Notice of meeting and agenda

Governance, Risk and Best Value Committee

10am, Thursday, 28 January 2016

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

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

Contact – Gavin King, Committee Services Manager

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

Tel: 0131 529 4239

Carol Richardson, Assistant Committee Clerk

E-mail: carol.richardson@edinburgh.gov.uk

Tel: 0131 529 4105

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 15 December 2015 – submitted for approval as a correct record.

5.   Outstanding Actions

5.1   Outstanding Actions – January 2016 (circulated)

6.   Work Programme

6.1   Governance, Risk and Best Value Work Programme – January 2016 (circulated)

7.   Reports

7.1   Edinburgh Jazz and Blues Festival - Update – referral from the Culture and Sport Committee (circulated)

7.2   Internal Audit Charter Update – report by the Acting Executive Director of Resources (circulated)

7.3   Measuring Demographics – report by the Acting Executive Director of Resources (circulated)

7.4   Capital Monitoring 2015/16 – Nine Month Position – referral from the Finance and Resources Committee (circulated)

7.5   Annual Workforce Controls Report – referral from the Finance and Resources Committee (circulated)

7.6   Whistleblowing Update – report by the Chief Executive (circulated)

7.7   Whistleblowing Annual Report – report by the Chief Executive (circulated)

8.   Motions

8.1   If any.

Carol Campbell

Head of Legal and Risk

Committee Members

Councillors Balfour (Convener), Child, Dixon, Gardner, Keil, Main, Mowat, Munro, Orr, Redpath, Ritchie, 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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Minutes

Governance, Risk and Best Value Committee

2.00pm, Tuesday, 15 December 2015

Present

Councillors Balfour (Convener), Donaldson (for Councillor Child), Dixon, Keil, Mowat, Orr, Redpath, Shields and Tymkewycz.

1.   Minute

Decision

To approve the minute of the Governance, Risk and Best Value Committee of 12 November 2015 as a correct record subject to an amendment to item 15 clarifying that a report would be submitted to the Governance, Risk and Best Value Committee if there were no findings to report to Council.

2.   Outstanding Actions

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

Decision

1)   To agree to close actions 4, 13, 15, 17 and 23.

2)   To note the remaining outstanding actions.

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

3.   Work Programme

Decision

To approve the Work Programme.

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

4. Internal Audit – Follow-up Arrangements: Status Report from 1 July 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 September 2015 that were past their initial estimated closure date were highlighted.

Decision

1)   To note the report.

2)   To request that the Deputy Chief Executive would report in January 2016, confirming whether the Northgate system could log system access and activity for all users and the related costs if it was required to be improved.

(Reference – report by the Chief Internal Auditor, submitted.)

5. Internal Audit Quarterly Update Report: 1 July 2015 – 30 September 2015

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

Decision

To note the progress of Internal Audit in issuing seven internal audit reports during the quarter.

 (Reference – report by the Chief Internal Auditor, submitted.)

6. Corporate Leadership Team Risk Register

Details were provided of the Corporate Leadership Team's (CLT) highest priority risks in November 2015. The Council's Risk Management policy had also been reviewed and confirmed as current and up-to date.

Decision

1)   To note the attached prioritised risk information for the Corporate Leadership Team.

2)   To note that the Risk Management Policy had been reviewed by the Chief Risk Officer in accordance with the Council's policy framework, and other than a few minor changes to update team names, was considered current, relevant and fit for purpose.

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

7. Health and Social Care Risk Register Update

The prioritised risks for Health and Social Care as at November 2015, as well as key controls in place and further action required were outlined.

Decision

To note the Health and Social Care Risk Register.

(References – report by the Chief Officer of the Edinburgh Integration Joint Board, submitted.)

8. Home Care and Reablement Service Contact Time – referral report from the Health, Social Care and Housing Committee

The Health, Social Care and Housing Committee had referred a report on the management of care staff, particularly focussing on client contact time versus total hours worked and the number of visits for each carer.

Decision

To request an update report in six months, this should include contact time by area and feedback from clients and bodies such as the Care Commission.

(References – Governance, Risk and Best Value Committee 13 August 2015 (Item 3); referral report by the Health, Social Care and Housing Committee, submitted.)

9. Health and Social Care Integration – Update – referral report from the Finance and Resources Committee

The Finance and Resources Committee had referred a report updating the committee on the integration of Council social care functions with NHS Lothian functions.

Decision

To note the report.

(Reference – referral report by the Finance and Resources Committee, submitted.)

10. ICT Services Procurement: Transition Progress Update – referral report from the Finance and Resources Committee

The Finance and Resources Committee had referred a report updating on the progress of the transition of ICT services to CGI.

Decision

To note the update.

(Reference – referral report by the Finance and Resources Committee, submitted.)

11.   Treasury Management – Mid Term Report 2015/16

The City of Edinburgh Council had referred an update on treasury management activity in 2015/16.

Decision

To note the update.

(Reference – referral report by the City of Edinburgh Council, submitted.)

11.   Treasury Management – Mid Term Report 2015/16

Item 5.1   Outstanding Actions

Governance, Risk and Best Value Committee

January 2016

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.	Director of Resources	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.	Director of Resources	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.	Director of Resources	June 2014		Organisational Development now expected to lead this report.
4	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.	Director of Place	October 2015		The expected end date has been changed to February 2016 following consideration of the report on savings achieved at the Health, Social Care and Housing Committee in January 2016 then referral to the Finance and Resources Committee.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
5	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.	Director of Resources	March 2015		
6	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.	Director of Communities and Families			

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
7	21/05/2015	Governance of Major Projects: Progress Report	To include details on the overall capital funding in regard to the Early Years Projects.	Director of Resources			
8	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	Director of Place	September 2015		Expected January 2016 when Review is completed.
9	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.	Chief Officer of Edinburgh Health and Care Partnership			
10	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.	Director of Resources			Recommended for closure – report on January agenda

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
11	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 consultation on the Strategic Plan.	Chief Officer of Edinburgh Health and Care Partnership			
12	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.	Director of Place			
13	19/10/2015	Committee Report Process	To request that the Strategy and Governance Manager circulate a breakdown of the committee report figures detailed in paragraph 3.12, outlining those which were statutory and decisions-making.	Chief Executive			Recommended for closure – circulated 7 January 2016

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
14	19/10/2015	Committee Report Process	To investigate technology offered by the new IT provider with a view to improving report format and reducing officer workload. To request a progress report back to Committee in one year.	Chief Executive	October 2016		
15	12/11/2015	Property Conservation: Programme Momentum Review	To ask that information being provided to the Finance and Resources Committee regarding the breakdown of the costs of recovery efforts by the City of Edinburgh Council compared to monies collected be provided to the Governance, Risk and Best Value Committee in January 2016.	Director of Resources	January 2016		Recommended for closure – report on January agenda

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
16	12/11/2015	Property Conservation; Programme Momentum Review	To provide to the Governance, Risk and Best Value Committee in January 2016 the report considered by the Finance and Resources Committee in July 2014 on the policies, principles , methodology and procedures underpinning the project.	Director of Resources	January 2016		Recommended for closure – report on January agenda
17	12/11/2015	Internal Audit and Risk Service Delivery Model	To request an update report to committee in April 2016 informing how work to establish an in-house risk team was progressing and detailing plans for the future.	Director of Resources	April 2016		
18	12/11/2015	B – Monitoring Officer Investigation	To request a report from the Strategy and Governance Manager in March 2016 on the Council's document retention policy, its robustness and whether it	Chief Executive	March 2016		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			needs to be amended.				
19	15/12/2015	Internal Audit - Overview of Internal Audit Follow-Up Arrangements	To request that the Deputy Chief Executive would report in January 2016, confirming whether the Northgate system could log system access and activity for all users and the related costs if it was required to be improved.	Director of Resources	January 2016		
20	15/12/2015	Home Care and Reablement Service Contact Time	To request an update report in six months, this should include contact time by area and feedback from clients and bodies such as the Care Commission.	Chief Officer of Edinburgh Health and Care Partnership	May 2016		

Item 6.1   Work programme

Governance, Risk and Best Value

January 2016

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	March 2016
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	March 2016

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	September 2016
8	Audit Scotland	Internal Controls Report	Annual report on Council wide control framework	External Audit	Hugh Dunn	Council Wide	Annually	August 2016

No	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	TBC	All	Every 6 months	May 2016
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

No	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
14	Review of CLG Risk Scrutiny	Risk	Quarterly review of CLG's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	December 2015
15	Whistle blowing Quarterly Report		Quarterly Report	Scrutiny	Chief Executive	Internal	Quarterly	January 2016
16	Pride in our People	Staff	Annual report of progress	Scrutiny	Chief Executive	Council Wide	Annual	October 2016
17	Workforce Control	Staff	Annual report	Scrutiny	Hugh Dunn	Council Wide	Annual	December 2015
18	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best Value Committee	Annual	August 2016
19	Dissemination of Committee Decisions	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Six-monthly	May 2016
20	Late Submission of reports	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Six-monthly	May 2016

GRBV Upcoming Reports   Appendix 1

Number	Report Title	Type	Flexible/Not Flexible
3 March 2016 Committee			
1	IA Audit Plan for the Year	Internal Audit	Flexible
2	IA Follow Up Arrangements	Internal Audit	Flexible
3	IA Quarterly Update	Internal Audit	Flexible
4	Records Management	Scrutiny	Flexible
5	Cameron House Action Plan	Scrutiny	Flexible
6	Workforce Management	Scrutiny	Flexible
7	Welfare Reform	Scrutiny	Flexible
8	CLG Risk Register	Scrutiny	Flexible
9	Directorate Risk Register	Scrutiny	Flexible
10	Greendykes and Wauchope Communal Heating Update	Scrutiny	Flexible
11	Northgate System	Scrutiny	Flexible
21 April 2016 Committee			
1	Annual Audit Plan	External Audit	Not flexible
2	IA Audit and Risk Service – Delivery Model Update	Internal Audit	Flexible
3	LAC Transformation Programme - Update	Scrutiny	Flexible
26 May 2016 Committee			
1	Governance of Major Projects	Scrutiny	Flexible
2	Whistleblowing Update	Scrutiny	Flexible
3	Dissemination of Committee Decisions	Scrutiny	Flexible
4	Late Submission of Committee Reports	Scrutiny	Flexible
5	Home Care and Reablement Service Update	Scrutiny	Flexible
28 June 2016 Committee			
1	IA Follow Up Arrangements	Internal Audit	Flexible
2	IA Quarterly Update	Internal Audit	Flexible

3	Internal Audit Annual Report for the Year	Internal Audit	Flexible
4	Audit Scotland – Annual Overview Report	External Audit	Flexible
5	CLG Risk Register	Scrutiny	Flexible
6	Directorate Risk Register	Scrutiny	Flexible

Governance, Risk and Best Value Committee

10.00am, Thursday 28 January 2016

Edinburgh Jazz and Blues Festival – referral from the Culture and Sport Committee

Item number	7.1
Report number	
Wards	All

Executive summary

The Culture and Sport Committee on 20 October 2015 considered the attached report by the Deputy Chief Executive providing information on the successes and governance arrangements of the Edinburgh Jazz and Blues Festival as requested by the Governance, Risk and Best Value Committee on 5 March 2015.

The report has been referred to the Governance, Risk and Best Value Committee for its information.

Links

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

Edinburgh Jazz and Blues Festival

Terms of referral

1.1 On 20 October 2015, the Culture and Sport Committee considered a report by the Deputy Chief Executive providing information on the successes and governance arrangements of the Edinburgh Jazz and Blues Festival as requested by the Governance, Risk and Best Value Committee on 5 March 2015.

1.2 The Culture and Sport Committee agreed:

    1.2.1 To note the success of the Edinburgh Jazz and Blues Festival.

    1.2.2 To note the governance procedures the organisation had in place.

    1.2.3 To refer the report by the Deputy Chief Executive to the Governance, Risk and Best Value Committee for information.

For Decision/Action

2.1 The Governance, Risk and Best Value Committee is asked to note the report.

Background reading / external references

[Minute of the Culture and Sport Committee - 18 August 2015 - Thundering Hooves 2.0: Ten Year Strategy to Sustain the Success of Edinburgh's Festival](#)

Carol Campbell

Head of Legal and Risk

Contact: Laura Millar, Assistant Committee Clerk
E-mail: laura.millar2@edinburgh.gov.uk | Tel: 0131 529 4319

Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	Appendix 1 - Report by the Deputy Chief Executive
	Appendix 2 – Jazz and Blues Festival Board Members

Culture and Sport Committee

10.00am, Tuesday, 20 October 2015

Edinburgh Jazz and Blues Festival Update

Item number	7.3
Report number	
Executive	
Wards	All

Executive summary

As requested by the Governance, Risk and Best Value Committee on 5 March 2015, this report provides information on the Edinburgh Jazz and Blues Festival successes, alongside information on its governance procedures. The report was to be presented to the Culture and Sport Committee, and referred to Governance, Risk and Best Value Committee members thereafter.

Links

Coalition pledges	P24, P31
Council outcomes	CO8, CO20, CO26
Single Outcome Agreement	SO1

Report

Edinburgh Jazz and Blues Festival Update

Recommendations

1.1 Note the success of the Edinburgh Jazz and Blues Festival.

1.2 Note the governance procedures this organisation has in place.

1.3 Refer this report to the Governance, Risk and Best Value Committee for information.

Background

2.1 As set out by the Scottish Charity Regulator OSCR on its website, the key objective of the Edinburgh Jazz and Blues Festival (EJBF) is 'the advancement of education by the cultivation and improvement of public taste in jazz music, other related improvised forms of music and the performing arts in Scotland and elsewhere'.

2.2 To acheive this objective the EJBF programmes an annual festival of international artists, alongside leading Scottish musicians, with over 150 ticketed concerts, a free Mardi Gras in the Grassmarket, a free Edinburgh Festival Carnival along Princes Street and the Gardens, and a week-long education programme for aspiring players. The organisation presented its 37th edition in 2015.

2.3 Partnerships with organisations such as Festivals Edinburgh and Napier University are core to the Festival's collaborative working. International partnerships have also been fostered in Italy, Taiwan, Luxembourg, Switzerland, USA, Norway, Spain and Germany through their Governments and cultural agencies. EJBF also works closely with partners in Liverpool to enhance the Edinburgh Festival Carnival, widening the scope of participants to China, the West Indies, the Indian Ocean, and across Europe.

2.4 To deliver all of this work EJBF has three part-time members of staff, referred to in this report as the Company's Executives. A further ten are contracted for shorter periods of time and a team of 40 volunteers also perform a variety of roles.

2.5 The organisation submits annual accounts and reports to Companies House and OSCR each year. Yearly turnover was £900k in 2014 and £925k in 2015.

2.6 The Council grant funds EJBF annually, the most recent award being £127,891 as approved by Committee on 10 March 2015. This funding is linked to specific targets and objectives contained within a Funding Agreement and monitored by a Council link officer. Income is also generated through grants from Creative

Scotland and Scottish Government, sponsorship and ticket income. Details about governance are included in the main body of this report.

Main report

3.1   Ticketed attendances at the 2015 Edinburgh Jazz and Blues Festival exceeded 36,500, a 20% increase over 2014. Sales also hit record levels, up 11% from last year, and over £600,000 for the first time. The Mardi Gras and Festival Carnival free events jointly attracted large audiences of more than 30,000 people. These free un-ticketed events also include community group participation, with at least 100 people from ethnic minority groups.

3.2   Audience feedback on this year's programme has been very positive, with praise for the new venue at St Andrew Square; the high quality Expo-funded projects; for the burgeoning international blues programme; and for the wealth of new talent being discovered. Artistic successes include the Festival Orchestra's Ellington project; David Patrick's outstanding Rite Of Spring show; Trio HSK's collaboration with Cory Henry; and the three collaborative blues projects curated by Jed Potts and Sandy Tweeddale.

3.3   To sustain and build on this success the Company Executives and the Board work to an approved business plan. A summary of the main objectives within this plan are as follows:

3.3.1   To secure long term sustainability;
3.3.2   To increase audiences with a target of 40,000 by 2022. In doing this, an increase in participation and attendances by under 35 year olds is planned;
3.3.3   To invest in the creative development and status of Scottish musicians;
3.3.4   To widen the impact of the Festival taking programmes to an international stage;
3.3.5   To deepen links with Edinburgh communities;
3.3.6   To grow the organisation's commitment to education and life-long learning;
3.3.7   To grow the public perception of jazz and blues, creating a more positive environment for practitioners and audiences; and
3.3.8   To work towards the organisation being carbon neutral.

3.4   As one of the 12 Edinburgh Festivals represented by the ongoing work of Festivals Edinburgh, EJBF is also now working to deliver the objectives set out in Thundering Hooves 2.0 as approved by Committee recently on 18 August 2015.

3.5   In addition, to strategically lead the organisation, the Board has a set of current governance procedures as set out in its Memorandum and Articles of Association. These articles are annually reviewed by the Board and amendments made periodically to ensure that they remain appropriate. These papers are also regularly consulted to ensure that procedures are correct, and to ensure that new actions or proposals are appropriate.

3.6   As a registered Scottish Charity (number SC012211) the organisation also complies with OSCR 'Meeting the Charity Test Guidance'. This is achieved

through formal board meetings held to debate and agree on reports from senior officials, consultants, and where appropriate, from individual directors who have been charged with reviewing and reporting on specific issues of a strategic, organisational or operational nature. As part of the business plan outlined above, the Directors have also assessed the major risks to which the charity is exposed and have initiated a formal risk management strategic plan to mitigate these potential challenges.

3.7   All strategic decisions are made by the Board, with additional work being addressed by sub-groups, for example the Governance Group which considered issues such as executive pay and succession planning. Sub-groups report to the Board, which makes the final decision. Board members declare interests at meetings, and, if appropriate, absent themselves from any section of the meeting in which they have a conflict of interest.

3.8   Board composition has recently been reviewed. A recent skills audit has identified that Board members possess skills in finance, law, business, the communications and entertainment sectors, community involvement and local government (in the latter, as councillors).

3.9   The Councillors are: Councillor Cardownie (Scottish National Party), Councillor Lewis (Scottish National Party), Councillor Milligan (Labour), and Councillor Rust (Conservative). They understand that whilst they are serving on the Board of EJBF, their primary concern is the best interest of the charity. From time to time, Councillors, as with other Board members, will be asked to take on specific roles, for example as members of a Governance Group or an Audit Group; their position as Councillors has no bearing on the allocation of such roles.

3.10   Budgets are drawn up by the Company's Executives, and presented to the Board for approval. These are updated on a regular basis and presented to the Board for discussion and approval. Draft Accounts are produced after each Festival to advise the Board of the Festival performance, and audited accounts are produced annually after the year end on 31 December. The Board approves the accounts, and two members of the Board sign them to be filed, along with the annual return, with Companies House and OSCR. Neither organisation has any outstanding issues with EJBF. The last filing with Companies House was the Annual Return on 25 November 2014.The last filing with OSCR was 26 November 2014.

3.11   Further information can be shared with the Committee members on request, or provided directly by the organisation.

Measures of success

4.1   Each year an annual report is presented to Committee on the success of the summer festivals. This report includes information on the performance of the Edinburgh Jazz and Blues Festival.

Financial impact

5.1   There is no direct financial impact arising from this report.

Risk, policy, compliance and governance impact

6.1   There are no risk, compliance or governance impacts arising from this report. The EJBF is aware that information held by the Council about the Festival is subject to Freedom of Information requests.

Equalities impact

7.1   As set out in the funding agreement with the Edinburgh Jazz and Blues Festival, the organisation is required to 'agree to provide to the City of Edinburgh Council evidence of what action they are taking actively to promote access to their services for different equalities groups'. This is done through the application process, funding agreement and an annual report to their Council link officer.

Sustainability impact

8.1   Grants to third parties contribute to the city's Sustainable Edinburgh 2020 objectives and enable the Council to meet the public sector duties under the Climate Change (Scotland) Act 2009.

Consultation and engagement

9.1   EJBF is actively involved in consultation processes led by both the Culture and Sport Service and the Thundering Hooves Strategy referred to previously. In addition, the organisation gathers feedback from participants and audiences as part of the development of each annual festival.

Background reading/external references

Edinburgh Jazz and Blues Festival Website

Culture and Sport Grants and Service Payments to Organisations 2014/15 and 2015/16

Thundering Hooves 2.0: Ten Year Strategy to Sustain the Success of Edinburgh's Festivals

Summer Festivals 2014

Alastair D Maclean

Deputy Chief Executive

Contact: Lynne Halfpenny, Head of Culture and Sport

E-mail: lynne.halfpenny@edinburgh.gov.uk | Tel: 0131 529 3657

Links

Coalition pledges	P24 Maintain and embrace support for our world-famous festivals and events
	P31 Maintain our city's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure
Council outcomes	CO8 Edinburgh's economy creates and sustains job opportunities
	CO20 Culture, sport and major events – Edinburgh continues to be a leading cultural city where culture and sport play a central part in the lives and futures of citizens
	CO26 The Council engages with stakeholders and works in partnership to improve services and deliver on agreed objectives
Single Outcome Agreement	SO1 Edinburgh's economy delivers increased investment, jobs and opportunities for all
Appendices	

<u>Appendix 2</u>

<u>Current Board Members – Edinburgh Jazz and Blues Festival</u>

Councillor Steve Cardownie

Leslie Deans

Bob Dryburgh

Brian Fallon

Duncan Lonie

Moira McKenzie

Councillor Eric Milligan

Paul Nolan

Tom Ponton

Councillor Jason Rust

Jeff Shortreed

Governance, Risk and Best Value Committee

10.00am, Thursday 28 January 2016

Internal Audit Charter Update

Item number	7.2
Report number	
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Executive Summary

The Internal Audit Charter (Charter) sets out the scope of the Internal Audit function. The Charter also sets out the roles, responsibilities, objectives and reporting structures for the Internal Audit function.

The Public Sector Internal Audit Standards (PSIAS) require that the Charter be periodically updated presented for approval. The Internal Audit function has elected to update the Charter annually.

Links

Coalition pledges	
Council outcomes	CO25
Single Outcome Agreement	

Report

Internal Audit Charter update

1.   Recommendations

1.1   To approve the updated Internal Audit Charter.

2.   Background

2.1   The attached Charter is an update of the existing Internal Audit Charter. Under the PSIAS, the chief audit executive must review the Internal Audit Charter periodically and present it to senior management and the board for approval. The Internal Audit function has elected to update the Charter annually.

2.2   Within the Council, the role of the chief audit executive is fulfilled by the Chief Internal Auditor, the role of senior management is fulfilled by the Corporate Leadership Team and the board role is undertaken by the GRBV.

3.   Main report

3.1   The Charter sets out the role, scope and objectives of the Internal Audit function. It also sets out the framework for Internal Audit in the following areas:

   3.1.1   Independence & objectivity of the Internal Audit function;

   3.1.2   Professionalism of Internal Audit Officers;

   3.1.3   Authority and reporting lines of the Internal Audit Function;

   3.1.4   The internal audit plan and resourcing requirements;

   3.1.5   Responsibilities in connection with fraud and corruption; and

   3.1.6   The Quality Assurance & Improvement Programme.

3.2   The Charter has been refreshed to reflect the current Internal Audit team structure and to ensure that it complies with the latest CIPFA guidance on PSIASs. The following changes have been made:

   3.2.1   The role of the chief audit executive is fulfilled by the Chief Internal Auditor ('CIA'). CIA replaces 'Chief Internal Audit and Risk Officer' throughout. This reflects the increased level of separation between the Internal Audit & Risk teams since the previous update in January 2015.

3.2.2 The role of senior management is now fulfilled by the Corporate Leadership Team ('CLT'). CLT replaces 'Corporate Management Team' throughout.

3.2.3 Internal Audit have adopted and set out the definition of 'assurance services' to ensure that the charter meets the most recent guidance.

3.2.4 The guidance surrounding 'Clearance meetings' in Appendix 1has been amended to ensure consistency with our current practise.

4. Measures of success

4.1 A robust and independent Internal Audit function that is compliant with the PSIAS. The Audit Charter is a key component in ensuring that an appropriate governance structure is in place to allow the Internal Audit function to be compliant.

5. Financial impact

5.1 None.

6. Risk, policy, compliance and governance impact

6.1 Approval of this Charter will assist the Internal Audit service to operate within PSIAS requirements.

7. Equalities impact

7.1 None.

8. Sustainability impact

8.1 None.

9. Consultation and engagement

9.1 None.

10. Background reading/external references

None.

Hugh Dunn

Acting Executive Director of Resources

Contact: Magnus Aitken, Chief Internal Auditor

Email: magnus.aitken@edinburgh.gov.uk | 0131469 3143

Links

Coalition pledges	
Council outcomes	CO25 - The Council has efficient and effectives services that deliver on objectives.
Single Outcome Agreement	
Appendices	Appendix 1: Internal Audit Charter

THE
CITY OF EDINBURGH
AUDIT AND REVIEW SERVICE

INTERNAL AUDIT CHARTER

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INTERNAL AUDIT CHARTER

Purpose

The objective of Internal Audit is to provide a high quality independent audit service to the City of Edinburgh Council (CEC) which provides annual assurance in relation to internal controls and overall governance arrangements.

Internal Audit helps ensure an appropriate level of risk management and control is in place within CEC. Internal Audit adds value by reviewing the financial and business processes throughout CEC and objectively assessing the effectiveness of the control processes established by Management based on its knowledge and experience.

The purpose of this charter is to set out the role, responsibilities, objectives and authority of Internal Audit within CEC and to outline the scope of their work. The responsibilities of Internal Audit and its Auditees in respect of individual audit assignments are detailed in **Appendix 1**.

