Notice of meeting and agenda

Governance, Risk and Best Value Committee

10:00am, Thursday, 22 December 2016

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

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

Contact –

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1. Order of business

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

2. Declarations of Interest

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

3. Deputations

3.1 None.

4. Minutes

4.1 Minute of the Governance, Risk and Best Value Committee of 17 November 2016 – submitted for approval as a correct record (circulated)

5. Outstanding Actions

5.1 Outstanding Actions – December 2016 (circulated)

6. Work Programme

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

7. Reports

7.1 Internal Audit Quarterly Update Report: 1 July 2016 – 30 September 2016 – report by the Chief Internal Auditor (circulated)

7.2 Internal Update Follow Up Arrangements: status report from 1 July 2016 to 30 September 2016 – report by the Chief Internal Auditor (circulated)

7.3 Tram Inquiry Update – report by the Acting Executive Director of Resources (circulated)

7.4 Resources Team Risk Update – report by the Acting Executive Director of Resources (circulated)

7.5 Corporate Leadership Team Risk Update – report by the Acting Executive Director of Resources (circulated)

7.6 Management Actions – Stand By, On Call and Disturbance Payments – report by the Executive Director of Place (circulated)

7.7 Treasury Management: Mid-Term Report 2016/17 – referral from the City of Edinburgh Council (circulated)

7.8 Looked After Children – Transformation Programme Progress Update – referral report from the Education, Children and Families Committee (circulated)

7.9 Housing Property – Service Review and Internal Audit Update – referral report from the Health, Social Care and Housing Committee (circulated)

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

8. Motions

8.1 None.

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

Committee Members

Councillors Mowat (Convener), Balfour, Child, Dixon, Edie, Keil, Main, Munro, Orr, Redpath, Ritchie, Robson, and Tymkewycz.

Information about the Governance, Risk and Best Value Committee

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

Further information

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

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

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.

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

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Item 4.1 - Minutes

Governance, Risk and Best Value Committee

10.00am, Thursday, 17 November 2016

Present

Councillors Mowat (Convener), Child, Dixon, Keil, Main, Munro, Orr, Redpath, Robson, Ross (substituting for Councillor Ritchie) Tymkewycz and Whyte (substituting for Councillor Balfour).

1.   Minute

Decision

To approve the minute of the Governance, Risk and Best Value Committee of 24 October 2016 as a correct record.

2.   Outstanding Actions

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

Decision

1)   To agree to close items 3, 4, 11, 12 and 16.

2)   To adjust the expected completion date for action 14 to March 2017.

3)   To note the remaining outstanding actions.

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

3.   Work Programme

Decision

1)   To clarify the expected date for the report Property Conservation – Legacy Closure Programme and Defect Costs.

2)   To otherwise note the work programme.

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

4. Common Good Audited Accounts 2015/16

Details were provided on the accounting treatment of Common Good related transactions as requested at the Governance, Risk and Best Value Committee of 26 September 2016.

Decision

1) To note the report.

2) To note that Common Good-related matters would continue to be reported to the Finance and Resources Committee, unless policy decisions were required in which circumstance the matter would be reported to the Corporate Policy and Strategy Committee.

3) To request a briefing note to members of the Governance, Risk and Best Value Committee on the value of assets listed on the Common Good Register.

4) To investigate checks and controls in place for all Common Good Accounts.

(References – Governance, Risk and Best Value Committee, 26 September 2016 (item 8) - report by the Acting Executive Director of Resources, submitted.)

5. New External Audit Arrangements

The Committee considered a background report on the Council's new external auditor, Scott-Moncrieff, which included information on their previous experience and audit approach.

Decision

1) To note the content of the report 'City of Edinburgh Council – An Introduction to Scott-Moncrieff 2016/17 – 2020/21'

2) To re-affirm the Council's commitment to achieving a good working and professional relationship.

3) To welcomes the appointment of Scott-Moncrieff as external auditor to the City of Edinburgh Council.

(Reference – report by the Interim Head of Strategy and Insight, submitted.)

6. Emergency Repairs: processes to approve and pay framework contractor invoices

The control framework in place for the approval and payment of invoices at the Emergency Repairs Service was considered with the results of the internal audit review of current practice.

Decision

1) To note the report.

2) To request the policies and procedures under which the new service operates and information on the checks in place to ensure staff adhere to these were circulated to members of the Governance, Risk and Best Value Committee.

3) To include an update on the new IT system in the quarterly report to be considered at the Governance, Risk and Best value Committee in April 2017.

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

7.   Waste and Cleansing Improvement Plan

An update was provided on the Waste and Cleansing Improvement Plan and assurances of the plans robustness provided as requested by the Governance, Risk and Best Value Committee on 3 March 2016.

Decision

1) To note the Waste and Cleansing Improvement Plan.

2) To note the intention to give presentations on the Improvement Plan to Neighbourhood Partnerships, Community Councils, local business forums, Edinburgh World Heritage, Trade Unions and other stakeholders as part of a wider programme of engagement.

3) To note the intention to provide progress reports to future meetings of the Transport and Environment Committee.

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

8.   Capital Monitoring 2016/17 Half Year Position

The Finance and Resources Committee on 3 November 2016 considered a report that presented the overall position of the Council's capital budget at the half year position (based on month five data) and the projected outturn for the year. The report was referred to the Governance, Risk and Best Value Committee for consideration as part of the workplan.

Decision

1) To note the report.

2) To circulate information to members of the Governance, Risk and Best Value Committee on projects experiencing slippage identified in appendix 2 of the report.

(References – Finance and Resources Committee, 3 November 2016 (item 9) - report by the Acting Executive Director or Resources, submitted.)

9. Revenue Monitoring 2016/17 Half Year Position

The Finance and Resources Committee on 3 November 2016 considered a report on the projected overall position for the Council's revenue expenditure budget for 2016/17 at month six, based on analysis of period five data. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

Decision

1) To note the report.

2) To provide members of the Governance, Risk and Best Value Committee with a timetable for the Mortonhall refurbishment work.

 (References – Finance and Resources Committee, 3 November 2016 (item 10) - report by the Acting Executive Director or Resources, submitted.)

Item 5.1 - Outstanding Actions

Governance, Risk and Best Value Committee

December 2016

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	14.11.2013	Tram Project Update	To ask that the Director of Corporate Governance writes to the Scottish Government requesting an update on likely timescales for the tram project inquiry.	Director of Resources	November 2014	December 2016	Inquiry now called by Scottish Government. Verbal Update on Tram project to be provided in 2015. Item 7.3 on December agenda.
2	19/10/2015	Committee Report Process	To investigate technology offered by the new IT provider with a view to improving report format and reducing officer workload. To request a progress report back to Committee in one year.	Chief Executive	March 2017		

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No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
3	21/04/2016	Internal Audit – Audit and Risk Service: Delivery Model Update	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	Date TBC		Appointments will be made to the Internal Audit Service following the Legal & Risk organisation review, this will be reported to GRBV in the near future – date TBC
4	21/04/2016	Looked After Children: Transformation Programme Progress Report	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	Acting Executive Director of Communities and Families	December 2016		This will be considered at E, C&F on 13 December and referred to GRBV for consideration on 22 December 2016. Item 7.8 on December agenda.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			methods, and focus on outcomes				
5	26/05/16	Spot Checking on the Dissemination of Committee Decisions and Late Committee Reports	To request an update report to the Governance, Risk and Best Value Committee on 2 February 2017.	Chief Executive	March 2017		
6	23/06/16	Recent Developments in Gaelic Education Provision in Edinburgh	1) To request a report to the Education, Children and Families Committee then to the Governance, Risk and Best Value Committee on the Council's current policy for GME access to secondary schools, the corresponding Government policy and an assessment on whether this was being met. 2) To request that the current policy for GME	Acting Executive Director of Children and Families	April 2017		The report on GME secondary options will be considered at the Education, Children and Families Committee in March 2017. GME will also be included in a wider catchment area review report – date TBC

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			access to secondary schools was published on the Council website and to review the appropriateness of the distance from school criteria for GME admissions to secondary school. A work-plan of how this would be achieved, including actions in place to avoid any future legal challenge, should be in place by November 2016.				
7	26/09/16	Corporate Leadership Team Risk Update	To request that progress reports on the additional precautionary surveys currently being undertaken in buildings sharing similar design features to those of the PPP1 schools, would be referred to the Governance, Risk and Best Value Committee for	Acting Executive Director of Resources	April 2017		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			scrutiny.				
8	26/09/16	Internal Audit Quarterly Update Report – 1 April 2016 to 30 June 2016	To request that the final report on Continuous Testing – Stand By, On Call and Disturbance Payments is referred to the Governance, Risk and Best Value Committee for consideration under the B agenda. This should include information on outcomes and findings, any management action taken and a detailed proposed action plan.	Executive Director of Place	December 2016	December 2016	Item 7.1 on December agenda.
9	26/09/16	Motion by Councillor Mowat – Committee Decisions – Finance and resources Committee – Item 8.7 – Proposed	to request that the follow up report to the Finance and Resources Committee on the Tron Kirk is referred to the Governance, Risk and Best Value Committee for scrutiny.	Acting Executive Director of Resources	February 2017	December 2016	Item B1.2 on December agenda.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		Lease and Conservation Burden at Tron Kirk					
10	24/10/16	The City of Edinburgh Council – 2015/16 Annual Audit Report to members and the Controller of Audit	To request a briefing note to members of the Governance, Risk and Best Value Committee and the Finance and Resources Committee in January 2017 on the changes to funding arrangements from the updated Local Government Accounting Code including specific information on Highways Network Assets.	Acting Executive Director of Resources	March 2018		
11	24/10/16	Home Care and Re-ablement Service Contact Time	To request an update report 6 months after the implementation of the new ICT system for shift allocation.	Chief Officer, Edinburgh Health and Social Care Partnership	Date TBC		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
12	24/10/16	Appendix one of the report - Property Conservation – scope for shared owners, legislative change, ESRS consultation process with owners and Extra Judicial Agreement Process	To note the concerns expressed at the robustness of the extra judicial process and that the Convener with three members of the Governance, Risk and Best Value Committee meet informally with relevant officers to discuss these concerns and a note of the meeting would be reported back to Committee.	Acting Executive Director of Resources	December 2016	December 2016	Meeting took place on 30 November 2016. The note of the meeting will be circulated ahead of the APM on 7 December 2016.
13	17/11/16	Order of Business	To arrange for representatives from Entrepreneurial Spark to deliver presentations on Crisis Recovery and Risk at the December 2016 meeting of the Governance, Risk and Best Value Committee.	Committee Services	February 2017		
14	17/11/16	Common Good Audited Accounts	To request a briefing note to members of the	Acting Executive	December	December	Briefing note circulated to

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		2015/16 – report by the Acting Executive Director of Resources	Governance, Risk and Best Value Committee on the value of assets listed on the Common Good Register.	Director of Resources	2016	2016	members on 8 December 2016 – Recommended for closure.
15	17/11/16	Emergency Repairs: Processes to approve and pay framework contractor invoices – report by the Acting Executive Director of Resources	To request the policies and procedures under which the New Service operates are circulated to members of the Governance, Risk and Best Value Committee and information on the checks in place to ensure staff adhere to these.	Acting Executive Director of Resources	December 2016	December 2016	Committee Services arranged a data room for members over 3 dates in December – recommended for closure.
16	17/11/16	Emergency Repairs: Processes to approve and pay framework contractor invoices – report by the Acting	To include an update on the new IT system in the quarterly report to be considered at the Governance, Risk and Best value Committee In April 2017.	Acting Executive Director of Resources	April 2017		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		Executive Director of Resources					
17	17/11/16	Capital Monitoring 2016/17 – half year position – referral report from the Finance and Resources Committee	To circulate information to members of the Governance, Risk and Best Value Committee on projects experiencing slippage identified in appendix 2 of the report.	Acting Executive Director of Resources	TBC		
18	17/11/16	Revenue Monitoring 2016/17 – half year position – referral report from the Finance and Resources Committee	To provide members of the Governance, Risk and Best Value Committee with a timetable for the Mortonhall refurbishment work.	Acting Executive Director of Resources	December 2016	December 2016	Briefing note circulated to members on 8 December 2016 – Recommended for closure.

Item 6.1 - Work programme

Governance, Risk and Best Value

December 2016

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
Section A – Regular Audit Items								
1	Internal Audit Overview of internal audit follow up arrangements		Paper outlines previous issues with follow up of internal audit recommendations, and an overview of the revised process within internal audit to follow up recommendations, including the role of CLG and the Committee	Internal Audit	Chief Internal Auditor	Council Wide	Quarterly	March 2017
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	Quarterly	March 2017

	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 2017
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	Annual Audit Plan	Annual audit plan	External Audit	Acting Executive Director of Resources	Council Wide	Annually	April 2017
6	Audit Scotland	Annual Audit Report	Annual audit report	External Audit	Acting Executive Director of Resources	Council Wide	Annually	October 2017
7	Audit Scotland	Internal Controls Report	Annual report on Council wide control framework	External Audit	Acting Executive Director of Resources	Council Wide	Annually	August 2017
8	Audit Scotland	ISA 260	Annual ISA 260 Report	External Audit	Acting Executive Director of Resources	Council Wide	Annually	September 2017
9	Accounts Commission	Annual report	Local Government Overview	External Audit	Acting Executive Director of Resources	Council Wide	Annually	June 2017

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
Section B – Scrutiny Items								
10	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	April 2016
11	Welfare Reform	Review	Regular update reports	Scrutiny	Acting Executive Director of Resources	Council Wide	March 2016	March 2017
12	Review of CLT Risk Scrutiny	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	March 2017
13	Whistleblowing Quarterly Report		Quarterly Report	Scrutiny	Chief Executive	Internal	Quarterly	March 2017
14	Pride in our People	Staff	Annual report of progress	Scrutiny	Chief Executive	Council Wide	Annual	February 2017
15	Workforce Control	Staff	Annual report	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	February 2017
16	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best Value Committee	Annual	October 2017

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
17	Dissemination of Committee Decisions	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Six-monthly	March 2017
18	Late Submission of reports	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Six-monthly	March 2017
19	Property Conservation – Legacy Closure programme and Defect Costs		Progress reports	Scrutiny	Acting Executive Director of Resources	All	June 2016 Feb 2017 April 2017	February 2017

GRBV Upcoming Reports   Appendix 1

Report Title	Type	Flexible/Not Flexible
22 December 2016		
Internal Audit Quarterly Update	Internal Audit	Flexible
Internal Audit Follow Up Arrangements	Internal Audit	Flexible
Looked After Children – Transformation Programme Progress	Scrutiny	Flexible
CLT Risk Register	Scrutiny	Flexible
Whistle-blowing Update	Scrutiny	Flexible
Management Actions – Stand By, On Call and Disturbance Payments	Scrutiny	Flexible
Tram Inquiry Update	Scrutiny	Flexible
Housing Property – Service Review and Internal Audit Update	Scrutiny	Flexible
Mid-Term Report on Treasury Activity	Scrutiny	Flexible
Resources Risk Update	Scrutiny	Flexible

2 February 2017 Committee		
Governance of Major Projects	Scrutiny	Flexible
Workforce Control	Scrutiny	Flexible
Pride in Our People	Scrutiny	Flexible
Property Conservation	Scrutiny	Flexible
9 March 2017 Committee		
Internal Audit Quarterly Update	Internal Audit	Flexible
Internal Audit Follow Up Arrangements	Internal Audit	Flexible
Whistleblowing Update	Scrutiny	Flexible
Internal Audit Plan for the Year	Internal Audit	Flexible
Welfare Reform	Scrutiny	Flexible
Committee Decisions - Annual Report	Scrutiny	Flexible

Governance, Risk and Best Value Committee

10.00am, Thursday, 22 December 2016

Internal Audit Quarterly Update Report: 1 July 2016 – 30 September 2016

Item number	7.1
Report number	
Executive/routine	
Wards	

Executive summary

Internal Audit has made reasonable progress in the first quarter of the audit year. This report provides details of the activity from 1 July 2016 – 30 September 2016.

Links

Coalition pledges	CP30
Council outcomes	CO25
Single Outcome Agreement	

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Report

Internal Audit Quarterly Update Report: 1 July 2016 – 30 September 2016

1. Recommendations

1.1 Committee is requested to note the progress of Internal Audit in issuing ten internal audit reports during the quarter and to note the areas of higher priority findings for reviews issued in this quarter.

1.2 Committee is requested to refer the report noted in Appendix 1 as potentially being of interest to the Audit and Risk Committee of the Edinburgh Integrated Joint Board (IJB) to that Committee.

2. Background

2.1 Internal Audit is required to deliver an annual plan of work, which is scoped using a risk-based assessment of Council activities. Additional reviews are added to the plan where considered necessary to address any emerging risks and issues identified during the year, subject to approval from the relevant Committees.

2.2 Status of work and a summary of findings are presented to the Governance, Risk and Best Value Committee for consideration on a quarterly basis.

3. Main report

Audit Findings for the period

3.1 Internal Audit has made reasonable progress in the first quarter of the audit year with 10 reports being issued for the quarter. These reports contain a total of eight High, nine Medium and 10 Low findings.

3.2 The status of outstanding recommendations from reports issued prior to this period is discussed in the report 'Internal Audit follow-up arrangements: status report from 1 July 2016 to 30 September 2016'.

3.3 Appendix 1 provides a summary of reports and the classification of findings in the period. A copy of all final reports is available to members.

3.4 Appendix 2 provides a summary of the High Risk findings and associated management actions.

External assessment

3.5   The Public Sector Internal Auditing Standards that govern our activities requires that we undergo an external quality assessment every five years. In order to obtain this, the Internal Audit function has joined the 'Partnering Scheme' promoted by the Scottish Local Authorities Chief Internal Auditors Group (SLACIAG), which is a sub-group of CIPFA.

3.6   Under the SLACIAG scheme, we will be subject to an external assessment by the Chief Internal Auditor of North Lanarkshire, which has been scheduled for Q4 of the calendar year. This is an important mile stone in our development and as an organisation that is dedicated to continuous improvement, and while we would hope that the progress we have made over the last two years is recognised, we would be disappointed if this review did not identify areas for further development.

3.7   At the time of writing, the review remains in progress and the outcome is yet to be finalised therefore, will be reported in the next quarterly update.

Half Year Key Performance Indicators (KPI's)

3.8   We report our KPI's to this Committee bi-annually. The end of September marked the end of the first half of the 2016/17 audit year. Our KPI's are currently tracking as follows:

KPI	Current status	H2 2015/16 status
Staffing		
Chief Internal Auditor & Principal Audit Managers to be professionally qualified	🟩	🟩
Internal Audit training events to be held during the year	🟩	🟩
Operational		
Audits outlined in the annual plan to be completed in the year initially planned	🟧	🟧
Terms of Reference (ToRs) to be agreed for each audit before substantive field work commences	🟩	🟩

Exit meetings to be held at the end of the fieldwork	🟩	🟩
Draft reports issued to management for comment within 2 weeks of the exit meeting	🟩	🟧
Management comments received within 2 weeks of draft report being issued	🟥	🟥
Recommendations agreed with management prior to issue of the final report	🟩	🟩
Final report issued within 1 week of final management comments being received	🟩	🟩
Reporting		
Status of recommendations to be tracked, with overdue high and medium grade recommendations being reported to the GRBV	🟩	🟩
Wider Relationships		
Average client satisfaction score for quality	🟩	🟩
Average client satisfaction score for efficiency	🟩	🟩
Average client satisfaction score for timing	🟩	🟩

We have included within Appendix 3 the half year KPI's for 2016/17.

3.9   We continue to experience difficulties in obtaining management comments within what is a challenging timescale. We have observed an improvement in the quality of management response with less re-work required but obtaining sufficiently timely response remains problematic.

3.10   The remaining indicators are tracking broadly in line with our expectations, with client feedback scores continuing to be particularly strong although we are noticing a lower response rate than was previously the case.

4.   Measures of success

4.1   Once implemented, the recommendations contained within these reports will strengthen the Council's control framework.

5.   Financial impact

5.1   None.

6.   Risk, policy, compliance and governance impact

6.1   If Internal Audit recommendations are not implemented, the Council will be exposed to the risks set out in the relevant detailed Internal Audit reports. Internal Audit recommendations are raised as a result of control gaps or deficiencies identified during reviews therefore overdue items inherently impact upon compliance and governance.

6.2   To mitigate the associated risks, the Committee should review the progress of Internal Audit and the higher classified findings, and consider if further clarification or immediate follow-up is required with responsible officers for specific items.

7.   Equalities impact

7.1   No full ERIA is required.

8.   Sustainability impact

8.1   None.

9.   Consultation and engagement

9.1   None.

10.   Background reading/external references

10.1   None.

Magnus Aitken

Chief Internal Auditor

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Links

Coalition pledges	CP30 - Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	
Appendices	Appendix 1 – Summary of Internal Audit report findings issued for period of 1 July 2016 – 30 September 2016. Appendix 2 – Summary of High Risk Findings and Management Actions for period of 1 July 2016 – 30 September 2016. Appendix 3 – 2016/17 Half Year KPI Results

Summary of Internal Audit reports issued for period 1 July 2016 – 30 September 2016

Internal Audit reports				
Title of Review	High Risk Findings	Medium Risk Findings	Low risk Findings	Advisory Comment
Contract Management: Edinburgh Building Services and Housing Asset Management – PL1606	5	2	1	1
Infrastructure Inspections – PL1605	2	2	-	-
Review of Grant Management – CSE 1601	1	1	-	-
Licensing – PL1602	-	2	3	-
Service Level Agreements with Outside Entities – RES 1605	-	2	-	-
Internally Managed Investments (Lothian Pension Fund)– RES 1602	-	-	3	-
Carbon Reduction Reporting - MIS 1605	-	-	2	-
Port Facility Security Plan – MIS 1602	-	-	1	-
Implementation of 2017/17 savings – RES 1604#	-	-	-	-
Monitoring of Air Quality – PL 1604	-	-	-	-
Total	8	9	10	-

This review may be of interest to members of the Audit & Risk Committee of the Edinburgh Integrated Joint Board and it is proposed that this review is referred to that Committee.

City of Edinburgh Council

Internal Audit

Quarterly Summary of Critical/High Risk Findings and Management Actions

(1 July 2016 – 30 September 2016)

Contents

Section 1 – Contract Management: Edinburgh Building Services and Housing Asset Management

PL 1606

Total number of findings

	Critical	High	Medium	Low
Total	-	5	2	1

Background

Edinburgh Building Services
Edinburgh Building Services (EBS) is the Council's in-house building maintenance service. The services it delivers include:

- Repairs to council houses;
- Planned maintenance and renewals;
- Adaptations to allow tenants to remain in their home;
- Repairs to empty homes to bring them to a lettable standard; and
- Cyclical inspections including gas and lifts.

EBS has an internal workforce which is supplemented by external contractors where specialist skills and materials are required, or EBS do not have the capacity to do the job themselves. Contractor payments were £8.5m in 2015/16, against a projection of £4.5m, which was a reflection in part of the increased activity during the year, with around 10% more work being delivered than originally forecast, as well as limits on the capacity of the internal workforce due to overtime and recruitment freezes. EBS' overall expenditure for the year was 14% higher than budgeted, which was offset by the 10% increase in income from works recharged to the Housing Revenue Account. A surplus of £4.8m was reported for 2015/16 (budgeted surplus £5.1m).

The 32 external contractors used regularly by EBS are appointed under a framework agreement. The main term of these contracts ended on 31 March 2016, with contract extensions signed in May 2016 to allow time to procure the new framework contracts. EBS is also permitted to use contractors from the non-housing framework. There is minimal off-contract spend.

Housing Asset Management
Housing Asset Management (HAM) delivers the capital programme for council housing. Its key activities include the kitchen and bathrooms replacement scheme, external fabric repairs, and energy projects delivered with Changeworks. HAM has a contract framework which was approved by the Finance and Resources Committee in March 2015. Due to the high value of many of its projects, HAM invites at least three framework contractors to tender for each project. The contract for each project is awarded in line with the Council's Contract Standing Orders.

Expenditure on the core capital programme for housing in 2015/16 was c. £39m.

Scope
The scope of this review will be to assess the design and operating effectiveness of the Council's controls relating to contract management and quality assurance in Edinburgh Building Services. The sub-processes and related control objectives included in the review are:

- Appointment of contractors;
- Commissioning revenue and capital works;
- Contract monitoring;
- Quality assurance; and
- Management information.

Summary of High Risk Findings

Allocation of works to contractors and authorisation of payments
A framework contractor can be instructed to undertake a job by any EBS team leader, surveyor or operations manager with no secondary authorisation required.

This is appropriate for most EBS repairs where a speedy response is required and the works are routine and low value. However:

- There is no threshold above which the allocation of work to an external contractor must be authorised by a senior officer;
- There is no limit on the value of payments which a team leader may authorise;
- Team leaders are permitted to authorise payment for work which they themselves instructed the contractor to complete.

As an illustration (and there were no concerns over this piece of work), there was one payment for £17,710 in our sample which was authorised by the senior surveyor who had instructed the contractor to complete those works. The original works order was created by Repairs Direct on the instructions of the senior surveyor with an estimated value below their £10,000 authorisation limit.

Scrutiny of invoices
All works procured under the framework contract should be ordered and invoiced using the schedule of rates agreed with the contractor. Team leaders should review all invoices received to confirm that the charges reflect the work commissioned and completed, and all work is charged according to the schedule of rates.

We reviewed a sample of 35 paid invoices which had been authorised by team leaders and identified:

- 8 invoices with no schedule of rates codes listed. It is unclear how the team leader authorising payment was able to verify that charges were accurate;
- A further 4 invoices which referred to a valuation certificate the team leader who authorised the payment was unable to provide;
- 4 invoices with no works order attached. The original works order should be attached to each invoice as evidence that the work billed was commissioned by EBS; and
- 7 invoices where billed items were not listed on the original works order. There was no evidence that the team leader had challenged these charges.

We were unable to reconcile any charges on the invoices to the schedule of rates provided by EBS.

Quality Assurance
Each team leader is expected to conduct 20 site visits a month. These site visits should cover both EBS operatives and sub-contractors in order to verify that work is being completed safely and to an acceptable standard.

Team leaders completed 1,344 site visits between April 2015 and March 2016, 49% of the target number of visits. This covers c. 1% of jobs completed in the year (127,000), and does not give sufficient data to monitor the quality of work completed by EBS and its contractors.

Repairs Direct
Requests for repairs from tenants and neighbourhood housing officers are placed through the Repairs Direct contact centre which is managed by Customer Services. Repairs Direct programme work directly or refer the request to a quality control officer if it is judged to be complex. Repairs Direct receive around 10,000 calls a month.

Repairs Direct has experienced significant resourcing difficulties in the past year, with the number of call handlers falling from 19 in April 2015 to 10 in April 2016. The sickness absence rate was 10% in April 2016.

This has had a noticeable impact on performance. Only 10% of calls from tenants were answered within 30 seconds in April 2016, against a target of 90% set out in the current SLA. This compares with 75% in April 2015. 33% of incoming calls were abandoned, compared to 6% in April 2015.

It should be noted that future targets will be set for the Contact Centre as a whole, and on implementation of the Transactional Services review the target will be 55% of all calls coming in to the Contact Centre to be answered within 30 seconds.

Housing Asset Management: Contract Monitoring
The contract framework for capital works was approved by the Finance and Resources Committee in March 2015. The committee report stipulated that key performance indicators would be used to measure the success of the framework, assessing service levels, quality, and health and safety and technical compliance. To date, contract monitoring arrangements have not been embedded and key performance measures have not been assessed for HAM contractors.

However, HAM has identified a number of performance issues through monitoring customer complaints. Two high value capital contracts have been terminated due to poor performance, and another contractor has had an Improvement Notice served. An Improvement Plan is now in place for this contractor and is monitored closely.

Recommendations and Agreed Management Action for High Risk Findings

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
Allocation of works to contractors and authorisation of payment			
Commissioning works A scheme of delegation should be agreed to establish authorisation limits for officers. We recommend that high value works are authorised by a second individual before an external contractor is instructed to complete the works.	Review current schemes of delegation for authorisation limits and authorisation of payments for repair ordering in Repairs Direct and Housing Property. This will include a secondary approval stage for orders and invoices of high value.	30 September 2016	Complete
	The allocation of works process (assigning work to a procured contractor) will be reviewed and a robust system identified and embedded to ensure that an	30 September 2016	Complete

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
Authorisation of payments A scheme of delegation should be agreed to establish authorisation limits for team leaders, operations managers and senior managers. We recommend that high value invoices are authorised by a second individual. Officers must not authorise payments for works which they themselves allocated to the contractor.	officer does not authorise the payment of any works which they ordered All staff involved in authorisation of work and payments will be trained in these new limits and processes.	31 October 2016	Complete
	Role of compliance teams will be strengthened and include a percentage audit of authorisation processes and secondary approvals. Any anomalies will be reported to the Housing Property Manager.	30 September 2016	Complete
	Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Services Senior Management Team. ***Responsible Officer:*** Housing Property Manager	30 August 2016	Complete

Scrutiny of invoices			
Payments to contractors should only be made where it has been established that the agreed work has been completed, and has been billed at the contracted rate.	Letter will be sent to contractors re-iterating the requirement to comply with all aspects of invoice submissions. Where this is not complied with the invoice will be rejected.	Complete	
We recommend that: • Invoices are rejected where there is no job ticket attached; • Invoices are rejected where the schedule of rates is not clearly applied; and • It is ensured that team leaders have the correct schedule of rates so they can check the accuracy of charges.	SORs have been re-issued to contactors and Team Leaders	Complete	
	Variation to any works order will require to be agreed in advance of work being carried out. Any variation above a set financial limit will require sign off by Team Leader or Operations Manager, depending on the value. This will be communicated to contractors.	30 September 2016	Complete
	Process for authorisation of invoices will be reviewed ensuring clarity on authorisation limits, what information/documentation must be present for sign off, where invoices should be rejected.	30 September 2016	Complete
	All relevant staff will be retrained on revised procedures including SORs.	31 October 2016	Complete
	Random selection of invoices from each contractor will be investigated each month by the Compliance Team to ensure that agreed submission and authorisation processes are being followed. Any anomalies will be reported to the Housing Property Manager.	31 October 2016	Complete
	Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be	30 August 2016	Complete

	brought to the Housing and Regulatory Services Senior Management Team. ***Responsible Officer:*** Housing Property Manager		
Quality Assurance The quality assurance framework should be reviewed to achieve a targeted approach with focus on areas identified as higher risk through analysis of customer feedback, value of work completed, and potential safety risk. This should include recorded site visits.	An improved Site Inspection Checklist has been devised, which includes a scoring framework for works.	Complete	
	Site inspection will be targeted to contractors, and individual trades based on analysis of increased expenditure, customer feedback and any potential or reported safety risk or incidents. The programme will target 2% of jobs completed.	30 September 2016	Complete
	Empty Homes and Kitchen and Bathroom inspections will be included as part of the quality assurance check process. This would provide an additional 2,500 inspections within the programme.	Complete	
	All relevant staff will be trained on revised procedure.	31 October 2016	Complete
	Independent Review of Gas Safety Processes and Standard of Work to be carried out.	Complete	
	Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Senior Management Team.	30 August 2016	Complete

	Discussion will be held with Procurement Services on Housing Property being early adopters of revised corporate contract management processes. *Responsible Officers:* Housing Property Manager	30 August 2016	Complete
Repairs Direct Customer Services should put in place a clear action plan with a view to achieving full compliance with the Service Level Agreement between EBS and Repairs Direct within an agreed timescale. Management should consider accelerating channel shift at Repairs Direct to increase the proportion of requests made online and reduce the pressure on staffing at the contact centre.	The recommendation to consider accelerating Channel Shift at Repairs Direct will be taken to Senior Managers in the Resources directorate. Performance measures set out in the SLA will be jointly scrutinised and monitored on a monthly basis. Staffing at Repairs Direct to be reviewed and additional staff put in place. Revised shift patterns to be implemented. *Responsible Officers:* Operations Manager – Repairs Direct	Complete Complete Complete Complete	
Housing Asset Management: Contract monitoring Contract monitoring procedures should be established which include regular assessment of key performance indicators and performance meetings with contractors.	Bi monthly meetings will be held with contractors which will include review of KPI performance, quality of work, cost and safety. Capital contracts will be included in the remit of the Contract Management Board which will sit on a monthly basis, chaired by the Housing Property Manager. Reports on KPIs, quality, cost and safety will be reviewed by the contract management board so that any issues will be quickly identified and risk	30 August 2016 30 August 2016	Complete Complete

	managed appropriately.		
	Responsible Officers: Housing Property Manager		

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

Section 2 – Infrastructure Inspections

PL1605

Total number of findings

	Critical	High	Medium	Low
Total	-	2	2	-

Background

The Traffic and Engineering Maintenance service manages infrastructure such as bridges, flood prevention, coastal defence, reservoirs and structural schemes including new works, improvements, maintenance work, inspections and assessments.

