

# Notice of meeting and agenda

## Governance, Risk and Best Value Committee

10.00am, Thursday, 26 May 2016

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

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

### Contacts

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## **1. Order of Business**

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

## **2. Declarations of Interest**

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

## **3. Deputations**

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- 3.1 None.

## **4. Minutes**

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- 4.1 Minute of the Governance, Risk and Best Value Committee of 21 April 2016 – submitted for approval as a correct record (circulated)

## **5. Outstanding Actions**

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- 5.1 Outstanding Actions – May 2016 (circulated)

## **6. Work Programme**

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

## **7. Reports**

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- 7.1 Governance of Major Projects: Progress Report – report by the Chief Executive (circulated)
- 7.2 The Audit Arrangements for the Edinburgh Integration Joint Board – report by the Chief Officer, Edinburgh Health & Social Care Partnership (circulated)
- 7.3 Edinburgh Schools – referral from the Corporate Policy and Strategy Committee (circulated)
- 7.4 Spot-checking on the Dissemination of Committee Decisions and Late Committee Reports – report by the Chief Executive (circulated)
- 7.5 Report by the Accounts Commission – An Overview of Local Government in Scotland 2016 - referral report from the Finance and Resources Committee (circulated)

## **8. Motions**

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- 8.1 If any.

## **Kirsty-Louise Campbell**

Interim Head of Strategy and Insight

### **Committee Members**

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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**

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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**

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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](mailto: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.

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

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# Item 4.1 - Minutes

## Governance, Risk and Best Value Committee

10am, Thursday 21 April 2016

### Present

Councillors Mowat (In the Chair), Bagshaw (substitute for Councillor Main), Child, Dixon, Gardner, Keil, Mowat, Munro, Orr, Redpath, Ritchie, Robson (substitute for Cllr Gardner), Redpath, Shields, Tymkewycz, and Whyte (substitute for Councillor Balfour).

### 1. Appointment of Chair

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#### Decision

In the absence of the Convener, Councillor Mowat was appointed to chair the meeting.

### 2. Minute

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#### Decision

To approve the minute of the Governance, Risk and Best Value Committee of 3 March 2016.

### 3. Outstanding Actions

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

#### Decision

- 1) To agree to close items 2, 4, 12 and 13.
- 2) To note that the Acting Head of Legal and Risk would deliver a verbal update on the tram project to the next Governance, Risk and Best Value Committee.
- 3) To note that where expected completion dates of actions had been exceeded, items would be reviewed and new timescales put in place where appropriate.
- 4) To otherwise note the outstanding actions.

(Reference – Outstanding Actions – April 2016, submitted.)

## 4. Work Programme

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### Decision

- 1) To request that a report on PPP and schools, scheduled to go to the next Corporate Policy and Strategy Committee, should afterwards come to the Governance, Risk and Best Value Committee.
- 2) To approve the Work Programme.

(Reference – Governance, Risk and Best Value Work Programme – April 2016, submitted.)

## 5. External Audit: Annual Audit Plan 2015/16

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Committee was provided with the external auditor's Annual Audit Plan, which included a summary of planned audit activity, defined responsibilities, reviewed risks and detailed fees and resources.

Representatives from Audit Scotland were present for this item.

### Decision

To note the external auditor's annual audit plan and that progress against the plan would be reported to Committee.

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

## 6. Summary of the Accounts Commission's 'Major Capital Investment in Councils Follow Up Report

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A summary of the Accounts Commission's recent follow up review on major capital investments in councils was provided. Details were given of a follow up review, a summary of main findings and recommendations, as well as an update on the Council's action plan.

### Decision

- 1) To note the report and the existing or planned actions to address its recommendations.
- 2) To request that information regarding the design-life of schools currently under design/construction would be circulated to the Committee.
- 3) To note that an annual report detailing capital investment activity and lessons learnt would be submitted to the relevant executive committee and to request that this also be submitted to the Governance, Risk and Best Value Committee.

- 4) To request that the end of year capital report contain an analysis of the source of capital funding and how it impacted on the revenue budget.

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

## **7. Monitoring Officer Investigation: Cameron House – Verbal Update**

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The Acting Head of Legal and Risk gave a verbal update on the Monitoring Officer Investigation at Cameron House.

### **Decision**

To note the verbal update.

## **8. Internal Audit – Audit and Risk Service: Delivery Model Update**

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Committee considered a report which set out plans for the future provision of internal audit and risk services.

### **Decision**

- 1) To note the proposals for future provision of internal audit and risk services.
- 2) To request that the Head of Legal and Risk outline the changes and associated reasons for the changes from the report by the Acting Executive Director of Resources and the Internal Audit delivery proposals in the Council report in December 2015.
- 3) To ask that an update report on the internal audit function be provided to the Governance, Risk and Best Value Committee a year after implementation.

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

## **9. Schools Assurance Framework Pilot**

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The pilot Schools Assurance Framework was launched in 2015/16. Details were given of key themes which had emerged from visits undertaken to 15 schools across the City by a combined Internal Audit and Health and Safety team. The report also set out how the process had been strengthened by feedback from the 2015/16 cycle, and plans to broaden the scope of the assurance programme.

### **Decision**

To note the report.

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

## 10. Best Value Audit Report 2016 – referral from the City of Edinburgh Council

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The City of Edinburgh Council had, on 10 March 2016, considered a report which provided the findings of the most recent Best Value Audit progress report together with an update on changes to the scrutiny of all local authorities' work programmes by Audit Scotland. The Council had agreed to refer the report to the Governance, Risk and Best value Committee for scrutiny and information.

### Decision

To note the report.

(References – Act of Council No 10 of 10 March 2016; report by the Chief Executive, submitted.)

## 11. Re-employment and Re-engagement of Staff – referral from the Finance and Resources Committee

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The Finance and Resources Committee had previously approved the implementation of a time-bar of one year before re-engagement or re-employment of former employees who had left the Council through voluntary redundancy or the Voluntary Early Release Arrangement (VERA). The report was referred to the Governance, Risk and Best value Committee as part of its work plan.

### Decision

To note the report, and that the Head of Human Resources would circulate to the Committee a briefing note which provided further information on financial bars and payback time.

(References – Finance and Resources Committee 17 March 2016 (item 2b); report by the Acting Executive Director of Resources, submitted.)

## 12. Induction and Mandatory Learning

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The Governance, Risk and Best Value Committee had previously scrutinised the lack of compliance with the Council's suite of mandatory learning and induction process. A summary was provided of work undertaken to develop a revised approach, and details given of the proposed introduction of a corporate induction programme for new employees.

### Decision

To note the current position and progress with regard to an organisation-wide review of mandatory learning and the introduction of a Corporate Induction programme.

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

## 13. Looked After Children: Transformation Programme Progress Report

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The Looked After Children Service had developed a transformation programme containing a range of initiatives to shift the balance of care towards more preventative and less costly services. This would avoid a continued increase in costs and deliver cashable savings from 2015/16. Committee was provided with an update on progress to the end of December 2015.

### Decision

- 1) To note progress made to date against the targets set out in appendix 1 to the report.
- 2) To note the actions in progress to achieve targets to March 2018, and that the next update would be provided in September 2016.
- 3) To ask that the report into the implementation and effectiveness of the new arrangements be brought to the Governance, Risk and Best Value Committee following consideration by the appropriate committee. This report should be informed by the work carried out by the multi-agency partnership, contain detail of the delivery mechanisms and methods, and focus on outcomes.

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

## 14. Annual Treasury Strategy 2016 - 17

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The City of Edinburgh Council, on 10 March 2016, considered a report on the proposed Treasury Management Strategy for the Council for 2016/17 which included an Annual Investment Strategy and Debt Management Strategy. The report was referred to the Governance, Risk and Best Value Committee for scrutiny.

### Decision

To note the report.

(References – Act of Council No 13 of 10 March 2016; report by the Acting Executive Director of Resources, submitted.)

## 15. Council Retention Schedule

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Committee considered a report which presented the revised Council Retention Schedule, updated following consultation to remove duplicate or conflicting retention rules.

### Decision

To note the development and implementation of the Council Retention Schedule.



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

## **16. Whistleblowing Update**

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Committee considered a high level overview of the operation of the Council's whistleblowing hotline for the period 1 December 2015 to 29 February 2016.

### **Decision**

To note the report.

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

## **17. Resolution to Consider in Private**

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The Committee, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for consideration of item 18 below on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 1, 3 and 4 of Part 1 of Schedule 7(A) of the Act.

## **18. Whistleblowing Update**

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Committee considered a report which provided an overview of disclosures received and the investigation outcome reports completed during the period 1 December 2015 to 29 February 2016.

### **Decision**

To note the report.

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

# Item 5.1 - Outstanding Actions

## Governance, Risk and Best Value Committee

May 2016

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	14.11.2013	<a href="#">Tram Project Update</a>	To ask that the Director of Corporate Governance writes to the Scottish Government requesting an update on likely timescales for the tram project inquiry.	Acting Executive Director of Resources	November 2014		<p>Inquiry now called by Scottish Government. Verbal Update on Tram project to be provided in 2015.</p> <p>Verbal Update to be provided by the Head of Legal and Risk in November 2016. This delay was due to the inquiry not having commenced.</p>
2	09/10/14	<a href="#">Greendykes and Wauchope</a>	To request a report in 12 months to both the	Executive Director of	October 2015	May 2016	An update was considered at Health, Social

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		<a href="#">Communal Heating Update</a>	Finance and Resources Committee and Health, Social Care and Housing Committee on whether the savings were achieved.	Place			Care and Housing Committee in April 2016, and provided to the Finance and Resources Committee in the June 2016 Business Bulletin.  <b>Recommended for closure.</b>
3	21/05/2015	<a href="#">Governance of Major Projects: Progress Report</a>	To include details on the overall capital funding in regard to the Early Years Projects.	Acting Executive Director of Resources		May 2016	<b>Recommended for closure – report on May agenda</b>
4	21/05/2015	<a href="#">Governance of Major Projects: Progress Report</a>	To provide a briefing note to Committee on the impact of the Fleet Review project on service delivery	Executive Director of Place	September 2015	May 2016	Briefing to be circulated to members in May 2016.  <b>Recommended for closure upon receipt of briefing.</b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
5	21/05/2015	<a href="#">Report by the Accounts Commission - An overview of local government in Scotland 2015</a>	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			Recommended for closure – report on May agenda
6	23/09/2015	<a href="#">Internal Audit Report: Integrated Health and Social Care</a>	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			
7	23/09/2015	<a href="#">Internal Audit Quarterly Update Report: 1 April 2015 – 30 June 2015</a>	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.	Executive Director of Place			
8	19/10/2015	<a href="#">Committee Report Process</a>	To investigate technology offered by the new IT provider with a view to improving report format and reducing officer workload. To request a	Chief Executive	October 2016		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			progress report back to Committee in one year.				
9	15/12/2015	<a href="#">Home Care and Reablement Service Contact Time</a>	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	August 2016		
10	03/03/2016	<a href="#">Work Programme</a>	To ask that a report detailing the background of current waste collection difficulties across the City and action being taken to resolve them be submitted to the Transport and Environment Committee meeting in May prior to coming to the Governance, Risk and Best Value Committee in June 2016.	Executive Director of Place	June 2016		
11	03/03/2016	<a href="#">Work Programme</a>	To ask for a joint report from the Acting Executive Director of Resources and	Acting Executive Director of	June 2016		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			the Acting Executive Director of Communities and Families about recent developments in Gaelic education provision in Edinburgh. The report to contain detail of whether due process was followed and identify lessons learnt, and should be submitted to the Education, Children and Families Committee in May, prior to coming to the Governance, Risk and Best Value Committee in June 2016.	Resources and the Acting Executive Director of Communities and Families			
12	03/03/2016	<a href="#">Place Risk Update</a>	To agree that a definition and examples of what constitutes a 'non housing asset' would be appended to the minute of the meeting.	Executive Director of Place			
13	03/03/2016	<a href="#">Place Risk Update</a>	To ask that an update report on the Place risk register be provided to	Executive Director of Place	August 2016		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			Committee in August 2016 specifying action taken to mitigate high risks and whether it has been successful.				
14	21/04/16	<a href="#">Summary of the Account Commission's 'Major Capital Investment in Councils' Follow Up Report</a>	<p>1) To note information regarding the design-life of schools currently under design/construction would be circulated to the Committee.</p> <p>2) To note that an annual report detailing capital investment activity and lessons learnt would be submitted to the relevant executive committee and to request that this also be submitted to the Governance, Risk and Best Committee.</p> <p>3) To request that the end</p>	Acting Executive Director of Resources	September 2016		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			of year capital report contain an analysis of the source of capital funding and how it impacted on the revenue budget.				
15	21/04/2016	<a href="#">Internal Audit – Audit and Risk Service: Delivery Model Update</a>	To ask that an update report on the internal audit function be provided to the Governance, Risk and Best Value Committee a year after implementation.	Acting Executive Director of Resources			
16	21/04/2016	<a href="#">Looked After Children: Transformation Programme Progress Report</a>	To ask that the report into the implementation and effectiveness of the new arrangements be brought to the Governance, Risk and Best Value Committee following consideration by the appropriate committee. This report should be informed by the work carried out by the multi-	Acting Executive Director of Communities and Families			



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			agency partnership, contain detail of the delivery mechanisms and methods, and focus on outcomes				

# Item 6.1- Work programme

## Governance, Risk and Best Value

May 2016

N o	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
<b>Section A – Regular Audit Items</b>								
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	June 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	June 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 2017
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 2017
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

N o	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
9	Audit Scotland	ISA 260	Annual ISA 260 Report	External Audit	Hugh Dunn	Council Wide	Annually	September 2016
10	Accounts Commission	Annual report	Local Government Overview	External Audit	Hugh Dunn	Council Wide	Annually	June 2016
<b>Section B – Scrutiny Items</b>								
11	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	November 2016
12	Welfare Reform	Review	Regular update reports	Scrutiny	Danny Gallacher, Head of Corporate and Transactional Services	Council Wide	March 2016	March 2017
13	Review of CLT Risk Scrutiny	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	June 2016
14	Whistle blowing Quarterly Report		Quarterly Report	Scrutiny	Chief Executive	Internal	Quarterly	June 2016
15	Pride in our People	Staff	Annual report of progress	Scrutiny	Chief Executive	Council Wide	Annual	October 2016
16	Workforce Control	Staff	Annual report	Scrutiny	Hugh Dunn	Council Wide	Annual	December 2016
17	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best	Annual	August 2016

No	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
						Value Committee		
18	Dissemination of Committee Decisions	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Six-monthly	November 2016
19	Late Submission of reports	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Six-monthly	November 2016
20	Property Conservation – Legacy Closure programme and Defect Costs		Progress reports	Scrutiny	Hugh Dunn	All	June 2016 December 2016 April 2017	June 2016

## GRBV Upcoming Reports

## Appendix 1

Number	Report Title	Type	Flexible/Not Flexible
<b>23 June 2016 Committee</b>			
1	IA Follow Up Arrangements	Internal Audit	Flexible
2	IA Quarterly Update	Internal Audit	Flexible
3	Audit Scotland – Annual Overview Report	External Audit	Flexible
4	CLT Risk Register	Scrutiny	Flexible
5	Directorate Risk Register	Scrutiny	Flexible
6	Property Conservation – Legacy Closure programme	Scrutiny	Flexible
7	Waste Collection	Scrutiny	Flexible
8	Gaelic Education provision	Scrutiny	Flexible
9	IA Annual Report	Internal Audit	Flexible
<b>18 August 2016 Committee</b>			
1	Audit Scotland – Annual Internal Controls Report	External Audit	Not Flexible
2	Committee Decisions - Annual Report	Scrutiny	Flexible
3	Place Risk Register	Scrutiny	Flexible
<b>26 September 2016 Committee</b>			
1	IA Follow Up Arrangements	Internal Audit	Flexible
2	IA Quarterly Update	Internal Audit	Flexible
3	External Audit Annual Report	External Audit	Not Flexible
4	Whistleblowing Update	Scrutiny	Flexible
5	CLT Risk Register	Scrutiny	Flexible
6	Audited Council Annual Accounts	Scrutiny	Flexible
7	Treasury Annual Accounts	Scrutiny	Flexible
<b>24 October 2016 Committee</b>			
1	CLT Risk Register	Scrutiny	Flexible

2	Directorate Risk Register	Scrutiny	Flexible
3	Pride in our People	Scrutiny	Flexible
4	Committee report process	Scrutiny	Flexible

# Governance, Risk and Best Value Committee

10.00am Thursday 26 May 2016

## Governance of Major Projects: progress report

Item number	7.1
Report number	
Executive/routine	
Wards	All

### Executive summary

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The former Policy and Strategy Committee on 7 August 2012 agreed the supervision of major projects, namely those with a value of over £5million or which are particularly sensitive to the Council's reputation. This report contains an update of the major projects portfolio and the forthcoming assurance review schedule.

