decision

To approve the minute of the Governance, Risk and Best Value Committee of 13 August 2015 as a correct record.

2. Outstanding Actions

Details were provided of the outstanding actions arising from decisions taken by the Committee.

Decision

- 1) To agree to close actions 8 and 15.
- 2) To request a verbal update on action 21 at the October meeting of the Committee.

(Reference – Outstanding Actions - September 2015, submitted.)

3. Work Programme

Decision

- 1) To approve the Work Programme.
- 2) To request that consideration be given to the property conservation reports on the Finance and Resources Committee agenda of 24 September 2015 being referred to the Governance, Risk and Best Value Committee.

- 3) To invite the Convener and Vice Convener of the Finance and Resources Committee to the October meeting if the reports on property conservation are referred by the Finance and Resources Committee.

(Reference – Governance, Risk and Best Value Work Programme – September 2015, submitted.)

4. CEC Transformation: Progress Update

The Finance and Resources Committee on 27 August 2015 considered a report on the Council Transformation Programme, aimed at delivering a lean and agile Council, centred on customers, services and communities. The report was referred to the Governance, Risk and Best Value Committee for further consideration.

Decision

To note the report.

(References - Finance and Resources Committee of 27 August 2015 (item 4), report by the Deputy Chief Executive, submitted.)

5. Internal Audit Report: Integrated Health and Social Care

A summary of the outcome of the review conducted by Internal Audit on the progress made in setting up and transitioning oversight of care to the Integration Joint Board was provided. Internal Audit identified concerns over the current state of the project in relation to Governance and Finance.

Councillor Ricky Henderson was heard as part of consideration of this report.

Decision

- 1) To note the concerns identified on the integration project at its current stage and the creation of the Integrated Joint Board contained within the report by the Chief Internal Audit and Risk Officer.
- 2) To request an update on the process and timings for sign off of the Council's response to the statutory consultation on the Strategic Plan.
- 3) To request an update on the critical and high risks identified in the audit report to the December Committee.
- 4) To ask the Finance and Resources Committee to refer relevant reports on health integration to the Governance, Risk and Best Value Committee.

(Reference – report by the Chief Internal Audit and Risk Officer, submitted.)

6. City of Edinburgh Council – Report to those Charged with Governance on the 2014/15 Audit

A report summarising the principal findings arising from the Council's 2014/15 external audit was provided. While primarily focused on the review of the financial statements, the audit's scope included wider consideration of the Council's financial position, governance structures, use of resources and arrangements for securing best value.

There had been a minor change in the Audited Financial Statements on page 126 of Appendix 3 to the report by the Deputy Chief Executive, in regard to sums due in respect of Non-Domestic Rates and this page had been re-circulated to the Committee.

Representatives from Audit Scotland were in attendance.

Decision

- 1) To note that, following the audit process, an unqualified audit opinion had been issued on the Council's Annual Accounts for 2014/15.
- 2) To refer the Annual Accounts for 2014/15 to the Finance and Resources Committee for approval and thereon to Council to set aside the £0.162m increase in the in-year underspend within the Council Priorities Fund.
- 3) To note that, following approval, the Annual Accounts for 2014/15 would be submitted to the External Auditor.
- 4) To note the extent of progress made in addressing the improvement actions contained within the previous Best Value report issued in December 2014 and that delivery of the remaining actions set out in the action plan in Appendix IV would be reported to the Committee during the year.

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

7. Internal Audit Quarterly Update Report: 1 April 2015 – 30 June 2015

An update was provided on the progress made by Internal Audit in the first quarter of the audit year from 1 April 2015 – 30 June 2015.

Decision

- 1) To note the progress of Internal Audit in issuing 10 internal audit reports during the quarter and to note the areas of higher priority findings for reviews issued in this quarter.
- 2) To ask that a summary of the Internal Audit findings on management of HMO licenses be circulated to members of the Regulatory Committee for information.

(Reference – report by the Chief Internal Audit and Risk Officer, submitted.)

8. Internal Audit follow-up arrangements: status report from 1 April 2015 to 30 September 2015

An overview of the process adopted by Internal Audit for following up the status of audit recommendations was provided. The open audit recommendations at 30 June 2015 that were past their initial estimated closure date were highlighted.

Decision

- 1) To note the status of follow-up actions.
- 2) To request an update to the December committee on ICT contract management, governance and change control arrangements, and the transition process to the new ICT provider.

(Reference – report by the Chief Internal Audit and Risk Officer, submitted.)

9. Corporate Leadership Group (CLG) Risk Report

Information on the Corporate Leadership Group's (CLG) prioritised risks as at August 2015 was provided. The current highest priority risks of the Council along with the key controls in place to mitigate these risks were highlighted and a plan was in place for further review and scrutiny.

Decision

To note the prioritised risk information for the Corporate Leadership Group.

(Reference - report by the Deputy Chief Executive, submitted.)

10. Looked After Children: Transformation Programme Progress Report

An update was provided on the Looked After Children (LAC) Transformation Programme, which was shifting the balance of care towards more preventative services that reduce the need for children to come into care. The programme aimed to secure better outcomes for children, avoid a continued increase in costs and deliver cashable savings by 2015/16.

The service was on or ahead of target with the overall number of LAC, the number of LAC in foster care and the number placed with kinship carers. The service was behind target on prospective adoptions but this was mainly due to the increased success in placing children with kinship carers.

The service was behind target on the proportion of foster care placements being provided by the Council's own carers and the number of LAC in residential and secure care. Actions were in place to mitigate these issues where possible.

Decision

- 1) To note the progress made to date against the targets as set out in appendix 1 of the report by the Executive Director of Communities and Families.
- 2) To note the actions in progress to achieve the targets to March 2018.
- 3) To note that the next update would be provided in March 2016.
- 4) To refer the report to Education, Children and Families Committee.
- 5) To ask for performance indicators from previous years to be included in future reports to allow for comparison.

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

11. Capital Monitoring 2014/15 – Outturn and Receipts

The Finance and Resources Committee on 27 August 2015 considered a report on the final outturn on the Council's Capital Programme for 2014/15 that included details of capital receipts and slippage/acceleration on projects within the Capital Investment Programme. The report was referred to the Governance, Risk and Best Value Committee as part of its workplan.

Decision

To note the report.

(References - Finance and Resources Committee of 27 August 2015 (item 12), report by the Deputy Chief Executive, submitted.)

12. Capital Monitoring 2015/16 – Month Three Position

The Finance and Resources Committee on 27 August 2015 considered a report on the overall position of the Council's capital budget at month three and the projected outturn for the year. The report was referred to the Governance, Risk and Best Value Committee as part of its workplan.

Decision

To note the report.

(References - Finance and Resources Committee of 27 August 2015 (item 13), report by the Deputy Chief Executive, submitted.)

Item 5.1 Outstanding Actions

Governance, Risk and Best Value Committee

October 2015

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	14.11.2013	Tram Project Update	To ask that the Director of Corporate Governance writes to the Scottish Government requesting an update on likely timescales for the tram project inquiry.	Deputy Chief Executive	November 2014		Inquiry now called by Scottish Government. Verbal Update on Tram project to be provided in 2015.
2	14.11.2013	Corporate and Operational Governance	To request that the Director of Corporate Governance provides an update report in September 2014, in particular providing progress on procurement, risk and the development of a related training programme.	Deputy Chief Executive	September 2014		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
3	19.12.2013	Corporate Governance: High Performing Workforce – Induction and Training	To request that a follow-up report by the Chief Internal Auditor be submitted to the Committee in June 2014.	Deputy Chief Executive	June 2014		Organisational Development now expected to lead this report.
4	03/04/2014	Governance of Major Projects: Water of Leith and Braid Burn Flood Prevention Schemes	That a briefing should be given to all political groups on the lessons learnt on major projects, with particular reference to the Water of Leith Flood Prevention Scheme.	Deputy Chief Executive	September 2015		
5	19/06/2014	Committee Decisions: Dissemination and Implementation and Update to Member/Officer Protocol	To agree that a report outlining all decisions taken in the previous year by that committee, update on implementation of decisions and recommendations to discharge actions be presented to the Corporate Policy and Strategy Committee, Executive	Deputy Chief Executive			

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			Committees and the Governance, Risk and Best Value Committee on an annual basis.				
6	19/06/2014	Committee Decisions: Dissemination and Implementation and Update to Member/Officer Protocol	That a spot-checking system on the dissemination of committee decisions to staff be introduced with an update being provided to the Committee every six months.	Deputy Chief Executive	October 2015		
7	09/10/14	Pride in Our People and Key Engagement Activity - Update	To ask that reports on 'Pride in Our People' be submitted to Governance, Risk and Best Value Committee on an annual basis, including details of engagement methods with hard to reach staff and whether a wider staff group had been involved in the process.	Chief Executive			Please see agenda item 7.1 - <i>Pride in our People and key engagement activity update 2015</i> – Recommended for closure

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
8	09/10/14	Review of Political Management Arrangements	To ask that information on the number of, and reasons given for, the late submission of reports is submitted bi-annually to committee.	Deputy Chief Executive	October 2015		
9	09/10/14	Greendykes and Wauchope Communal Heating Update	To request a report in 12 months to both the Finance and Resources Committee and Health, Social Care and Housing Committee on whether the savings were achieved.	Acting Director of Services for Communities	October 2015		
10	13/11/14	Staff who have accepted Voluntary Redundancy or Voluntary Early Release Arrangements and returned to employment with the City of Edinburgh Council	To request a report by the Director of Corporate Governance, in March 2015, providing a high level overview of workforce management and including further detail on the policies around the employment of teachers and use of supply teachers.	Deputy Chief Executive	March 2015		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
11	05/03/2015	Cameron House Community Centre: Review of Project Delivery	To request a report to the Education, Children and Families Committee in 3 cycles providing an update on how ongoing issues with the building were being resolved.	Acting Director of Services for Communities	December 2015		
12	05/03/2015	Cameron House Community Centre: Review of Project Delivery	To request a report within two cycles to the Education, Children and Families Committee prior to coming to Governance, Risk and Best Value Committee on governance arrangements (including the escalation of issues, service management and the interaction with Neighbourhood Partnerships) and Council support to community centre management committees.	Executive Director of Communities and Families	November 2015		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
13	05/03/2015	Best Value (2) Audit Report 2014	To request an update report on the transformational change programme to the October meeting of Governance, Risk and Best Value Committee.	Deputy Chief Executive	October 2015		Recommended for closure
14	05/03/2015	Internal Audit Follow-Up Arrangements: Status Report from 1 October to 31 December 2014	To note that mandatory information security training for all staff would be rolled out as part of the ongoing Performance Review and Development process and that once this had been completed for staff in Children and Families it would be reported as part of the Internal Audit Quarterly Review report.	Executive Director of Communities and Families			

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
15	23/04/2015	Third Party Grant: Challenge Fund Awards	To request that the Director of Corporate Governance reports to GRBV Committee of 13 August 2015 regarding the Committee reports process and whether there are opportunities for speeding this process up.	Deputy Chief Executive	August 2015		Please see agenda item 7.5 – <i>Committee Report Process</i> – Recommended for closure
16	21/05/2015	Governance of Major Projects: Progress Report	To include details on the overall capital funding in regard to the Early Years Projects.	Deputy Chief Executive			
17	21/05/2015	Governance of Major Projects: Progress Report	To provide a briefing note to Committee on the impact of the Fleet Review project on service delivery.	Acting Director of Services for Communities	September 2015		
18	21/05/2015	Report by the Accounts Commission - An overview of local government in Scotland 2015	To note that clarity would be provided regarding the audit arrangements for the new Health and Social Care Integrated Joint Board.	Deputy Chief Executive			

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
19	18/06/2015	Property Conservation: Programme Momentum Review, July 2014 – April 2015	To ask the Director of Corporate Governance to provide a briefing note regarding the issues with the allocation of shares for billing.	Deputy Chief Executive			
20	18/06/2015	Property Conservation: Programme Momentum Review, July 2014 – April 2015	To request an update report to Governance, Risk and Best Value Committee in six months.	Deputy Chief Executive	November 2015		
21	18/06/2015	Corporate Leadership Group (CLG) Risk Update	To request a report to the December Committee on how best to ensure a consistent approach to measuring demographics and how this was applied across the Council.	Deputy Chief Executive			
22	13/08/2015	Work Programme	To request that the Chief Social Work Officer reports on the management of care staff, particularly client contact time versus	Chief Social Work Officer	November 2015		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			total hours worked and the number of visits for each carer. This should include the full visit data for a week - visit start and finish times and shift start and finish times to compare contact time with 'downtime'.				
23	13/08/2015	Common Good Assets Register	To request an update report in November 2015 to the Governance, Risk and Best Value Committee, including details of how community knowledge and historical documents could be utilised in defining common good.	Acting Director of Services for Communities	November 2015		
24	13/08/2015	Common Good Assets Register	To invite Andy Wightman to speak at a future meeting of the Committee.	Deputy Chief Executive			
25	23/09/2015	Internal Audit Report: Integrated Health and Social Care	To request an update on the process and timings for sign off of the Council's response to the statutory	Deputy Chief Executive			

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			consultation on the Strategic Plan.				
26	23/09/2015	Internal Audit Report: Integrated Health and Social Care	To request an update on the critical and high risks identified in the audit report to the December Committee.	Deputy Chief Executive	December 2015		
27	23/09/2015	Internal Audit Quarterly Update Report: 1 April 2015 – 30 June 2015	To ask that a summary of the Internal Audit findings on management of HMO licenses be circulated to members of the Regulatory Committee for information.	Acting Director of Services for Communities			
28	23/09/2015	Internal Audit follow-up arrangements: status report from 1 April 2015 to 30 September 2015	To request an update to the December committee on ICT contract management, governance and change control arrangements, and the transition process to the new ICT provider.	Deputy Chief Executive	December 2015		

Item 6.1 Work programme

Governance, Risk and Best Value

October 2015

N o	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
Section A – Regular Audit Items								
1	Internal Audit Overview of internal audit follow up arrangements		Paper outlines previous issues with follow up of internal audit recommendations, and an overview of the revised process within internal audit to follow up recommendations, including the role of CLG and the Committee	Internal Audit	Chief Internal Auditor	Council Wide	Every 3 cycles	December 2015
2	Internal Audit Quarterly Activity Report		Review of quarterly IA activity with focus on high and medium risk findings to allow committee to challenge and request to see further detail on findings or to question relevant officers about findings	Internal Audit	Chief Internal Auditor	Council Wide	Every 3 cycles	December 2015

No	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
3	IA Annual Report for the Year		Review of annual IA activity with overall IA opinion on governance framework of the Council for consideration and challenge by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	June 2016
4	IA Audit Plan for the year		Presentation of Risk Based Internal Audit Plan for approval by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	March 2016
5	Audit Scotland	Review of Internal Audit	Annual report on internal audit support provided to External Audit	External Audit	Chief Internal Auditor	Council Wide	Annually	TBC
6	Audit Scotland	Annual Audit Plan	Annual audit plan	External Audit	Hugh Dunn	Council Wide	Annually	April 2016
7	Audit Scotland	Annual Audit Report	Annual audit report	External Audit	Hugh Dunn	Council Wide	Annually	December 2015
8	Audit Scotland	Internal Controls Report	Annual report on Council wide control framework	External Audit	Hugh Dunn	Council Wide	Annually	August 2016

N o	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
9	Audit Scotland	ISA 260	Annual ISA 260 Report	External Audit	Hugh Dunn	Council Wide	Annually	September 2016
10	Audit Scotland	Annual overview report	Based on the local government audit work in 2013, the report provides a high-level, independent view on the progress councils are making in managing their finances and in achieving Best Value, and is designed to help councillors identify priorities in 2014.	External Audit	Hugh Dunn	All local authorities in Scotland	n/a	June 2016
11	Accounts Commission	Annual report	Local Government Overview	External Audit	Hugh Dunn	Council Wide	Annually	June 2016
Section B – Standing Project Items								
12	Governance of Major Projects	6 monthly updates	To ensure major projects undertaken by the Council were being adequately project managed	Major Project	Karen Kelly	All	Every 6 months	November 2015
Section C – Scrutiny Items								
13	Welfare Reform	Review	Regular update reports	Scrutiny	Danny Gallacher, Head of Corporate and Transactional Services	Council Wide	January 2015	January 2016

N o	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
14	Legacy Property Conservation Service		Update on the resolution of complaints and the billing and conclusion of outstanding debts	Scrutiny	Alastair Maclean, Deputy Chief Executive	Council Wide	quarterly	December 2015
15	Review of CLG Risk Scrutiny	Risk	Quarterly review of CLG's scrutiny of risk	Risk Management	Chief Executive	Council Wide	quarterly	October 2016
16	Whistle blowing Quarterly Report		Quarterly Report	Scrutiny	Alastair Maclean, Deputy Chief Executive	Internal	Quarterly	October 2016
17	Pride in our People	Staff	Annual report of progress	Scrutiny	Chief Executive	Council Wide	Annual	October 2016
18	Workforce Control	Staff	Annual report	Scrutiny	Alastair Maclean, Deputy Chief Executive	Council Wide	Annual	November 2015
19	Committee Decisions		Annual report	Scrutiny	Alastair Maclean, Deputy Chief Executive	Governance, Risk and Best Value Committee	Annual	August 2016
20	Dissemination of Committee Decisions		Bi-annual report	Scrutiny	Alastair Maclean, Deputy Chief Executive	Council Wide	Six- monthly	November 2015
21	Late Submission of reports		Bi-annual report	Scrutiny	Alastair Maclean, Deputy Chief Executive	Council Wide	Six- monthly	November 2015

GRBV Upcoming Reports

Appendix 1

Number	Report Title	Type	Flexible/Not Flexible
12 November 2015 Committee			
1	Governance of Major Projects	Scrutiny	Flexible
2	Dissemination of Committee Decisions	Scrutiny	Flexible
3	Revenue and Capital Monitoring	Referral from Finance and Resources	Flexible
4	Edinburgh Jazz and Blues Festival	Referral from Culture and Sport	Flexible
5	Cameron House	Scrutiny	Flexible
6	Management of Care Staff	Scrutiny	Flexible
7	Common Good Assets Register	Scrutiny	Flexible
8	Property Conservation: Programme Momentum	Scrutiny	Flexible
9	Future Service Model: Audit and Risk	Internal Audit	Not flexible
10	Directorate Risk Register	Scrutiny	Flexible
17 December 2015 Committee			
1	Annual Audit Report	External Audit	Flexible
2	Cameron House – Building Issues	Scrutiny	Flexible
3	CLG Risk Register	Scrutiny	Flexible
4	Measuring Demographics	Internal Audit	Flexible
5	IA Follow Up Arrangements	Internal Audit	Flexible
6	IA Quarterly Update	Internal Audit	Flexible
7	Integrated Health and Social Care Update	Internal Audit	Flexible
8	ICT Contract Update	Internal Audit	Flexible
9	Workforce Controls	Scrutiny	Flexible
28 January 2016 Committee			
1	Welfare Reform	Scrutiny	Flexible
2	Whistleblowing Update	Scrutiny	Flexible

Governance, Risk and Best Value Committee

2.00pm, Monday, 19 October 2015

Pride in our People and key engagement activity update 2015

Item number	7.1
Report number	
Executive/routine	
Wards	

Executive summary

A range of employee engagement activities have been undertaken in the past twelve months with a focus on increasing opportunities for our people to engage on key issues, leadership visibility and supporting our managers to lead their teams through change.