Role and Scope

The role of Internal Audit is to act as an independent, objective assurance and consulting function, designed to add value and improve the operational effectiveness of CEC.

The Internal Audit function is established by the Governance Risk and Best Value Committee (GRBV). The scope of Internal Audit is defined by the GRBV as part of its oversight role.

The Internal Audit scope covers all activities of CEC, and the external parties listed in **Appendix 2**. Internal Audit will execute a schedule of audit work designed to meet its objectives and provide assurance which will assist management in establishing and monitoring appropriate risk management and internal control procedures over all operational controls (both financial & non-financial), to help ensure that business objectives are achieved.

The nature of evolving business risks makes it likely that assignments may need to be completed outside of the scope of the annual audit plan and consequently Internal Audit will be flexible in their response to such changes. Variations from the annual audit plan will be discussed with the GRBV who will monitor and review the performance of Internal Audit.

Definitions

The Public Sector Internal Audit Standards (PSIAS) requires the that all public sector Internal Audit charters define the terms 'Chief Audit Executive (CAE)', 'Senior Management' and 'Board'

Within CEC, the role of the 'CAE' is fulfilled by the Chief Internal Auditor (CIA), the role of the 'Chief Financial Officer' is fulfilled by the Head of Finance (who is also the Section 95 Officer), the role of the 'Senior Management' is fulfilled by the CEC's Corporate Leadership Team (CLT) and the 'Board' role is undertaken by GRBV.

CEC have adopted the PSIAS definition of internal auditing as follows:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation establish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.

CEC have adopted the PSIAS definition of assurance services as follows:

'An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.'

CEC have adopted the PSIAS definition of consulting services as follows:

'Advisory and Auditee related service activities, the nature and scope of which are agreed with the Auditee, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training'.

Objectives & Responsibilities of Internal Audit

The primary objective of Internal Audit is to independently review, appraise and report upon the adequacy and effectiveness of the system of risk management and internal controls as a contribution to the proper, economic, efficient and effective use of resources.

Internal Audit, therefore, has unrestricted access to all activities undertaken in CEC, in order to independently review, appraise and report on:

- the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the business risks to be addressed;

- the extent of compliance with, relevance of, and financial effect of, policies, standards, plans and procedures established by the Council and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies;

- the extent to which the assets and interests are acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause and that adequate business continuity plans exist;

- the suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify measure, classify and report such information;

- the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud and loss of all kinds; and that the process aligns with CEC's strategic goals;

- the follow-up action taken to remedy weaknesses identified by Internal Audit review, ensuring that good practice is identified and communicated widely;

- the operation of CEC's corporate governance arrangements; and

- CEC Internal Audit evaluates the risk of fraud as part of the audit work performed. Where required, the role of Internal Audit is to provide support to the officers appointed to investigate potential fraud cases.

It is the responsibility of the CIA to provide an independent and objective opinion annually on the overall adequacy and effectiveness of CEC's framework of governance, risk management and control. The CIA's annual report will be presented to GRBV.

In addition to the primary assurance role, Internal Audit will if requested, support the Chief Executive Officer, the Section 95 Officer and the Monitoring Officer in discharging their responsibilities.

Internal Audit will ensure that it conduct its work with due professional care and in line with the requirements of the Public Sector Internal Audit Standards' (PSIAS) or other relevant professional standards.

When dealing with an external party, Internal Audit will clearly define the respective roles, responsibilities and other expectations (including restrictions on distribution of results of the engagement and access to engagement records).

Authority
Internal Audit derives its authority from the GRBV of the Council and the Council's CLT.

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised by the CLT and gives full, free, and unrestricted access to any and all of the Council's records, assets, physical properties, and personnel pertinent to carrying out any engagement. All Officers are required to assist the Internal Audit activity in fulfilling its roles and responsibilities. Internal Audit will also have free and unrestricted access to all Officers, the CLT and GRBV.

GRBV will review the scope and nature of the Internal Audit plan and receives summaries of the results of the work completed including assessments of the standard of controls in each area of the Council as well as a status report covering the implementation of agreed recommendations.

Internal Audit does not perform operational tasks as this would impair its objectivity; neither has it any direct responsibility for, nor authority over, the activities it reviews.

Professionalism
Internal Audit will govern itself by adherence to the PSIAS mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance.

The CIA is expected to report conformance on the PSIAS in the annual report.

Internal Audit operates within the code of ethics set out by the PSIAS. The four principles contained within the code are: Integrity, Objectivity, Confidentiality and Competency.

In addition, Internal Audit will adhere to CEC's relevant policies and procedures and Internal Audit's standard operating procedures manual.

Independence and Objectivity
Internal Audit will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content, to permit maintenance of the necessary independent and objective mental attitude.

The PSIAS requires the CIA to report to a level within the organisation which allows Internal Audit to fulfil its responsibilities and ensure that organisational independence is maintained. Within CEC, the CIA reports to the Director of Corporate Governance, the Chief Executive Officer and GRBV. The CIA is however ultimately solely responsible to GRBV.

In order to maintain auditor independence, internal auditors will have no operational responsibility or authority over any of the activities audited in order to prevent any conflicts of interest. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment. In addition, internal auditors will not be permitted to audit any activities for which they have previously been responsible within a period of 1 year.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The CIA will confirm to the GRBV at least annually the organisational independence of Internal Audit. The CIA will also inform the Convener of the GRBV of any real or potential impairment of organisational independence.

Internal Audit Plan
Annually, the CIA will submit to the GRBV an internal audit plan, designed with the objective of giving an evidence based opinion, for their review and approval.

This plan will be developed, based on a prioritisation of the audit universe using a risk-based methodology, including input from the Chief Executive, the Monitoring Officer, the Director of Corporate Governance, the Chief Risk Officer, the CLT & the GRBV.

The audit plan will be kept under review and any significant deviation from the approved internal audit plan(due to emerging risks, fraudulent activity or other factors that result in changes to planned Internal Audit or consulting activities) will be reported through the quarterly Internal Audit monitoring process to CLT and GRBV.

Resourcing
The CIPFA Local Government Application note for applying UK Public Sector Internal Auditing Standards states that '*No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence based opinion. Local factors within each organisation will determine this minimum level of coverage'.*

Audit Scotland have advised that that they expect a risk based internal audit plan to be prepared and that they would expect sufficient resources to be in place to accommodate all high risk items identified.

The CEC internal audit plan will reflect Audit Scotland's requirements and include budgeted resource requirements for the following year. It will also include a contingency to address unplanned work. Should circumstances arise during the year that suggests that available resource levels will fall or appear to be falling below the level required to deliver the plan, the CIA will communicate the impact of resource limitations and significant interim changes to the GRBV.

Management Responsibility
The CLT is responsible for the CEC's systems of internal control to ensure that CEC's resources are properly applied in the manner and on the activities intended as detailed in the Financial Regulations.

Management will co-operate with Internal Audit on assignments and provide access to records, systems and staff as required within a reasonable timeframe following the request.

Where an audit report is delivered, management are required to provide formal responses to all recommendations, including specifying responsibility and anticipated dates for the implementation of the solutions within two weeks of the draft report being issued. They are also responsible for the implementation of the solutions and this implementation will be monitored and subject to follow-up review.

Reporting and Monitoring

All audit and consulting assignments will be the subject of formal reports or formal management letters. Draft reports will be sent to the responsible management for agreement as to the factual accuracy of findings and for their completion of action plans. After agreement, the reports will be issued to the relevant department.

It is for management to accept and implement internal audit findings and recommendations, or to accept the risk resulting from not taking action. However, the CIA will escalate to GRBV any areas where management intend to accept risk, where it is felt that the risk should not or need not be borne.

The Internal Audit team will track the implementation of agreed management actions and seek to confirm that they have been undertaken within the agreed timescale.

Internal Audit reports regularly on the results of its work to CLT and the GRBV. The CIA is accountable to the GRBV for:

- providing regular assessments of the adequacy and effectiveness of the organisation's systems of risk management and internal control based on the work of Internal Audit;
- reporting significant control issues and potential for improving risk management and control processes;
- periodically providing information on the status and results of the annual audit plan, the status of agreed management actions which are past their agreed implementation date and the sufficiency of Internal Audit resources.

Fraud and Corruption

Management is responsible for the prevention and detection of fraud or corruption. Internal Audit will assist management in the discharge of this responsibility.

Audit procedures alone cannot guarantee that fraud or corruption will be detected. The Internal Audit will however exercise an appropriate level of professional skepticism during audit field work and be alert to risks and exposures that could allow fraud or corruption to occur.

Discovery of any fraud or irregularity that affects CEC's affairs should be reported immediately to the CIA as specified within CEC's Fraud Prevention, Anti-Bribery Policies and the Employee Code of Conduct, to inform the annual audit opinion and the risk based plan.

Quality Assurance and Improvement Programme

Internal Audit will maintain a quality assurance and improvement programme that covers all aspects of Internal Audit activity. The programme will include an evaluation of the Internal Audit's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal

auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of Internal Audit and identifies opportunities for improvement.

The CIA is also responsible also for providing periodically a self-assessment of Internal Audit as regards its consistency with the Audit Charter (purpose, authority, and responsibility) and performance relative to its Plan.

The CIA will communicate to the CLT and the GRBV on Internal Audit's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years.

Approval

This charter is subject to approval by the Governance, Risk and Best Value Committee on an annual basis.

Signed by:

Chief Internal Auditor:

Convener of the Governance, Risk & Best Value Committee:

Content approved by the Governance, Risk & Best Value Committee: 28 January 2016

Key Audit Stages, Responsibilities and Timetable

Area	Principles	Further guidance
Planning the audit	Agreeing the audit scope and objectives	• Internal Audit will determine and make arrangements for sufficient resources to achieve audit engagement objectives. This will be based on an evaluation of the nature and complexity of each engagement, time constraints and available resources. • An initial planning meeting will be held between Internal Audit and the responsible Director/ Manager for each review. The planning meeting will be held in advance of the audit fieldwork commencing. The purpose of the meeting will be to agree the scope and objectives for the review, requirements during the audit and a reporting and closeout timetable. • The responsible Director/Manager will identify the personnel who have the relevant knowledge and are best placed to answer questions in relation to the audit scope. The Director/Manager will be responsible for notifying these staff of the audit scope and any other requirements agreed with Internal Audit during the planning meeting. • Internal Audit shall be responsible for organizing meetings with relevant staff
Audit fieldwork and planning	Timely communication of issues identified during fieldwork	• The Auditee will be informed of the progress of the audit on a regular basis. • Any issues identified during the fieldwork by Internal Audit will be discussed with the relevant staff to ensure that they are accurate and proposed recommendations are valid and achievable. • Any material issues (Critical) will be raised by Internal Audit with the commissioning Director/Manager immediately as they arise.
Reporting	Closeout meeting to discuss and agree the internal audit report	• A closeout meeting will be undertaken with the Director/Manager at the end of audit fieldwork. • Internal Audit will provide the responsible Director/Manager with a copy of the draft report within 2 weeks of completing the fieldwork.

Area	Principles	Further guidance
Reporting	Management response to internal audit report	• The responsible Director/Manager will have 2 weeks to provide management comments. During this period, where appropriate, the responsible Director should consult with the Director of Corporate Governance and/or the CLT on the findings and recommendations in the Internal Audit report. • Internal Audit will issue the final report within 1 week of receipt of management comments to the responsible Director, Audit Scotland and if appropriate, the Chief Executive, Director of Corporate Governance & the Head of Legal, Risk & Compliance.
Reporting	Reporting of internal audit findings to the CMT	• Two weeks before the GRBV Committee meeting, the CIA and CLT will meet to review the internal audit findings being reported to the GRBV committee and advise the GRBV committee which commissioning Director (or another appropriate member of staff) should attend the GRBV committee meeting.
	Reporting of internal audit findings to the GRBV Committee	• Internal Audit shall prepare an internal audit update report quarterly for the GRBV committee. The update report will summarize the findings arising from each finalized internal audit report. It will also include progress on implementation of critical or high internal audit recommendations.
Follow up	Monitoring the implementation of internal audit recommendations	• A questionnaire will be issued to be completed by the Auditee to allow opportunity to comment directly to the CIA on the satisfaction of the audit service provided. This forms part of the Internal Audit Quality Review program. • Internal audit will track the status of all open recommendations. Medium- & high-rated recommendations that are overdue will be reported to the GRBV committee on a quarterly basis. Internal Audit will advise departments at least quarterly of all open recommendations and invite departments to provide evidence that the recommendations have been actioned.

External bodies for which CEC Internal Audit carries out internal audit work

- Lothian & Borders Criminal Justice Authority
- Lothian Valuation Joint Board
- South East of Scotland Transport Partnership
- The Royal Edinburgh Military Tattoo (Charities) Limited

10.00am, Thursday 28 January 2016

Use of Demographic Information in the Budgeting and Service Planning Processes

Item number	7.3
Report number	
Executive/routine	
Wards	All

Executive summary

At its meeting on 18 June 2015, the Governance, Risk and Best Value Committee considered a six-monthly update of the (then) Corporate Leadership Group risk register which outlined the Council's highest-priority risks, along with the principal actions in place to manage them.

One of the risks, relating to planning for increased service demand, identified the potential for a lack of strategic approach in assessing the financial and service planning aspects of the city's changing demographics, resulting in a funding shortfall and/or lower service quality. While a number of mitigating measures were set out in the risk register, following discussion, members of the Committee requested that a report be brought back in around six months' time considering the consistency of current practice and any relevant proposed developments.

This report provides an overview of the Council's approach to recognising demographic change and outlines recent work to aid the development of consistent, organisation-wide projections and intelligence in this area.

Links

Coalition pledges	All
Council outcomes	All
Single Outcome Agreement	All

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Report

Use of demographic information in the budgeting and service planning processes

Recommendations

1.1 Members of the Governance, Risk and Best Value Committee are asked to note the contents of the report and the progress made in developing a consistent approach to assessing the financial and service aspects of demographic change upon the Council's services.

Background

2.1 At its meeting on 18 June 2015, the Governance, Risk and Best Value Committee considered a six-monthly update of the (then) Corporate Leadership Group risk register which outlined the Council's highest-priority risks, along with the principal actions in place to manage them.

2.2 One of the risks, relating to planning for increased service demand, identified the potential for a lack of strategic approach in assessing the financial and service planning aspects of the city's changing demographics, resulting in a funding shortfall and/or lower service quality. While a number of mitigating measures were set out in the risk register, following discussion, members of the Committee requested that a report be brought back in around six months' time considering the consistency of current practice and any proposed relevant developments.

2.3 Since the Committee's meeting, the results of a pre-planned internal audit have been issued. In addition to regular, on-going review of the level of financial provision contained within the Council's Long-Term Financial Plan (LTFP), initial work has been undertaken to develop both city-wide and local-level population projections to promote improved consistency and co-ordination in service planning. Such work has been developed and will be taken forward as a part of the Council's new approach to Strategy and Insight services.

2.4 The following sections set out progress across all of the above areas. The report begins, however, by describing the Council's current approach to modelling the service and financial impacts of changing demographics, before outlining future service developments. For the purposes of the report, the term "demographics" will be assumed to cover the size, structure and distribution of the population.

Main report

Population growth in Edinburgh

3.1 Over the past ten years Edinburgh has been one of the fastest-growing local authorities in the UK. From 2004 to 2014 the population of the city grew by over 46,000 people. This represents an increase of some 10%, more than double the growth seen across Scotland as a whole and almost double the 5.5% growth recorded in Glasgow.

3.2 According to estimates published by the National Records of Scotland (NRS), the Scottish Government agency responsible for preparing statistics on demographic trends, the city is likely to see continued strong population growth over the next ten years. NRS projections show the number of Edinburgh residents increasing by 57,000 people, or 11%, over the period 2015-25. These projections show strong growth at both ends of the age spectrum, with an 18% increase in the population aged under 18, alongside 25% growth in the number of residents aged over 75.

3.3 These trends, and associated changes in life expectancy and related medical advances, have significant impacts on demand for many Council services. In particular, projected growth in the number of young people in the city is expected to impact on **Communities and Families** services through:

- increased capacity requirements in early years facilities;
- rising overall school rolls across the primary and secondary education sector; and
- greater numbers of at-risk children in need of support.

3.4 Growth in the number of older people and increased survival rates for people with disabilities are expected to have an impact on **Health and Social Care services** through:

- increased demand for both residential and at-home care services, with growth in the 85+ age group, for which needs increase exponentially, being particularly pronounced; and
- increased demand and need for support for residents born with disabilities (or acquiring them through illness or trauma).

3.5 Growth in, and changes in the characteristics of, the city population as a whole are also expected to result in increased demand for a number of other Council services, including:

- housing, particularly affordable housing; and
- elements of essential city infrastructure, such as waste and recycling services.

Financial provision for demographic change

3.6   The Council remains one of relatively few in Scotland to make explicit provision for the costs of demographic change within its budget, having done so since 2009. This approach was specifically highlighted as an area of good practice by the Local Government and Regeneration Committee of the Scottish Parliament and has formed a foundation of the LTFP ever since. An overall summary of the current level of demographic provision within the LTFP is provided in Appendix 1.

3.7   The effect of cumulative years' savings requirements has, however, made this level of incremental provision increasingly challenging to sustain and underlined that such a level of investment is only affordable insofar as corresponding savings are available to pay for it. This issue has been brought into sharp relief by a series of below-inflation finance settlements in recent years that have accelerated the need, where feasible, to look at ways of managing demand or reducing the incremental cost of meeting that demand, with the Looked-After Children Transformation Plan (on which the Committee receives six-monthly updates) a good example of how this can be achieved.

3.8   The issue of demographic change and, in particular, the associated financial consequences has gained increasing prominence in recent months amongst both senior officers and elected members. The level of financial provision contained within the LTFP is, however, already subject to at-least six-monthly review or as and when relevant empirical or other evidence becomes available.

3.9   In April and May 2015, a comprehensive review of current provision across all service areas was undertaken, the results of which were then reported to the Finance and Resources Committee on 4 June. For Health and Social Care services, this review indicated that the existing level of incremental provision was considered broadly appropriate, with increases in service cost offset by lower-than-previously-forecast growth in the relevant population. This latter difference had stemmed, in turn, from actual 2011 census data showing that NRS projections of Edinburgh's population as a whole had been overestimated by almost 4%, with the younger working-age male population the principal contributor to this position. Given the importance of population-based measures to the grant distribution system, this overstatement was the main contributor to a reduction of £13m in the Council's external revenue funding in 2015/16. While, in each case, the difference stemmed from work undertaken by the Scottish Government, the susceptibility of existing national projections to relatively small changes in assumptions on migration is something the Council's own work (described later in this report) has specifically sought to address.

3.10   At a more strategic level, the Children and Families update also looked at anticipated additional education-related requirements arising from the Local Development Plan. Following consideration of the evidence presented, as a

result of lower-than-anticipated costs associated with National Insurance changes effective from April 2016, the resulting funding was reallocated to increase overall provision in this area by £2.1m.

3.11   The importance of recognising the longer-term financial implications of demographic change has also been highlighted, with risks around the adequacy of current provision highlighted in various update reports. Given the absence even of local government-wide funding allocations beyond 2016/17, however, the affordability of making further provision will be reviewed upon publication of the Scottish Government's Draft Budget for 2017/18. It is vitally important for the level of provision made to strike an appropriate balance between accurately forecasting additional demand and encouraging preventative approaches and/or service transformation, particularly given that the level of per capita grant support is steadily decreasing.

3.12   In overall terms, the review of baseline projections on which the level of additional provision had been calculated confirmed the approach's underlying robustness. More generally, however, opportunities exist to consider whether more Edinburgh-specific data could be developed that would assist both in service planning and highlighting more timeously the potential for material changes in external funding resulting from limitations in the methodologies currently being applied. Work currently being taken forward in this area is set out later in this report.

3.13   As noted in the Budget Update report considered by the Finance and Resources Committee on 14 January, the Draft Scottish Budget included an additional £250m transfer of resource from the NHS to health and social care partnerships to support health and social care integration. As such, the precise funding arrangements for addressing demographic change as it affects these services are subject to review.

Internal Audit review

3.14   The Council's financial planning approach was recently also reviewed as part of the internal audit plan; a copy of the report is included as Appendix 2. The review acknowledged a number of strengths of the current approach, including the explicit financial recognition of the impact of demographic change, regular review and discussion of the level of provision made and the use of updated projections by service areas. The review made three medium- or low-risk recommendations, the first advocating the use of latest-available population estimates for learning and physical disability services and work is proceeding to implement this action.

3.15   The other recommendations related to more specific consideration of NRS's variant projections (which make differing assumptions about birth rate and migration) and modelling the demographic impacts of the LDP. Each of these issues is being examined in the context of work being taken forward by Business Intelligence, a summary of which is provided in the following section.

Use of population projections in planning of Council services

3.16   Analysis of population change and its impacts on service demand is currently built into the planning of services across all areas of the Council. While the NRS projections cited above typically provide a starting point for this analysis, given the diverse range of services provided by the Council, the specific approaches and datasets used can vary considerably between service areas, with a bespoke approach also often adopted with regard to assessing financial implications of these changes. These projections are based on historic data and reflect assumptions about future changes, particularly with regard to migration, fertility and mortality.

3.17   With regard to **Children and Families services**, the Rising School Rolls report to the Education, Children and Families Committee on 9 December 2014 included the latest forecast of projected school rolls based on the most recent information on births and population projections provided by NRS, suggesting that future birth rates will be greater than they had previously projected. The differences in the projections are significant; relative to the estimates calculated two years earlier, the 2012-based projections suggest that there will be an additional 1,000 births each year between 2024 and 2035.

3.18   The actual birth rates in 2011 and 2012 were the highest in twenty years, with these feeding in to P1 in 2016 and 2017 and, in due course, through to the secondary sector. There are however, other factors that influence school rolls, with, for example, a marked recent increase in the stay-on rate in S5 and S6. Across the secondary sector as a whole, pupil numbers are expected to increase by nearly 37% between 2017 and 2030.

3.19   Analysis undertaken within **Health and Social Care** similarly takes as its starting point NRS population estimates and projections. In the case of both care home and domiciliary care provision, age-specific service utilisation rates are then applied to wider population projections to estimate likely demand, with unit costs multiplied by these volume changes to assess the level of additional financial provision required. As mentioned previously, the extent of growth in the 85+ age group is particularly influential in determining overall service volumes given the more intensive nature of support generally provided.

3.20   Other areas use population projections more broadly; planning for looked-after children services is based more on an extrapolation of past trends and other empirical evidence, alongside modelling the balance of provision across different care settings. Waste Services makes use of NRS household projection data, in conjunction with modelling of the locations of current and prospective housing and other development, to plan additional collection and disposal arrangements.

3.21 These bespoke arrangements, while important to ensuring a close fit with service needs and building on service-specific intelligence, do carry a number of risks for the Council. In particular:

While useful as a starting point for analysis, NRS projections are very sensitive to changes or errors in core assumptions (particularly around migration flows) and have tended systematically to overstate the level of actual population growth in Edinburgh over recent years;

- NRS projections are largely a demand-led estimate and make no allowance for housing supply constraints on population growth. As such, these projections are not necessarily consistent with Council planning or housing policies;

- While NRS projections are used by all services, the different methodologies and approaches mean that demand planning and financial planning in different parts of the Council may be based on different assumptions about the likely scale of population growth in the city; and

- Notably, NRS produces population projections for the city as a whole, but offers no guidance on likely population change for small areas of the city. As such, local planning and projections for different services may be based on different assumptions about the likely spatial pattern of population change.

3.22 A number of these risks and issues were identified in the August 2015 internal audit on the use of demographic projections in the Council budget process which recommended improvements to ensure that:

- A more consistent approach be taken to use of demographic projections across services areas, particularly in respect of the influence of likely migration trends; and

- The sensitivity and margins for error in NRS projections and their impact on service demand and financial pressures be more explicitly considered.

3.23 These recommendations will be taken forward by work underway to develop the Council's new Strategy and Insight function.

Future developments – Strategy and Insight

3.24 As a key strand of the council transformation programme, the Business and Support Services project is developing a new model for the provision of central support for Council services. The project will provide a strong Strategy and Insight centre to provide analytical resources to support front-line delivery and help promote consistent and integrated Council-wide approaches to planning services.

3.25 The new service will provide:

- An integrated, smarter approach to the delivery of strategy and insight services, removing duplication and inefficiency and integrating analytical resources across the Council;

- Improved availability and sharing of management information and analysis around a cohesive, Council-wide approach to managing requests for data, research and insight; and

- A dedicated business partner approach for all services and localities. This approach will be critical to maintaining consistency of service, expertise and knowledge and building insight programmes around the needs of services areas and localities.

3.26 An early priority of the new service is the development of single consistent Council-wide approach to planning and predicting future service needs. A core part of this programme will be the improved understanding of future population change in the city. Towards this, work is underway to build on the internal audit recommendations cited above and develop a single shared, Council-wide view of likely population growth across the city. This analysis, led by officers in Business Intelligence, addresses the limitations of NRS projections noted above to:

- Provide new estimates of likely population change in the city over the next decade which are consistent with the Council's own planning policies and understanding of likely house building patterns;

- Provide a single set of estimates of likely population growth by locality, ward, and age group for use across all Council services for demand planning purposes;

- Improve analysis and understanding of the sensitivity of likely population growth to changes in core assumptions such as house building rates, household size, birth and mortality rates, migration flows and other factors.