### Links

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Coalition pledges	<a href="#">P03, P20, P23, P27, P28, P36, P41, P44, P47, P49, P51, P53</a>
Council outcomes	<a href="#">C01, C02, CO25, CO26</a>
Single Outcome Agreement	All



## Governance of Major Projects: progress report

### Recommendations

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- 1.1. It is recommended that Committee note:
  - 1.1.1 the current synopsis of the dashboard reports for the major projects portfolio set out in appendix 1; and
  - 1.1.2 the updated assurance review schedule and findings of assurance review/health check's undertaken since previous reporting to Committee (see section 3.4 - 3.13); and
  - 1.1.3 the Transformation Team under the new Strategy and Insight Division is now operational from 2 May with a number of current vacancies.

### Background

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- 2.1 The former Policy and Strategy Committee agreed the oversight of major projects, namely those with a value of over £5million or which are particularly sensitive to the Council's reputation.
- 2.2 In Feb 2016, the CPO function was transferred to the Transformation Team in the newly created Strategy & Insight Division and this service is now operational.
- 2.3 This report forms a scheduled quarterly status update for the Finance and Resources Committee (9 June 2016) and six monthly to Governance Resource and Best value Committee. (26 May 2016).

### Main report

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#### Reporting Arrangements

- 3.1. Project Managers of each of the major projects are required to complete dashboard reports for each project. These returns seek to establish how key dimensions of the project are progressing and aim to ensure there is clear visibility of the status of each major project within the Council.
- 3.2. It should be noted that the content and sign off of each dashboard report remains the responsibility of the SRO/Sponsor.

- 3.3. A synopsis of the latest set of dashboard summaries is contained in Appendix 1. Full dashboard reports are shared in the [major projects folder](#).

## **Assurance Reviews**

### **ICT Transition and Transformation Programme**

- 3.4. An Assurance Review of the ICT Transition and Transformation Programme was undertaken ahead of the 1 April transfer from BT to CGI . The review assessed the current status as Green/Amber – ‘delivery probable’ for the areas within the scope of this review, namely:
- Service cutover from CGI to BT;
  - BT staff TUPE;
  - Contract novation;
  - Early Transformation projects - BACS, Bulk Printing, Secure Cheque Printing; and
  - Data Centre migration (Sighthill and Capex).
- 3.5. No assessment has been made with respect to the health of any later ICT transformation projects such as ERP, Web, ECM, LAN, Telephony and Contact Centre.
- 3.6. As is to be expected, with a programme that is delivering the largest public sector contract change in Scotland, there are significant risks, which makes it prudent to give the Programme a Green/Amber status.
- 3.7. Governance of the programme is excellent, with clearly defined roles, responsibilities and escalation routes. The partnership appears to be working well between CGI and the Council, with the culture and ethos of the programme very much aligned to that of the Council. Risks and issues appear to be actively managed by CGI through their RiskIT management tool but it was concerning that not all risks and issues are readily visible to the Council, particularly at this key stage in the programme.
- 3.8. A key pressure point is the availability of Council staff to participate in the User Proving testing. Availability of Council resource will become increasingly important as the ICT transformation projects progress towards implementation.
- 3.9. There were some instances where the quality and timeliness of information from CGI to the Council could have been improved.
- 3.10. Engagement to date has been low key, as the main impacts of the programme will not be felt until some of the ICT transformation projects deliver, later in the year. Change management capacity within the programme needs to be developed to support the business to maximise the opportunities that will be presented through the implementation of these projects.
- 3.11. The review team recommended six priority and five further actions to the ICT Transition Programme team. Five of the priority actions have already been

completed, with the sixth not required until later in the year. One of the further actions has also been completed, with the Programme team making good progress on the remaining four.

- 3.12. Since the time of the review, good progress has been made closing out key risks. However a replanning exercise has currently been undertaken on ERP (replacement for the Finance and HR systems) with a likely December 2016 roll out being agreed. This revised date allows for increased planning, enhanced communications and is to be achieved at no cost to the council.

#### **Future Schedule of Assurance Reviews**

- 3.13. Discussions are ongoing with Management to schedule assurance reviews in the following areas:

- Edinburgh St James, Quarter;
- Heath & Social Care Integration (joint review with Internal Audit); and
- Zero Waste.

- 3.14. An overview of the key findings of each completed Assurance Review will be reported as part of the scheduled Major Project Reports to Committee.

#### **Current highlights in the major projects portfolio**

- 3.15. In recent months as the Council has been transitioning to a new operating model and there, have been significant colleague movements. As the new Strategy & Insight division comes into operation during May 2016, the team will work with the project management community to improve the quality of reporting. A pragmatic approach will be taken to avoid duplication of effort and the focus will be on gaining comfort or otherwise on the management of key project deliverables.

#### **Tram Extension and Leith Programme**

- 3.16. As of January there was a decision to integrate the Tram Extension and Leith Programme Boards to provide an integrated approach. Governance arrangements are now in place and work broken down into five workstreams, namely Commercial, Technical, Finance, Acquisition and Work. A Programme Management Office is being formed to support the Programme and preparatory work is being undertaken to appoint Commercial, technical and legal advisors.
- 3.17. The Leith Programme is being progressed in a series of phases to minimise disruption to road users of Leith Walk and the local community. Construction of each phase is delivered via a stand-alone contract, which is awarded shortly before the works for that phase are due to commence. Phases 1 to 3 of the project, covering Constitution Street, Crown Place to Pilrig Street and the Foot of the Walk junction, have been successfully delivered.
- 3.18. A new “tram proofed” design for Phase 4 that covers the area from Pilrig Street to McDonald Road are due to be issued in May with a projected start date on site in September 2016 completing in May 2017. Phase 5 and 6; compose of

McDonald Road to Elm Row and Elm Row to Picardy Place respectively. Outline design work for Phase 5 is currently nearing completion and localised consultation is currently underway.

- 3.19. Discussions are ongoing with Sustrans Scotland to secure a sustainable funding solution for the Leith Programme, as previously reported the initial indications are the funding for Phase 6 is insufficient. A refreshed business case will be presented before progressing to Stage 2 of the project in Summer 2017.

#### **New Portobello High School**

- 3.20. Balfour Beatty (BB) has continued to make steady progress on the fabric and structure of the building during the period. The majority of the classrooms have been completed to a level where the works are as complete as is practical until the commissioning works are able to be progressed to enable the completion of the last elements. The design review and change orders process is now closed. BB are now in the process of implementing all previous instructions.
- 3.21. Notwithstanding the progress to the fabric and structure of the building, BB still remain behind programme even after taking account of the previous five week Extension of Time award. The revised contract completion date is 15 July 2016. BB have advised they cannot meet the revised completion date however we are working closely with them to establish a realistic earliest completion date. Generally they are now in control of the works with the exception of a number of issues with utilities and Highways consents. In particular, BB have had difficulties in securing the necessary temporary and permanent drainage connections however good progress has recently been made in this regard although the timing of certain key actions still remains outwith BB's control.
- 3.22. A 'Decant' working group has been established and is progressing with the planning of the overlap and interfaces between the delivery of the new school and existing school closure. The delay to the completion date is being used positively to ensure the decant is being rigorously planned and co-ordinated including visits to the new school to familiarise and test the process.
- 3.23. The working assumption is that the school will move into the new building in January 2017. However there remains a possibility that this issue can be resolved more quickly and, if that is the case, the school would move at the earliest school holiday period which would be the October 2016 break. Both BB and the project team are doing everything possible to try and achieve that objective. A later date than the original plan of August 2016 will allow for orientation visits for both staff and pupils before the new school opens. It will also allow the new S1s (currently P7) to settle into the routine of secondary school before they have to get used to the new building and the school will be developing specific plans to support the transition for them.
- 3.24. BB's actual programme status is currently the subject of direct discussions between the SRO and senior management of BB who continue to suggest that, while an opening the school in August 2016 is unachievable, completion to allow

the school to open after the October break remains a *possibility*. Monthly principals meetings are taking place to ensure that any key decisions required are taken on a timely basis. The dialogue with BB remains positive and directed at ensuring the school can, if at all possible, be delivered for October and the transfer and decant is facilitated with least impact on the school staff and pupils.

### **Connected Capital Programme**

3.25. BDUK in the Department of Culture, Media and Sport provided capital funding to this programme, which is now effectively closed. The programme has delivered the following elements:

- Voucher scheme – to assist with broadband connectivity charges for SMEs. It was agreed that the Council would administer the extension of the voucher scheme on behalf of the Lothians, Fife, Scottish Borders, Glasgow, Stirling, Dundee, and Inverness through to 31 March 2016. £1.6m has been awarded to 1,559 businesses across Scotland (£576k has gone to 580 businesses in Edinburgh,). The Voucher Scheme is now closed to new applicants.
- Public Building Wi-Fi – 66 buildings are now live.
- Transport WiFi – WiFi deployment across the Edinburgh Tram and Lothian Buses fleet was completed in Dec 2014. These services now also benefit from the delivery of a content management solution (CMS) to enhance the user experience further. The CMS provides infotainment channels to passengers using the on board Wi-Fi.
- Wireless Concession – Contract has now been agreed and signed and enabling work has been progressing on lighting and wayleaves. The reporting of this project will focus on the deployment of the wireless concession going forward which is independent from BDUK reporting.

3.26. Meanwhile the Scottish Government “Rest of Scotland” project to deploy increased broadband infrastructure is progressing. Roll out in Edinburgh is currently underway with significant activity expected over the next 6 months. A meeting with BT Openreach and Digital Scotland to resolve the cabinets with issues was held in early March and subsequent site meetings arranged. If issues with specific cabinets cannot be solved then broadband to the area supplied by that cabinet will not be possible. CityFibre or Virgin Media connections are unaffected. Phase 2 is currently under discussion with Digital Scotland/COSLA/BDUK.

### **Changes to the Portfolio**

3.27. The Tram Extension project has been added to the portfolio this month (integrated with the Leith Programme). Discussions are ongoing with other relevant Project Sponsors to add the new St John’s RC Primary School from the next reporting cycle. The new Queensferry High School will be reported to Council in Quarter 3 ahead of full mobilisation and reporting will commence at

that stage. In addition the replacement of Meadowbank will be added at a later date.

- 3.28. A number of projects are drawing to a close and will be removed from the portfolio in the near future and this includes Connected Capital, Recycling Service Redesign and Programme Momentum. The Early Years Projects (which comprised the delivery of three distinct and separate projects - the delivery of new early years provision at Fox Covert and Wardie Primary Schools and replacement/extended provision at Duddingston Primary School) have been removed from the portfolio, all work is complete and the new buildings are fully operational with the exception of a 3G pitch at Fox Covert which will be completed this summer. Work will be undertaken with the relevant project teams to ensure that projects are adequately closed and handed over to the service area where appropriate.

### **Transformation and Business Change Support**

- 3.29. The new structure for the Transformation Team includes expertise in portfolio and programme management, change management and process improvement reflecting and building on the success of the CPO. This team is now operational and will work with the wider Strategy and Insight Division to provide an integrated change and service improvement resource to the Council. This service has been designed to improve future levels of capacity for support and assurance.

## **Measures of success**

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- 4.1 A successful project delivers its output(s) on time, on or under budget and to quality standards agreed with its stakeholders. The reporting arrangements seek to ensure transparent and consistent reporting across all major projects by analysing key milestones, benefits, financials, risk and governance processes.

## **Financial impact**

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- 5.1 There are no financial implications directly arising from this report. The financial impacts of major projects will also be reported through the revenue and capital monitoring process.

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

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- 6.1 The process of reporting and senior management oversight of risk within the project portfolio serves to strengthen the control environment and where appropriate prompt mitigating action.

## Equalities impact

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- 7.1 Equalities impact assessments are carried out within individual major projects and addressed in separate reports to Council or committee.

## Sustainability impact

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- 8.1 Each project within the major projects portfolio is responsible for undertaking its own sustainability impact assessment.

## Consultation and engagement

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- 9.1 Consultation and engagement is carried out within individual projects and is addressed in separate reports to Council or committee.