A leadership summit was held in April for the top 40 leaders to ensure they are equipped to lead the organisation through the change and transformation.

The Pride in our People (PIOP) programme's theme for 2015 has been *leading through change*. Feedback from the 2014 Employee Survey and early indications from the *Pulse Tracker Survey* which was conducted in April/May show that staff want more involvement and clearer direction. To address this, regular *Talk with Andrew* sessions were introduced in September to allow a cross section of staff, in both large and small venues to engage with the Chief Executive on the big issues facing the organisation and the journey through transformation. Also order to widen leadership visibility further and allow employees to have the opportunity to discuss the transformation programme with senior leaders, a series of sessions led by directors will be introduced in the autumn.

Links

Coalition pledges
Council outcomes
Single Outcome Agreement

Report

Pride in our People and key engagement activity update 2015

Recommendations

- 1.1 The Governance, Risk and Best Value Committee is invited to note the progress made over the past 12 months.

Background

- 2.1 Pride in our People is the Council's employee engagement programme and has developed in three phases since its launch in 2013. The second phase saw the introduction of the Council's values to staff and the focus for 2015 – the third phase - has been on increasing leadership visibility and supporting managers to lead through change.
- 2.2 It was agreed at the Governance, Risk and Best Value Committee in October 2014 that an annual progress report should be submitted to Committee for consideration.

Main report

Pride in our People employee engagement programme

- 3.1 Pride in our People employee engagement events have been run since 2013 and a summary of the three year programme is attached as Appendix 1.
- 3.2 Since the previous [report](#) the focus of the programme has been on transformation and equipping leaders and managers to lead through change.

Budget engagement

- 3.3 In November 2014 and as part of budget engagement, the first employee engagement event using webcast technology was held at the City Chambers which enabled interaction with employees in four other council locations. 129 employees attended the event which generated 450 comments. In total, employee feedback accounted for approximately 25% of feedback on the budget consultation exercise for 2014.

Leading through change

- 3.4 The Pride in our People theme for 2015 is **Leading through change** and aims to support the Council's transformation programme by supporting managers to engage with their teams. A series of leaders' events were held in March and attended by approximately 650 managers and supervisors to give managers a better understanding of the Council's vision and roadmap for change.
- 3.5 Each event looked at the Council's vision and transformation journey. The importance of strong leadership during change was a focus and this was reinforced by a short film made for the Leading through change programme available on You Tube
https://youtu.be/Tapu_Gewrml?list=UUgzwB7R_ie4S0J8hwX33t-g
- 3.6 To enable managers to talk to their teams information packs and facilitation guides have been developed in March, June and September, for managers to talk to their teams about the transformation programme and what it means in the broadest sense, as well as helping them to discuss with their teams the key decisions made in relation to the programme at Council meetings.

Activity Analysis

- 3.7 An activity analysis was undertaken during April and May 2015. Over 100 workshops were held and 12,000 employees were involved in exercises to gather information about how employees carry out their roles and to identify opportunities to make efficiencies. In total 800 ideas and suggestions were generated.
- 3.8 Key findings included:
- Employees support a move towards more localised working and there is a strong desire to focus on frontline service delivery.
 - Employees highlighting the number of ICT systems which require work duplication. A range of more streamlined solutions are being pursued as part of the Council's ICT transformation.
 - There are opportunities to bring teams together and better integrate the work they do.
- 3.9 The findings have influenced the structures for the Council's new operating model, removing areas of fragmentation, duplication and improving efficiency. Opportunities have also been identified to move services into the Customer Services centre which would allow the teams to focus more on service delivery and the customer.
- 3.10 A summary of the findings is attached as Appendix 2.

Employee Feedback

- 3.11 The Council's 2014 Employee Survey was issued to all employees and fieldwork was carried out by Ipsos MORI between 28 April and 13 June 2014. In total,

7336 employees completed the survey, giving an overall response rate of 39%.

3.12 The survey findings identified areas of strength and others for development:

- Employees' views of their line managers showed improvement from the 2012 survey, particularly perceptions of approachability (76%, 6% increase) and willingness to listen (71%, 8% increase).
- In addition 80% (2% increase) of employees agreed they have clear work objectives and 70% (3% increase) support the need for change.
- There was also a small increase in the proportion of employees who are proud to work for the Council (48%, 4% increase) and those who felt that the Council is a great place to work (52%, 4% increase).
- The survey identified that more work needs to be done on communicating the Council's vision with less than 40% of employees thinking that senior managers were adequately communicating a clear vision for the future of the Council.

3.13 While employees generally understand (75%) and support (70%) the need for change, they also remain sceptical about their ability to influence change with less than a third of respondents (29%) feeling that they could have a say on changes that affect them before they are made.

3.14 To supplement the data gathered through the Employee Survey, a series of Pulse Tracker surveys were launched in May 2015. This survey targets a cross section of employees on a four month cycle and is being used as a tool to take the pulse of the organisation as it moves through its transformational journey.

3.15 Early indications are that it will provide useful management information over time. Wave two of the survey was launched in September.

Talk with Andrew

3.16 As part of the Pride in our People engagement programme, a series of engagement sessions have been developed for the Chief Executive to engage with employees across the organisation on the transformation programme and what it means for the organisation going ahead.

3.17 The first of these events was held on 11 September at the Portobello Town Hall, with the format being a mix of presentation, facilitated discussions and questions and answers.

3.18 The Chief Executive gave an overview of the transformation agenda and responded to questions from the floor. Feedback from delegates indicated they welcomed the opportunity to share ideas with colleagues from different services and to have the opportunity to put questions directly to the Chief Executive.

Leadership development

3.19 There is a strong desire from our senior leaders to show strong and aligned leadership for the transformation programme that is about ensuring the transformation is effective and delivers for the city while also ensuring our people

feel supported.

- 3.20 Results from both the Employee Survey 2014 and the first phase of the Pulse Tracker survey show that our employees' experience of leadership is not where we want it to be. In response to this, a leadership summit was held in April for the top 40 leaders to ensure they have an aligned vision for the transformation and the culture they want to build, and a shared commitment to how to deliver the change. To ensure this group is equipped to make this a reality and lead the organisation through the transformation, leadership sets and 360 degree feedback have been introduced to run from September to November 2015.

Measures of success

- 4.1 The success of each activity will continue to be measured through:
- Service specific activities and opportunities to feedback directly to senior managers.
 - Improvements in employee engagement measured quarterly through the Insight Engagement Tracker.

Financial impact

- 5.1 There are no financial implications arising from this report.

Risk, policy, compliance and governance impact

- 6.1 There are no risk, policy compliance and governance implications arising from this report.

Equalities impact

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

Sustainability impact

- 8.1 There are no adverse environmental impacts arising from this report.

Consultation and engagement

- 9.1 A range of consultation and engagement tools are being used with key stakeholders throughout the transformation.

Background reading/external references

[Pride in our People and key engagement activity update 2014](#)

Alastair D Maclean

Deputy Chief Executive

Contact: Lesley McPherson, Chief Communications Officer

E-mail: lesley.mcpherson@edinburgh.gov.uk | Tel: 0131 529 4030

Links

Coalition pledges

- Council outcomes** CO24 – The Council communicates effectively internally and externally and has an excellent reputation for customer care
- CO25 – The Council has efficient and effective services that deliver on objectives
- CO26 – The Council engages with stakeholders and works in partnership to improve services and deliver on agreed objectives
- CO27 – The Council supports, invests in and develops our people

Single Outcome Agreement

- Appendices** Appendix 1: Pride in our People engagement programme
- Appendix 2: Activity analysis

Appendix 1

Pride in our People

Introduction

The results of our 2012 employee survey highlighted three key areas where action was required:

1. Leadership – visibility and communicating strategic direction
2. Change management – involving employees more in decision making and taking action
3. Line management and performance

These themes suggested that we needed to launch an employee engagement programme that would increase the visibility of senior leaders and help our colleagues to be more involved in shaping our services. The result was 'Pride in our People' which has been running since 2013 and is now in its third phase:

Phase 1 (May 2013 – January 2014) aimed to inform and involve employees in the big ticket issues the Council is facing and use it as a vehicle to generate ideas around how to improve efficiency within services at a local level.

Phase 2 (April 2014 – November 2015) introduced four new Council values to the workforce and highlighted colleagues living the values in their daily working lives. A key message was about *making a difference and shaping the change*.

Phase 3 (March 2014 -) focuses on leading through change and ensuring all our leaders understand the transformation journey and their role in that journey as well as supporting them to fulfil their leadership role.

Phase 1

The priority was to achieve support and buy-in from our managers so that they could then cascade the programme to their teams.

We held five events attended by 1,200 leaders from across the Council .

Leaders were given a briefing pack that helped them to communicate the strategy to their teams. Exhibition materials and a short film were also produced to support them.

The leaders were given three key actions to take away to implement and commit to:

1. What they would do additionally to involve colleagues more in service improvement
2. What they would do differently
3. Engage people in change locally

We additionally held six local events in different Council locations across Edinburgh giving colleagues the opportunity to meet the Chief Executive and the senior leadership

team. Employees had the opportunity to share ideas and give feedback on areas they felt required change or development, to improve customer outcomes.

Phase 2

The second phase of the programme aimed to make our employees feel involved, and empower them to live our values, identify and makes changes to how they work so that they could shape improvements to the services we provide for Edinburgh residents.

This delivered a new high impact visual campaign and introducing new values:

1. **Customer First:** Being customer focused and taking ownership and responsibility.
2. **Work Together:** Working effectively with others and communicating effectively.
3. **Honest and Transparent:** Political sensitivity, leading others and managing change.
4. **Forward Thinking:** Managing performance and developing others. Planning and decision making.

To promote the visual and values, a brand identity was created. In developing the creative, research was carried out to understand the audience demographics and attitudes. The research showed that the average age of our colleagues was 49. So, with this in mind, the imagery was based on the rebellious age of the late 1970s punk movement and early 80s when many of our target audience were in their youth.

Using the edgy punk influenced graphics and colours we created a unique visual identity that was guaranteed to cut through all the other corporate noise. The brief was to make colleagues notice the Pride in our People programme and to engage with it. The idea was to create a highly visual campaign that would, as one colleague put it, 'awake a sleeping giant'.



The campaign focused on employees living the values. To bring this to life, we used "icons" to illustrate the values. The icons were created to help embed the values and were intentionally made to be easily hand drawn by anyone wanting to use them to illustrate one of the values.



Film

- We created a short film that shows colleagues living the values in their daily working lives and sharing what they mean to them. The film uses the edgy graphics throughout and has an original soundtrack that was created by the internal communications team in partnership with a local musician and can be viewed at <https://www.youtube.com/watch?v=HaN7kbodH4Q>

Have your say boards

In addition, to generate interaction and to find out what colleagues really think, we introduced '**Have your say**' boards in key sites. The boards have prompted a significant amount of engagement with employees using them to share ideas on what they like as well as the changes they would like to introduce.

This high response demonstrates the impact visuals have prompted a good level of engagement from employees and demonstrated their desire to be part of the change process. The boards have also created a 'water cooler affect' with many colleagues stopping off to discuss the points written on them and so helping to improve team relationships and encourage cross team working.

Engagement events

Leadership events were held between April and June 2014 re-engaging our leaders in the second phase of the programme.

Events took place within services, led by management teams. We've also run a number of cross-service events aimed at frontline employees and also ran an event that was branded Pride in our Young People and targeted apprentices and graduate trainees in the Council.

The first interactive webcast Pride in our People event was held in November 2014 as part of the budget consultation.

Pride in our People Awards 2014

Our internal awards scheme was reviewed to align it directly with our Council values and rebranded so that it was clearly recognised as part of the Pride in our People

employee engagement programme. Ten categories were created, four of which were aligned to the Council values – customer first, work together, honest and transparent and forward thinking. Awards entries had to demonstrate how they were living the values in their working lives.

Phase 3

The third phase of the programme was launched in March 2015 with a focus on managers *leading through change*.

The branding was refreshed to a more contemporary style to indicate a new phase of the programme. However the brand and style of graphics has been maintained, with a clear focus on our people to ensure all employees can see the continuity of the programme. This is not a new initiative – it is a journey we are continuing with our people.



Six leadership events were held on 25 and 26 March with event content comprising:

- **The Council's vision** – led by Sue Bruce this section recognised the excellent work being carried out in services with a focus on achievements. It also highlighted how the feedback received through the programme and BOLD initiative has helped to shape the transformation programme for the Council and gave the audience an understanding of the vision.
- **The journey** – led by Alastair Maclean, this section gave leaders more clarity as well as reassurance about the road ahead and the fact that there is opportunity to get involved and participate in the change journey.
- **Leading through change** – led by Greg Ward, this section aimed to explain to the audience what good leadership is about and inspire them to step up to the challenge.
- **Call to action** – led by Sue Bruce, the final section showcased the *Leading through change* film https://youtu.be/Tapu_Gewrml?list=UUgzwB7R_ie4S0J8hwX33t-g created for these events and ended in a call to action to the leaders to:
 - Have conversations for change with their teams, explaining the vision and the journey we are on
 - Focus on performance and using the PRD process to ensure people understand where they fit in and are doing the right thing
 - Encourage their people to take part in the organisational pulse surveys that will commence in May so that the organisation is working with accurate data to support the change.

These sessions were supported by manager packs and information on the Orb to help managers feel confident in briefing their teams about the roadmap for transformational change. The programme will continue to develop over the coming months, informing and supporting managers and reflecting back our achievements as we journey through change.

Appendix 2 Activity analysis

TRANSFORMATION PROGRAMME

Activity analysis – the findings

During six weeks in April and May, we held over 100 workshops to gather information about how 12,000 employees across the Council do our jobs. This has given us a more detailed understanding of how all our services operate and identified improvements.

Thousands of you were involved in the '[activity analysis](#)', which is essential research as part of our ongoing transformation programme. While also helping us to build a much more detailed understanding of how all our services operate, it also provided a great opportunity for you to raise over 800 ideas and suggestions, which we have collated and analysed.

Here is a summary of the findings which shows what you do, how your time is spent, as well as highlighting improvements. Later this month we will give you examples of how the information is being developed. All opportunities for improvement will be taken forward with the Executive Directors and their services.



Key facts

- Analysis was grouped first by project, either Business and Support Services (BSS) or Citizens and Locality Services (CLS), and then by 'clusters' - services we have grouped together for the purpose of this exercise.
- We didn't include employees from Lothian Pension Fund, teachers, property and asset management roles (as they are being considered separately), or agency staff.
- Change representatives and/or head of service verified the information.
- Only information provided by Council employees has been used

Hearing your views

Many thanks to all of you who supported the activity analysis, including change representatives who listened to colleagues within their service areas to make sure your ideas and the right information was captured.

You said you found these sessions really valuable and took the opportunity to share ideas and issues. Some of your 800 suggestions were observations or comments on the programme which have been noted by the transformation team. Where we can develop an idea, we will be working with services to look at how we can best take these forward with you.

Activity by Grade

The following information shows the amount of time spent carrying out tasks grouped by grades. This information varies between services.