3.27 Initial draft outputs from the new approach have been built on analysis of the 2014 Housing Land Audit alongside detailed analysis of the most up to date statistics produced by NRS. These outputs have provided a useful starting point for consultation and confirmed the potential for the approach to provide better analysis of small-area population change and more useful predictions of likely demand change.

3.28 Next steps for the project during early 2016 will include:

- Updating new projections to incorporate data from the 2015 Housing Land Audit and most up to date analysis of expected house building patterns;

- Developing methodology and project outputs to ensure fit with existing service needs; and

- Publishing findings and rolling out projections for use in service demand and financial planning.

Measures of success

4.1 Within a context of decreasing real-terms resources, on-going provision of demographic-related funding needs to be effectively targeted and combined, as appropriate, with investment in early intervention and prevention to retain financial stability going forward.

Financial impact

5.1 A total of £47m has been provided in respect of demographic and other service demand-related factors over the five-year period of the budget framework. Given reducing real-terms overall resource availability, offsetting savings require to be identified elsewhere within the Council's budget to allow this level of provision to be sustained.

Risk, policy, compliance and governance impact

6.1 Planning for increased demand has been identified as one of the key CLT risks and a corresponding programme of mitigating actions developed including:

- explicit financial provision made within the Long-Term Financial Plan;
- creation of a Strategic Workforce Board reporting to CLT;
- on-going consideration at senior officer and political level, with at-least six-monthly review as part of financial planning updates considered by the Finance and Resources Committee; and
- development of improved and consistent Council-wide management information.

Equalities impact

7.1 While there is no direct equalities impact arising from the report's contents, investment in the range of areas outlined impacts positively on a number of equalities groups.

Sustainability impact

8.1 There are no direct implications arising from the report's contents.

Consultation and engagement

9.1 There is no direct relevance to the report's contents but consultation and engagement is undertaken on an annual basis on the budget framework.

Background reading/external references

The financial impact of changing demography, Finance and Budget Policy Development and Review Subcommittee, 22 May 2013

Rising School Rolls, Education, Children and Families Committee, 9 December 2014

Financial Strategy, 2015/16 to 2019/20, Finance and Resources Committee, 4 June 2015

Corporate Leadership Group (CLG) Risk Update, Governance, Risk and Best Value Committee, 18 June 2015

Hugh Dunn

Acting Executive Director of Resources

Contact: Fraser Rowson, Principal Accountant

E-mail: fraser.rowson@edinburgh.gov.uk | Tel: 0131 469 3166

Jo McStay, Business Intelligence Manager

E-mail: jo.mcstay@edinburgh.gov.uk | Tel: 0131 529 7950

Links

Coalition pledges	All
Council outcomes	All
Single Outcome Agreement	All
Appendices	Appendix one – Demographic provision included within long-term financial plan, 2015/16 to 2019/20
	Appendix two – Use of demographics in the budgeting process Internal Audit report

DEMOGRAPHIC-RELATED FUNDING INCLUDED IN LONG-TERM FINANCIAL PLAN, 2015/16 - 2019/20

NB Increases are shown incrementally relative to level of provision in preceding year.

SERVICE AREA	DESCRIPTION	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m	TOTAL £m
CHILDREN AND FAMILIES/COMMUNITIES AND FAMILIES SERVICES							
Primary Schools	Pupil Numbers Demography	0.786	2.246	1.378	1.344	1.277	**7.555**
Secondary Schools	Pupil Numbers Demography	0.524					
Family Based Care	Vulnerable Children Demography	1.789	2.417	1.789	0.000	0.000	**5.995**
Professional Support	Additional Support Needs - Devolved Mainstream Schools	0.059	0.369	(0.032)	0.000	0.000	**0.396**
Professional Support	Additional Support Needs - Nursery Schools	0.355	0.114	(0.014)	0.000	0.000	**0.455**
Nursery Schools &	Nursery Classes	0.115	0.445	0.000	0.000	0.000	**0.560**
Nursery Schools &	Nursery Schools	0.058	0.230	0.000	0.000	0.000	**0.288**
HEALTH AND SOCIAL CARE SERVICES							
Older People Services	Demography - increasing number of Older people	1.982	2.043	1.937	2.369	2.372	**10.703**
Disability Services	Demography - adults with learning disabilities	2.495	2.600	2.705	3.204	3.334	**14.338**
Disability Services	Demography - adults with physical disabilities	0.368	0.373	0.379	0.384	0.390	**1.894**
Mental Health and Care Assessment	Demography - Mental Health and Care Assessment	0.900	0.900	0.900	0.000	0.000	**2.700**
CORPORATE GOVERNANCE/RESOURCES							
Customer Services	Increasing Council Tax- and Housing Benefit/CTRS administration-related activity based on population changes	0.180	0.180	0.180	0.000	0.000	**0.540**
SERVICES FOR COMMUNITIES/PLACE							
Environment	Impact of increase in household numbers on waste collection routing and disposal	0.000	0.348	0.348	0.348	0.348	**1.392**
TOTAL CURRENT PROVISION		**9.611**	**12.265**	**9.570**	**7.649**	**7.721**	**46.816**

As noted in the Budget Update report considered by the Finance and Resources Committee on 14 January, the Draft Scottish Budget included an additional £250m transfer of resource from the NHS to health and social care partnerships to support health and social care integration. As such, the precise funding arrangements for addressing demographic change as it affects these services are subject to review.

The City of Edinburgh Council
Internal Audit

Use of demographics in the budgeting process

Corporate Governance

Final Report

August 2015

CG1502

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THE CITY OF EDINBURGH COUNCIL

Contents

Executive summary

Total number of findings

Critical		0
High		0
Medium		2
Low		1
Advisory		0
Total		**3**

Summary of findings

The following areas of good practice were identified:
- The cost of increased demand for Council services due to demographic change is built into long term financial planning and has been considered by both service senior management teams and the Finance and Resources Committee;
- Population projections published by National Records of Scotland (NRS) are being used in calculating the potential cost of demographic change. The projections are updated every 2 years and currently give estimated populations for each local authority by age and sex up to 2037; and
- Children and Families and Services for Communities have revised their demographic provision to reflect updated population projections published by NRS in May 2014.

The following areas for improvement were identified:
- Whilst acknowledging that the projections for services for adults in disabilities are presently under review, the current projections within the long term financial plan (whilst incorporating other factors such as unit costs), do not make use of the most recent data available;
- Potential costs arising from migration to the city under the Local Development Plan have not been included in the demographic provision for Services for Communities; and
- A sensitivity analysis to assess the impact of error in population projections has not been completed.

Our detailed findings and recommendations are laid out within Section 2: *Detailed findings*.

1. Background

Background

The population of Edinburgh is forecast to grow by 4.5% over the next four years to reach nearly 520,000 by 2019/20. The profile of the population is also expected to change, with growth particularly marked in the school age population (currently c. 85,500) and in the number of residents aged over 85 (currently c.10,900).

Population Growth
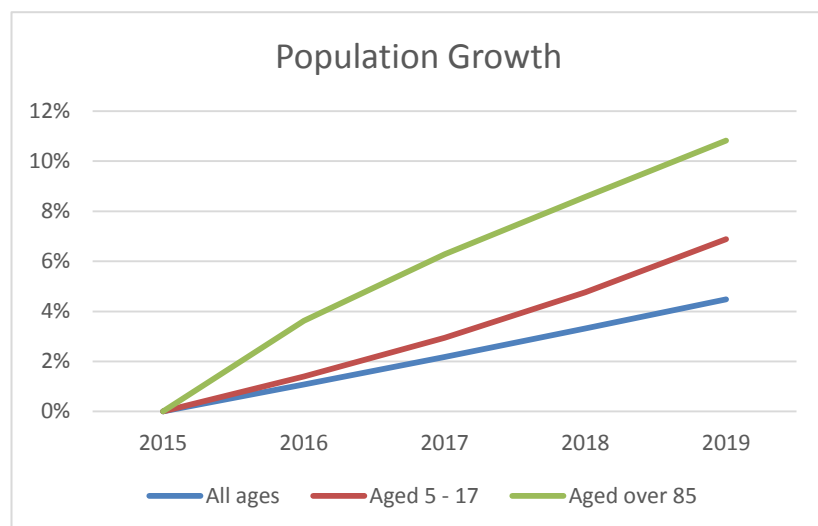
These demographic changes are expected to have a significant financial and operational impact on the Council. Corporate Governance has worked with service teams to quantify the impact of demographic changes and incorporate the additional expenditure into the Council's long term financial planning.

The key pressures identified are:

Children and Families

| | Incremental increase | | | | Forecast additional costs in 2019/20 compared to 2015/16 £m |
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	
School rolls	1.953	1.916	1.691	2.240	7.800
Vulnerable children	2.487	2.398	1.976	2.021	8.882

High birth rates since 2007/8 have resulted in increased demand for primary school places in the city, and will begin to affect secondary school rolls in the next four to five years.

Children and Families have estimated that the cost of staff and infrastructure to accommodate the extra classes will be an additional £7.8 million a year by 2019/20.

A further potential £4 million expenditure pressure has been identified between 2016/17 and 2019/20 to provide school places in areas where new housing will be built under the Local Development Plan.

The number of Looked After Children and children with disabilities is expected to increase at the same rate as the wider population aged 0 – 17. A transformation plan is currently underway with changes in the service model expected to off-set the majority of the additional costs due to increased numbers of looked after children in 2016/17 and 2017/18.

Health and Social Care

| | Incremental increase | | | | Forecast additional costs in 2019/20 compared to 2015/16 |
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	£m
Services for older people	**2.043**	**1.937**	**2.369**	**2.372**	**8.721**
Services for adults with learning disabilities	**2.600**	**2.705**	**3.204**	**3.334**	**11.843**
Services for adults with physical disabilities	**0.373**	**0.379**	**0.384**	**0.390**	**1.526**

Health and Social Care expenditure increased by over 14% between 2011/12, when the long term demographic provision was first calculated, and 2013/14.

There will be increased pressure on the Health and Social Care (HSC) budget with an aging population. Those aged over 85 will have greater need of health and social care services and are likely to have more complex needs. HSC have calculated that by 2019/20 the annual cost of providing services to older people will be £8.7 million higher.

Similarly, medical advances mean that those with severe disabilities are likely to live longer and that survival rates following major trauma have improved. There are more adults with learning and physical disabilities who are likely to require local authority support for longer periods and have more complex care needs. HSC calculated that by 2019/20 the annual cost of providing services to adults with disabilities will be £13.3 million higher, based on data available in 2011/12.

Services for Communities

| | Incremental increase | | | | Forecast additional costs in 2019/20 compared to 2015/16 |
	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	£m
Waste services	**0.348**	**0.348**	**0.348**	**0.348**	**1.392**

The trend towards smaller households increases pressure on city infrastructure, such as waste services. National Records of Scotland (NRS) projects that the number of households in Edinburgh will rise from around 228,000 in 2014 to over 258,000 in 2019. Services for Communities have calculated that under the current service model, this will mean that the cost of collecting and disposing of waste will increase by £0.348 million each year.

Limitations of scope

The review is limited to the use of demographic data relating to :

Health and Social Care	• Older people • Adults with learning and/or physical disabilities
Children and Families	• School rolls • Vulnerable children
Services for Communities	• Waste services

In each case, the demographic provision is a 'do nothing' cost which assumes that the unit cost to the Council will not change and that service models will remain the same. The demographic provision

relates purely to the additional expenditure required if the number of people accessing Council services increases. We have not verified the accuracy of 2014/15 unit costs used in calculating the provisions.

2. Detailed findings

1. Health and Social Care demographic provision

Finding

The future cost of providing services to older people and to adults with learning and/or physical disabilities was calculated in 2012 based on the 2010 mid-year populations projections and the weighted average cost of delivering Health and Social Care services in 2011/12. National Records of Scotland revised the population projections for the city in May 2014. The population is expected to be around 4% lower each year than previously forecast.

Older people's services
Health and Social Care have assessed the reasonableness of the existing provision for older people's services using the revised population projection and the 2014/15 weighted average cost of providing services and concluded that no adjustment is required in the short term. This is because reductions in the projected growth rates are offset by updating the unit costs.

Services for adults with disabilities
The annual cost, as calculated in 2012, is currently projected to be £13.3 million higher by 2019/20 and this sum is currently included within the long-term financial plan. The increase is largely based on rising time trends in the numbers of young people with disabilities who require adult social care following transition from children's services.

The cost of providing services to adults with learning and/or physical disabilities was being re-assessed at the time this report was written.

It is recognised that cost estimates for adults with disabilities are less sensitive to overall population demographics than some other services and that there are other factors which may influence cost estimates to a greater extent given, that there is significant variation in the nature, complexity and cost of services required.

Business Implication	Finding Rating
The current projections within the long term plan, for future demand for services for adults with disabilities does not make use of the most recently available population projections.	**Medium**

Action plans

Recommendation	Responsible Officer
The most recently available population projections (along with the most recent information on the other relevant factors) should be used in completing the reassessment of the cost of providing services to adults with disabilities. The revised estimates should then be used to update the Long Term Financial Plan. The costs estimates for older people's services should be revisited as and when new population projections become available. The time series of disabled school leavers that is used as the basis for	Strategic Policy and Performance Manager

forward projections of the numbers of people with learning disabilities requiring adult social care services should be updated each year.

Agreed Management Action	Estimated Implementation Date
1. Review future cost estimates for social care services for older people every two years in line with the publication of updated population projections by National Records of Scotland. (The next publication is expected in 2016).	Summer 2016, thereafter bi-annually as new NRS data is published
2. Update annually the time series used to project future numbers of people with learning disabilities requiring adult social care services.	August 2015, thereafter annually
3. Within the above timescales, also update the unit costs and other assumptions used in the Health and Social Care estimates for the Long Term Financial Plan	Timescales as above

2. Local Development Plan

Finding
An additional 9,000 dwellings will be built in the city by 2019/20 under the Local Development Plan. NRS population estimates do not incorporate any migration to the city as a result of the Local Development Plan.

Business Implication	Finding Rating
The potential costs arising from the construction of additional dwellings and related infrastructure as part of the Local Development Plan have not been included in the Long Term Financial Plan.	Medium

Action plans	
Recommendation	**Responsible Officer**
Infrastructure and other costs (such as additional teacher requirements) associated with the Local Development Plan should be considered in determining the appropriate long-term demographic provision.	Head of Finance
Agreed Management Action	**Estimated Implementation Date**
The Long-Term Financial Plan is subject to at-least quarterly review, with the next such review due in September. These reviews will highlight the emerging costs of the Local Development Plan going forward.	September 2015

3. Sensitivity in population projections

Finding

NRS updated the population projections for Edinburgh in May 2014. The projected population is about 4% lower each year than previously forecast, as migration to the city was lower than expected.

NRS have published a range of population projections to allow for variation in the birth rate and migration. This gives a variance of +/- 1.3% in the forecast population in 2019/20.

CEC have used the principal projection for all demographic provisions. The potential impact of error in the projected population has not been assessed.

Business Implication	Finding Rating
Future demand for services may be higher or lower than expected.	**Low**

Action plans

Recommendation	Responsible Officer
A range should be calculated for each key demographic projection, to assess the potential impact should the population differ from NRS projections. The accuracy of the demographic provision should be assessed periodically, by comparing the actual cost and population or number of households to the base projections.	Head of Finance

Agreed Management Action	Estimated Implementation Date
While, based on the range indicated above, any monetary impact would likely be modest, future assessments of appropriate levels of demographic provision will model the impact of variation in actual population levels. A comparison between projected and actual growth in the numbers of school pupils and older people was reported to elected members in February 2014, prompting the recent detailed review. Going forward, however, quarterly reviews will incorporate such comparisons as a matter of course, making use of such updated information as is available. Reference will also be included in the Risk and Reserves report considered by Council as part of the annual budget-setting process.	September 2015

Appendix 1 - Basis of our classifications

Finding rating	Assessment rationale
Critical	A finding that could have a: • ***Critical*** impact on operational performance; or • ***Critical*** monetary or financial statement impact; or • ***Critical*** breach in laws and regulations that could result in material fines or consequences*; or* • ***Critical*** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • ***Significant*** impact on operational performance; or • ***Significant*** monetary or financial statement impact; or • ***Significant*** breach in laws and regulations resulting in significant fines and consequences*; or* • ***Significant*** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • ***Moderate*** impact on operational performance; or • ***Moderate*** monetary or financial statement impact; or • ***Moderate*** breach in laws and regulations resulting in fines and consequences; or • ***Moderate*** impact on the reputation or brand of the organisation.
Low	A finding that could have a: • ***Minor*** impact on the organisation's operational performance ; or • ***Minor*** monetary or financial statement impact; or • ***Minor*** breach in laws and regulations with limited consequences; or • ***Minor*** impact on the reputation of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Appendix 2 – Terms of Reference

Corporate Governance

Terms of Reference – Demographics in Budgeting Process

To: Alastair Maclean

From: Magnus Aitken
        Chief Internal Auditor   Date: 3 June 2015

This review is being undertaken as part of the 2015/16 internal audit plan approved by the Governance Risk and Best Value Committee in March 2015.

Background

Social and demographic changes will have a significant financial and operational impact on the Council. The Council is already observing an increased demand for services as people live longer and birth rates increase.

The key pressures identified are:

<u>Health and Social Care:</u> a growing population aged over 85 will have greater need of Health and Social Care services and are likely to have more complex needs.

<u>Children and Families:</u> rising birth rates have resulted in increased demand for school places in the city. The number of looked-after children has also risen.

<u>Services for Communities:</u> a trend towards smaller households increases pressure on city infrastructure, such as waste services.

The Council has allowed a cumulative provision of £31.45 million for additional costs arising from increased numbers accessing services and the complexity of their support needs.

Scope

The scope of this review will be to assess the design and operating effectiveness of the Council's controls relating to the use of demographics in the budgeting process.

The sub-processes and related control objectives included in the review are:

Sub-process	Control Objectives
Source data	• Demographic data used in the budgeting process is accurate and reliable. • Populations used as base data are comparable to the demography of

	the Edinburgh population.
Assumptions	• Assumptions used to assess the impact of demographic change are reasonable and supported by empirical data. • The effect of government policy and changing service models is considered in calculating the potential financial impact of demographic change.
Response	• The impact of changing demography is quantified and is built into the relevant Service's budget. • Action is taken to address identified demographic pressures.

Limitations of Scope

The scope of our review is outlined above. The review is limited to the use of demographic data relating to:

Health and Social Care	• Older people • Adults with learning and/or physical disabilities
Children and Families	• School rolls • Vulnerable children
Services for Communities	• Waste services

Approach

Our audit approach is as follow:

• Obtain an understanding of the use of demographics in the budgeting process through discussions with key personnel and review of working papers,
• Identify the key risks relating to the use of demographics
• Evaluate the design of the controls in place to address the key risks,
• Test the operating effectiveness of the key controls.

Internal Audit Team

Name	Role	Contact Details
Magnus Aitken	Chief Internal Auditor	0131 469 3176
Gemma Dalton	Internal Auditor	0131 260 4057

Key Contacts

Name	Title	Role	Contact Details
Alastair Maclean	Director of Corporate	Review Sponsor	0131 529 4136

	Governance		
Hugh Dunn	Head of Finance	Key Contact	
Fraser Rowson	Senior Accountant	Key Contact	

Fieldwork Start	Monday 1 June 2015
Fieldwork Completed	Friday 12 June 2015
Draft report to Auditee	Friday 18 June 2015
Response from Auditee	Friday 26 June 2015
Final Report to Auditee	Wednesday 1 July 2015
Final report available for presentation to the Governance, Risk and Best Value Committee	August 2015

Note: Actual progress against the dates set out above will be recorded on the face of the final report, along with commentary explaining any discrepancies.

Governance, Risk and Best Value Committee

10.00am, Thursday, 28 January 2016

Capital Monitoring 2015/16 Nine Month Position - referral report from the Finance and Resources Committee

Item number	7.4
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 14 January 2016 considered a report that detailed the Council's projected borrowing and the receipt of grants and capital income which would be used to fund the projected capital investment. The report has been referred to the Governance, Risk and Best Value Committee for consideration on 28 January 2016 as part of its work-plan.

Links

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

Capital Monitoring 2015/16 – Nine Month Position

Terms of referral

1.1   On the 14 January 2016, the Finance and Resources Committee considered the overall position of the Council's capital budget at the nine month stage (based on analysis of period seven and eight data) and the projected outturn for the year.

1.2   The Finance and Resources Committee agreed:

    1.2.1   To note the projected capital outturn positions on the General Fund and HRA at month nine.

    1.2.2   To note the prudential indicators at month nine.

    1.2.3   To note that the Acting Executive Director of Resources is closely monitoring the capital receipts position.

    1.2.4   To refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

For Decision/Action

2.1   The Finance and Resources Committee has referred the Capital Monitoring 2015/16 – Nine Month Position report to the Governance, Risk and Best Value Committee on 28 January 2016 for consideration as part of its work programme.

Background reading / external references

Minute of the Finance and Resources Committee, 14 January 2016.

Carol Campbell

Head of Legal and Risk

Contact: Laura Millar, Assistant Committee Clerk

E-mail: laura.millar2@edinburgh.gov.uk | Tel: 0131 529 4319

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, 14 January 2016

Capital Monitoring 2015/16 – Nine Month Position

Item number	7.12
Report number	
Executive/routine	
Wards	

Executive summary

The nine month position shows that the Council is projecting to borrow £27.039m and will be in receipt of grants and capital income amounting to £119.052m. Together this will fund projected capital investment of £146.091m. The level of borrowing is projected to be £12.548m less than budget based on both a marginal net surplus in capital receipts / grant income and net slippage on gross expenditure. Current projections suggest that over the five-year period of the 2015-2020 Capital Investment Programme, sale of general assets will generate additional income of £7.9m over and above that previously budgeted for.

Links

Coalition pledges	P3; P8; P30; P31; P33; P42
Council outcomes	CO1; CO16; CO20; CO23; CO25
Single Outcome Agreement	SO3; SO4

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Report

Capital Monitoring 2015/16 – Nine Month Position

Recommendations

1.1   Members of the Finance and Resources Committee are requested to:

    1.1.1   Note the projected capital outturn positions on the General Fund and HRA at month nine;

    1.1.2   Note the prudential indicators at month nine;

    1.1.3   Note that the Acting Executive Director of Resources is closely monitoring the capital receipts position; and

    1.1.4   Refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

Background

2.1   This report sets out the overall position of the Council's capital budget at the nine month stage (based on analysis of period seven and eight data) and the projected outturn for the year.

Main report

3.1   The position at month nine is summarised in the table below, while further details can be seen in Appendix 1.

	Outturn Variance at Month Nine £000	Outturn Variance at Month Five £000	Movement from Month Five £000
Net (slippage) / acceleration in gross expenditure	(12,529)	(5,904)	(6,625)
Net (surplus) / deficit in capital receipts / grant income	(19)	(110)	91
Net increase / (decrease) in borrowing requirement	(12,548)	(6,014)	(6,534)

3.2 As presented in the table at 3.1 above, the month nine position reports £12.529m of slippage in gross expenditure, compared to a £5.904m variance at month five. At month five, capital receipts were expected to exceed the budgeted level by £0.110m. This excess has now decreased to £0.019m at month nine. The net effect of the variances projected at month nine is a reduction of £12.548m in the amount that the Council requires to borrow corporately to support its capital programme relative to budgeted assumptions.

3.3 Explanations for significant slippage and accelerations projected at month nine are presented in appendix 2. The net slippage on gross expenditure projected at month nine represents a variance against budget of 7.9% (which is below the 14/15 Scotland wide average of 16%) and in the majority, relates to slippage caused by uncontrollable and unforeseen delays that have occurred since re-profiling and aligning the revised budget. In the main, these include delays caused by a change in procurement route on the early learning and childcare estate improvements project, delays to piling operations on the new build Boroughmuir High School and the loss at short notice of internal resources to carry out the design stage of certain transport infrastructure projects. Transport is currently in the process of recruiting replacement design staff with the aim of having them in post by the end of quarter three bringing the potential to reduce an element of the current slippage projection.

3.4 Members are reminded that the nature of capital projects means that in any given year, variance against budget will occur due to delays or unforeseen circumstances out with the control of the Council, like those described in 3.3 above. In the previous two financial years, the impact of this type of slippage has been minimised as much as possible through acceleration / better than originally anticipated progress elsewhere in the programme. Accelerating projects is dependent on the ability to make these 'shovel-ready' at short notice. It should be noted that every effort will be made to accelerate suitable projects to minimise in year slippage but that the ability to do this late on in the financial year will likely be limited.

Capital receipts/grant income

3.5 A review of capital receipts from asset sales undertaken by Corporate Property and Finance estimates that net receipts of £12.871m will be realised in 2015/16, compared to a budget of £12.852m resulting in a receipts surplus of £0.019m. The decrease from the month five position relates to revised settlement dates for some receipts including those for West Shore Road, West Granton Road and Loaning Road.

3.6   A budget update report presented to Finance and Resources Committee on 24 September 2015 noted potential additional capital receipt income of £7.9m (of which this year's net surplus forms a part) that may be realised over the period of the 2015/20 Capital Programme and the proposal that this be split equally between (i) supplementing planned repairs and maintenance spend through use of the Capital Fund and (ii) providing additional capital investment.

Prudential Indicators

3.7   The prudential indicator monitoring at month nine is shown in Appendix 3.

Housing Revenue Account (HRA)

3.8   The Housing Revenue Account is forecasting slippage in gross expenditure of £10.577m at month nine (£5.411m at month five) as shown in Appendix 4. However, £2.2m of this is due to direct savings (see 3.10 below). At month nine, the forecast is gross expenditure of £38.253m (£43.419m at month five), capital receipts / grant income of £14.949m (£15.396m at month five) and borrowing of £23.304m (£28.023m at month five).