## Background reading / external references

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[Governance of Major Projects](#) – Finance and Resource Committee, 26 November 2015

[Governance of Major Projects](#)- Finance and Resources Committee, 17 March 2016

### **Andrew Kerr**

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<b>Coalition pledges</b>	<p><b>P03</b> - Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools</p> <p><b>P20</b> - Work with the Scottish Government to deliver a larger return of business rate receipts as part of the Business Rates Incentivisation Scheme (BRIS)</p> <p><b>P23</b> - Identify unused Council premises to offer on short low-cost lets to small businesses, community groups and other interested parties</p> <p><b>P27</b> - Seek to work in full partnership with Council staff and their representatives</p> <p><b>P28</b> - Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the city</p> <p><b>P36</b> - Develop improved partnership working across the Capital and with the voluntary sector to build on the “Total Craigroyston” model</p> <p><b>P41</b> - Take firm action to resolve issues surrounding the Council’s property services</p> <p><b>P44</b> - Prioritise keeping our streets clean and attractive</p> <p><b>P47</b> - Set up a city-wide Transport Forum of experts and citizens to consider our modern transport needs</p> <p><b>P49</b> - Continue to increase recycling levels across the city and reducing the proportion of waste going to landfill</p> <p><b>P51</b> - Investigate the possible introduction of low emission zones</p> <p><b>P53</b> - Encourage the development of Community Energy Co-operatives</p>
<b>Council outcomes</b>	<p><b>C01</b> - Our children have the best start in life, are able to make and sustain relationships and are ready to succeed.</p> <p><b>C02</b> - Our children and young people are successful learners, confident individuals and responsible citizens making a positive contribution to their communities.</p> <p><b>CO25</b> – The Council has efficient and effective services that deliver on its objectives.</p> <p><b>CO26</b> – The Council engages with its stakeholders and works in partnership to improve services and deliver on agreed objectives</p>
<b>Single Outcome Agreement</b>	All
<b>Appendices</b>	Appendix 1 - Overview of major projects portfolio –March 2016



Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
MP2	Connected Capital	<p>Programme now aligned to ICT.</p> <p>Wireless Concession – the contract was finally signed on March 22nd and a number of wayleaves agreed by the end of March BDUK grant claim deadline (see details below). A revised implementation plan is due by w/c 2nd May.</p> <p>Public Buildings Wi-Fi – 66 buildings are now live with 1 building still to be connected and 5 operating on interim circuits.</p> <p>Rest of Scotland roll out – Roll out in Edinburgh is currently underway with significant activity expected over the next 6 months.</p> <p>Scottish Government/Scottish Futures Trust Public Buildings Wi-Fi Funding – CEC has been successful in gaining capital only funding of approx £250k to put in place public wifi in up to 26 buildings (Homeless Hostels, Young People’s Centres , Day Care Centres and Community Centres). CGI are currently working on costings for this project.</p>	<p>Project now closed from a BDUK perspective.</p> <p>Wireless concession now proceeding to roll out. .</p>	Spend within budget.	<p>Assurance Review completed with focus being on the Wireless Concession project and found that good project management techniques had been employed in delivery of the project to date.</p> <p>Transport Wi-Fi – Let’s Join Content Management System has now been implemented (Sept). Since deployment there has been a four fold increase in user sessions.</p>	<p>Faster and better broadband connections to SMEs via a voucher scheme contributing towards costs of connection.</p> <p>Wireless coverage in some public places, public buildings and across the Lothian Bus and Edinburgh Trams fleet.</p>	Risk: Amber
MP8	James Gillespie’s Campus	<p>The teaching block was completed in April 2015 and is already occupied by the school. Construction of the performance and sports blocks and other site infrastructure including car parking, the all-weather pitch and landscaping is progressing well and on programme. Bruntsfield House summer 2015 works were completed within programme.</p>	<p>Phase 1 (teaching block) and Secondary School decant complete. Phase 2 (performance and Sports blocks and other site infrastructure) completion scheduled for August 2016 - on programme.</p>	<p>Phase 1 costs have now been received from HubCo/Tier 1 meetings ongoing to finalise. All costs are within the expected limit. Phase 2 costs, where still to be agreed, have been</p>	<p>Works and 12 month defect period now concluded for the Design and Build Contract.</p>		Risk : Green

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
				given a budget cost.			
MP10	National Housing Trust	<p>NHT Phase 1 - 422 new affordable homes complete and tenanted – This project is now closed and housing management taking forward as ‘business as usual’.</p> <p>Phase 2: The Council has entered into contracts with FP Newhaven Two Ltd. Construction started in Nov 2014. 96 homes will be completed over 6 phases with completion scheduled for Dec 2016.</p> <p>Phase 3. The Council will establish three new limited liability partnerships with developers and Scottish Futures Trust to deliver up to 385 affordable homes. Contracts are subject to statutory consents and delivery of completed homes by end Dec 2019. The first contract signing for 80 homes at Fruitmarket, Chesser took place in April 2015. The Fruitmarket development was scheduled to start on site in Nov 2015.</p>	On time.	The City of Edinburgh Council on 12 Feb 2015 approved borrowing for phase 3 of up to £54. 998m. Forecast to complete within budget.	Previous Assurance Review completed with status of Green.	<p>Provision of affordable housing.</p> <p>Neighbourhood regeneration and creation of jobs and training opportunities.</p>	Risk: Green
MP11	21st Century Homes	<p>Gracemount: development complete and all properties let. Work progressing on Phase 2 with £735k secured in developer receipts.</p> <p>Greendykes C: development complete and all properties let.</p> <p>West Pilton Crescent: development complete and all properties let. Final homes handed over on 20 October 2014. All properties have been let.</p> <p>Pennywell: works started on phase 1 (108</p>	<p>Programme progress within target timescale. Only minor change in the period is the awaited approval of matters specified in conditions for North Sighthill, as the consultation period was extended on behalf of the community.</p>	Within budget	<p>Greendykes was a runner up at the Homes for Scotland awards in the Best Partnership in Affordable Housing Delivery category.</p> <p>West Pilton Crescent won Saltire Awards for Multiple Housing Development, and Landscape in Housing.</p>	<p>Community Benefits including employment and training opportunities.</p> <p>Increasing affordable housing supply across the city.</p>	Risk: Green

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		<p>Council and 85 Private homes) on 23 June 2014. Handover of the first Council homes commenced end August 2015.</p> <p>North Sighthill: Design work instructed to enable an Approval of Matters specified by conditions (AMC) application submitted to planning in July 2015, in respect of the Council housing.</p> <p>Leith Fort: Tenders approved at Finance &amp; Resources Committee in June 2015 and contract has been awarded following a standstill period.</p> <p>Small Sites Project: 7 additional sites, tenure mix and energy strategy are to be reported to the Political Sounding Board in September. A delivery plan is being developed with the Council's procurement team. A report was taken to Finance and Resources Committee in Feb 2016 seeking approval to award contracts.</p>				Providing support to the economy and construction industry.	
MP12	New Boroughmuir High School	<p>The contractor (OHMG) has received an extension of time of four weeks due to the adverse inclement weather.</p> <p>The revised completion date is now 23 October 2016. The contractor is reporting works are now on programme.</p> <p>Weekly review of actual progress against the planned programme is ongoing for monitoring purposes with monthly principals</p>	Whilst the status was previously set at red due to the delay against the original completion date, this has now been changed to green reflecting the position relating to the revised completion date for which a detailed	A total of 33 change orders requests have been raised to date, 27 change order requests have been authorised. Three change orders require to be returned by the contractor with the cost and programme	A Clerk of Works is being employed to ensure the works are undertaken to the expected quality standard.  A Technical Advisor is employed to carry out further inspections and to ensure the main contractor undertakes all quality inspection and completes all the necessary quality documentation.		Risk: Green

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		<p>meetings being held between the SRO and senior management of the contractor.</p> <p>The concrete pours to all levels are now complete. M&amp;E 1st fix has commenced to levels -01, 00 and 01. Internal partitions have now commenced to level 01. Works to the external envelope are now progressing to level 02.</p> <p>Steelwork to the atrium roof has now commenced.</p> <p>Roadworks are ongoing to Viewforth and, following discussion with the roads department, are now due to be completed by end of July.</p>	<p>programme to completion has been provided by the contractor against which progress will be closely monitored and reported</p> <p>Discussions are currently ongoing with the school regarding the move to the new building which is now anticipate to take place around the Christmas 2016 break with pupils moving to the new school at the start of the Jan 2017 term. The intervening period between contract completion and occupation will allow time for pupils and staff to become familiar with the new school in advance of moving to it.</p> <p>This change has been communicated to the school community.</p>	<p>implications. The estimated order of cost remains within the client contingency retained in the project budget.</p>			
<b>MP13</b>	<b>New Portobello</b>	Balfour Beatty (BB) has continued to make steady progress on the fabric and structure of the building during the period. The majority	Balfour Beatty remain behind programme. The revised Contract	The forecast costs to completion are within	Regular inspections are undertaken to ensure that the appropriate standard is	BB have made further progress in the delivery	Risk: Red Status has

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
	High School	<p>of the classrooms have been completed to a level where the works are as complete as is practical until the commissioning works are able to be progressed to enable the completion of the last elements. The design review and change orders process is now closed with a small number of the more recent CORs being finalised and Instructed. BB are now in the process of implementing all previous instructions.</p> <p>A 'Decant' working group has been established and is progressing with the planning of the overlap and interfaces between the delivery of the new school and existing school closure. The delay to the completion date is being used positively to ensure the decant is being rigorously planned and co-ordinated including visits to the new school to familiarise and test the process.</p>	<p>Completion date is 15 July 2016. BB have advised they cannot meet the revised completion date however we are working closely with them to establish a realistic earliest completion date. In particular, BB have had difficulties in securing the necessary temporary and permanent drainage connections however good progress has recently been made in this regard although the timing of certain key actions still remains outwith BB's control</p> <p>The working assumption is that the school will move into the new building in January 2017. However there remains a possibility that this issue can be resolved more quickly and, if that is the case, the school would move at the earliest school holiday period which would be the October 2016 break. Both BB and the project</p>	the project budget	being maintained.	<p>of the targets within their Community Engagement Plan which currently includes direct involvement in: opportunities for work placements; youth involvement events and volunteering opportunities. The plan also covers local employment, new starts, and working directly with Action for Children; progress on all of which is reported through the monthly update from BB.</p>	been set at red due to delay

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
			<p>team are doing everything possible to try and achieve that objective. A later date than the original plan of August 2016 will allow for orientation visits for both staff and pupils before the new school opens. It will also allow the new S1s (currently P7) to settle into the routine of secondary school before they have to get used to the new building and the school will be developing specific plans to support the transition for them.</p> <p>BB's actual programme status is currently the subject of direct discussions between the SRO and senior management of BB who continue to suggest that, while an opening the school in August 2016 is unachievable, completion to allow the school to open after the October break remains a <i>possibility</i>. Monthly</p>				

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
			principals meetings are taking place to ensure that any key decisions required are taken on a timely basis. The dialogue with BB remains positive and directed at ensuring the school can, if at all possible, be delivered for October and the transfer and decant is facilitated with least impact on the school staff and pupils.				
MP29	Water of Leith, Flood Prevention Scheme Phase 2	<p>The site compound at Balgreen has been established and the CEC Phase 2 project team relocated there at the start of February 2016.</p> <p>The design by Mott MacDonald is continuing well albeit that it is currently slightly behind programme. CEC approvals, inter alia, by the bridges team are progressing well within the specified durations assisting the review process considerably.</p>	The SGN diversion of the gas main progressed well until the Christmas break. Since then, SGN has not made further progress on the river crossings and other works to complete the diversion. SGN cannot complete the diversion by 14 March 2016 the date stipulated in the main works programme. However, contingency is available. The lack of progress has been escalated to the senior management of SGN.	Programme cost is within budget.	<p>Assurance Reviews have been included in the programme plan at scheme definition (Sept 2014) and prior to award of contract (Nov 2015), with the recent pre-contact award review finding that the overall project status is Green - delivery highly likely.</p> <p>Ongoing stakeholder engagement activities have raised no significant issues. Health &amp; Safety and Environment plans are in place.</p>	<p>Protect 492 residential &amp; commercial properties.</p> <p>Reduce dependency on temporary flood defences.</p> <p>Provide enhanced access to the riverside.</p> <p>Improve quality of life for residents affected by</p>	Risk: Green

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
						flooding.	
MP22	<b>Zero Waste: Edinburgh and Midlothian</b>	<p>Food Waste Transition Project</p> <p>All main elements of construction work are complete. There is now an expectation that Service Commencement will be autumn 2016. The Partner Councils, under the Project Agreement with Alaua, are still utilising contingency facilities. While this initially caused significant difficulties, Alaua is picking up all additional costs during this period as provided for under the Project Agreement. All required site services/utilities, potable water, power, foul and surface water drainage are now complete and functioning. The new road access is in operation and was formally adopted by Midlothian Council in February.</p> <p>Residual Waste Procurement</p> <p>Detailed Planning Permission and Environmental Permit are now in place and the Judicial Review Periods have now expired therefore reducing risks to the Council. Financial Close is currently expected in April 2016 and FCC has agreed to hold its Final Tender price to meet this programme. The Service Commencement date will now be towards the end of 2018, well in advance of the Landfill Ban.</p>	<p>Food Waste Transition has experienced slippage. Service commencement delayed from late Dec 2015 to Autumn 2016.</p> <p>The residual waste project remains within target timescales with service commencement towards the end of 2018.</p>	<p>The contractor is picking up the costs for the delay in the commencement of the food waste service. The capital budget is fully committed.</p> <p>Residual waste if financial close needs to be achieved by May to maintain the Final Tender price.</p>	<p>An assurance review undertaken in December 2014 assessed the programme as Amber- Green (delivery probable). A follow up Assurance Review is scheduled for Q4 2015/16.</p>	<p>Benefits Realisation Plan remains under construction Discussions are ongoing with SEPA and ARE regarding the cessation of delivery of food waste to Powderhall as it moves to delivery to Millerhill.</p>	<p>Risk: Green Planning risks are of a low likelihood but carry very severe impacts should they materialise.</p> <p>Substantial mitigation strategies agreed by the Project Board are in place.</p>
MP25	<b>Forth Replacement</b>	Transport Scotland (TS) is the lead agency for construction of the bridge. The Forth Crossing	As Transport Scotland (TS) is the lead agency,	As TS is the lead agency no budget	TS and CEC have not agreed the official inspection and	Enhance transportation	Risk: Amber



Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
	<b>Crossing</b>	<p>Act sets out the process of some enabling road and property assets to the Council as the Local Authority and Roads Authority.</p> <p>B800 bridge construction works complete. Status will remain amber until adoption extents are agreed and final inspections completed.</p>	<p>CEC has no influence on delivery timescales. However the project continues to be on time and under budget with a forecasted completion of Autumn 2016.</p>	<p>information reported.</p>	<p>handover process.</p> <p>Work in progress with Transport Scotland to define adoption extents, clarify handover, and quality assurance processes.</p> <p>Establishment of a Memorandum of Understanding underway with TS.</p>	<p>links locally and nationally.</p>	
<b>MP28</b>	<b>H&amp;SC Integration</b>	<p>The Strategic plan was completed and approved by EIJB in mid March. As a result the functions have now been delegated to the EIJB for planning and resourcing purposes. The statutory deadline for this was met.</p> <p>The EIJB accepted delegation of functions based on the budget estimates in March and the EIJB due diligence process will be completed once the budgets proposed are clear.</p> <p>The statutory directions to the council and NHS Lothian have been issued to the chief executives. They are in interim form subject to the budget clarification by the Council and NHS Lothian and due diligence being completed. The Council and NHS Lothian will be required to implement the directions. Further directions may follow during the year with more detail.</p>	<p>Phase 1 of the integration programme is now almost complete. Phase 2 is the implementation of the Strategic Plan. As a result handover of the programme is now in progress to the EIJB strategic planning support arrangements. The EIJB will monitor progress of the multiple projects within the Strategic Plan Action Plan, oversee and approve relevant business cases within Phase 2 as well as assess impact and benefits through its Performance and Quality subgroup.</p>	<p>The council budget for the EIJB is agreed at a high level. The detail in relation to scope and other council programmes of change are still being worked through. NHS Lothian budget for the EIJB is still being finalised due to the national timeline for Scottish Health budget. NHS Lothian has until the end of May to finalise its 16/17 financial plan which includes the budget element for the four Lothian IJBs.</p>	<p>Audit and Risk Committee remit and membership agreed. Part of the responsibility of this function will be to monitor quality elements.</p>	<p>High level benefits identified through options analysis work and business case.</p> <p>Detailed benefits to be developed in line with the statutory strategic plan, baseline performance framework, national outcomes and SQAs, and service</p>	<p>Risk: Amber</p> <p>Council's liability policies may not operate. Integration scheme details claims handling process. Council awaiting further detail from CNORIS.</p>

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		<p>Work is progressing on the integrated structure for operational delivery and it is expected that consultation will start in May. Accountability matters in relation to delegated functions that are not within the operational structure of the Chief Officer will need to be clarified.</p> <p>EIJB Audit and Risk Committee membership and remit agreed. EIJB Performance Sub group agreed in principle and Chair appointed.</p> <p>Responses from Draft Strategic Plan consultation analysed and reported to EIJB in Jan 2016.</p>		<p>Joint Leadership Group received update on budget position mid Jan 2016 Council budget set for EIJB at high level.</p>		workstreams.	
MP30	Recycling Service Project	<p>This project is now in the closing phase as all properties within the scope of the project have now switched to the new service. There is a small element associated with the withdrawal of the red and blue box service across the city. This additional work package entailed replacing the box service with suitable on street recycling facilities.</p>	<p>85% complete on replacing the old service with on street facilities and aim to complete the remaining 15% by the end of March 2016.</p>	<p>The Recycling Redesign cost centre is currently under pressure. Current financial modelling estimates that will deteriorate further by the year end. There are a number of variables that could affect this figure such as; level of contamination within the contingency supplier, variation in the scope of</p>	<p>Increased Recycling rates across the city.</p> <p>Contamination workshop to identify new procedure of for dealing with persistent contamination issues.</p>	<p>Reduction in landfill kg's/hh/wk from 7.7 kg's to 4.7kgs for phase 1 households and increase in recycling kgs/hh/wk from 1.9kgs to 3.6kgs.</p>	<p>Risk Green Project now in the closing Phases</p>