Business and Support

Citizens and Localities

	Grades 1-6	Grades 7-9	Grades 10-12	Grades 1-6	Grades 7-9	Grades 10-12
Customer contact	5.8%	34.5%	10.9%	9.1%	15.6%	6.1%
Assess and decide	2.4%	6.7%	4.0%	2.9%	11.4%	6.7%
Service delivery	14.0%	13.1%	20.5%	61.4%	20.8%	5.1%
Travelling	0.8%	0.7%	0.9%	6.4%	5.8%	3.5%
Work planning and scheduling	8.2%	4.9%	6.7%	3.4%	8.9%	8.9%
General administration	3.3%	18.7%	5.4%	9.8%	12.7%	5.3%
Strategic, policy, quality service development	28.0%	4.5%	18.9%	0.9%	6.3%	28.1%
Procurement	5.3%	3.7%	4.7%	0.9%	2.7%	3.2%
Managing people	14.1%	5.3%	11.1%	4.8%	13.5%	24.8%
Finance	14.6%	5.6%	13.2%	0.2%	2.1%	8.3%
ICT	3.4%	2.4%	3.7%	0.2%	0.3%	0.0%

Notes:

Grade definitions

Grades 1- 6 Supervisors and team leaders, service delivery and support

Grades 7-9 Managers and specialists

Grades 10-12 Senior management

Assess and decide activity analysis category

This category is to see how much time a role spends on undertaking eligibility checks with a customer, assessing their need and approving the provision of a service (eg care at home placement, ICT equipment etc)

Governance, Risk and Best Value Committee

2.00pm, Monday 19 October 2015

Revenue Monitoring 2014/15 – Outturn Report - referral report from the City of Edinburgh Council

Item number	7.2
Report number	
Wards	All

Executive summary

The City of Edinburgh Council on 17 September 2015 considered a report on the provisional 2014/15 revenue outturn position for the Council based on the unaudited financial statements. The report was referred to the Governance Risk and Best Value Committee for consideration as part of its workplan.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Terms of Referral

Revenue Monitoring 2014/15 – Outturn Report

Terms of referral

- 1.1 The City of Edinburgh Council on 17 September 2015 considered a report on the provisional 2014/15 revenue outturn position for the Council based on the unaudited financial statements.
- 1.2 The City of Edinburgh Council agreed:
- 1) To approve the allocation of the capital receipt of £1.183 million in respect of the former East Market Street Garage to the Council's Common Good account.
 - 2) To refer the report to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

For Decision/Action

- 2.1 The City of Edinburgh Council has referred the attached report to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

Background reading / external references

Minute of the City of Edinburgh Council 17 September 2015

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Louise Williamson, Assistant Committee Clerk

E-mail: louise.p.williamson@edinburgh.gov.uk | Tel: 0131 529 4264

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report

The City of Edinburgh Council

10.00am, Thursday 17 September 2015

Revenue Monitoring 2014/15 – Outturn Report - referral report from the Finance and Resources Committee

Item number

Report number

Wards

All

Executive summary

The Finance and Resources Committee on 27 August 2015 considered a report on the provisional 2014/15 revenue outturn position for the Council based on the unaudited financial statements. The report has been referred to the City of Edinburgh Council for approval to allocate the capital receipt of £1.183 million in respect of the former East Market Street Garage to the Council's Common Good account. The report would subsequently be referred to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

Links

Coalition pledges See attached report

Council outcomes See attached report

Single Outcome Agreement See attached report

Appendices See attached report

Terms of Referral

Revenue Monitoring 2014/15 – Outturn Report

Terms of referral

- 1.1 The Council's statement of accounts for 2014/15 was passed to the external auditor in advance of the statutory deadline of 30 June. The report set out the provisional outturn position for the revenue budget as detailed within the unaudited statement.
- 1.2 From the 1 July 2015 the unaudited financial statements were published on the Council's website for 15 working days, in accordance with relevant regulations. For 2014/15, the unaudited outturn position showed an overall underspend of £0.519 million, which equated to 0.05 per cent of the Council's total net expenditure.
- 1.3 The Finance and Resources Committee agreed to:
 - 1.3.1 Note the contents of the report and the provisional revenue underspend of £0.519 million for the year ended 31 March 2015.
 - 1.3.2 Earmark up to £0.250 million of the General Fund surplus to support the development of the Edinburgh and South East Scotland City Region City Deal proposal, with the remaining balance of the underspend set aside within the Council's Priorities Fund.
 - 1.3.3 Note the contributions to and from the General Fund as detailed in the report by the Chief Operating Officer and Deputy Chief Executive.
 - 1.3.4 Note the Common Good Annual Performance Report would be considered at the Finance and Resources Committee meeting on 24 September 2015.
 - 1.3.5 Refer the report by the Chief Operating Officer and Deputy Chief Executive to Council for approval to allocate the capital receipt of £1.183 million in respect of the former East Market Street Garage to the Council's Common Good account.
 - 1.3.6 Refer the report by the Chief Operating Officer and Deputy Chief Executive to the Governance, Risk and Best Value Committee as part of its workplan.

For Decision/Action

- 2.1 The Finance and Resources Committee has referred the report by the Chief Operating Officer and Deputy Chief Executive to The City of Edinburgh Council for approval to allocate the capital receipt of £1.183 million in respect of the former East Market Street Garage to the Council's Common Good account and for referral to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

Background reading / external references

[Revenue Monitoring 2014/15 - Outturn Report](#)

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Veronica MacMillan, Committee Clerk

E-mail: veronica.macmillan@edinburgh.gov.uk | Tel: 0131 529 4283

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10.00am, Thursday, 27 August 2015

Revenue Monitoring 2014/15 – outturn report

Item number 7.4
Report number
Executive/routine
Wards

Executive summary

The report sets out the provisional 2014/15 revenue outturn position for the Council based on the unaudited financial statements. The statement of accounts shows an overall underspend of £0.519m.

Links

Coalition pledges [P30](#)

Council outcomes [C025](#)

Single Outcome Agreement [SO1](#), [SO2](#), [SO3](#), [SO4](#)

Finance and Resources Committee

Revenue Monitoring 2014/15 – outturn report

Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the contents of this report and the provisional revenue underspend of £0.519m for the year ended 31 March 2015;
 - 1.1.2 earmark up to £0.250m of this General Fund surplus to support the development of the Edinburgh and South East Scotland City Region City Deal proposal, with the remaining balance of the underspend set aside within the Council Priorities Fund;
 - 1.1.3 note the contributions to and from the General Fund as detailed in the report;
 - 1.1.4 note the Housing Revenue Account was balanced after making a contribution of £2.5m to the Renewal and Repairs Fund;
 - 1.1.5 note the Common Good Annual Performance Report will be considered at the Committee's next meeting on 24 September;
 - 1.1.6 refer this report to Council to allocate the capital receipt of £1.183m in respect of the former East Market Street Garage to the Council's Common Good account; and
 - 1.1.7 refer this report to the Governance, Risk and Best Value Committee as part of its workplan.

Background

- 2.1 The Council's statement of accounts for 2014/15 was passed to the external auditor in advance of the statutory deadline of 30 June. This report sets out the provisional outturn position for the revenue budget as detailed within this unaudited statement.
- 2.2 The unaudited financial statements were published on the Council website by 30 June 2015 and made available for public inspection from 1 July 2015 for 15 working days, in accordance with relevant regulations.

Main report

- 3.1 The unaudited outturn position for 2014/15 shows an overall underspend of £0.519m, equating to 0.05% of the Council's total net expenditure. The table below outlines the constituent elements of this variance, alongside the movement from the position projected at period nine, with additional details provided in Appendices 1 and 2.

	Outturn Variance
Service Variance	£000
Children and Families	0
Corporate Governance	(465)
Economic Development	(26)
Health and Social Care	5,878
Services for Communities	(1)
Total Service Variances	5,386
Corporate Variances	
Council Tax Reduction Scheme	(811)
Net Cost of Benefits	(1,374)
Dividends Receivable	(437)
Loan Charges / Interest on Rev Bals	(3,170)
Prior-year and other adjustments	1,508
Council Tax / Community Charge	(4,170)
Contribution to Repairs and Renewals	10,301
Contribution from Earmarked Funds	(7,751)
Total Corporate Variances	(5,904)
In-year (surplus) / deficit	(519)

- 3.2 There was an overspend within service areas of £5.386m. Within this amount, four of the five main service areas returned underspends, or achieved a balanced position, against their approved budgets. Health and Social Care returned an overspend of £5.878m, with £4.75m of this being met through the Council Priorities Fund in accordance with Council's decision of 12 February 2015 and the remainder addressed by means of underspends / additional income from other areas of the Council's budget.

- 3.3 The net underspend of £0.519m has initially been set aside within the Council Priorities Fund, for the purposes of closing the 2014/15 accounts. Following consideration at its meeting of 28 May, Council agreed to allocate up to £0.250m of the combined Economic Development and Corporate Governance underspend (totalling £0.491m) to support the development of a full proposal for the Edinburgh and South East Scotland City Region City Deal. Members are therefore asked to refer this decision, and the resulting set-aside of the remaining balance within the Council Priorities Fund, to Council for approval.
- 3.4 Service variances are outlined in more detail in Appendix 2.

Other variances

- 3.5 In addition to the service-specific position summarised above, the overall outturn reflected a number of other variances, the main elements of which are summarised below:

Council Tax Reduction Scheme

The majority of funding for this scheme is included within the Local Government Finance Settlement. The entirely demand-led nature of this scheme exposes the Council to risks, however the sums paid out in 2014/15 were £0.8m lower than the level of budgetary provision.

Loan Charges / Interest on Revenue Balances

There was an overall favourable variance of £3.17m, largely attributable to the Council's ongoing strategy not to undertake external borrowing to finance capital investment, instead financing this from available cash resources.

Council Tax / Community Charge

Increased property numbers, lower than budgeted levels of exemptions and discounts contributed to a favourable overall variance of £4.170m.

The Community Charge Debt (Scotland) Act 2015 was passed on 19 February 2015, bringing to an end the collection of Community Charge in Scotland. The Council has written off the Community Charge debtor in the annual financial statements during the financial year and no further income collections will be made.

Property Conservation

- 3.6 As part of the 2014/15 financial year-end review process, the adequacy of provision for bad debt and irrecoverable sums was considered by Finance and Property Conservation. Following review, and as a prudent measure, the total amount earmarked for bad debts and irrecoverable sums has been increased by £1.5m, recognising a potential under-provision for legacy work and aged debts. This is in respect of old statutory notice bills that were not part of the Deloitte

process. The total amount now set aside for bad debts and irrecoverable sums is £17.9m.

Approved budget savings delivery

- 3.7 The final outturn position for 2014/15 indicates that 72% of approved savings by value were delivered, with non-delivery primarily as a result of shortfalls in Corporate Property and Health and Social Care. Opportunities to realise savings, and thereby re-establish financial stability, in these areas are being actively examined through the asset management strand of the Transformation Programme and KPMG's work with Health and Social Care.

Housing Revenue Account (HRA)

- 3.8 The HRA achieved a balanced position for 2014/15 after making a contribution of £2.503m to the Renewal and Repairs Fund, which represents sums set aside for the provision of new affordable homes through the 21st Century Homes programme and as a contingency to manage the impact of welfare reform. This contribution was achieved after a voluntary repayment of debt of £6.1m.

Staff severance costs

- 3.9 Costs relating to voluntary severance in 2014-15 were met through a combination of central funding and provision made by service areas. Services were again given the option of having pension strain costs funded centrally by way of a budget virement, with any costs being repaid to the General Fund over a period of up to five years, or managing these within available resources. Full provision to meet these costs was made in-year by all services except Children and Families, with funding of £0.137m being repayable over five years.
- 3.10 The table below summarises voluntary severance and pension strain costs relating to the release of staff during the year to enable approved savings to be delivered. The reported costs and staff numbers are based on when the corresponding commitment was created in accounting terms and not necessarily when the employees concerned left the Council. The number and associated cost of voluntary severance arrangements in 2014/15 reduced by almost 50% compared with 2013/14.

Service	Voluntary Severance Costs £000	Pension Strain Costs £000	Total £000	Number of staff
Children and Families	609	259	868	34
Corporate Governance	393	389	782	14
Economic Development	57	74	131	3
Health and Social Care	72	175	247	12
Services for Communities	328	305	633	18

Total	1,459	1,202	2,661	81
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Reserves

- 3.11 Details of the opening and closing amounts in the General Fund, including earmarked balances are shown in Appendix 3. The unallocated General Fund balance remained unchanged at £13.025m, while there was a net decrease in reserves held for specific purposes by £5.995m. The main elements of this movement were:

Net contributions to General Fund

Balances set aside for specific investment - £1.861m – various additional contributions for specific projects received during the year that are expected to be drawn down in the 2015/16.

Lothian Buses - £2m – additional dividend received from Lothian Buses which is being utilised in 2015/16 to support additional investment in the city's roads and pavements.

Council Tax Discount Fund - £2.301m - monies set aside as a result of reducing Council Tax second home discounts. Use of the fund is prescribed by the Scottish Government and is restricted to affordable housing type projects.

Strategic Acquisition Fund - £3m – on 7 February 2013 Council approved the creation of this fund for the purpose of creating new city development opportunities. During 2014/5 part funding of this initiative was created from a one-off dividend receipt derived through an asset sale from Shawfair Land Ltd.

IT Transformation – £2.298m – a further contribution to the fund was made in 2014/15 to support the IT transformation programme.

Contributions from General Fund

Council Priorities Fund – net reduction of £7.739m comprised a combination of (i) drawdown of £4.75m to reduce the Health and Social Care overspend, as approved by Council, 12 February 2015, (ii) approved funding of Gylemuir House (former Pentland Hill Care Home), (iii) approved tram feasibility funding and (iv) a number of smaller approved drawdowns.

Contingency funding and workforce management - £4.931m net reduction related to (i) £1.276m central funding of voluntary release and pension strain costs, (ii) £3.155m of equal pay claims and (iii) Children and Families contingency funding carried forward from 2013/14.

Older People's Change Fund – remaining funds of £2.67m were drawn down in full during 2014/15 in accordance with funding agreements, for a number of prevention and early intervention initiatives.

Common Good

- 3.12 During 2014/15, the Council generated two capital receipts for the Common Good, with the first being the sale of air rights above Common Good land in the Grassmarket for £0.035m, which was credited to the Common Good Fund. The second sale was that of East Market Street Garage as part of a wider package of properties associated with the New Waverley development.
- 3.13 The Common Good account was credited with a receipt of £1.183m. The receipt, net of costs associated with the disposal, was then transferred to an earmarked reserve pending re-consideration by the Council of its previous decision on 14 November 2002 to transfer the receipt from the sale of the site to the Council to assist with the funding of the rationalisation of office accommodation. Given the subsequent completion of the accommodation programme, culminating in the opening of the Waverley Court Headquarters building in late 2006, and, more fundamentally, intervening changes in economic conditions (including the knock-on impact on the Fund's investment returns), it is recommended that this receipt now be retained within the Council's Common Good account.

Measures of success

- 4.1 The Council has a statutory duty to set a balanced budget each year and the Financial Regulations further set out the Directors' responsibilities in maintaining expenditure within approved levels. This has in overall terms been achieved and has allowed the level of unallocated reserves to be maintained in accordance with the Council's reserves strategy whilst also forming a solid basis from which to deliver subsequent years' savings requirements.

Financial impact

- 5.1 There is no additional financial impact arising from the report's contents but a range of pressures and the corresponding ways in which they were managed during the year is set out.

Risk, policy, compliance and governance impact

- 6.1 Risk-based monitoring, including regular tracking of the delivery of approved savings and active management of risks and pressures, forms a key element of effective financial management. This, in turn, serves as a vital aspect of the Council's wider governance framework.

Equalities impact

7.1 There are no direct equalities impact implications arising from this report.

Sustainability impact

8.1 There is no direct relevance of the report's contents to impacts on carbon, adaptation to climate change and sustainable development.

Consultation and engagement

9.1 There is no direct relevance to the report's contents

Background reading/external references

Common Good (specifically re. sale of East Market Street Garage) – City of Edinburgh Council, 14 November 2002

[Capital Coalition Budget Motion 2013/14](#) – City of Edinburgh Council, 7 February 2013

[Adult Social Care Pressures 2014/15](#) – Finance and Resources Committee, 27 November 2014

[Revenue Monitoring 2014/15 – Nine Month Position](#) – Finance and Resources Committee, 15 January 2015

[Health and Social Care Financial Position – referral report from the Finance and Resources Committee](#) – City of Edinburgh Council, 12 February 2015

[Edinburgh and South East Scotland City Region City Deal](#), City of Edinburgh Council, 28 May 2015

[Unaudited Financial Statements 2014/15](#) – City of Edinburgh Council, 25 June 2015

Alastair D Maclean

Chief Operating Officer

Deputy Chief Executive

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on agreed objectives

Single Outcome Agreement

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

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

Appendices

Appendix 1 - Unaudited outturn statement, 2014/15

Appendix 2 - Service outturn commentaries

Appendix 3 - General Fund – movements in usable reserves

THE CITY OF EDINBURGH COUNCILUNAUDITED OUTTURN STATEMENT 2014-15

Service	Adjusted Budget £000	Outturn £000	Outturn Variance £000
Children and Families	391,393	391,393	0
Economic Development	12,479	12,453	(26)
Corporate Governance	81,529	81,064	(465)
Health and Social Care	204,359	210,237	5,878
Valuation Joint Board requisition	3,745	3,745	0
Services for Communities	137,316	137,316	(1)
General Fund Services	830,822	836,208	5,386
Council Tax Reduction Scheme	26,597	25,785	(811)
Net Cost of Benefits	2,983	1,609	(1,374)
Non Distributed Costs	10,113	10,113	0
Dividends Receivable	(8,000)	(8,437)	(437)
Loans Charges / Interest on Revenue Balances	118,165	114,995	(3,170)
Prior Year and Other Adjustments	6,157	7,666	1,508
Total Non-Service Specific	156,015	151,731	(4,285)
Total Expenditure to be Funded	986,837	987,938	1,102
Funded by -			
Revenue Support Grant	(386,311)	(386,311)	0
Non Domestic Rates - Contrib from Pool	(364,108)	(364,108)	0
Council Tax / Community Charge	(234,591)	(238,761)	(4,170)
Contribution to Repairs and Renewals	64	10,366	10,301
Contribution to Capital Fund	91	91	0
Contribution from Earmarked Funds	(1,982)	(9,734)	(7,751)
Total Funding	(986,837)	(988,457)	(1,620)
In-year Surplus	0	(519)	(519)

Slight differences above are due to roundings.

Children and Families

Children and Families achieved a breakeven position for 2014-15 which is in line with the position reported at month nine.

The service delivered this position despite a number of significant unbudgeted pressures in demand-led areas including:

- a growth in fostering, kinship and adoption placements which exceeded expected levels;
- increased costs associated with Additional Support Needs home-to-school transport;
- increased employee costs associated with Schools and Community Services.

Mitigating management actions were put in place to manage these pressures in full, including vacancy controls, reduction in discretionary expenditure and application of service reserves.

Corporate Governance

Corporate Governance 2014-15 outturn reflected an underspend of £0.465m compared to budget.

The service achieved the underspend after managing an emerging pressure of £0.1m relating to Discretionary Housing Payments, through additional income of £0.125m from the Usher Hall and other events, £0.2m one-off saving from the transfer of the Single Fraud Investigation Service to the Department for Work and Pensions and control of expenditure within IT Solutions of £0.3m.