3.9   Most of the improvement programme is being delivered through the new Housing Asset Management (HAM) framework. The new framework was introduced part way through the year and as a result, the programme is experiencing delays of around three months (£5.5m), with full delivery expected in June 2016.

3.10   Following the tender process, costs within the kitchen and bathroom programme are lower than projected, resulting in £2.2m of savings, whilst still delivering upgrades to 1,500 homes.

3.11   Delivery of the Neighbourhood Improvement Programme is six months behind schedule leading to slippage of £1m. It is anticipated that new programme management arrangements will reduce slippage in 2016/17.

3.12   The 21st Century Homes programme is on track to deliver its core investment of works. The 2015/16 budget earmarked £1.4m for land acquisition for new sites. The funding has not been required as the programme has focused on development opportunities within the Council's estate.

Measures of success

4.1   Completion of capital projects as budgeted for in the 2015/16 capital programme.

4.2   Identifying slippage at the earliest opportunity and accelerating projects where possible to ensure best use of available resources.

Financial impact

5.1   The projected 2015/16 general fund outturn outlines capital borrowing of £27.039m. The overall loan charges associated with this borrowing over a 20 year period would be a principal amount of £27.039m, interest of £17.602m, resulting in a total cost of £44.641m based on a loans fund interest rate of 5.1%. The loan charges will be interest only in the first year, at a cost of £0.681m, followed by an annual cost of £2.198m for 20 years. The borrowing required is carried out in line with the Council's approved Treasury Management Strategy.

5.2   The loan charge costs outlined above will be met from this year's revenue budget for loan charges.

Risk, policy, compliance and governance impact

6.1   Significant budget virements have complied with relevant financial rules and regulations.

6.2   Capital monitoring and budget setting processes adopted ensure effective stewardship of resources. The processes applied aim to ensure projects are delivered on time and budget whilst fulfilling the financial criteria of value for money.

6.3   Monitoring of major capital projects including risk assessment is carried out by the Council's Corporate Programmes Office (CPO).

6.4   Over 80% of the 2015/16 core HRA capital investment programme will be delivered through the new HAM Framework. This presents significant risks to delivery:

- With over 80% of the programme being tendered in the second half of the financial year, this will reduce the time available to maximise delivery.
- The Council will not have previous experience of the new contractors on the Framework and as such, there may be capacity or mobilisation issues for contractors given the reduced timeline for delivery.
- With the majority of the programme starting in the second half of the financial year, there is a risk that delivery of external fabric work streams could be adversely affected by inclement weather over the winter period.

Equalities impact

7.1   The Council's capital expenditure contributes to the delivery of the public sector equality duty to advance equality of opportunity and foster good relations e.g. enhancement works related to the Disability Discrimination Act, works on Children and Families establishments and capital expenditure on Council housing stock.

7.2 There is little contribution with regard to capital expenditure and the duty to eliminate unlawful discrimination, harassment or victimisation.

Sustainability impact

8.1 The impacts of the projects set out within the appendices of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered, and the outcomes are summarised below. Relevant Council sustainable development policies have been taken into account.

8.2 The proposals in this report will help achieve a sustainable Edinburgh because they are ensuring funding for key strategic projects that will enhance facilities and infrastructure in the city. A carbon impact assessment shall be carried out on each new project to achieve the most sustainable outcome for the city in each case.

8.3 The proposals in this report will increase the city's resilience to climate change impacts because they are securing funding for flood prevention projects.

Consultation and engagement

9.1 Consultation on the capital budget will be undertaken as part of the budget process.

Background reading/external references

Capital Monitoring 2015/16 – Half year position, Finance and Resources Committee, 29 October 2015

Hugh Dunn

Acting Executive Director of Resources

Contact: Sat Patel, Senior Accountant

E-mail: satyam.patel@edinburgh.gov.uk | Tel: 0131 469 3185

Links

Coalition pledges	P3 – Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools
	P8 – Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites

	P30 – Continue to maintain a sound financial position including long-term financial planning
	P31 – Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure
	P33 – Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used
	P42 – Continue to support and invest in our sporting infrastructure
Council outcomes	CO1 – Our children have the best start in life, are able to make and sustain relationships and are ready to succeed
	CO16 – Edinburgh draws new investment in development and regeneration
	CO20 – Culture, sport and major events – Edinburgh continues to be a leading cultural city where culture and sport play a central part in the lives and future of citizens
	CO23 – Well-Engaged and Well-Informed – Communities and individuals are empowered and supported to improve local outcomes and foster a sense of community
	CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	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	1 – Capital Monitoring 2015/16 – General Fund 2 – Slippage / Acceleration on capital projects 2015/16 3 – Prudential Indicators 2015/16 4 – Capital Monitoring 2015/16 - HRA

Capital Monitoring 2015/16

General Fund Summary

Period 9 (based on period 7 and 8 data)

Expenditure	Revised Budget £000	Adjusts £000	Total Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	%
Children and Families	57,995	(207)	57,788	24,717	46,877	(10,911)	-18.88%
Economic Development	52	6	58	6	58	-	0.00%
Corporate Governance	2,350	327	2,677	754	2,729	52	1.94%
Council Wide / Corporate Projects	-	259	259	259	259	-	0.00%
Health and Social Care	5,598	-	5,598	3,054	6,328	730	13.04%
Services for Communities	73,097	5,919	79,016	34,466	76,616	(2,400)	-3.04%
Services for Communities-Asset Management	13,260	(36)	13,224	7,478	13,224	-	0.00%
Total Gross Expenditure	**152,352**	**6,268**	**158,620**	**70,734**	**146,091**	**(12,529)**	**-7.90%**

Resources	Revised Budget £000	Adjusts £000	Total Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	%
Capital Receipts							
General Services	10,952	-	10,952	1,529	11,115	163	1.49%
Capital Receipts in lieu of prudential borrowing	-	850	850	272	850	-	n/a
Ringfenced Asset Sales to be provided as part of carryforward	-	-	-	106	106	106	n/a
Asset Sales to reduce Corporate borrowing	1,900	(850)	1,050	312	1,050	-	n/a
Less Fees Relating to Receipts	-	-	-	(46)	(250)	(250)	
Total Capital Receipts from Asset Sales	*12,852*	*-*	*12,852*	*2,173*	*12,871*	*19*	*0.15%*
Developer and other Contributions	14,663	976	15,639	4,738	15,639	-	0.00%
Capital Grants Unapplied Account drawdown	689	-	689	689	689	-	n/a
Total Capital Receipts	*28,204*	*976*	*29,180*	*7,600*	*29,199*	*19*	*0.07%*
Grants							
Scottish Government General Capital Grant	57,461	-	57,461	33,519	57,461	-	0.00%
Cycling, Walking and Safer Streets	729	-	729	-	729	-	0.00%
Management Development Funding	31,663	-	31,663	7,376	31,663	-	0.00%
Total Grants	*89,853*	*-*	*89,853*	*40,895*	*89,853*	*-*	*0.00%*
Total Resources	**118,057**	**976**	**119,033**	**48,495**	**119,052**	**19**	**0.02%**

	Revised Budget £000	Adjusts £000	Total Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	%
Balance to be funded through borrowing	**34,295**	**5,292**	**39,587**		**27,039**	**(12,548)**	**-31.70%**

CAPITAL MONITORING 2015/2016 - Period 9 (based on period 7 and 8 data)
Slippage and Acceleration on Projects
Slippage on projects is shown as a negative value, while acceleration or overspends are shown as
positive values.

Key to variance category

Type	*Explanatior Explanation*
1. Slippage due to unforeseen delays	Slippage that has occurred due to unforeseen circumstances or delays that for the most part, are out with the Council's control.
2. Slippage due to optimistic budget	Slippage that has occurred due to optimism bias when budget was set. Issues include projecting spend on block budgets when a programme of works has not been considered or designed, not applying a discount factor for adverse weather / risk issues, providing for too much contingency and predicting an optimistic works timetable.
3. Slippage due to timing of payments	Slippage that has occurred where a project is on time and schedule but is as a result of the timing of cash flows.
4. Acceleration on a project	Represents accelerated spend on a project i.e. due to better than anticipated progress.

Note that a project will exhibit an element of all of the above but the over riding reason has been considered when applying a variance category.

	Period 9 £000	Period 5 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Children and Families					
Early learning and childcare estate improvements	-4,642	-4,024	-618	Now being delivered through the traditional procurement route following protracted difficulties in agreeing an affordable total cost package with the originally envisaged procurement method. The time this has taken has created delays on programme delivery.	1
Boroughmuir High School	-2,776	0	-2,776	Due to extensive existing concrete slabs below ground level which have delayed the piling operations. School is now scheduled to be delivered in late September 2016 rather than August 2016.	1
Portobello High School	-2,043	-458	-1,585	Based on revised cash flow projection provided by Quantity Surveyor but forecast to be delivered by original timescales and within budget.	3
Upgrade kitchens - free school meals initiative	-658	-845	187	Delays caused by protracted dialogue with external project manager to agree the affordability cap of individual projects.	1
St John's Primary School	-400	0	-400	Based on revised cash flow projection.	2
Liberton High School replacement gym	-320	0	-320	Due to late addendum made to contract that delayed tender process.	1
Heather Vale Young Person Centre	-128	0	-128	Delay in starting on site due to difficulties procuring structural frame.	1
Fees relating to the cost of sale of assets	56	56	0	Acceleration of spend to be met from future receipts.	4
Total Children and Families	**-10,911**	**-5,271**	**-5,640**		

	Period 9 £000	Period 5 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Corporate Governance					
Net (slippage) / acceleration on various projects	52	0	52		4
Total Corporate Governance	**52**	**0**	**52**		
Health and Social Care					
New Royston care home	721	1,000	-279	Revised cash flow projection based on better than anticipated progress on site.	4
Fees relating to the cost of sale of assets	9	9	0	Acceleration of spend to be met from future receipts.	4
Total Health and Social Care	**730**	**1,009**	**-279**		
Services for Communities					
Carriageway/footways enhancement and other transport projects	-1,742	-1,138	-604	Due to the loss of four members of staff within the in-house design team at short notice. This is having an impact on getting smaller capital projects to the 'shovel ready' stage. Aim is to recruit new staff by quarter three but likely to still impact on in year delivery.	1
Mortonhall cremator replacement	-365	-365	0	Cremator replacement now to be packaged with roof enhancement project which has made procurement process more complicated and time consuming than originally envisaged creating delay. Packaging together will allow economies of scale and ensure works can be carried out in parallel with more ease.	1
Net (slippage) / acceleration on various projects	-293	-139	-154	Based on revised cash flow projection.	2
Total Services for Communities	**-2,400**	**-1,642**	**-758**		
Total for all Services	**-12,529**	**-5,904**	**-6,625**		
Summary of Variance Category					
1. Slippage due to unforeseen delays	-10,631	-6,372	-4,259		
2. Slippage due to optimistic budget	-693	-139	-554		
3. Slippage due to timing of payments	-2,043	-458	-1,585		
4. Acceleration on a project	838	1,065	-227		
	-12,529	-5,904	-6,625		

PRUDENTIAL INDICATORS 2015/16 - Period 9 (based on period 7 and 8 data)

Indicator 1 - Estimate of Capital Expenditure

	2014/15 Estimate £000	2014/15 Actual £000	2015/16 Estimate £000	2015/16 Forecast £000	2016/17 Estimate £000	2016/17 Forecast £000	2017/18 Estimate £000	2017/18 Forecast £000	2018/19 Estimate £000	2018/19 Forecast £000	2019/20 Estimate £000	2019/20 Forecast £000
Children & Families	15,843	16,903	68,556	46,877	31,060	55,537	15,543	15,731	4,531	6,940	0	660
Corporate Governance	5,885	7,582	3,895	2,729	2,089	4,742	165	165	165	165	165	165
Economic Development	52	0	0	58	0	0	0	0	0	0	0	0
Health & Social Care	4,646	4,616	7,171	6,328	1,514	4,049	114	114	0	0	0	0
Services for Communities	79,854	85,260	82,358	76,616	68,586	88,385	47,979	47,981	21,361	21,363	17,835	17,835
SfC - Asset Management Programme	14,191	18,657	22,545	13,224	13,657	24,750	14,000	10,929	14,000	8,436	14,000	19,173
Other Capital Projects	797	1,049	0	259	0	0	0	0	0	0	0	0
Trams	5,385	5,246	0	0	0	0	0	0	0	0	0	0
Unallocated funding	0	0	13,319	0	0	0	0	0	0	0	9,000	9,000
Total General Services	126,653	139,313	197,844	146,091	116,906	177,463	77,801	74,920	40,057	36,904	41,000	46,833
Housing Revenue Account	34,135	37,308	49,830	38,253	48,693	48,693	51,485	51,485	44,375	44,375	40,347	40,347
Total	160,788	176,621	247,674	184,344	165,599	226,156	129,286	126,405	84,432	81,279	81,347	87,180

The 'estimate' figures relate to those reported in the prudential indicators as part of the budget motion in February 2015. Differences between these and the 'forecast' figures relate to further realignment and rephasing that has taken place as part of the revised budget process.

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

	2014/15 Estimate %	2014/15 Actual %	2015/16 Estimate %	2015/16 Forecast %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %
General Services	12.11	11.63	12.56	12.02	12.42	12.29	N/A	N/A
Housing Revenue Account	37.30	33.97	39.61	35.40	41.51	43.05	44.49	45.16

Forecast and estimates include the financing cost relating to the Trams project.

Figures for 2016/17 onwards are indicative as neither the Council nor HRA has set a budget for these years. The figures for General Services are based on the budget framework to the end of the term of the Capital Coalition and so figures for 2018/19 and 2019/20 have been excluded.

Indicator 3 - Capital Financing Requirement

	2014/15 Estimate £000	2014/15 Actual £000	2015/16 Estimate £000	2015/16 Forecast £000	2016/17 Estimate £000	2016/17 Forecast £000	2017/18 Estimate £000	2017/18 Forecast £000	2018/19 Estimate £000	2018/19 Forecast £000	2019/20 Estimate £000	2019/20 Forecast £000
General Services (including finance leases)	1,305,992	1,357,972	1,378,274	1,314,282	1,356,927	1,350,548	1,308,749	1,297,969	1,231,180	1,215,740	1,154,804	1,144,437
Housing Revenue Account	372,390	368,053	386,158	372,664	395,556	382,062	404,181	390,687	409,558	399,294	413,587	410,085
Total	1,678,382	1,726,025	1,764,432	1,686,946	1,752,483	1,732,610	1,712,930	1,688,656	1,640,738	1,615,034	1,568,391	1,554,522

Forecasts include the capital financing requirement relating to PPP assets and Trams project

Indicator 4 - Authorised Limit for External Debt

	2015/16 Estimate £000	2015/16 Rev Est £000	2016/17 Estimate £000	2016/17 Rev Est £000	2017/18 Estimate £000	2017/18 Rev Est £000	2018/19 Estimate £000	2018/19 Rev Est £000	2019/20 Estimate £000	2019/20 Rev Est £000
Borrowing	1,579,785	1,579,785	1,636,773	1,636,773	1,636,477	1,636,477	1,607,353	1,607,353	1,541,678	1,541,678
Other Long-Term Liabilities	190,834	226,589	181,516	215,777	172,671	205,412	164,724	195,958	157,281	187,755
Total	1,770,619	1,806,374	1,818,289	1,852,550	1,809,148	1,841,889	1,772,077	1,803,311	1,698,959	1,729,433

Other Long-Term Liabilities includes finance lease repayments for PPP assets

Indicator 5 - Operational Boundary for External Debt

	2015/16 Estimate £000	2015/16 Rev Est £000	2016/17 Estimate £000	2016/17 Rev Est £000	2017/18 Estimate £000	2017/18 Rev Est £000	2018/19 Estimate £000	2018/19 Rev Est £000	2019/20 Estimate £000	2019/20 Rev Est £000
Borrowing	1,558,752	1,558,752	1,611,363	1,611,363	1,609,881	1,609,881	1,579,955	1,579,955	1,514,969	1,514,969
Other Long-Term Liabilities	190,834	226,589	181,516	215,777	172,671	205,412	164,724	195,958	157,281	187,755
Total	1,749,586	1,785,341	1,792,879	1,827,140	1,782,552	1,815,293	1,744,679	1,775,913	1,672,250	1,702,724

Other Long-Term Liabilities includes finance lease repayments for PPP assets

Indicator 6 - Impact on Council Tax and House Rents

	2015/16 Estimate £	2015/16 Forecast £	2016/17 Estimate £	2016/17 Forecast £	2017/18 Estimate £	2017/18 Forecast £	2018/19 Estimate £	2018/19 Forecast £	2019/20 Estimate £	2019/20 Forecast £
for the band "D" Council Tax	0.29	-7.21	4.14	-13.64	10.19	8.52	N/A	N/A	N/A	N/A
for the average weekly housing rents	0.21	-0.08	0.69	-0.27	0.52	-0.44	-0.05	-0.94	0.52	-0.06

In calculating the incremental impact of capital investment decisions on the band "D" Council Tax, investment decisions relating to National Housing Trust Phases have been omitted. As agreed with the Scottish Government, the borrowing and associated interest costs related to this expenditure are directly rechargeable to developers at agreed periods in the future. As such, there is no cost to the Council in relation to this element of borrowing and therefore it has been omitted in calculating the incremental impact of capital investment decisions.

The changes between the forecast and the original estimate reflect the realignment of the Capital Investment Programme reported to Finance and Resources Committee in August 2015.

CAPITAL MONITORING 2015/16

Housing Revenue Account Summary

Period 9 (based on period 7 and 8 data)

	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	%
Gross Expenditure	48,830	14,285	38,253	-10,577	-21.7%
Total Gross Expenditure	48,830	14,285	38,253	-10,577	-21.7%

Resources					
Capital Receipts	-6,112	-877	-4,875	1,237	-20.2%
Developers and Other Contributions	-7,670	-3,066	-5,485	2,185	-28.5%
Specific Capital Grant	-3,780	-2,028	-4,589	-809	21.4%
Total Resources	-17,562	-5,971	-14,949	2,613	-14.9%

Borrowing					
Borrowing	31,268	8,314	23,304	-7,964	-25.5%
Total	31,268	8,314	23,304	-7,964	-25.5%

Governance, Risk and Best Value Committee

10.00am, Thursday, 28 January 2016

Annual Workforce Controls Report - referral report from the Finance and Resources Committee

Item number	7.5
Report number	
Wards	All

Executive summary

The Finance and Resources Committee on 14 January 2016 considered an update report on the implementation of an enhanced workforce control framework which was essential to achieving savings set out in the Council's Budget. The report has been referred to the Governance, Risk and Best Value Committee for consideration on 28 January 2016 as part of its work programme, with particular concern about the absence rates.

Links

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

Terms of Referral

Annual Workforce Controls Report

Terms of referral

1.1   The development of the workforce control framework was first considered by the Finance and Resources Committee on 19 March 2015. It was agreed to implement controls built round the following three components:

- Managing Resources

- Managing Costs

- Managing Performance

Details on key performance indicators built around these components would be monitored through monthly dashboards.

1.2   The data relating to managing resources included staff numbers, redeployment figures and acting up and secondments. This information aimed to ensure that appropriate procedures and controls were in place to effectively manage the workforce within defined budgets.

1.3   The Finance and Resources Committee agreed:

1.3.1   To note progress made to date.

1.3.2   To note the proposed future savings.

1.3.3   To refer this report to Governance, Risk and Best Value Committee as part of its work programme with particular concern about the absence rates.

1.3.4   To circulate a briefing note to members detailing the FTE reduction over the past 2 years.

For Decision/Action

2.1   The Finance and Resources Committee has referred the annual workforce controls report to the Governance, Risk and Best Value Committee on 28 January 2016 for consideration as part of its work programme with particular concern about the absence rates.

Background reading / external references

Minute of the Finance and Resources Committee, 14 January 2016.

Carol Campbell

Head of Legal and Risk

Contact: Laura Millar, Assistant Committee Clerk

E-mail: laura.millar2@edinburgh.gov.uk | Tel: 0131 529 4319

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 14 January 2016

Annual Workforce Controls Report

Item number	7.4
Report number	
Executive/routine	
Wards	

Executive summary

Spend on employee costs forms the largest single element of the Council's budget. This report provides an update on the implementation of an enhanced workforce control framework which is critical to achieving savings set out in the Council's budgets. Focusing senior level attention on the implementation and execution of workforce controls will significantly assist the Council in achieving its cost savings targets.

Links

Coalition pledges	P25,26,27,29 & 30
Council outcomes	CO24,25,26 & 27
Single Outcome Agreement	

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Report

Annual Workforce Controls Report

Recommendations

1.1   To note progress made to date.

1.2   To note the proposed future savings.

1.3   To refer this report to Governance, Risk and Best Value Committee as part of its work programme.

Background

2.1   A report on the development of a workforce control framework was first reported to the Finance and Resource Committee on 19 March 2015. At this meeting the committee agreed to the use of a workforce metrics and monitoring framework built around three independent components:

- Managing Resources;
- Managing Costs; and
- Managing Performance.

2.2   Indicative workforce savings of £6.3m in the period to end 2015/16 were also identified in this report.

Main report

3.1   As reported in March 2015, Business Intelligence, working closely with HR and OD set out to incorporate key performance metrics into monthly reporting dashboards to ensure effective tracking of workforce performance and expenditure against the specified targets and standards. These dashboards are built around the above framework.

3.2   These dashboards have now been in bedded into a monthly reporting cycle. The dashboard for October 2015 is attached as Appendix 1 to this report.

3.3   An update on progress made in each of the three components of the workforce management framework referred to above is detailed below.

Managing Resources

3.4   The data relating to managing resources includes staff numbers, redeployment figures and acting up and secondments. This information aims to ensure that appropriate procedures and controls are in place to effectively manage the

workforce within defined budgets. The impact from a number of controls put into place are summarised below.

Staff Numbers

3.5   The introduction of recruitment controls has resulted in an overall downward trend of FTEs, from a high of 15,716 FTEs in February 2015 to 15,200 in September 2015 (see page 4 of Appendix 1). However, in August 2015 there was an increase of 72 FTEs. This increase was due to recruitment to school based posts with the majority being teaching. The distribution of the reduction in FTEs between February 2015 to September 2015 is detailed below::

Service Area	Reduction in FTE	% of FTE
Children and Families	144	2.1%
Services for Communities	113	2.6%
Corporate Governance	64	5.6%
Health and Social Care	174	5.4%
Economic Development	21	15.5%

Redeployment

3.6   Posts which are authorised for advertising continue to be monitored for redeployment opportunities and from the end of October 2015 this is being carried out by the Career Transition Service. This service aims to support employees whose roles are at risk as a result of restructuring and to make targeted career transition and/or redeployment to available roles within the new structure for the Council. The current position on redeployment can be viewed on page 2 of Appendix 1. It should be noted that the current number of surplus employees are largely from service reviews and the transformation programme has yet to impact on these figures.

Acting Up and Secondments

3.7   A baseline position of the number of acting up and secondment arrangements in the Council was established in October 2014. A review has been carried out of all acting up and secondment arrangements and the length of time these have been in place. Particular emphasis has been put on reviewing arrangements which have continued for 12 months or more, with the aim of identifying alternative solutions. The systems, processes and controls surrounding acting up and secondment have been reviewed with the aim of improving compliance, monitoring and reporting.

3.8   The total number of acting up and secondment positions has fallen from 944 in October 2014 to 551 in September 2015. The distribution of these positions by service area is detailed below.

Service Area	Acting Up and Secondment Positions	% of FTE
Children and Families	212	3.2%
Services for Communities	204	4.8%
Corporate Governance	42	3.9%
Health and Social Care	85	2.7%
Economic Development	8	7%

3.9 Development work has been undertaken to improve data quality and reporting and more robust controls have been introduced to ensure that processes are followed and appropriate authorisations obtained. Positions continuing for 12 months or more must have Executive Director and Head of HR & OD authorisation.

3.10 Overall progress is being made in reducing the number of acting up and secondment positions, particularly those which have been in place for 12 months or more (see page 7 of Appendix 1 for details). While new cases occur, these tend to be for front line services, some of which will have regulatory staffing levels. New cases are managed within the 12 month framework and service areas are encouraged to consider alternative solutions.

Managing Costs

3.11 The data relating to managing costs includes pay bill costs, overtime costs, agency costs and the cost of acting up/secondments. This information aims to ensure that managers can take corrective action where necessary to remain within budget.

Pay Bill

3.12 The cost of the paybill has reduced by £9.3m in the period from October 2014 to September 2015 This downward trend correlates with the trend in FTEs, and as with FTEs, has shown an increase in August 2015 due to recruitment in schools (see trend analysis on page 8 of Appendix 1). It should be noted that data presented in the workforce dashboard show trends in the total annual basic salary associated with staff employed by the Council at the end of each calendar month. The data provides a good measure to track change in the total salary cost for all Council employees, but includes only basic contracted salary costs at a given point in time. As such, the dataset does not consider retrospective payments made, claims based payments (such as overtime payments, working time payments, payments to supply or casual staff), or National Insurance and Pension contributions.