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
				additional phases. The team are actively reviewing options to mitigate additional costs where possible			
MP31	Fleet Review	<p>The cars and vans procurement has been completed with nearly all of the vehicles now having been delivered. All 17 Refuse Collection Vehicles (RCVs) have now arrived, alongside the 9 RCVs procured as part of the in-house transfer of dry mixed recycling and glass collections. 4 new side-loading RCVs are due to arrive in March and June 2016.</p> <p>Work continues on the scoping of the wider Fleet Review. A project scope will be presented to both SMT and CLT in the coming weeks to seek approval to commence this work.</p>	The wider fleet review is behind schedule however resource has now been recruited to manage this project	Fleet and Corporate Finance continue to work together to identify optimal funding arrangements for the fleet, as well as identifying opportunities to re-organise the accounting structure for fleet to allow greater financial certainty across the life of our vehicle assets. It is anticipated that this can be delivered within the capital budget	Working with department and the transformation programme to define future requirements.	The programme is designed to deliver efficiencies and it is anticipated that in the longer term this can be exceeded	<p>Risk Amber/Red</p> <p>Behind schedule, but remedial action now being taken to drive this project forward</p>
MP32	Programme Momentum (previously Property Conservation / Shared Repairs)	The Programme is now drawing to a close with Customer contact now receiving fewer enquiries, complaints and FOI requests received each month. The settlement team have now issued letters to all complainants and other affected owners. Deloitte have completed all case reviews. Morton Fraser continue to lead on debt recovery with significant progress being made and the recovery rate increasing on a monthly basis.	Programme is currently progressing to schedule.	A provisional budget has been reviewed by the Project Board. Additional provision requires to be made in expectation of the costs of defence of legal cases, expert witness costs, additional case	The last Assurance Review gave Programme Momentum an Amber-Green status: delivery probable. Main areas of concern centred on the budget allocation for the new service, the continuing validity of the Business Case, the impact of recent changes in the Project team and	<p>Reduce outstanding debt and billing of completed work.</p> <p>Resolve all complex and deferred complaints.</p>	<p>Risk: Amber</p> <p>Reputational and ability to realise full debt.</p>

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		Phased implementation of the new service commenced on 1 Sep 2015 and will run to the end Mar 2017.		reviews, defect reparations, record maintenance, claims recovery and associated consultants costs. The Project remains a key financial and reputational risk to the Council.	resulting gaps in resource, issues with recruitment of technical staff, and the need to ensure Elected Members have a clear understanding of the costs of the new service and the limitations of their role within it.		
MP33	Edinburgh St James	<p>The Compulsory Purchase Order (CPO) has been implemented for the St James Quarter redevelopment and all costs to the Council are being reimbursed.</p> <p>The Growth Accelerator Model (GAM) Agreement is between the Scottish Government and the Council, and separately between the Council and TIAA Henderson was approved by Council on 19 November 2015.</p> <p>The SG Agreement, based on the December 2014 draft/revised Heads of Terms, is progressing well. This Agreement's final and full terms are targeted to be complete by 16 October 2015 and will be reported to full Council on 19 November, seeking authorisation to commit to the Agreement.</p> <p>The report will also incorporate the outcomes from a close-out meeting involving Scottish Futures Trust and the Scottish Government</p>	<p>The over-run of the CPO inquiry has had a knock on effect to the commencement of works on site.</p> <p>The developer's indicative master programme for development shows demolition and site start in May 2016 with completion around 2019 for retail elements and around 2020/21 for the remaining leisure and residential elements.</p>	<p>Contractual arrangements have been structured to minimise financial risk to CEC. To date all costs incurred by the Council have been reimbursed by the developer.</p> <p>Present GAM works budget has been reduced.</p>	Management, governance, risk and financial control are managed through a Minute of Agreement.	Redevelopment creating 42,500m2 of high-quality retail space, deliver 2,300m2 of grade A office space, a 210-bedroom five-star hotel, a 152-bedroom four-star hotel, a 55-bedroom apart-hotel, a theatre, restaurants and 138 residential units.. There are a number of Community Benefits	Risk: Amber  Major interdependence with the Tram Extension Project.

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
		on 29 September 2015 to conclude governance, reporting, programme and control procedures over the life of the GAM. This same report will also provide an update on the satisfactory progress with the TIAA Henderson agreement.				including increased employment and training for unemployed and harder to reach group.	
MP34	ICT Transition & Transformation Programme	<p>An effective Service cutover from incumbent to CGI was achieved on 1 April 2016.</p> <p>Focus on overcoming the Technical challenges posed relating to the closure of the incumbent's Data Centre and Network by 30 June.</p> <p>Successful Network migration of a number of sites which the incumbent was unable to progress for 2/3 years.</p>	<p>Key Transition cutover has been achieved on 1<sup>st</sup> April</p> <p>However there are a number of critical tasks are planned around the Data Centre and Network migration on 30<sup>th</sup> June.</p> <p>Future transformational activities are scheduled over the coming months. Notably ERP (the replacement GL/ Payroll) with the plan being rebaselined to achieve a December deployment,</p>	Additional costs have been identified but their total is expected to be significantly less than the sums noted for contingency.	Assurance Review Amber Green	<p>Benefits are due to accrue from 2016/17 onwards; the planning for Benefits Realisation and delivery of Community Benefits and use of local SMEs is at an advanced stage. SME engagement has started early.</p> <p>New WAN circuits (for example Drummond Community High School are noticeable</p>	<p>Risk Amber</p> <p>CGI and Council Programme Assurance are working hard to ensure the incumbent co-operates fully. However the complexities and scale of Programme and Project Management remains high and therefore by their nature will remain Amber until the key data centre migration have</p>

Ref	Appendix 1	Overall	Time	Cost	Quality	Benefits	Risk (reputational / deliverability)
						faster)	completed
<b>MP36</b>	<b>Tram Extension and Leith Programme</b>	In January 2015 there was a decision to integrate the Tram Extension and Leith Programme Boards. Governance arrangements are now in place and work broken down into five workstreams, namely Commercial, Technical, Finance, Acquisition and Work. A Programme Management Office is being formed to support the Programme and preparatory work is being undertaken to appoint Commercial, technical and legal advisors.	Work is ongoing to appoint legal advisors by July 2016. Leith Programme Phase 4 and 5 will continue during 2016/17.	The tram budget for Stage 1, including land acquisition is £5m and this is being tracked at a high level until further consultancy support is procured.  The budget for the Leith Programme, including tram elements in the footways is currently being reviewed and all budgets will be reconciled by the commercial advisors once appointed.	Programme Board has reviewed lessons learned to date in developing the extension to Newhaven and these have been integrated into Outline Business Case and Commercial Strategy.  Consideration to retaining legal knowledge in supporting the Council through completion	The tram extension is to support the overall level of economic growth of Edinburgh through enhancing the viability and attractiveness of major housing and employment sites identified in Local Development Plans.	Ongoing work to manage the interface with the St James Quarter development.

# Governance, Risk and Best Value Committee

10.00am, Thursday, 26 May 2016

## The Audit Arrangements for the Edinburgh Integration Joint Board

Item number	7.2
Report number	
Executive/routine	
Wards	

### Executive Summary

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This report outlines the audit arrangements of the Edinburgh integration Joint Board and its duties compared to those still held by the City of Edinburgh Council.

### Links

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

## The Audit Arrangements for the Edinburgh Integration Joint Board

### 1. Recommendations

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- 1.1 To note the audit arrangements for the Edinburgh Integration Joint Board.
- 1.2 To note that the Governance, Risk and Best Value Committee would be informed if the Council's Internal Audit team were requested to undertake more than the three agreed reviews for the Edinburgh integration Joint Board.

### 2. Background

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- 2.1 The Public Bodies (Joint Working) (Scotland) Act 2014 sets out the legislative framework for health and social care integration made up of the delegated powers from local authorities and health boards.
- 2.2 On 21 May 2015 the Governance, Risk and Best Value Committee requested clarity surrounding the audit arrangements for the then soon to be established health and social care integration joint board.
- 2.3 The City of Edinburgh Council and NHS Lothian agreed to create an integrated joint board and this new body, the Edinburgh Integration Joint Board (EIJB), first met on 17 July 2015.
- 2.4 On 1 April 2016, the EIJB commenced its responsibilities for its delegated functions which included the health and social care service carried out by the City of Edinburgh Council.

### 3. Main report

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- 3.1 The EIJB agreed to create an audit and risk committee on 20 November 2015 and it met for the first time on 29 April 2016. The committee has a wide ranging remit (appendix 1), monitoring and scrutinising risk, considering the EIJB's annual accounts and considering all relevant internal and external audit work.
- 3.2 The committee is non-decision making and its prime role is to advise the EIJB on matters such as the risk management strategy and the annual accounts prior to the decision being taken. It does though have the power to agree its own internal audit plan.



- 3.3 The committee has six members of which two are from those appointed to the EIJB by NHS Lothian, two appointed by the City of Edinburgh Council and two non-voting members of the EIJB.
- 3.4 The Scottish Government has recommended that all integration joint boards appoint a chief internal auditor and that this appointment should be made from one of its constituent bodies. In the case of the EIJB this should be either the City of Edinburgh Council or NHS Lothian.
- 3.5 The EIJB is yet to formally appoint a chief internal auditor but the City of Edinburgh Council's Chief Internal Auditor is currently 'acting' in this role ensuring there is no delay in the initial set up arrangements for audit.
- 3.6 It is also the intention of the EIJB's Audit and Risk Committee to appoint a chief risk officer. This role has not yet been filled but PwC continue to support the EIJB's risk function on a short term basis.
- 3.7 Progress with the Committee's arrangements has been positive with the Internal Audit Charter being agreed at the meeting of 29 April 2016. The EIJB's risk register is in progress with a series of meetings already held with key stakeholders and the EIJB leadership team. Once completed, work will be undertaken on the risk strategy and assurance map which will facilitate the creation of the audit plan. The risk register is expected to be considered at the Audit and Risk Committee meeting on 20 May 2016.
- 3.8 The creation of an Integration Scheme was a requirement of establishing the EIJB. The Scheme sets out the delegated functions of the EIJB and it also outlines the approach to matters such as dispute resolution, risk management and governance.
- 3.9 The Integration Scheme outlined that the EIJB would be responsible for performance management but that the constituent bodies would still be responsible for matters including internal controls, quality and professional standards and compliance with the law. As a result the governance and assurance committees of the EIJB and its constituent bodies are interlinked and should operate a close relationship.
- 3.10 The EIJB will primarily draw its assurance from the systems of governance in place at NHS Lothian and the City of Edinburgh Council. The Audit and Risk Committee will play a critical role in supplementing this assurance and providing oversight of that governance for the EIJB.
- 3.11 The internal audit capacity for the EIJB has not yet been formally agreed but it has largely been developed. The City of Edinburgh Council has agreed that three audits will be made available to the EIJB's Audit and Risk Committee for their direction. NHS Lothian's internal audit function has proposed four audits covering the four IJBs in the NHS Lothian area but this has not yet been confirmed by NHS Lothian's audit committee. The Committee can decide to commission or receive work in addition to those audits provided by NHS Lothian or the City of Edinburgh Council if

it sees fit although this will need to be balanced with how this work is resourced and financed.

- 3.12 Due to the sharing of responsibilities on governance matters between the EIJB and its constituent bodies, it will be beneficial for all parties to share relevant information. For example audits carried out for the City of Edinburgh Council on health and social care services will be of interest to the EIJB. Likewise those audits carried out by the EIJB will also hold relevance to the City of Edinburgh Council. The Council's Internal Audit team intends to request that the relevant audits are referred onto the EIJB.
- 3.13 The Integration Scheme also sets out that the constituent parties will make all reasonable endeavours to ensure that if one of its committees identifies an issue which is of direct and material relevance to the EIJB, that this information is shared.
- 3.14 It will be a key role of the chief internal auditor to ensure a close working relationship between the EIJB and its constituent bodies to avoid duplication of work. Moreover, it is essential to share information between the four IJBs in the NHS Lothian area. Progress has been made in this area with initial discussions held and preliminary agreements to share reports been reached in principle.
- 3.15 The EIJB and its Audit and Risk Committee are new bodies which will develop considerably over time. The relationship and the interaction between the EIJB and its constituent bodies will also develop. It is expected that governance arrangements will alter to fit the development of the EIJB and how assurance can be best reached.

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

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- 4.1 That all parties will have sufficient assurance and oversight of the delegated functions.

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

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- 5.1 The costs for the Audit and Risk Committee and its audits are being borne from existing budgets.

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

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- 6.1 It is essential that health and social care services are delivered successfully backed by robust governance arrangements. The responsibility for the scrutiny of these arrangements sits with the EIJB, NHS Lothian and the City of Edinburgh Council.

## 7. Equalities impact

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

## 8. Sustainability impact

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

## 9. Consultation and engagement

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9.1 This report was shared with the Council's Chief Internal Auditor.

## 10. Background reading/external references

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10.1 [Edinburgh Integration Joint Board 20 November 2015](#)

### **Rob McCulloch-Graham**

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## 11. Links

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**Coalition Pledges**

**Council Priorities**

**Single Outcome**

**Agreement**

**Appendices**

# Governance, Risk and Best Value Committee

10.00am, Thursday 26 May 2016

## Edinburgh Schools - referral from the Corporate Policy and Strategy Committee

<b>Item number</b>	7.3
<b>Report number</b>	
<b>Wards</b>	All

### Executive summary

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The Corporate Policy and Strategy Committee on 17 May 2016 considered a report on the temporary closure of schools affected by structural issues and the work being carried out to identify and remedy the defects in order that children could return to the schools as quickly as possible. The report has been referred to the Governance, Risk and Best Value Committee for scrutiny.

### Links

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<b>Coalition pledges</b>	See attached report
<b>Council outcomes</b>	See attached report
<b>Single Outcome Agreement</b>	See attached report
<b>Appendices</b>	See attached report

# Terms of Referral

## Edinburgh Schools

### Terms of referral

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- 1.1 On 12 April 2016 the Corporate Policy and Strategy Committee had agreed the terms of an emergency motion by Councillor Burns which included calling for a report on the recent necessity to close several Edinburgh schools.
- 1.2 The Corporate Policy and Strategy Committee on 17 May 2016 considered a report on the temporary closure of schools affected by structural issues and the work being carried out to identify and remedy the defects in order that children could return to the schools as quickly as possible.
- 1.3 The current position and planned activities were detailed.
- 1.4 The following vote took place:

#### **Motion**

- 1) To note the report by the Chief Executive.
- 2) To instruct an independent inquiry into the matter as per paragraphs 3.3.2 to 3.3.5 of the report by the Chief Executive.
- 3) To refer the report to the Governance, Risk and Best Value Committee for scrutiny.
- 4) To call for an update report with terms of reference for and timescale of the inquiry within one cycle.