Economic Development

The outturn position for Economic Development showed an underspend of £0.026m for 2014-15 against a balanced position forecast at period nine.

Health and Social Care

Health and Social Care continued to face significant demand-led pressures in 2014/15 and the final outturn position was a net overspend of £5.878m. This was an adverse movement from the period nine report of £2.338m.

At the budget setting meeting of 12 February 2015, Council approved the use of up to £4.75m from the Council Priorities Fund towards this overspend. The remainder was met through savings in loans charge expenditure and additional Council Tax income.

The main pressures were in the following areas:

£3.9m Care at Home - demographic and unscheduled care pressures

£1.8m Direct Payments - Self-Directed Support option 1

£1.0m Care Home staffing - increased dependency level of residents

£0.8m Respite Income - new legislation preventing charging for support to carers

£0.5m Residential and Nursing Care - cost of high dependency placements

The "Adult Social Care Pressures 2014/15" report to Finance and Resources Committee on 27 November 2014 outlined £2m of mitigating actions to control the budget overspend. This

was subsequently increased, with £2.3m being achieved.

Agreed income of £1m to help fund the Joint Financial Plan was not made available by NHS Lothian due to increased unscheduled care demand on the acute hospital sector, as reported to Committee on 27 November.

Integration transition funding of £0.283m from NHS Lothian has yet to be received and a gap between one-off funding released by NHSL and the cost of Step Down also created a pressure of £0.492m.

Services for Communities

Services for Communities achieved a balanced budget in 2014/15 in line with the period nine forecast. This was achieved despite the service needing to address pressures of almost £6m in Corporate Property and £3m in Environment.

In order to contain expenditure within budget, money was diverted from budgets across the service to create a contingency and a decision was taken to stop discretionary/non-committed expenditure in the last quarter. This contributed to significant underspends in the Transport and Neighbourhood budgets. There was also an increased level of planning and building warrant income.

General Fund - movement in usable reserves

Appendix 3

	Balance at 31.3.14		Balance at 31.3.15	
	£m	£m	£m	£m
Unallocated General Fund		13.025		13.025
<u>Balances set aside to manage future risks</u>				
Balances set aside for specific investment	12.028		13.889	
Council priorities fund	10.894		3.155	
Contingency funding, workforce management	22.832		17.901	
Dilapidations fund	8.154		8.759	
Insurance fund	<u>11.928</u>		<u>12.557</u>	
		65.836		56.261
<u>Balances set aside from income received in advance</u>				
Licensing income	1.820		1.401	
Lothian Buses	4.000		6.000	
Other minor funds	0.197		0.219	
PPP monies	1.455		1.599	
Recycling monies	1.464		1.371	
National Performance Centre	3.446		1.996	
Council Tax discount fund	16.335		18.636	
Change Fund	2.670		0.000	
Unspent grants	4.610		4.482	
Strategic Acquisition Fund	<u>0.000</u>		<u>3.000</u>	
		35.997		38.704
<u>Balances set aside for investment in specific projects which will generate future savings</u>				
IT transformation	1.183		3.481	
Energy efficiency	0.983		0.800	
Spend to save	<u>5.012</u>		<u>3.989</u>	
		7.178		8.270
Devolved School Management		1.273		1.054
Total General Fund		<u><u>123.309</u></u>		<u><u>117.314</u></u>

Governance, Risk and Best Value Committee

2.00pm, Monday 19 October 2015

Revenue Monitoring 2015/16 – Month 3 Position - referral report from the City of Edinburgh Council

Item number	7.3
Report number	
Wards	All

Executive summary

The City of Edinburgh Council on 17 September 2015 considered a report on the projected month three revenue monitoring position for the Council, based on period two data. The report was referred to the Governance Risk and Best Value Committee for consideration as part of its workplan.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Terms of Referral

Revenue Monitoring 2014/15 – Month 3 Position

Terms of referral

- 1.1 The City of Edinburgh Council on 17 September 2015 considered a report on the projected month three revenue monitoring position for the Council, based on period two data.
- 1.2 Approval was sought for the Spend to Save application for the Edinburgh Leisure web development project and the £9.8million of savings referenced in paragraph 3.6 of the report by the Deputy Chief Executive, to offset, in part, the forecasted overspend in Health and Social Care.
- 1.3 The City of Edinburgh Council agreed:
 - 1) To approve of the Spend to Save application for the Edinburgh Leisure web development project and the £9.8 million of savings referenced in paragraph 3.6 of the report by the Deputy Chief Executive, to offset, in part, the forecasted overspend in Health and Social Care.
 - 2) To note the very significant budget pressure in Health and Social Care and the range of mitigating actions set out, which imply direct service impacts; and in that light to request that the leader make further urgent representation to Scottish Ministers about the extent to which demand for health and social care services was adequately reflected in the local government settlement.
 - 3) To refer the report to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

For Decision/Action

- 2.1 The City of Edinburgh Council has referred the attached report to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

Background reading / external references

Minute of the City of Edinburgh Council 17 September 2015

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Louise Williamson, Assistant Committee Clerk

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

The City of Edinburgh Council

10.00am, Thursday 17 September 2015

Revenue Monitoring 2015/16 – Month Three Position - referral report from the Finance and Resources Committee

Item number

Report number

Wards

All

Executive summary

The Finance and Resources Committee on 27 August 2015 considered a report on the projected month three revenue monitoring position for the Council, based on period two data. The report has been referred to The City of Edinburgh Council for approval of the Spend to Save application for the Edinburgh Leisure web development project and the £9.8 million of savings referenced in paragraph 3.6 of the report to offset, in part, the forecasted overspend in Health and Social Care. The report would subsequently be referred to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

Links

Coalition pledges See attached report

Council outcomes See attached report

Single Outcome Agreement See attached report

Appendices See attached report

Terms of Referral

Revenue Monitoring 2015/16 – Month Three Position

Terms of referral

- 1.1 The report represents the first of the quarterly revenue monitoring reports for 2015/16. Ongoing analysis of the revenue position was undertaken in line with agreed, risk-based principles, with any material changes reported in the intervening periods as required.
- 1.2 As of period three, the Council was projecting a balanced position for the year, albeit this was subject to both approval of a number of transitional savings measures and delivery of further savings within Health and Social Care. Most other service areas had, however, also highlighted a number of pressures and/or risks to achieving the projected outturns set out in Appendix 1 of the Chief Operating Officer and Deputy Chief Executive's report. Directors had implemented a range of management measures to control expenditure and work was ongoing to identify further actions to ensure identified pressures were contained. Service-specific issues amounting to over £20 million, and corresponding mitigating actions, were highlighted in Appendix 2 of the Chief Operating Officer and Deputy Chief Executive's report.
- 1.3 The Finance and Resources Committee agreed to:
 - 1.3.1 Note the projected balanced position at month three, subject to approval by Council of £9.8 million of transitional savings and delivery of additional savings within Health and Social Care as noted below.
 - 1.3.2 Note the Health and Social Care forecast overspend of £11.2 million and instruct the service to report further to the Finance and Resources Committee on 24 September 2015, setting out progress in both delivery of the agreed mitigating measures and development of additional proposals as necessary to deliver at least a further £1.4 million of net savings, and in doing so would return the service budget towards a sustainable position.
 - 1.3.3 Note the on-going risks and challenges in achieving the necessary offsetting projected underspends across other areas of the budget which would require further management actions and active scrutiny for the remainder of the year.

- 1.3.4 Note the balanced position projected on the Housing Revenue Account (HRA) after making a £17 million contribution towards the construction of new homes.
- 1.3.5 Refer the report by the Chief Operating Officer and Deputy Chief Executive to Council for approval of the Spend to Save application for the Edinburgh Leisure web development project and the £9.8 million of savings referenced in paragraph 3.6 of the report to offset, in part, the forecasted overspend in Health and Social Care.
- 1.3.6 Refer the report by the Chief Operating Officer and Deputy Chief Executive to the Governance, Risk and Best Value Committee as part of its workplan.

For Decision/Action

- 2.1 The Finance and Resources Committee has referred the report by the Chief Operating Officer and Deputy Chief Executive to The City of Edinburgh Council for approval of the Spend to Save application for the Edinburgh Leisure web development project and the £9.8 million of savings referenced in paragraph 3.6 of the report to offset, in part, the forecasted overspend in Health and Social Care, and for referral to the Governance, Risk and Best Value Committee for consideration as part of their workplan.

Background reading / external references

[Revenue Monitoring 2015/16 - Month 3 Position](#)

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Veronica MacMillan, Committee Clerk

E-mail: veronica.macmillan@edinburgh.gov.uk | Tel: 0131 529 4283

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10.00am, Thursday, 27 August 2015

Revenue Monitoring 2015/16 – month three position

Item number 7.6
Report number
Executive/routine
Wards

Executive summary

The report sets out the projected month three revenue monitoring position for the Council, based on period two data. The current full-year outturn forecast indicates significant pressures within Health and Social Care which shows an overall overspend of £11.2m after implementation of mitigating management actions identified to date.

As previously intimated to Committee, the Corporate Leadership Group agreed in June to identify £5m of one-off funding across other services and corporate budgets to offset an element of this pressure which, subject to Council approval, would reduce the forecast underspend to £6.2m. Following further consideration, the Chief Executive has now instructed the identification of additional corporate and service-specific savings proposals to a combined value of £4.8m, reducing the projected residual overspend to £1.4m. The Chief Social Work Officer, on behalf of the Health and Social Care service, has furthermore been instructed to ensure that at least an additional £1.4m of previously-agreed mitigating actions, or agreed alternatives, be delivered. Subject to approval by Council of the £9.8m of transitional corporate funding and containment of other risks and pressures, this gives the potential for a balanced overall position to be delivered by the year-end.

Links

Coalition pledges [P30](#)
Council outcomes [CO25](#)
Single Outcome Agreement [SO1](#), [SO2](#), [SO3](#), [SO4](#)

Revenue Monitoring 2015/16 – month three position

Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note the projected balanced position at month three, subject to approval by Council of £9.8m of transitional savings and delivery of additional savings within Health and Social Care as noted below;
 - 1.1.2 note the Health and Social Care forecast overspend of £11.2m and instruct the service to report further to the Committee's meeting on 24 September, setting out progress in both the delivery of the agreed mitigating measures and development of additional proposals as necessary to deliver at least a further £1.4m of net savings, in so doing returning the service budget towards a sustainable position;
 - 1.1.3 note the on-going risks and challenges in achieving the necessary offsetting projected underspends across other areas of the budget which will require further management actions and active scrutiny for the remainder of the year;
 - 1.1.4 note the balanced position projected on the Housing Revenue Account (HRA) after making a £17m contribution towards the construction of new homes;
 - 1.1.5 refer this report to the Governance, Risk and Best Value Committee as part of its work programme; and
 - 1.1.6 refer this report to Council for approval of (i) the Spend to Save application for the Edinburgh Leisure web development project and (ii) the £9.8m of savings referenced in paragraph 3.6 of this report to offset, in part, the forecast overspend in Health and Social Care.

Background

- 2.1 This report sets out the projected overall position for the Council's revenue expenditure budget for 2015/16 as at month three, based on analysis of period two data.

Main report

- 3.1 This report represents the first of the quarterly revenue monitoring reports for 2015/16. On-going analysis of the revenue position is undertaken in line with agreed, risk-based principles, with any material changes reported in the intervening periods as required. The introduction of monthly budget review and challenge meetings has also enhanced the focus on the prompt identification of, and development of appropriate mitigating action to address, service risks and pressures.

Overall position

- 3.2 As of period three, the Council is projecting a balanced position for the year, albeit this is subject to both approval of a number of transitional savings measures and delivery of further savings within Health and Social Care. Most other service areas have, however, also highlighted a number of pressures and/or risks to achieving the projected outturns set out in Appendix 1. Directors have implemented a range of management measures to control expenditure and work is ongoing to identify further actions to ensure identified pressures are contained. Service-specific issues amounting to over £20m, and corresponding mitigating actions, are highlighted in Appendix 2.

Health and Social Care

- 3.3 The report to this Committee on 4 June 2015 highlighted demand-led pressures within the 2015/16 Health and Social Care budget of £16.5m. The position set out at that time has altered slightly, with an overall pressure of £16.2m now forecast, comprising additional Third Party Payments expenditure of £11.5m for Care at Home, Residential and Nursing, Day Care and Direct Payments; Supplies and Services of £1.7m; staff costs of £1.6m for Care Homes and Home Care; an income shortfall of £0.8m related to respite charging; and transport and premises costs of £0.5m.
- 3.4 Potential savings resulting from the mitigating actions reported to this Committee on 4 June of £11.6m have been revised slightly to £11.8m and of these, £5.0m are expected to be delivered in full (Appendix 3). The remaining £6.8m of actions require further development to allow their deliverability to be built into the outturn forecast. A planned programme of mitigation, including a specific focus on demand management, is therefore being progressed in partnership with KPMG; at this stage, however, it is too early to quantify its financial impact in 2015/16.
- 3.5 Discussions concerning the provision of potential one-off Scottish Government funding to contribute to the re-establishment of a sustainable budget are also continuing. Receipt of such funding would, however, require additional expenditure compared to that included in this budget forecast. A further update will be brought to the next Finance and Resources Committee meeting on 24 September 2015.

Transitional corporate funding to address Health and Social Care overspend

- 3.6 The Corporate Leadership Group agreed in June to identify £5m of one-off funding across other service areas and corporate budgets to offset an element of the residual pressure within Health and Social Care. In acknowledging the scale of the financial challenges facing the service and the corresponding need for mitigating measures to be embedded over the medium-term, however, Directors were subsequently requested to identify a further £4.8m of savings capable of delivery in the current year. The impact of these proposals is reflected in Appendix 1, with underspends reflected against each area in accordance with its respective contribution towards the £9.8m of total one-off funding. The identification of these additional contributions re-emphasises the need for strict scrutiny and control of all areas of expenditure if a balanced overall position is to be achieved by year-end.
- 3.7 Onward referral of this report to Council is requested to seek approval of the £9.8m one-off savings identified to reduce the forecast pressure on the Health and Social Care budget. Details of the proposed mitigating measures are shown in Appendix 4, with additional information on the £0.995m of Corporate Governance-specific measures, and wider service position, included elsewhere on today's agenda.
- 3.8 Provision of the above additional transitional funding and management of all other existing risks and pressures would reduce the residual Council-wide overspend to £1.4m. The Chief Social Work Officer, on behalf of the Health and Social Care service, has therefore furthermore been instructed to ensure that at least an additional £1.4m of previously-agreed mitigating actions, or agreed alternatives, be delivered. A further progress update in this area will be provided to the Committee's meeting on 25 September.

Children and Families

- 3.9 The Director of Children and Families is forecasting a break-even position, albeit the service continues to be subject to a number of demand-led pressures in such areas as fostering, out-of-Council residential schools and units and various impacts of increasing pupil rolls. The Senior Management Team remains committed to putting in place additional measures as appropriate to ensure a balanced position is achieved by year-end.
- 3.10 The Director of Children and Families has been requested to identify £2.025m of measures as the service's contribution to address pressures within the Health and Social Care. Proposed measures identified include vacancy controls and postponement of planned additional flexibilities around early years learning and childcare provision.

Services for Communities

- 3.11 The Acting Director of Services for Communities is reporting a £1.65m underspend at period three, representing the service's share of the £9.8m

referred to above. Service-wide pressures of £9.9m have been identified, however, with mitigating actions in place to address £9.1m of these. It is anticipated that the remaining pressure will be managed through further senior management scrutiny of overspending areas to identify potential cost reductions and reviewing areas of underspend in 2014/15 for recurring savings and/or increased income.

- 3.12 The service's proposed £1.65m contribution towards the £9.8m one-off support to the Health and Social Care budget includes the drawing down against in-year expenditure of the earmarked funding put aside to provide a contingency against the impact of severe winter weather, reductions in consultancy spend and additional income resulting from increased planning fee volumes.

Housing Revenue Account

- 3.13 The Housing Revenue Account is forecasting a break-even position after making a £17m contribution towards housing investment, relative to an assumed budgeted contribution of £9m. The favourable movement is due to the delay in the implementation of temporary accommodation-related welfare reforms which has mitigated the reduction in income anticipated in this area and treasury management savings as a result of additional debt write-off made in 2014/15.

Savings delivery

- 3.14 On 12 February 2015, Council approved a budget for 2015/16 underpinned by the delivery of £39.903m of savings spanning all areas of Council activity. Prior to the beginning of the financial year, these savings were the subject of a comprehensive assurance assessment and delivery is now being tracked on a monthly basis by Senior Management Teams.
- 3.15 The assessments categorise progress with savings implementation on a red, amber, green status based on degree of certainty of delivery. The assessments at period three indicate that 78% of these are classified as green, with a further 12% on target subject to additional measures being taken to ensure delivery. A summary of the assessments by service area is shown in Appendix 5. Maximising delivery of savings will be crucial in mitigating other risks within the budget, including any pressures arising, for example, upon confirmation of the agreed level of employee pay award for 2015/16.

Spend to Save

- 3.16 The current level of funding within the Spend to Save Fund to take forward eligible projects is £4m.
- 3.17 Edinburgh Leisure has submitted an application for the use of £0.126m of Spend to Save funding for the development of its website application. The summary of this proposal is shown below, with further details included in Appendix 6.

- 3.18 The business case provided by Edinburgh Leisure is based on extra revenue being generated across a number of activities together with a reduction in administrative costs. The Spend to Save Fund will be reimbursed over two years by a reduction in the annual service payment made to Edinburgh Leisure.

Bidder	Project	Funding Required 2015/16	Payback Period
Edinburgh Leisure	Website development	£126,000	2 Years – 2016-18 £63,000 per annum

Measures of success

- 4.1 Achieving a balanced overall budget outturn position for 2015/16 and successful delivery of approved savings.