Overtime

3.13 In line with policy, overtime for staff on Grade 8 and above should only be paid in exceptional circumstances. Overtime costs for Grade 8 and above have reduced over the last year, from a high of £22.9K in September 2104 to an average of £15.5 per month over the last six months. The bar chart below shows the total of overtime spend (£K) for Grade 8 and above over the last year.
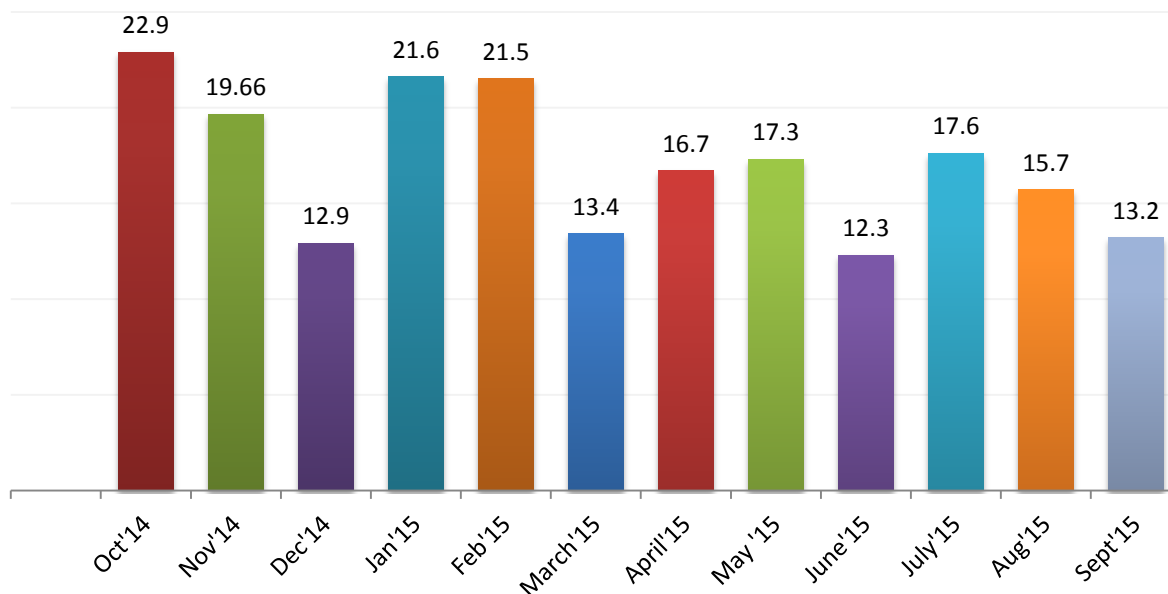
3.14 Controls for the use of overtime, in general, have been devolved for each Directorate with mixed results. A trend analysis for overtime spend for each service area is attached as Appendix 2 of this report. Overtime spend for September 2015 was £ 528.9k, 5% lower than the previous month.

What we are doing about it?

3.15 A Council wide target of 25% reduction in non contractual overtime spend has been put forward as a budget proposal for 2016/17 and 2017/18. HR and Finance are working with Senior Management Teams to target areas with high non contractual spend. In September 88.7% of all overtime spend was non contractual. The table below details the percentage of non contractual spend by service area for the month of September.

September Overtime (£K)	Contractual	Non Contractual	% of Total
Corp Gov	£0.3	£13.5	2.2%
C&F	£1.4	£81.7	1.7%
SfC	£59	£395.8	14.9%

H&SC	£4.7	£86.3	5.4%

Agency Costs

3.16 Details of agency costs by service area and a trend analysis of total costs are detailed on page 11 of Appendix 1. The total agency cost was £1.01 m in September 2015, 11% higher than the previous month.

What are we doing about it?

3.17 All agency staff hired is authorised by Executive Directors and Heads of Service unless the post is on the pre-authorised list for recruitment. A Council wide target of 20% reduction in agency costs has been put forward as a budget proposal for 2016/17 and 2017/18. HR and Finance are working with Senior Management Teams to target areas with high agency spend.

Acting Up and Secondments

3.18 In October 2014, the cost of acting up and secondment in addition to substantive pay was £3.1m. The current cost including the ongoing original and new positions is £2.2m, which is a reduction of £900k.

Managing Performance

3.19 The managing performance theme of this framework includes sickness absence and performance management. Data on both of these areas can indicate the health of the organisational culture.

Sickness Absence

3.20 The Council target for sickness absence has been 4% for some years. In recent years the Council's sickness absence rate has increased and in September 2015 is 5%. Trend analysis for short and long term sickness can be found on pages 13 and 14 of Appendix 1. Long term sickness absence has remained fairly static over the last year with a significant reduction in those absent for more than 12 months. .

What are we doing about it?

3.21 The current focus is in reducing short term absence and monitoring arrangements have been put in place to ensure managers are adhering to current sickness absence policies and controls. Mandatory Return to Work interviews have been introduced and are reported on monthly. In addition a number of support mechanisms have been put in place to help employees through the transformation programme and address the risk of an increase in absence rates. These include access to:

- the Career Transition Service referred to at paragraph 3.6;
- an Employee Assistance Programme;
- training for line managers; and
- stress risk assessments.

Managing Work Performance

3.22   Forty seven people are being managed under the Managing Work Performance Policy. This policy aims to support employees to reach acceptable levels of performance. More work is required to ensure all employees who have below average PRD scores are supported in this way.

3.23   Work is being carried out to achieve an approach to managing performance that is fit for purpose and is as easy as possible for all staff to engage with. Options for changes to the current system have been presented to the Corporate Leadership Team for consideration. Details on the completion rates for the current Performance Review and Development are attached on page 16 of Appendix 1.

Measures of success

4.1   The Council's workforce arrangements are designed to ensure an engaged and empowered workforce who are supported and managed well, in order to provide services to the highest standards.

Financial impact

5.1   Savings of £1.8m and £2.8m will be achieved over 2016/17 2017/18 by reducing overtime by 25% and agency spend by 20% respectively. A further estimated saving of £5m can be achieved through continuing to control recruitment. In particular, effort will be made to ensure that any employees leaving the organisation voluntarily will not be replaced.

Risk, policy, compliance and governance impact

6.1   Effective workforce management arrangements are essential to ensure that the Council is able to manage and plan the people impact of achieving the planned business change and associated savings.

Equalities impact

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

Sustainability impact

8.1   There is no sustainability impact of this report.

Consultation and engagement

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

Background reading/external references

An engaged and empowered workforce: workforce strategy 2015-2020 – report to F&R Committee, 19/3/2015

An engaged and empowered workforce: 'supporting managers' control framework – report to F&R Committee 19/3/2015

Andrew Kerr

Chief Executive

Contact: Christine McFadzen, Manager of HR Business Partnering

E-mail: christine.mcfadzen@edinburgh.gov.uk | Tel: 0131 469 3112

Links

Coalition pledges	
Council outcomes	
Single Outcome Agreement	
Appendices	Appendix 1 – Edinburgh Council Management Information Dashboard – October 2015
	Appendix 2 – Overtime Trends by Service Area

Edinburgh Council

October 2015

Workforce Dashboard

Introduction

This dashboard provides an overview of Council workforce metrics incorporating data on workforce numbers, costs and performance. The dashboard provides the most up to date view on these metrics at the time of publication. Unless otherwise stated the information in this dashboard relates to data collected during September 2015. The Pay Bill and

For further detail on the data and sources used for this dashboard, please refer to the Data Notes section.
If you have any queries about this data or wish to access further information that is presented in this report please contact Business Intelligence at: business.intelligence@edinburgh.gov.uk

Summary Findings

Staff Numbers
Annual ⬇; *Month* ⬇
15,200 FTE staff were employed as at end September 2015. This is 133 FTE fewer than the previous month. Compared to the same month last year staff numbers are down by 298 FTE. There has been a decline in staff posts from a high in February 2015 which was 15,716 FTE posts.

New starts and leavers
Annual ⬇; *Month* ⬇
New starts and leavers for September 2015 provided a 68 FTE drop in staff numbers. This was lower than the same month last year which showed an 11 FTE increase, and lower than August 2015, which showed an 88 FTE increase.

Pay Bill
Annual ⬇; *Month* ⬇
The basic pro-rata salary cost for staff employed as at end September was £402.3 million. This was £3.6 million lower than the previous month. Compared to the same month last year the total Pay Bill was lower by £8.2 million.

Agency costs
Annual n/a; *Month* ⬆
The total agency cost was £1.01 million in September 2015, 11% higher than the previous month. Over the last 7 months agency costs have exceed £1 million only three times. During this period total agency costs typically remain around £0.9 million per month.

Overtime costs
Annual n/a; *Month* ⬇
The cost of overtime was £528,986 in September 2015, 5% lower than the previous month. The total cost of overtime for staff above Grade 8 was £13,242 in September 2015.

Absence Rate
Annual ⬆ *Month* –
The Council wide sickness absence rate was 5.0% over the 12 months to September 2015. This is unchanged on the previous month but significantly higher than that recorded in the same month last year. In September 2014 the absence rate was 4.6% with the increase since that point driven by rising absence rates in all Service Areas apart from Corporate Governance.

# Workforce Dashboard – Transformation Programme Summary

This page provides indicators to monitor change through the Council Transformation Programme. A total of 1,152.5 FTE posts expressed an interest in VERA as at beginning of December 2015. Of these, 458.3 FTE posts have been moved to the next stage of the VERA process.   These positions account an annualised pay excluding employers NI and Pension of £15.8 million and represent 3.0% of all current FTE staff across the Council. 58 people were recorded as having a redeployment status during September 2015. This represented a total staff cost of £2.1million. The number of people counted as 'surplus – not currently redeployed;' fell from 25 people in August to 17 people in September 2015.

VERA / VR (as at start of December 2015)

VERA outcomes to date	Positions	FTE
Moved to next stage for leave data of 31 Dec 2015	187	169.6
Moved to next stage for leave data of 31 Mar 2016	297	288.6
Declined	803	694.3
Total	**1,287**	**1,152.5**

Note: "Declined" includes those that also received a response of "No – but we may contact you again in the future"

Expressions of interest, FTE by Service Area
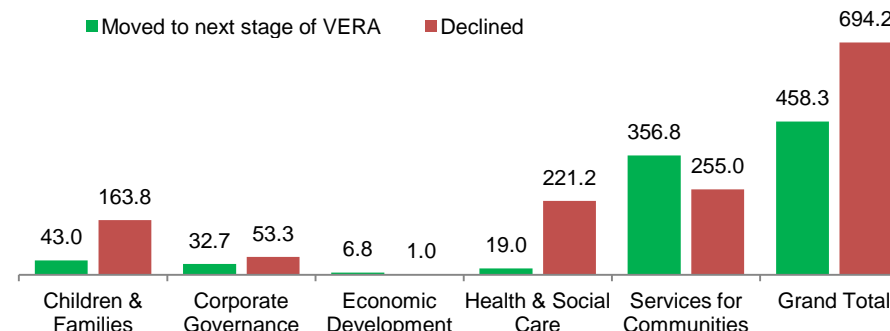
Staff moved to next stage of VERA
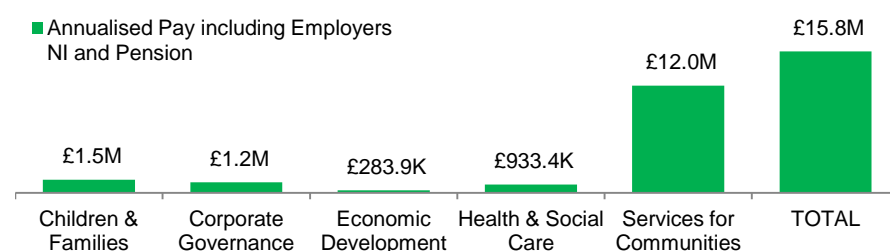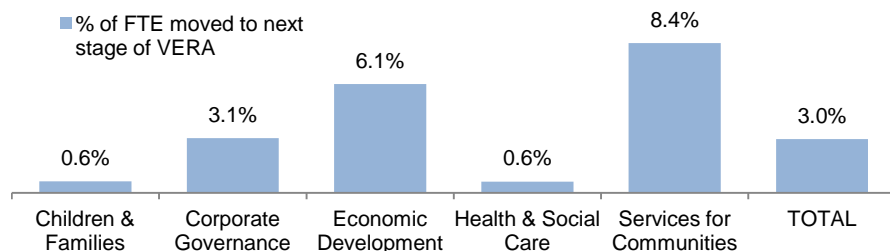
Redeployment (positions)

Open cases	Aug 2015	Sept 2015
Numbers		
Surplus – not currently redeployed	25	17
Temporarily redeployed less than 6 mths	1	2
Temporarily redeployed more than 6 mths	31	39
Total	**57**	**58**

Open cases	Aug 2015	Sept 2015
Cost		
Surplus – not currently redeployed	£811,171	£479,810
Temporarily redeployed less than 6 mths	£27,181	£50,605
Temporarily redeployed more than 6 mths	£1,194,641	£1,557,466
Total	**£2,032,993**	**£2,087,880**

Workforce Dashboard – Contents Page

Managing resources	Managing costs	Managing performance
• Staff numbers	• Salary costs	• Sickness absence (monthly)
• Workforce profile	• Overtime costs	• Long term Absence
• New starts and leavers	• Living wage	• Managing work performance
• Acting up and secondments	• Cost of new starts and leavers	• High Risk cases
	• Agency staff costs	• PRD
	• Costs of secondments / acting up arrangements	• Contribution Based Pay

3

Managing Resources – Staff Numbers

Positions and FTE
Total Positions 21,258; Total FTE 15,200

Legend: ■ Positions ■ FTE

Department	Positions	FTE
Children & Families	10,397	6,704
Corporate Governance	1,447	1,068
Economic Development	120	114
Health and Social Care	3,749	3,058
Services for Communities	5,545	4,257
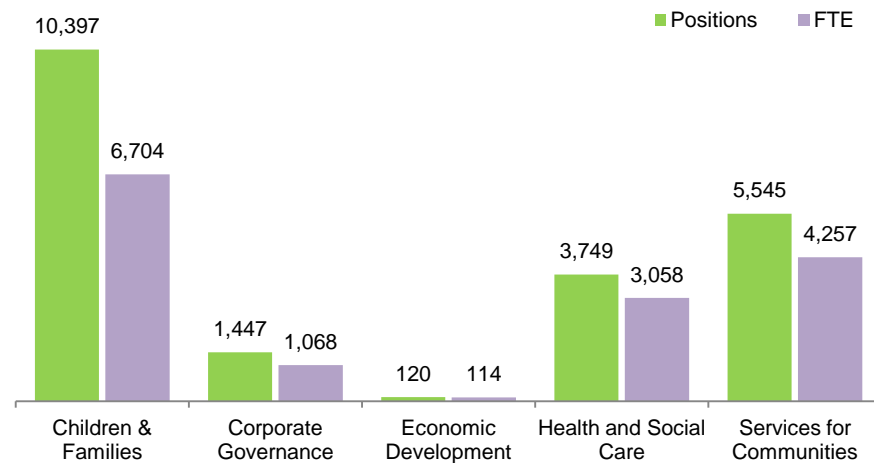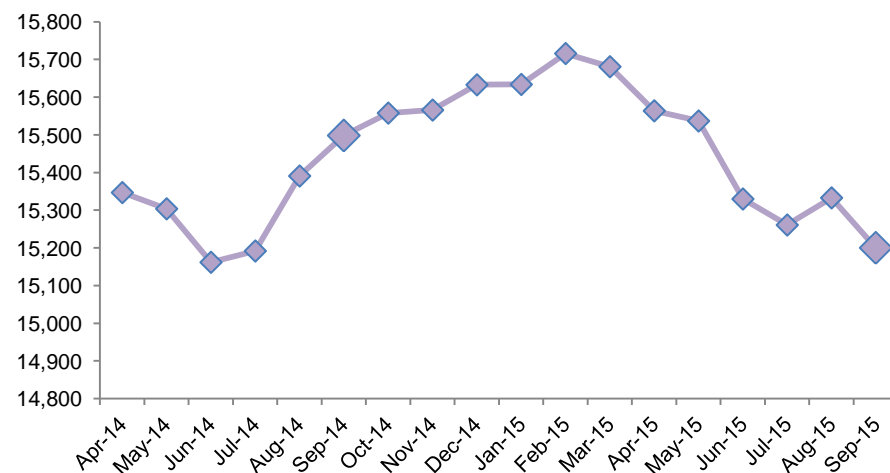
Month	Total FTE	Variation on previous month
April 14	15,347	
May 14	15,304	-54
June 14	15,162	-142
July 14	15,192	30
August 14	15,391	199
September 14	15,498	106
October 14	15,558	61
November 14	15,566	8
December 14	15,633	66
January 15	15,634	2
February 15	15,716	81
March 15	15,681	-35
April 15	15,564	-117
May 15	15,537	-25
June 15	15,330	-208
July 15	15,261	-69
August 15	15,333	71
September 15	15,200	-133

FTE Trend Analysis

Note: Figures above are a snapshot taken on 19 October 2015

4

Managing Resources – Workforce Profile

Breakdown by Contract Type

Legend: Positions, FTE

Category	Positions	FTE
Casual	680	0
Fixed Term	1,371	987
Permanent	17,052	14,223
Supply	1,529	1
Temporary	767	121
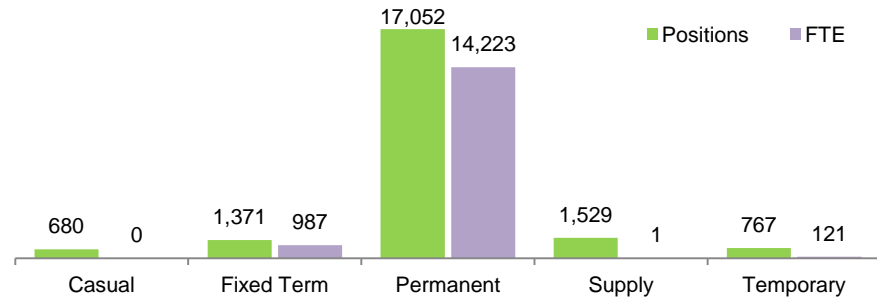
Gender Split – Positions and FTE

Legend: Positions, FTE

	Positions	FTE
	14,948	9,939
	6,451	5,394

Breakdown by Grade

Legend: Positions, FTE

Grade	Positions	FTE
GR1 - GR4	9,016	5,834
GR5 - GR7	5,886	4,719
GR8 - GR9	1,212	1,079
GR10 - GR12	171	167
Chief Official	19	19
Teaching Payscale	4,919	3,511
Grade data incomplete	176	4

Disability Positions

Category	Positions
Disabled	389
No information provided	4,333
Not Disabled	16,677

Ethnicity

Category	Value
White	16,553
Other / Mixed / Multiple ethnic	121
No information	3,456
Black / African / Carribbean / Black British	217
Asian / Asian British	1,052

Age Profile

Age	Value
21 or Less	239
21 - 35 years	4,962
36 - 45 years	5,064
46 - 50 years	3,285
51 - 60 years	6,306
Greater than 60	1,543

Note: Due to the static nature of these indicators the figures relate to a snapshot taken on 11 September 2015 and will be updated Quarterly.

5

Managing Resources – Organisational New Starts and Leavers
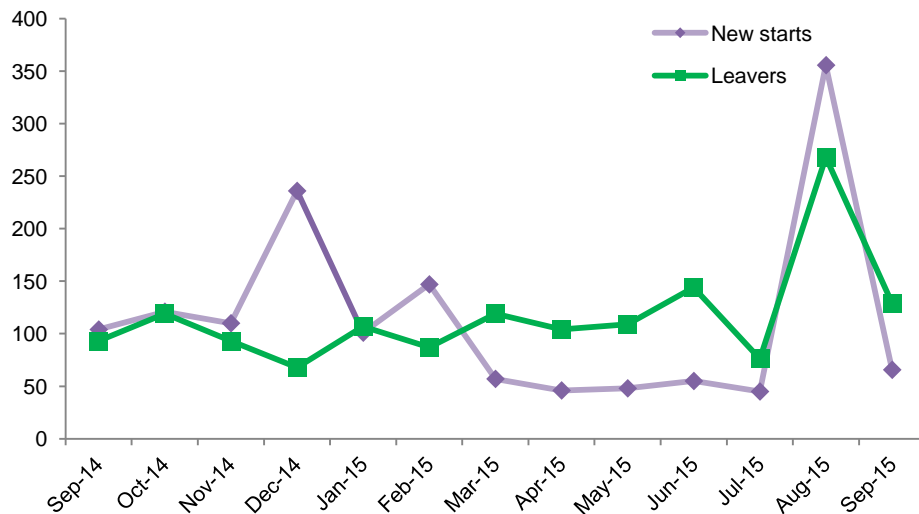
New Starts
Total Positions: 102; Total FTE: 66

Legend: ■ Positions ■ FTE

Category	Positions	FTE
Children & Families	46	23
Economic Development	19	14
Health and Social Care	1	1
Services for Communities	9	9
Corporate Governance	27	20
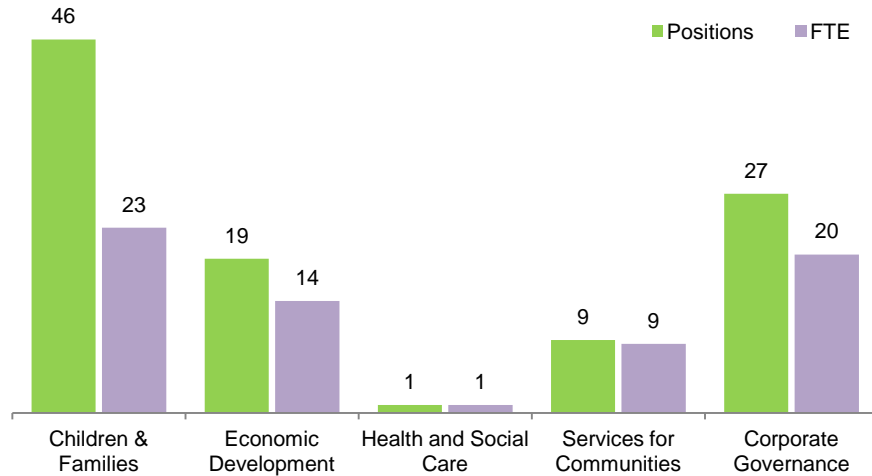
Leavers
Total Positions: 176; Total FTE: 129

Legend: ■ Positions ■ FTE

Category	Positions	FTE
Children & Families	60	37
Corporate Governance	16	12
Economic Development	10	10
Health and Social Care	41	37
Services for Communities	49	33
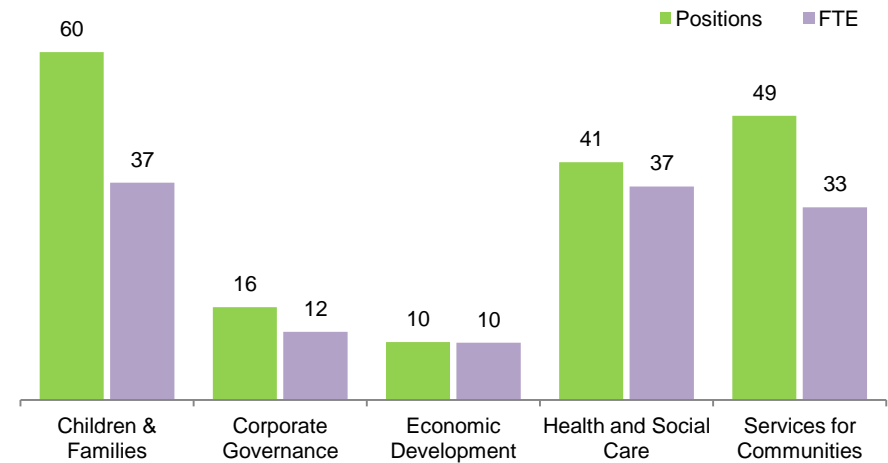
FTE: New Starts vs Leavers

Period	New starts (FTE)	Leavers (FTE)	New starts vs Leavers (FTE)
September 14	104	93	11
October 14	121	119	2
November 14	110	93	17
December 14	236	68	168
January 15	101	107	-6
February 15	147	87	60
March 15	57	119	-62
April 15	46	104	-58
May 15	48	109	-61
June 15	55	144	-89
July 15	45	76	-31
August 15	356	268	88
September 15	66	129	-63
	1,491	**1,516**	**-24**

Note: Figures above are for period September 2015

Managing Resources – Acting Up and Secondments (Positions)