- moved by Councillor Burns, seconded by Councillor Ross

#### **Amendment**

- 1) To note the content of the report by the Chief Executive.
- 2) To refer the report to the Governance, Risk and Best Value Committee for scrutiny.
- 3) To note, as a result of continuing school closures, the additional costs faced by the Council and also by the whole school community including schools, after-school clubs, sports clubs and parents.
- 4) To agree to a full, independently led, inquiry into the recent failure of PPP1 school buildings with the overarching aim of establishing the

reasons for the failure and any responsibility that the Edinburgh School Partnership (ESP) and the Council had in that failure so that any necessary steps could be taken to ensure that the Council could provide a safe, excellent environment for the health, wellbeing, education and attainment of all its school pupils, the inquiry to include;

- a) establishing whether ESP fulfilled its responsibilities in constructing and managing these schools;
  - b) establishing whether the Council properly fulfilled its responsibilities in commissioning these schools and its responsibilities for ensuring these schools were properly constructed;
  - c) establishing whether other remedial work and maintenance regimes undertaken since the schools opened were sufficiently thorough and should have identified the recently found failures earlier;
  - d) considering whether the current contractual arrangements with ESP were best fit for purpose, and could guarantee appropriate ongoing school provision in Edinburgh, making recommendations for the future management of the schools and other lessons learned.
- 5) To agree that a report with recommendations for an independent chair, the terms of reference and timescale of the inquiry would be brought to full Council on 2 June.
- 6) To agree to fully determine and then seek recovery of the wider costs of the school closures.

- moved by Councillor Main, seconded by Councillor Burgess

### **Voting**

The voting was as follows:

For the motion	-	11 votes
For the amendment	-	2 votes

### **Decision**

To approve the motion by Councillor Burns.

### **For Decision/Action**

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- 2.1 The Corporate Policy and Strategy Committee has submitted the report to the Governance, Risk and Best Value Committee for scrutiny.

## Background reading / external references

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Corporate Policy and Strategy Committee 17 May 2016

[Corporate Policy and Strategy Committee 12 April 2016](#)

### **Kirsty-Louise Campbell**

Interim Head of Strategy and Insight

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### Links

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<b>Coalition pledges</b>	See attached report
<b>Council outcomes</b>	See attached report
<b>Single Outcome Agreement</b>	See attached report
<b>Appendices</b>	See attached report

# Corporate Policy and Strategy Committee

10.00am, Tuesday 17 May 2016

## Edinburgh schools

Item number

Report number

Executive/routine

Wards

### Executive summary

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As a result of a wall collapse at Oxfords Primary in January 2016, structural issues have been identified at schools built under the Public Private Partnership programme (“PPP1”) in Edinburgh between 2002 and 2005. This led to the temporary closure of affected schools and alternative arrangements for children in nearly all the schools having to be urgently put into place.

Edinburgh Schools Partnership have been working to identify and remedy the defects identified in order that the children can return to the schools as quickly as possible.

This report updates Committee on the background to this matter and provides detail on the current position and planned activities. It also outlines the Council’s intention to instruct an independent inquiry into this matter.

### Links

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Coalition pledges

Council outcomes

Single Outcome Agreement



## Edinburgh schools

### Recommendations

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- 1.1 It is recommended that the Committee:
  - 1.1.1 note the content of this report;
  - 1.1.2 note the intention to instruct an independent inquiry into this matter; and
  - 1.1.3 refer this report to the Governance, Risk and Best Value Committee for scrutiny.

### Background

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- 2.1 At its meeting on 12 April 2016, the Committee agreed the following emergency motion by Councillor Burns:-

- “1. Committee notes, with regret, the recent necessity to close several Edinburgh Schools – all of which were designed, constructed, and continue to be managed, by the Edinburgh Schools Partnership (ESP).
2. Committee also notes that the Council Leader has apologised for the significant inconvenience these closures have caused.
3. Committee further notes that the safety of children, and our staff, has to be the top priority and the Council cannot take any risks with such. Thus, given the professional advice from the Edinburgh Schools Partnership (ESP) – received on Friday 8<sup>th</sup> April – the Council had no option but to close these facilities.
4. Committee understands that the most immediate tasks which will be carried out as a matter of urgency will be: the continuation of educational-provision; ensuring the safety of the affected buildings; and seeing the facilities safely re-opened.
5. Committee thereafter calls for an urgent update report concerning this series of events, including a full update from the Edinburgh Schools Partnership (ESP), subject to an independent peer review, on the reasons for the identified defects; and instructs that the overall update report goes to the next meeting of the Corporate, Policy and Strategy Committee on Tuesday 17<sup>th</sup> May 2016.”

- 2.2 The Committee also accepted the terms of the Conservative Group amendment “That the update report include an update on the wider project/ governance issues such as the Council's management of the contract and the role of building control from the outset.”
- 2.3 A Green Group addendum was referred to this meeting for consideration: “Committee also calls for a full inquiry into the failure of ESP buildings, including the contractual and other arrangements with the ESP regarding the quality assurance of the construction of the buildings; any responsibility CEC had during the construction phase including through Building Control; whether contractual terms have been adhered to; the management and maintenance of the buildings since construction; an assessment of costs incurred by the Council and by families and options for recovery.”
- 2.4 The Council contracted a public-private partnership with The Edinburgh Schools Partnership (“ESP”) for the design, build, finance and maintenance of ten primary, five secondary, two special schools, a community centre and a secure unit on 14 November 2001 (known as the PPP1 project).
- 2.5 The agreement related to the following schools:

Phase 1	Phase 2
Pirniehall and St David's Primary Schools Craigoyston Primary Broomhouse and St Joseph's Primary Schools Rowanfield Craigour Park Primary School Castleview Primary School Gracemount High School Forthview Primary School Drummond Community High School (refurbish existing building) Craigmount High School Goodtrees Neighbourhood Centre The Royal High School (refurbish existing building) Howdenhall Children's Unit	Oxfangs Primary School Firrhill High School (refurbish existing building) St Peter's Primary Braidburn School

- 2.6 ESP is the special purpose vehicle which was set up for the purpose of building and operating the PPP1 project. ESP subcontracted construction of the phase 1 schools to a joint venture between Miller Construction (UK) Ltd (“Miller”) (now known as Galliford Try Construction (UK) Ltd (“Galliford”)) and Amey Asset Services Ltd (now known as Amey Programme Management Ltd) (“Amey”) and construction of the phase 2 schools to Miller. ESP subcontracted facilities management services in respect of the phase 1 schools and the phase 2 schools to Amey BPO Services Ltd (now known as Amey Community

Ltd)(“Amey FM”). The project was debt funded jointly by the Bank of Scotland and the European Investment.

- 2.7 The phase 1 schools were completed between August 2002 and October 2003, with the phase 2 schools completed between March and June 2005.
- 2.8 On 29 January 2016, an external wall leaf at Oxfangs Primary School (“Oxfangs”), part of phase 2 of the PPP1 project, partially collapsed during extreme adverse weather. This resulted in the temporary closure of the school. Subsequent investigative works identified a construction defect in relation to wall ties as the primary cause of the collapse. Remedial works were undertaken and the school reopened on 3 February 2016.
- 2.9 Intrusive building surveys were instructed across the PPP1 estate and a further structural defect relating to wall header ties (ties which connect the top of walls to roof structures) was subsequently identified across PPP1 schools. All PPP1 schools were closed from 8 April as a result, with approximately 7,600 primary and secondary and 740 nursery pupils affected.
- 2.10 This report provides:
  - 2.10.1 the background to the school closures;
  - 2.10.2 an update on the measures being put in place to allow for the ongoing provision of education to affected pupils;
  - 2.10.3 a summary of the remedial works being carried out to allow the affected schools to re-open;
  - 2.10.4 detail on the role of Building Control;
  - 2.10.5 information on the proposed inquiry; and
  - 2.10.6 further details on related matters.

## Main report

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### Initial incident

- 3.1 On the morning of 29 January 2016 (before school hours), a partial collapse of the external gable wall of Oxfangs occurred as a result of the effects of Storm Gertrude. An immediate decision was taken by ESP, and agreed by Council officers, not to open the school.
- 3.2 On 29 January, Will Rudd Davidson Ltd (“WRD”), structural engineers, inspected the collapsed section of wall. WRD advised that remedial work required to be undertaken to make the wall safe. The work was undertaken by Amey and the school re-opened on 3 February 2016.
- 3.3 On 29 January WRD were also instructed to undertake non-intrusive inspections of the remainder of the Oxfangs building and the three other phase 2 PPP1 schools (St Peter’s Primary, Braidburn and Firrhill High School). These

inspections did not identify any further defects and WRD advised that, on the basis of these non-intrusive surveys, the schools were safe to occupy.

- 3.4 On 31 January it was agreed that non-intrusive visual surveys be conducted by WRD across all other PPP1 schools. On 12 February, inspection reports were received for all the sites and showed that no further defects were identified as a result of these visual surveys and the PPP1 schools were deemed safe to occupy.
- 3.5 Running concurrently with the above noted inspections, ESP instructed WRD to provide a causation report into the wall collapse at Oxgangs. The report was provided on 2 March, with WRD concluding that poor construction workmanship was the principal cause of the collapse. A copy of this report by WRD was shared with the Council on a confidential basis by ESP. WRD advised that a 'high wind protocol' should be implemented in relation to Oxgangs and that an intrusive survey be carried out within a three month period at Oxgangs.
- 3.6 ESP instructed intrusive surveys at Oxgangs and, to identify whether there were similar concerns at other sites, also across the entire PPP1 estate. These surveys commenced on 14 March and were instructed by the Council to be carried out on an accelerated timetable of 2-3 weeks rather than over the suggested three month period.
- 3.7 During the course of these intrusive surveys, WRD reported any defects to ESP upon discovery. When any defects were identified as requiring attention, WRD recommended and ESP implemented appropriate exclusion zones.
- 3.8 On the basis of initial reports from WRD on 17 March, all four of the Phase 2 PPP1 schools were closed as a precautionary measure due to wall tie issues being identified. Pending the outcome of further inspection reports, all other schools remained open until the Easter holidays which commenced on Friday 24 March.
- 3.9 Over the Easter period the Council received assurances from ESP that all exclusion zones recommended by WRD as a result of their inspections would be in place before the start of the school summer term on 11 April (unless required remediation work had already been undertaken). This would allow all schools to be opened safely for the summer term and this was confirmed by ESP in a letter to the Chief Executive dated 5 April 2016.

#### **Further issues identified**

- 3.10 ESP subsequently wrote to the Chief Executive on 8 April 2016 advising that a significant new construction issue had been discovered during the ongoing remedial works at Oxgangs. The absence of wall header ties to the steel structure in certain areas had been identified. The letter advised that Oxgangs and St Peter's Primary School could no longer be considered safe to occupy and that it was impossible for ESP to confirm at that time whether or not the same defects may exist at other PPP1 estate schools. ESP advised that a full investigation to establish the position would be undertaken as a matter of urgency.

3.11 On the basis of ESP's letter, the Council had no option but to close all PPP1 schools with immediate effect.

### **Alternative arrangements**

3.12 Approximately 7,600 primary and secondary pupils and 740 nursery pupils have been affected by the school closures put in place on 11 April. Alternative education accommodation was arranged for most pupils by 14 April 2016, with all affected pupils having alternative arrangements by 19 April 2016.

3.13 The provision of alternative accommodation has involved the use of over 70 coaches daily for pupils, 61 alternative schools (including nurseries and Early Years Centres) and the relocation of 655 teachers. The integration of pupils into alternative schools has gone well and many senior pupils lost only two days of school.

3.14 The contingency arrangements place challenges on pupils, parents, and staff and they are kept under continued review and adjusted when necessary. The longer the temporary arrangements remain in place, the more significant the challenges will become, for example to make sure pupils have access to all areas parts of the curriculum.

### **Wider picture**

3.15 In 2012, Lourdes Primary in Glasgow, which was built by Miller, was closed as a result of similar issues with wall ties. As a result of this discovery, Glasgow City Council commissioned structural surveys on all schools built by Miller, which revealed no further defects. The Council was not alerted to this at the time. It is understood in light of the findings in Edinburgh, Councils across Scotland are undertaking surveys, including in some cases intrusive surveys, on their PPP school estate.

3.16 On 6 May 2016, Stirling Council indicated to parents that precautionary checks carried out by engineers had also identified structural problems with walls in one of its secondary schools.

3.17 The position taken by this Council differs to that taken by some other authorities. It is important to note that in this regard problems were identified by ESP across its entire estate and ESP confirmed in writing that the schools could not be considered safe. In addition there was an actual wall collapse which is not the case elsewhere.

### **Contractual arrangements**

3.18 The Project Agreement (the "PA") between the Council and ESP was approved by Council on 23 August 2001 and signed on 8 November 2001. It is due to expire on 31 July 2033 (unless terminated earlier).

3.19 The PA obliged ESP to construct the schools in accordance with set construction requirements and to operate the schools in accordance with an agreed service specification.

3.20 The Council pays ESP a monthly sum of approximately £1.5m for the operation of the PPP1 schools estate.

### **Certification and inspections**

3.21 The Council Building Control Officers reviewed applications for building warrant for these schools. They checked the designs in line with their obligations under the Building (Scotland) Act 1959. In relation to the structural design this fell within the scope of a self-certification scheme in place at that time and the Council would have been required by section 6AA of the Building (Scotland) Act 1959 to issue a warrant in relation to the structural design.

3.22 The Council periodically inspected the works during construction to be satisfied that the work was carried out in accordance with the drawings and specifications included in the issued warrant.

3.23 On receipt of an application for a completion certificate the Building Control department were required to carry out a final inspection within 14 days. The final inspection was to ensure that the building complied with the approved drawings, including any approved amendments. On the satisfactory completion of the final inspection the completion certificate would be issued. It was an offence to occupy or use a building for which a completion certificate had not been issued. Those final inspections would not have identified defects of the nature being discussed because those areas would have been covered up at that stage

3.24 In addition to the inspection visits, to comply with the requirement to take reasonable steps to ensure compliance, an Independent Certifier was appointed by both parties to monitor construction and issue associated availability certificates.

3.25 Once the schools had been completed it would be for Amey FM (the facilities management company) to carry out ongoing inspections of the schools including regular compliance testing.

### **Current position**

3.26 Early indications are that this remains a construction quality matter as opposed to one relating to a design defect or the operating model employed.

3.27 The Council is working intensively with ESP to resolve the current issues and fully reopen the schools as soon as possible. ESP has continued to urgently survey the schools and identify any additional remedial works required. Thereafter it is expected that ESP will write to the Council to confirm that the schools are both safe to re-occupy and compliant with the relevant contractual terms. To bolster this assurance from ESP, the Council will establish the basis upon which ESP is able to give this confirmation, which will likely be the provision of a report from a structural engineer and associated technical documentation. This process and documentation is being independently monitored by Council-appointed technical experts to provide further assurance to both the Council and parents that the buildings are safe for occupation.

- 3.28 It is currently expected that a number of schools will be able to reopen prior to the school Summer holidays with the remainder being opened for the start of the Autumn term on 16 August 2016. The programme is constantly changing and parents are being regularly updated with the most up to date information available.
- 3.29 The Council is taking comprehensive legal advice in order to protect its contractual and legal position, including making appropriate deductions for the unavailability of the defective schools. This is a very complex matter which the Council is dealing with in a robust but practical manner. The Council will continue to pursue all legal and contractual avenues open to it to ensure that it makes the fullest recovery possible in relation to this matter.
- 3.30 The Council is mindful that this matter may lead to legal issues between the Council and ESP and its supply chain and funders respectively and accordingly there is little more detail that can be provided at present.