Financial impact

- 5.1 The report's contents point to a balanced overall position for the year as a whole, although this is dependent upon Council approval of £9.8m of additional savings measures, delivery of further savings within Health and Social Care and management of other risks and pressures.

Risk, policy, compliance and governance impact

- 6.1 The delivery of a balanced budget outturn for the year is the key target. The risks associated with cost pressures, increased demand and savings delivery targets are regularly monitored and reviewed and management action is taken as appropriate.
- 6.2 Ongoing communications by the Council's section 95 Officer have reinforced the respective responsibilities of Directors to maintain expenditure within approved budgets in accordance with the Financial Regulations. Directors also have a requirement to ensure that savings identified are both achievable and delivered to maintain a sustainable budget across the Council. With this in mind, structured plans are in place for review and feedback on current and future years' savings proposals.

Equalities impact

- 7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial Equalities and Rights Impact Assessment.

The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

Sustainability impact

- 8.1 While there is no direct additional impact of the report's contents, the Council's revenue budget includes expenditure impacting upon carbon, adaptation to climate change and contributing to sustainable development. In addition, all budget proposals are now subject to an upfront Carbon Impact Assessment.

Consultation and engagement

- 9.1 There is no external consultation and engagement arising directly from this report, although the Council's budget continues to be subject to a process of annual consultation and engagement.

Background reading/external references

[Health and Social Care 2015/16 Budget – Further Progress Report](#) – Finance and Resources Committee - 4 June 2015

Service monitoring statements for Period two

Alastair D Maclean

Chief Operating Officer

Deputy Chief Executive

Contact: Hugh Dunn, Head of Finance

E-mail: hugh.dunn@edinburgh.gov.uk | Tel: 0131 469 3150

Links

Coalition pledges	P30 – Continue to maintain a sound financial position including long term financial planning
Council outcomes	CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	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 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

Appendices

Appendix 1 – Period three service analysis

Appendix 2 – Significant pressures, key risks and mitigating actions

Appendix 3 – Health and Social Care: progress in delivery of mitigating actions

Appendix 4 – Proposed mitigating corporate and service-specific actions to address Health and Social Care pressures

Appendix 5 – Progress assessment of savings delivery

Appendix 6 – Spend to Save proposal - Edinburgh Leisure

REVENUE MONITORING 2015-16

PERIOD 2 REPORT

SERVICE ANALYSIS

Account	Revised Budget £000	Budget to Date £000	Actual to Date £000	Variance to Date		Projected Outturn £000	Projected Variance	
				£000	%		£000	%
Children and Families	396,205	60,127	60,514	387	0.6%	394,181	-2,025	-0.5%
Corporate Governance	75,686	22,364	22,405	41	0.2%	74,691	(995)	-1.3%
Economic Development	11,679	2,924	3,062	138	4.7%	11,429	(250)	-2.1%
Health and Social Care	201,147	46,054	48,015	1,961	4.3%	210,932	9,785	4.9%
Services for Communities	133,305	19,134	19,692	558	2.9%	131,655	(1,650)	-1.2%
Valuation Joint Board Requisition	3,744	624	624	0	0.0%	3,744	0	0.0%
Direct Service Expenditure	821,767	151,227	154,312	3,085	2.0%	826,632	4,865	0.6%
Council-wide - Energy Costs	774	0	0	0	n/a	774	0	0.0%
Council-wide - Living Wage	1,032	0	0	0	n/a	1,032	0	0.0%
Council-wide - Non-Domestic Rates	468	0	0	0	n/a	468	0	0.0%
General Fund Services Subtotal	824,040	151,227	154,312	3,085	2.0%	828,906	4,865	0.6%
Net Cost of Benefits	(62)	(10)	3,520	3,530	n/a	(62)	0	0.0%
Modernising Pay and related employee cost and other contingencies	5,278	0	0	0	n/a	4,478	(800)	-15.2%
Pension Auto Enrolment	226	0	0	0	n/a	226	0	0.0%
Pension Fund - Lump Sum Payment	3,064	511	511	0	0%	3,064	0	0.0%
Non-Domestic Rates - Discret. Relief	350	0	0	0	n/a	350	0	0.0%
Carbon Tax	1,200	1,200	1,218	18	1.5%	1,200	0	0.0%
Insurance Excesses	175	0	0	0	n/a	175	0	0.0%
Loans Charges / Interest on Rev Bals	119,153	0	0	0	n/a	116,473	(2,680)	-2.2%
Dividend and Investment Income	(5,000)	0	0	0	n/a	(5,000)	0	N/a
Unallocated budget motion funding	182	0	0	0	n/a	182	0	N/a
Prior Year and Other Adjustments	4,221	0	0	0	n/a	4,036	(185)	-4.4%
Total General Fund	952,828	152,928	159,561	6,633	4.3%	954,028	1,200	0.1%
Funding								
General Grant Funding	(337,538)	(125,919)	(125,919)	0	0%	(337,538)	0	0.0%
Non Domestic Rates	(404,108)	(67,351)	(67,351)	0	0%	(404,108)	0	0.0%
Council Tax	(237,113)	(39,519)	(39,519)	0	0%	(238,113)	(1,000)	0.4%
Less: Council Tax Reduction Scheme	27,152	4,525	4,525	0	0%	27,152	0	0.0%
Operating Deficit / (Surplus)	1,221	(75,336)	(68,703)	6,633	n/a	1,421	200	n/a
Contribution to / (from) Reserves								
Earmarked Reserves								
- BT Efficiencies Fund	1,662	0	0	0	n/a	1,662	0	0.0%
- Dilapidations Fund	717	0	0	0	n/a	717	0	0.0%
- Council Priorities Fund	(3,600)	0	0	0	n/a	(3,800)	-200	5.6%
Total Contribution to / (from) Reserves	(1,221)	0	0	0	n/a	(1,421)	-200	n/a
In-year Deficit / (Surplus)	n/a					0	0	n/a
Housing - HRA	0	(8,254)	(9,108)	(854)	n/a	0	0	n/a

Note: Net cost of Benefits variance reflects expenditure that will be recovered from the Department for Work and Pensions at period six or seven.

Service Area	Significant Pressures	Mitigating Actions/Key Risks
<p>Children and Families</p>	<p>There are budget pressures in many areas of the service and a number of challenges relating to delivery of approved savings. Areas of significant budget pressure include:</p> <ul style="list-style-type: none"> - out-of-Council residential schools and secure units; - fostering, adoption and kinship placements; and - demographic pressures within the schools budget 	<p>Mitigating management actions have been put in place to address the projected pressures, however currently, a net £3m pressure (aside from the £2.025m of savings addressing corporate pressures) remains.</p> <p>The Senior Management Team remains committed to identifying further actions to address these. There remains a high risk, however, of overspend in relation to vulnerable children, which will require identification of corresponding savings in other areas of the service budget.</p>
<p>Corporate Governance</p>	<p>No pressures are currently foreseen in this service area which cannot be contained within the approved budget.</p>	<p>A service-specific contingency has been created to mitigate budget pressures, including meeting £0.128m related to increased demands on Health and Safety services.</p> <p>One-off or accelerated savings proposals have been developed to meet the service support commitment for Health and Social Care agreed by Corporate Leadership Group.</p> <p>There is a risk of demand for payment of Discretionary Housing Payments exceeding available resources. This will continue to be monitored.</p>
<p>Economic Development</p>	<p>No pressures are currently foreseen in this service area which cannot be contained within the approved service budget.</p>	
<p>Health and Social Care</p>	<p>A number of significant pressures amounting to £16.2m have been identified, including:</p> <ul style="list-style-type: none"> - Care at Home, Residential and Nursing, Day Care and Direct Payments - £11.5m - Supplies and Services - £1.7m - Care Homes and Home Care staff costs - £1.6m - Respite income shortfall - £0.8m - Transport and Premises costs - £0.5m 	<p>£11.8m of mitigating actions have been identified, of which £5.015m are expected to be delivered in full.</p> <p>A planned programme of mitigation is being progressed in partnership with KPMG, including demand management. However at this stage it is too early to quantify the impact of this work in addressing the expenditure pressures identified.</p> <p>Corporate Leadership Group has agreed that one-off funding of up to £9.8m will be identified to assist with the pressures.</p>

Service Area	Significant Pressures	Mitigating Actions/Key Risks
		<p>There is a further emerging pressure from 20 high-cost packages of care currently awaiting approval with an associated estimated full-year cost of £2.9m which is not included in the forecast.</p>
<p>Services for Communities (SfC)</p>	<p>The most significant budget pressures within the service are:</p> <ul style="list-style-type: none"> - Corporate Property £5.5m - mainly related to £7.7m of unachieved iPFM savings, offset in part by increased income and reserves drawdown - Waste Services £2.2m, driven by additional landfill tax, removal of food waste grants, staffing budget pressures, vehicle costs, recycling redesign delays, increasing waste volumes and delays in implementation of savings in public conveniences. 	<p>One-off budget reductions of £4.3m have been made across the SfC budget to create a contingency to manage an element of the pressures.</p> <p>There is £2.6m available within ear-marked reserves to address shortfalls in the internal improvement plans.</p> <p>Further management action is required to balance the overall budget position, which will include:</p> <ul style="list-style-type: none"> - cost reductions in areas currently projecting overspends; - review areas of underspend from 2014/15; and - further cost reduction exercises if required. <p>There are potential further risks which have not been reflected in the pressures above:</p> <ul style="list-style-type: none"> - EBS - potential shortfall of £2m against budgeted contribution due to reduced level of housing repairs and reduced productivity following removal of bonus scheme; - Mortenhall Crematorium - temporary closure for essential repairs, resulting in loss of income; and - Repairs and Maintenance - risk that additional funding of £2m will not be sufficient to cover health and safety and wind and watertight expenditure demands. <p>Management action and assessments are ongoing to contain these potential risks.</p>

Ref	Mitigating Action	Mitigating	Mitigating	Reason
		Action F&R 4th June	Action status as of July	
		£'000	£'000	
1	Use remaining unallocated demography monies	(1,330)	(1,330)	Demography monies for older people (£470k), learning disabilities (£400k), and mental health problems and assessment (£460) have been used for existing unfunded care at home packages, not new demand in year: increase in waiting lists.
2	Additional Housing Revenue Account (HRA) contribution to telecare	(550)	(550)	Agreed increase in Housing Revenue Account's contribution to TeleCare.
3	Use unallocated Integrated Care Fund monies	(400)	(465)	Agreement reached in June with NHS and Third Sector partnership
4	Do not fill Home Care and Reablement vacancies as they arise in year	(700)	(700)	Impact of cessation of temporary NHS/SG funding for additional Reablement staff in 2014/15. Loss of 1,100 hours of Home Care & Reablement service by end of year: negative impacts on delayed discharge and waiting lists.
5	Cease purchased of 20 Step Down Beds via natural turnover	(720)	(720)	Transfer funding for 20 purchased step down beds (as people are discharged) to reduce care at home budget pressures. Agreed by Integrated Care Fund Core Group, 16/6/15. Assumes phased bed reduction completed by November: 13 achieved to date.
6	Constrain new purchased Residential/Nursing Home places to available budget	(800)	(800)	Full year effect of 2014/15 overspend reduces budget available for new care home placements – some impact likely on delayed discharges
7	CEC share (8%) of £10m Scottish Government funding for National Care Home Contract fees increase	(800)	(800)	Scottish Government is paying funding to councils via Health Boards. Sum confirmed: awaiting payment.
8	Scottish Government Funding for Delayed Discharge	(725)	(725)	Scottish Government delayed discharge funding to NHS Lothian included £2.457m for Edinburgh - £1.1m is being used to fund social care for 55 people being discharged from RVH by end of June: NHSL may need to use £632k to fund RVH wards in April, May and June, leaving £725k for transfer to Council. Under discussion.
9	Procurement saving - Additional Monies from Intensive Housing Benefit	(400)	(400)	Saving from reducing purchased care for amount of IHB that can be claimed to fund certain services is larger than estimate already included in 2015/16 savings
10	Procurement savings	(385)	(150)	Contract management savings
11	Further procurement savings	-	(262)	Contract management savings
12	Integration - Transition Fund	-	(160)	Share of one-off Scottish Government funding for Health and Social Care implementation planning
13	Reprovision of Silverlea Care home	(420)	(420)	Reprovision 11 remaining long-stay beds. Relocate residents to vacancies in CEC Care Homes as they arise, and staff redeployed. Saving assumes completed by August: on track.

14	Cease Carers payment	(200)	(200)	One-off payments have been made for the past two years to carers to assist them with their mental health and well-being and to support them in a caring role.
15	Proposed change to contribution-based charging policy	(230)	(230)	Committee agreed three month consultation to replace the current service-based charging policy with a contribution-based policy, whereby people with sufficient income will be asked to make a contribution to the cost of their personal budget. Consultation concluded July 2015 and responses being analysed for report and final equalities impacts assessment. HSCH Committee will be asked to make a decision in the autumn.
16	Equivalency model for supporting people at home	(250)	(250)	New policy proposal that care at home packages would usually not exceed equivalent cost of residential care. (Based on practice in many English LAs and in at least one Scottish council). Savings estimate is for 6 months only - to be clarified following further implementation planning currently underway. The HSCH Committee will be asked to make a decision in late 2015.
17	Revised practitioner guidance for new cases and reviews	(1,450)	(1,450)	Revised practitioner guidance intended to reinforce current eligibility criteria and reduce the cost of care packages has been issued, and further revised following workshops with managers and staff.
18	Review packages of care	(2,000)	(2,000)	Four sector review teams have been established to review cases including Direct Payments, day care, and mid/high-cost care at home packages, using revised practitioner guidance - commencing last week of May. (This saving, and the one above, also require some recalibration of the Financial Allocation System which derives indicative budgets from the assessment information to assist personalised care planning. This work is in two phases, one completed, the second underway).
19	Respite Policy - reduce annual maximum respite from 42 days to 35 days	(200)	(200)	Any carer assessed as requiring more respite care than 35 days in a year will require this package to be approved by a senior manager.

Red	(4,175)	(4,375)
Amber	(3,300)	(2,422)
Green	(4,085)	(5,015)
	<u>(11,560)</u>	<u>(11,812)</u>

Revenue monitoring - three-month update*(based on period two data)*

	£m	£m
Pressures within Health and Social Care		16.162
Less: Potential savings and mitigating actions <i>(with RAG status of green)</i>		<u>(5.015)</u>
Net Pressure		11.147
Direction from Corporate Leadership Group:		
1. Health and Social Care to deliver further mitigating actions		(1.362)
2. Transitional Corporate Funding <i>(see details below)</i>		
Children and Families	(2.025)	
Corporate Governance	(0.995)	
Economic Development	(0.250)	
Services for Communities	(1.650)	
Corporate Funding		
- Council Tax	(1.000)	
- Loan Charges	(2.680)	
- Residual funding from Modernising Pay budget for sleepover costs	(0.800)	
- Council Priorities Fund	(0.200)	
- Residual unallocated funding within approved 2015/16 budget	<u>(0.185)</u>	
		(9.785)
Projected year-end position, subject to approval of above savings and delivery of additional mitigating actions within Health and Social Care		<u><u>0.000</u></u>

Transitional Corporate Funding**Children and Families**

Vacancy controls and discretionary spend (service-wide)	(0.740)
Early Years - postpone flexibility increase for Early Years and Childcare provision	(0.700)
Reprovisioning of Hillview Respite Care Unit	(0.200)
Post-adoption support allowances	(0.125)
Early Years - reduce refurbishment budget	(0.100)
Community Services - Creative Learning	(0.060)
Additional Support for Learning - Queen Margaret University	(0.050)
Community Services - tertiary/sessional work	<u>(0.050)</u>
	<u><u>(2.025)</u></u>

Corporate Governance

Acceleration of savings from transformation programme	(0.200)
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Increased income from venues and one-off ICT contract savings	(0.200)
Further controls over discretionary spending	(0.200)
Release of contingency budget	(0.195)
Council Tax Reduction Scheme, reflecting current demand	(0.100)
Channel Shift marketing budget	(0.100)
	<u>(0.995)</u>

Economic Development

Employability - reduction of 40 training starts	(0.120)
Reduction in grants to incubation projects	(0.040)
Reduction in funding for Marketing Edinburgh	(0.030)
Reduction in discretionary spending	(0.025)
Reduce activity on investment and talent promotion	(0.023)
Business partnerships - reduction in Business Improvement District funding	(0.012)
	<u>(0.250)</u>

Services for Communities

Winter weather budget	(0.607)
Additional planning income	(0.300)
Festival Wheel income (<i>re-direction from planned reinvestment in parks</i>)	(0.245)
Reduction in Transport consultancy budget	(0.193)
Additional parking income	(0.155)
Delay full implementation of shared repairs service	(0.100)
Reduction in transport Learning and Development budget	(0.050)
	<u>(1.650)</u>

Approved Budget Framework savings 2015/16 - assurance assessment

Appendix 5

Services	Total £000	RAG Status			Notes and/or actions
		Red £000	Amber £000	Green £000	
Children and Families	(14,075)	(300)	(1,777)	(11,998)	The current "red" status saving relates to a partial shortfall in increased budgeted income resulting from greater and more efficient community and other use of school facilities and is reflected as a pressure within the overall service monitoring. Risks around full delivery have also been identified for an element of the savings associated with the looked-after children transformation plan. A number of green savings are being achieved through substitutes and one-off solutions which will require long-term plans to allow them to be addressed on a sustainable basis.
Corporate Governance	(6,969)	0	0	(6,969)	The full value of the service's approved savings is projected to be delivered during the year.
Economic Development	(869)	0	0	(869)	The full value of the service's approved savings is projected to be delivered during the year.
Health and Social Care	(7,515)	(704)	(641)	(6,170)	A number of green savings are being achieved through substitutes and one-off solutions. Management actions are being taken to progress delivery of red and amber savings (most of which relate to organisational review-dependent, or other workforce control-related, savings) or identify alternative options.
Services for Communities	(10,475)	(2,765)	(2,518)	(5,192)	Red status savings, the majority of which relate to the Corporate Property functions, are incorporated in pressures in monitoring. There are some delays in progressing savings options and ongoing negotiations with staff on deliverability. Mitigating actions have been developed to manage the red status savings on a one-off basis.
Total	(39,903)	(3,769)	(4,936)	(31,198)	
		9.4%	12.4%	78.2%	

Where applicable, Directors will report further details for consideration at relevant Executive Committees.