Bridges

The Council's bridge stock alone has a gross replacement value of £1,054m. Management of the bridge stock includes inspections, maintenance, assessments, strengthening of bridges, routeing of abnormal loads, and maintaining accurate records of bridges. The Team also acts as the Technical Approval Authority for the Council in respect of road structures. In accordance with national guidance in the Design Manual for Roads and Bridges and the Council's own operational instructions, all bridges receive a General (visual) Inspection every 2 years. A Principal Inspection should be carried out every 6 years under the supervision of a chartered engineer. The period can be extended up to 12 years if a risk assessment is undertaken and documented.

Reservoirs

Reservoirs are managed by the Flood Prevention Team who carry out routine inspections and undertake maintenance work on the six Council-owned reservoirs. The Council has a legal duty under the Reservoirs (Scotland) Act 2011 to register each of their reservoirs with the Scottish Environment Protection Agency (SEPA) and appoint panel engineers to undertake statutory monitoring and inspection.

Retaining Walls

At present retaining walls adjacent to the road are not inspected or maintained. All repair work undertaken is reactive. This has been acknowledged as not being satisfactory and is recorded in the Transport – Traffic and Engineering Services Risk register at item TPR 38. A consultant is currently compiling an inventory of retaining walls greater than 1.5m in retained height. The consultant is also recording the condition of these walls. It is anticipated that the survey work and collation of data will be complete late summer 2016.

Scope

The scope of this review was to assess the design and operating effectiveness of the CEC controls relating the inspection and maintenance of bridges, reservoirs and retaining walls. The sub-processes and related control objectives included in the review are:

- Inventory
- Inspection; and
- Maintenance & repairs.

Summary of High Risk Findings

Principal bridge inspections

The Design Manual for Roads and Bridges states that a principal inspection should be carried out every 6 years. This is a close inspection, using specialist access equipment if necessary, supervised by a chartered engineer. The period between inspections can be extended up to 12 years if supported by a documented risk assessment.

Until 2015/16 there was not a programme of Principal Bridge Inspections (PBI) and unusual structures. PBIs have been undertaken on an ad hoc basis generally when a defect has been recognised or when a general inspection has identified the need for closer inspection.

The Maintenance team has now developed a risk-based plan for PBIs which details the 128 bridges that require inspection over a ten year period. However, it is noted that this programme has not been adhered to due to the limited staff resource and the inability to appoint consultants due to the need to make financial savings. At the date of audit, only two PBIs had been completed:

- 14 PBIs were programmed for 2015/16. One PBI is complete and another is ongoing. A principal inspection of George IV Bridge began in spring 2015, but has not yet reported as there have been issues in gaining access to parts of the structure.
- A further 14 PBIs are programmed for 2016/17. One PBI has been completed so far.

Accordingly 25 PBIs are now scheduled for completion by April 2017.

Retaining walls

At present retaining walls adjacent to the road are not inspected or maintained. All repair work undertaken is reactive. This has been acknowledged as not being satisfactory and is recorded in the Transport – Traffic and Engineering Services Risk register at item TPR 38.

A consultant is currently compiling an inventory of retaining walls greater than 1.5m in retained height. The consultant is also recording the condition of these walls. It is anticipated that the survey work and collation of data will be complete late summer 2016.

At the time of audit, however, there is no complete record of retaining walls the Council is responsible for inspecting, their current condition, and the organisation or individual responsible for maintaining them.

The Council does not have an inspection or maintenance programme for retaining walls. No team currently has retaining walls within its remit.

Recommendations and Agreed Management Action for High Risk Findings

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
Principal bridge inspections Steps should be taken to address the backlog of PBIs, and PBIs identified as being required should be completed. Once the results of a principal inspection are known, management should formulate and implement an action plan for the repair and maintenance of the bridges.	Tenders will be invited to commission consultants to undertake the 25 PBIs at an estimated cost of £200k which can partly be absorbed within the Roads, Structu Budget. Quantify the internal staff resource required to manage the Principal Bridge and Retaining Wall Inspections. Findings from the PBIs completed along with those from General Inspections will inform the Bridge Maintenance Programme. . ***Responsible Officer:*** Roads, Structures & Flood prevention Manager	1 April 2017 31 December 2016 1 April 2017	Not due. Not due. Not due.

Retaining walls			
Responsibility for inspecting and maintaining retaining walls should be assigned.

It is important that management formulate and implement an action plan for the repair and maintenance of retaining walls once the findings of the survey are known in late summer 2016. | Report to the Senior Management Team advising that the Roads, Structures and Flood Prevention Team will be responsible for the inspection and maintenance of retaining walls. | 31 September 2016 | Complete. |
| | This report will recommend that retaining walls in excess of 1.5m in retained height will be inspected on a 2 yearly basis. Consultants will be appointed to inspect these walls and make recommendations. The cost of this is estimated at £40k in alternate years which requires to be managed in relation to the overall Service Budget. | | . |
| | Quantify the internal staff resource required to manage the Principal Bridge and Retaining Wall Inspections.

Responsible Officer: Roads, Structures & Flood prevention Manager | 31 December 2016 | Not due. |

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

Section 3 – Review of Grant Management

CSE 1601

Total number of findings

	Critical	High	Medium	Low
Total	-	1	1	-

Background

Council Outcome No. 20 for culture, sport and major events states "Edinburgh continues to be a leading cultural city where culture and sport play a central part in the lives and futures of citizens." Strategic partnerships with third sector cultural organisations such as the Edinburgh International Festival are key to delivering this. The Culture & Sport Committee approved grant funding for 2015/16 consisting of:

Culture Grants	£4,403,405	35 organisations
Festival City Theatres Trust	£769,576	1 organisation
Art Development Project Funding	£37,496	2 funding streams
Total grant funding	*£5,210,477*	

We reviewed the application process and subsequent monitoring for a sample of 5 grants awarded for the 2015/16 financial year. We also reviewed monitoring of Festival City Theatres Trust, which is funded under a service level agreement.
The total grant funding reviewed was £3,890,684 (75%) of the total value of culture grants awarded.

Scope

The scope of this review was to assess the design and operating effectiveness of the Council's controls relating to grant funding to culture and sport partners. The sub-processes and the related control objectives are:

- Awarding of grants;
- Partnership with recipients; and
- Transparency of the process and outcomes.

Summary of High Risk Finding

<u>Conflicts of Interest</u>

Conflicts of interest are difficult to define due to their inherent subjectivity and are often the subject of public scrutiny. The Culture and Sport Committee consists of 15 elected members. They approve grant funding to cultural organisations on an annual basis. A review of Companies House records and the Register of Interests found that ten of the elected members are current or recent directors of one or more of the funded organisations.

This could result in the perception of conflicts of interest as in effect, elected members are awarding grants to organisations that they are connected to and have an interest in.

The Councillors' Code of Conduct set by the Standards Commission for Scotland defines holding office in a company or voluntary organisation as a declarable non-financial interest (section 4.22). The Code states that an elected member must withdraw from the meeting room until any discussion or vote on an item where they have a declarable interest is concluded (section 5.7). The Code further advises that councillors should not accept a role or appointment if it would mean they frequently declare an interest at a particular committee on which they sit (section 5.22).

There is an exemption within the code (section 5.18–d) where the appointment has been approved by the councillor's local authority and the company or voluntary organisation was:

i) Established wholly or mainly for the purpose of providing services to the councillor's local authority; and
ii) Entered into as a contractual arrangement with that local authority for the supply of goods and/or services to that local authority

In such a case, the councillor is not required to withdraw from discussion or voting, but must declare their interest.

The Culture and Sport Committee approved grants to 36 cultural organisations on 8 March 2016. The 13 councillors present between them held 24 directorships on the boards of charities receiving grants. Only 9 interests in directorships were declared at the meeting. No councillors withdrew from the meeting. It is not clear to Internal Audit that the 9 interests declared were in organisations that would qualify for the section 5.18-d exemption.

Recommendation and Agreed Management Action for High Risk Finding

Recommendation	Agreed Management Action	Target Date	Status of Actions Due
Conflicts of interest In accordance with the Councillors' Code of Conduct, Councillors must declare an interest where they are a member or director of a public body, company, or other organisation. Unless the exemption discussed above applies, councillors must withdraw from the meeting room until discussion or voting on an item where they have a declarable interest. This includes scrutiny or funding of charities of which they are a director. To meet best practice governance standards, we recommend that councillors do not sit on Committees which award grants to and scrutinise the activity of charities of which they are a director.	Committee clerks will remind elected members at Committee meetings on the actions required on declaring interests and minimising the risk of potential conflicts of interest. Best practice governance arrangements will be highlighted to group leaders and a full briefing issued to all elected members covering this area of the Code of Conduct. Mandatory induction training for new elected members in May 2017 on these areas will be in place ***Responsible Officer:*** Head of Corporate Strategy & Insight and the Governance & Democratic Senior Manger	1 August 2016 30 September 2016 30 June 2017	Complete Complete Not due.

Status of actions due will be validated by Internal Audit as part of the follow-up review process.

Internal Audit -KPIs for H1 2016/17

KPI	Target Level	Current status	H2 2015/16 status	Comments
Staffing				
Chief Internal Auditor & Principal Audit Managers to be professionally qualified	100%	100%	100%	
Internal Audit training events to be held during the year	2	1	4	A learning seminar event was held on 14 September. A further 5 seminar events and a full day soft skill training event, are planned over the winter. These are in addition to the informal 'on the job learning that occurs in our routine day to day activities.
Operational				
Audits outlined in the annual plan to be completed in the year initially planned	90%	31% - see comments	88%	Excluding Continuous Testing and the Schools Assurance project, the 2016/17 audit plan contained 38 identified audits, 4 unplanned audits and 3 audits held for the Edinburgh IJB (a total of 45 audits). As at 30 September 14 audits had been completed and 15 were in progress. The remaining 16 had yet to commence. We have an out-put bias toward the second half of the year due to the anticipated lower productivity in the Summer (holiday) period and greater levels of PwC Specialist support scheduled for H2. We would however have hoped to have made greater progress to date and while the 90% target is, based on our current planning, still achievable, there is a risk that we may not be able to close out all the planned audits by the end of the year.
Terms of Reference (ToRs) to be agreed for each audit before substantive field work commences	100%	100%	100%	
Exit meetings to be held at the end of the fieldwork	100%	100%	100%	
Draft reports issued to management for comment within 2 weeks of the exit meeting	90%	93%	83%	We find more complex or controversial reports harder to turn round within the targeted timescale due to audit findings receiving a greater degree of challenge at the exit meeting stage.
Management comments received within 2	90%	43%	46%	We continue to experience difficulties in obtaining management

weeks of draft report being issued		<td style="background-color:red"></td>	<td style="background-color:red"></td>	comments within what is a challenging timescale. We have observed an improvement in the quality of management response with less re-work required but obtaining sufficiently timely response remains challenging.
Recommendations agreed with management prior to issue of the final report	100%	100%	100%	
Final report issued within 1 week of final management comments being received	80%	100%	96%	
Reporting				
Status of recommendations to be tracked, with overdue high and medium grade recommendations being reported to the GRBV	100%	100%	100%	
Wider Relationships				
Average client satisfaction score for quality	3.5	4.9	4.9	Our client satisfaction survey works on a 1-5 scoring system (5 being highest)
Average client satisfaction score for efficiency	3.5	4.9	4.8	
Average client satisfaction score for timing	3.5	4.9	4.7	

NB: The KPI results exclude Continuous Testing & the Schools Assurance programme (other than the Wider Relationships section which includes Continuous Testing reports) as a consequence of their differing natures to core internal audit reports. These items follow different pathways that do not map to these KPIs.

Governance, Risk and Best Value Committee

10.00am, Thursday, 22 December 2016

Internal Audit follow-up arrangements: status report from 1 July 2016 to 30 September 2016

Item number	7.2
Report number	
Executive/routine	
Wards	None

Executive summary

This report provides an overview of the process adopted by Internal Audit for following up the status of audit recommendations. It also identifies all the open audit recommendations at 30 September 2016 that are past their initial estimated closure date.

Links

Coalition pledges	CP30
Council outcomes	CO25
Single Outcome Agreement	

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Report

Internal Audit follow-up arrangements: status report from 1 July 2016 to 30 September 2016

1.   Recommendations

1.1   It is recommended that the Committee notes the status of the overdue outstanding recommendations and determine with which, if any, officers they want to discuss the current status with.

1.2   To approve Internal Audit sharing details with the Edinburgh Integration Joint Board's Audit and Risk Committee, of any overdue outstanding recommendations in Internal Audit reports that this Committee has previously referred to the Edinburgh Integration Joint Board's Audit and Risk Committee.

2.   Background

2.1   Where follow-up actions in response to Internal Audit recommendations have not been taken by management in relation to critical, high and medium risks, escalation is to the Corporate Leadership Team (CLT) and GRBV.

3.   Main report

Outstanding recommendations

3.1   At the end of each month, Internal Audit prepares a complete listing of all open recommendations and shares these with Management on a divisional or line of service basis. Internal Audit then invites management to identify which recommendations they consider to have been addressed or which are no longer relevant.

3.2   Internal Audit will review Management's supporting evidence for recommendations that Management consider to be closed and feedback their view on whether this is the case. Recommendations that are agreed as closed have their status updated in Internal Audit's records.

3.3   There are five high recommendations and 17 medium recommendations that remain open with due dates of or prior to 30 September 2016. These are split as follows:

Grading	Over due at 30 June 2016	Closed	Management now tolerating risk	Newly overdue	Total
High	6	(2)	-	1	5
Medium	16	(4)	(2)	7	17
Total	*22*	*(6)*	*(2)*	*8*	*22*

3.4 The details of these recommendations are shown in Appendix 1, with 13 items previously reported to GRBV separately identified. We have split these below by Directorate:

Directorate	Over due at 30 June 2016		Overdue at 30 Sept 2016	
	High	**Medium**	**High**	**Medium**
Chief Executive	-	-	-	1
Communities & Families	1	3	-	1
Health & Social Care	2	2	3	6
Place	3	5	2	6
Resources	-	6	-	3
Total	*6*	*16*	*5*	*17*

3.5 We have also illustrated below the number of overdue recommendations each quarter over the last 12 months:

Grading	Over due at 30 Sept 2015	Over due at 31 Dec 2015	Over due at 31 March 2016	Over due at 30 June 2016	Overdue at 30 Sept 2016
High	5	4	2	6	5
Medium	14	18	15	16	17
Total	*19*	*22*	*17*	*22*	*22*

Interaction with the Edinburgh Integrated Joint Board

3.6 As part of the Council's interaction with the Edinburgh Integration Joint Board (EIJB), this Committee refers, on a quarterly basis, relevant Council Internal Audit reports to the EIJB's Audit and Risk Committee for their consideration. On 11 November 2016, the EIJB Audit and Risk Committee requested that details of any overdue outstanding recommendations pertaining to reports previously referred to them are brought to their attention on a quarterly basis

3.7   Internal Audit has the capability to provide this information and would seek this Committee's approval to commence providing the relevant information to the EIJB's Audit and Risk Committee.

4.   Measures of success

4.1   The implementation and closure of Internal Audit recommendations within their initial estimated closure date. Where recommendations are not closed within this time period, the Committee can determine whether action to date is acceptable or if further action is required.

5.   Financial impact

5.1   Not applicable.

6.   Risk, policy, compliance and governance impact

6.1   If Internal Audit recommendations are not implemented, the Council will be exposed to the risks set out in the relevant detailed Internal Audit reports. Internal Audit recommendations are raised as a result of control gaps or deficiencies identified during reviews therefore overdue items inherently impact upon compliance and governance.

6.2   To mitigate the associated risks, the Committee should review the status of overdue recommendations presented and challenge responsible officers where there is concern that limited or no action has been taken.

7.   Equalities impact

7.1   Not applicable.

8.   Sustainability impact

8.1   Not applicable.

9.   Consultation and engagement

9.1   An overview was provided at the CLT and each Director was made aware of responsibilities to implement and agreed internal audit recommendations.

10.   Background reading/external references

10.1   None.

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Links

Coalition pledges	CP30 - Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	
Appendices	Appendix 1 – Status report: Outstanding Recommendations Detailed Analysis

No	Review and Risk Level	Initial Finding & *Recommendation*	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
Communities and Families					
1	Governance Arrangements - Arms Length Companies CW1502 ISS.1 ## Medium	The Director responsible for each Arms Length Company within the Council appoints an Observer for each company from within the Directorate. The role is to scrutinise the activities and performance of the company and raise any concerns arising with the Directorate. The Observer attends company meetings on behalf of the Directorate but is not a company officer. We did not identify any process documentation for the observer roles within any of the Directorates. This results in the Council being subject to an element key man risk in the control of each of these entities, as the loss of the Observer would leave the Council with a limited understanding of the scrutiny processes in place for that particular company. *Observers may not carry out scrutiny to the required level. Financial and reputational risks may remain unidentified with the potential to adversely affect the Council. The controls in place are reliant on the knowledge, skills and experience of the senior staff involved. This knowledge may be lost if there is not sufficient succession planning.*	With change over in senior staff responsible for this company, all the above information will need to be handed over from the current staff members. To facilitate this; documentation will need to be produced and a briefing provided.	Interim Executive Director of Communities & Families 30 June 2016	The officer from Communities and Families who acts as Observer at the Edinburgh Leisure Board is liaising with colleagues in Finance to finalise process documentation for the Observer role. Companies Hub met on 31 October 2016 to agree requirements
Health & Social Care					
2	Personalisation & SDS - Stage 2 RS1245 ISS.2 ## High	The Swift system has the capability to support authorisation controls, however, the cost threshold is currently set at £20K per week, potentially equating to £1.04M a year. This is such a high level that in effect, there is no authorisation process operating within the Swift system to prevent a service being attached to a client without approval. Packages of care are currently not checked against the relevant budgets during the approval process . *System control to be implemented to ensure that no package of care service be concluded without the appropriate approval being met. Exception Reports should be produced which highlight any services that have been attached to the system, which do not have the appropriate approval.*	A new Financial Approval Procedure will be produced which will ensure that all requests for care and support are approved before progressing to Business Services to be input to SWIFT.	Strategic Planning, Service Re-Design and Innovation Manager 30 June 2015	This work is being taken forward through the H&SC Transformation Project which will identify and oversee all the workstreams required to implement delegated budget management. The SWIFT element of this work is expected to be complete by September 2016 and is being overseen by the SWIFT Governance Group. However, the Organisational Review of ICT has led to a reduction in capacity in the SWIFT Team and discussions are now underway to ensure that the necessary skills and resources remain available to the project. Further consideration of any additional risks that the implementation of a new threshold & decision making process has the potential of introducing further delay to the decision making process. [Revised Implementation date 31/12/16]

No	Review and Risk Level	Initial Finding & *Recommendation*	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
3	Integration of Health and Social Care Budgeting Process HSC1505 ## ISS.5 High	The savings target of £15m for the 2016/17 H&SC budget has been clearly articulated and is well understood. The most recent RAG status monitoring for savings targets splits the £15m into the following categories: Red £8.5m, Amber £4.5m Green £2m. In light of the projected RAG status for the 2016/17 savings it would appear that there is a high risk that these savings targets will not be met. ***Continued focus by management is required to ensure that savings are achieved where possible. H&SC should consider where additional compensatory savings could be made in the event of the budgeted savings not being realisable.***	Health and Social Care Transformation and Efficiency programme is currently reviewing all savings proposals and looking to identify savings to replace/supplement those already identified. Following delegation of services and budgets, responsibility for saving will then fall within EIJB remit.	Chief Officer: Edinburgh Health & Social Care Partnership 31 May 2016	A revised savings programme has been presented to, and agreed by, the Edinburgh Integration Joint Board. Detailed action plans underpinning delivery are either in place or being developed and a programme board established to oversee delivery. Progress being closely monitored with early action being taken to address any emerging issues. [Revised implementation date 31/12/16]
4	Personalisation SDS - Option 3 HSC1503 ISS.2 High	We were unable to find links to the Edinburgh Choices website in key communications to service users and the general public about SDS. The Council has produced detailed pamphlets and leaflets which explain SDS to service users and carers but advocacy services are not covered, and readers are not directed to the Edinburgh Choices website. Practitioners we spoke to could not direct us to advocacy services. ***The service should ensure that information about advocacy services is available to service users***	Existing leaflets and information materials to be reviewed to make reference to Edinburgh Choices. Information to be produced for dissemination to practitioners regarding the duty to identify people who may benefit from advocacy and support them to access this services and the agencies that the Council has commissions to provide advocacy services.	Strategic Planning, Service Re-Design and Innovation Manager 31 August 2016	
5	Personalisation & SDS - Stage 2 RS1245 ISS.5 ## Medium	The audit review highlighted a lack of awareness of the type of management information and / or exception reports which are available to 'operational managers'. It was also established that there is no management information for some types of care packages which are 'spot' purchased. In addition, there is an inconsistency in approach for a number of the Swift reports which are produced in respect of the type and frequency of checks being carried out. ***Management Information / exception reports held within the Swift and Business Object systems are reviewed to ensure that the right people are receiving the right information at the right time to allow managers to make informed decisions over key controls / processes such as the monitoring of care package costs.***	Management information requirements will be reviewed in the light of the implementation of self-directed support and reporting requirements identified. As part of this exercise existing reports will be reviewed and a decision made in each case as to whether they should be retained, amended or dropped; any requirement for new reports to be developed will also be identified. At the completion of this exercise a document will be produced detailing all management information reports available.	Strategic Planning, Service Re-Design and Innovation Manager 30 June 2015	This work is being taken forward through the H&SC Transformation Project which will identify and oversee all the workstreams required to implement delegated budget management. Interim reports are being enhanced to include financial information for budget managers to inform their decision making in relation to purchasing care. Training on these reports has been given (by Corporate Finance colleagues). [Revised Implementation date 31/12/16]

No	Review and Risk Level	Initial Finding & *Recommendation*	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
6	Integration - Health and Social Care HSC1501 ISS. 6 ## Medium	The cost of services and how they will be allocated between CEC and NHS Lothian after the EIJB takes over responsibility for services has not yet been agreed. Therefore, the budget contribution which has been designated for the EIJB by CEC cannot be assessed to understand whether it is aligned to the services for which CEC will be responsible, or whether the funding is in line with what the EIJB considers will be required to provide an appropriate level of service provision. Although the Integration Scheme states that both parties will "work together in the spirit of openness and transparency" in relation to finances, both are experiencing significant financial pressures, adding to the risk of insufficient funds being available for effective operation of the EIJB based on services assessed as being required.. *The EIJB needs to complete the Strategic Commissioning Plan and identify the budget they believe is required to fulfil their remit. The alignment of services with this plan should be clearly documented and a responsible party for each service agreed.*	Agree with recommendations. KPMG has been commissioned to support H&SC to prepare a transformational programme for adult social care services to address current budget pressures. A due diligence process will also be undertaken for the 2016/17 budget.	Integration Project Manager 31 March 2016	Scope of services agreed and final budget offers from NHSL and Council currently being negotiated. An exercise on due diligence is underway to confirm the appropriate value of budget transfer from both NHSL and CEC. [Revised Implementation date 31/12/16]
7	Personalisation SDS - Option 3 HSC1503 ISS.3 Medium	Scottish Government collects data on SDS users through annual and quarterly statistical surveys of local authorities. The answers to survey questions are based on data held in Swift. The accuracy and completeness of data input is therefore essential. There have been several changes in the assessment process and data captured in the past year. There was no cut-off date after which all assessments would be carried out using new templates. The full process of assessment and arranging care can be lengthy. This means that there are several different ways of recording assessments running concurrently, with different data captured in each one. It is therefore difficult to extract complete and accurate data for management information and for reporting to Scottish Government. *Further changes to the assessment process are expected over the next year as a result of the Transformation Programme and integration with the NHS. A change management process should be in place to minimise the number of process and recording changes through the year, implement clear cut-off dates, and to ensure changes are communicated to staff clearly.* *In the meantime, Research and Information should be aware of the likely inconsistencies in data recorded and ensure that reports are thoroughly reviewed before issue.*	A change management process will be established and overseen by the SDS Infrastructure Steering Group. The inconsistencies in data recording are as a result of numerous changes to processes and trying to reduce the recording burden of implementing these on frontline practitioners. The Research and Information Team are aware of all changes to recording practice and take these into account. A summary of all changes and the impact on data extraction has also been produced.	Strategic Planning, Service Re-Design and Innovation Manager 30 June 2016	

No	Review and Risk Level	Initial Finding & *Recommendation*	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
8	Personalisation SDS - Option 3 HSC1503 ISS.4 Medium	An essential report that management receives in order to track the business and plan interventions is the SDS assessments and option choices report. Since October 2015, 'Option 4' has been recorded as a combination of Options 1, 2, & 3. For example, a case where the supported person selects 'Option 4' as a combination of a direct payment and care to be arranged by the Council, will be recorded under both 'Option 1' and 'Option 2'. This means that there are duplicate values in the management information from October 2015 to date. ***The Research & Information team should ensure that management information is accurate and does not include duplicate values.***	In order to comply with Scottish Government reporting requirements it is necessary to record each of the options 1 – 3 chosen by each individual as their interest is in the total number of people choosing each of these options. In order to continue to meet Scottish Government reporting requirements and be able to report on the number of people who by the very fact of selecting multiple options 1 -3 can be deemed to be option 4 we will provide an additional table to show only the total number of people getting option 4 in our monthly report. NB, the relevant table has a footnote which describes the focus of the analysis i.e. how many people choose each of the options 1-3.	Senior Strategy & Planning Officer 30 June 2016	
9	Personalisation SDS - Option 3 HSC1503 ISS.6 Medium	Since October 2015, all personal care plans must be signed off by a senior. This is a measure introduced to improve the quality of personal support plans. We obtained a report of all personal support plans completed between October 2015 and January 2016. We identified 44 cases out of 811 (5.4%) where the system recorded that the assessor who prepared the personal support plan also signed it off. This was reflected in the variable quality of the 25 personal care plans we reviewed as part of our audit work. ***All personal care plans should be signed off by a senior, as required by HSC policy. 'Workarounds' on Swift should be deactivated to prevent this breach of segregation of duties recurring.***	1.Ensure that there is a mechanism in place on SWIFT for the senior to record that they have signed off the support plan. At present any edits made by the senior at the time of the review will show that the senior has both prepared and reviewed the plan 2.Data quality reports will be set up to identify any support plans signed off by the assessor who produced the plan 3.Sector Managers and seniors to ensure appropriate oversight and sign off by senior for the personal care plans	Strategic Planning, Service Re-Design and Innovation Manager 30 June 2016	

No	Review and Risk Level	Initial Finding & *Recommendation*	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
10	Demographics in Budgeting Process CG1502 ISS.1 Medium	The current projections within the long term plan, for future demand for services for adults with disabilities does not make use of the most recently available population projections. *The most recently available population projections (along with the most recent information on the other relevant factors) should be used in completing the reassessment of the cost of providing services to adults with disabilities. The revised estimates should then be used to update the Long Term Financial Plan.*	1.Review future cost estimates for social care services for older people every two years in line with the publication of updated population projections by National Records of Scotland. (The next publication is expected in 2016). 2.Update annually the time series used to project future numbers of people with learning disabilities requiring adult social care services. Within the above timescales, also update the unit costs and other assumptions used in the Health and Social Care estimates for the Long Term Financial Plan	H&SC Manager for Performance and Information 31 August 2016	
ICT Solutions					
11	Retention of Corporate Knowledge CG1515 ISS.2 Medium	The Council are not currently collating email archives, which are stored on local PC hard drives, once a member of staff leaves or moves department. We understand that no new archives can now be created on the local drive, however, due to the number of employees with long service it is likely that a substantial number of local archives continue to be retained. Laptops and PC's are controlled by the directorate and are not returned to a central IT function when a member of staff moves or leaves the Council. There are no processes in place to obtain and centrally store archives and access to the local machine is restricted to IT administrators, leaving information potentially inaccessible. *Laptops and PCs should be wiped by central IT after staff leave or move, with a collection of email archives taken from the local machine to the server account for that user.*	Establish a CLT approved position on the retention of email within the Council that covers the management of legacy email archives. Discuss with CGI on how to implement email retention position.ICT	ICT Security Manager 30 September 2016	
Place					

No	Review and Risk Level	Initial Finding & *Recommendation*	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
12	Contract Management - Roads SFC1505 ISS.2 ## High	The Transport Interim Quality Audit Team (now disbanded) identified works and materials failures resulting in major remedial works at additional cost to the Council. Officers were unable to demonstrate that site visits are carried out to confirm that the quality and extent of works completed are satisfactory. *An end of works quality assessment should be conducted by a qualified officer before final payments are made to contractors and ERS.*	Sample Inspections for Revenue works (commissioned by Locality Teams) are currently undertaken and will be recorded through Confirm. (Audits of above to be undertaken to ensure compliance)	North West Local Transport and Environment Manager 1 June 2016	Site visits to be adequately recorded and final inspection process to be developed - Locality Transport Team Leaders are not in post yet and Confirm development will be required to facilitate works inspection recording on the works mgt system. In the interim site diaries and emails relating to works can be attached to each specific job, all Locality transport & Environment Managers will be reminded tat adequate inspection records should maintained in the interim period. Action to be extended to 1 September 2016.
13	Contract Management - Roads SFC1505 ISS.6 ## High	There is no consistent or robust process for managing the costs of works undertaken by ERS. Lack of a schedule of rates for works hampers accurate budgeting. ERS are not required to obtain approval for additional costs. Internal recharges do not require to be authorised by the commissioning manager. Costs are recorded on Axim, while the estimated works budget is recorded on the Confirm project management system with no link between the systems. Remedial works are charged to the commissioning roads teams on top of the original budget. They are not able to reclaim those costs from ERS. *Robust monitoring of contract expenditure including end of works review*	For Locality (Revenue) Work, estimated works costs are prepared and noted on Confirm (Works Management System) making use of compound rates. Ensure that future works estimates make use of agreed and future schedule of rates.	North West Local Transport and Environment Manager 1 June 2016	Revenue works schedule of rates to be agreed with ERS and Locality Commissioning teams. Issue discussed with ERS Manager on 7th July 2016 at the first LTEM/ERS meeting. ERS charging rates and schedule of rates (including compound rates) is still to be prepared and agreed. Additional works protocol was discussed with ERS Manager on 7/7/2016. Further meeting to be arranged, however, agreed that ERS and Commissioning teams will agree all additional works (where reasonably possible). Defined additional works process to be supported by Confirm development, however, until then accurate records can be attached to Confirm works orders. Update will be provided on 1 Sept 2016.