### **Costs incurred**

- 3.31 The Council has incurred significant costs to date in relation to this matter. This includes decant arrangements (including buses, temporary units, meals etc), as well as external advice and costs of deploying staff who have been involved in dealing with the school closures. As noted above the Council is taking detailed legal advice, but the Council's position remains that it will not be left footing the bill in relation to this matter. Under the contracted terms of the PPP agreement the Council will apply unavailability deductions against the monthly payment made to ESP for the school closures.

### **Inquiry**

- 3.32 The Council has called for an independent inquiry ("Inquiry") into this matter and will seek to appoint an appropriately senior figure to chair the Inquiry.
- 3.33 It is proposed that the Inquiry chair be appointed and the terms of reference agreed with them as soon as possible. It is anticipated that the formal Inquiry would commence in the early Autumn once the schools are fully back into operation and the contractual position with ESP has been concluded with a view to the Inquiry reporting as quickly as possible thereafter.
- 3.34 It is proposed that the Inquiry terms of reference will be consulted on with the Group Leaders and thereafter agreed by the independent chair.
- 3.35 A document data room will be set up for elected members during the Inquiry.

### **Next steps**

- 3.36 The Council is working with ESP and its contractors to ensure that the programme of works is on track to allow children back to schools by the dates set out in the current programme at the latest.

## **Measures of success**

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- 4.1 Children are back in a safe environment in their own schools as quickly as possible.

## **Financial impact**

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- 5.1 The Council has incurred significant cost in relation to this matter. This includes the cost of buses, temporary units and staff time. The Council's position is that it will not be left out of pocket as a result of this matter.
- 5.2 Deductions to the monthly unitary charge paid to ESP will be made on the terms set out in the contract in relation to non-available schools and the provision of associated services.

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

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- 6.1 There is a risk that the children are not returned to school as quickly as currently programmed.

## **Equalities impact**

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- 7.1 There are no direct equalities impacts arising from this report

## **Sustainability impact**

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

## **Consultation and engagement**

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- 9.1 Parents, Elected Members, the Scottish Government and various other interested parties have been kept apprised of all developments throughout.

## **Background reading/external references**

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- 10.1 None.



## **Andrew Kerr**

Chief Executive

Alistair Gaw, Interim Head of Communities and Families

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## **Links**

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**Coalition pledges**

**Council outcomes**

**Single Outcome  
Agreement**

**Appendices**

# Governance, Risk and Best Value Committee

10am, Thursday, 26 May 2016

## Spot-checking on the Dissemination of Committee Decisions and Late Committee Reports

Item number	7.4
Report number	
Executive/routine	
Wards	All

### Executive summary

---

The Governance, Risk and Best Value Committee on 19 June 2015, agreed to strengthen existing arrangements and provide greater assurance with regard to the dissemination of committee decisions. This report provides a spot-check that actions have been undertaken by directorates in order to ensure that decisions are being effectively communicated to staff.

An update is also provided on the number of late reports to all committees, covering the period November 2015 to April 2016, including actions taken by directorates.

### Links

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Coalition pledges  
Council outcomes  
Single Outcome Agreement

## Spot-checking on the Dissemination of Committee Decisions and Late Committee Reports

### Recommendations

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- 1.1 To note the response to the staff survey on the dissemination of council policies and that further work would be undertaken to improve communication methods.
- 1.2 To note the number of late reports and actions taken by directorates to address the issue as detailed in the appendix to this report.

### Background

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- 2.1 The Governance, Risk and Best Value Committee had previously agreed a revised approach for the dissemination and implementation of committee decisions by directorates.
- 2.2 It was agreed that an annual report outlining all decisions taken in the previous year and an update on the implementation of decisions and recommendations to discharge actions be presented to the Corporate Policy and Strategy Committee, executive committees and the Governance, Risk and Best Value Committee.
- 2.3 It was also agreed to introduce a spot-check on the dissemination of committee decisions with an update being provided to the Governance, Risk and Best Value Committee every six months. This is the second of these updates.

### Main report

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#### **Decision of Committee and Report**

- 3.1 Following the decision of Committee on 19 June 2014, reports have been submitted to the Corporate Policy and Strategy Committee, executive committees and the Governance, Risk and Best Value Committee outlining all the decisions taken by each committee over the previous year with an update on the implementation of decisions and recommendations to discharge necessary actions.
- 3.2 This report focuses on the dissemination of relevant policies to staff. The setting and agreeing of policies is one of the key functions of committees and focusing on this provides an effective way of gauging whether important decisions are being effectively disseminated to appropriate Council officers. An outline of the

procedure for the dissemination of existing and new policies to staff is outlined below.

### **Council Policies**

- 3.3 A review of council policies was undertaken in September 2013 to rationalise existing council policy, publish agreed policies on the council's website and ensure an appropriate process of update and review going forward.
- 3.4 As the initial step in rationalising Council policies, a policy register was developed and is available on the [Council's website](#).
- 3.5 It is essential for good governance and the efficient and effective running of the Council that officers clearly understand the policies applicable to their role, and their responsibilities in relation to the implementation of Council policy. This is covered as part of induction for new employees of the Council. All existing council employees need to refresh their knowledge and understanding of key policies and procedures on an annual basis. Work has been underway to improve the approach to this essential learning for Council employees in recent months and will be implemented in May 2016.
- 3.6 To strengthen governance arrangements in this area, a policy framework has been developed to ensure all current council policies are corrected, revised and reviewed in a consistent manner and to an agreed standard.
- 3.7 A webcast link has been added to committee action sheets to ensure that decisions can be easily viewed at the route source by action owners. This has helped ensure that information is not diluted when cascaded to officers.
- 3.8 Directorates are responsible for the dissemination of policies to their staff.

### **Spot-Check of Policies and Staff Survey Results:**

- 3.9 An initial spot-check of policies was carried out and reported to the Governance, Risk and Best Value Committee in November 2015. This focussed on the dissemination to Council Officers of two Council policies by way of a questionnaire to randomly selected officers from two service areas. This was emailed to officers by Business Managers using the Survey Monkey platform. In both cases, results highlighted that officers surveyed were aware of the policy and only a very small minority disagreed with the statement that the policies were clear and easy to understand.
- 3.10 A second spot-checking exercise has been undertaken using similar methods as outlined in paragraph 3.9 above, however an expanded sample size was utilised and questions were tailored to gain a more qualitative understanding of how decisions are communicated to, and understood by, officers of the Council. For

this exercise, one policy and one strategy were chosen and aimed to focus on service areas not previously tested. Results are listed in paragraph 3.11 below.

**3.11 Policy 1 – Resources Directorate – Avoidance of Bullying and Harassment at Work Policy (10 respondents)** (agreed at Corporate Policy and Strategy Committee on 4 August 2015)

	Yes	No
Are you aware of the policy	80%	20%
If Yes to above, have you read the policy?	71.4%	28.6%
To what extent would you agree or disagree that new and revised policies have been communicated effectively in the past	Strongly agree – 0% Agree – 44.4% Neither – 33.3% Disagree – 22.2% Strongly disagree – 0%	

**3.12 Policy 2 – Place Directorate – Corporate Asset Strategy 2015-19 (74 respondents)** (agreed at Corporate Policy and Strategy Committee on 12 May 2015)

	Yes	No
Are you aware of the policy	54.2%	45.8%
If Yes to above, have you read the policy?	53.3%	46.7%
To what extent would you agree or disagree that new and revised policies have been communicated effectively in the past	Strongly agree – 0% Agree – 10.9% Neither – 42.2% Disagree – 39.1% Strongly disagree – 7.8%	

## **Survey Responses**

- 3.13 Respondents highlighted that they had a good understanding of the aims of policies and how this would inform or change their day-to-day working. Officers were likely to learn about policies from a multitude of sources rather than an individual avenue. 42.9% of those surveyed indicated that they currently found out about policies through the Council's intranet (the Orb) and 28% when notified by line-managers, other highlighted mediums included searching the policy register, and through discussion with colleagues.
- 3.14 Of those that were aware of the Corporate Asset Strategy, 41.9% had been notified through a communications email linked to the Orb, while 45% advised by their line manager.
- 3.15 Staff were asked an open-ended question regarding how policies or strategies should ideally be disseminated, answers focused on the primary role of the line manager and favoured the utilisation of the e-mail format and a link on the orb. This correlates strongly with the procedure identified by respondents as their current method of receiving information regarding policies and strategies.
- 3.16 Suggested alternatives from the survey included making policies part of the Professional Review and Development (PRD) process, face to face meetings and mandatory training sessions
- 3.17 A recurring theme was that a degree of flexibility should be allowed and that the dissemination of policies and strategies should be managed in a job or role specific way which is easy to understand. The lack of access to ICT systems for many workers was highlighted as significant as this could hamper effective communication.
- 3.18 The survey results and in particular suggestions from staff will be shared with colleagues in Strategy and Insight and Communications to ascertain how the dissemination of policies and strategies can continue to be improved.

## **Late Committee Reports**

- 3.19 At the request of the Governance, Risk and Best Value Committee in October 2014, the clerk wrote to directors to notify them of members' concerns regarding the late submission of reports. Following this a number of positive improvement measures were put in place regarding the report writing process and to avoid late reports.
- 3.20 Eight late reports were reported with reasons to Committee on 12 November 2015 covering a twelve month period.
- 3.21 Committee Services staff have tracked the number of late reports to committees, and the reasons given for their late submission over the previous 6 months. This information has been attached at appendix 1.

- 3.22 For the six month period, running November 2015 to April 2016 inclusive there were six late reports. Out of the six late reports there were a variety of reasons for them being late. These included ICT disruption and awaiting the conclusion of review and consultation exercises. In one case a report was ultimately withdrawn from the agenda by the relevant director. Although any number of late reports is not desirable, six late reports in a six month period does not appear to indicate a poor culture or process. However, further work will be undertaken as part of the project to improve the report process, to further reduce the number of late reports.
- 3.23 It should be noted that reports late reports are only those that were circulated with the agenda when circulated three clear days before the meeting. It does not count those reports that were delayed longer than the expected completion date. This report also does not include those reports that were marked 'to follow' on an agenda planning meeting agenda.

### **Council Transformation Programme and new IT contract**

- 3.24 The ongoing Transformation Programme has presented new opportunities to utilise and improve the reporting process and oversight of Council decision making. The formation of a Committee Business Support team will provide a streamlined enhanced committee report planning and support service and improved communication.
- 3.25 The awarding of the contract for IT services from 1 April 2016 to CGI has already provided advances in terms of IT software and processes. The council website is currently being migrated to an open source format expected to allow flexibility and transferability with forward thinking software. A scoping exercise and draft business case for a holistic Committee support, report management and publishing system is being progressed and is expected to provide significant cost and efficiency benefits. It is expected that real benefits will be achieved to improve the reporting process and ensure elected members have the maximum time available to consider reports.

### **Measures of success**

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- 4.1 Sufficient knowledge of Council policies by relevant officers.
- 4.2 Reports submitted to committee within required timescales.

### **Financial impact**

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- 5.1 There are no direct financial impacts as a result of this report.

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

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- 6.1 The improvements in business processes help ensure increased transparency and assurance across the Council's decision making processes.

## **Equalities impact**

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

## **Sustainability impact**

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

## **Consultation and engagement**

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- 9.1 Officers from Place and Resources were consulted by anonymous questionnaire.
- 9.2 Officers from across all service areas have been involved in improving the reporting process and ensuring that late reports are reduced.

## **Background reading/external references**

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Compliance, risk and governance programme: review of Council policy (CP&S Committee 3 September 2013)

Minute of the Governance, Risk and Best Value Committee 19 June 2014

Minute of the Governance, Risk and Best Value Committee 12 November 2015

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Governance, Risk and Best Value Committee – 26 May 2016



## Links

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**Coalition pledges**

**Council outcomes**

**Single Outcome**

**Agreement**

**Appendices**            1 – Late Committee Reports

## Appendix 1 – Late Committee Reports

	Date of Committee	Committee	Service Area	Report Title	No of days late	Reason why late
1	08.12.2015	Education, Children and Families	Communities and Families	Short-Life Working Group: School Admissions/Appeals	1	ICT disruption resulting in delays
2	08.12.2015	Education, Children and Families	Communities and Families	Admission to Mainstream Schools	1	ICT disruption resulting in delays
3	08.12.2015	Education, Children and Families	Communities and Families	Children & Families Revenue Grants to Third Parties 2016-2019	2	Report subsequently withdrawn from the agenda by the Executive Director of Communities & Families on 07.12.15.
4	15.03.2016	Transport and Environment	Place	Delivering the Local Transport Strategy 2014-19: Parking Action Plan	2	Department received a significant number of responses to the consultation and had several discussions with Councillors in relation to this report
5	15.03.2016	Pensions	Resources	Investment Strategy Review – Lothian Buses Pension Fund	1	The reviews concluded at the meeting of Investment Strategy Panel on 9 March, hence the reason for these papers being available later than the other papers.

6	15.03.2016	Pensions	Resources	Investment Strategy Review – Scottish Homes Pension Fund	1	The reviews concluded at the meeting of Investment Strategy Panel on 9 March, hence the reason for these papers being available later than the other papers.
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# Governance, Risk and Best Value Committee

10.00am, Thursday, 26 May 2016

## Report by the Accounts Commission – An Overview of Local Government in Scotland 2016 - referral report from the Finance and Resources Committee

Item number	7.5
Report number	
Wards	All

### Executive summary

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On 12 May 2016, the Finance and Resources Committee considered the national overview report from the Accounts Commission based on in-depth scrutiny and inspection across Scotland's Local Authorities.

The report has been referred to the Governance, Risk and Best Value Committee for consideration on 26 May 2016 as part of its work-programme.

### Links

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<b>Coalition pledges</b>	See attached report
<b>Council outcomes</b>	See attached report
<b>Single Outcome Agreement</b>	See attached report
<b>Appendices</b>	See attached report

# Terms of Referral

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

### Terms of referral

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- 1.1 As part of the annual programme of scrutiny of Scotland's Local Authorities, the Accounts Commission publish a high-level, independent report drawing on work undertaken from the previous year, emerging key themes and wider performance audits.
- 1.2 The Council's success in delivering the necessary savings to date was noted and emphasis placed on longer term financial sustainability through investment in key services and alternative delivery models.
- 1.3 The Finance and Resources Committee agreed:
  - 1.3.1 To note the contents of the report.
  - 1.3.2 To refer the report to the Governance, Risk and Best Value Committee as part of its work-programme.

### For Decision/Action

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- 2.1 The Finance and Resources Committee has referred the report to the Governance, Risk and Best Value Committee on 26 May 2016 for consideration as part of its work programme.