Spend to Save proposal - Edinburgh Leisure website development

Project	Description	Outcome	Coalition Pledges and Council Outcomes	Funding	Risk	Payback Period
Website Development	Development of the website application to make improvements to customer access to information, easier booking and improved accuracy of customer data	Increased income generation, through improved access to booking systems and information, with 24 hour access. Ability to book and pay for services online better meets customers' expectations. Improving the reach of future communications and engagement opportunities. Additional administrative savings estimated of £41,000 annually through reduction in staff time on administration of customer data and booking process.	P42 - Continue to support and invest in our sporting infrastructure P43 Invest in healthy living and fitness advice for those in most need P30 Continue to maintain a sound financial position including long term financial planning CO4 - Our children and young people are physically and emotionally healthy CO20 - Culture, sport and major events - Edinburgh continues to be a leading cultural city where culture and sport play a central role in the lives and futures of citizens	£126,000	Low	2 Years

Governance Risk and Best Value Committee

2.00pm, Monday 19 October 2015

Treasury Management – Annual Report 2014/15 - referral from the City of Edinburgh Council

Item number	7.4
Report number	
Wards	All

Executive summary

The City of Edinburgh Council on 17 September 2015 considered a report on Treasury Management activity in 2014/15. The report was referred to the Governance Risk and Best Value Committee for scrutiny.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Terms of Referral

Treasury Management – Annual Report 2014/15

Terms of referral

- 1.1 The City of Edinburgh Council on 17 September 2015 considered a report on Treasury Management activity in 2014/15.
- 1.2 The City of Edinburgh Council agreed:
 - 1) To approve the Treasury Management activity in 2014/15.
 - 2) To refer the report to the Governance, Risk and Best Value Committee for scrutiny.

For Decision/Action

- 2.1 The City of Edinburgh Council has referred the attached report to the Governance, Risk and Best Value Committee for scrutiny.

Background reading / external references

Minute of the City of Edinburgh Council 17 September 2015

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Louise Williamson, Assistant Committee Clerk

E-mail: louise.p.williamson@edinburgh.gov.uk | Tel: 0131 529 4264

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

The City of Edinburgh Council

10.00am, Thursday 17 September 2015

Treasury Management: Annual Report 2014/15 - referral report from the Finance and Resources Committee

Item number	8.4
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 27 August 2015 considered an update report on Treasury Management activity in 2014/15. The report has been referred to The City of Edinburgh Council for approval of the Treasury Management Activity and subsequent referral to the Governance, Risk and Best Value Committee for their scrutiny.

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Terms of Referral

Treasury Management: Annual Report 2014/15

Terms of referral

- 1.1 The Council had adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management had to be submitted to the Council after the end of each financial year. A separate mid-term report would also be produced during the financial year and therefore no update on the current year was included in the report by the Deputy Chief Executive.
- 1.2 The key points in the report by the Deputy Chief Executive were:
- The Council's capital repayments were greater than its new capital expenditure funded by borrowing, so the Council's need to borrow reduced by £30.92 million during the year.
 - £27.74 million of PWLB debt naturally matured during the year and was not replaced.
 - The Council continued its strategy of funding capital expenditure from a reduction in temporary investments and was £97 million under-borrowed at the year end.
 - The Council had not borrowed PWLB or market debt since December 2012.
 - The average interest rate on the Cash Fund for the year was 0.47%, which continued to outperform the benchmark, which was 0.35% for the year.
- 1.3 The Finance and Resources Committee agreed to:
- 1.3.1 Note the Annual Report on Treasury Management for 2014/15 by the Deputy Chief Executive.
- 1.3.2 Refer the report by the Deputy Chief Executive to Council for approval of the Treasury Management activity and to subsequently refer the report to the Governance, Risk and Best Value Committee for their scrutiny.

For Decision/Action

- 2.1 The Finance and Resources Committee has referred the report by the Deputy Chief Executive to The City of Edinburgh Council for approval of the Treasury

Management activity and to subsequently refer the report to the Governance, Risk and Best Value Committee for their scrutiny.

Background reading / external references

[Treasury Management: Annual Report 2014/15](#)

Carol Campbell

Head of Legal, Risk and Compliance

Contact: Veronica MacMillan, Committee Clerk

E-mail: veronica.macmillan@edinburgh.gov.uk | Tel: 0131 529 4283

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10.00am, Thursday, 27 August 2015

Treasury Management: Annual Report 2014/15

Item number

Report number

Executive/routine

Wards

Executive summary

The purpose of this report is to give an update on Treasury Management activity in 2014/15.

In the Strategy set in March 2014 the Council stated there would be no borrowing completed during the financial year and capital expenditure would be funded temporarily from investments. The only borrowing completed was £1.995m interest free funding from Salix in relation to street lighting. This approach generated significant short-term savings in Loans Charges for the Council.

The investment return for 2014/15 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.

Treasury Management: Annual Report 2014/15

Recommendations

- 1.1 It is recommended that the Committee:
- 1.1.1 notes the Annual Report on Treasury Management for 2014/15; and
 - 1.1.2 refers the report to Council for approval and subsequent referral by Council to the Governance Risk and Best Value Committee for their scrutiny.

Background

- 2.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management has to be submitted to the Council after the end of each financial year. A separate mid-term report will also be produced during the financial year and therefore, no update on the current year is included in this report.

Main report

3.1 Key Points

- 3.1.1 The key points in this report are that:
- the Council's capital repayments were greater than its new capital expenditure funded by borrowing, so the Council's need to borrow reduced by £30.92m during the year;
 - £27.74m of PWLB debt naturally matured during the year and was not replaced;
 - the Council continued its strategy of funding capital expenditure from a reduction in temporary investments and was £97m under-borrowed at the year end;
 - the Council has not borrowed PWLB or market debt since December 2012; and
 - the average interest rate on the Cash Fund for the year was 0.47%, which continued to outperform the benchmark, which was 0.35% for the year.

3.2 Prudential Indicators

(a) Prudential Indicator 1 - Estimate of Capital Expenditure

This gives a breakdown of the actual capital expenditure incurred during 2014/15.

	2013/14 Actual £'000	2014/15 Estimate £'000	2014/15 Actual £'000
Children & Families	15,670	31,563	16,903
Corporate Governance	4,211	5,433	7,582
Economic Development	1	0	0
Health & Social Care	4,160	3,934	4,616
Services for Communities	108,953	93,017	85,260
SfC Asset Management Programme	17,082	25,965	18,657
Other Capital Projects	923	933	1,049
Trams	53,198	0	5,246
Unallocated funding	0	0	0
Total General Services	204,198	160,845	139,313
Housing Revenue Account	39,206	48,195	37,308
Total	243,404	209,040	176,621

Table 1 – Capital Expenditure 2014/15

Members are asked to note that the above estimates reflect the budget position as at February 2014. Expenditure is re-phased on an annual basis, with a revised programme being reported annually to the Finance and Resources Committee in August. Change relate to re-phasing of works across the five-year programme, based on cash-flow information. Re-phased projects included the school replacement programme and various infrastructure works in Services for Communities and the Housing Revenue Account.

As can be noted from the above table, actual expenditure decreased from £243m in 2013/14 to £177m, a reduction of £66m, of which £48m relates to the tram project, reflecting completion of the project.

Further detail on the capital expenditure is included in the Finance & Resources Committee report 'Capital Monitoring 2014/15 – Out-turn and receipts'.

[Link](#)

The following table shows how the £176.6m of capital expenditure incurred in 2014/15 was funded

	Gen Fund £'000	HRA £'000	CEC Total £'000	Police £'000	Fire £'000	Total £'000
Net Cap Adv (01/04/14)	1,150,258	369,361	1,519,619	20,351	4,467	1,544,437
Gross Cap Ex	139,313	37,308	176,621	0	0	176,621
Cap Income	108,339	17,487	125,826	0	0	125,826
Net Cap Ex	30,974	19,821	50,795	0	0	50,795
Capital Repaid	-60,585	-21,129	-81,714	-2,089	-1,275	-85,078
Net Cap Adv (01/04/15)	1,120,647	368,053	1,488,700	18,262	3,192	1,510,154

Table 2 – Source of Funding for Capital Expenditure 2014/15

The CEC Total column shows £125.8m being funded by capital grants and capital receipts, leaving £50.8m to be funded by borrowing. However, the Council repaid principal of £81.71m for previous capital advances, giving a net reduction in the need to borrow of £30.92m. In addition, previous capital advances of £3.36m were repaid on behalf of the former Police and Fire joint boards, giving a total reduction in the need to borrow of £34.28m.

(b) Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

This gives an indication of the cost of the Council's debt relative to its income.

	2013/14 Actual %	2014/15 Estimate %	2014/15 Actual %
General Services	11.60	12.93	11.63
Housing Revenue Account	36.01	39.63	33.97

Table 3 – Ratio of Financing Costs to Net Revenue Stream

The movement in the HRA prudential indicator can be explained by lower than anticipated borrowing required to fund HRA capital expenditure during 2013/14 and 2014/15, in addition to voluntary contributions made towards outstanding debt during the same period.

(c) Indicator 3 - Capital Financing Requirement (CFR)

This shows the Council underlying need to borrow / take on other forms of Capital funding.

	2013/14 Actual £'000	2014/15 Estimate £'000	2014/15 Actual £'000
General Services (including finance leases)	1,359,099	1,350,332	1,357,972
Housing Revenue Account	369,361	394,568	368,053
Total	1,728,460	1,744,900	1,726,025

Table 4 – Capital Financing Requirement

Although the total CFR including both General Fund and HRA remained broadly the same over the last year, the balance of liabilities changed as can be seen from the following break down of the CFR figures:

	2013/14 Actual £'000	2104/15 Actual £'000
General Fund Capital Advances	1,150,258	1,120,647
HRA Capital Advances	369,361	368,053
Total CEC Borrowing CFR	1,519,619	1,488,700
Other Long Term Liabilities	208,841	237,325
Total CEC Debt CFR	1,728,460	1,726,025

Table 5 – Split of Capital Financing Requirement

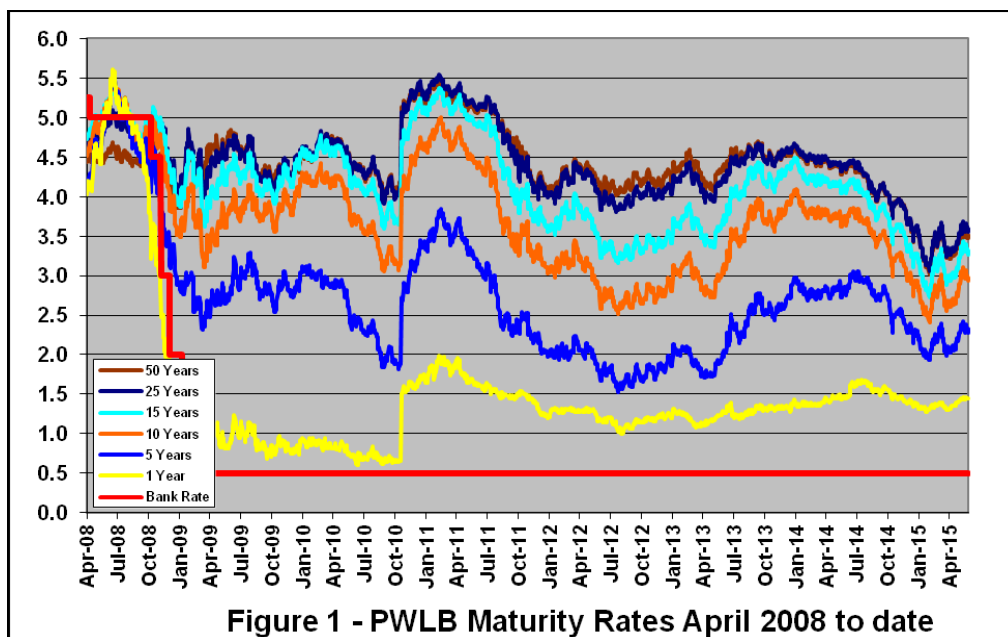
The reduction of £30.92m in Net Capital Advances shown in Table 2 above was offset by a similar increase in Other Long Term Liabilities – i.e. Finance Leases.

The increase in other-long term liabilities is mainly the result of inclusion of costs relating to on-going works at James Gillespies High School.

3.2.1 The Council operated within both the Authorised Limit and the Operational Boundary at all times during the year and there were no breaches of the Council's Treasury Management Policy.

3.3 Borrowing Overview

3.3.1 2014/15 was characterised by a number of significant global macro economic issues and political uncertainties. There were concerns over the Ukraine conflict and the effect that the sanctions on Russia would have on the EU economy. These were compounded by the political uncertainty in Greece as growth in the Eurozone stalled. There were concerns too over the growth in the Chinese economy slowing. On top of this, oil and energy prices reduction led to inflation in the UK and Europe at or below zero. All this meant that the bubble in Bond prices continued, particularly at the long end, with the 10 year UK Gilt yield dropping to 1.33% in January 2015. Figure 1 shows PWLB borrowing rates since 2008.



3.3.2 This shows the drop in interest rates for borrowing last year, particularly for the longer maturities.

3.3.3 The strategy for 2014/15 approved in March 2014 was

“Depending on the Council’s cash flows, it is intended to use investments and temporary borrowing to fund the net borrowing requirement for 2014/15. PWLB borrowing, if any, is also likely to be short term and will be considered as the economy and interest rates evolve.”

However, as detailed in Table 2, the total underlying need to borrow actually fell by £34.28m during the year. Table 6 below summarises the outstanding debt portfolio during the year.

Type of Loan	Balance 01.04.2014 £m	Borrowing Raised £m	Borrowing Repaid £m	Balance 31.03.2015 £m
--------------	-----------------------------	---------------------------	---------------------------	-----------------------------

PWLB - fixed	1,141.43	0.000	-27.743	1,113.687
PWLB - variable	0.000	0.000	0.000	0.000
Salix Finance Ltd	0.000	1.995	-0.039	1.956
Market	280.900	0.000	0.000	280.900
Temp	11.959	7.168	-2.672	16.455
	<u>1,434.289</u>	<u>9.163</u>	<u>-30.454</u>	<u>1,412.998</u>
Capital Advances	<u>1,544.437</u>			<u>1,510.154</u>
Under-borrowed	<u>110.148</u>	Under-borrowed		<u>97.156</u>

Table 6 – Outstanding Debt Portfolio 2014/15

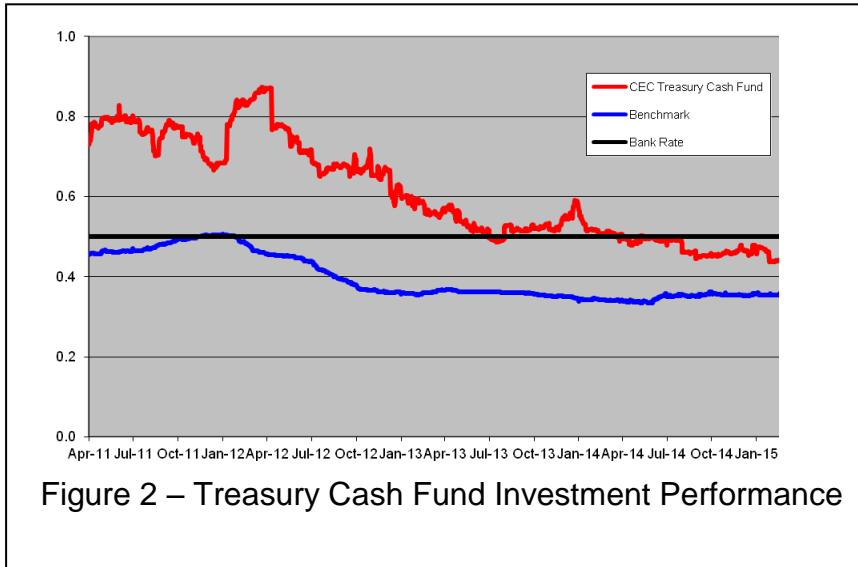
3.3.4 £27.74m of PWLB debt naturally matured during the year, and this was not replaced. The only external borrowing undertaken during the year was £2m in interest free loans from Salix in relation to street lighting replacement projects.

3.3.5 When the PWLB borrowing rates fell to the lows in January, serious consideration was given to taking some further short to medium term debt. However, with the reduced need to borrow, the cost of carrying the debt was still going to be significant, and it was determined to continue to use temporary investments to fund capital expenditure at the time. The Council's borrowing therefore fell by £21.29m over the year, but since the net capital advances fell more, the Council's under-borrowed position reduced from £110m to £97m.

3.4 Investment Out-turn 2014/15

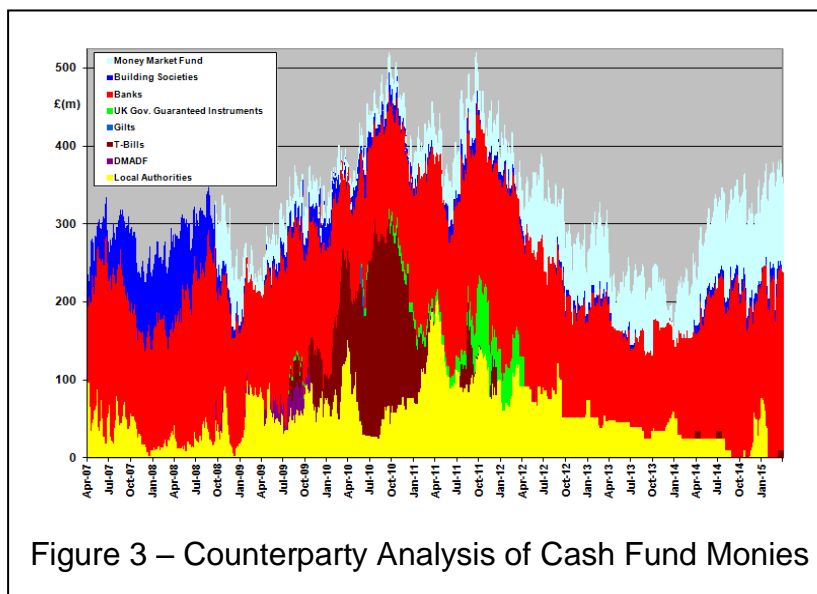
3.4.1 The Council's money is invested via the Treasury Cash Fund. The Cash Fund encompasses a number of organisations, including Lothian Pension Fund. Interest is accrued on a monthly basis and performance is evaluated against a benchmark, which is 7-day LIBID.