No	Review and Risk Level	Initial Finding & *Recommendation*	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
14	Sustainable Energy Action Plan ED1501 ISS.2 ## Medium	The Council Team set up to oversee the SEAP and monitor and co-ordinate the projects and initiatives within it is staffed by 2.4 Officers. A communications plan is required to set out the actions for ongoing engagement and consultation with wider stakeholders. Future financial resources are difficult to predict as project costs cannot be quantified until projects are off the ground, and costs are also dependent on the levels of engagement with other partners. There is no budget to undertake feasibility studies unless external funding can be sourced. In a lot of cases, sourcing of external funds is dependant on this groundwork being done making it harder to get projects to commence. There is no formal mechanism in place to manage the risks associated with the SEAP project. *The communications plan should be rolled out to inform all staff and stakeholders of good practice and how they can engage. Risk Management requires formalisation*	(i) The Communications Plan will be rolled out. (ii) A risk register will be developed as part of the reporting to Committee. Resourcing the SEAP is still an ongoing concern. As the Council Transformation Programme progresses, it will be crucial to ensure existing resources are in place (as far as possible) to ensure delivery of the SEAP.	Sustainable Development Manager 30 June 2016	Risk register has been completed and reported to MOWG. Resourcing issue raised in the risk register with senior managers but continues to be an issue.
15	Planning Controls & the Local Development Plan SFC1502 ISS.2 ## Medium	Numbered clauses are set up on the Uniform database for each planning agreement covering key tasks, such as site inspections, receipt of an agreement, forward of agreement to relevant functions etc. Within each clause, notes, key dates and value are entered, and supporting documents are attached to provide a detailed summary of all actions taken. Reports can be produced by planning application reference detailing all open and closed clauses for each agreement monitored. It was noted that clauses are not set up in a standard format. From a review of 11 developments, 7 files were satisfactorily completed but in the remaining 4, clauses were still active but future visits had not been scheduled or details of scheduled visits with past dates not recorded. We would have expected these four sites to have been detected during a supervisory review process, and addressed. For one education contribution reviewed, the amount payable had not been indexed to 2009 in error. The contribution was received in March 2015 but no action has yet been taken to rectify this. *Standardising and rationalising clauses set up to record tasks and prompting future actions would provide better management information. There should be regular supervisory review to gain assurance that required standards are maintained. Procedures to be revised*	i. The monitoring system is robust but it is accepted that further standardisation could be achieved. This will be reviewed and where appropriate changes made. In particular standardisation of 'checking clauses' will be explored and introduced ii. Team managers can already review progress. this arrangement will be formalised and recorded so it can be evidenced iii. This will be taken forward as part of exercise outlined above	P&BS Senior Manager (East Area) 01 January 2016	(i) Met in part although further work required (ii) Complete (iii) This action has proved difficult to progress and to some extent has been contingent upon the LDP Action Programme being finalised. The completion and approval of a new working arrangments document is now anticipated for the end of March 2017.

No	Review and Risk Level	Initial Finding & *Recommendation*	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
16	Contract Management - Roads SFC1505 ISS.4 ## Medium	All new revenue works are planned and commissioned using Confirm as of December 2015. However at the time of the audit, Confirm had not been fully embedded across ERS and the Neighbourhood Offices. As a result, no revenue works commissioned by five of the six Local Area Offices have been included in the ERS works programme for Quarter 4 in 2015/16 *ERS and Neighbourhood staff should be trained in the use of the Confirm system, to enable ERS to carry out commissioned work. Take-up of Confirm should be monitored to identify areas where further training is required.*	ERS staff have been trained in the use of Confirm system, however further training/support will be delivered for Neighbourhood Staff commissioning work through Confirm. Management teams to reinforce the need to commission work through Confirm.	Local Environment Manager 1 June 2016	New Locality team structure is not in place yet. It is expected that the majority of Locality Transport staff should be in post by Autumn 2016. Recommendation that a Confirm training roll out is carried out once teams are established. Update to be provided 1 Sept 2016.
17	Contract Management - Roads SFC1505 ISS.8 ## Medium	Officers were unable to provide documents during the audit for 7 of the 9 projects selected to demonstrate that key contract and legislative requirements had been met. The documents should have been retained to comply with the Council's Record Retention policy . It was unclear if they had ever existed and if so, whether they had been destroyed or archived in a manner which made them difficult to recover. Officers were able to provide some documents after the audit. We note that the samples tested predate the introduction of the new works management system, Confirm, which was introduced over the course of 2015, and which will be used to store records relating to ERS works orders going forward. *The process for commissioning and managing road and footway maintenance undertaken by ERS should be mapped, with key documents such as a schedule of works, a health and safety risk assessment and final project sign off identified. Key documents must be retained in accordance with the Council 's records management policy.*	Recommendation accepted – A number of Contract records have been provided to the Auditor retrospectively as individuals involved in Audit were not responsible for commissioning. Note. 9 Schemes selected date from 2013 and 2014. Additional Contract Information Provided March 2016. Management of internally commissioned works to ERS is now administered on a formal Works Management System (Confirm). Records relating to asset management, works orders, estimates and completion now recorded on Confirm. Summer 2015	Local Environment Manager 1 June 2016	Audit action not complete: Works commissioned with ERS are now administered on a formal works management system (Confirm). Records relating to asset management, inspection, defect recording and works ordering are now electronically recorded. Works order documentation for inspections, variations and instructions etc should now be attached to appropriate jobs. Update to be provided 1 Sept 2016.
18	Recycling Targets PL1601 ISS.5 Medium	Although there is considerable recycling internally within the council, there is currently no internal waste management policy. The Waste and Recycling Strategy 2010 - 2025 focuses on external, public waste but there is no supporting policy which specifically states how the Council itself as a major local employer, plans on reducing waste arising from its own operations (e.g. schools, council offices) and increasing recycling participation. *Internal Waste Management Policy to be developed*	Our proposed management action is to approach the Sustainable Development Unit and Facilities Management to establish a working group to review any existing internal waste policy, the purpose being to incorporating this within, and consult on, a refreshed Waste Strategy Document (Ref Action 2). The inclusion of the Sustainable Development Unit is critical in moving forward this action as they hold responsibility for development of the Council's internal waste policy and recording data on internal waste arisings. Waste & Fleet Services will commit to taking the lead in establishment of the internal working group	Strategy Officer 30 September 2016	Currently the cross departmental working group is in abeyance following the departure of key members during Transformation. However Trade Waste Team are leading on a roll out of collection services for key materials to buildings across the estate and this work is on going during 2016. In addition a new cross departmental working group will be established following the conclusion of the Transformation programme to embed good practice

No	Review and Risk Level	Initial Finding & *Recommendation*	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
19	Management of Devolved NEP and CGF CW1503 ISS4. Medium	Planning and contract documentation were complete where external framework contractors were used to deliver road and footway projects under the NEP General Fund. However, Neighbourhood roads teams were unable to demonstrate that: -Site visits are carried out at the end of the project by project or commissioning managers to confirm that the quality and extent of works completed are satisfactory; and -Contractor invoices are reviewed before payment to confirm that charges are appropriate and consistent with work completed and the schedule of rates. ***An end-of-works quality assessment should be conducted and documented before final payments are made to contractors. This review should be carried out by a qualified member of staff who can assess the work carried out against industry standards and contract requirements.*** ***Contractor invoices should be reviewed before payment to check that charges are appropriate and consistent with work completed and the agreed schedule of rates.***	1) Works orders to be closed within 4 weeks of work finishing on site, unless alternative period agreed between ERS and commissioning managers. 2)All NEPS works should be inspected and signed off by Locality staff and audits of work should be undertaken to ensure compliance.	Roads Renewal Manager 31 July 2016	Clarity still required on the capability of Road Services to deliver capital renewal schemes.
Resources					
20	Flexible Working Hours Processes and Procedures CG1304 ISS.5 ## Medium	The scheme of Flexible Working Hours procedure is out of date having last been updated in 2000. This is of particular concern given the many changes to the number of flexible working options that are now available to Council employees many of whom work within the Scheme of Flexible Working Hours in addition to one of the other flexible working options. ***The Scheme of Flexible Working hours procedure be updated and brought into line with other flexible working processes and procedures as a matter of urgency. This would allow for development of best practice and consistencies. All administrators should be trained on this to allow for consistent application.***	Review the Scheme of Flexible Working Hours Procedure and develop and deliver appropriate implementation arrangements for the revised Procedure.	Head of Human Resources 31 March 2016	As transformation of Council Services is now well underway across the organisation, a review of flexible working hours as part of our overall value proposition would deliver the best return on investment for the Council. The HR team will develop proposals around flexible working which takes account of both service demands and the needs of our people for flexible approaches to work which support their well-being and service delivery needs within an overall reward framework. This will be delivered following the Reward and Recognition project which is planned to complete in April 2017

No	Review and Risk Level	Initial Finding & *Recommendation*	Initially Agreed Management Action	Owner & Initially Expected Implementation Date	Last Status Update
21	Procurement Arrangements CW1501 ISS.1 ## Medium	The contract registers are currently held in excel with shared open access within C&PS. There are plans to set up the pipeline register as a web application. *Action should be taken to secure the integrity of the pipeline and contract registers.*	(ii) The transfer of the pipeline to a Sharepoint database provides an audit trail reducing vulnerability to deliberate or accidental manipulation. In the short term we will introduce password protection for the contracts register or move the live version into a folder with restricted access, but in the medium term intend also to move the register to a database that provides an audit trail and provide wider access to staff to input their updates.	Commercial Insight & Development Manager 31 March 2016	(ii) Short-term - the pipeline register is now held on the Sharepoint database. The contract register is now password protected; only 4 members of the Commercial Operations Team now have access to update the master. Completed. Medium-term - the original intention was to move the contract register to Sharepoint, an Ernst & Young database, but it was considered too risky to hold so much CEC data with a contractor. The register will be held within Business World 4 (the system that is replacing Oracle and Trent) when this goes live in April 2017 with appropriate log in & password controls in place. Revised estimated completion date 30th April 2017.
22	Shared Repairs and Maintenance SFC1507 ISS.1 ## Medium	A Schedule of Rates has been agreed with each contractor used by ESRS Emergency Service. This is in place to control and monitor the costs charged by the contractors on the framework. We reviewed contractor invoices relating to 15 cases. We were unable to confirm that charges on any of the invoices inspected were all as agreed on the Schedule of Rates. Difficulties and discrepancies identified were as follows: ESRS did not have access to the Schedule of Rates agreed with one contractor, as it is part of a separate Council Framework ; One contractor's Schedule of Rates was coded; however, their invoices consistently included non-coded services; One contractor charged rates for scaffolding between £150 and £690 . There was no explanation for the rate charged on the invoices ; and One Schedule of Rates indicated labour cost was at most £24 per hour; however, the contractor charged labour at £25 per hour. *Schedules of Rates should be readily available to property officers to enable them to review the accuracy of costs charged by contractors. Any discrepancies identified must be highlighted and challenged with the contractor. ESRS should explore the use of technologies which allow a Schedule of Rates to be programmed into a database. This database could then generate an accurately costed works order by selecting the appropriate service as per the inbuilt Schedule of Rates.*	Work is currently underway to incorporate SOR's within Uniform which is the services' preferred system as part of the redesign of the ICT services for ESRS. This will allow the officer to select the works and to automatically produce the correct rates for work carried out and will be the base for generating the purchase order. The emergency and finance procedures will be updated to match this process. Variances between the purchase order and the contractor's invoice will be challenged . Variances above an agreed threshold will require approval by the line manager.	Emergency Team Leader 30 June 2016	The work required in order to incorporate the SOR's into Uniform was identified as being a manual process which would take a significant amount of time to incorporate, given the reduction of staff and the demands of the service currently resources are limited to do this task. Therefore, the service wish to work with IDOX (the suppliers of Uniform) in order to find an automated solution to input the SOR's into Uniform. However, IDOX (the suppliers of Uniform) are currently engaging with all Scottish Local Authorities to ensure that all users of Uniform are upgraded to V10 by the 24th August due to a requirement for an electronic planning portal from the Scottish Government and therefore no resource is available until this is completed. Once the upgrades are completed by IDOX (including CEC's) we will engage with them to find a solution to implement the SORs. In the meantime, the officers have a hard copy of the SOR's with which to refer to and each invoice is checked against the SOR's once received before being approved.' New deadline date 30 September 2016.
	## = Issue Previously Reported				

Governance, Risk and Best Value Committee

10.00am, Thursday, 22 December 2016

Edinburgh Tram Inquiry – Update

Item number	7.3
Report number	
Executive/routine	
Wards	All

Executive summary

Committee has requested that regular updates be provided with regard to progress of the Edinburgh Tram Inquiry ("Inquiry").

There is no substantive update with regard to progress of the Inquiry other than what has been updated on the Inquiry website and in the press.

Links

Coalition pledges	
Council priorities	CP13
Single Outcome Agreement	SO1

Report

Edinburgh Tram Project - Update

1.   Recommendations

1.1   The Committee is recommended to note this report.

2.   Background

2.1   The Inquiry was set up to establish why the Edinburgh Trams project incurred delays, cost more than originally budgeted and through reductions in scope delivered significantly less than projected.

3.   Main report

3.1   Committee has requested that regular updates be provided with regard to progress of the Inquiry.

3.2   There is no substantive update with regard to progress of the Inquiry other than what has been updated on the Inquiry website and in the press to date. However, we are aware that the Inquiry continues to take statements from witnesses and will report once the Inquiry team have concluded their investigations.   As yet no date has been set for the final report to be produced.

4.   Measures of success

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

5.   Financial impact

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

6.   Risk, policy, compliance and governance impact

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

7.   Equalities impact

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

8.   Sustainability impact

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

9.   Consultation and engagement

9.1   None.

10.   Background reading/external references

10.1   Edinburgh Tram Inquiry website

Hugh Dunn

Acting Executive Director of Resources

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Links

Coalition pledges	
Council priorities	CP13 - Transformation, Workforce, Citizen & Partner Engagement, Budget
Single Outcome Agreement	SO1 - Edinburgh's economy delivers increased investment, jobs and opportunities for all

Governance, Risk and Best Value Committee

10.00am, Thursday, 22 December 2016

Resources Team Risk Update

Item number	7.4
Report number	
Executive/routine	
Wards	

Executive summary

The risk information in this paper describes key risks of the Resources Service Area as at November 2016.

The risks and current mitigating controls have been challenged and discussed by the Resources Senior Management Team (SMT) and mitigation plans have been developed for further review and scrutiny.

The risk register is a dynamic working document and is updated regularly and refreshed annually to reflect the changing risks to the Service Area.

The risk management process continues to enhance the capture and treatment of risk in the Council through the quarterly CLT and SMT Risk Committees.

Links

Coalition pledges	PO30
Council outcomes	CO25
Single Outcome Agreement	

Report

Resources Team Risk Update

1.   Recommendations

1.1   To review the attached prioritised risk information for the Resources SMT and to invite relevant officers to discuss key risks and mitigating actions as required.

2.   Background

2.1   The Council's Governance, Risk and Best Value Committee (GRVB) is responsible for monitoring the effectiveness of the Council's risk management arrangements, including monitoring internal financial control, corporate risk management and key corporate governance areas. The purpose of this report is to provide a quarterly update to the GRBV Committee on the key corporate level risks facing the Council.

3.   Main report

3.1   The risk summary attached in Appendix 1 reflects the current priority inherent risks of the Resources Directorate and identifies the controls to mitigate the risks.

3.2   The Resources Risk Committee in October 2016 discussed how a new Major Projects Team is being set up in response to the challenges around our capacity to deliver key programmes and projects commercially and successfully. A paper has been discussed at CLT proposing options around governance, enhanced clarity over roles and inter dependency of assurance, risk management, commercial excellence and contract management. The Major Projects Team will take on a partnering role and ensure benefits and consistencies are achieved from synergies and standardisation.

3.3   There is now an improved governance framework around ERP implementation which will involve escalation of regular updates to the Risk Committee. It is critical that the Council maintains scrutiny on progress and the risks around implementation and expectations.

3.4   The Risk Committee discussed the issue of the formation of a new Council Administration and how that could lead to significant loss of knowledge through departing Members and how it may also lead to a requirement for new governance and partnership arrangements. The Acting Head of Strategy and Insight reassured the SMT that plans are in place to manage the transition and to ensure that Councillors are adequately informed and supported. This was not

considered to be a key risk at this time but has been escalated to the CLT Risk Register.

3.5 The SMT agreed that at future Resources Risk Committees they would speak to their Service Team key risk exposures and explain the key actions being taken to mitigate them.

3.6 Each risk reported in Appendix 1 has been assigned an indicator to show whether the risk is escalating or decreasing in profile as a result of activity in the quarter.

3.7 The risk register is a dynamic working document and is updated regularly to reflect the changing risks of the Council. The Resources Risk Register has recently undergone a refresh involving all members of the SMT.

4. Measures of success

4.1 Fully embedded risk management practices should ensure that key risks of the Council are prioritised and relevant action plans are put in place to mitigate these risks to tolerable levels.

5. Financial impact

5.1 None.

6. Risk, policy, compliance and governance impact

6.1 Risk registers are a key management tool to help mitigate risks and to implement key strategic projects of the Council.

7. Equalities impact

7.1 None.

8. Sustainability impact

8.1 There is no direct sustainability impact arising from the report's contents

9. Consultation and engagement

9.1 The attached risk summary has been challenged and discussed by Resources SMT and a plan has been developed for further review and scrutiny.

10. Background reading/external references

10.1 None.

Hugh Dunn

Acting Executive Director of Resources

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Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning Council outcomes CO25 - The Council has
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	
Appendices	Appendix 1 Resources prioritised inherent risks November 2016

Appendix 1 Resources prioritised inherent risks November 2016

1. Capacity to manage workloads
Reduction in staff leads to gaps in specialist knowledge (eg Housing Benefit subsidies, pensions) required to deliver objectives on time and on budget. Significant pressure on remaining workforce leading to higher absence levels, more leavers and an inability to manage workloads sensibly and successfully.

2. Safety of physical estate
Resource constraints could lead to an inadequate or unsustainable repairs and maintenance regime across the physical estate which could result in breaches of H&S legislation, increased risk of incident, reputational damage, and service disruption.

3. Commercial excellence
The Council may not have the professional project management capacity or capability to deliver key transformational change projects and/or major programmes resulting in under delivery, failure to deliver planned savings, project overspend and reputational damage.

4. ERP implementation
Insufficient quality of resource and focus to deliver the new ERP system could result in costly delays in implementation, inadequate controls around key processes such as payroll and a lack of engagement and buy in from the business.

5. Management of sensitive data and documents
Ineffective governance and controls around management of sensitive data and documentation could lead to breach of the Data Protection Act and significant reputational exposure.

6. Rationalisation of physical estate
The Council's approach to rationalising the capital estate may not have sufficient traction to ensure that an affordable and fit estate is achieved on time and efficiently

7. Management focus
The focus of management on transformational change could result in insufficient attention on 'business as usual' services resulting in inefficiencies or potential problems in delivery.

8. Achievability of savings
Unrealistic savings targets, including straight line savings required across services rather than a more prioritised approach and/or weak implementation plans, could result in Service Area budget over runs for 2016/17 or risk compromising statutory obligations.
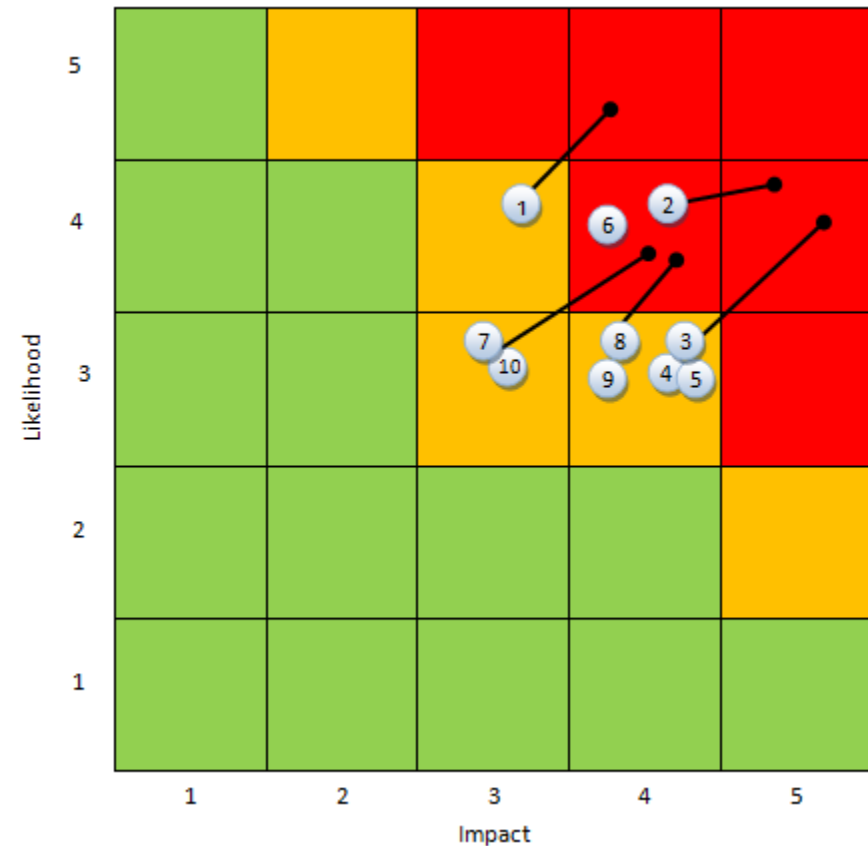
9. Service delivery through transformation
The transition of services to future state operating models may not be synchronised and planned for appropriately leading to gaps in service provision.

10. In-house capacity
Failure to attract and retain skilled staff due to uncompetitive pay could lead to an over-reliance on third parties and consultancy at the expense of developing existing staff and could result in unsustainable budgets and poorer staff morale.

Resources prioritised inherent risks with mitigating actions

	Category	Risk description	Inherent Risk		Current key mitigating controls	Residual Risk		Further actions
			I	L		I	L	
1	Strategic	**Capacity to manage workloads** Reduction in staff leads to gaps in specialist knowledge (eg Housing Benefit subsidies, pensions) required to deliver objectives on time and on budget. Significant pressure on remaining workforce leading to higher absence levels, more leavers and an inability to manage workloads sensibly and successfully.	4	5	• Workforce Strategy developed to support design of a flexible, motivated, high performing workforce with right capabilities, capacity, culture • Contingency in place to draw upon consultants as needed • Absence levels monitored and reported	3	4	• Developing Strategic Workforce Planning • Designing formal continuity arrangements for when staff leave
2	Operational	**Safety of physical estate** Resource constraints could lead to an inadequate or unsustainable repairs and maintenance regime across the physical estate which could result in breaches of H&S legislation, increased risk of incident, reputational damage, and service disruption.	5	4	• Inspection and maintenance work programme in place • Acceleration of condition surveys on all buildings to be completed by May 2017 • Intrusive surveys on high risk buildings following PPP issues • Additional revenue of £1.2m available in FY 16/17 • Additional staff earmarked for the compliance and R&M team	4	4	• Ensure asset management strategy clear, prioritised, affordable, deliverable • North Bridge Improvement Plan formalised • Finalise procurement for contract to inspect all boundary walls by Dec 2018
3	Strategic	**Commercial excellence** The Council may not have the professional project management capacity or capability to deliver key transformational change projects and/or major programmes resulting in under delivery, failure to deliver planned savings, project overspend and reputational damage.	5	4	• Robust governance of major projects alongside new Major Projects Team • Formal plans to enhance contract and supplier management	4	3	• Develop project evaluation, prioritisation • Develop and train project management • Work with services to develop PM resource
4	Strategic	**ERP Implementation** Insufficient quality of resource and focus to deliver the new ERP system could result in costly delays in implementation, inadequate controls around key processes such as payroll and a lack of engagement and buy in from the business.	5	4	• New Programme Manager • Improved project and governance procedures in place • Regular monitoring by CEC and Risk Committee	4	3	• Extend focus of improvements to lower profile projects and commitments in the change program

	Category	Risk description	Inherent Risk		Current key mitigating controls	Residual Risk		Further actions
			I	L		I	L	
5	Integrity	**Management of sensitive data** Ineffective governance and controls around management of sensitive data could lead to breach of the Data Protection Act and significant reputational exposure.	5	4	• Key contract and document controls • Laptop and media encryption • Key contract and document controls • Data awareness campaign • Service automation controls in place • Dedicated review session supported by industry experts • Leavers process includes removal of access to IT applications	4	3	• Assess priority and exposure of systems across the whole ICT environment • Ongoing programme of improvements • Rolling internal audit
6	Strategic	**Rationalisation of physical estate** The Council's approach to rationalising the capital estate may not have sufficient traction to ensure that an affordable and fit estate is achieved on time and efficiently	4	4	• Rationalisation Plan drafted and in review	4	4	• Develop robust business plan including full picture of properties and realisation values
7	Operational	**Management focus** The focus of management on transformational change could result in insufficient attention on 'business as usual' services resulting in inefficiencies or potential problems in delivery.	4	4	• Ongoing monthly performance service standards reporting • Escalation of key service pressures with action plans to mitigate risks • Roles and responsibilities agreed for key tasks	3	3	
8	Financial	**Achievability of savings** Unrealistic savings targets, including straight line savings required across services rather than a more prioritised approach and/or weak implementation plans, could result in Service Area budget over runs for 2016/17 or risk compromising statutory obligations.	4	4	• Regular review of budget framework income assumptions • Incorporation of contingency where feasible • Opportunities to target additional savings once transformational change bedded in	4	3	• Provide business change and process improvement resources to work with services
9	Operational	**Service delivery through transformation** The transition of services to future state operating models may not be synchronised and planned for appropriately leading to gaps in service provision.	4	4	• Regular tracking of current and expiring contracts to identify gaps in external service provision • Scoping of transferred services and interim management arrangements to provide cover • Transformational governance with fulltime resource	4	3	• Business change and process improvement work with services • Engaging with services to develop BC plans
10	Organisation and people	**In-house capacity** Failure to attract and retain skilled staff due to uncompetitive pay could lead to an over-reliance on third parties and consultancy at the expense of developing existing staff and could result in unsustainable budgets and poorer staff morale.	4	4	• Transformation team has developed structure to reward key staff and provide development opportunities to encourage staff retention	3	3	• Undertake employee motivation survey

Guidance for assessing Impact and Likelihood of risk

Likelihood	1 – Rare	2 – Unlikely	3 – Possible	4 – Likely	5 – Almost Certain
Probability	0-15%	16-35%	36-60%	61-80%	81-100%
Chance of Occurrence	Hard to imagine, only in exceptional circumstances	Not expected to occur, unlikely to happen	May happen, reasonable chance of occurring	More likely to occur than not	Hard to imagine not happening
Timeframe	Greater than 10 years	Between 5-10 years	Likely between 3-5 years	Likely between 1-3 years	Likely within 1 year

Impact	1 – Negligible	2 – Minor	3 – Moderate	4 – Major	5 - Catastrophic
Effect on outcomes	Minimal effect	Minor short term effect	Part failure to achieve outcomes	Significant failure to achieve obligations	Unable to fulfil obligations
Financial effect	Corporate: up to £250k Services: up to £100k	Corporate: £250k - £750k Services: £100k - £300k	Corporate: £750k - £5m Services: £300k - £1m	Corporate: £5m - £20m Services: £1m - £5m	Corporate: £20m + Services: £5m +
Reputational damage	None	Minor	Moderate loss of confidence and embarrassment	Major loss of confidence and adverse publicity	Severe loss of confidence and public outcry

Likelihood	1 Negligible	2 Minor	3 Moderate	4 Major	5 Catastrophic
5 Almost Certain	Low	Medium	High	High	High
4 Likely	Low	Low	Medium	High	High
3 Possible	Low	Low	Medium	Medium	High
2 Unlikely	Low	Low	Low	Low	Medium
1 Rare	Low	Low	Low	Low	Low

Likelihood

Impact

Governance, Risk and Best Value Committee

10.00am, Thursday, 22 December 2016

Corporate Leadership Team Risk Update

Item number	7.5
Report number	
Executive/routine	
Wards	

Executive summary

The risk information attached is the Corporate Leadership Team's (CLT) prioritised risks as at November 2016. It reflects the current highest priority risks of the Council along with the key controls in place to mitigate these risks.