Service Area	Status	Acting Up	Secondment	Grand Total
Children and Families	New Live	91	50	141
	Original Live	40	31	71
Total		**131**	**81**	**212**
Corporate Governance	New Live	9	9	18
	Original Live	13	11	24
Total		**22**	**20**	**42**
Economic Development	New Live	1	1	2
	Original Live	4	2	6
Total		**5**	**3**	**8**
Health and Social Care	New Live	28	14	42
	Original Live	24	19	43
Total		**52**	**33**	**85**
Services for Communities	New Live	27	36	63
	Original Live	76	65	141
Total		**103**	**101**	**204**
Grand Total		**313**	**238**	**551**
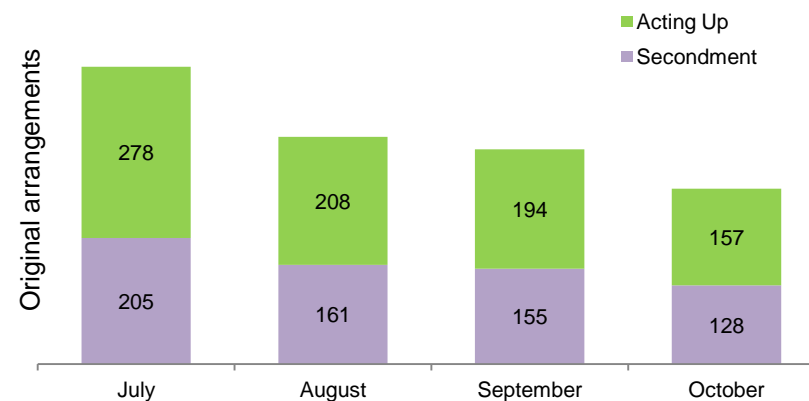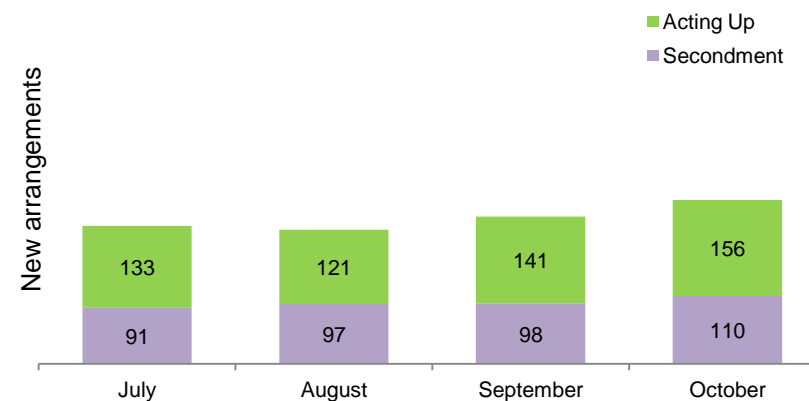
New Live
These include all current arrangements that were in place **after October 2014**

Original Live
These include all current arrangements that were in place **pre October 2014.**

Trend analysis - Acting Up and Secondments

Managing Costs – Pay Bill

Annual Pay Bill
Total: £402,334,691
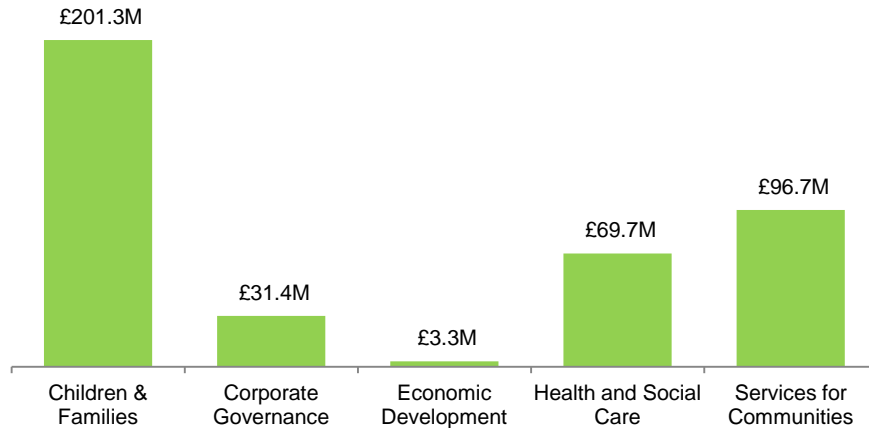
Trend Analysis – Annual Pay Bill
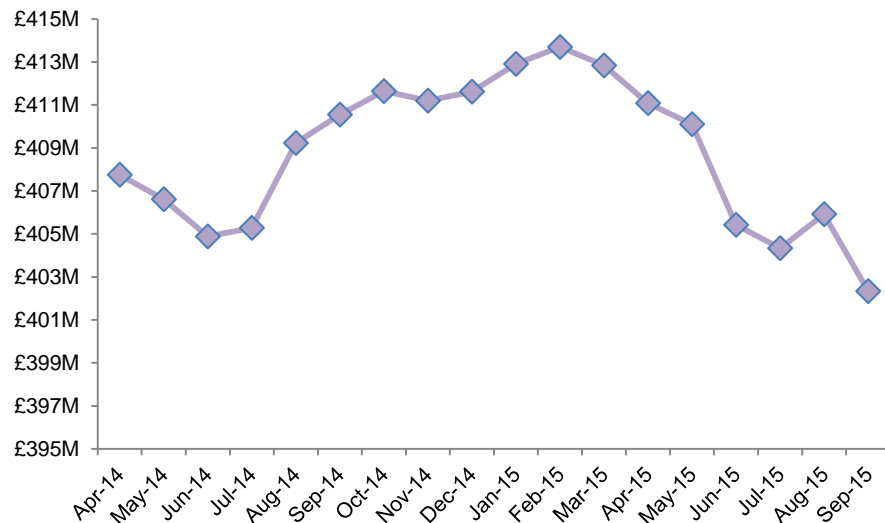
Annual Pay Bill by Grade
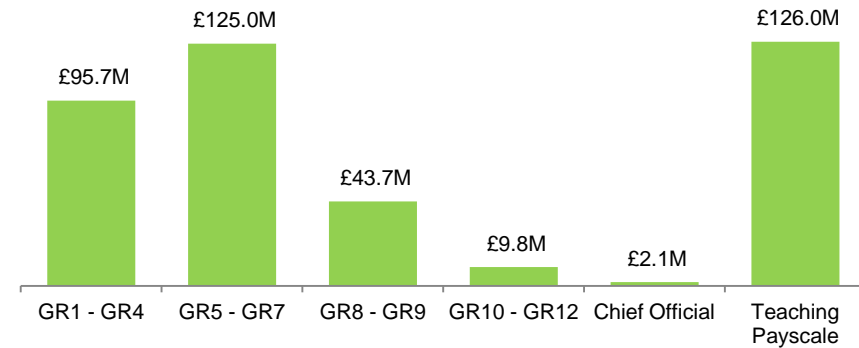
Month	Total Pay Bill	Variation on previous month
April 14	£407.7M	
May 14	£406.6M	- £1.1M
June 14	£404.9M	- £1.7M
July 14	£405.3M	£398.3K
August 14	£409.2M	£3.9M
September 14	£410.5M	£1.3M
October 14	£411.6M	£1.1M
November 14	£411.2M	- £445.1K
December 14	£411.6M	£422.4K
January 15	£412.9M	£1.3M
February 15	£413.7M	£788.2K
March 15	£412.8M	- £859.0K
April 15	£411.1M	- £1.8M
May 15	£410.1M	- £979.5K
June 15	£405.4M	- £4.7M
July 15	£404.3M	- £1.1M
August 15	£405.9M	£1.6M
September 15	£402.3M	- £3.6M

Note: Figures above are a snapshot taken on 19 October 2015

Annual Pay Bill represents the total annual basic salary of the workforce at this time. Further information is given in the Data Note section at the end.

Managing Costs – Overtime and Living Wage costs

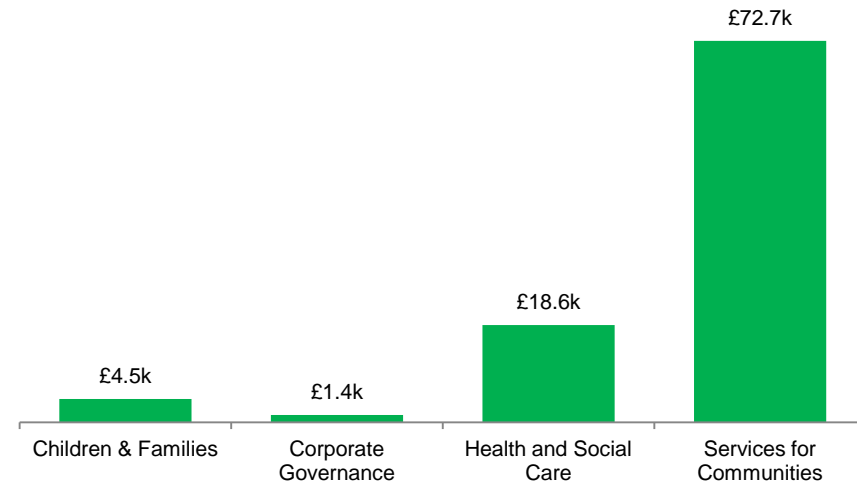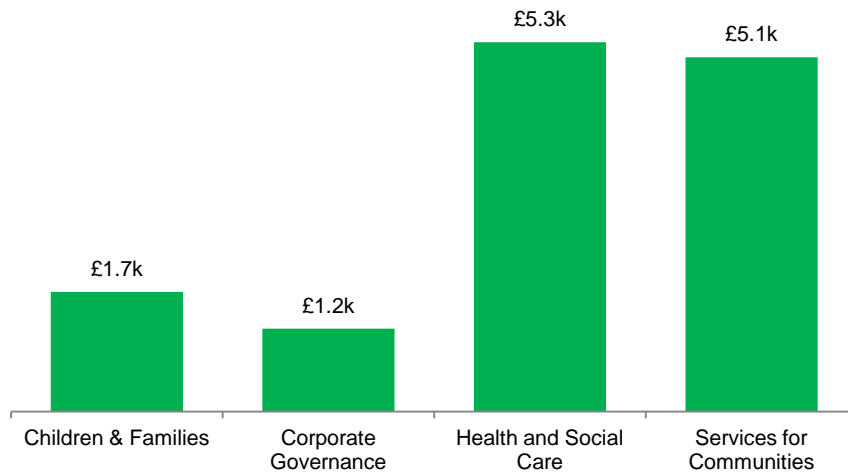## Overtime Cost (September 2015)
Total: £528,986

Children & Families	Corporate Governance	Health and Social Care	Services for Communities
£67.5k	£23.3k	£79.6k	£358.6k

Living Wage
Total: £97,216

Children & Families	Corporate Governance	Health and Social Care	Services for Communities
£4.5k	£1.4k	£18.6k	£72.7k
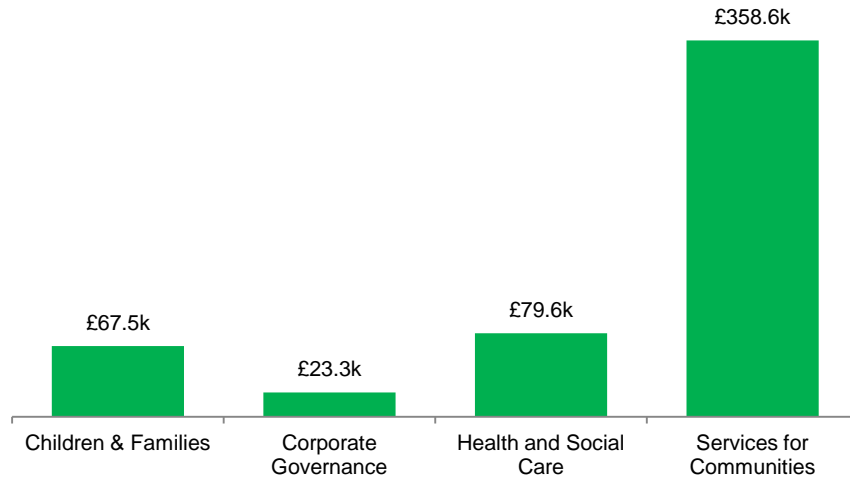
Overtime Cost Grade 8 (September 2015)
Total: £13,242

Children & Families	Corporate Governance	Health and Social Care	Services for Communities
£1.7k	£1.2k	£5.3k	£5.1k

Managing Costs – Organisational New Starts and Leavers

Cost of New Starts
Total: £1,417,474

Cost of Leavers
Total: £2,856,524
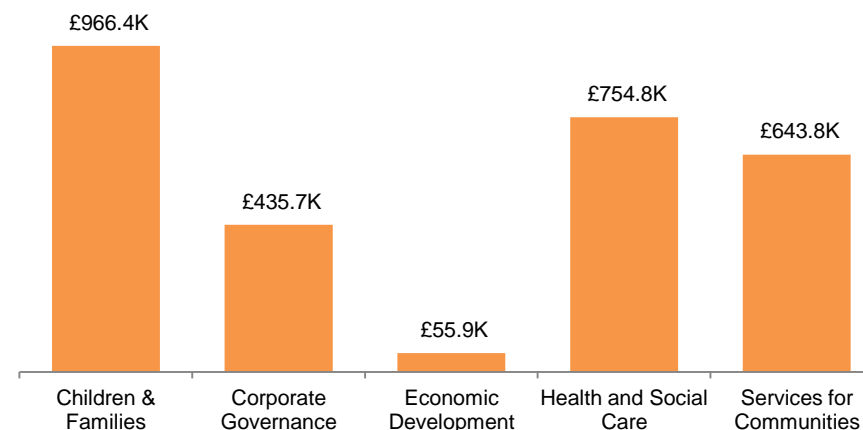
PayBill: New Starts vs Leavers
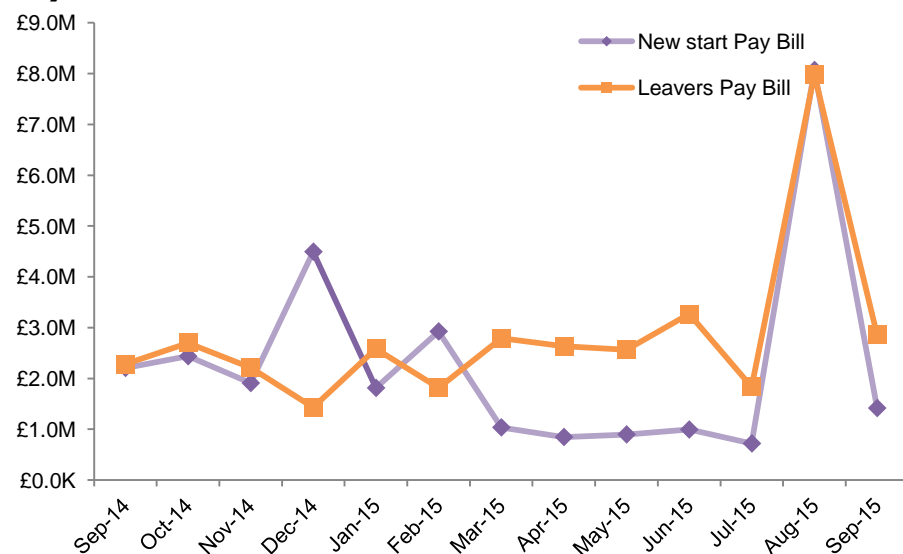
Month	New Start Pay Bill	Leavers Pay Bill	New start vs Leaver Pay Bill
September 14	£2,207,971	£2,280,339	-£72,368
October 14	£2,437,625	£2,699,516	-£261,891
November 14	£1,909,708	£2,210,637	-£300,929
December 14	£4,494,526	£1,432,810	£3,061,716
January 15	£1,813,473	£2,586,337	-£772,865
February 15	£2,925,387	£1,816,716	-£1,108,671
March 15	£1,036,856	£2,792,677	-£1,755,821
April 15	£847,996	£2,634,623	-£1,786,627
May 15	£898,300	£2,566,000	-£1,667,700
June 15	£994,400	£3,267,800	-£2,273,400
July 15	£720,631	£1,832,369	-£1,111,738
August 15	£8,070,686	£7,979,951	£90,735
September 15	£1,417,474	£2,856,524	-£5,745,216
	£29,775,032	**£36,959,298**	**-£7,184,266**

Note: Figures above are for period September 2015

10

Managing Costs – Agency costs

Agency Staffing (September 2015)

Service Area	Total Hours	Total Cost
Children & Families	3,636	£64,920
Corporate Governance	10,310	£229,185
Economic Development	360	£6,112
Health and Social Care	10,594	£139,709
Services for Communities	39,168	£571,137
Grand Total	**64,068**	**£1,011,062**

Trend Analysis: Agency Total costs by month
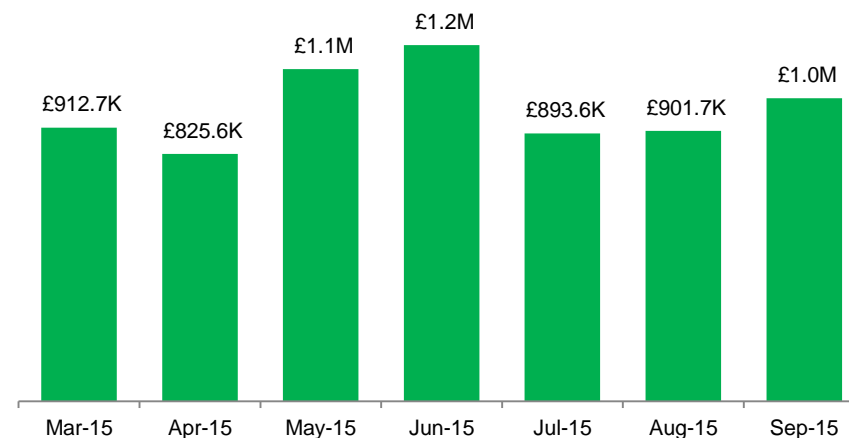
Trend Analysis: Service Area Agency costs
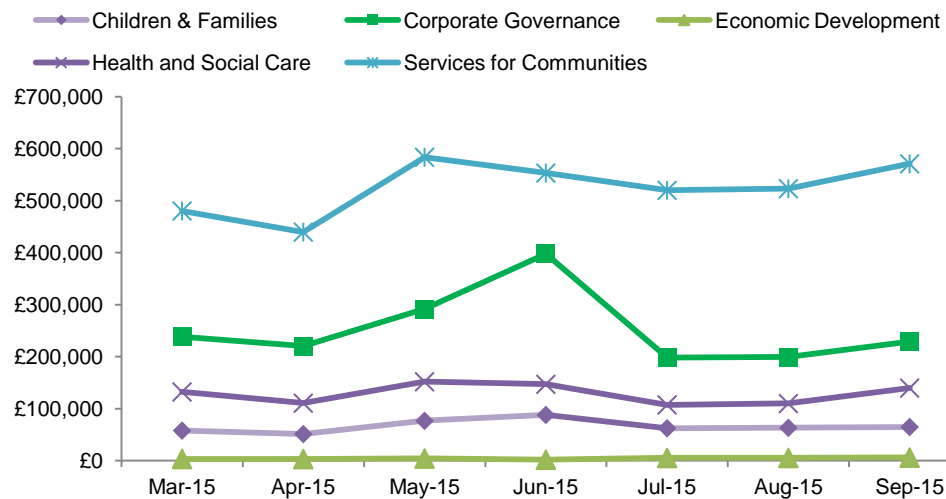
Note: Agency costs data relates to September 2015. This is the most up to date information available at this time.

11

Managing Costs – Acting Up and Secondment

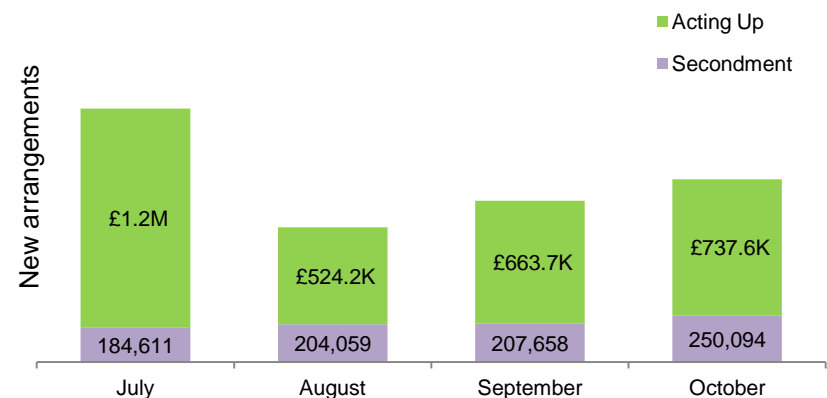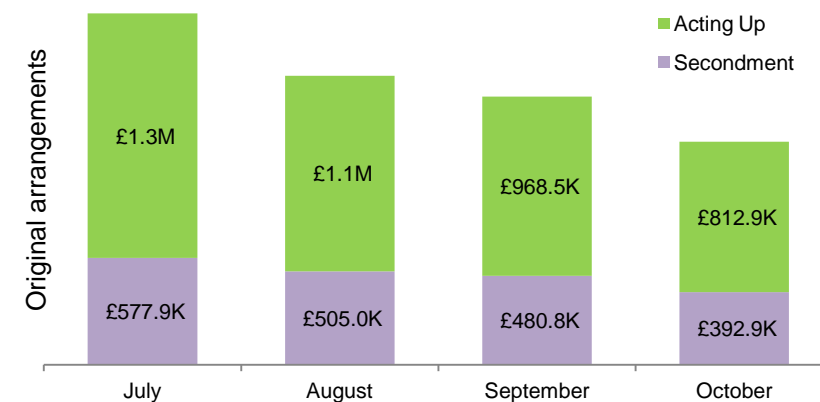| Service Area	Status	Acting Up	Secondment	Grand Total
Children and Families	New Live	£430,330	£118,938	£549,268
	Original Live	£183,049	£68,495	£251,544
Total		**£613,379**	**£187,434**	**£800,813**
Corporate Governance	New Live	£76,879	£10,171	£87,050
	Original Live	£65,349	£28,880	£94,228
Total		**£142,228**	**£39,051**	**£181,279**
Economic Development	New Live	£10,237	£2,235	£12,472
	Original Live	£22,610	£9,937	£32,547
Total		**£32,847**	**£12,172**	**£45,019**
Health and Social Care	New Live	£68,406	£20,862	£89,268
	Original Live	£83,714	£51,489	£135,203
Total		**£152,121**	**£72,351**	**£224,471**
Services for Communities	New Live	£151,772	£97,889	£249,661
	Original Live	£458,160	£234,116	£692,276
Total		**£609,932**	**£332,005**	**£941,937**
Grand Total		**£1,550,507**	**£643,011**	**£2,193,518**

New Live
These include all current arrangements that were in place **after October 2014**

Original Live
These include all current arrangements that were in place **pre October 2014.**
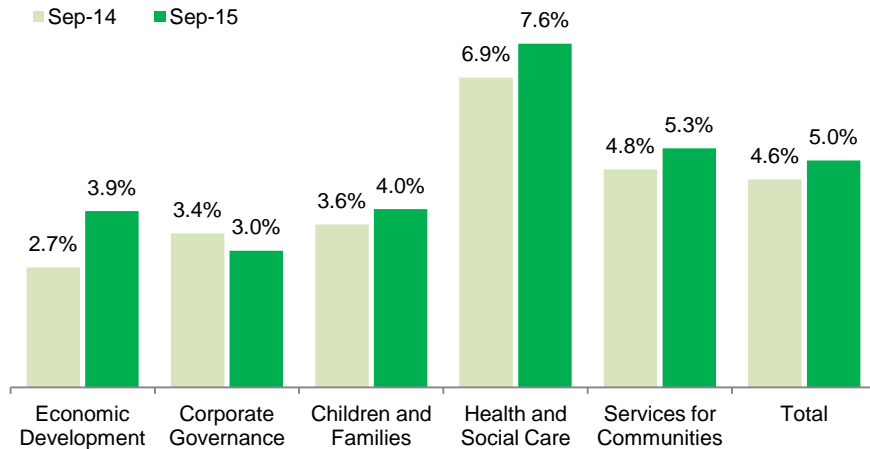
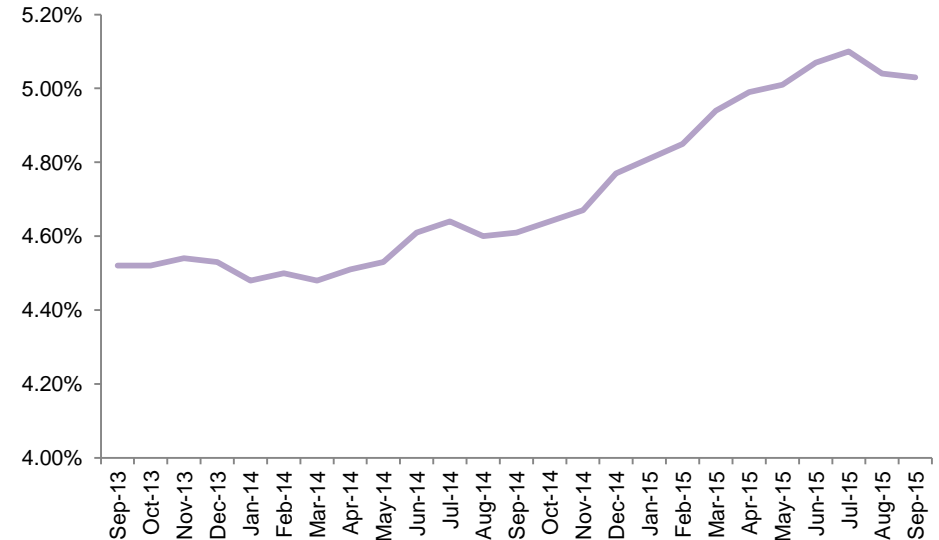## Trend analysis - Acting Up and Secondments

Original arrangements

■ Acting Up
■ Secondment

July	August	September	October
£1.3M	£1.1M	£968.5K	£812.9K
£577.9K	£505.0K	£480.8K	£392.9K

New arrangements

■ Acting Up
■ Secondment

July	August	September	October
£1.2M	£524.2K	£663.7K	£737.6K
184,611	204,059	207,658	250,094

Managing Performance – Sickness Absence

Sickness Absence by Service Area (September 2015)
Total: 5.0%

Legend: Sep-14, Sep-15

Service Area	Sep-14	Sep-15
Economic Development	2.7%	3.9%
Corporate Governance	3.4%	3.0%
Children and Families	3.6%	4.0%
Health and Social Care	6.9%	7.6%
Services for Communities	4.8%	5.3%
Total	4.6%	5.0%

Trend Analysis – Total Sickness Absence Full Council

Trend Analysis – Short Term Sickness Absence Full Council
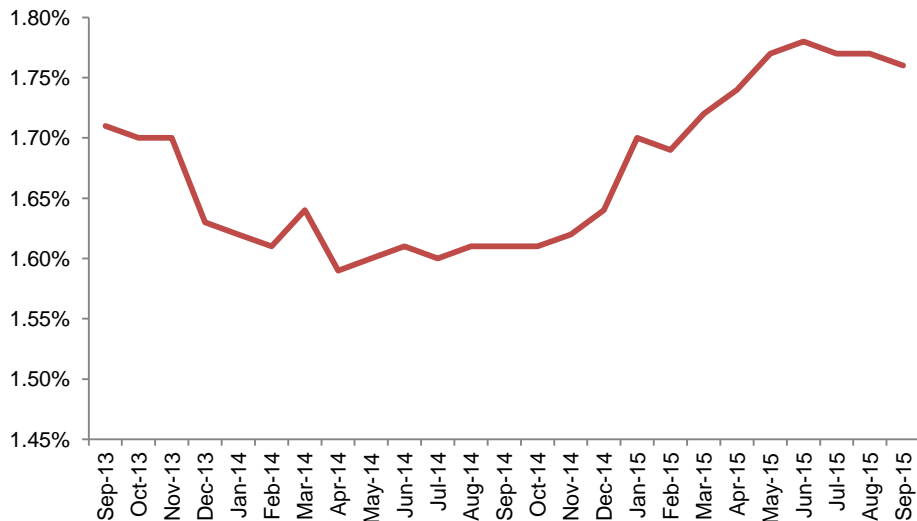
Note: The sickness absences figures are a percentage of total available working days. It represents the percentage of days lost to sickness absence average over a 12 month rolling period.