3.4.2 Figure 2 below shows the investment performance during the financial year.



3.4.3 The average interest rate on the Fund for the year was 0.47%, which continued to outperform the benchmark which was 0.35% for the year. The Fund generated income of just over £482k for the financial year to CEC.

3.4.4 The emphasis remained on security during the financial year with the return of the principal sum being the main concern. With the Strategy being around the security of the investments, Cash Fund money invested with banking institutions is mostly on call or on short term fixed deposit. Rates being achieved with Local Authority deposits and in Treasury Bills have remained low during the year which has given another year of difficulty securing principal while achieving an attractive interest rate. Once again in December rates paid by Local Authorities for short term cash increased due to seasonal cash shortage and fewer participants in the market. The Council was able to take advantage of this albeit the investment was only for a short duration. Figure 3 below shows the distribution of the Cash Fund investments since April 2007.



3.4.5 The Cash Fund’s Investment Strategy continued to be based around the security of the investments. Figure 4 below shows the weighted average life (WAL) of the Cash Fund since inception.

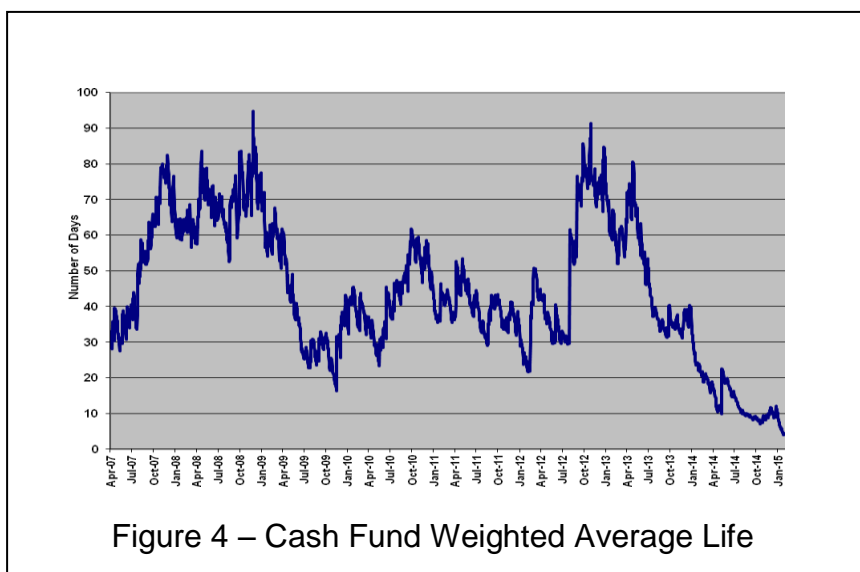


Figure 4 – Cash Fund Weighted Average Life

3.4.6 With the short term deposits placed with other local authorities over the Christmas and New Year periods maturing, the WAL (weighted average time to the final maturity of investments) has decreased. As the market returned to pre-holiday period levels, short term inter-authority rates reverted to around 0.30%.

3.5 Other Issues

3.5.1 There are a number of other issues on Treasury Management which have arisen during the year. These include:

The Scottish Government are reviewing the regulations for local authority borrowing and are likely to issue a consultation document later in the year with a view to implementation on 01 April 2016. While the new regulations are likely to have little impact on borrowing, they may well have longer term implications for the repayment profile of future capital advances and therefore Council expenditure.

MiFID (the Markets in Financial Instruments Directive) is the cornerstone of the European Union’s regulation of financial markets. The EU have revised the directive to improve the functioning of financial markets in light of the financial crisis and to strengthen investor protection. The FCA is currently considering how MiFID II will be implemented in practice in the UK. It is likely that local authorities will be re-classified as ‘retail’ rather than ‘professional’ clients with criteria set to enable an opt up to ‘professional’ status.

3.5.2 Both of these are at an early stage and will be covered in more depth in future reports as the issues and implication for the City of Edinburgh Council become clearer.

3.6 Conclusions

- 3.6.1 The Strategy set in March 2014 the Council stated there would be no borrowing completed during the financial year and capital expenditure would be funded temporarily from investments rather than borrowing. The only borrowing completed was £1.995m in interest free funding. This approach continues to generate significant short term savings for the Council.
- 3.6.2 The investment return for 2014/15 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.

Measures of success

- 4.1 The success of the Treasury Section can be measured by the out-performance of the Treasury Cash Fund against its benchmark and managing the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

Financial impact

- 5.1 The Council continues to manage its debt portfolio so as to minimise the medium term cost of funding its capital projects.
- 5.2 The Treasury Cash Fund has generated significant additional income for the Council.

Risk, policy, compliance and governance impact

- 6.1 The Council complies with the relevant CIPFA code of practice whilst undertaking Treasury Management activities. The significant financial risks associated with Treasury Management activities have been successfully managed during 2014/15.

Equalities impact

- 7.1 There are no adverse equality impacts arising from this report.

Sustainability impact

- 8.1 There are no adverse sustainability impacts arising from this report.

Consultation and engagement

9.1 None.

Background reading / external references

None.

Alastair Maclean

Chief Operating Officer

Deputy Chief Executive

Contact: Innes Edwards, Principal Treasury and Banking Manager

E-mail: innes.edwards@edinburgh.gov.uk | Tel: 0131 469 6291

Links

Coalition pledges	P30 - Continue to Maintain a sound financial position including long-term financial planning
Council outcomes	C025 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all
Appendices	Appendix 1 - PWLB Debt Portfolio

Appendix 1

Outstanding PWLB debt as at 31st March 2015

Loan Ref	Start Date	Maturity Date	Loan Type	Principal Outstanding	Interest Rate %
495502	12/05/2009	12/05/2015	M	10,000,000.00	3.08
468121	23/02/1990	15/05/2015	M	8,000,000.00	10.875
468872	06/11/1990	25/03/2016	M	10,000,000.00	11.375
469721	17/05/1991	25/03/2016	M	10,000,000.00	11
496093	13/10/2009	13/04/2016	M	5,000,000.00	2.95
495471	23/04/2009	23/04/2016	M	5,000,000.00	2.96
469013	17/01/1991	15/05/2016	M	15,000,000.00	11.25
495565	09/06/2009	09/06/2016	M	5,000,000.00	3.37
470061	27/09/1991	25/09/2016	M	2,736,307.00	10.5
469898	15/08/1991	15/11/2016	M	10,000,000.00	10.875
495143	10/12/2008	10/12/2016	M	5,000,000.00	3.61
499194	02/12/2011	02/06/2017	M	5,000,000.00	2.28
471030	27/03/1992	25/09/2017	M	10,000,000.00	10.625
494911	09/10/2008	09/10/2017	M	5,000,000.00	4.39
471179	03/04/1992	25/03/2018	M	30,000,000.00	10.875
495472	23/04/2009	23/04/2018	M	15,000,000.00	3.24
471710	17/09/1992	15/05/2018	M	8,496,500.00	9.75
495566	09/06/2009	09/06/2018	M	5,000,000.00	3.75
473528	17/09/1993	15/11/2018	M	5,000,000.00	7.875
474273	23/03/1994	15/11/2018	M	5,000,000.00	8
474226	14/03/1994	11/03/2019	M	2,997,451.21	7.625
473697	18/10/1993	25/03/2019	M	5,000,000.00	7.875
495414	30/03/2009	30/03/2019	M	5,000,000.00	3.46
495457	21/04/2009	21/04/2019	M	10,000,000.00	3.4
495473	23/04/2009	23/04/2019	M	5,000,000.00	3.38
495030	12/11/2008	12/11/2019	A	2,540,803.99	3.96
474274	23/03/1994	15/11/2019	M	5,000,000.00	8
474935	07/12/1994	15/11/2019	M	10,000,000.00	8.625
495086	01/12/2008	01/12/2019	A	2,520,023.77	3.65
496260	01/12/2009	01/12/2019	M	5,000,000.00	3.77
496354	14/12/2009	14/12/2019	M	10,000,000.00	3.91
475161	15/02/1995	25/03/2020	M	5,000,000.00	8.625
495458	21/04/2009	21/04/2020	M	10,000,000.00	3.54
495501	12/05/2009	12/05/2020	M	10,000,000.00	3.96
474801	21/10/1994	15/05/2020	M	5,000,000.00	8.625
474936	07/12/1994	15/05/2020	M	5,000,000.00	8.625
499159	21/11/2011	21/05/2020	M	15,000,000.00	2.94
476237	16/08/1995	03/08/2020	M	2,997,451.21	8.375
474958	09/12/1994	15/11/2020	M	5,000,000.00	8.625
497203	10/05/2010	10/05/2021	A	3,155,846.94	3.09
474802	21/10/1994	15/05/2021	M	10,000,000.00	8.625
475259	10/03/1995	15/05/2021	M	11,900,000.00	8.75

476031	12/06/1995	15/05/2021	M	10,000,000.00	8
497378	02/06/2010	02/06/2021	M	5,000,000.00	3.89
474661	16/08/1994	03/08/2021	M	2,997,451.21	8.5
474418	28/04/1994	25/09/2021	M	5,000,000.00	8.125
495474	23/04/2009	23/04/2022	M	5,000,000.00	3.76
476030	12/06/1995	15/05/2022	M	10,200,000.00	8
497425	14/06/2010	14/06/2022	M	10,000,000.00	3.95
475781	31/03/1995	25/09/2022	M	6,206,000.00	8.625
475176	16/02/1995	03/02/2023	M	2,997,451.21	8.625
475822	24/04/1995	25/03/2023	M	10,000,000.00	8.5
476731	05/12/1995	15/05/2023	M	5,200,000.00	8
473573	20/09/1993	14/09/2023	M	2,997,451.21	7.875
473574	20/09/1993	14/09/2023	M	584,502.98	7.875
477656	08/05/1996	25/09/2023	M	10,000,000.00	8.375
496094	13/10/2009	13/10/2023	M	5,000,000.00	3.87
476732	05/12/1995	15/11/2023	M	10,000,000.00	8
497197	10/05/2010	10/05/2024	M	10,000,000.00	4.32
476350	28/09/1995	28/09/2024	M	2,895,506.10	8.25
501250	14/05/2012	14/11/2024	M	10,000,000.00	3.36
496355	14/12/2009	14/12/2024	A	7,249,741.49	3.66
1478311	17/10/1996	25/03/2025	M	10,000,000.00	7.875
497199	10/05/2010	10/05/2025	M	5,000,000.00	4.37
501723	16/11/2012	16/05/2025	M	20,000,000.00	2.88
1478760	13/02/1997	18/05/2025	M	10,000,000.00	7.375
1478830	20/02/1997	15/11/2025	M	20,000,000.00	7.375
496261	01/12/2009	01/12/2025	A	11,203,753.09	3.64
476771	21/12/1995	21/12/2025	M	2,397,960.97	7.875
1479368	21/05/1997	15/05/2026	M	10,000,000.00	7.125
1479530	28/05/1997	15/05/2026	M	10,000,000.00	7.25
479851	29/08/1997	15/11/2026	M	5,000,000.00	7
1479594	24/06/1997	15/11/2026	M	5,328,077.00	7.125
1479783	07/08/1997	15/11/2026	M	15,000,000.00	6.875
1480039	13/10/1997	25/03/2027	M	10,000,000.00	6.375
1480175	22/10/1997	25/03/2027	M	5,000,000.00	6.5
1480241	13/11/1997	15/05/2027	M	3,649,966.00	6.5
1480257	17/11/1997	15/05/2027	M	5,000,000.00	6.5
501797	13/12/2012	13/06/2027	M	20,000,000.00	3.18
1480580	12/03/1998	15/11/2027	M	8,677,693.00	5.875
497854	06/09/2010	06/09/2028	M	10,000,000.00	3.85
498768	14/07/2011	14/07/2029	M	10,000,000.00	4.9
368245	14/07/1950	03/03/2030	E	3,791.77	3
498769	14/07/2011	14/07/2030	M	10,000,000.00	4.93
80101	15/06/1951	15/05/2031	E	3,866.97	3
497855	06/09/2010	06/09/2031	M	20,000,000.00	3.95
499252	15/12/2011	15/06/2032	M	10,000,000.00	3.98
498994	15/09/2011	15/09/2036	M	10,000,000.00	4.47
499019	22/09/2011	22/09/2036	M	10,000,000.00	4.49

494139	10/12/2007	10/12/2037	M	10,000,000.00	4.49
498974	08/09/2011	08/09/2038	M	10,000,000.00	4.67
498995	15/09/2011	15/09/2039	M	10,000,000.00	4.52
499052	06/10/2011	06/10/2043	M	20,000,000.00	4.35
498851	09/08/2011	09/02/2046	M	20,000,000.00	4.8
491119	23/01/2006	23/07/2046	M	10,000,000.00	3.7
491226	23/01/2006	23/07/2046	M	10,000,000.00	3.7
491628	19/05/2006	19/11/2046	M	10,000,000.00	4.25
494202	07/01/2008	07/01/2048	M	5,000,000.00	4.4
491258	27/01/2006	27/07/2051	M	1,250,000.00	3.7
492718	16/01/2007	16/07/2052	M	40,000,000.00	4.25
492853	30/01/2007	30/07/2052	M	10,000,000.00	4.35
492908	13/02/2007	13/08/2052	M	20,000,000.00	4.35
492937	20/02/2007	20/08/2052	M	70,000,000.00	4.35
492960	22/02/2007	22/08/2052	M	50,000,000.00	4.35
493036	08/03/2007	08/09/2052	M	5,000,000.00	4.25
493334	30/05/2007	30/11/2052	M	10,000,000.00	4.6
493377	11/06/2007	11/12/2052	M	15,000,000.00	4.7
493383	12/06/2007	12/12/2052	M	25,000,000.00	4.75
493428	05/07/2007	05/01/2053	M	12,000,000.00	4.8
493516	25/07/2007	25/01/2053	M	5,000,000.00	4.65
493701	10/08/2007	10/02/2053	M	5,000,000.00	4.55
493872	24/08/2007	24/02/2053	M	7,500,000.00	4.5
493920	13/09/2007	13/03/2053	M	5,000,000.00	4.5
493979	12/10/2007	12/04/2053	M	5,000,000.00	4.6
494045	05/11/2007	05/05/2057	M	5,000,000.00	4.6
494725	15/08/2008	15/02/2058	M	5,000,000.00	4.39
499195	02/12/2011	02/12/2061	M	5,000,000.00	3.98
Total				<u>1,113,687,597.12</u>	

Outstanding Market debt as at 31st March 2015

Loan Ref	Start Date	Maturity Date	Principal Outstanding	Interest Rate %	Counterparty
6000007	03/12/1990	04/12/2015	2,000,000.00	11	PRUDENTIAL PORTFOLIOMANAGERS UK LTD
6000008	12/12/1990	11/12/2015	2,000,000.00	11	PRUDENTIAL PORTFOLIOMANAGERS UK LTD
6000017	30/03/1992	30/03/2017	1,000,000.00	10.25	BAYERISCHE LANDESBANKGIROZENTRALE
6000019	21/08/1992	21/08/2017	500,000.00	9.75	DRESDNER BANK AG
6000020	21/08/1992	21/08/2017	500,000.00	9.75	DRESDNER BANK AG
6000091	12/11/1998	13/11/2028	3,000,000.00	4.75	DEUTSCHE PFANDBRIEFBANK AG
6000102	15/12/2003	15/12/2053	10,000,000.00	5.25	FMS WERTMANAGEMENT AoR
6000105	18/02/2004	18/02/2054	10,000,000.00	4.54	DEXIA CREDIT LOCAL
6000109	28/04/2005	28/04/2055	12,900,000.00	4.75	FMS WERTMANAGEMENT AoR
6000110	01/07/2005	01/07/2065	10,000,000.00	3.86	DEXIA CREDIT LOCAL BARCLAYS BANKGLOBAL
6000111	30/06/2005	30/06/2065	5,000,000.00	4.4	SERVICES BARCLAYS BANKGLOBAL
6000112	07/07/2005	07/07/2065	5,000,000.00	4.4	SERVICES
6000113	24/08/2005	24/08/2065	5,000,000.00	4.4	DEXIA CREDIT LOCAL
6000114	07/09/2005	07/09/2065	10,000,000.00	4.99	ECPKA IN LUXEMBURG S.A.
6000115	13/09/2005	14/09/2065	5,000,000.00	3.95	ECPKA IN LUXEMBURG S.A.
6000116	03/10/2005	05/10/2065	5,000,000.00	4.375	KA FINANZ AG BARCLAYS BANKGLOBAL
6000117	21/12/2005	21/12/2065	5,000,000.00	4.99	SERVICES BARCLAYS BANKGLOBAL
6000118	28/12/2005	24/12/2065	12,500,000.00	4.99	SERVICES
6000119	23/12/2005	23/12/2065	10,000,000.00	4.75	FMS WERTMANAGEMENT AoR

6000120	03/04/2006	01/04/2066	10,000,000.00	4.875	DEXIA CREDIT LOCAL
6000121	03/04/2006	01/04/2066	10,000,000.00	4.875	DEXIA CREDIT LOCAL
6000122	03/04/2006	01/04/2066	10,000,000.00	4.875	DEXIA CREDIT LOCAL
6000123	07/04/2006	07/04/2066	10,000,000.00	4.75	ECPKA IN LUXEMBURG S.A.
6000124	06/03/2006	04/03/2066	5,000,000.00	4.625	DANSKE BANK LONDON BARCLAYS BANKGLOBAL
6000125	14/03/2006	15/03/2066	15,000,000.00	5	SERVICES BARCLAYS BANKGLOBAL
6000126	18/08/2006	18/08/2066	10,000,000.00	5.25	SERVICES
6000127	17/03/2006	17/03/2066	10,000,000.00	5.25	DEXIA CREDIT LOCAL
6000128	05/06/2006	07/06/2066	20,000,000.00	5.25	DEXIA CREDIT LOCAL
6000129	05/06/2006	07/06/2066	16,500,000.00	5.25	DEXIA CREDIT LOCAL BARCLAYS BANKGLOBAL
6000130	01/02/2008	01/02/2078	10,000,000.00	3.95	SERVICES
6000131	26/02/2010	26/02/2060	5,000,000.00	7.144	Royal Bank of Scotland plc
6000132	26/02/2010	26/02/2060	10,000,000.00	7.144	Royal Bank of Scotland plc
6000133	25/02/2011	25/02/2060	15,000,000.00	7.16	Royal Bank of Scotland plc
6000134	25/02/2011	25/02/2060	10,000,000.00	7.16	Royal Bank of Scotland plc
Total			<u>280,900,000.00</u>		

Outstanding Special Loan debt as at 31st March 2015

Loan Ref	Start Date	Maturity Date	Principal Outstanding	Interest Rate %	Counterparty
8000029	07/01/2015	01/09/2021	513,221.41	0	SALIX FINANCE LTD
8000030	31/03/2015	01/04/2023	<u>1,442,317.95</u>	0	SALIX FINANCE LTD
Total			<u>1,955,539.36</u>		

Governance, Risk and Best Value Committee

2.00pm, Monday, 19 October 2015

Committee report process

Item number	7.5
Report number	
Executive/routine	
Wards	All

Executive summary

The committee report process can often be complex involving officials and a range of internal and external partners. This long process is often a requirement due to the subject matter or the Council's statutory duties. However, efficiencies to this process have been explored and actions are set out in the report which explores long and short term improvements.