The risks and controls have been challenged and discussed by the CLT and mitigation plans have been developed for further review and scrutiny.

The risk register is a dynamic working document and has recently been updated as part of the annual procedure to refresh and reflect the changing risks of the Council.

The Council's Risk Management Policy has recently been reviewed in accordance with the Council's policy framework to ensure that it is current, relevant and fit for purpose.

The risk management process continues to enhance the capture and treatment of risk in the Council through the quarterly CLT and Senior Management Team Risk Committees.

Links

Coalition pledges	P30
Council outcomes	CO25
Single Outcome Agreement	

·EDINBVRGH·
THE CITY OF EDINBURGH COUNCIL

Report

Corporate Leadership Team Risk Update

1.   Recommendations

1.1   To review the attached prioritised risk information for the CLT and to invite relevant officers to discuss key risks as required.

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

2.   Background

2.1   The Council's Governance, Risk and Best Value (GRVB) Committee is responsible for monitoring the effectiveness of the Council's risk management arrangements, including monitoring internal financial control, corporate risk management and key corporate governance areas. The purpose of this report is to provide a quarterly update to the GRBV Committee on the key corporate level risks facing the Council.

2.2   The CLT last presented its Corporate Risk Register to the GRBV Committee in September 2016.

3.   Main report

3.1   The risk summary attached in Appendix 1 reflects the current priority inherent risks of the Council and demonstrates the controls to mitigate the risks.

3.2   During the past quarter the CLT have reviewed and refreshed the risk profile and prioritisation of risk in line with the Council's Risk Management Policy. This exercise involved one-to-one interviews with each member of the CLT Risk Team as well as a workshop to discuss and formalise our findings. In addition to identification of current risks facing the organisation, risk owners identified the key mitigating activities in place as well as committed future mitigating activities, where relevant. Note that findings from the routine risk review within the Service Areas were reviewed during the CLT risk refresh.

3.3   It is worth noting that six of the Top Ten risks in the revised register also appeared consistently in the previous version of the Top Ten risks. Themes include primary risks in relation to:

3.3.1   Capital asset management;

3.3.2   ICT transformation delivery;

3.3.3   Delivery of increased service base with reducing resources;

3.3.4   Effective budgeting and delivery of cost efficiency targets;

3.3.5   Cyber and data privacy; and

3.3.6   Effective delivery of integrated care.

3.4   Other key items in the period include:

3.4.1   Risk management of major projects. A new Major Projects Team is being set up in response to the challenges around our capacity to deliver key programmes and projects commercially and successfully. A paper has been taken to CLT proposing options around governance, enhanced clarity over roles and inter dependency of risk management, assurance, commercial excellence and contract management. The risk management team will be involved at the initiation of each major project and a risk review will be presented by the Major Projects Team quarterly in line with the routine risk management process.

3.4.2   There is now an improved governance framework around ERP implementation which will involve escalation of regular updates to the Risk Committee. It is critical that the Council keeps a watching eye on progress and the risks around implementation and expectations.

3.4.3   The Risk Committee discussed the issue of the formation of a new Council Administration during 2017 and how that could lead to significant loss of knowledge through departing Members and how it may also lead to a requirement for new governance and partnership arrangements. The Acting Head of Strategy and Insight reassured the CLT that plans are in place to manage the transition and to ensure that Councillors are adequately informed and supported. This was not considered to be a key residual risk at this time but has been escalated to the CLT Risk Register to keep a concerted focus on it.

3.5   The CLT agreed that at the next Risk Committee they would ask each Head of Service to present their key risk exposures and explain the key actions being taken to mitigate them.

3.6   Each risk reported in Appendix 1 has been assigned an indicator to show whether the risk is escalating or decreasing in profile as a result of activity in the quarter.

3.7   The risk register is a dynamic working document and is updated regularly to reflect the changing risks of the Council. The CLT Risk Register has recently undergone a refresh involving all members of the CLT.

4.   Measures of success

4.1   Fully embedded risk management practices should ensure that key risks of the Council are prioritised and relevant action plans are put in place to mitigate these risks to tolerable levels.

5.   Financial impact

5.1   None.

6.   Risk, policy, compliance and governance impact

6.1   Risk registers are a key management tool to help mitigate risks and to implement key strategic projects of the Council.

7.   Equalities impact

7.1   None.

8.   Sustainability impact

8.1   There is no direct sustainability impact arising from the report's contents

9.   Consultation and engagement

9.1   The attached risk summary has been challenged and discussed by Clan a plan has been developed for further review and scrutiny.

10.   Background reading/external references

10.1   None.

Hugh Dunn

Acting Executive Director of Resources

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Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning Council outcomes CO25 - The Council has
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	
Appendices	Appendix 1 Resources prioritised inherent risks November 2016

Appendix 1 CLT prioritised Inherent risks November 2016

1. Capital asset management
With reduced resources and a heightened need for structural inspection and maintenance the current asset management plan may be insufficient to cover the immediate need for capital improvements (eg improvement of highways, post PPP1 structural reviews and other capital infrastructure) which could result in continued underinvestment and assets that are not fit for purpose or meet health and safety consequences now and in the future.

2. ICT transformation and change program
Key deliverables, benefits & timescales for achieving IT transformation may not be achieved in line with business expectations, requirements & contractual agreements. This will result in adverse impacts on service delivery and the Council's ability to operate, its finances or its reputation.

3. Business continuity
A sudden high impact event causes buildings, people, systems to be non-operational for an unacceptable period of time.

4. Increased service with less resource
Funding reductions, legislative changes and increased demographic pressure, the requirements of the Local Development Plan and the anticipated need for further cost efficiencies will create an unexpected material pressure on our infrastructure, capital and revenue funding, the execution of our strategy and business plan with associated adverse reputational impact.

5. Budget management
Material overspends on service budgets may impact upon the funding of other services

6. Cyber security and data privacy
A significant cyber breach occurs resulting in sizeable loss of data integrity, confidentially or availability with adverse reputational impact.

7. Customer expectations
Customer dissatisfaction around delivery of customer facing services (eg waste, roads, delayed discharge) may lead to increased complaints with consequential increased financial strain and reputational damage.
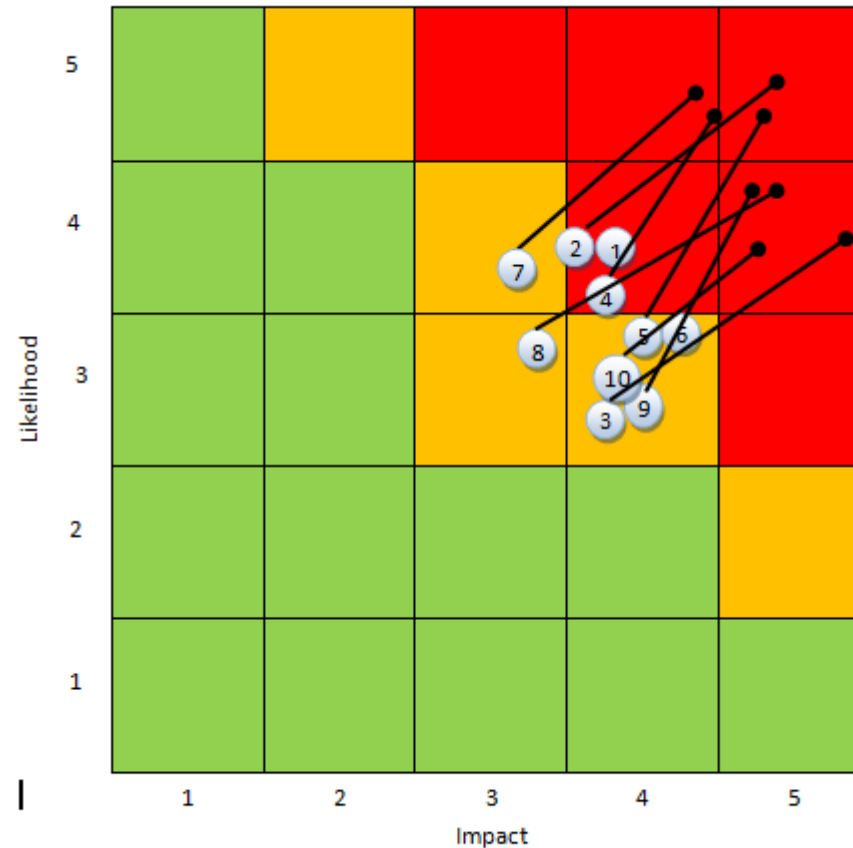
8. Health and Social Care procurement
Through either lack of CEC resource and/or provider capacity, the Council may be unable to secure appropriate contracts with its providers or deliver appropriate services as directed by the IJB. As a result we may be unable to deliver our own commitments and to delivery of the H&SC partnership's strategic plan.

9. Health and Safety
Non-compliance with Council Health and Safety policies and procedures and legal and regulatory requirements could lead to avoidable employee or 3rd party injury or ill health and/or regulatory fines and liability claims, and associated reputational damage.

10. ICT service delivery
The current stresses in the new IT provider's service delivery / management are such that it may not be able to recover service standards in the immediate future and there may be a sustained period of outage, degraded performance, or errors in processing for one or more services. This will result in adverse impacts on service delivery, the Council's ability to operate, its finances or its reputation and loss of confidence in the strategic alliance.

Inherent risk ● Residual risk ①

CLT prioritised inherent risks with mitigating actions

	Category	Risk description	Inherent Risk I	Inherent Risk L	Current key mitigating controls	Residual Risk I	Residual Risk L	Further actions
1	Financial	**Capital asset management** With reduced resources and a heightened need for structural inspection and maintenance the current asset management plan may be insufficient to cover the immediate need for capital improvements (eg improvement of highways, post PPP1 structural reviews and other capital infrastructure) which could result in continued underinvestment and assets that are not fit for purpose or meet health and safety consequences now and in the future.	4	4	• Property Management (IPFM) report to CLT • Condition surveys performed routinely • Property Rationalisation work-stream • Asset registers in place with prioritised budget spend on those deemed of greatest risk to public safety. • General Inspections carried out annually as part of asset management programme	3	4	• Ensure asset management strategy clear, prioritised, affordable and deliverable • Review to ascertain extent of any gaps in recording and inspection of fixed assets • Produce North Bridge Improvement Plan • Procurement underway for contract to inspect all boundary walls. Complete by December 2018.
2	Operational	**ICT transformation and change program** Key deliverables, benefits & timescales for achieving IT transformation may not be achieved in line with business expectations, requirements & contractual agreements. This will result in adverse impacts on service delivery and the Council's ability to operate, its finances or its reputation.	4	4	• Improved project governance, risk and compliance arrangements between CGI and CEC • New plans for the key projects in terns of scoping and resources	3	3	• Extend focus of improvements to lower profile projects and commitments in the change program
3	Operational	**Business continuity** A sudden high impact event causes buildings, people, systems to be non-operational for an unacceptable period of time.	5	4	• Formal Business Continuity Plan in place • ICT Disaster Recovery arrangements • BCP and ITDR stress tested annually	3	3	
4	Financial	**Increased service with less resource** Funding reductions, legislative changes and increased demographic pressure, the requirements of the Local Development Plan and the anticipated need for further cost efficiencies will create an unexpected material pressure on our infrastructure, capital and revenue funding, the execution of our strategy and business plan with associated adverse reputational impact.	4	4	• Provision for demographics built into long term financial plans • Assumptions reviewed regularly and reported to F&R with mitigating actions • Regular review of funding gap with Members Core Group • Service Areas update assumptions half yearly	3	3	

	Category	Risk description	Inherent Risk		Current key mitigating controls	Residual Risk		Further actions
			I	**L**		**I**	**L**	
5	Financial	*Budget management* Material overspends on service budgets may impact upon the funding of other services	**4**	**4**	• Monthly budget monitoring includes KPIs reported regularly • Quarterly reporting to Members Core Group • Regular reporting by Directors of budget pressures • Savings and implementation plans monitored	**3**	**3**	
6	Operational	*Cyber security and data privacy* A significant cyber breach may occur resulting in sizeable loss of data integrity, confidentially or availability with adverse reputational impact.	**4**	**4**	• Refreshed Information security policy introduced • Laptop and media encryption • Service automation controls in place • New IT Security managed Service procured with requirements to adopt CESG and ISO best practice approaches and improve the security defences, monitoring and awareness of the security threat landscape. • Leavers process includes removal of access to IT applications	**3**	**3**	• Assess impact of delays in delivery of IT systems • Ensure effective embedding of new information security policy • Rolling Internal Audit of detection systems
7	Operational	*Customer expectations* Customer dissatisfaction around delivery of customer facing services (eg waste, roads, delayed discharge) may lead to increased complaints with consequential increased financial strain and reputational damage.	**4**	**4**	• Waste improvement plan • New Roads Manager now in place	**3**	**3**	• Roads Service Improvement Plan to be finalised March 2017
8	Strategic	*Health and Social Care procurement* Through either lack of CEC resource and/or provider capacity, the Council may be unable to secure appropriate contracts with its providers or deliver appropriate services as directed by the IJB. As a result we may be unable to deliver our own commitments, for example, to enable efficient discharge from hospital and consequently risk not fulfilling our duty of care to customers and to delivery of the H&SC partnership's strategic plan	**4**	**4**	• New structure for procurement designed to ensure appropriate skills • Access to external experts for capacity and capability and knowledge sharing • Partnership working with Service Areas and IJB (IJB Procurement Board) • Contract register includes end of contract action plans • Exceptional items escalated to CLT quarterly • The Chief Officer is a member of CEC CLT	**3**	**3**	• Rationalise number of contracts • Consider co-production with voluntary sector • Design MI reporting to include RAG status on progression of contracts and exceptions

	Category	Risk description	Inherent Risk		Current key mitigating controls	Residual Risk		Further actions
			I	L		I	L	
9	Hazard	**_Health and Safety_** Non-compliance with Council Health and Safety policies and procedures and legal and regulatory requirements could lead to avoidable employee or 3rd party injury or ill health and/or regulatory fines and liability claims, and associated reputational damage.	4	4	• Progress on Corporate H&S Strategic Plan is reported annually to CLT and Finance and Resources Committee • H&S performance measured and reported to CLT Risk Committee quarterly • Oversight of assurance programme to CLT Risk Committee quarterly • H&S risks and issues are reported to CLT each week. H&S is a standing agenda item • Corporate H&S Training programme – available across all levels	3	3	
10	Operational	**_ICT service delivery_** The current stresses in the new IT provider's service delivery / management are such that it may not be able to recover service standards in the immediate future and there may be a sustained period of outage, degraded performance, or errors in processing for one or more services. This will result in adverse impacts on service delivery, the Council's ability to operate, its finances or its reputation and loss of confidence in the strategic alliance.	4	4	• Contract defines standards to be attained. • Close management by ICT Service staff to review issues and trigger appropriate service management reporting and subsequent improvement plans	3	3	• Root-cause-analysis and full remediation plan still to be received from provider after data centre migration

Guidance for assessing Impact and Likelihood of risk

Likelihood	1 – Rare	2 – Unlikely	3 – Possible	4 – Likely	5 – Almost Certain
Probability	0-15%	16-35%	36-60%	61-80%	81-100%
Chance of Occurrence	Hard to imagine, only in exceptional circumstances	Not expected to occur, unlikely to happen	May happen, reasonable chance of occurring	More likely to occur than not	Hard to imagine not happening
Timeframe	Greater than 10 years	Between 5-10 years	Likely between 3-5 years	Likely between 1-3 years	Likely within 1 year

Impact	1 – Negligible	2 – Minor	3 – Moderate	4 – Major	5 - Catastrophic
Effect on outcomes	Minimal effect	Minor short term effect	Part failure to achieve outcomes	Significant failure to achieve obligations	Unable to fulfil obligations
Financial effect	Corporate: up to £250k Services: up to £100k	Corporate: £250k - £750k Services: £100k - £300k	Corporate: £750k - £5m Services: £300k - £1m	Corporate: £5m - £20m Services: £1m - £5m	Corporate: £20m + Services: £5m +
Reputational damage	None	Minor	Moderate loss of confidence and embarrassment	Major loss of confidence and adverse publicity	Severe loss of confidence and public outcry

Likelihood \ Impact	1 – Negligible	2 – Minor	3 – Moderate	4 – Major	5 - Catastrophic
5 – Almost Certain	Low	Medium	High	High	High
4 – Likely	Low	Low	Medium	High	High
3 – Possible	Low	Low	Medium	Medium	High
2 – Unlikely	Low	Low	Low	Low	Medium
1 – Rare	Low	Low	Low	Low	Low

Governance, Risk and Best Value Committee

10.00am, Thursday, 22 December 2016

Management Actions - Stand By, On Call and Disturbance Payments

Item number	7.6
Report number	
Executive/routine	Executive
Wards	All Wards

Executive Summary

The Internal Audit Quarterly Update Report: 1 April 2016 – 30 June 2016 was presented to GRBV Committee on 26 September 2016. This report provides an update on the recommendations and agreed Management Actions under the 'Continuous Testing – Stand By, On Call & Disturbance Payments' section of that report.

Links

Coalition Pledges	P44
Council Priorities	CP9
Single Outcome Agreement	S04

Report

Management Actions - Stand By, On Call and Disturbance Payments

1. Recommendations

1.1 It is recommended that committee notes the management actions taken to address the Internal Audit recommendations arising from the Quarterly Update Report: 1 April 2016 – 30 June 2016, Continuous Testing – Stand By, On Call and Disturbance Payments.

2. Background

2.1 Internal Audit carried out a routine programme of testing of continuous controls over key financial systems. As part of the 2015/16 audit plan a review was conducted of Out of Hours (OOH) services including Stand By/ On-call arrangements.

2.2 Standby describes the arrangement where members of staff have agreed to be available to attend work in response to unplanned or emergency situations out with normal working hours.

2.3 Internal Audit analysed all claims across the Council highlighting anomalies for further testing. A number of claims from Services for Communities, now Place, were highlighted.

3. Main report

3.1 There are occasions when staff are contacted outwith their normal working hours to provide advice or guidance but are not required to report to a designated workplace. This may involve an employee being contacted and dealing with an issue from home (or another location) over the phone or by email. Employees cannot receive disturbance and call-out payment for the same time period. For staff on standby, an allowance of £13.36 is payable once within each period of two hours, irrespective of the number of contacts within the period. For staff not on standby, the allowance is £18.37. Staff at grade 8 and above will only be paid in exceptional circumstances.

3.2 The Analysis of Standby and Call-out claims in sampled time periods for 2015 identified a number of cases where disturbance and call out overtime have been claimed for the same period.

3.3   There were four members of staff from Housing Property (formerly Edinburgh Building Services (EBS) who were audited through this process. Further investigations identified that there were also instances of underclaims which were greater than the incorrect disturbance allowance claims and in overall terms were not detrimental to the Council, in terms of payments.

3.4   In Cemeteries and Burials there is a weekend standby to provide a service for Muslim burials. Staff only claim overtime if they are on the rota to be on standby and they are called out. All claims are checked against the rota and approved by the appropriate line manager. Staff do not claim Disturbance payments.

3.5   Internal Audit identified six high claimants within Edinburgh Roads Services; three of which were due to the high number of disturbance claims. These were independently investigated and the majority of disturbance claims were winter weather related and in particular, salting treatment decisions and updates. The frequency of checking, and subsequent disturbance claims, correlates with the Winter Maintenance Plan. While Grade 8 staff have previously acted as the Winter Weather Duty Manager, checking weather forecasts four times a day, this is now carried out by Grade 7 staff. There was no pattern of over-claiming overtime or disturbance.

3.6   The recommendations and agreed Management Actions have all been put in place and further briefings have been carried out with team leaders and line managers. They will scrutinise claims on a weekly basis to ensure they are compliant.

3.7   Line managers have briefed their teams and made clear their expectations regarding compliance with procedures when claims are submitted.

3.8   Managers have been reminded of roles and responsibilities when signing off requests for allowances or overtime.

3.9   Budget Holding Managers will carry out ad-hoc analysis of claims, on a quarterly basis, to monitor compliance with procedures.

4.   Measures of success

4.1   The Action Plan actions and continuous monitoring carried out by officers will ensure robust management practices for claims.

4.2   Standby claims are in accordance with City of Edinburgh Council policies and guidelines.

5.   Financial impact

5.1   The issues identified relate to management procedures and the financial impact is insignificant.

6. Risk, policy, compliance and governance impact

6.1 Due diligence checks are not carried out by line managers for claims which are excessive, inappropriate, or erroneous.

6.2 Non-adherence to Council Policies.

6.3 Checks are not carried out on compliance with Working Time Directive.

7. Equalities impact

7.1 The content of this report has no impact on the Council's Public Sector Equality Duty of the Equality Act 2010.

8. Sustainability impact

8.1 None.

9. Consultation and engagement

9.1 None.

10. Background reading/external references

10.1 Internal Audit Quarterly Update - 1 April 2016 to 30 June 2016

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11. Links

Coalition Pledges	P44 – Prioritise keeping our streets clean and attractive
Council Priorities	CP9 – An attractive city
Single Outcome Agreement	SO4 – Edinburgh's communities are safer and have improved physical and social fabric.
Appendices	None

Governance Risk and Best Value Committee

10.00am, Thursday 22 December 2016

Treasury Management – Mid-Term Report 2016-17 - referral from the City of Edinburgh Council

Item number	7.7
Report number	
Wards	All

Executive summary

The City of Edinburgh Council on 24 November 2016 considered a report which provided an update on Treasury Management Activity in 2016/17. The report was referred to the Governance, Risk and Best Value Committee for scrutiny.

Links

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

Terms of Referral

Treasury Management Mid-Term Report 2016/17

Terms of referral

1.1   The City of Edinburgh Council on 24 November 2016 considered a report which provided an update on Treasury Management activity in 2016/17. Approval was sought for the Treasury Management Strategy.

1.2   A deputation from Unite commended the Council for its treasury management strategy and in particular highlighted the work being undertaken to reduce the amount of debt and the interest paid on debt. The deputation referred to UNITE's Drop the Debt Campaign which called for an amnesty on all pre-devolution Council debts owed to the UK Treasury.

1.3   The deputation welcomed the work being done by Council finance officers towards reducing debt, taking into account the recent reduction in interest repayment rates on borrowing by the Public Works Loan Board. They highlighted that no borrowing had taken place during the first half of the financial year and that the Council continued to fund capital expenditure temporarily from cash deposits. This approach generated significant short-term savings in loan charges for the Council.

1.4   The City of Edinburgh Council agreed:

   1)   To approve the Treasury Management Strategy.

   2)   To refer the report to the Governance, Risk and Best Value Committee for scrutiny.

For Decision/Action

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

Background reading / external references

Minute of the City of Edinburgh Council 24 November 2016

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

Contact: Louise Williamson, Assistant Committee Clerk

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

Links

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

The City of Edinburgh Council

10.00am, Thursday 24 November 2016

Treasury Management: Mid-Term Report 2016/17 – referral report from the Finance and Resources Committee

Item number	8.9
Report number	
Executive/routine	
Wards	

Executive Summary

On the 3 November 2016 the Finance and Resources Committee considered a report that provided an update on Treasury Management Activity in 2016/17. The report has been referred to the City of Edinburgh Council for approval of the Treasury Management Strategy.

Links

Coalition Pledges	See attached report
Council Priorities	See attached report
Single Outcome Agreement	See attached report

Terms of Referral

Treasury Management: Mid-Term Report 2016/17

Terms of Referral

1.1 In accordance with the Treasury Management Strategy that was set in March 2016, the Council had completed no borrowing during the first half of the financial year and continued to fund capital expenditure temporarily from cash deposits. This approach generated significant short-term savings in Loans Charges for the Council. In following this Strategy, account was also being taken of the likely movement in interest rates in the medium and longer term and the Council's future estimated borrowing requirement.

1.2 The investment return for 2016/17 continued to show out-performance against the Fund's benchmark, although very low in absolute terms, while maintaining the security of investments as a priority.

1.3 The Finance and Resources Committee agreed:

    1.3.1 To note the mid-term report on Treasury Management for 2016/17.

    1.3.2 To refer the report to the City of Edinburgh Council for approval and subsequent referral by the City of Edinburgh Council to the Governance, Risk and Best Value Committee for scrutiny.

For Decision/Action

2.1 The City of Edinburgh Council is asked to approve the Treasury Management Strategy and refer the report to the Governance, Risk and Best Value Committee for scrutiny.

Background reading/external references

Minute of the Finance and Resources Committee, 3 November 2016

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

Contact: Veronica MacMillan, Committee Clerk

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

Links

Coalition Pledges	See attached report
Council Priorities	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Finance and Resources Committee

10.00am, Thursday, 3 November 2016

Treasury Management: Mid-Term Report 2016/17

Item number	7.7
Report number	
Executive/routine	
Wards	

Executive summary

The purpose of this report is to give an update on Treasury Management activity in 2016/17.

In accordance with the Strategy set in March 2016 the Council completed no borrowing during the first half of the financial year and continued to fund capital expenditure temporarily from cash deposits. This approach generates significant short-term savings in Loans Charges for the Council. In following this Strategy, account is also being taken of the likely movement in interest rates in the medium and longer term and the Council's future estimated borrowing requirement.

The investment return for 2016/17 continues to show out-performance against the Fund's benchmark, although very low in absolute terms, while maintaining the security of the investments as a priority.

Links

Coalition pledges	P30
Council priorities	CP13
Single Outcome Agreement	SO1

Report

Treasury Management: Mid-Term Report 2016/17

1.   Recommendations

1.1   It is recommended that the Committee:

1.1.1   notes the mid-term report on Treasury Management for 2016/17; and

1.1.2   refers the report to City of Edinburgh Council for approval and subsequent referral by City of Edinburgh Council to the Governance Risk and Best Value Committee for scrutiny.

2.   Background

2.1   The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, the mid-term report has been prepared setting out activity undertaken.

3.   Main report

3.1   **Interest Rate Background**

3.1.1   During the six months, the Bank of England's Monetary Policy Committee (MPC) reduced UK Bank Rate and increased Quantitative Easing (QE) as part of a package to stimulate the economy after the result of the EU referendum.   At the MPC's meeting of the 4 August 2016, UK Bank Rate was reduced for the first time since March 2009 to 0.25% and QE increased by £60bn to £435bn. The Bank of England also announced at its 4 August 2016 meeting, that it would be buying up to £10bn of Corporate Bonds and has introduced a scheme, 'The Term Funding Scheme', which will encourage banks to pass on cuts in Bank Rate to customers by providing funding for banks at interest rates close to Bank Rate.

Figure 1 – UK LIBOR Interest Rates

Source: Rueters
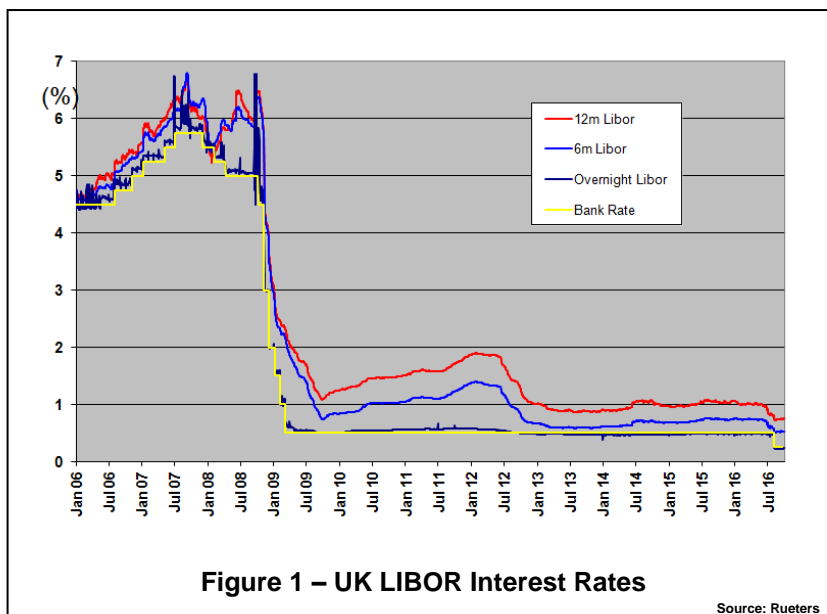
3.1.2 Figure 1 details Inter-Bank Lending Rates since the start of 2006 and shows that the overnight rate continues to follow the Bank Rate. All interest rates dropped in line with the reduction in Bank Rate to 0.25% at the beginning of August.

3.2 **Interest Rate Forecast**

3.2.1 Table 1 gives a Reuters poll of up to 56 economists, taken 15 September, showing their forecasts for UK Bank Rate until Quarter 4, 2017. This shows most economists polled believe that the UK Bank Rate will be at 0.1% from Quarter 4, 2016.

	Q3/16	Q4/16	Q1/17	Q2/17	Q3/17	Q4/17
Median	0.25	0.1	0.1	0.1	0.1	0.1
Mean	0.25	0.13	0.11	0.11	0.12	0.12
Mode	0.25	0.1	0.1	0.1	0.1	0.1
Min	0.25	0	0	0	0	0
Max	0.25	0.25	0.25	0.25	0.5	0.5
Count	56	56	53	53	53	52

Table 1 – Economists' Forecasts for UK Bank Rate

3.2.2 This reflects the MPC's August minutes which said that "*If the incoming data prove broadly consistent with the August Inflation Report forecast, a majority of members expect to support a further cut in Bank Rate to its effective lower bound at one of the MPC's forthcoming meetings during the course of the year. The MPC currently judges this bound to be close to, but a little above, zero*". There is therefore a danger that the MPC have talked themselves into a further reduction in Bank Rate in November, although it is not seen that this is as likely as the market expectations would suggest.

3.2.3 The annual rate of inflation (CPI) remains well below the Bank of England's lower limit. The minutes of the Bank of England's September

meeting noted that inflation was expected to pick up further over the remainder of 2016. This is mainly due to the waning influence of past falls in energy and food prices and the sharp depreciation in Sterling beginning to drive up imported material costs. According to the minutes CPI is expected to rise to around its 2% target in the first half of 2017.

3.3 **Investment Out-turn**

3.3.1 The Treasury Management strategy is to ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks. The Cash Fund's Investment Strategy continues to be based around security of the investments.

3.3.2 The rates on the Council's call accounts with Banks fell following the reduction in UK Bank Rate in August. Some of the rates were linked to UK Bank Rate and fell immediately whereas others had a notice period before the reduction took effect. As an example, the Council's transactional banker has intimated that the interest rate on the Council's overnight deposits will reduce from 0.25% to 0.01% in December. The interest rate which can be achieved by investing in UK Treasury Bills has also reduced significantly. Figure 2 below shows the rates achieved in the Friday auctions of UK Treasury Bills.