### Background reading / external references

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#### **Kirsty-Louise Campbell**

Interim Head of Strategy and Insight

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## Links

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<b>Coalition pledges</b>	See attached report
<b>Council outcomes</b>	See attached report
<b>Single Outcome Agreement</b>	See attached report
<b>Appendices</b>	See attached report

# Finance and Resources Committee

10am, Thursday 12 May 2016

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

Item number	7.4
Report number	
Executive/routine	
Wards	

### Executive summary

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

### Links

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Coalition pledges	P30
Council outcomes	SO25
Single Outcome Agreement	

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

### Recommendations

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

### Background

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



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

### **Financial performance**

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

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

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

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

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

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

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

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

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

### **Performance and Best Value**

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

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

### **Measures of success**

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

### **Financial impact**

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

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

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

## **Equalities impact**

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

## **Sustainability impact**

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

## **Consultation and engagement**

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

## Background reading/external references

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

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

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

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

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

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

Audit Scotland National Reports:

[Procurement in councils: impact report](#)

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

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

[Health and Social Care Integration](#)

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### **Andrew Kerr**

Chief Executive

## Links

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

# An overview of local government in Scotland 2016



ACCOUNTS COMMISSION 

Prepared by Audit Scotland  
March 2016




# The Accounts Commission

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

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

Our work includes:

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

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

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

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



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



## Exhibit data

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



# Chair's introduction



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

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

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

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

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

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

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

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be part of the  
solution**

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

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

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

**Douglas Sinclair**  
Chair of the Accounts Commission

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# Summary



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## Key messages

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

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

### Councillors should:

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

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

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

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

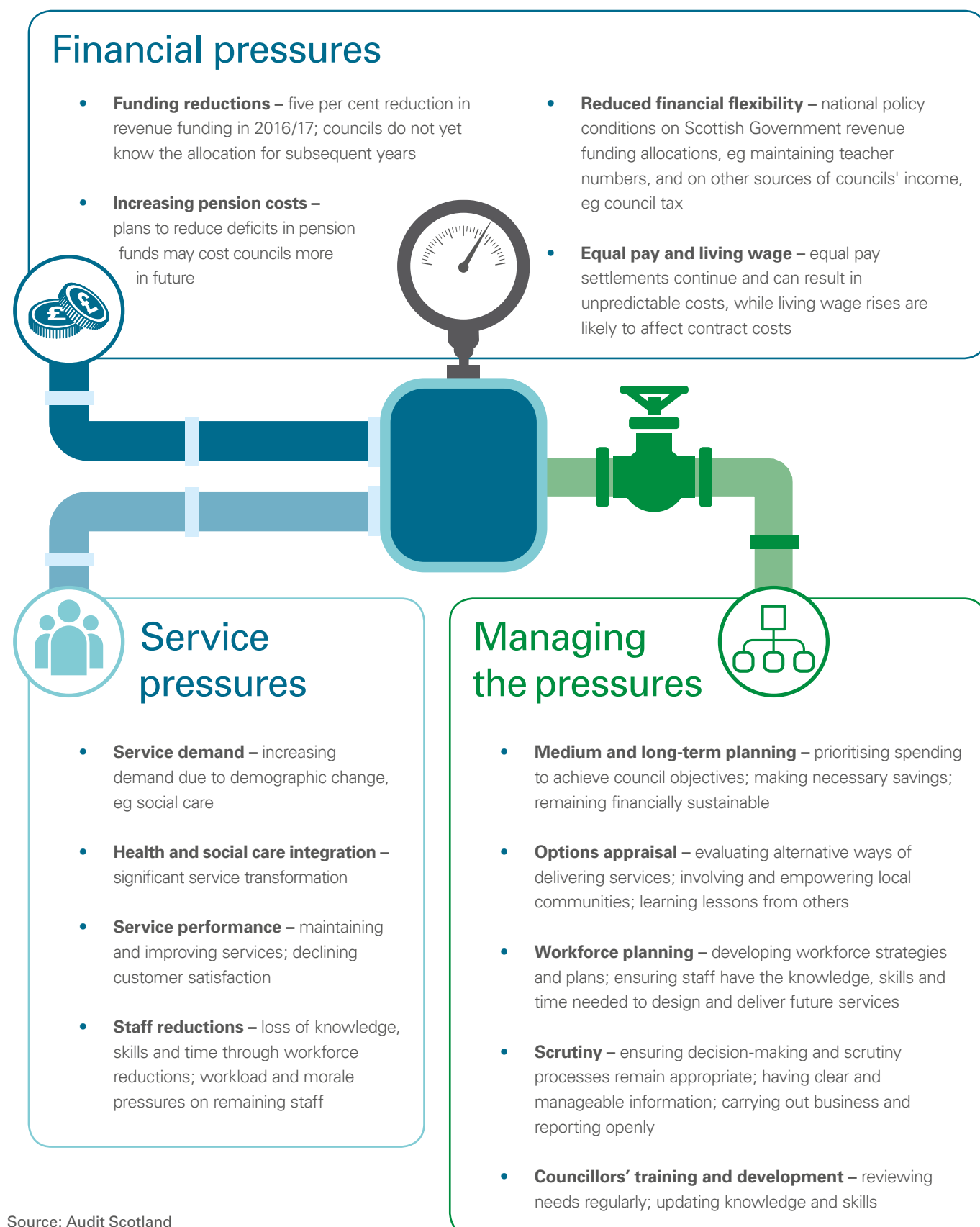
**3. [Exhibit 1 \(page 9\)](#)** provides a summary of the main pressures that councils face.

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

## Exhibit 1

### Local government pressures

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



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# Part 1

## Managing financial performance

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### Key messages

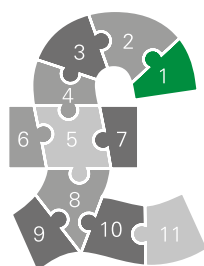
- 1** Councils received £10.76 billion of funding from the Scottish Government in 2014/15. This included £9.92 billion for revenue funding, which helps pay for day-to-day running costs, including staff. This was almost the same as the previous year and 6.5 per cent less in real terms than in 2010/11.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

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



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



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

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

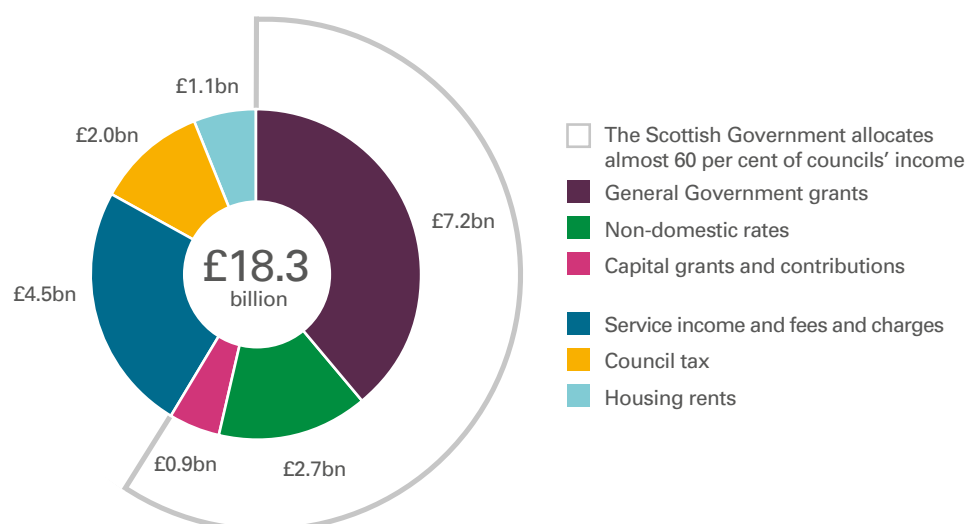
**£18.3 billion:** councils' total income in 2014/15

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

### Exhibit 2

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

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



#### Notes:

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

Source: Councils' annual accounts, 2014/15



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

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

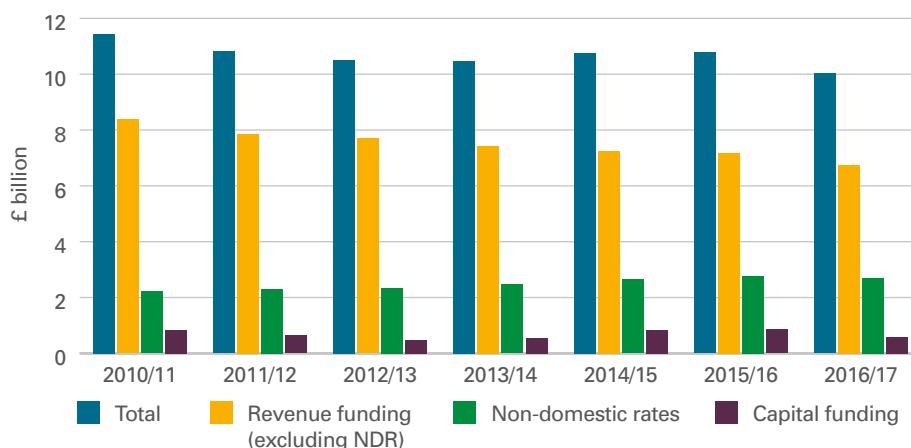
### NDR makes up an increasing share of the revenue funding allocated by the Scottish Government

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

## Exhibit 3

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

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



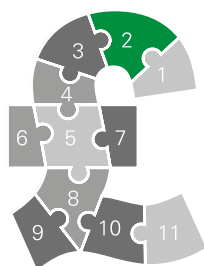
#### Notes:

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

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



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



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



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

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

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

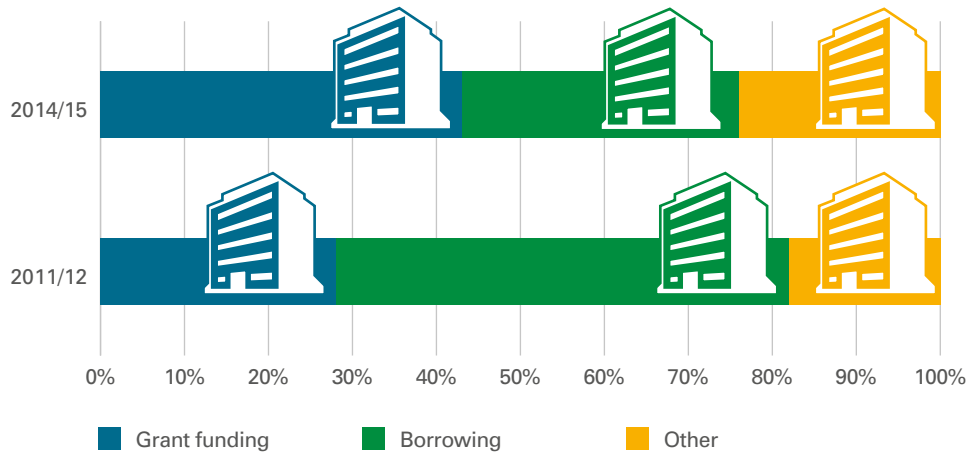
**10.** Between 2011/12 and 2014/15, capital grant funding increased from £720 million to £925 million (at 2014/15 prices). The Scottish Government provided about 80 per cent of grants in this period. Councils' total capital spending has decreased over the same period, from £2.5 billion to £2.2 billion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

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

## Exhibit 4

### Sources of funding for capital spending

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



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

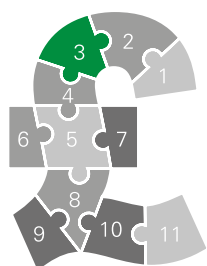
Source: Audit Scotland

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

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

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

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



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



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

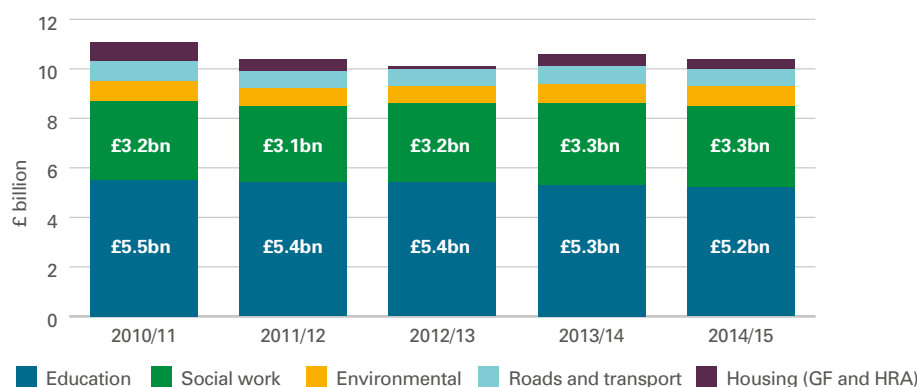
**15.** Councils have managed financial pressures by reducing spending across many of their main services and activities, except in social work ([Exhibit 5](#)). Councils' 2014/15 accounts showed expenditure of £18.7 billion. This looks like councils overspent by £0.4 billion but is actually due to adjustments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

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

### Exhibit 5

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

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



Notes:

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

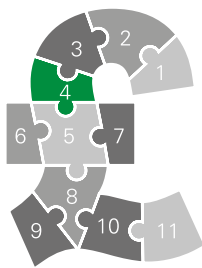
Source: Councils' annual accounts, 2010/11-2014/15



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

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

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



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



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

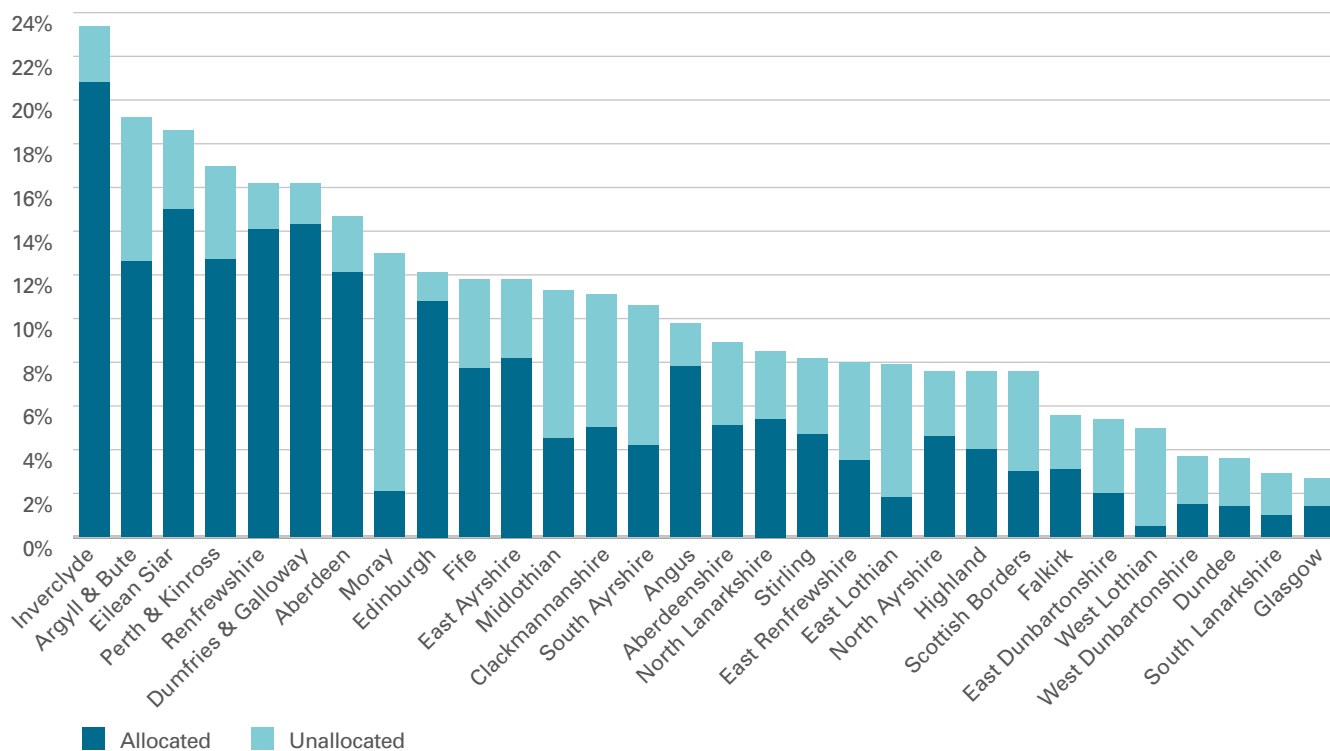
**13 councils** planned to use reserves for day-to-day spending in 2015/16

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

## Exhibit 6

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

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



#### Notes:

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

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



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

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



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

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

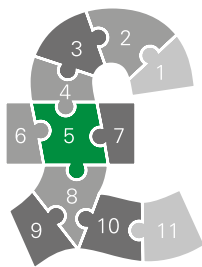
## Exhibit 7

### Increases and decreases in General Fund reserves

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



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



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



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

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

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

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

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

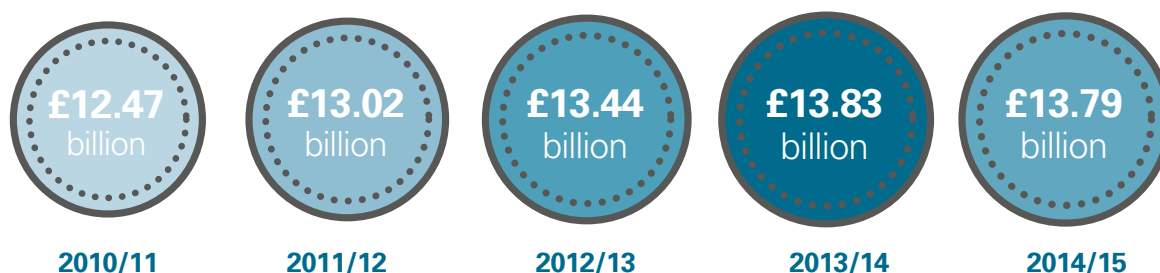
**22.** Councils' net debt (total debt minus investments and cash) decreased by £44 million during 2014/15. At £13.8 billion (excluding Orkney and Shetland Islands councils), it remains £1.3 billion more than in 2010/11 ([Exhibit 8](#)).