Links

Coalition pledges	
Council outcomes	CO25
Single Outcome Agreement	

Committee report process

Recommendations

- 1.1 To note the efficiencies and more consistent committee report process established across the Council outlined in paragraphs 3.12 to 3.18 of the report.
- 1.2 To note that discussions would be taking place with the ICT service to explore new technology and how this could improve the committee report process on a long term basis.

Background

- 2.1 On 23 April 2015, the Governance, Risk and Best Value Committee requested a report on the committee reports process and whether there were any opportunities to accelerate the process.

Main report

- 3.1 The Council operates an executive committee model. This includes seven decision making executive committees, the Corporate Policy and Strategy Committee and a single scrutiny committee in Governance, Risk and Best Value Committee. Additionally, there are a number of committees dealing with applications on subjects such as planning and licensing and a selection of other committees such as appeal committees which occur when needed.
- 3.2 The Council's committees consider a significant number of reports meaning an efficient, effective and robust reporting process is essential to the decision making of the Council. A wide range of reports are produced that require considerable staff time to complete depending on the subject. The complexity of a report can also be determined by the level of engagement required with internal or external partners.
- 3.3 There is generally a common process in place for the approval of a committee report although there are differences for each service area depending on the complexity of the report. The report workflow process is set out in appendix 1.
- 3.4 Many reports are required to be considered by the Council's Leadership Group (CLG), chaired by the Chief Executive. This group considers all strategic reports prior to circulation to a committee's agenda planning meeting. This additional step provides essential corporate control and avoids silo working.

- 3.5 As is evident by the process highlighted in appendix 1 of this report, the journey a report takes before it is approved and submitted to committee can be long with the input of several officers. This process and the number of staff involved can seem unwieldy and inefficient but it is often essential to ensure the committee is provided with sufficient accurate information to make an informed decision and that the Council meets its statutory duties.
- 3.6 Audit Scotland in their follow up report on Scotland's Public Finances highlighted that all public bodies, including Councils, needed to improve the level and consistency of information provided for scrutiny and decision making. Examples included limited financial information, unclear actions, responsibilities and measurable outcomes and scrutiny taking place in private rather than in public.
- 3.7 The Council has attempted to address many of these concerns with an added focus and guidance on the financial implications section, the creation of a 'measures of success' section and a risk section, and guidance on report writing generally. The consequence has been more complex committee reports but it has also resulted in an improvement to the quality of reporting. Audit Scotland's Best Value (2) Audit Report 2014 stated that the Council had made good progress in developing its approach to scrutiny and risk management. The report highlighted that the Council needed to maintain this progress and ensure the improvements to governance, scrutiny and risk management was firmly in place across the Council.
- 3.8 Other areas of the report such as the 'sustainability impact' and the 'equalities impact' require the Council to consider its statutory duties and policy aims. For some reports this can be extremely time consuming, although it is an essential activity and results in a higher quality report.
- 3.9 How the Council engages with its partners has also changed over the years. This has been reflected in reports which now include a section on consultation and engagement. This also means an increase in the work necessary to report but a superior output in terms of service.
- 3.10 The report process in appendix 1 describes input from various internal services. This advice is often essential to ensuring a competent and high quality report but it can often lead to delays especially if consultation takes place at a late stage.
- 3.11 As outlined in the paragraphs above, writing a report is often complex, includes the involvement of numerous officials, engagement internally and externally and a thorough approval process. However, some avoidable delays do occur in the submission of reports. This can be down a variety of reasons such as poor knowledge of the report's purpose, problems with formatting, non-compliance with the report template or its mandatory sections and insufficient engagement with key internal and external partners. These delays are resolvable if processes and training are improved.

3.12 In addition to the complexity of reports there are a significant number of reports written. Between June 2014 and June 2015, 970 reports were considered by the Corporate Policy and Strategy Committee, the executive committees and the Governance, Risk and Best Value Committee. A breakdown of this by committee is outlined in the table below.

Committee	Number of Reports
Corporate Policy and Strategy	87
Communities and Neighbourhoods	32
Culture and Sport	38
Economy	75
Education, Children and Families	70
Finance and Resources	319
Health, Social Care and Housing	102
Transport and Environment	144
Governance, Risk and Best Value	103
Total	970

3.13 The number of reports can be compared to Glasgow City Council who in the same period considered 682 reports. Glasgow City Council have a cabinet and scrutiny model but Aberdeen and Dundee City Councils operate executive committee models and averaged between 500-650 reports in this time period. Aberdeen and Dundee City Councils have also recently looked to reduce their number of executive committees in an attempt to modernise and streamline their structures and decision making system. The City of Edinburgh Council's larger workload and committee structures, compared to these authorities, mean a considerable additional resource in terms of time spent by report authors.

Working Group

3.14 Following the request by the Governance, Risk and Best Value Committee for a report on the committee report process, a cross service area working group was established to examine the issues and explore immediate efficiencies and improvements. The group met a number of times, identified a number of reasons for delays and developed a series of low cost improvements.

3.15 It was noted that information could be shared more effectively across the services notably outstanding reports following committee decisions. Sharing the

information as early as possible enables increased monitoring of outstanding reports by service areas and cuts out unnecessary delays.

- 3.16 Feedback from the working group was that the mandatory sections of reports were sometimes incomplete when presented to a director for agreement. While not a common occurrence, delay at this stage can result in a report being withdrawn from a committee's agenda. Good practice in Services for Communities requires all report authors to complete a report checklist covering all areas of the report, the need to discuss with colleagues in other service areas and ensuring that statutory sections are not incomplete as well as signposting the author to the relevant area for advice. This report checklist was amended by the working group to enable it to be used across all service areas and rolled out across all report authors.
- 3.17 The working group examined duplication in the report process and explored whether this could be removed. It became clear that the report schedule used by all service areas to plan committee business is not fit for purpose and some service areas using an alternative document as well as the Council wide document. A single document was developed that can be used throughout the Council. This document will produce management information allowing each service area to track business and identify why and where delays were occurring.
- 3.18 An improved report template is currently in development. This aims to assist report authors avoid unnecessary formatting issues. Work has been undertaken to simplify the formatting of the template so authors have less manual work and removing unnecessary delays and duplication.
- 3.19 A link to the webcast has been added to committee action sheets. This helps report authors to identify all matters needing to be taken into consideration and avoid incomplete reports.
- 3.20 These improvements are all low cost and improve the report process incrementally, with often the time saved been at the crucial stages before publication. The consistent approach now taken across all directorates will also help the report process maintain its robustness through the transition to new service areas. Despite these improvements though the process remains resource heavy with little automation. Following the appointment of CGI as the Council's ICT provider further discussion will be undertaken with ICT Solutions to explore long term options for improving the technology supporting the report workflow and ascertain if there are any efficiencies and improvements to the process that could be built in.
- 3.21 Training of report authors also needs to be considered and work will be undertaken with the HR service to build on the report writing e-learning module. This will be pursued as the Council transitions to its new structure.

Measures of success

- 4.1 Improved reports submitted to committee within required timescales.

Financial impact

- 5.1 The costs of the officer working group were contained within the relevant service area budgets. Any costs of improved ICT have yet to be scoped.

Risk, policy, compliance and governance impact

- 6.1 The Council's decision making should be based on informative and thorough reporting that meets the Council's statutory duties whilst ensuring that the process is efficient and streamlined.

Equalities impact

- 7.1 There are no direct equalities impacts as a result of this report.

Sustainability impact

- 8.1 There is no direct sustainability impact as a result of this report.

Consultation and engagement

- 9.1 The officer working group involved directorate representatives from each service area to ensure that individual service needs were considered. Officers from across all service areas were involved in designing and producing the new documentation. The ICT service will also be worked with closely to explore long term solutions.

Background reading/external references

[Governance Risk and Best Value Committee 23 April 2015 Minute](#)

Alastair D Maclean

Deputy Chief Executive

Contacts: Kirsty-Louise Campbell, Strategy and Governance Manager

Governance, Risk and Best Value Committee – 19 October 2015

E-mail: Kirstylouise.Campbell@edinburgh.gov.uk | Tel: 0131 529 3654

Gavin King, Committee Services Manager

E-mail: Gavin.King@edinburgh.gov.uk | Tel: 0131 469 4239

Links

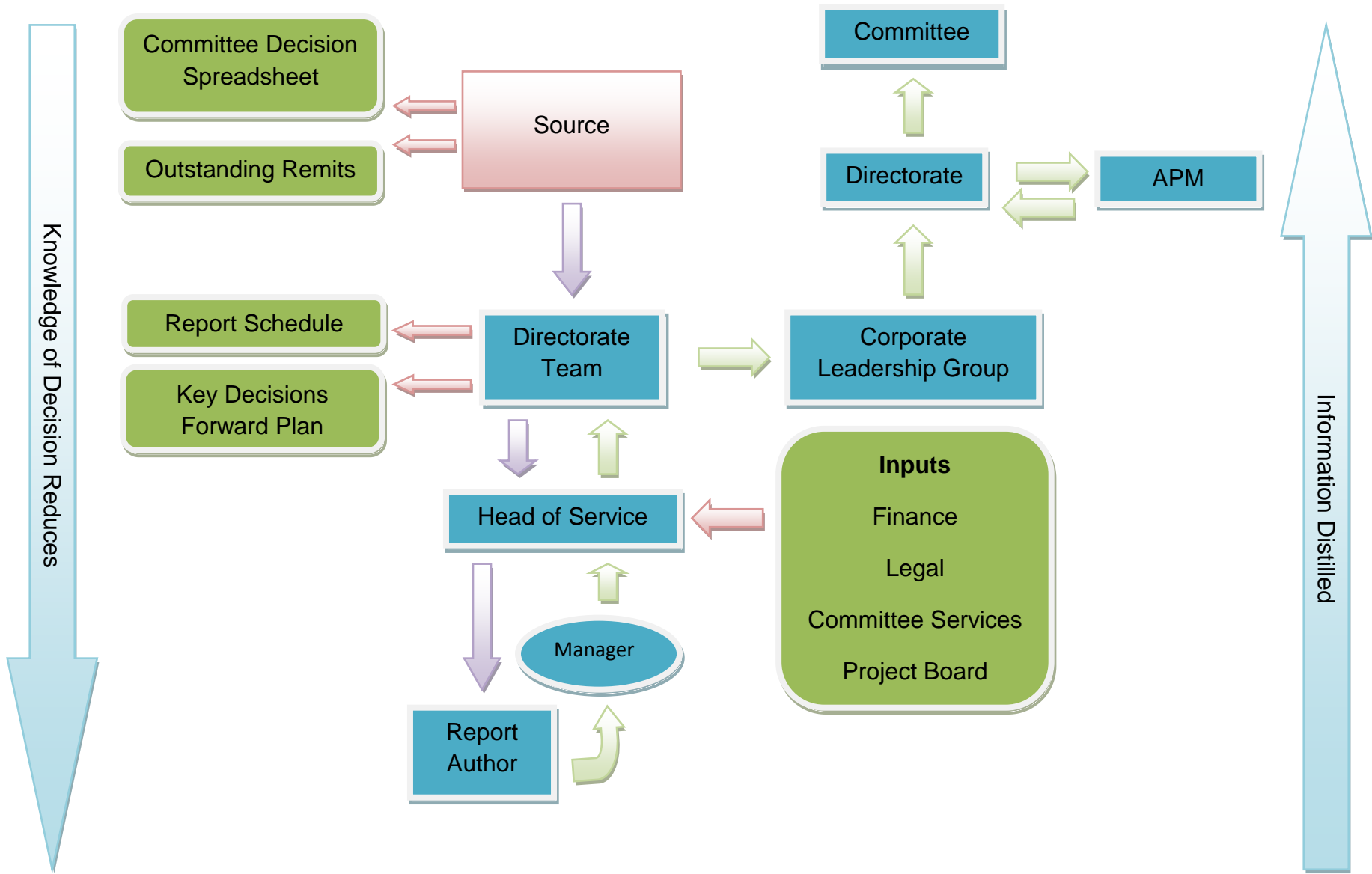
Coalition pledges

Council outcomes CO25 - The Council has efficient and effective services that deliver on objectives.

Single Outcome Agreement

Appendices

Council and Committee Report Workflow



Governance, Risk and Best Value Committee

2.00pm, Monday 19 October 2015

Whistleblowing update

Item number	7.6
Report number	
Executive/routine	
Wards	

Executive summary

This report provides a high level overview of the operation of the Council's whistleblowing hotline for the period 1 May to 31 August 2015.

Links

Coalition pledges	P27
Council outcomes	CO15, CO25, CO27
Single Outcome Agreement	

Whistleblowing update

Recommendations

- 1.1 To note the report.

Background

- 2.1 The Council's objective of introducing and developing good governance and best practice in its approach to whistleblowing arrangements took a major step forward with the launch of its new confidential hotline service on 12 May 2014, provided by independent company Safecall.
- 2.2 Committee has previously considered update reports in September and November 2014 and in March and June 2015. This report covers the period from 1 May to 31 August 2015.

Main report

Reports to Safecall

- 3.1 During the reporting period Safecall received 10 new reports as follows:

Category	Number of disclosures
Major/significant qualifying disclosures	1
Minor/operational qualifying disclosures	5
Non-qualifying disclosures	4

Whistleblowing pilot review

- 3.2 The Finance and Resources Committee agreed to support a one-year pilot of the whistleblowing service, with a review at six months to determine whether the

arrangements increased the reported frequency of protected disclosures and to confirm the service represents value for money.

- 3.3 The review was completed in August 2015 with conclusions and recommendations reported to Finance and Resources Committee on 27 August 2015.
- 3.4 An action plan was approved to develop the existing service and prepare for the procurement of continued service on expiry of the pilot term.

Measures of success

- 4.1 Employees feel able to report suspected wrongdoing as early as possible in the knowledge that:
 - 4.1.1 their concerns will be taken seriously and investigated appropriately;
 - 4.1.2 they will be protected from victimisation; and
 - 4.1.3 the provisions of the whistleblowing policy ensure all matters at the Council are fully transparent and officers are accountable.

Financial impact

- 5.1 The cost of the whistleblowing hotline between 1 May and 31 August 2015 was £7,865.
- 5.2 The costs are within the estimated budget for the pilot and are monitored regularly.

Risk, policy, compliance and governance impact

- 6.1 The whistleblowing policy was developed and agreed to complement existing management reporting arrangements and to ensure employees have the right to raise concerns in the knowledge that they will be taken seriously, that matters will be investigated appropriately and confidentiality will be maintained.

Equalities impact

- 7.1 There are no direct equalities implications arising from this report.

Sustainability impact

- 8.1 There are no sustainability implications arising from this report.

Consultation and engagement

- 9.1 Consultation was undertaken with the trades unions to secure a local agreement.
- 9.2 A range of stakeholders, including whistleblowers and trades unions, were consulted during the pilot review.

Background reading/external references

[Finance and Resources Committee 19 September 2013: item 7.2 - Revised Whistleblowing Policy](#)

[Finance and Resources, 24 September 2014: Whistleblowing policy: update](#)

[Governance and Risk Value Committee, 18 June 2015, Whistleblowing policy: update](#)

[Finance and Resources Committee 27 August 2015: item 7.13 - Review of Whistleblowing Arrangements](#)

Alastair Maclean

Deputy Chief Executive and Monitoring Officer

Contact: Kirsty-Louise Campbell, Strategy and Governance Manager

E-mail: kirstylouise.campbell@edinburgh.gov.uk | Tel: 0131 529 3654

Links

Coalition pledges	P27 – seek to work in full partnership with Council staff and their representatives.
Council outcomes	CO15 – the public is protected. CO25 – the Council has efficient and effective services that deliver on objectives. CO27 – the Council supports, invests in and develops our people.
Single Outcome Agreement Appendices	