**Figure 2 – UK Treasury Bill Yields**

Source: DMO
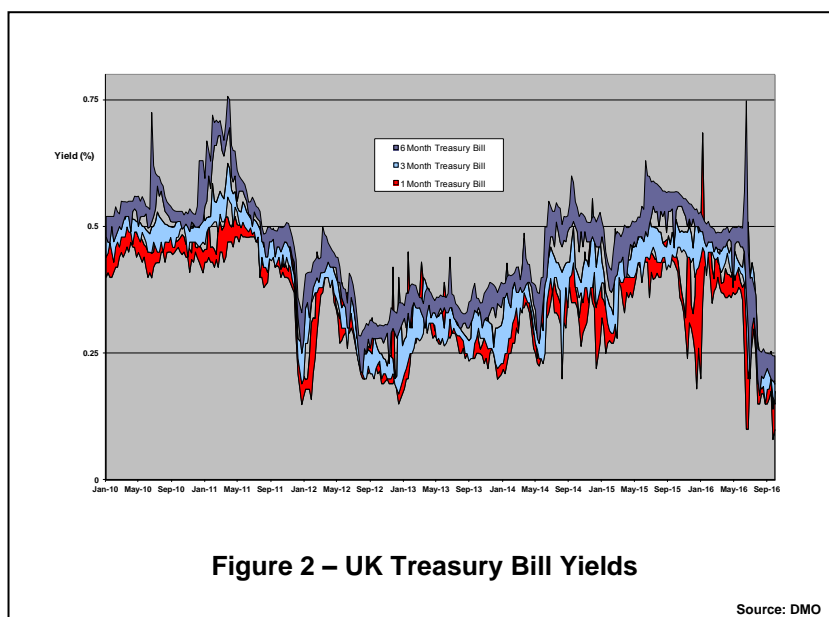
3.3.3 A sign of how low rates have fallen was that the lowest accepted yield for a one month UK Treasury Bill at the auction on the 30 September was only 0.08%.

3.3.4 Figure 3 below shows the distribution of Cash Fund deposits since inception. Appendix 2 shows the detail of cash fund investments as at 30 September 2016.

Figure 3 – Counterparty Analysis of Cash Fund Investments

Source: Internals
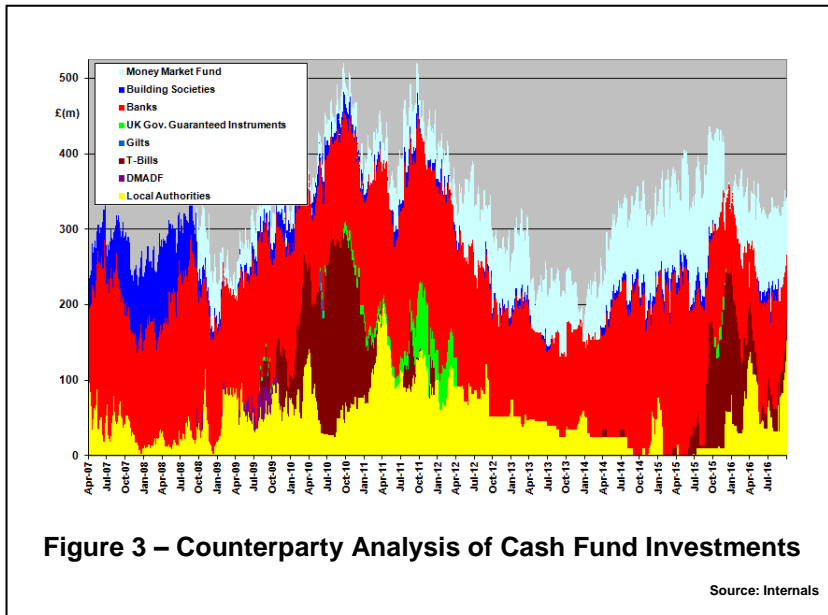
3.3.5 Earlier in the year slightly longer Treasury Bills were purchased and local authority deposits was placed as a small risk mitigation against the EU Referendum result. Most of the local authority deposits matured in September but there was a shortage of cash in the inter Local Authority market in September. Treasury were able to agree fixed deposits at an increased yield to Bank Rate, although at significantly lower rates than those maturing. It remains a challenging environment for cash investment in striking the balance between high levels of security and achieving an adequate return. Figure 4 below shows the investments by counterparty at the end of the half year.


Figure 4 – Investment by Counterparty (30 September 2016)

Source: Internal
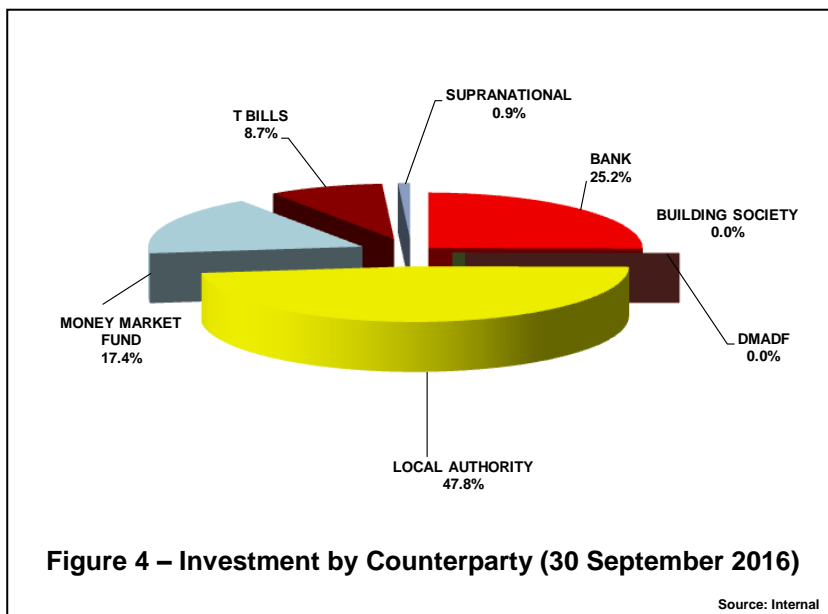
3.3.6 Over half of the cash fund is invested in Local Authority deposits and UK Treasury Bills. A further quarter is invested with Banks, including higher rated institutions such as HSBC and Svenska Handelsbanken. At the end of the six months, all Bank deposits were held in instant access call accounts. The Treasury team has remained in dialogue with these institutions to attempt to reduce the impact of the reduction in Bank Rate and maintain the best interest rates.

3.3.7 Figure 5 below shows the Weighted Average Life (WAL) – i.e. the average time to maturity of the Cash Fund investments since inception.

Figure 5 – Cash Fund Weighted Average Life

Source: Internal
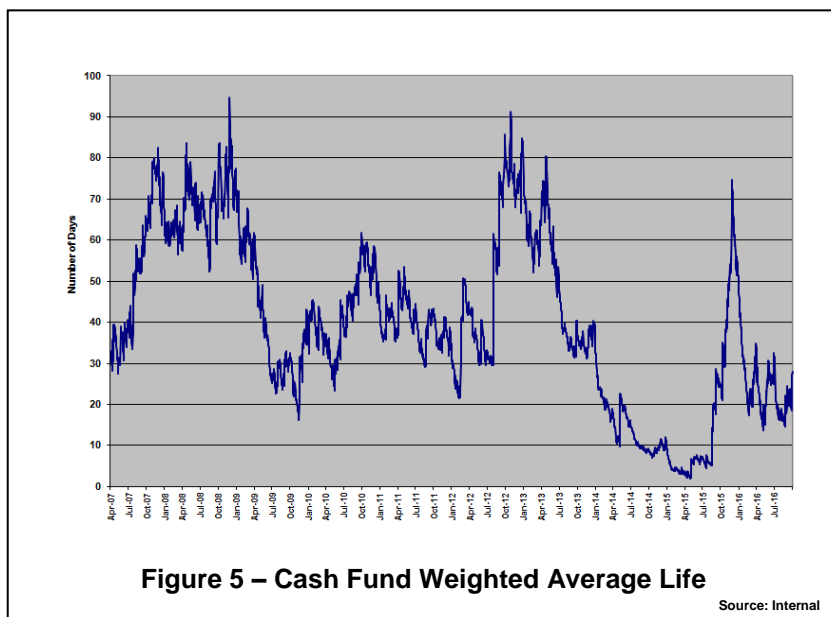
3.3.8 The WAL (weighted average time to the final maturity of investments) was 31 days at the start of the financial year. This was mainly due to some six month fixed deposits with a Local Authority at an attractive rate locked in before the Euro referendum to mitigate interest rate risk. UK Treasury bills with six month maturities and a six month deposit with a Local Authority kept the WAL close to 30 days at points during May and June. The WAL then reduced before increasing to 27 days towards the end of the six months due to three month Local Authority deposits.

3.4 Cash Fund Performance

3.4.1 The annualised rate of return for the Cash Fund for the six months to September 2016 was 0.47% against the benchmark of 0.28%. The rate of return on the cash fund will reduce due to the effect of the reduction in Bank Rate and the cash fund rate as at the 30 September was 0.35% against the seven day Libid benchmark of 0.12%. Figure 6 below shows the daily investment performance of the Cash Fund against its benchmark since April 2011.

Figure 6 – Treasury Cash Fund Investment Performance

Source: Internal
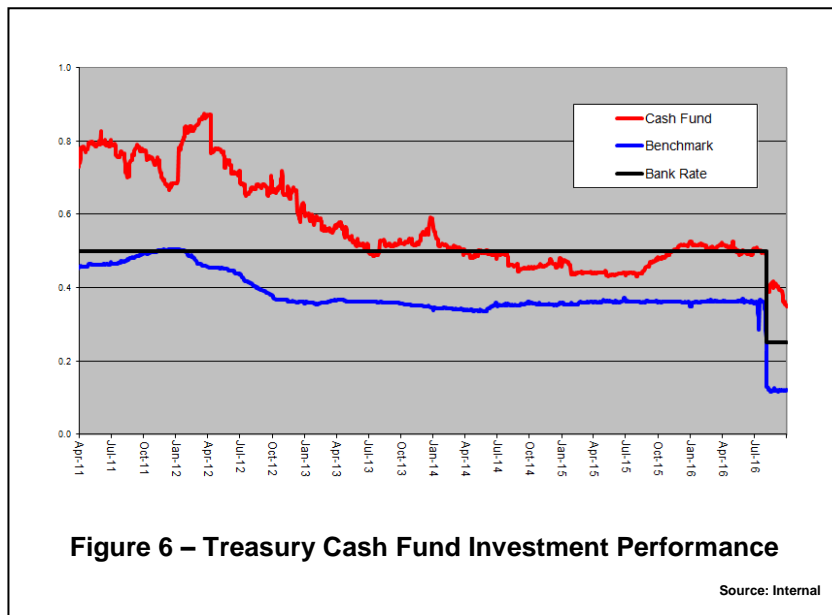
3.5 Debt Management Activity

3.5.1 The Debt Management strategy for 2016/17 is to continue to use the Council's investment balances to fund capital expenditure. The Council has undertaken no PWLB borrowing since December 2012, despite £131m in PWLB debt maturing over this period. Appendix 1 shows the current debt portfolio.

3.5.2 Figure 7 below shows the PWLB borrowing interest rates since the start of the 2005/06 financial year.

Figure 7 – PWLB Rates 2005 to Date

Source: PWLB
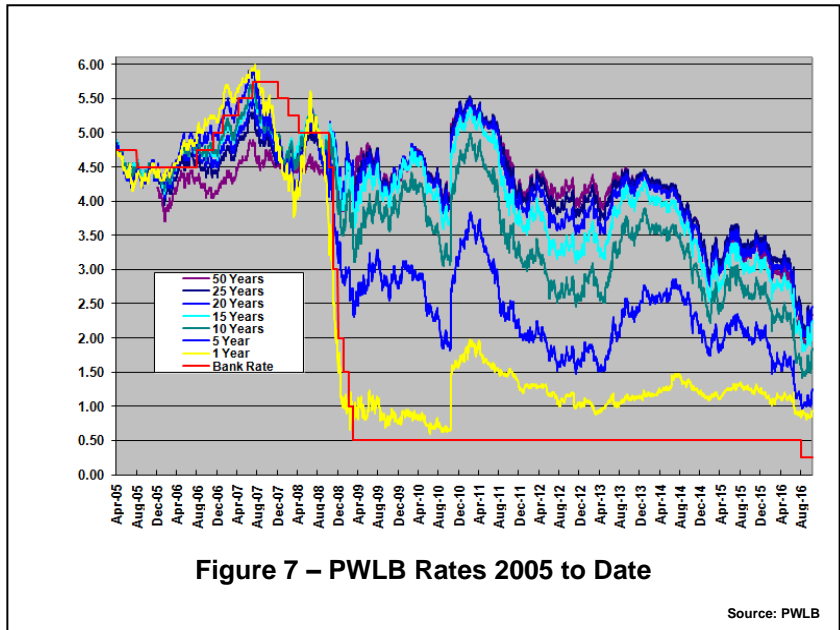
3.5.3   Following the referendum result, Gilt yields fell sharply across all
         maturities on the view that the Bank Rate would remain extremely low for
         the foreseeable future. The yield on the 10 year Gilt fell from 1.37% on
         23 June to a low of 0.52% in August; a quarter of what it was at the start
         of 2016. The 10 year Gilt yield has subsequently risen to 0.69% at the
         end of September and up to 1% in early October. The yield on the two
         and three year Gilts briefly dipped into negative territory intra-day on 10
         August as prices were driven higher by the Bank of England's bond
         repurchase programme. The programme had failed to meet its targets on
         9 August when pension funds and insurance companies failed to sell
         enough Gilts to the central bank to meet its target. The next reverse
         auction was back on track when the Bank of England successfully bought
         £1.17bn of UK Gilts. The fall in Gilt yields was reflected in the fall in
         PWLB borrowing rates as can be seen in figure 7 above.

3.5.4   The result of the UK's EU Referendum has created significant
         uncertainties for the UK economy. Although the fall in Sterling will boost
         the UK in the short term, it is likely that UK GDP will falter in the medium
         term and inflation will be higher than it otherwise would have been. Bond
         yields have fallen significantly, and the magnitude of the movement in
         sovereign bond yields between May 2015 and July 2016 is shown in
         Figure 8 below.

Figure 8 - Movement in Global Sovereign Bond Yields

Source: Rueters
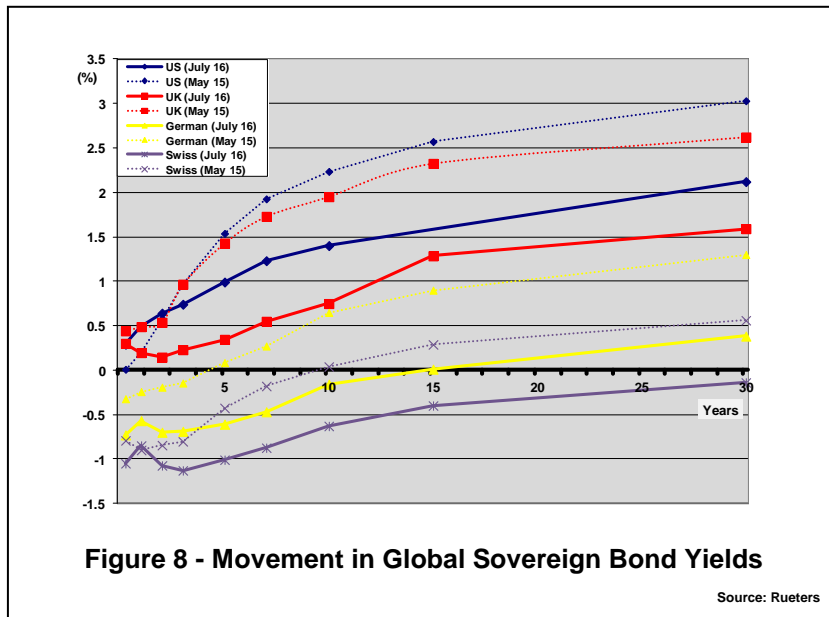
3.5.5 The following table shows the revised comparison of cumulative capital expenditure funded by borrowing (the Council's underlying need to borrow) and the actual external debt which the Council has.

SUMMARY OF CAPITAL FUNDING V EXTERNAL DEBT

Capital Funding v. External Debt	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000	£000
Debt b/fd	1,412,998	1,369,745	1,317,761	1,293,406	1,268,446	1,294,865
Cumulative capital expenditure b/fd	1,510,154	1,424,417	1,430,588	1,449,554	1,416,492	1,450,200
Over / under borrowed b/fd	-97,156	-54,672	-112,827	-156,148	-148,046	-155,335
GF capital financed by borrowing	-14,151	63,272	69,853	5,934	58,837	1,500
HRA capital financed by borrowing	16,705	23,030	30,929	42,477	56,491	65,226
less scheduled repayments by GF	-57,883	-60,584	-61,068	-59,553	-58,195	-61,059
less scheduled repayments by HRA	-27,156	-16,585	-18,267	-20,345	-22,908	-26,066
less scheduled repayments by Former Joint Boards	-3,252	-2,962	-2,481	-1,575	-517	-544
Underlying Need to Borrow	**-85,737**	**6,171**	**18,966**	**-33,062**	**33,708**	**-20,943**
Plus total maturing debt	43,605	51,984	54,355	54,960	53,581	55,567
Total borrowing requirement	-42,132	58,155	73,321	21,898	87,289	34,624
Planned PWLB or short borrowing for year	352	0	30,000	30,000	80,000	30,000
Debt at end of the year	1,369,745	1,317,761	1,293,406	1,268,446	1,294,865	1,269,298
Cumulative capital expenditure	1,424,417	1,430,588	1,449,554	1,416,492	1,450,200	1,429,257
Cumulative over / under borrowed	-54,672	-112,827	-156,148	-148,046	-155,335	-159,959

3.5.6   The main difference from the Treasury Management Strategy approved in March is that the cumulative capital expenditure funded by borrowing at the end of the 2015/16 financial year was significantly lower than forecast. This was a result of the reduction in capital advances due to the receipt of the monies for Atria One at the end of the financial year and additional repayment of HRA advances. Although the receipt for Atria One was unbudgeted for in 2015/16 due to uncertainty over the timing of the receipt, it had been allowed for in the longer term Treasury Management and Capital planning. More detail including updated prudential indicators are included in the month five capital monitoring report also included on the agenda.

3.5.7   The table above shows no need to undertake borrowing this financial year, and at present, it is intended to continue the current strategy of reducing investments to temporarily fund capital expenditure. However, there are a number of major projects which may result in an increase in the Council's borrowing requirement, including:

- negotiations on the City Deal are on-going but may result in a substantial borrowing requirement for the Council;

- the Edinburgh Homes project may result in a significantly increase in the borrowing requirement for housing; and

- the business case for extensions of the Trams line is still being developed.

3.5.8   As noted above, when an extension of the QE programme was announced by the MPC at the start of August, Gilt yields fell to historic lows. However, since then they have edged back up as shown in Figure 9 below.

Figure 9 – 10 Year UK Gilt Yield

Source: Rueters
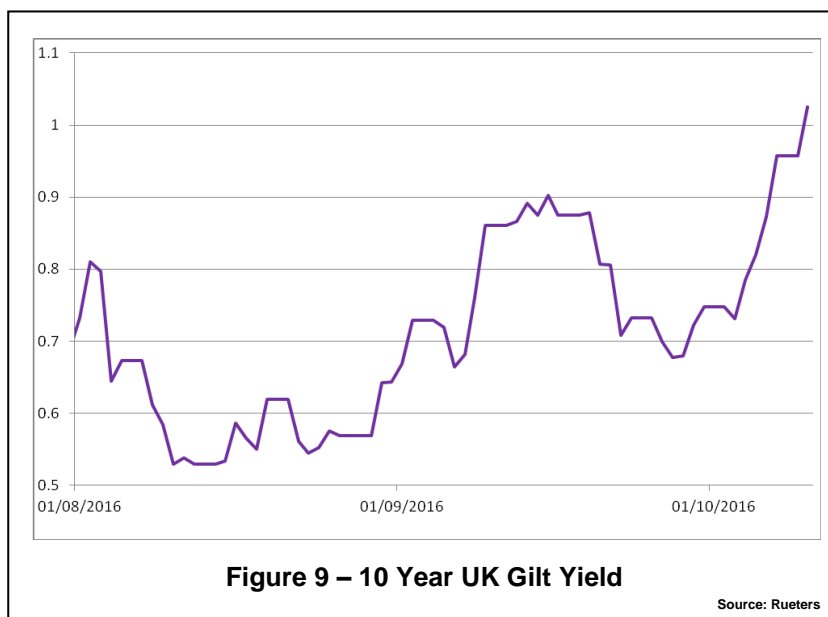
3.5.9 Some consideration was given pre-EU Referendum and again in August to locking in the historically low borrowing rates. However, there is no certainty on the quantum and timing of the borrowing required for the major projects above if they go ahead. Given the uncertainty and the additional cost of carry of borrowing it was decided to continue the current strategy rather than undertake what might be considered somewhat speculative pre-borrowing. Figure 10 below puts the movement since August into a slightly longer perspective, and shows the equivalent US and German 10 year yields. Consideration will also continue to be given to alternative funding sources to the PWLB.

Figure 10 – 10 Year Bond Yields

Source: Rueters
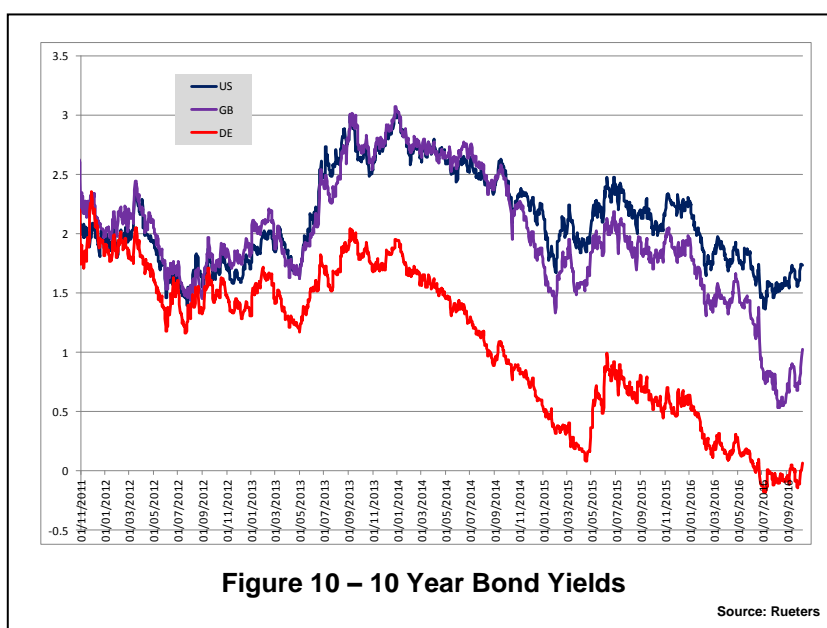
3.5.10 Since the start of the financial year £34.3m of debt has matured at an average rate of 7.25% and has not been re-financed. For the financial year 2016/17 £52.0m of debt is due to mature in total at an average rate of 7.53%.

3.5.11 In June Barclays Bank informed the Council of its decision to permanently waive its rights under the lender's option of the LOBO feature of the Loans to change the applicable interest rate in the future. This effectively converts the Authority's Barclays LOBO loans to fixed rate loans removing uncertainty on both interest cost and maturity date. Barclays stated they had been exploring ways to create more certainty in respect of the interest rate arrangements they have with clients. This will help reduce the sensitivity of unpredictable market conditions to Barclays and improve core capital which is a publicly stated strategic objective of theirs.

4.   Measures of success

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

5.   Financial impact

5.1   The Council continues to manage its debt portfolio so as to minimise the medium term cost of funding its capital projects.

5.2   The Treasury Cash Fund has generated significant additional income for the Council.

6.   Risk, policy, compliance and governance impact

6.1   The Council complies with the relevant CIPFA code of practice whilst undertaking Treasury Management activities. The significant financial risks associated with Treasury Management activities have been successfully managed during the first half of 2016/17.

7.   Equalities impact

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

8.   Sustainability impact

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

9.   Consultation and engagement

9.1   None.

10.   Background reading / external references

10.1   None.

Hugh Dunn

Acting Executive Director of Resources

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Links

Coalition pledges	P30 - Continue to Maintain a sound financial position including long-term financial planning
Council priorities	CP13 – Deliver lean and agile Council services
Single Outcome Agreement	SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all
Appendices	1: Outstanding Debt at 30 September 2016
	2: Outstanding Investments at 30 September 2016

Appendix 1

Outstanding Debt at 30 September 2016

Market Debt (non LOBO)

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)
Maturity	30/03/1992	30/03/2017	1,000,000	10.25
Maturity	21/08/1992	21/08/2017	500,000	9.75
Maturity	21/08/1992	21/08/2017	500,000	9.75
Maturity	30/06/2005	30/06/2065	5,000,000	4.4
Maturity	07/07/2005	07/07/2065	5,000,000	4.4
Maturity	21/12/2005	21/12/2065	5,000,000	4.99
Maturity	28/12/2005	24/12/2065	12,500,000	4.99
Maturity	14/03/2006	15/03/2066	15,000,000	5
Maturity	18/08/2006	18/08/2066	10,000,000	5.25
Maturity	01/02/2008	01/02/2078	10,000,000	3.95
			64,500,000	

Market Debt (LOBO)

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)
Maturity	12/11/1998	13/11/2028	3,000,000	4.75
Maturity	15/12/2003	15/12/2053	10,000,000	5.25
Maturity	18/02/2004	18/02/2054	10,000,000	4.54
Maturity	28/04/2005	28/04/2055	12,900,000	4.75
Maturity	01/07/2005	01/07/2065	10,000,000	3.86
Maturity	24/08/2005	24/08/2065	5,000,000	4.4
Maturity	07/09/2005	07/09/2065	10,000,000	4.99
Maturity	13/09/2005	14/09/2065	5,000,000	3.95
Maturity	03/10/2005	05/10/2065	5,000,000	4.375
Maturity	23/12/2005	23/12/2065	10,000,000	4.75
Maturity	06/03/2006	04/03/2066	5,000,000	4.625
Maturity	17/03/2006	17/03/2066	10,000,000	5.25
Maturity	03/04/2006	01/04/2066	10,000,000	4.875
Maturity	03/04/2006	01/04/2066	10,000,000	4.875
Maturity	03/04/2006	01/04/2066	10,000,000	4.875
Maturity	07/04/2006	07/04/2066	10,000,000	4.75
Maturity	05/06/2006	07/06/2066	20,000,000	5.25
Maturity	05/06/2006	07/06/2066	16,500,000	5.25
Maturity	26/02/2010	26/02/2060	5,000,000	8.2
Maturity	26/02/2010	26/02/2060	10,000,000	8.2
Maturity	25/02/2011	25/02/2060	15,000,000	8.245
Maturity	25/02/2011	25/02/2060	10,000,000	8.245
			212,400,000	

PWLB

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)
Maturity	15/08/1991	15/11/2016	10,000,000.00	10.875
Maturity	10/12/2008	10/12/2016	5,000,000.00	3.61
Maturity	02/12/2011	02/06/2017	5,000,000.00	2.28
Maturity	27/03/1992	25/09/2017	10,000,000.00	10.625
Maturity	09/10/2008	09/10/2017	5,000,000.00	4.39
Maturity	03/04/1992	25/03/2018	30,000,000.00	10.875
Maturity	23/04/2009	23/04/2018	15,000,000.00	3.24
Maturity	17/09/1992	15/05/2018	8,496,500.00	9.75
Maturity	09/06/2009	09/06/2018	5,000,000.00	3.75
Maturity	17/09/1993	15/11/2018	5,000,000.00	7.875
Maturity	23/03/1994	15/11/2018	5,000,000.00	8
Maturity	14/03/1994	11/03/2019	2,997,451.21	7.625
Maturity	18/10/1993	25/03/2019	5,000,000.00	7.875
Maturity	30/03/2009	30/03/2019	5,000,000.00	3.46
Maturity	21/04/2009	21/04/2019	10,000,000.00	3.4
Maturity	23/04/2009	23/04/2019	5,000,000.00	3.38
Annuity	12/11/2008	12/11/2019	1,830,151.84	3.96
Maturity	23/03/1994	15/11/2019	5,000,000.00	8
Maturity	07/12/1994	15/11/2019	10,000,000.00	8.625
Annuity	01/12/2008	01/12/2019	1,811,267.42	3.65
Maturity	01/12/2009	01/12/2019	5,000,000.00	3.77
Maturity	14/12/2009	14/12/2019	10,000,000.00	3.91
Maturity	15/02/1995	25/03/2020	5,000,000.00	8.625
Maturity	21/04/2009	21/04/2020	10,000,000.00	3.54
Maturity	12/05/2009	12/05/2020	10,000,000.00	3.96
Maturity	21/10/1994	15/05/2020	5,000,000.00	8.625
Maturity	07/12/1994	15/05/2020	5,000,000.00	8.625
Maturity	21/11/2011	21/05/2020	15,000,000.00	2.94
Maturity	16/08/1995	03/08/2020	2,997,451.21	8.375
Maturity	09/12/1994	15/11/2020	5,000,000.00	8.625
Annuity	10/05/2010	10/05/2021	2,482,373.05	3.09
Maturity	21/10/1994	15/05/2021	10,000,000.00	8.625
Maturity	10/03/1995	15/05/2021	11,900,000.00	8.75
Maturity	12/06/1995	15/05/2021	10,000,000.00	8
Maturity	02/06/2010	02/06/2021	5,000,000.00	3.89
Maturity	16/08/1994	03/08/2021	2,997,451.21	8.5
Maturity	28/04/1994	25/09/2021	5,000,000.00	8.125
Maturity	23/04/2009	23/04/2022	5,000,000.00	3.76
Maturity	12/06/1995	15/05/2022	10,200,000.00	8
Maturity	14/06/2010	14/06/2022	10,000,000.00	3.95
Maturity	31/03/1995	25/09/2022	6,206,000.00	8.625
Maturity	16/02/1995	03/02/2023	2,997,451.21	8.625
Maturity	24/04/1995	25/03/2023	10,000,000.00	8.5