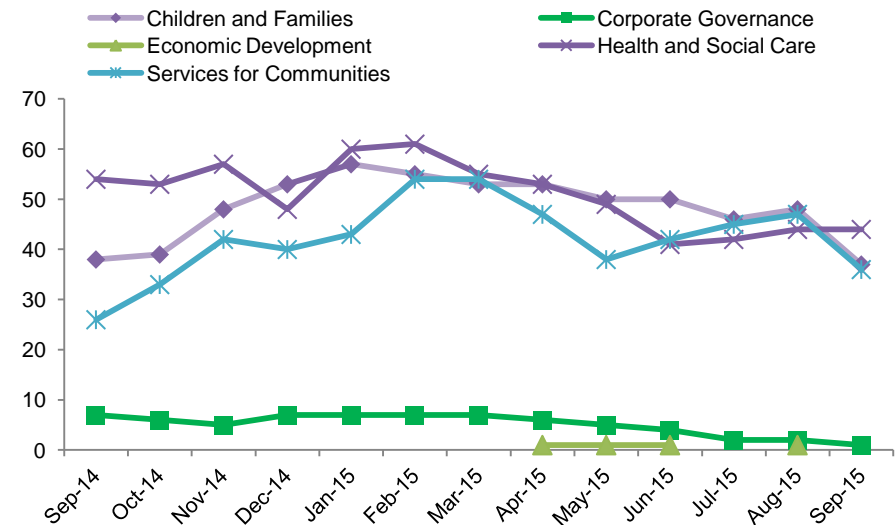Note: Short Term Sickness Absence refers to a period less than 20 days

13
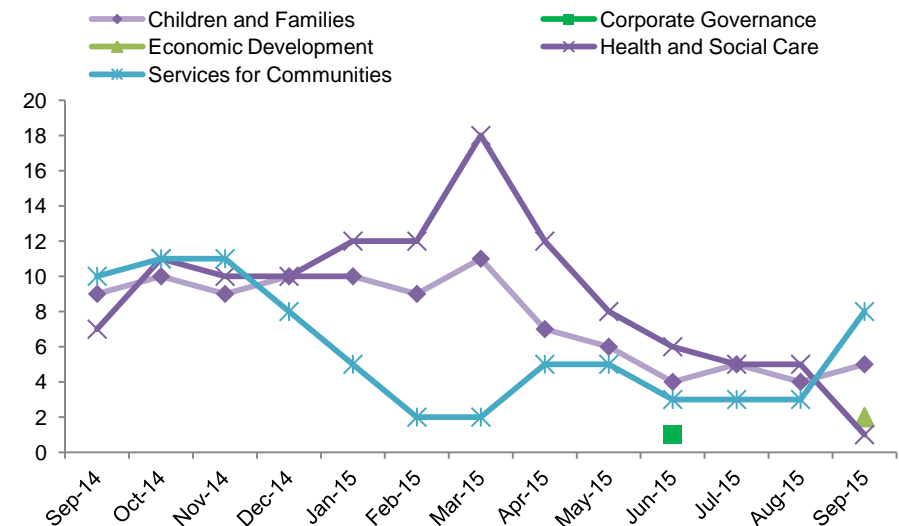
Long Term Absence 3-12 months (Sept 2015)
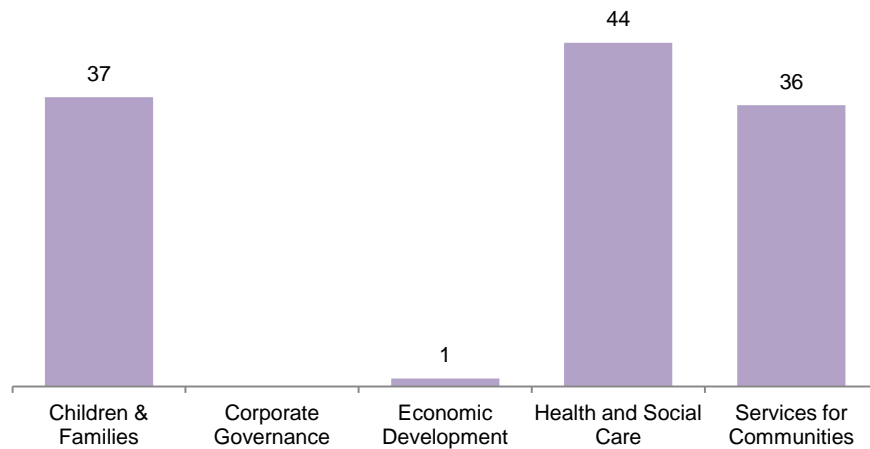
Trend Analysis – Absence 3-12 months

Absence Greater than 12 months (Sept 2015)

Service Area	Total Staff
Children and Families	5
Economic Development	0
Corporate Governance	0
Health and Social Care	2
Services for Communities	1
	8

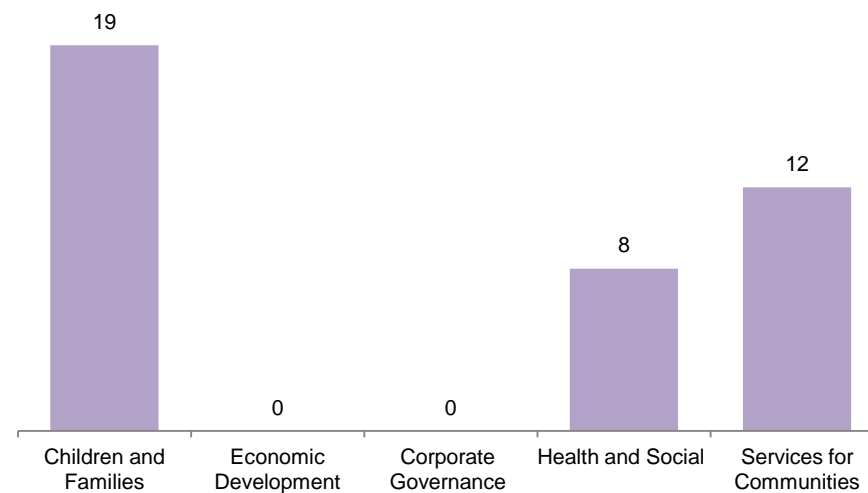## Trend Analysis – Absence greater than 12 months

14

Managing Work Performance
Total: 47
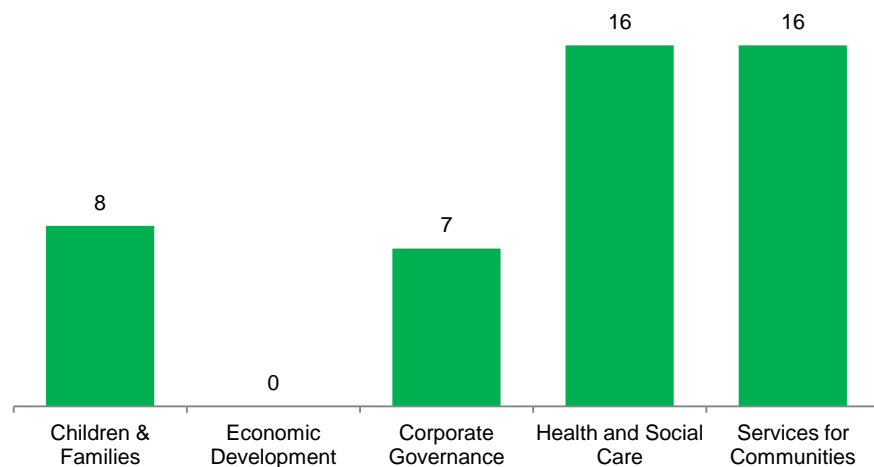
Managing High Risk cases
Total: 39

Managing High Risk Cases by type

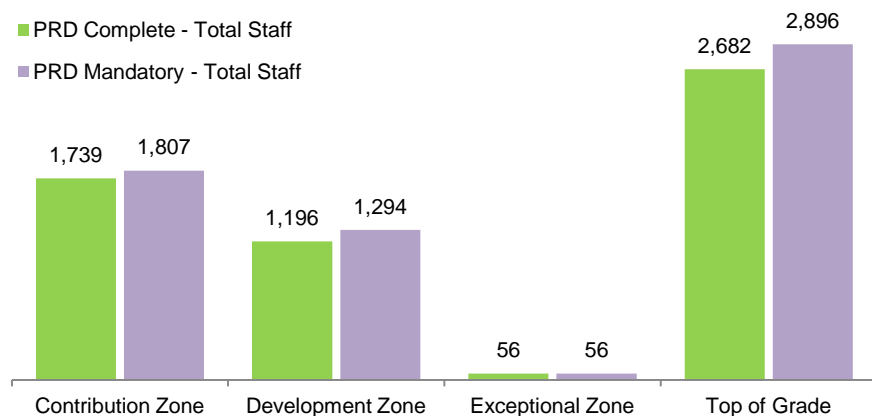| Service Area	Disciplinary	Grievance	Performance	Absence	Anti bulling and Harassment	Policy / Procedure	Total Staff
Children and Families	16	1		1	1		19
Economic Development							0
Corporate Governance							0
Health and Social Care	4			2		2	8
Services for Communities	9	1	1			1	12
Total	**29**	**2**	**1**	**3**	**1**	**3**	**39**

Note: Information for *Managing High Risk Cases* is a snapshot taken on 29 October 2015; and the *Managing Work Performance* was taken as a snapshot on 1 October 2015.

PRD Completion (Grades 5 to 12)

PRD Objective Score Outcomes (All Grades) Final Position – 2015

Objective Performance Outcome	Total Staff	% Total Staff
Poor (1.0 – 1.9)	16	0.2%
Improvement (2.0 – 2.9)	301	4.0%
Strong (3.0 – 3.5)	6,585	87.9%
Top (3.6 – 4.0)	589	7.9%
TOTAL	7,491	

PRD Competency Score Outcomes (All Grades) Final Position – 2015

Objective Performance Outcome	Total Staff	% Total Staff
Poor (1.0 – 1.9)	17	0.2%
Improvement (2.0 – 2.9)	384	5.1%
Strong (3.0 – 3.5)	6,450	86.1%
Top (3.6 – 4.0)	640	8.5%
TOTAL	7,491	

PRD completion (Grades 5 to 12)

Service Area	PRD Mandatory – Total Staff	PRD Complete – Total Staff	PRD NOT Complete – Total Staff	% PRD Completion Rate (Oct 2015)
Children and Families	1,871	1,659	212	88.7%
Economic Development	79	79	0	100.0%
Corporate Governance	771	758	13	98.3%
Health and Social Care	1,265	1,233	32	97.5%
Services for Communities	2,067	1,944	123	94.0%
Total	**6,053**	**5,673**	**380**	**93.7%**

2015-16 Objective Setting Completion at October 2015

Service Area	Number of Positions	PRD Objective Setting Finalised	PRD Objective Setting Not Finalised	% Complete	% Not Complete
Economic Development	80	72	8	90.0%	10.0%
Corporate Governance	734	670	64	91.3%	8.7%
Children & Families	1,875	783	1,092	41.8%	58.2%
Health and Social Care	1,258	841	417	66.9%	33.2%
Services for Communities	1,820	1,423	397	78.2%	21.8%
Grand Total	**5,767**	**3,789**	**1,978**	**65.7%**	**34.3%**

Note: Figures exclude employees with current long term absence, maternity break and career break
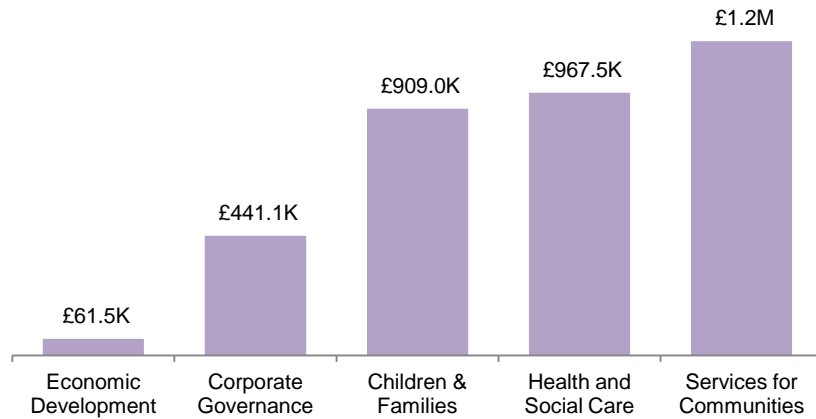
Competency Matrix
Final Position 2015

Service Area	Being Customer /Client Focused	Working Effectively with Others	Managing Change	Taking Ownership and Responsibility	Communicating Effectively	Planning and Decision Making	Leading Others	Managing Performance and Developing Others	Political Sensitivity
Economic Development	3.6	3.5	3.3	3.4	3.4	3.4	3.2	3.2	3.4
Corporate Governance	3.3	3.2	3.1	3.2	3.1	3.1	3.0	3.0	3.0
Children & Families	3.3	3.2	3.2	3.2	3.2	3.2	2.8	2.8	2.7
Health and Social Care	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.0
Services for Communities	3.2	3.2	3.1	3.2	3.0	3.1	2.9	3.0	2.9

Managing Performance – Contribution Based Pay

Cost by Service Area
Total: £3,536,700

Economic Development	£61.5K
Corporate Governance	£441.1K
Children & Families	£909.0K
Health and Social Care	£967.5K
Services for Communities	£1.2M

Cost by Pay Zone

Contribution Zone	£1.4M
Development Zone	£2.1M
Exceptional Zone	£37.6K

Cost by Grade

Grade	Cost
GR1	£43.0K
GR2	£46.1K
GR3	£368.1K
GR4	£438.1K
GR5	£304.0K
GR6	£668.7K
GR7	£693.5K
GR8	£437.0K
GR9	£336.1K
GR10	£113.8K
GR11	£56.1K
GR12	£32.4K
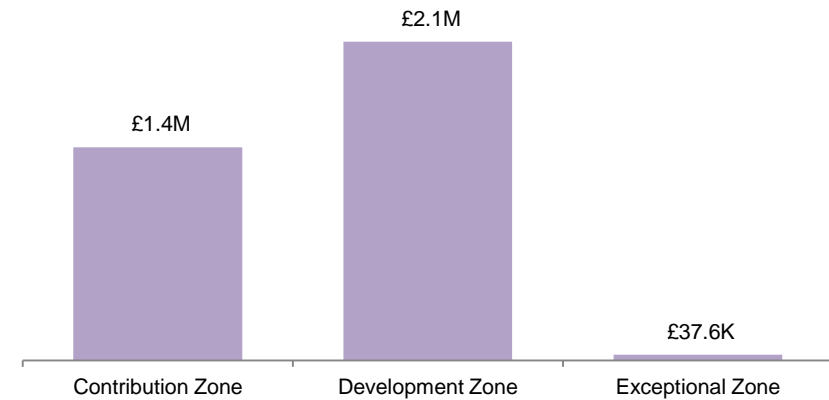
Note: Costs reflect final position 2015 and includes 1.5% Pay Award

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Explanatory Notes

- **Positions –** This is the total number of positions within the council which is different to headcount, for example one individual can be employed in two positions, i.e. two part-time jobs within the council.
- **Breakdown by Contract Type -** Any FTE values greater than 0 for casual or supply are due to data quality issues in Trent, e.g. contractual hours added to employee record but contract type not updated.
- **Breakdown by Grade -** Fixed rate: Staff in posts that have a fixed hourly rate (claims based) – e.g. interpreters / translators.
- **Organisational New Starts and Leavers** – These organisational new starts do not reflect internal movement due to recruitment or FTE variation due to existing staff increase or decrease in contractual hours. **Annual Pay Bill** – shows trends in the total annual basic salary associated with staff employed by the Council after the end of each calendar month.

The data provides a good measure to track change in the total salary cost for all Council employees, but includes only basic contracted salary costs at a given point in time. As such, the dataset does not consider retrospective payments made, claims based payments (such as overtime payments, working time payments, payments to supply or casual staff), or National Insurance and Pension contributions made.

Information on pay bill is only available for positions that have non-zero FTE record. In this report there are over 2,000 positions with either blank or zero FTE records. This means that payments to mostly casual and supply contract positions are not included in the Pay Bill totals. These are typically locum social care workers, supply teachers, learning assistants and front of house staff at Edinburgh venues.
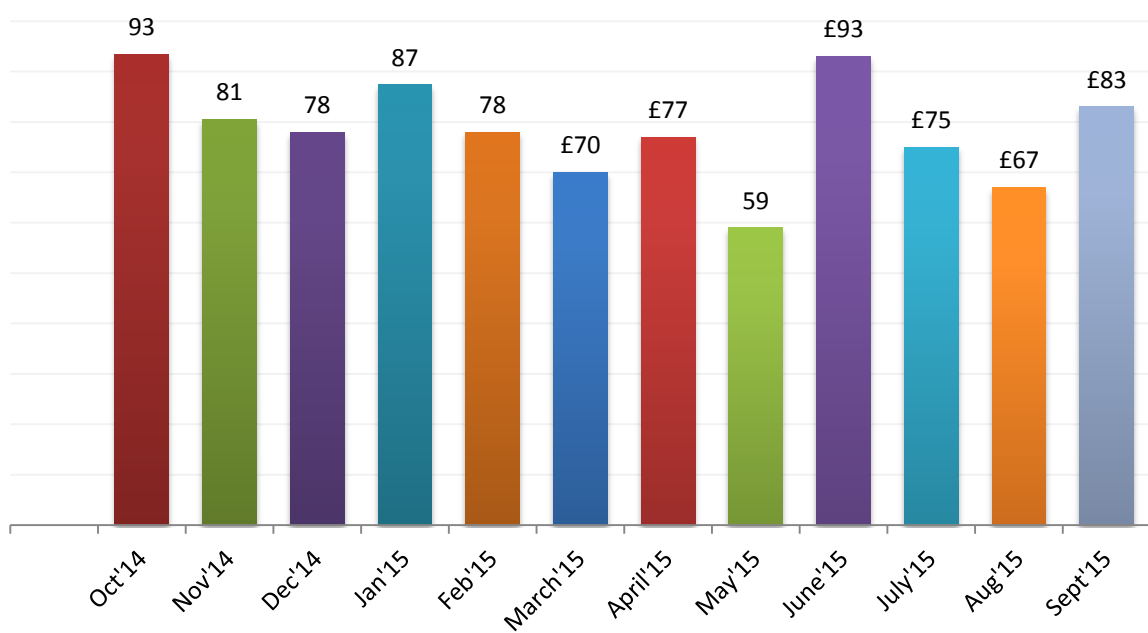
- **Organisational New Starts and Leavers costs** - These costs for organisation new starts do not reflect internal movement due to recruitment or FTE variations due to existing staff increase or decrease in contractual hours.
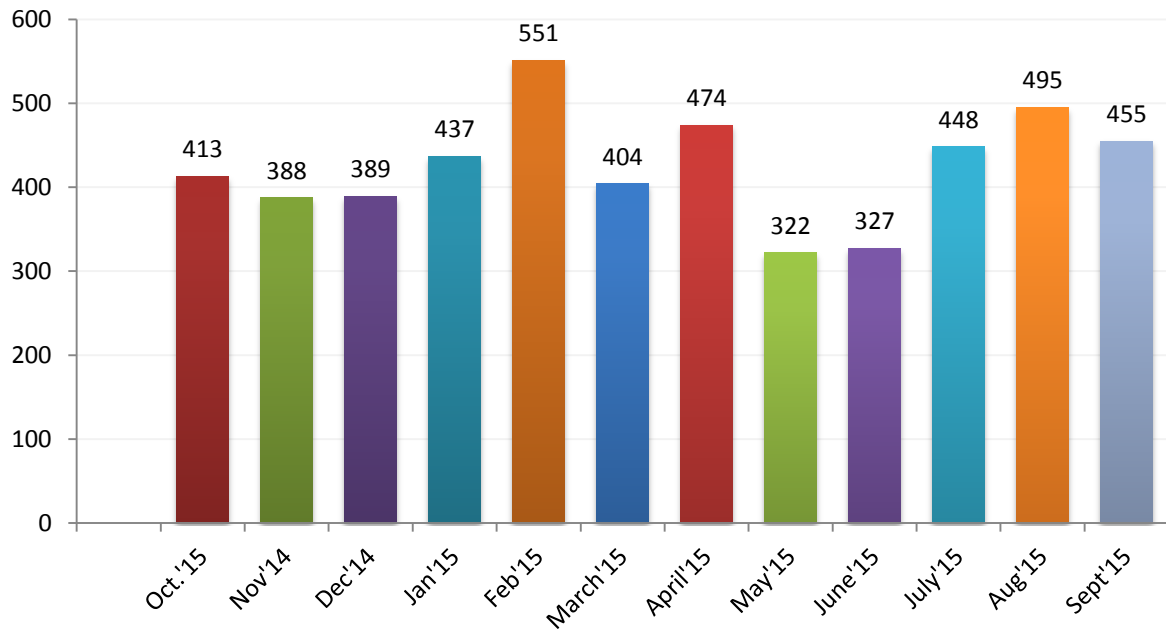
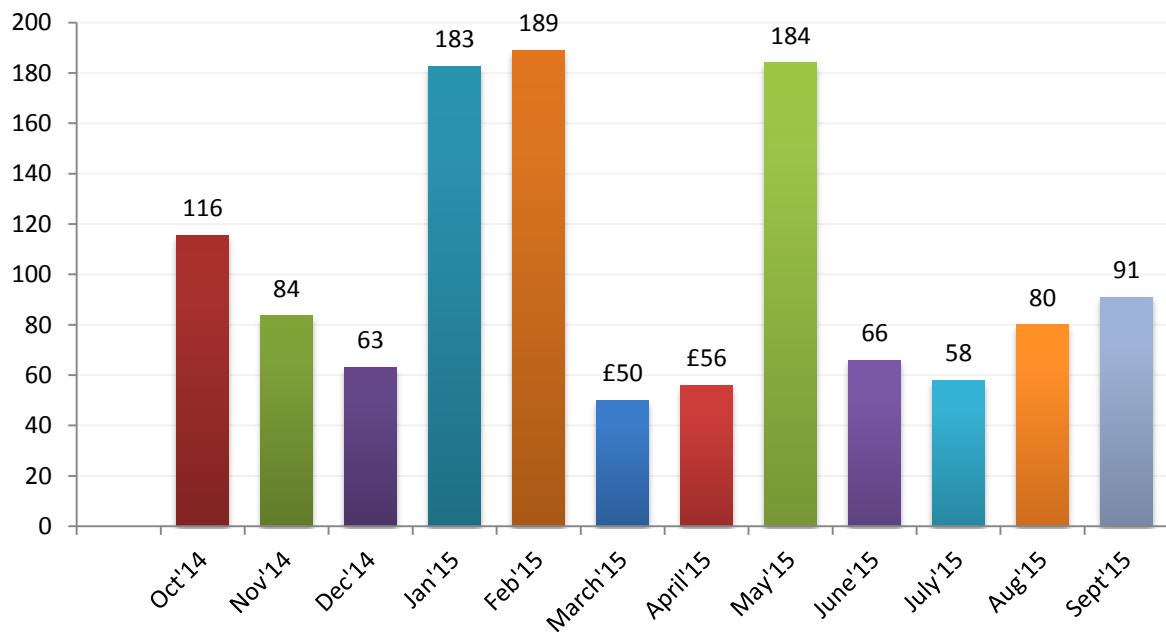**Overtime Trends by Service Area**

Corporate Governance (£K)

Children and Families (£K)

Services for Communities (£K)

Month	Value
Oct'15	413
Nov'14	388
Dec'14	389
Jan'15	437
Feb'15	551
March'15	404
April'15	474
May'15	322
June'15	327
July'15	448
Aug'15	495
Sept'15	455

Health and Social Care (£K)

Month	Value
Oct'14	116
Nov'14	84
Dec'14	63
Jan'15	183
Feb'15	189
March'15	£50
April'15	£56
May'15	184
June'15	66
July'15	58
Aug'15	80
Sept'15	91

Governance, Risk and Best Value Committee

10am, Thursday 28 January 2016

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 September to 30 November 2015.