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

## Exhibit 8

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

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



#### Notes:

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

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

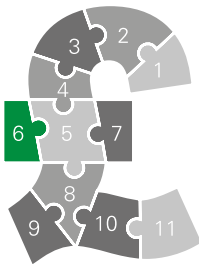
**24.** Borrowing levels are not an indication of financial problems or that a council may not be financially sustainable. As long as repayments are affordable and the council can finance its debts, then borrowing is a valuable means of financing longer-term capital costs. It is up to individual councils,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



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



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



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

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

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



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

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

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

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

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

### The LGPS costs for councils are increasing

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

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

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

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

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

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

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

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

#### Equal pay remains a significant cost pressure

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



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

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

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

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

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

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

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

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

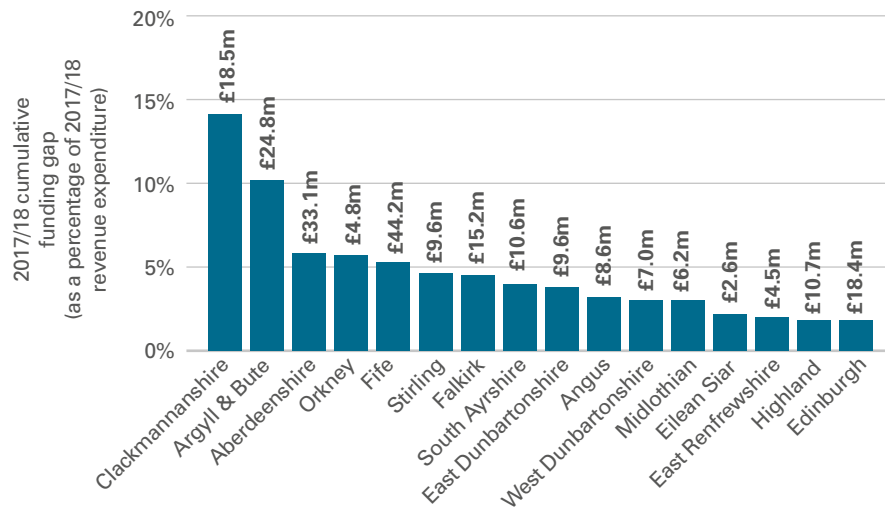


**How fully do our financial plans identify estimated differences between income and expenditure (budget shortfall)?**

## Exhibit 9

### Predicted funding gaps at March 2015

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



#### Notes:

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

Source: Audit Scotland



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

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

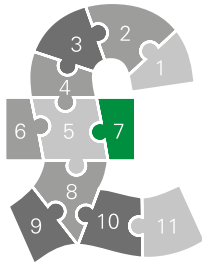


**What options do we have to address this budget shortfall for example, redesign services, use reserves?**

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

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

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



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

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



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

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

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

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



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

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

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

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

# Part 2

## Delivering services



### Key messages

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

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

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





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

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

### Exhibit 10






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






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

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



## Exhibit 10 continued

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

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

## Notes:

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

Source: Local Government Benchmarking Framework, Improvement Service, 2016



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

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

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

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

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

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

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


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

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



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

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


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

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

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

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

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

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



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



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

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

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## Case study 1

### Examples of online services in councils



#### City of Edinburgh Council

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

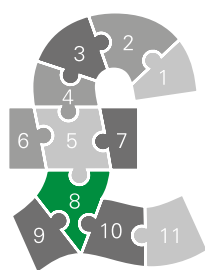
#### The Highland Council

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

Source: Audit Scotland

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




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



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

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

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

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



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

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

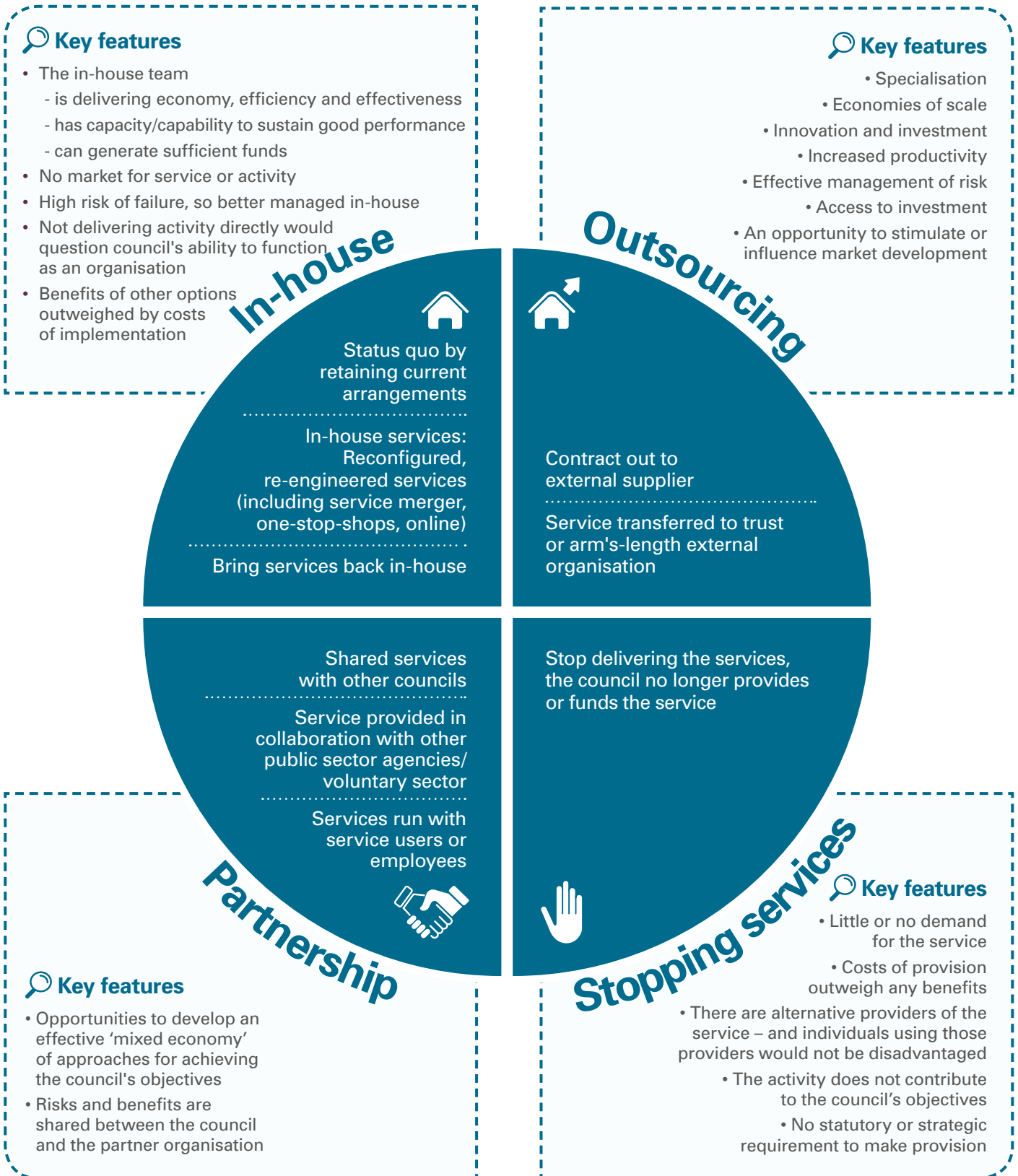


**How are we involving and empowering local communities to design and deliver services to suit local needs?**

## Exhibit 11

### Options for delivering services

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



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

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



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

## Case study 2

### Examples of new and expanded ALEOs



#### SB Cares

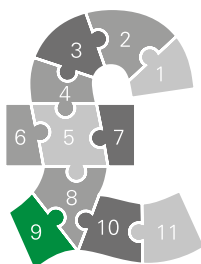
Scottish Borders Council established SB Cares to deliver most of the council's adult social care provision. Around 800 staff transferred to SB Cares on 1 April 2015. The new ALEO aims to make more efficient and flexible use of staff and generate additional income. The council expects to deliver £0.5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

#### Renfrewshire Leisure Limited

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

Source: Audit Scotland

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



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

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






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

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

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

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

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

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



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

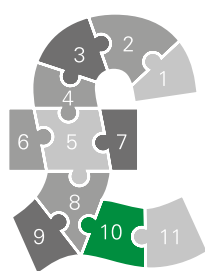


**What do we need the workforce to look like in terms of numbers, skills and knowledge?**

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

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

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



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

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



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

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

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

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



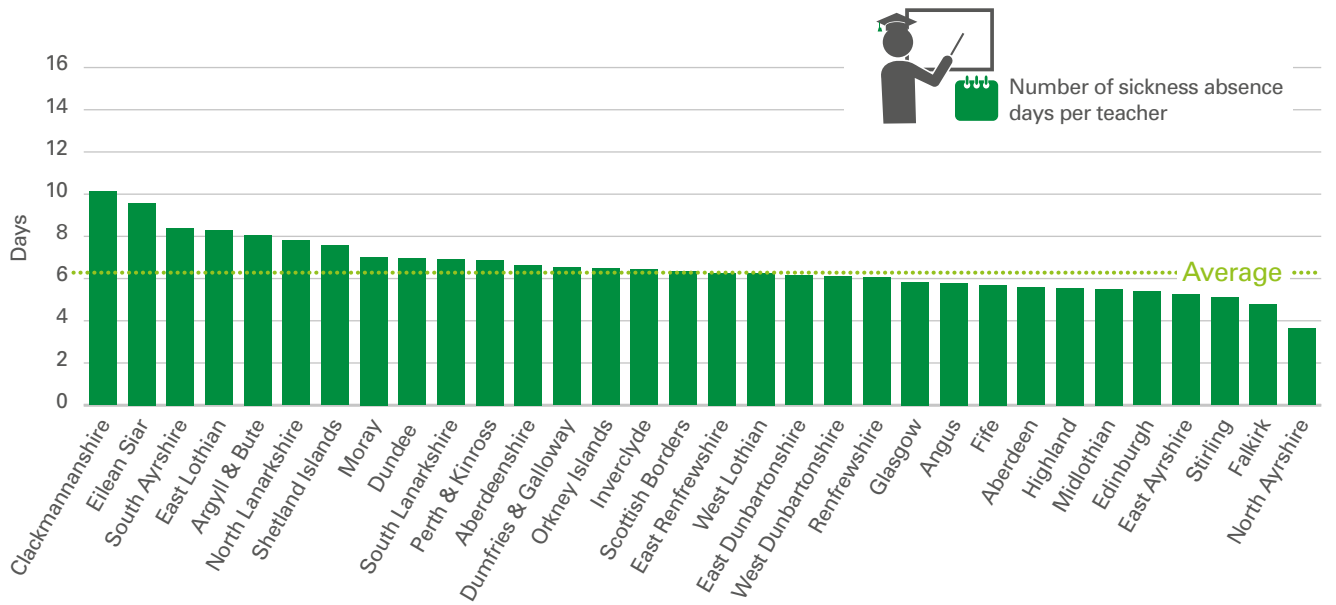
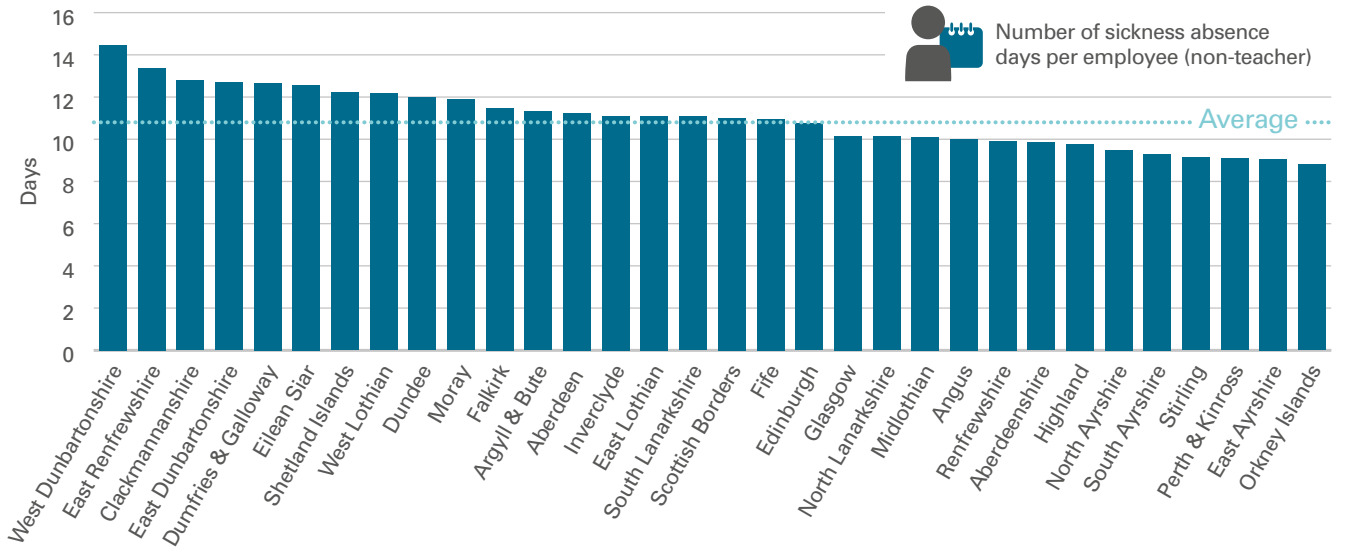
**How effectively is the council working to improve sickness absence among employees?**



## Exhibit 12

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

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

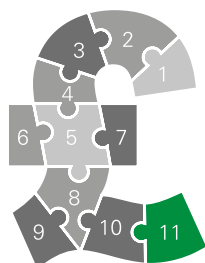


Note: Sickness absence varies from year to year. When councils use this LGBF information, they will want to consider the data for more than one year.

Source: Local Government Benchmarking Framework, Improvement Service, 2016



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




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

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



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

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

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

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

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



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




How can we consider more of our business in public?

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

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

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

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

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




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

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

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

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

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

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




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











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

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# Endnotes



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



# An overview of local government in Scotland 2016

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