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)
Maturity	05/12/1995	15/05/2023	5,200,000.00	8
Maturity	20/09/1993	14/09/2023	2,997,451.21	7.875
Maturity	20/09/1993	14/09/2023	584,502.98	7.875
Maturity	08/05/1996	25/09/2023	10,000,000.00	8.375
Maturity	13/10/2009	13/10/2023	5,000,000.00	3.87
Maturity	05/12/1995	15/11/2023	10,000,000.00	8
Maturity	10/05/2010	10/05/2024	10,000,000.00	4.32
Maturity	28/09/1995	28/09/2024	2,895,506.10	8.25
Maturity	14/05/2012	14/11/2024	10,000,000.00	3.36
Annuity	14/12/2009	14/12/2024	6,322,600.62	3.66
Maturity	17/10/1996	25/03/2025	10,000,000.00	7.875
Maturity	10/05/2010	10/05/2025	5,000,000.00	4.37
Maturity	16/11/2012	16/05/2025	20,000,000.00	2.88
Maturity	13/02/1997	18/05/2025	10,000,000.00	7.375
Maturity	20/02/1997	15/11/2025	20,000,000.00	7.375
Annuity	01/12/2009	01/12/2025	9,924,798.06	3.64
Maturity	21/12/1995	21/12/2025	2,397,960.97	7.875
Maturity	21/05/1997	15/05/2026	10,000,000.00	7.125
Maturity	28/05/1997	15/05/2026	10,000,000.00	7.25
Maturity	29/08/1997	15/11/2026	5,000,000.00	7
Maturity	24/06/1997	15/11/2026	5,328,077.00	7.125
Maturity	07/08/1997	15/11/2026	15,000,000.00	6.875
Maturity	13/10/1997	25/03/2027	10,000,000.00	6.375
Maturity	22/10/1997	25/03/2027	5,000,000.00	6.5
Maturity	13/11/1997	15/05/2027	3,649,966.00	6.5
Maturity	17/11/1997	15/05/2027	5,000,000.00	6.5
Maturity	13/12/2012	13/06/2027	20,000,000.00	3.18
Maturity	12/03/1998	15/11/2027	8,677,693.00	5.875
Maturity	06/09/2010	06/09/2028	10,000,000.00	3.85
Maturity	14/07/2011	14/07/2029	10,000,000.00	4.9
EIP	14/07/1950	03/03/2030	3,412.54	3
Maturity	14/07/2011	14/07/2030	10,000,000.00	4.93
EIP	15/06/1951	15/05/2031	3,515.40	3
Maturity	06/09/2010	06/09/2031	20,000,000.00	3.95
Maturity	15/12/2011	15/06/2032	10,000,000.00	3.98
Maturity	15/09/2011	15/09/2036	10,000,000.00	4.47
Maturity	22/09/2011	22/09/2036	10,000,000.00	4.49
Maturity	10/12/2007	10/12/2037	10,000,000.00	4.49
Maturity	08/09/2011	08/09/2038	10,000,000.00	4.67
Maturity	15/09/2011	15/09/2039	10,000,000.00	4.52
Maturity	06/10/2011	06/10/2043	20,000,000.00	4.35
Maturity	09/08/2011	09/02/2046	20,000,000.00	4.8
Maturity	23/01/2006	23/07/2046	10,000,000.00	3.7
Maturity	23/01/2006	23/07/2046	10,000,000.00	3.7

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)
Maturity	19/05/2006	19/11/2046	10,000,000.00	4.25
Maturity	07/01/2008	07/01/2048	5,000,000.00	4.4
Maturity	27/01/2006	27/07/2051	1,250,000.00	3.7
Maturity	16/01/2007	16/07/2052	40,000,000.00	4.25
Maturity	30/01/2007	30/07/2052	10,000,000.00	4.35
Maturity	13/02/2007	13/08/2052	20,000,000.00	4.35
Maturity	20/02/2007	20/08/2052	70,000,000.00	4.35
Maturity	22/02/2007	22/08/2052	50,000,000.00	4.35
Maturity	08/03/2007	08/09/2052	5,000,000.00	4.25
Maturity	30/05/2007	30/11/2052	10,000,000.00	4.6
Maturity	11/06/2007	11/12/2052	15,000,000.00	4.7
Maturity	12/06/2007	12/12/2052	25,000,000.00	4.75
Maturity	05/07/2007	05/01/2053	12,000,000.00	4.8
Maturity	25/07/2007	25/01/2053	5,000,000.00	4.65
Maturity	10/08/2007	10/02/2053	5,000,000.00	4.55
Maturity	24/08/2007	24/02/2053	7,500,000.00	4.5
Maturity	13/09/2007	13/03/2053	5,000,000.00	4.5
Maturity	12/10/2007	12/04/2053	5,000,000.00	4.6
Maturity	05/11/2007	05/05/2057	5,000,000.00	4.6
Maturity	15/08/2008	15/02/2058	5,000,000.00	4.39
Maturity	02/12/2011	02/12/2061	5,000,000.00	3.98
			1,038,651,581.03	

SALIX

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)
EIP	07/01/2015	01/09/2021	394,785.70	0
EIP	31/03/2015	01/04/2023	1,262,028.18	0
EIP	22/09/2015	01/10/2023	329,699.55	0
			1,986,513.43	

Appendix 2

Outstanding Deposits at 30 September 2016

COUNTERPARTY	START DATE	MATURITY	OUTSTANDING (£)	INTEREST (%)
Bank of Scotland	27/09/2007	/ /	31,712,699.09	0.3
Royal Bank Of Scotland	23/05/2008	/ /	4,565,616.96	0.25
Santander UK Business Reserve	16/09/2008	/ /	65,581.11	0.4
Barclays Bank	26/11/2010	/ /	94,272.02	0.25
Deutsche Bank AG, London	01/06/2011	/ /	50,448,370.62	0.377264
Svenska Handelsbanken	13/01/2012	/ /	50,378,055.29	0.35
Goldman Sachs Sterling Liquid Reserve	08/05/2012	/ /	9,478,240.14	0.271232
HSBC Bank Plc	01/07/2013	/ /	18,273.27	0.15
Lancashire County Council	05/05/2016	07/11/2016	10,000,000.00	0.575
Spelthorne Borough Council	12/09/2016	14/11/2016	16,000,000.00	0.3
Rotherham Metropolitan Borough Council	26/08/2016	26/10/2016	10,000,000.00	0.27
Glasgow City Council	25/08/2016	17/10/2016	17,540,000.00	0.27
Glasgow City Council	02/09/2016	02/12/2016	14,812,000.00	0.3
Leeds City Council	26/09/2016	1 month notice	25,000,000.00	0.3
London Borough of Barking and Dagenham	14/09/2016	16/01/2017	5,000,000.00	0.3
London Borough of Newham	20/09/2016	20/12/2016	10,000,000.00	0.3
Suffolk County Council	20/09/2016	21/11/2016	5,000,000.00	0.32
West Berkshire Council	21/09/2016	05/10/2016	2,000,000.00	0.34
Medway Council	22/09/2016	24/10/2016	5,000,000.00	0.34
Dudley Metropolitan BC	26/09/2016	03/01/2017	6,500,000.00	0.35
London Borough of Newham	28/09/2016	05/10/2016	3,000,000.00	0.34
Buckinghamshire County Council	29/09/2016	31/10/2016	5,000,000.00	0.34
Buckinghamshire County Council	29/09/2016	29/12/2016	10,000,000.00	0.34
London Borough of Newham	29/09/2016	13/10/2016	3,000,000.00	0.34
West Berkshire Council	30/09/2016	14/10/2016	7,500,000.00	0.34
Buckinghamshire County Council	30/09/2016	31/10/2016	10,000,000.00	0.36
European Investment Bank	16/08/2016	07/12/2016	3,094,442.75	0.32
H M Treasury	23/05/2016	21/11/2016	9,975,874.78	0.485
H M Treasury	31/05/2016	28/11/2016	9,976,007.02	0.485
H M Treasury	27/06/2016	28/12/2016	9,971,348.08	0.57
			345,130,781.13	

The £345m on deposit is represented by:

£103m Lothian Pension Fund
£234m City of Edinburgh Council
£3.3m CEC Council Companies
£4.8m Other

Governance, Risk and Best Value Committee

10.00am, Thursday, 22 December 2016

Looked After Children – Transformation Programme Progress Update – referral from the Education, Children and Families Committee

Item number	7.8
Report number	
Wards	All

Executive summary

The Education, Children and Families Committee on 13 December 2016 considered an update on progress to the end of September 2016 against targets aimed at shifting the balance of care towards more preventative services that reduced the need for children to come into care. The Committee noted the report and agreed to refer it to the Governance, Risk and Best Value Committee for information.

Links

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

Looked After Children – Transformation Programme Progress Update

Terms of referral

1.1 The Governance, Risk and Best Value Committee on 25 September 2013 considered a report setting out targets for shifting the balance of care towards more preventative services that reduced the need for children to come into care. This aimed to secure better outcomes for children, avoid a continued increase in costs and deliver cashable savings by 2015/16.

1.2 On 13 December 2016, the Education, Children and Families Committee considered a report by the Acting Executive Director of Communities and Families providing an update to the end of September 2016 on progress towards achieving the previously agreed targets.

1.3 The service was on or ahead of target with the overall number of Looked After Children (LAC), the number of LAC in foster care and the number placed with kinship carers.

1.4 The service was behind target on prospective adoptions due mainly as a result of the increased success in placing children with kinship carers.

1.5 The service was behind target on the proportion of foster care placements being provided by the Council's own carers and the number of LAC in residential.

1.6 One-off measures had been identified to mitigate the financial implications of the areas behind target and work was ongoing to develop sustainable alternative savings in 2017/18 where targets were not expected to be delivered.

1.7 The Education, Children and Families Committee agreed:

1.7.1 To note the progress made to date against the targets as set out in Appendix 1 of the Acting Executive Director's report.

1.7.2 To note the actions in progress to deliver further improvements towards the March 2018 target.

1.7.3 To note that sustainable alternative savings were currently being developed to address the forecast shortfall against targets in 2017/18.

1.7.4 To note that the next update would be provided in June 2017.

1.7.5 To refer the report to the Governance, Risk and Best Value Committee.

For Decision/Action

2.1   The Governance, Risk and Best Value Committee is asked to note the updates contained in the attached report by the Acting Executive Director of Communities and Families.

Background reading / external references

Minute of Education, Children and Families Committee 13 December 2016

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

Contact: Lesley Birrell, Committee Services

Email: lesley.birrell@edinburgh.gov.uk | Tel: 0131 529 4240

Links

Coalition pledges	See attached report
Council priorities	See attached report
Single Outcome Agreement	See attached report
Appendix 1	Looked After Children – Transformation Programme Progress Update – report by the Acting Executive Director of Communities and Families

Education, Children and Families Committee

10am, Tuesday 13 December 2016

Looked After Children: Transformation Programme Progress Report

Item number	7.8
Report number	
Executive/routine	
Wards	All

Executive summary

Expenditure on Looked After Children (LAC) increased by an average of £1.8m a year from 2007 to 2013 as a result of increases in the number of LAC and increased use of purchased foster carers.

Through use of the Early Years Change Fund and initiatives agreed through the Priority Based Planning process the service has developed a transformation programme to shift the balance of care towards more preventative services that reduce the need for children to come into care. This aims to secure better outcomes for children, avoid a continued increase in costs and deliver cashable savings by 2015/16.

This report provides an update on progress to the end of September 2016 against the targets as set out in the original report to Corporate Management Team dated 31 July 2013 and subsequently reported to Governance, Risk and Best Value Committee on 25 September 2013.

Links

Coalition pledges	P1
Council outcomes	CO1-CO6
Single Outcome Agreement	SO3

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

The service is behind target on the proportion of foster care placements being provided by the Council's own carers and the number of LAC in residential.

The service has identified one off measures in 2016/17 to mitigate the financial implications of the areas behind target. Work is ongoing to develop sustainable alternative savings in 2017/18 where targets are not expected to be delivered.

Looked After Children: Transformation Programme Progress Report

Recommendations

1.1 Note the progress made to date against the targets as set out in appendix 1.

1.2 Note the actions in progress to deliver further improvements towards the March 2018 target.

1.3 Note that sustainable alternative savings are currently being developed to address the forecast shortfall against targets in 2017/18.

1.4 Note that the next update will be provided in June 2017.

1.5 Refer this report to Governance, Risk and Best Value Committee.

Background

2.1 The number of LAC increased from 1,228 in 2007 to 1,410 in 2013, an increase of 15% or an average of 30 children a year. The cost of this increase is £1.8m each year, a total increase of £10.8m since 2007. The Council had been budgeting for continued annual increases of £1.8m a year from 2013/14 to 2017/18.

2.2 The growth in LAC was primarily accommodated within fostering with an increase in placements from 386 in 2007 to 601 in 2013, an increase of 56%.

2.3 The majority of this growth was with independent fostering providers with the average cost per placement being £46K pa.

2.4 This trend of increasing numbers of LAC and corresponding increase in purchased fostering was reflected at a national level.

2.5 The Scottish Government, in seeing this trend across Scotland, set up the Early Years Change Fund encouraging Local Authorities to implement preventative initiatives designed to reduce the continued growth in LAC and shift investment from expensive intervention measures to early support for families that reduce the need for accommodation and improve outcomes for children and young people.

2.6 In February 2012 the Council approved funding of £8.642m from 2012/13 to 2014/15 for the Early Years Change Fund. The Council's Long-Term Financial Plan built in the continuation of £4.038m per year from 2015/16. Services developed through the Early Years Change Fund are being reviewed through the Council's Transformation Programme and proposed move to a locality model.

2.7 Through the Priority Based Planning process the service developed a transformation programme to change the balance of care for LAC to take effect from April 2013 and targets were set to March 2018. This includes strengthening

universal early years services and providing more support to families to support their children at home.

2.8   LAC can be placed in the following placement types. The direct cost of each placement type is also shown which gives a context to the variance in rates. The transformation programme aims to shift the balance of care towards the lower cost placement types:

Placement type / Client populations	Direct unit cost pa
Looked After at Home	Minimal. Mainly supported through staffing and some preventative services
Kinship care	£7K
Prospective adoption	£7K
In-house foster care	£26K
Purchased foster care	£46K
Young people's centres and close support	£100K - £150K
Residential schools	£100K - £310K
Secure care	£290K

Main report

Balance of Care targets

3.1   Appendix 1 sets out the client populations, the objective, and the target placement numbers as at 31 March for each year 2014 to 2018. The target, actual and variance as at 30 September 2016 is also shown. An indicator is shown to indicate if the performance to date is on or ahead of target (green), behind target (red) or whether performance is not displaying a trend and is therefore uncertain (amber).

3.2   Further information about each target will provide an understanding of the actions to date, any issues that have arisen and actions being taken to ensure future targets are achieved.

Looked After Children (all placements)

3.3   The target is to reduce the rate of annual growth by a third from an average of 30 placements to 20 a year. The performance is ahead of target with a positive variance to target of 115 at September 2016. The target allowed for some growth, however, there has been a reduction in the number of placements of 37 compared to March 2013.

3.4   Services designed to stop children needing to become LAC and enabling children to cease being LAC, such as universal Early Years services, parenting support programmes, Prepare, Family Group Decision Making and the newly created Integrated Family and Household Support service, will continue to focus on supporting children and families to enable them to not require statutory measures.

Foster Care

Overall placement numbers

3.5   Foster placements had increased at an average of 40 a year from March 2007 to March 2013. The target is for there to be no further growth in this population and this is ahead of target with there being a reduction of 34 placements compared to March 2013.

3.6   It should be noted that foster care is also provided on a discretionary basis to former LAC i.e. children who were in a foster placement but are no longer legally classed as Looked After when they reach age 18. As part of throughcare planning for some of these young people a continuation of their foster placement, often whilst attending further education, is agreed. Through the new Continuing Care legislation it will no longer be discretionary to support placements for 18 year olds from April 2017. The Scottish Government will provide additional funding to meet the expected increase in costs as a result of the new legislation.

3.7   In the meantime work is currently taking place to review all placements for former LAC to ensure their continuation is justified under the current legislation.

The City of Edinburgh Council (CEC) Foster Care

3.8   The target is to increase the proportion of foster placements provided by the Council's own carers to 77% by March 2018. At September 2016 the target is to have reached 71%, however, the service is behind target having achieved 62%.

3.9   Actions taken recently that are expected to further improve this position are:

3.9.1   19 carers from independent agencies are in the process of transferring to become CEC carers. 19 will have been approved by the end of March 2017.

3.9.2   From April – December 2016 there has been a net increase of 45 CEC foster carers. This is a significant increase on the previous year where there was a net decrease of 4 due to an increased number of de-registrations primarily due to carer retirement. On average every carer

provides 1.5 placements and therefore placement capacity has increased by approximately 67 Places, but some of these will offer respite care.

3.9.3   A carer capacity exercise was carried out in summer 2013 where approximately 160 existing foster carers were interviewed to discuss their willingness to take additional placements and identify the support required to enable this to happen. This has resulted in 13 carers being prepared to offer up to 19 additional placements if adaptations to their property can be made to increase the number of bedrooms and bathrooms. This is now being progressed using Early Years Change Fund funding and all adaptations are nearing completion. .

3.9.4   Improvements in information and processes for new carer enquires have produced efficiencies in the assessment of carers which may contribute to an increase in approval rates.

Independent Foster Care

3.10   The target is to reduce the percentage of independent foster placements to 23% by March 2018. At September 2016 the target is to have reached 29%, however, the service is behind target having achieved 38%.

3.11   By way of comparison the number of new placements made with independent agencies in 2012/13 was 27% of all new placements. In 2015/16 this had reduced to 18% which has been enabled by the improvements in recruiting and supporting the Council's own carers. Performance to date in 2016/17 indicates a further improvement to 15%.

3.12   This position is expected to continue to improve as the impact of the measures detailed in 3.9 above is delivered. The extra capacity should enable the reduction in referrals to independent agencies to be maintained and improve the performance against this target.

3.13   The service continues to meet with all independent agencies to review pricing, particularly in relation to permanent placements and placements for young people aged 18 and over. The service will continue to challenge pricing where appropriate in order to ensure all charges are justified for each placement.

Residential Care

3.14   The target is to reduce residential placements by four a year and at September 2016 the target would be a reduction of 14 since March 2013. The service is behind target by 18 placements.

3.15   The shortfall has been caused by increasing demands for independent residential school placements for children with exceptional needs. Expenditure in 2013/14 was £3.8m but this increased to £4.4m in 2014/15 and £5.6m in 2015/16. The current forecast for 2016/17 is expenditure of £4.9m. The service has estimated it will require a budget of £4.4m for this area in 2017/18 which is £1.4m over the budget available.

3.16   The service has been successful in reducing demand for internally provided placements through the closure of Wellington School in 2014, Pentland View in February 2015 and Greendykes Young People's Centre (YPC) in August 2016. The opening of the new Heathervale unit in 2016 and the replacement of Oxgangs YPC in 2017, to a similar design as Heathervale, will provide more flexible accommodation for young people and enable the service to manage some of the young people with exceptional needs.

3.17   The service has carried out an analysis of the use of residential care (including secure care) across Scotland. In 2015/16 the proportion of LAC in residential care was 9.9% nationally compared to 6.3% in Edinburgh. This reflects the impact of measures taken to date as set out above. To achieve the 2017/18 target the proportion would have to reduce to 4% of LAC. Further reductions to the residential estate budgeted in 2017/18 are now assessed as not being deliverable if the Council is to maintain sufficient capacity to meet the needs of the children it has to support. This will, however, result in a shortfall against approved savings for 2017/18.

3.18   The service continues to review all internal and purchased residential placements to minimise their use. Independent reviewing officers chair reviews of LAC placements. In the highest spend cases we have put in place a number of practice evaluation sessions which involve senior management scrutiny of ongoing placements and a new exploration of the alternatives. This is leading to some proposed alternative plans for children but in most cases these will need the agreement of a Children's Hearing as the child's place of residence is named in the conditions attached to a statutory supervision order.

3.19   In addition, all placements are undergoing a re-assessment involving relevant social work and education staff to identify opportunities for returning the children to Council provision. This will include utilising the principles of the Social Care (Self-directed Support) (Scotland) Act 2013 where possible, which seeks to engage parents, carers and extended family in developing a support plan that meets their needs and enables the child to be cared for by them, where it is safe and appropriate to do so.

Kinship Care

3.20   The target is to increase kinship placements to 24% of all LAC by March 2018. At September 2016 the target is 23% and the actual figure is 24% which shows the service has already achieved its March 2018 target.

3.21   Over the past few years kinship support services have been put in place which supports approximately 100 placements a year. The Family Group Decision Making Service has also been expanded to provide a service for vulnerable babies across the city and reviewing existing residential placements, and taken together, the expansion of this support to families is seen to be the main reasons for the increases in kinship placements.

3.22 The vulnerable babies project roll out to other areas of the city has had a positive effect on the number of babies needing to become LAC and subsequently being placed for adoption.

Prospective adoptions

3.23 The target is to increase the number of prospective adoptions by five in 2013/14 and by 10 from 2014/15.

3.24 The number of children placed with prospective adopters in 2014/15 reduced by 42% compared to 2013/14. The position has increased during 2015/16 but is still a reduction of 26% on 2013/14 levels. This is a result of the reduction of children being identified where adoption is in their best interests. The work of Family Group Decision Making and Prepare is felt to be instrumental in this as their work aims to support more babies to remain with their parents or with kinship carers.

3.25 It is too early to say if this reduction will be maintained as it depends mainly on the stability of kinship placements being maintained. The service is monitoring the success of kinship placements for babies as this is the population that in the past has been the most likely to require adoption.

Secure Care

3.26 The target is to reduce usage of secure placements from 12 to 6 by March 2015. At September 2016 the number was nine and this has since reduced to five in November. This is one ahead of target.

3.27 On this basis, a separate report to this Committee is seeking approval to cease referrals to the secure unit on the St Katharine's campus.

3.28 The service will seek to sell any remaining capacity when demand arises but the main target is to keep Edinburgh usage at six beds to sustain reduction in capacity from 12 to 6 beds.

3.29 Additional measures are being taken to further reduce the need for secure accommodation including enhancing support in residential units, providing intensive family support services and maximising the use of Movement Restriction Conditions (electronic tagging). However, the service anticipates that there will be a requirement to purchase additional secure placements or alternative forms of independent residential placements on occasion. This is based on the knowledge that the average use of secure care over recent years has been approximately 12 placements at any one time. Current planning assumptions are based on the service requiring additional funding of £1m a year to meet these requirements.

Looked After Children at Home

3.30 The target is to increase the proportion of Looked After children supported at home with their parents from 27% to 29% by 2017/18. This reflects a gradual increase over time and the benefits of this are that children remain with their parents and do not require higher cost services such as residential, foster and kinship placements.

3.31 At September 2016 the proportion had reduced to 25% due to a significant increase in the number ceasing to be Looked After at all.

3.32 The service continues to have the long-term aim of increasing the proportion of Looked After at home within the LAC population but at this stage welcomes the reduction in the need for children to be Looked After.

Measures of success

4.1 The programme has the following key measures of success (when compared to the position at March 2013). The position at September 2016 relative to targets is also given. Appendix 1 displays the targets to 2017/18 along with targets and performance as at September 2016.

The target is for:

4.1.1 Annual growth in total LAC to be reduced by 33% from 2013/14 and at September 2016 this is ahead of target.

4.1.2 No net growth in LAC foster placements from 2013/14 to 2017/18 and performance at September 2016 is ahead of target.

4.1.3 The proportion of foster placements with the City of Edinburgh Council's own carers to increase to 75% by 2017/18. Performance at September 2016 is behind target.

4.1.4 The proportion of foster placements purchased from independent providers to reduce to 25% by 2017/18. Performance at September 2016 is behind target.

4.1.5 The number of residential placements to reduce by 27% by 2017/18. Performance at September 2016 is behind target.

4.1.6 The number of LAC placed with kinship carers to increase to 24% of all LAC by 2017/18. Performance at September 2016is ahead of target.

4.1.7 The number of LAC placed for adoption to increase by 5 in 2013/14 and by 10 a year from 2014/15. Performance at September 2016 is behind target, however, this is due to a reduction in the number of children requiring an adoption placement.

4.1.8 The number of secure placements to reduce by 50% by 2015/16. This is a reduction of six placements and at September 2016 is on target.

4.1.9 The proportion of children Looked After at home to increase to 29% of the total LAC population by 2017/18 and at September 2016 is behind target.

4.2 Where targets are not being achieved actions are being taken to address this where possible and further details are included in the main report.

4.3   It should also be acknowledged that the aim is to achieve the optimum balance between different care types and in certain instances being behind target is mitigated by other areas being ahead of target.

Financial impact

5.1   The financial impact of the variances to target are shown in the table below. The net impact of performance against targets is a pressure of £2.2m in 2016/17.

Client population	Target – September 2016	Actual – September 2016	Variance – September 2016	Average Cost per place £K	Variance to target – September 2016 £K
CEC foster care	431	367	-76	26	(1.976)
Independent foster care	178	219	41	46	1.886
Residential care	70	88	18	160	2.880
Kinship Care	341	327	-14	7	(0.098)
Prospective adoptions	49	33	-16	7	(0.112)
Secure care	6	9	3	290	0.870
Sub-total					**3.450**
Adjustments					
Additional fostering funding provided to cover 2013/14 and 2014/15 shortfall					(0.800)
Approved saving on adoption allowances due to reduced demand					0.100
Secure care financial target (see note below)			-2	275	(0.550)
Total adjustments					**(1.250)**
TOTAL					**2.200**
Note: the target for secure care is to operate at no more than six placements; however, in the current operational configuration of 12 beds being provided by the Council financially the budget is set to enable eight placements to be used by the Council and four sold to other authorities.					

5.2 The service has identified savings from other areas to cover the pressure in 2016/17.

5.3 The service has undertaken an assessment of the potential impact of the pressure in 2017/18, taking into account the mitigating actions detailed in the main report and the further approved savings of £1.9m in 2017/18, and has identified a pressure of £4.5m for which alternative savings are being developed.

5.4 It should be noted that the success in maintaining overall foster numbers at the March 2013 level, compared to average increases of 40 a year at an annual cost of £1.8m in the previous six years, has delivered an estimated avoided annual cost of approximately £6.3m a year as at September 2016. This is the additional annual cost the service would have incurred if increases had remained at the 2007 - 2013 level.

Risk, policy, compliance and governance impact

6.1 The significant risks associated with the transformation programme are reflected in the report and a resultant £4.5m pressure in 2017/18 has been identified. Due to the nature of the client group being supported and the high cost per placement for residential, secure and foster care there will always be a risk that additional pressures may arise. The service is confident, however, that the services and processes in place can minimise the risks of significant additional pressures arising.

Equalities impact

7.1 It is anticipated that the overall programme will have a positive impact on outcomes for vulnerable children due to the focus on preventative, neighbourhood and family focused initiatives. A record of Equality and Rights Impact Assessment will be published in accordance with agreed Council processes.

Sustainability impact

8.1 There are no direct sustainability implications arising from this report. A Sustainability and Environmental Impact Assessment will be published in accordance with agreed Council processes.

Consultation and engagement

9.1 Where the transformation initiatives require consultation with the trade unions, public or Scottish Government it will be carried out as necessary.

Background reading/external references

[Looked After Children: Transformational Programme Progress Report – Governance, Risk and Best Value Committee 23 September 2015](#)

[Early Years Change Fund Progress Update on Year Three – Education, Children and Families Committee 6 October 2015](#)

[Implementation of Children and Young People (Scotland) Act 2014 – Education, Children and Families Committee 6 October 2015](#)

[Annual Review of Services for Looked After and Accommodated Children- Report to Education, Children and Families Committee 8 December 2015](#)

Alistair Gaw

Acting Director of Communities and Families

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Links

Coalition pledges	P1 – Increase support for vulnerable children, including help for families so that fewer go into care
Council outcomes	CO1 – Our children have the best start in life, are able to make and sustain relationships and are ready to succeed
	CO2 – Our children and young people are successful learners, confident individuals and responsible citizens making a positive contribution to their communities
	CO3 – Our children and young people in need, or with a disability, have improved life chances
	CO4 – Our children and young people are physically and emotionally healthy
	CO5 – Our children and young people are safe from harm or fear of harm, and do not harm others within their communities
	CO6 – Our children and young people's outcomes are not undermined by poverty and inequality
Single Outcome Agreement	SO3 – Edinburgh's children and young people enjoy their childhood and fulfil their potential
Appendices	1 LAC Transformation Programme performance reporting as at December 2016

Looked After Children – Balance of Care targets 2013/14 - 2017/18

Client populations	Objective	Lead Officer(s)	Target at March: 2014	2015	2016	2017	2018	Position as at: Target	September Actual	2016 Diff.	Status
Looked After Children (covering all sub-sets below)	To reduce the rate of increase for this population to +20 or less for the full year.	Becky Cropper, Team Manager, Family Solutions	1,433	1,456	1,477	1,498	1,519	1,488	1,373	-115	🟢
Foster Care	No growth in overall foster numbers. The net difference for the full year should be 0.	Scott Dunbar, Service Manager, Looked After Accommodated Children Services	608	608	608	608	608	608	574	-34	🟢
CEC foster Care	To increase the number of placements with CEC Carers. The net difference for the full year should be +25 or more.	Scott Dunbar, Service Manager, Looked After Accommodated Children Services	368	393	418	443	468	431	355	-76	🔴
Independent foster care	To reduce the number of placements with Independent Carers. The net difference for the full year should be -25 or more.	Scott Dunbar, Service Manager, Looked After Accommodated Children Services	240	215	190	165	140	178	219	+41	🔴
Residential care	To reduce the number of placements. The net difference for the full year should be -4 or more.	Andy Jeffries, Service Manager for Practice Teams	80	76	72	68	64	70	88	+18	🔴
Kinship care	To increase the percentage to 24% of the overall LAC population. The net difference for the full year should be +15 or more.	Gillian Christian, Team Manager, Family Group Decision Making	303	318	333	348	363	341	327	-14	🟠
Prospective adoptions	To increase the number of placements. The net difference for the full year should be around +5.	Russell Sutherland, Team Manager, Permanence Team	44	49	49	49	49	49	33	-16	🟠
Secure care	To reduce the number of placements from 12 to 6 by 2018.	Carole Murphy, Multisystemic Therapy and Steve Harte, Young Peoples Service	9	6	6	6	6	6	9	+3	🔴
Looked After Children at Home	To increase the percentage to 29% of the overall LAC population. The net difference for the full year should be +10 or more.	Becky Cropper, Team Manager, Family Solutions	389	399	409	419	429	414	342	-72	🟠

Governance, Risk and Best Value Committee

10.00 am, Thursday 22 December 2016

Housing Property – Service Review and Internal Audit Update – referral from the Health, Social Care and Housing Committee

Item number	7.9
Report number	
Wards	All

Executive summary

The Health, Social Care and Housing Committee on 15 November 2016 considered a report from the Executive Director of Place on the Housing Property Service Review and Internal Audit

Links

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

Terms of Referral

Housing Property – Service Review and Internal Audit Update

Terms of referral

1.1   The Health, Social Care and Housing Committee on 15 November 2016 considered the attached report by the Executive Director of Place on the services previously known as Edinburgh Building Services and Housing Asset Management which have been brought together to form Housing Property together with details of an Internal Audit into contract management arrangements that had been carried out.