Links

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

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

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, June and October 2015. This report covers the period from 1 September to 30 November 2015.

Main report

Reports to Safecall

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

Category	Number of disclosures
Major/significant qualifying disclosures	0
Minor/operational qualifying disclosures	5
Non-qualifying disclosures	1

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. Progress against the action plan is being monitored with re-procurement the focus of activity during early December.

3.5 Provision of guidance and information to staff was the priority from mid December onwards, with policy and procedure updates and training for investigating managers planned for the new year.

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 September and 30 November 2015 was £7,398.

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 Committee 27 August 2015: item 7.13 - Review of Whistleblowing Arrangements

Andrew Kerr

Chief Executive

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	

Governance, Risk and Best Value Committee

10am, Thursday 28 January 2016

Whistleblowing annual report

Item number	7.7
Report number	
Executive/routine	
Wards	

Executive summary

This report provides a high level overview of whistleblowing activity and development of the service during the period 1 December 2014 to 30 November 2015.

Links

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

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Whistleblowing annual report

Recommendations

1.1   To note the report.

Background

2.1   The Council launched its new confidential hotline, provided by independent company Safecall, on 12 May 2014.

2.2   The service was reviewed by employment law specialists from Morton Fraser LLP who reported back to the Monitoring Officer in July 2015, with findings and recommendations reported to the Finance and Resources Committee on 27 August 2015.

2.3   Committee decided to continue with the service in its current form, with re-procurement for an independent service provider on expiry of the current contract, and approved an action plan to improve and further develop the service.

2.4   The Monitoring Officer's Whistleblowing Team are progressing the action plan and the re-procurement process is under way.

Main report

Reports to Safecall

3.1   During the reporting period Safecall received 18 reports:

Category	Number of disclosures
Major/significant qualifying disclosures	2
Minor/operational qualifying disclosures	10
Non-qualifying disclosures	6

Investigations

3.2 Six investigations were completed during the reporting period with outcomes and management action reported quarterly to the Governance, Risk and Best Value Committee. Six investigations are ongoing and will be reported to the Governance, Risk and Best Value Committee on completion.

3.3 Six reports did not qualify as disclosures under the whistleblowing policy but the Whistleblowing Team sought assurances that the concerns raised were being addressed via the appropriate channels eg. customer complaints process, grievance procedure, where appropriate.

3.4 Investigation skills training for Investigating Officers is included in the action plan for implementation early in 2016.

Outcomes

3.5 Many of the recommendations that have resulted from investigations have led to amendments to policy, improvements to procedures and processes, the development and sharing of best practice and improved service delivery.

3.6 Where the service provider has an open line of communication with the whistleblower they have been able to provide feedback on the outcome of an investigation and where this has not been possible they have stored the information for dissemination to the whistleblower should they make further contact.

Improvement objectives

3.7 Full implementation of the review action plan will deliver a range of improvements identified during the course of the review:

3.7.1 full alignment and cross referencing between the Whistleblowing and other HR policies, including the development of an aligned investigation framework

3.7.2 the development of a formal process and improved guidance for managers receiving internal disclosures

3.7.3 the development of an experienced, skilled internal pool of investigating managers trained on the investigation framework, approach and techniques

3.7.4 improved staff engagement including a refreshed communications strategy, distribution of promotional materials, improved Orb guidance and feedback via the 2016 Employee Survey

3.7.8 improved awareness of policy requirements and associated processes through a programme of briefings and awareness sessions for groups of staff who might be involved in the process eg. senior managers, directorate liaison officers.

Measures of success

4.1 Implementation of the review action plan in full in time for the start of the new contract on 12 May 2016.

4.2 Improved satisfaction levels through bi-annual Employee Survey.

Financial impact

5.1 The cost of the whistleblowing service between 1 December 2014 and 30 November 2015 was £45,774.70.

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

Andrew Kerr

Chief Executive

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.
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	CO27 – the Council supports, invests in and develops our people.
Single Outcome Agreement	
Appendices	

Annual report for The City of Edinburgh Council

Period - 1st December 2014 to 30th November 2015
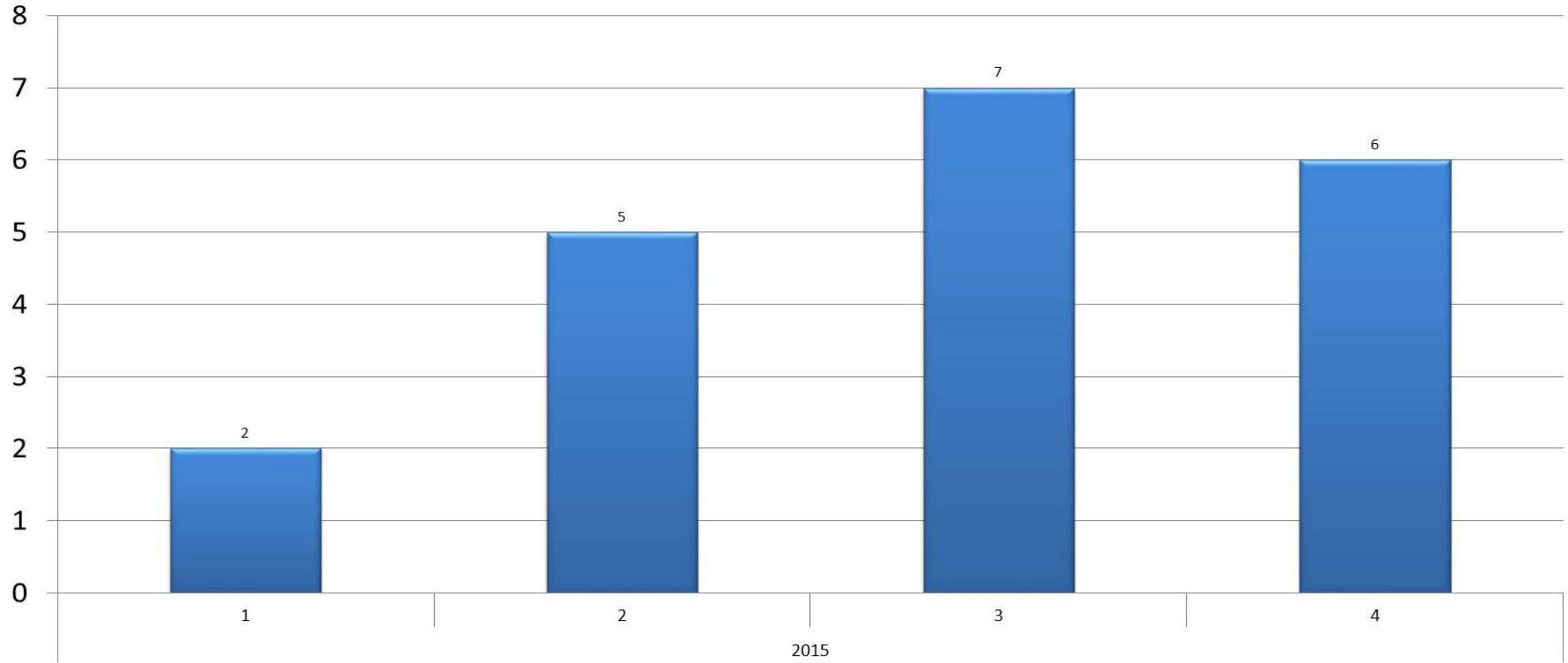
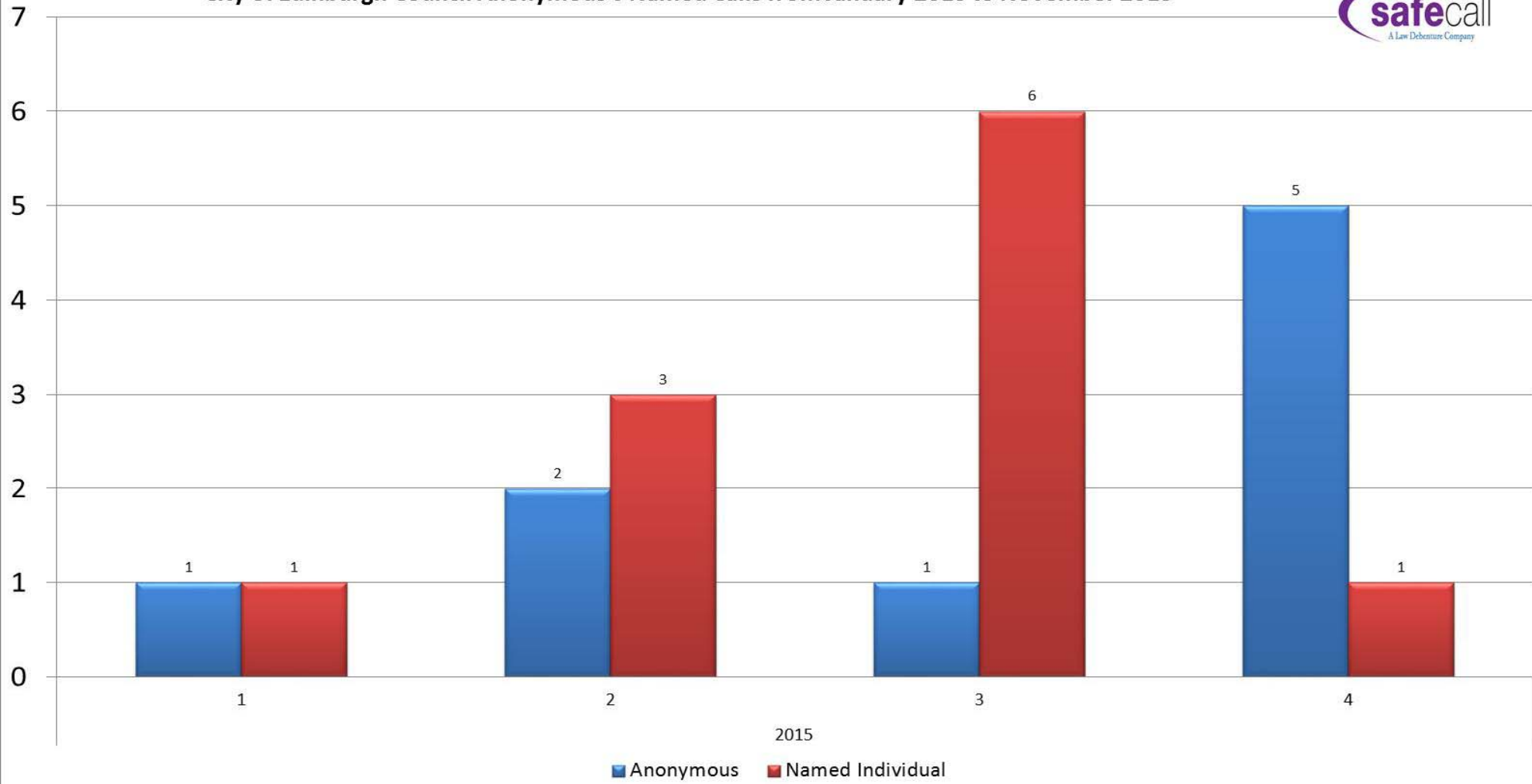**(Note: call volumes include repeat contact)**
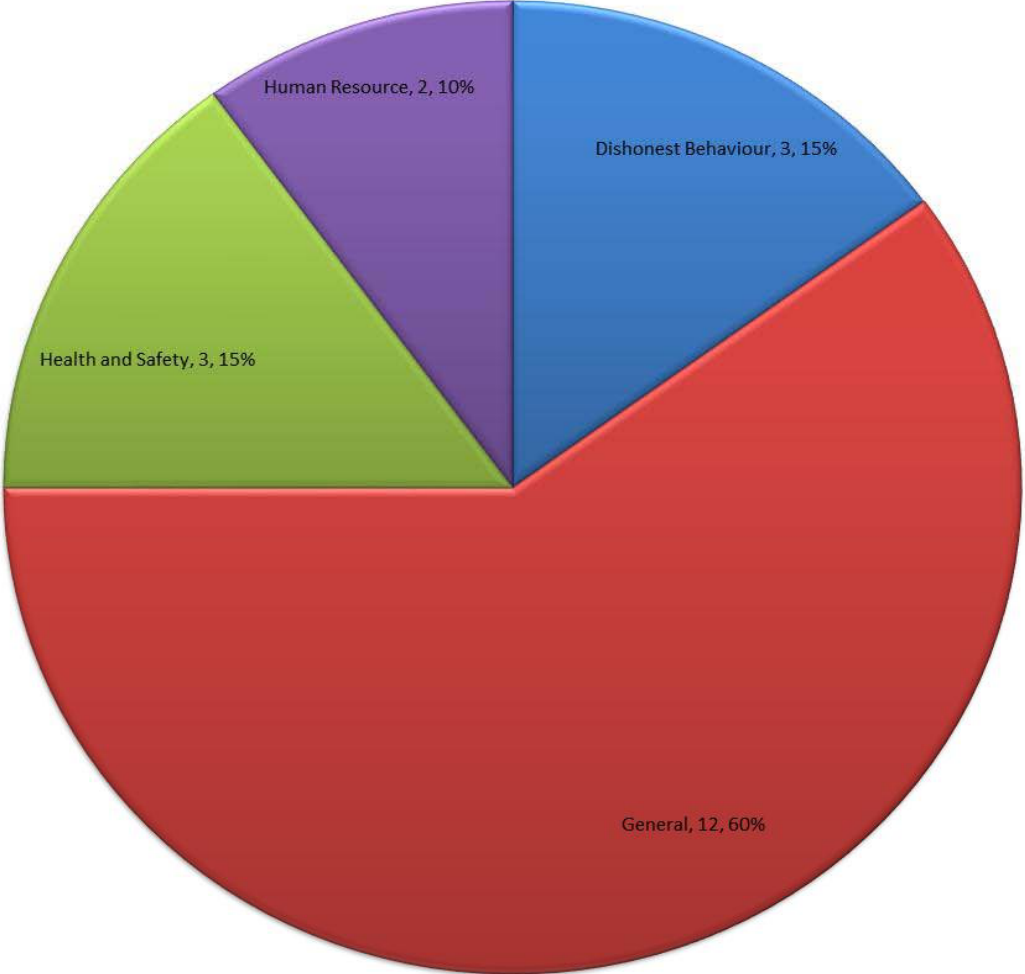
Calls per Month City of Edinburgh Council
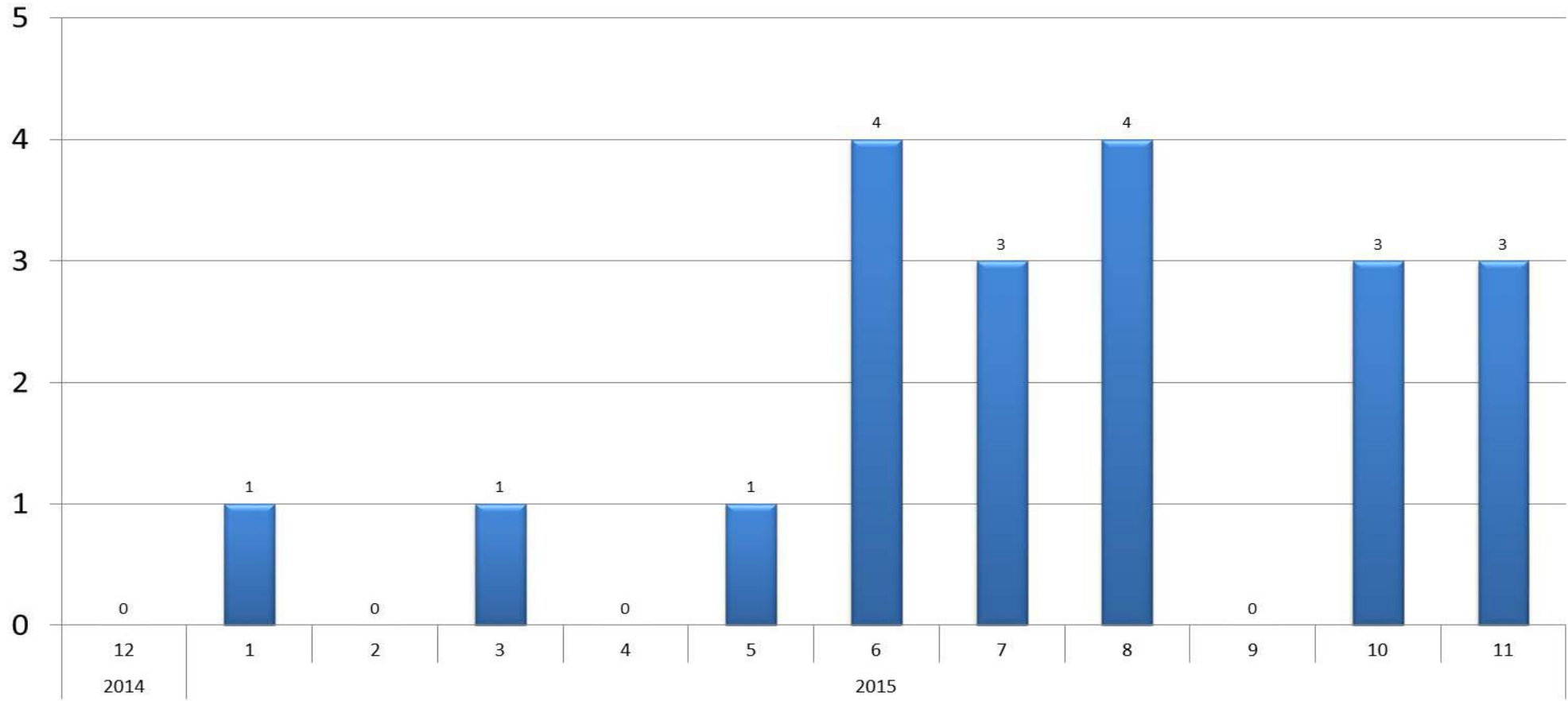
Calls per Quarter City of Edinburgh Council

City of Edinburgh Council Anonymous v Named Calls from January 2015 to November 2015

Calls By Classification City of Edinburgh Council from December 2014 to November 2015

safecall
A Law Debenture Company

Human Resource, 2, 10%

Dishonest Behaviour, 3, 15%

Health and Safety, 3, 15%

General, 12, 60%

- Dishonest Behaviour
- General
- Health and Safety
- Human Resource

Calls by Sub Classification City of Edinburgh Council from December 2014 to November 2015
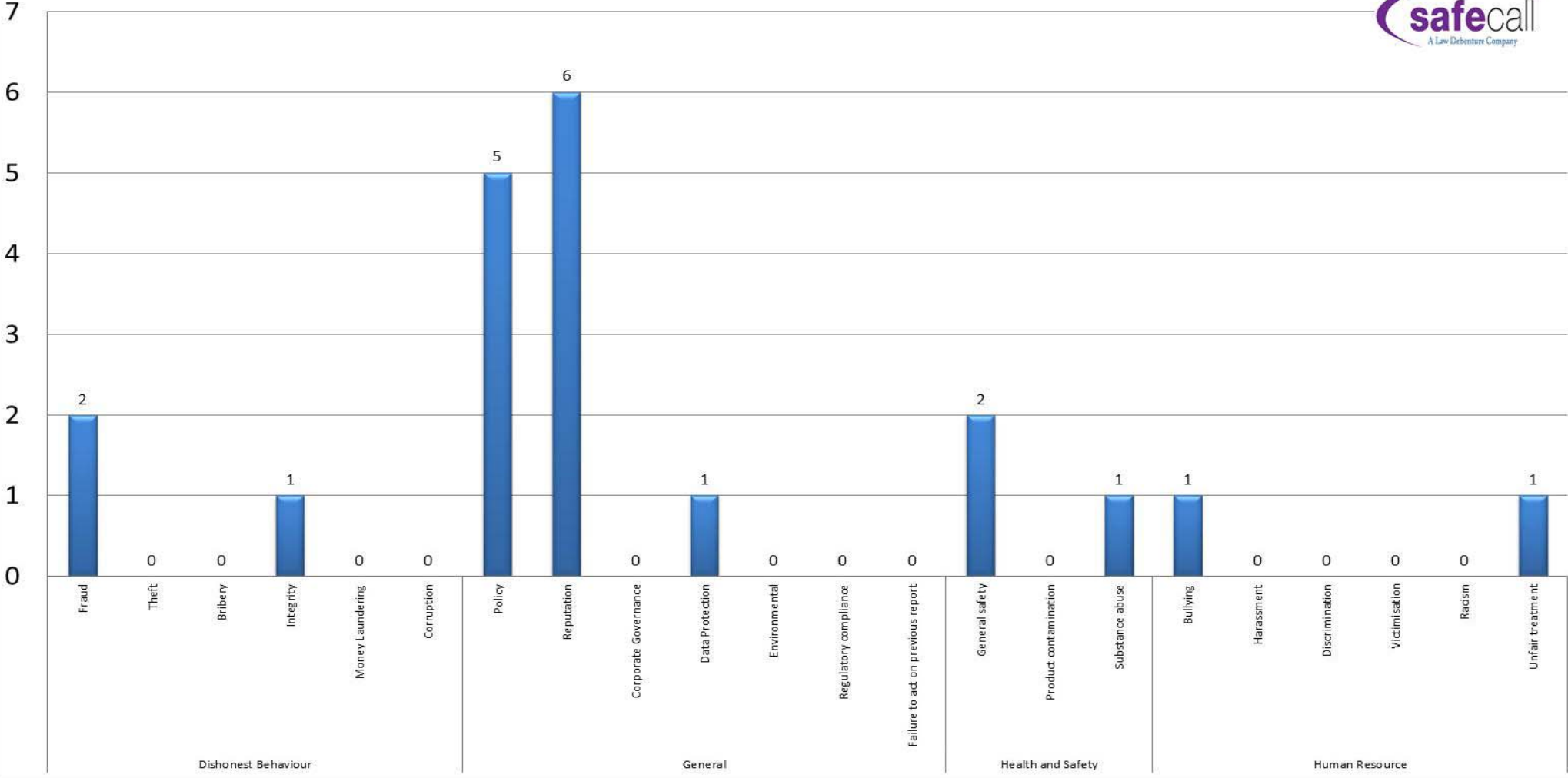
City of Edinburgh Council - How caller became aware of Safecall from December 2014 to November 2015

safecall
A Law Debenture Company

Declined, 4, 20%

Word of Mouth, 4, 20%

Handout, 1, 5%

Website, 1, 5%

Intranet, 2, 10%

Poster, 3, 15%

Internal Publication, 1, 5%

Previous Caller, 4, 20%

Major or Minor Calls from December 2014 to November 2015

	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15
Major	0	1	0	0	0	0	0	0	1	0	0	0
Minor	0	0	0	1	0	1	3	3	3	0	3	3
Other	0	0	0	0	0	0	1	0	0	0	0	0

Children & Families	6
Service for Communities	7
Health & Social Care	3
Economic Development	1
Non Qualifying Disclosure	1
Chief Executives Office	0
Corporate Governance	2
	20

Calls By Directorate from December 2014 to November 2015

Corporate Governance, 2, 10%

Non Qualifying Disclosure, 1, 5%

Economic Development, 1, 5%

Children & Families, 6, 30%

Health & Social Care, 3, 15%

Service for Communities, 7, 35%
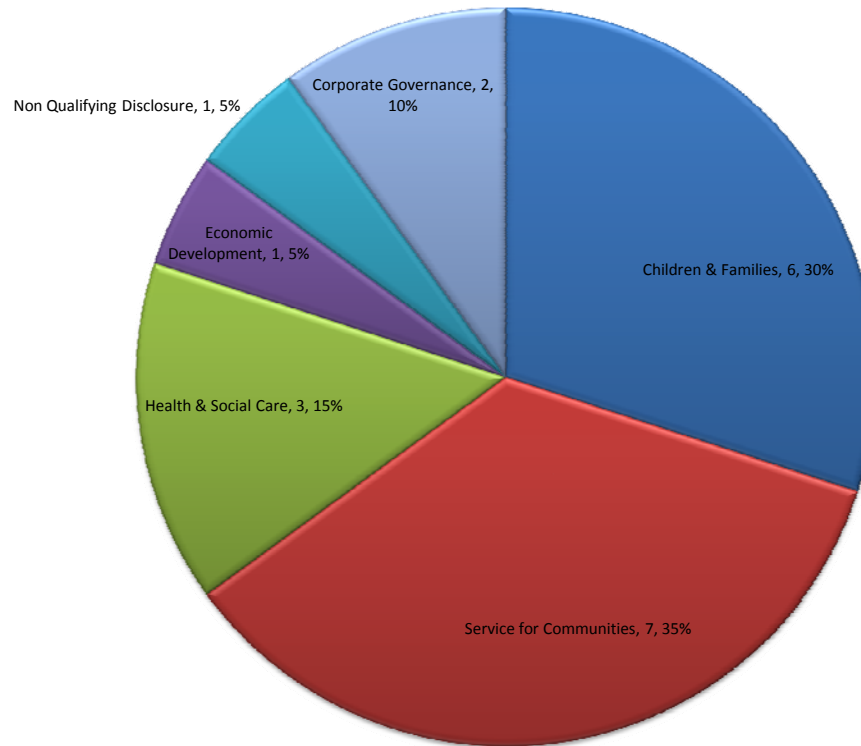
■ Children & Families   ■ Service for Communities   ■ Health & Social Care   ■ Economic Development   ■ Non Qualifying Disclosure   ■ Chief Executives Office   ■ Corporate Governance