1.2   As part of the Transformational Change programme the responsive repair service and capital investment function for Council homes, which had been delivered through Edinburgh Building Services and Housing Asset Management, had undergone a review and a new Housing Property Service has been created which merged these functions within a single structure.

1.3   The review had now concluded and the new structure was in the process of being implemented. A copy of the new structure is attached at appendix 1 to the report by the Executive Director of Place. Each Operational Manager has responsibility for a Locality as well as strategic responsibility for a service area. The team leader role has been expanded and now includes responsibility for delivery of both responsive repairs and capital investment within a local area. They will be based largely within the Locality alongside the Local Housing Management team to allow more effective response to local needs and issues. A full training programme is currently underway for the appointed staff and recruitment to vacant posts is ongoing and scheduled to complete by December.

1.4   The Internal Audit undertaken in June had provided valuable information allowing the new service to build on areas of identified good practice and improve and strengthen processes and procedures. The outcomes of the Audit had been built into the new service and the training programme for officers.

1.5   The review highlighted eight areas of good practice and a total of nine areas for improvement were identified. An action plan was developed to take forward all 31 required actions, 30 of the 31 actions had been completed, with the remaining action on track to complete in advance of the agreed timescale. A copy of the audit report and action plan is attached at appendix 2 of the report by the Executive Director of Place.

1.6   The Health, Social Care and Housing Committee agreed:

1.6.1   To note the development of the new Housing Property Service and the focus on supporting locality working.

1.6.2   To note the strategic shift in the way the housing service delivers revenue and capital works.

1.6.3   To note the eight areas of good practice highlighted by the Internal Audit review carried out in June 2016 and the actions taken to resolve the nine areas of improvement identified.

1.6.4   To note that Housing Property performs significantly higher than other Scottish local authorities, in both customer satisfaction and service delivery timescales.

1.6.5   To refer the report to Governance, Risk and Best Value Committee.

For Decision/Action

2.1   The Governance, Risk and Best Value Committee is requested to consider the report.

Background reading / external references

Health, Social Care and Housing Committee 15 November 2016.

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

Contact: Blair Ritchie, Assistant Committee Clerk

E-mail: blair.ritchie@edinburgh.gov.uk | Tel: 0131 529 4085

Links

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

Health, Social Care and Housing Committee

10am, Tuesday, 15th November 2016

Housing Property – Service Review and Internal Audit Update

Item number

Report number

Executive/routine

Wards   All

Executive Summary

As part of the Council's Transformational Change Programme the services previously known as Edinburgh Building Services and Housing Asset Management have been brought together to form Housing Property. The new service creates a single structure which will support the Locality model and provide a more responsive and efficient service with clearer lines of accountability.

An Internal Audit into contract management arrangements and processes within what was EBS and Housing Asset Management has been carried out. Eight areas of good practice and nine areas for improvement were identified.

These findings have been used to build on identified good practice and strengthen process and practice within the new Housing Property Service. Of the 31 agreed actions, 30 have been completed with the remaining action on track to complete within the agreed timescale.

Links

Coalition Pledges	P41
Council Priorities	CO16
Single Outcome Agreement	SO4

Report

Housing Property – Service Review and Internal Audit Update

1. Recommendations

It is recommended that Health Social Care and Housing Committee;

1.1 Notes the development of the new Housing Property Service and the focus on supporting locality working

1.2 Notes the strategic shift in the way the housing service delivers revenue and capital works.

1.3 Notes the eight areas of good practice highlighted by the Internal Audit review carried out in June 2016 and the actions taken to resolve the nine areas of improvement identified.

1.4 Notes that Housing Property performs significantly higher than other Scottish local authorities, in both customer satisfaction and service delivery timescales.

1.5 Agrees to refer this report to GRBV Committee.

2. Background

2.1 As part of the Transformational Change programme the responsive repair service and capital investment function for Council homes, which had been delivered through Edinburgh Building Services and Housing Asset Management, has undergone review and a new Housing Property Service has been created which merges these functions within a single structure.

2.2 The service provides responsive repairs and capital investment programmes across just under 20,000 Council properties, including 44 multi storey blocks. Around 89,000 responsive repairs are delivered annually through a combination of the in-house provision of 237 operatives across a range of trades and 40 contracts who provide specialist and /or backup provision to the in house service.

2.3 Responsive repairs are customer driven and reported through the Repairs Direct contact line which is managed through Customer Services, and non emergency repairs are scheduled through an appointment system.

2.4 The service is driven by a strong customer focus and is ranked within the upper quartile of performers across Scotland.

2.5   Customer satisfaction with service is above average with 90% satisfaction reported compared with the Local Authority average of 87%. Complaints around responsive repairs for 2015 were 0.2% of all repairs reported.

2.6   The service delivers in excess of £4 million per year to the Council budget.

2.7   In June of this year Internal Audit carried out a review of contract management and process within what was then EBS and HAM. The audit identified 8 areas of good practice and 9 areas where improvements were needed.

3.   Main report

3.1   Housing Property has been developed through the Council's Transformational Change approach and brings together Edinburgh Building Services and Housing Asset Management into a single structure which combines delivery of responsive repairs and capital investment programmes and supports Locality working.

3.2   This is a significant strategic shift for the service and is designed to improve effectiveness in delivering core objectives including;

- Aligned working with local Housing Management teams to improve planning and delivery of repairs and investment at local level and supporting patch working.

- Development of a streamlined structure reducing management tiers, contributing to Council saving targets and supporting the empowerment of front line staff able to make decisions in response to customer need.

- Creating a team leader role responsible for delivery of responsive and capital work who will work alongside local housing management teams and allow a more considered and responsive service informing investment plans.

- Strengthened roles and processes around compliance and contract management.

3.3   The review has now concluded and the new structure is in the process of being implemented. A copy of the new structure is attached at appendix 1. Each Operational Manager has responsibility for a Locality as well as strategic responsibility for a service area. The team leader role has been expanded and now includes responsibility for delivery of both responsive repairs and capital investment within a local area. They will be based largely within the Locality alongside the Local Housing Management team to allow more effective response to local needs and issues.

3.4   This has been a period of significant change for the service. A full training programme is currently underway for the appointed staff and recruitment to vacant posts is ongoing scheduled to complete by December.

3.5   The Internal Audit undertaken in June has provided valuable information allowing the new service to build on areas of identified good practice and improve and strengthen processes and procedures. The outcomes of the Audit have been built into the new service and the training programme for officers.

3.6   The scope of the audit was to assess the design and operating effectiveness of the controls relating to contract management and quality assurance within Housing Property.

3.7   The Audit identified a number of areas of good practice including;

- Complaints management

- Tenant consultation

- Authorisation and Distribution of payments was reasonable and in line with expected spend

- Off contract spend was nominal, £6,000 pounds against an £8 million budget.

- Capital works are valued by a Quantity Surveyor and then a three stage sign off for payment

- Capital works commissioned via mini competition within an existing framework

- Empty Homes and Kitchen and Bathroom works are all inspected before being approved; payment is not approved until works are completely signed off.

3.8   A total of nine areas for improvement were also identified, each with agreed recommendations for action.   An action plan was developed to take forward all 31 required actions with outcomes summarised below. 30 of the 31 actions have been completed, with the remaining action on track to complete in advance of the agreed timescale. A copy of the audit report and action plan is attached at appendix 2.

3.9   Allocation of works and authorisation of payments.

All actions have been completed with delegation and authorisation limits reviewed, secondary authorisation and separation of works orders and payments embedded in new processes and compliance checks strengthened.

3.10   Scrutiny of invoices

All actions are completed with invoice processes and procedures completely reviewed. Contractors have been reminded, by letter, of the essential information that must accompany every invoice submitted. A new tracking system has been put in place to ensure that every stage of the invoice process is managed robustly and transparently. This includes the audit of randomly selected invoices as part of the role of the Compliance team and also Housing Property Operations Managers.

3.11   Quality

All actions have been completed. Site inspections have been strengthened and will focus on targeted areas including any areas of increased expenditure, customer feedback any potential safety risk or incident. This will be a key role for team leaders

An independent audit of gas safety processes and standards has been carried out by Capita Gas Compliance Services. The audit found that staff and operatives had a good understanding of the requirements of managing gas safety and that guidance in the form of Gas operational procedures and good operational standards were in place.

3.12   Repairs Direct

Repairs Direct have put in place an Improvement Plan, which is discussed on a monthly basis with Housing Property officers. Additional staff have been recruited and are currently undergoing training and revised shift patterns are also in place. Joint scrutiny of performance is ongoing and a more fundamental review of the service will be carried out to ensure ongoing improvement to service.

3.13   Contract monitoring

All actions are complete with a Contract Management Board, chaired by the Housing Property Manager meeting on a monthly basis. This will scrutinise contract management across both revenue and capital works and will consider the outcomes of regular meetings with contractors and decide on any escalated action as necessary. This process will build on the already robust approach to contract management with 3 contractors removed from contracts in the past 3 years.

3.14   Management information

Actions are complete with one action on track to be completed within the agreed timescale. A review of comparable costs of internal and external work and resources is underway which will conclude by December which will contribute to the evaluation of the best balance of internal and external work going forward. Early indications show internal costs to be lower; however, this will require to be validated as the work progresses.

3.15   Manual process

A new Council Repairs ICT system is in the planning stage. The scoped requirements for the housing repairs service has been sent to CGI, the Council ICT provider. The requirements need to meet the needs of locality and mobile working and support efficient customer service as well as robust system probity and compliance.

Housing Property Next Steps

As the new service is implemented all actions from the Internal Audit will be embedded and monitored. Training of staff across the range of expanded functions continues and the focus will remain on continuing to improve customer service in a

locality context while ensuring that all necessary steps are taken to ensure robust contract management and compliance

4. Measures of success

4.1 Annual benchmarking against other local authorities will continue as a measurement of success of the delivery of the revenue and capital works by Housing Property.

4.2 Continuous monitoring and autonomous reporting lines within the Property Compliance team will ensure transparent contract management practices within this service area.

4.3 The progression of the Action Plan will track, report and record the improvements made by Housing Property service to resolve all recommendations identified by the Audit Review.

4.4 The internal process in place, to review work streams against in-house operative resource one week in advance, before approval to allocate to a sub-contractor, will be monitored to enable internal reporting on a monthly basis.

5. Financial impact

5.1 The actions taken forward will ensure robust financial monitoring of all contractor spend.

6. Risk, policy, compliance and governance impact

6.1 The internal audit review was conducted under the auspices of the 2016/17 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2016. This assists the Council to assess and refine the internal control environment.

7. Equalities impact

7.1 Equalities impact assessments were undertaken when each contract was procured.

8. Sustainability impact

8.1 Works from the contractor framework are allocated by area allowing contractors to travel within a smaller geographical area, reducing the amount of carbon emissions from vehicles. This will be further reviewed as the Council moves towards the four localities model.

8.2   All sub-contractors procure timber from legal and well managed forests which are certified under the third party certification schemes which are in compliance with the criteria set out in the "UK Government Timber Procurement Policy: Criteria for Evaluating Category A Evidence". Schemes in compliance include the Forestry Stewardship Council (FSC) and the Programme for Endorsement of Forest Certification scheme (PEFC).

9.   Consultation and engagement

9.1   Housing Property have been working with Internal Audit to ensure actions taken forward will fully resolve the areas for improvement.

10.   Background reading/external references

10.1   Internal Audit report of June 2016.

Paul Lawrence

Executive Director, Place

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11.   Links

Coalition Pledges	P41 - Take firm action to resolve issues surrounding the Council's property services.
Council Priorities	CO16 – Well-housed – People live in a good quality home that is affordable and meets their needs in a well managed Neighbourhood.
Single Outcome Agreement	SO4 – Edinburgh's communities are safer and have improved physical and social fabric
Appendices	Appendix One – Housing Property Structure Appendix Two (a) – Internal Audit Report Appendix Two (b) – Audit Action Plan

Appendix – 1   Housing Property Structure

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                                    ┌──────────────────────┐
                                    │      Alex Burns       │
                                    │   Housing Property    │
                                    │       Manager         │
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Trisha Blore	Carol Reid	Willie Crawford	Willie Gilhooly	Operations Manager
Operations Manager	**Operations Manager**	**Operations Manager**	**Operations Manager**	**Planning & Programming**
North East & Repairs and Materials	**North West & Planned Maintenance**	**South East & Responsive Repairs**	**South West & Mechanical and Electrical**	**(vacant)**

Senior Repairs & Materials Officer x1	Team Leader - NEPS & TMS x2	Team Leader x7	Team Leader x7	Team Leader x7	Surveying Team Leader x2

The City of Edinburgh Council
Internal Audit

Contract Management
Edinburgh Building Services and Housing Asset Management

Draft Report

August 2016

PL1606

·EDINBVRGH·
THE CITY OF EDINBURGH COUNCIL

Contents

Executive summary

Total number of findings

Critical	0
High	5
Medium	2
Low	1
Advisory	1
Total	**9**

Summary of new findings

From the review the following areas of good practice were identified:

- Complaints management is good with daily reports on outstanding and overdue complaints and a detailed monthly complaints report analysing the nature and volume of complaints;

- There are initiatives to consult tenants and engage them in improving the service, such as tenant-led inspections and open doors events;

- The volume and value of payments is analysed by contractor and by team leader authorising the payment to identify anomalies. Payments authorised in 2015/16 appeared to be reasonable;

- There is very little EBS work procured 'off-contract' with only c. £6,000 identified in 2015/16, against payments to contractors of c. £8m;

- We have analysed the value of payments to contractors in quarter 4 2015/16. The distribution of payments was reasonable, with the highest payments to contractors with several lots on the contract framework;

- Capital works undertaken by contractors for Housing Asset Management (HAM) are valued by a quantity surveyor, with all payments authorised by the project manager, programme manager and EBS manager; and

- Capital works commissioned by Housing Asset Management are procured through mini-competitions with existing framework contractors in line with the Contract Standing Orders.

- Kitchen and Bathroom and Empty Homes works are inspected by a quality control officer before being approved as complete. If any of these works are carried out by a subcontractor, payment is not approved by the team leader until works are completely signed off.

The following areas for improvement were identified:

- There is no segregation of duties over the allocation of work to contractors and approval of invoices, and no limit on the value of works or payments that an EBS team leader can

authorise;

- The contracted schedule of rates is not applied consistently to works orders and to invoices received from contractors;

- Team leaders are not meeting targets for site visits to inspect working practices and the quality of work done by EBS operatives and contractors;

- Repairs Direct is currently struggling to meet demand with only 9.74% of calls answered in 30 seconds in April 2016 against a target of 90%;

- The processes and procedures in place for monitoring the framework contractors are not always followed;

- There is insufficient management information about labour cost available to determine the most efficient use of resources, and to support charges to the Housing Revenue Account;

- The accounts payable process is highly manual. Invoices are inspected and processed by 3 separate teams, but our testing suggests that anomalies are not reliably identified and investigated before payment;

- Two multi-party energy contracts were identified which had not been authorised in line with the contract standing orders; and

- Contract monitoring processes for HAM framework contractors have not yet been established. Two large capital contracts have been terminated due to under performance by contractors identified through monitoring customer complaints. In a separate capital contract, an Improvement Notice has been served and an Improvement Plan is in place.

Our detailed findings and recommendations are laid out within Section 2 and 3: Detailed Findings

1. Background and Scope

Edinburgh Building Services

Edinburgh Building Services (EBS) is the Council's in-house building maintenance service. The services it delivers include:

- Repairs to council houses;
- Planned maintenance and renewals;
- Adaptations to allow tenants to remain in their home;
- Repairs to empty homes to bring them to a lettable standard; and
- Cyclical inspections including gas and lifts.

EBS has an internal workforce which is supplemented by external contractors where specialist skills and materials are required, or EBS do not have the capacity to do the job themselves. Contractor payments were £8.5m in 2015/16, against a projection of £4.5m, which was a reflection in part of the increased activity during the year, with around 10% more work being delivered than originally forecast, as well as limits on the capacity of the internal workforce due to overtime and recruitment freezes. EBS' overall expenditure for the year was 14% higher than budgeted, which was offset by the 10% increase in income from works recharged to the Housing Revenue Account. A surplus of £4.8m was reported for 2015/16 (budgeted surplus £5.1m).

The 32 external contractors used regularly by EBS are appointed under a framework agreement. The main term of these contracts ended on 31 March 2016, with contract extensions signed in May 2016 to allow time to procure the new framework contracts. EBS is also permitted to use contractors from the non-housing framework. There is minimal off-contract spend.

Commissioning work

Over 70% of work delivered by EBS is high volume, low value responsive repairs. Tenants and neighbourhood housing officers call into the Repairs Direct contact centre with requests for repairs. Repairs Direct will then create a works order, and schedule a visit by an EBS operative or by a contractor where EBS do not have the capacity or skills. The call handler can schedule works up to the value of £500 directly, but must seek approval from a Repairs Direct team leader for works above £500 and up to the value of £10,000. An EBS team leader or operations manager approves the works order if it is estimated to cost more than £10,000. The average cost of a repair is £150. If the job is likely to be complex, Repairs Direct may ask a quality control officer (QCO) to visit the home to confirm the nature of work required before they schedule the repair. A works order is raised by Repairs Direct staff which is then sent to the assigned operative's handheld device, or as a job ticket to contractors by EBS.

EBS team leaders pre-approve the use of a contractor for certain trades (for example, a gas repairs contractor is always available during the winter months). Repairs Direct can then schedule the appointment directly. In other cases, the EBS team leader allocates the work to an external contractor selected according to trade and area under the framework contract.

EBS team leaders, operations managers and administrative staff are also able to raise works orders and schedule works directly.

Planned maintenance and cyclical inspections are scheduled by the Central Administration Team. If a contractor is used, they are sent a 'run sheet' with the list of properties to be covered and asked to schedule the work themselves.

EBS is notified of empty homes by the neighbourhood offices. A QCO visits the property to assess work required to bring it to a lettable condition. The team leader then allocates the work to an EBS operative or appoints a framework contractor. The QCO inspects the property once the work is complete and

notifies the neighbourhood office that it can be re-let. EBS have a target of 12 days to bring empty homes to a lettable condition. The average cost of works to an empty home is £3,000.

Payments

Once work is complete, the contractor sends their invoice to EBS with the job ticket attached. The gas safety certificate must also be submitted for gas servicing jobs. All work should be billed using the schedule of rates. A code and rate has been assigned to over 4,000 activities, with a 'miscellaneous' or 'day rate' to be used on the rare occasion where work does not fit one of those activities. The contractor bills EBS at an agreed deduction or uplift to the base schedule of rates.

Team leaders inspect the invoice and job ticket to verify that the charges reflect work commissioned and completed, and that the agreed schedule of rates has been applied. They sign the invoice to authorise payment. There is no limit on the value of payments a team leader can authorise.

The EBS Compliance team then review invoices and process them on the Total works management system, before sending them on to Accounts Payable for payment. The Compliance team monitor the volume and value of payments authorised by team leaders, and will investigate or reject invoices where there are clear anomalies (for example where work has already been billed and paid).

Performance 2015/16

The performance team report monthly to the EBS Business Management Team against key performance measures. EBS has focussed on customer service in the past 4-5 years, and the key performance measures are designed to monitor and improve service levels with challenging targets:

	Target	2015/16 Performance
Responsive Repairs on Time	99%	90%
Kitchen and Bathrooms on time	97%	86%
Empty Homes Turnaround	12 days	12.86 days
Tenants Satisfaction	94%	90%
Complaints closed on time	90%	79%*

*April 2016 performance

Housing Asset Management

Housing Asset Management (HAM) delivers the capital programme for council housing. Its key activities include the kitchen and bathrooms replacement scheme, external fabric repairs, and energy projects delivered with Changeworks. HAM has a contract framework which was approved by the Finance and Resources Committee in March 2015. Due to the high value of many of its projects, HAM invites at least three framework contractors to tender for each project. The contract for each project is awarded in line with the Council's Contract Standing Orders.

Expenditure on the core capital programme for housing in 2015/16 was c. £39m.

Review of Service

As part of the Transformational Change Programme, EBS and HAM no longer exist as separate services and are now subsumed within Housing Property Services which has combined responsive and planned maintenance within a new structure to better deliver a focused and more efficient service which can support the locality model. The development of the new service has involved a review of roles at Operational Manager and Team Leader levels. Matching and assignment to these roles is currently underway and will be concluded by end August. New structures will come into effect at beginning of September with a full training programme for all staff appointed.

Scope

The scope of this review will be to assess the design and operating effectiveness of the Council's controls relating to contract management and quality assurance in Edinburgh Building Services. The sub-processes and related control objectives included in the review are:

- Appointment of contractors;
- Commissioning revenue and capital works;
- Contract monitoring;
- Quality assurance; and
- Management information.

Testing for this review focused on a sample basis for the period 1 June 2015 to 31 May 2016. For the full terms of reference see Appendix 2.

2. Detailed findings: revenue works

1. Allocation of works to contractors and authorisation of payments

Finding
A framework contractor can be instructed to undertake a job by any EBS team leader, surveyor or operations manager with no secondary authorisation required.

This is appropriate for most EBS repairs where a speedy response is required and the works are routine and low value. However:

- There is no threshold above which the allocation of work to an external contractor must be authorised by a senior officer;
- There is no limit on the value of payments which a team leader may authorise;
- Team leaders are permitted to authorise payment for work which they themselves instructed the contractor to complete.

As an illustration (and there were no concerns over this piece of work), there was one payment for £17,710 in our sample which was authorised by the senior surveyor who had instructed the contractor to complete those works. The original works order was created by Repairs Direct on the instructions of the senior surveyor with an estimated value below their £10,000 authorisation limit. |

Business Implication	Finding Rating
- Increased risk of fraud where there is no segregation of duties over commissioning and payments; - Risk of inefficient use of resources; and - Poor budget management where budget holders do not have sight of high value contracted work before the invoice is paid and expenditure is recorded.	**High**

Action plans	
Recommendation	**Responsible Officer**
Commissioning works A scheme of delegation should be agreed to establish authorisation limits for officers. We recommend that high value works are authorised by a second individual before an external contractor is instructed to complete the works. *Authorisation of payments* A scheme of delegation should be agreed to establish authorisation limits for team leaders, operations managers and senior managers. We recommend that high value invoices are authorised by a second individual. Officers must not authorise payments for works which they themselves allocated to the contractor.	Housing Property Manager

Agreed Management Action	Estimated Implementation Date
• Review current schemes of delegation for authorisation limits and authorisation of payments for repair ordering in Repairs Direct and Housing Property. This will include a secondary approval stage for orders and invoices of high value.	30 September 2016
• The allocation of works process (assigning work to a procured contractor) will be reviewed and a robust system identified and embedded to ensure that an officer does not authorise the payment of any works which they ordered	30 September 2016
• All staff involved in authorisation of work and payments will be trained in these new limits and processes.	31 October 2016
• Role of compliance teams will be strengthened and include a percentage audit of authorisation processes and secondary approvals. Any anomalies will be reported to the Housing Property Manager.	30 September 2016
• Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Services Senior Management Team.	First meeting will be held on 22 August 2016

2. Scrutiny of invoices

Finding
All works procured under the framework contract should be ordered and invoiced using the schedule of rates agreed with the contractor. Team leaders should review all invoices received to confirm that the charges reflect the work commissioned and completed, and all work is charged according to the schedule of rates. We reviewed a sample of 35 paid invoices which had been authorised by team leaders and identified: - 8 invoices with no schedule of rates codes listed. It is unclear how the team leader authorising payment was able to verify that charges were accurate; - A further 4 invoices which referred to a valuation certificate the team leader who authorised the payment was unable to provide; - 4 invoices with no works order attached. The original works order should be attached to each invoice as evidence that the work billed was commissioned by EBS; and - 7 invoices where billed items were not listed on the original works order. There was no evidence that the team leader had challenged these charges. We were unable to reconcile any charges on the invoices to the schedule of rates provided by EBS.

Business Implication	Finding Rating
• There is a risk that the Council is overcharged for work completed where the contract schedule of rates is not applied. • There is a risk that EBS is incorrectly charged for work which was not commissioned and/or has not been completed.	**High**

Action plans	
Recommendation	**Responsible Officer**
Payments to contractors should only be made where it has been established that the agreed work has been completed, and has been billed at the contracted rate. We recommend that: • Invoices are rejected where there is no job ticket attached; • Invoices are rejected where the schedule of rates is not clearly applied; and • It is ensured that team leaders have the correct schedule of rates so they can check the accuracy of charges.	Housing Property Manager
Agreed Management Action	**Estimated Implementation Date**
• Letter will be sent to contractors re-iterating the requirement to comply with all aspects of invoice submissions. Where this is not complied with the invoice will be rejected.	Complete
• SORs have been re-issued to contactors and Team Leaders	Complete
• Variation to any works order will require to be agreed in advance of work being carried out. Any variation above a set financial limit will require sign off by Team Leader or Operations Manager,	30 September 2016

depending on the value. This will be communicated to contractors.	
• Process for authorisation of invoices will be reviewed ensuring clarity on authorisation limits, what information/documentation must be present for sign off, where invoices should be rejected.	30 September 2016
• All relevant staff will be retrained on revised procedures including SORs.	31 October 2016
• Random selection of invoices from each contractor will be investigated each month by the Compliance Team to ensure that agreed submission and authorisation processes are being followed. Any anomalies will be reported to the Housing Property Manager.	31 October 2016
• Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Services Senior Management Team.	First Meeting will be held 22 August 2016

3. Quality assurance

Finding
Each team leader is expected to conduct 20 site visits a month. These site visits should cover both EBS operatives and sub-contractors in order to verify that work is being completed safely and to an acceptable standard. Team leaders completed 1,344 site visits between April 2015 and March 2016, 49% of the target number of visits. This covers c. 1% of jobs completed in the year (127,000), and does not give sufficient data to monitor the quality of work completed by EBS and its contractors.

Business Implication	Finding Rating
• There is a risk that the unsafe working practices and poor quality work are not identified and addressed.	**High**

Action plans	
Recommendation	**Responsible Officer**
The quality assurance framework should be reviewed to achieve a targeted approach with focus on areas identified as higher risk through analysis of customer feedback, value of work completed, and potential safety risk. This should include recorded site visits.	Housing Property Manager
Agreed Management Action	**Estimated Implementation Date**
• An improved Site Inspection Checklist has been devised, which includes a scoring framework for works.	Complete
• Site inspection will be targeted to contractors, and individual trades based on analysis of increased expenditure, customer feedback and any potential or reported safety risk or incidents. The programme will target 2% of jobs completed.	30 September 2016
• Empty Homes and Kitchen and Bathroom inspections will be included as part of the quality assurance check process. This would provide an additional 2,500 inspections within the programme.	Complete
• All relevant staff will be trained on revised procedure.	End October 2016
• Independent Review of Gas Safety Processes and Standard of Work to be carried out.	Complete
• Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Senior Management Team.	First meeting will be held 22 August 2016

• Discussion will be held with Procurement Services on Housing Property being early adopters of revised corporate contract management processes.	Discussion by end August 2016.

4. Repairs Direct

Finding
Requests for repairs from tenants and neighbourhood housing officers are placed through the Repairs Direct contact centre which is managed by Customer Services. Repairs Direct programme work directly or refer the request to a quality control officer if it is judged to be complex. Repairs Direct receive around 10,000 calls a month. Repairs Direct has experienced significant resourcing difficulties in the past year, with the number of call handlers falling from 19 in April 2015 to 10 in April 2016. The sickness absence rate was 10% in April 2016. This has had a noticeable impact on performance. Only 10% of calls from tenants were answered within 30 seconds in April 2016, against a target of 90% set out in the current SLA. This compares with 75% in April 2015. 33% of incoming calls were abandoned, compared to 6% in April 2015. It should be noted that future targets will be set for the Contact Centre as a whole, and on implementation of the Transactional Services review the target will be 55% of all calls coming in to the Contact Centre to be answered within 30 seconds.

Business Implication	Finding Rating
• Decreasing customer satisfaction with EBS due to poor customer experience at first contact; • Risk of inefficient use of senior officer time in addressing increased number of complaints; and • Risk of delays in responding to emergency repair needs.	**High**

Action plans	
Recommendation	**Responsible Officer**
Customer Services should put in place a clear action plan with a view to achieving full compliance with the Service Level Agreement between EBS and Repairs Direct within an agreed timescale. Management should consider accelerating channel shift at Repairs Direct to increase the proportion of requests made online and reduce the pressure on staffing at the contact centre.	Operations Manager for Repairs Direct
Agreed Management Action	**Estimated Implementation Date**
The recommendation to consider accelerating Channel Shift at Repairs Direct will be taken to Senior Managers in the Resources directorate.	Discussed with Repairs Direct on 20 July 2016
Performance measures set out in the SLA will be jointly scrutinised and monitored on a monthly basis.	Complete
Staffing at Repairs Direct to be reviewed and additional staff put in place.	Complete
Revised shift patterns to be implemented.	Complete

5. Contract Monitoring

Finding
Key performance indicators are set out in service level agreements under the contract framework. Together with quarterly meetings with the contractor, these are designed to allow the contract manager to monitor service levels and address underperformance promptly. We reviewed performance data and the minutes of meetings with 10 contractors for quarters 3 and 4 and noted: • Only one meeting had been held with a contractor in quarter 3, and only 5 in quarter 4; • No performance data had been collated between July 2015 and February 2016; and • Compliance with 'emergency' and 'urgent' response times has not been consistently monitored as contractors do not reliably text back on arrival and completion of a job as required under the service level agreement.

Business Implication	Finding Rating
• There is a risk that framework contractors are not meeting agreed service standards, compromising the quality and value for money the contract framework was designed to deliver.	**Medium**

Action plans	
Recommendation	**Responsible Officer**
The existing EBS contract monitoring procedures, which stipulate key performance indicators and quarterly progress meetings with contractors, should be followed. Contractors should be reminded of the requirement to supply data, such as texts on completion, which allow EBS to monitor performance effectively.	Housing Property Manager
Agreed Management Action	**Estimated Implementation Date**
• Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Services Senior Management Team	First meeting 22August 2016
• Within the new Housing Property Structure the focus of the in-house Compliance team will be to audit all aspects of the practices and procedures of contract management and to report findings directly to the Housing Property Manager. Members of team will be trained in role and required processes.	30 September 2016
• Letter will be sent to contractors re-iterating the requirement to comply with all aspects of invoice submissions. Where this is not complied with the invoice will be rejected.	Complete

6. Management information

Finding
Labour costs
We asked EBS to provide us with an analysis of the relative costs of using EBS operatives and contractors. We would expect management to have this information available to enable them to assess the most effective use of resources where there is a choice of using in-house resource or a contractor.
Management provided us with a resource business case. However, the assumptions used in calculating the annual cost to EBS of employing additional operatives, or of using agency staff or contractors to meet demand, were flawed.
Schedule of rates
We were also provided with the base schedule of rates, which is used to calculate EBS operative productivity, and to charge all repairs to the Housing Revenue Account (HRA) whether completed by EBS or by a contractor. Housing may then pass the charge on to tenants where there is deliberate damage.
Management were unable to explain how the base schedule of rates had been calculated. We selected a sample of 10 invoices, and compared the amount billed by the contractor to the amount charged to HRA. The uplift ranged from 4.7% to 80%.

Business Implication	Finding Rating
- Insufficient information available to determine the most cost effective use of resources; and - Charges to HRA may not be based on a reasonable evaluation of the cost of repairs.	**Medium**

Action plans	
Recommendation	**Responsible Officer**
1) The true cost of using an EBS operative should be calculated to allow management to assess the most effective use of resources. 2) The cost of using EBS internal resources and private contractors should be reviewed to ensure the most effective use of resources. 3) The schedule of rates should be reviewed to ensure that charges to HRA are reasonable.	Housing Property Manager
Agreed Management Action	**Estimated Implementation Date**
• EBS will work with Finance colleagues to agree a formula to calculate the true cost of EBS operatives and external contractors.	30 September 2016
• A business case to procure a consultant to review the SOR rates will be put forward to Commercial Procurement Services.	31 August 2016
• A review of the cost of external and internal resources will be carried out.	31 December 2016

7. Manual process

Finding
The accounts payable process at EBS is highly manual. Paper invoices are signed by the team leaders to confirm that they have checked that: • the charges reflect the work commissioned according to the attached job ticket;   • the work has been completed satisfactorily; and   • all work is charged according to the schedule of rates.   Invoices are then reviewed by the Compliance Team, who select the appropriate schedule of rates codes on Total to charge costs to HRA, before being sent to Accounts Payable for payment.   The 13 team leaders authorise around 32,000 invoices a year. Such volumes mean that team leaders are unlikely to have sufficient time to scrutinise invoices and detect false or incorrect charges, and also reduces the time available for site visits and other operational activity. This is compounded by the low level of compliance identified in our testing which means that more time is need to investigate and resolve discrepancies on invoices: we were able to match the schedule of rates codes directly to those quoted on the job ticket for only 9 of the 35 invoices inspected.

Business Implication	Finding Rating
• Ineffective use of resources in a manual process with a high error rate and duplication of activities; and • Risk of financial loss to the Council if false or incorrect charges are not identified due to human error and the volume invoices processed.	**Advisory**

Action plans	
Recommendation	**Responsible Officer**
We recommend that Housing Property investigates ways of streamlining and automating the invoice approval system. This may include: • Enforcing the use of schedule of rates codes and values on works orders, so invoices received can be directly matched to the works order. This would allow team leaders to focus on exceptions or high value invoices. • Rejecting invoices received from contractors where the schedule of rates is not applied. • Ensuring that the new system can be used on mobile devices and supports electronic invoicing and automatic application of a schedule of rates, to enable team leaders to review and authorise invoices remotely and reduce admin time.	Housing Property Manager
Agreed Management Action	**Estimated Implementation Date**
• Refresher training to be rolled out to all relevant staff regarding all aspects of authorisation or work and invoices including checking of SORs. Where schedule of rates have not been applied, the invoice will be rejected.	31 October 2016
• The requirements for the new ICT system to support electronic	30 September 2016

invoicing will form part of the scoping document which will be submitted to ICT team.

3. Detailed findings: capital works

1. Contract monitoring

Finding
The contract framework for capital works was approved by the Finance and Resources Committee in March 2015. The committee report stipulated that key performance indicators would be used to measure the success of the framework, assessing service levels, quality, and health and safety and technical compliance. To date, contract monitoring arrangements have not been embedded and key performance measures have not been assessed for HAM contractors. However, HAM has identified a number of performance issues through monitoring customer complaints. Two high value capital contracts have been terminated due to poor performance, and another contractor has had an Improvement Notice served. An Improvement Plan is now in place and is monitored closely.

Business Implication	Finding Rating
• There is a risk that framework contractors are not meeting agreed service standards, compromising the quality and value for money the contract framework was designed to deliver.	**High**

Action plans	
Recommendation	**Responsible Officer**
Contract monitoring procedures should be established which include regular assessment of key performance indicators and performance meetings with contractors.	Housing Property Manager
Agreed Management Action	**Estimated Implementation Date**
Bi monthly meetings will be held with contractors which will include review of KPI performance, quality of work, cost and safety. Capital contracts will be included in the remit of the Contract Management Board which will sit on a monthly basis, chaired by the Housing Property Manager. Reports on KPIs, quality, cost and safety will be reviewed by the contract management board so that any issues will be quickly identified and risk managed appropriately.	31 August 2016 First meeting of Board on 22 August 2016

2. Capital projects procured by third parties

Finding
Housing Asset Management pays a contribution towards works organised and procured by third parties such as Changeworks for energy projects (HEEPS) and private owners in mixed tenure buildings. The Council approves the award of the contract.
We identified two separate energy contracts with a single supplier for £756k and £913k. We would expect the contract award to have been approved by an executive director in line with the Council's contract standing orders. These contracts were approved under by the then Head of Housing and Regeneration.

Business Implication	Finding Rating
• Officers approving multi-party contracts do not have the authority to contract on behalf of the Council.	**Low**

Action plans	
Recommendation	**Responsible Officer**
Contracts must be approved in line with contract standing orders even where the procurement exercise is run by a third party.	Head of Service
Agreed Management Action	**Estimated Implementation Date**
Housing Property will ensure that all contracts are approved in line with contract standing orders. All delegated authority approval will be evidenced for records.	Complete
Compliance Team will audit complaint sign off of contracts as part of their monthly audit; any anomalies will be reported to Housing Property Manager and Head of Service.	30 September 2016

Appendix 1 - Basis of our classifications

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

Appendix 2 – Terms of Reference

To: Paul Lawrence

From: Gemma Dalton
        Principal Audit Manager   Date: 19 May 2016

Cc: Alex Burns, Susan Mooney, Hugh Dunn

This review is being undertaken at the request of the Governance, Risk and Best Value Committee.

Background

Edinburgh Building Services (EBS) is the Council's in-house building maintenance service. The services it delivers include:

- Emergency repairs to council houses
- Planned maintenance and renewals
- Repairs requested by tenants and repairs to empty homes
- Cyclical inspections including gas and lifts
- Stair lighting repairs and maintenance in communal stairs

EBS has an internal workforce, which is supplemented by external contractors appointed under a framework agreement.

Scope

The scope of this review will be to assess the design and operating effectiveness of the Council's controls relating to contract management and quality assurance in Edinburgh Building Services.

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

Sub-process	Control Objectives
Contracting	• Contractors are appointed following a competitive tender process in accordance with corporate procurement policy and EU law. • The scope of work and cost are agreed with the contractor before work begins. • The scope of work and cost are authorised in line with corporate policy before work begins. • Variations to the scope of contracted work are authorised in line with corporate policy. • Payments to contractors are only made where the agreed work is completed to a satisfactory standard.
Contract Monitoring	• Performance measures agreed with each contractor allow Edinburgh Building Services to assess quality, price and delivery. • Performance information is meaningful and accurate. • Performance information is monitored throughout the contract. • Appropriate action is taken where contractors do not meet agreed service standards.

Quality	- Faulty or defective work undertaken by EBS staff and contractors is identified and addressed promptly. - Complaints are investigated and resolved promptly. - Complaints are monitored to identify and resolve recurring issues. - Management information is meaningful and accurate, and allows management to assess quality, price and delivery of works carried out by EBS staff and contractors.

Limitations of Scope

The scope of our review is outlined above. Testing will be undertaken on a sample basis for the period 1June 2015 to 31 May 2016, and will include revenue works undertaken by EBS and capital works undertaken by the Housing Asset Management service.

Approach

Our audit approach is as follows:
- Obtain an understanding of contract management, monitoring and quality assurance through discussions with key personnel, review of systems documentation and walkthrough tests;
- Identify the key risks around contract management, monitoring and quality assurance;
- Evaluate the design of the controls in place to address the key risks; and
- Test the operating effectiveness of the key controls.

Internal Audit Team

Name	Role	Contact Details
Magnus Aitken	Chief Internal Auditor	0131 469 3143
Gemma Dalton	Principal Audit Manager	0131 469 3077
Elizabeth Maccallum	Internal Auditor	0131 469 3225

Key Contacts

Name	Title	Role	Contact Details
Paul Lawrence	Executive Director – Place	Review Sponsor	0131 529 7325
Alex Burns	EBS Manager	Key Contact	0131 529 5890
Susan Mooney	Head of Housing & Regulatory Services	Head of Service	0131 529 7587

Timetable

Fieldwork Start	23 May 2016
Fieldwork Completed	3 June 2016
Draft report to Auditee	17 June 2016
Response from Auditee	1 July 2016

Follow Up Process

Where reportable audit findings are identified, the extent to which each recommendation has been implemented will be reviewed in accordance with estimated implementation dates outlined in the final report.
Evidence should be prepared and submitted to Audit in support of action taken to implement recommendations.
Actions remain outstanding until suitable evidence is provided to close them down.
Monitoring of outstanding management actions is undertaken via monthly updates to the Director and his business manager. The business manager liaises with service areas to ensure that updates and appropriate evidence are provided when required.

Details of outstanding actions are reported to the Governance, Risk & Best Value (GRBV) Committee on a quarterly basis.

Appendix 1:   Information Request

It would be helpful to have the following available prior to our audit or at the latest our first day of field work:

- List of framework contractors for EBS and HAM
- Revenue works undertaken in October 2015, January 2016 and March 2016
- Capital works undertaken between 1 April 2015 and 31 March 2016

This list is not intended to be exhaustive; we may require additional information during the audit which we will bring to your attention at the earliest opportunity.

Appendix 2 b - HOUSING PROPERTY INTERNAL AUDIT REPORT ACTION PLAN NOVEMBER 2016		
ACTIONS	**DEADLINE**	**COMMENTS**
AGREED MANAGEMENT ACTIONS FROM I.A. REPORT		
1. Allocation of works to contractors and authorisation of payments		
1.1 • Review current schemes of delegation for authorisation limits and authorisation of payments for repair ordering in Repairs Direct and Housing Property. This will include a secondary approval stage for orders and invoices of high value.	Complete	Scheme of delegation reviewed, procedure agreed and process mapping completed.
1.2• The allocation of works process (assigning work to a procured contractor) will be reviewed and a robust system identified and embedded to ensure that an officer does not authorise the payment of any works which they ordered	Complete	Process agreed, system identified to ensure the same officer does not authorise payment and pass works to contractor. Process mapping completed.
1.3• All staff involved in authorisation of work and payments will be trained in these new limits and processes.	Complete	Training has been completed.
1.4 •Role of compliance teams will be strengthened and include a percentage audit of authorisation processes and secondary approvals. Any anomalies will be reported to the Housing Property Manager.	Complete	Process reviewed to ensure invoices are checked for SORs, job ticket matching, contractors percentage and completion on system. New data base created to track each invoice at every stage. Further training completed.
1.5•Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Services Senior Management Team.	Complete	These meetings began in August and are being held monthly.
2. Scrutiny of Invoices		
2.1• Letter will be sent to contractors re-iterating the requirement to comply with all aspects of invoice submissions. Where this is not complied with the invoice will be rejected.	Complete	Letter sent 6 July 2016.
2.2• SORs have been re-issued to contractors and Team Leaders.	Complete	Sent out on the 6 July. Team Leaders briefed and re-issued with SORs.
2.3• Variation to any works order will require to be agreed in advance of work being carried out. Any variation above a set financial limit will require sign off by Team Leader or Operations Manager, depending on the value. This will be communicated to contractors.	Complete	Process reviewed and agreed and limit set for approval of variations. Process mapping complete, and contractors advised.

2.4• Process for authorisation of invoices will be reviewed ensuring clarity on authorisation limits, what information/documentation must be present for sign off, where invoices should be rejected.	Complete	Processes reviewed and revised, process mapping complete.
2.5• All relevant staff will be retrained on revised procedures including SORs.	Completed	Training completed.
2.6• Random selection of invoices from each contractor will be investigated each month by the Compliance Team to ensure that agreed submission and authorisation processes are being followed. Any anomalies will be reported to the Housing Property Manager.	Complete	The process has been reviewed and the random selection of invoices is now in place.
2.7• Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Services Senior Management Team.	Complete	These meetings began in August and are being held monthly.
3. Quality Assurance		
3.1• An improved Site Inspection Checklist has been devised, which includes a scoring framework for works.	Complete	Revised checklist has been issued to all staff week commencing 25 July and briefings held.
3.2• Site inspection will be targeted to contractors, and individual trades based on analysis of increased expenditure, customer feedback and any potential or reported safety risk or incidents. The programme will target 2% of jobs completed.	Complete	In place and being reviewed at monthly Contract Management Board meetings.
3.3• Empty Homes and Kitchen and Bathroom inspections will be included as part of the quality assurance check process. This would provide an additional 2,500 inspections within the programme.	Complete	This is now in place and reported through the Contract Management monthly meeting.
3.4• All relevant staff will be retrained on revised procedure.	Complete	Training is complete.
3.5• Independent Review of Gas Safety Processes and Standard of Work to be carried out.	Complete	Independent Audit of gas processes has been carried out and reported.

3.6• Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Senior Management Team.	Complete	These meetings began in August and are being held monthly.
3.7• Discussion will be held with Procurement Services on Housing Property being early adopters of revised corporate contract management processes.	Complete	Discussions are in progress.
4. Repairs Direct		
4.1• The recommendation to consider accelerating Channel Shift at Repairs Direct will be taken to Senior Managers in the Resources directorate.	Complete	Contact Centre is fully aware of Audit recommendations. Monthly meetings are scheduled to review all audit actions with Contact Centre, this is part of the monthly Performance meetings with Repairs Direct . Channel Shift discussions are underway to identify suitable areas of work.
4.2• Performance measures set out in the SLA will be jointly scrutinised and monitored on a monthly basis.	Complete	Monthly meetings being held.
4.3• Staffing at Repairs Direct to be reviewed and additional staff put in place.	Complete	Recruitment for additional resource is underway and will be reviewed at the monthly meeting. This will be in place until until Channel Shift work stream has been implemented and improvement impact shown.
4.4• Revised shift patterns to be implemented.	Complete	This has been done with the best option for shifts under constant review.
5. Contract Monitoring		
5.1• Contract Management Board meetings will be set up and held monthly, chaired by Housing Property Manager. These board meetings will scrutinise contract management across the service, for both revenue and capital works. A quarterly report will be brought to the Housing and Regulatory Services Senior Management Team	Complete	These meetings began in August and are being held monthly.
5.2• Within the new Housing Property Structure the focus of the in-house Compliance team will be to audit all aspects of the practices and procedures of contract management and to report findings directly to the Housing Property Manager. Members of team will be trained in role and required processes.	Complete	Revised process and procedures in place and training complete.
5.3• Letter will be sent to contractors re-iterating the requirement to comply with all aspects of invoice submissions. Where this is not complied with the invoice will be rejected.	Complete	Issued on the 6 July 2016.

6. Management Information		
6.1• Housing Property will work with Finance colleagues to agree a formula to calculate the true cost of EBS operatives and external contractors.	Complete	A model has been agreed.
6.2• A business case to procure a consultant to review the SOR rates will be put forward to Commercial Procurement Services.	Complete	Business case has been approved and this is being progressed.
6.3• A review of the cost of external and internal resources will be carried out.	On going - on target	This is underway and on target to complete within timescale.
7. Manual Processes		
7.1• Refresher training to be rolled out to all relevant staff regarding all aspects of authorisation or work and invoices including checking of SORs. Where schedule of rates have not been applied, the invoice will be rejected.	Complete	Training has been completed.
7.2• The requirements for the new ICT system to support electronic invoicing will form part of the scoping document which will be submitted to ICT team.	Complete	Specification information was shared with the ICT Team in July.
8. Contract Monitoring		
8.1 • Bi monthly meetings will be held with contractors which will include review of KPI performance, quality of work, cost and safety.	Complete	Meetings being held monthly.
8.2• Capital contracts will be included in the remit of the Contract Management Board which will sit on a monthly basis, chaired by the Housing Property Manager. Reports on KPIs, quality, cost and safety will be reviewed by the contract management board so that any issues will be quickly identified and risk managed appropriately.	Complete	These meetings began in August and are being held monthly.
9. Capital projects procured by third parties		
9.1• Housing Property will ensure that all contracts are approved in line with contract standing orders. All delegated authority approval will be evidenced for records.	Complete	
9.2 • Compliance Team will audit compliant signed off contracts as part of their monthly audit; any anomalies will be reported to Housing Property Manager and Head of Service.	Complete	In place and being reviewed at monthly contract Management Board meeting.

Governance, Risk and Best Value Committee

10am, Thursday 22 December 2016

Whistleblowing update

Item number	7.10
Report number	
Executive/routine	
Wards	

Executive summary

This report provides a high level overview of the operation of the Council's whistleblowing hotline for the period 1 July 2016 to 30 September 2016.

Links

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

Report

Whistleblowing update

Recommendations

1.1   To note the report.

Background

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

2.2   This report covers the period from 1 July 2016 to 30 September 2016.

Main report

Reports to Safecall

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

Category	Number of disclosures
Major/significant qualifying disclosures	0
Minor/operational qualifying disclosures	2
Category to be determined	0
Non-qualifying disclosures	0

Whistleblowing Review - Action Plan Progress

3.2   The review of the pilot was completed in August 2015 with conclusions and recommendations reported to Finance and Resources Committee on 27 August 2015.

3.3 An action plan to develop the service was approved and progress against this plan is being monitored.

3.4 The Council's Whistleblowing Policy has been reviewed to reflect the findings of the pilot review and will be presented to the Corporate Policy and Strategy Committee for approval in February 2017.

3.5 A whistleblowing toolkit, to assist all of those who might be involved in the process, is being drafted for publication on the Orb.

3.6 Safecall have identified a suitably skilled and qualified expert to assist with the delivery of investigative training to the Council's nominated investigating officers.

Scottish Parliament Public Petitions Committee

3.7 The Committee wrote to the Chief Executive on 16 September 2016 inviting the Council to comment on Petition PE1605 (Whistleblowing in the NHS – a safer way to report mismanagement and bullying).

3.8 The petitioner had cited the Council's whistleblowing arrangements, in particular the provision of an independent hotline, as a potential model for NHS Scotland.

3.9 The Interim Head of Strategy and Insight, who manages the service on behalf of the Council, responded on behalf of the Chief Executive. The response is attached at Appendix 1.

Measures of success

4.1 Employees feel able to report suspected wrongdoing as early as possible in the knowledge that:

4.1.1 their concerns will be taken seriously and investigated appropriately;
4.1.2 they will be protected from victimisation; and
4.1.3 the provisions of the whistleblowing policy ensure all matters at the Council are fully transparent and officers are accountable.

Financial impact

5.1 The cost of the whistleblowing hotline for the three month period 1 July 2016 to 30 September 2016 was £4,725 + VAT.

5.2 The costs are within budget and are monitored regularly.

Risk, policy, compliance and governance impact

6.1 The whistleblowing policy was developed and agreed to complement existing management reporting arrangements and to ensure employees have the right to

raise concerns in the knowledge that they will be taken seriously, that matters will be investigated appropriately and confidentiality will be maintained.

Equalities impact

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

Sustainability impact

8.1   There are no sustainability implications arising from this report.

Consultation and engagement

9.1   A range of stakeholders, including whistleblowers and trades unions, were consulted during the pilot review.

9.2   Consultation with the trades unions is underway to secure a local agreement in relation to the revised whistleblowing policy.

Background reading/external references

Finance and Resources Committee 19 September 2013: item 7.2 - Revised Whistleblowing Policy

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

Andrew Kerr

Chief Executive

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Links

Coalition pledges	P27 – seek to work in full partnership with Council staff and their representatives.
Council outcomes	CO15 – the public is protected.
	CO25 – the Council has efficient and effective services that deliver on objectives.
	CO27 – the Council supports, invests in and develops our people.
Single Outcome Agreement	
Appendices	Appendix 1 – Response to the Scottish Parliament Public Petitions Committee in consideration of Petition PE1605

Response to Scottish Parliament Public Petitions Committee
Petition PE1605 (Whistleblowing in the NHS – a safer way to report mismanagement and bullying)

Background

The City of Edinburgh Council's Petitions Committee considered a petition similar to PE1605 in April 2013 - *"A safer mechanism for reporting Edinburgh Council mismanagement"* – and asked the appropriate Director to note its terms in final consideration of a draft policy on the subject.

On 19 September 2013 the Council's Finance and Budget Committee approved the Council's revised Whistleblowing Policy, which addressed many of the concerns raised by the petitioner. The revised Whistleblowing Policy replaced the Council's Public Interest Disclosure Policy (2000) and extended its scope beyond the provisions of the Public Interest Disclosure Act 1998, to encourage the raising of *"any serious concerns that you may have about any aspect of Council business or the conduct of officers or members of the Council or others acting on behalf of the Council"* (section 3.3 of the Policy).

Committee instructed the procurement of an independent external hotline provider for a one year pilot, with an option to extend for up to one year. Following the procurement process, the Whistleblowing Policy was implemented and hotline launched simultaneously on 12 May 2014.

Whistleblowing Hotline and Associated Services

The scope of the service contract is wider than core provision of a 'hotline' and includes:

- A multi-channel reporting facility incorporating – a dedicated free (0800) telephone number;
- operational 24/7, a dedicated email address, a web reporting portal via the provider's website;
- Assessment and categorisation of disclosures;
- Advice, guidance and referral (alternative processes/ other organisations);
- Investigative services (additional charges apply);
- Reporting and provision of management information; and
- Awareness and training activities.

Promotion

The Council has promoted the hotline through a variety of channels:

- staff newsletters and email updates;
- a whistleblowing section on the Council's intranet, including advice on how to make a disclosure, what concerns are covered by the Policy and the protection that is provided to a whistleblower;
- the Policy is available to download from the Council intranet and a toolkit will be added later this year;
- each year staff must complete a mandatory policy awareness exercise, confirming that they have read and understood key Council policies, including the Whistleblowing Policy;

- posters have been circulated for display in staff only areas of all Council buildings; and
- wallet cards providing details of how to make a disclosure have been issued to staff working in teams who do not have regular access to email and the intranet.

To assess the effectiveness of these communication methods, the provider asks whistleblowers how they found out about the hotline when they make contact for the first time. This will also be measured through our bi-annual employee survey.

Management of the service

Elected members in the City of Edinburgh Council led the creation of the whistleblowing service and have a role to oversee the outcomes of investigations and related actions. The Vice Convener of the Finance and Resources Committee, Councillor Bill Cook, is the elected member lead for development of the service. The Convener of the Governance, Risk and Best Value Committee, Councillor Joanna Mowat, leads ongoing oversight and scrutiny of the service and its outcomes.

The service is managed internally by a small independent Whistleblowing Team (WBT) which comprises two staff from the Governance Service of the Council. The team manages the service alongside a range of other governance projects and work streams, with the flexibility to meet the fluctuating resource requirements of the whistleblowing service. The team is led by the Head of Strategy and Insight who reports directly to the Chief Executive of the Council and liaises with the Council's Monitoring Officer as appropriate. The service is separate and independent of Human Resources but close working is in place where appropriate.

The WBT are responsible for day to day operation of the service, including liaison with the service provider, pre-investigation enquiries and evidence gathering, support for investigations (internal and external) and support for whistleblowers (where appropriate).

There is a confidential Council email address that staff can use to contact the WBT directly for advice.

How the Council's arrangements work in practice

Hotline
The whistleblower contacts the hotline (telephone, email, web). In the case of a telephone report, the call handler will conduct a cognitive interview with the whistleblower, prompting and questioning to establish as complete a picture as possible. Whistleblowers are encouraged to identify themselves but if they decline to do so the interview will proceed in exactly the same way. Whistleblowers decide on the level of anonymity they are comfortable with, (1) full disclosure of identity, (2) identity known to the service provider but not the Council or (3) full anonymity. Irrespective of their ID status, the service provider issues the whistleblower with a reference number for their disclosure and a confidential password/pin. The whistleblower can use this unique identifier to contact the provider again, via any channel, to disclose more information or check for status updates/feedback on a secure area of the provider's website.

Management referrals
Staff are encouraged to disclose information to Council managers who in turn are required to report disclosures to the independent service provider, to ensure that a full record of whistleblowing disclosures is held centrally. There is a dedicated email address for Council managers to report

disclosures to the service provider. The service provider will monitor any internal investigation to ensure it is satisfied with the approach and outcome.

Categories of disclosure
The Council's policy gives the service provider sole discretion over categorisation of disclosures. There are two categories of qualifying disclosure – major/significant and minor/operational. The provider carries out an initial assessment and recommends category of disclosure to the WBT. A course of action is agreed, in consultation with the Chief Executive and/or Monitoring Officer where necessary. This might be an investigation led by the provider (always the case for a major/significant disclosure), an internal investigation (usually carried out by an independent manager from another service) or a referral to another agency e.g. Police Scotland.

Non-qualifying disclosures
The Council receives a significant minority of disclosures that don't qualify as whistleblowing disclosures as defined by the Whistleblowing Policy. Despite this, where information is sufficient, the WBT ensure that the matter is redirected or addressed via an alternative and/or more appropriate route.

Whistleblowing Team role in investigations
One or more members of staff from the WBT will support each investigation by briefing investigating officers, making practical arrangements for interviews etc, gathering and analysing paper and electronic information, directing internal assistance, advising and guiding investigating officers and liaising with the service provider on next steps/further action.

Investigation deadlines and alignment
Investigations should be completed within three months but can be extended for complex cases. They need to align with other Council procedures and processes e.g. disciplinary, safeguarding, to avoid conflicts if secondary procedures need to take over immediately or follow at a later date. We and the provider are also mindful of our responsibilities in relation to police and criminal investigations and have sought advice from Police Scotland where criminality might have been a factor.

Investigation outcome
An investigation outcome report is produced by the investigating officer, with recommendations for management action if appropriate. The WBT liaise between internal investigating officers and the service provider to ensure internal investigations are completed to the satisfaction of the external provider.

Quarterly reporting
The Council's Governance, Risk and Best Value Committee (GRBV) considers a report in public summarising the number and categories of disclosures received during the reporting period along with progress against the Review Action Plan.

A summary of investigation outcome reports, including any recommendations for management action, is reported separately in private, where investigating officers (internal and external) and service managers can be called to answer questions and account for their actions. GRBV Committee members have access to full copies of investigation outcome reports on request.

Whistleblowers

Anonymity

Whistleblowers are encouraged to identify themselves so that they can be afforded the full protection of the Public Interest Disclosure Act. In practice they often decline to do so as many fear reprisal. We know this because many of them tell our service provider that this is the case. Irrespective of whether or not we or the service provider know the identity of the whistleblower, the information they disclose is processed and investigated in the same way.

Support

In some cases whistleblowers and others, e.g. service users, might require support, particularly during the course of a complex investigation. It is important to ensure that suitable support services are readily accessible, e.g. counselling. The Council has a range of support services in place for employees/workers but this is not the case for service users and we have had to make special arrangements to access specialist support for third parties.

Feedback

Where an open channel of communication exists between the service provider and the whistleblower, the provider will channel feedback on the outcome of their case to the whistleblower directly. Where the whistleblower's contact details are unknown, written feedback is posted on the secure area of the service provider's website which can be accessed by the whistleblower, using their password, at any point in the future.

Review of Pilot

The service pilot was independently reviewed by external employment law experts and a summary of their findings was reported to the Finance and Resources Committee of the Council in August 2015.

Committee accepted all but one of the recommendations in the report. The review team had recommended that authority to decide on the categorisation of disclosures, and therefore who would investigate each disclosure, revert back to Council officers but Committee decided that this authority would remain with the independent service provider.

An action plan to re-procure, further develop and improve the service was approved. The procurement process to appoint an external service provider concluded in April 2016 and a new contract, incorporating improvements recommended by the review team, commenced in May 2016.

Experience to date

The Public Petitions Committee has requested feedback on the Council's experience of the hotline facility. The expert review of the pilot reported the following:

Independent reporting (hotline)

The pilot review concluded that: *"All of those interviewed considered that there was value in having an external whistleblowing service and that such an arrangement should continue".*

The review recommended that: *"The Council should continue with the provision of an external Whistleblowing Helpline"*.

Committee decided: *"To agree the action plan outlined in Appendix 2 of the report"* (which included continuation of the service beyond the pilot and procurement of an external provider beyond May 2016).

Independent service provider

The pilot review concluded that: *"there was a strong feeling amongst many interviewees that, if not for the involvement of an external body, certain matters may not have come to light"*.

The review recommended that: *"The Council should not continue with a policy in terms of which an external provider has the discretion to determine if investigations are conducted externally or internally, albeit there should be an ability to use external investigators where appropriate"*.

Committee decided: "*To agree to retain the independence of the external provider in terms of how investigations would be carried out"*.

Development of the service

The Council is incrementally implementing the Review Action Plan approved by Committee in August 2015, focussing on improvement and development of the service, including raising awareness of the service, policy review, process improvement and training for investigating officers.

Outcomes

There is a developing confidence amongst Council colleagues that there is now a safe mechanism for reporting concerns and that these will be investigated appropriately with the oversight of an independent third party and reporting to elected members via the Council's Governance, Risk and Best Value Committee. This is measured through our bi-annual employee survey.

Since the service launched, in May 2014, 48 disclosures have been received, including 11 that did not qualify as whistleblowing disclosures as defined by the policy. The Council's aim is to encourage disclosure, even if the individual raising concerns is found to be mistaken, as a trusted and well utilised whistleblowing service is a key risk management tool for the authority. In addition to the investigating of qualifying disclosures, all non qualifying disclosures are followed up by the WBT to ensure, as far as possible, that the concerns of staff are addressed e.g. sign-posting to another agency or recourse through another process.

Investigations into qualifying disclosures have resulted in a range of management action and service improvements relating to Council working practices, policies, procedures and processes in areas such as health and safety, safeguarding, and recruitment.

Kirsty-Louise Campbell
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City of Edinburgh Council