Notice of meeting and agenda

Governance, Risk and Best Value Committee

10:00am, Thursday, 2 February 2017

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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THE CITY OF EDINBURGH COUNCIL

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 22 December 2016 – submitted for approval as a correct record (circulated)

5. Outstanding Actions

5.1 Outstanding Actions – February 2017 (circulated)

6. Work Programme

6.1 Governance, Risk and Best Value Work Programme – February 2017 (circulated)

7. Reports

7.1 Communities and Families Assurance Framework Pilot – report by the Chief Internal Auditor (circulated)

7.2 Pride in our People and Key Engagement Activity Update 2016/17 – report by the Acting Executive Director of Resources (circulated)

7.3 Revenue Monitoring – 2016/17 – Month Nine Position – referral report from the Finance and Resources Committee (circulated)

7.4 Capital Monitoring 2016/17 –Month Nine Position – referral report from the Finance and Resources Committee (circulated)

7.5 Report by the Accounts Commission - Local Government in Scotland: Financial Overview 2015/16 – referral report from the Finance and Resources Committee (circulated)

7.6 Edinburgh Shared Repairs Service (ESRS) Update and Property Conservation – Progress Report – referral report from the Property Sub-Committee (circulated)

7.7 Property Conservation – Project Closure Review – report by the Chief Internal Auditor (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, 22 December 2016

Present

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

1. Minute

Decision

To approve the minute of the Governance, Risk and Best Value Committee of 17 November 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 1, 4, 8, 9, 12, 14, 15, 17 and 18.

2) To note the remaining outstanding actions.

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

3. Work Programme

Decision

To otherwise note the work programme.

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

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

Details were provided on the internal audit activity from 1 July 2016 to 30 September 2016.

Decision

1) 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.

2) 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).

3) To request an update report on the recommendation for Edinburgh Buildings Services by November 2017.

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

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

An overview was provided of the process adopted by Internal Audit for following up the status of audit recommendations and all those past their estimated closure date were highlighted.

Decision

1) To note the status of the overdue outstanding recommendations.

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.

3) To request an update for the Governance, Risk and Best Value Committee in February 2017 on the reasons for the delay and timescale for completion of the reviews related to the contract management within roads services.

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

6. Edinburgh Tram Inquiry – Update

An update was provided on the progress of the Edinburgh Tram Inquiry.

Decision

To note the report.

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

7. Resources Team Risk Update

Committee considered details and mitigating actions in place for the key risks of the Resources service area as of November 2016.

Decision

1) To note the prioritised risk information for the Resources Senior Management Team.
2) To circulate information to members of the Governance, Risk and Best Value Committee on employee surveys.
3) To clarify for members of the Governance, Risk and Best Value Committee who provides support on management of data to parent and community councils.

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

8. Corporate Leadership Team Risk Update

The current highest priority risks and mitigating actions in place from the Corporate Leadership Team were considered.

Decision

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

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

9. Management Actions – Stand By, On Call and Disturbance Payments

Committee considered an update on the recommendations and agreed management actions under the Continuous Testing – Stand By, On Call and Disturbance Payments section of the Internal Audit Quarterly Update Report from 1 April 2016 to 30 June 2016.

Decision

To note 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.

(References – Governance, Risk and Best Value Committee, 26 September 2016 (item 6); report by the Executive Director or Place, submitted.)

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

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.

Decision

1) To note the report.

2) To circulate the briefing note on the use of bonds by other local authorities specifically in London and Aberdeen to all councillors for information.

3) To ensure information on the interest amount on each loan for the year is included in future reports.

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

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

The Education, Children and Families Committee on 13 December 2016 considered an update on the 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 report was referred to the Governance, Risk and Best Value Committee for information.

Decision

To note the report.

(References – Education, Children and Families Committee, 8 December 2015 (item 13); report by the Acting Executive Director of Communities and Families, submitted.)

Declarations of Interests

Councillor Edie declared a financial interest in the above item as Chair of the Care Inspectorate and took no part in the consideration of this item.

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

The Health, Social Care and Housing Committee on 15 November 2016 considered a report on the development of the new Housing Property Service and results of the Internal Audit review carried out in June 2016. The report was referred to the Governance, Risk and Best Value Committee for information.

Decision

To note the report.

(References – Health, Social Care and Housing Committee, 15 November 2016 (item 12) - report by the Executive Director of Place, submitted.)

13. Whistleblowing Update

A high level overview was provided of the Council's whistleblowing hotline for the period 1 July 2016 to 30 September 2016.

Decision

To note the report.

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

14. Property Conservation – Extra Judicial Agreements

A note of the discussions from the meeting on the Property Conservation - Extra Judicial Process was considered.

Decision

With the legacy statutory repairs resolution projects now close to completion, the Governance, Risk and Best Value Committee requests that Internal Audit conducts a 'project closure' review to establish if there are any lessons to be learned for the future. The terms of reference would be developed by the Chief Executive in consultation with the Conveners of the Governance, Risk and Best Value Committee and the Finance and Resources Committee. The proposed terms of reference would come to the Governance, Risk and Best Value Committee in February 2017 for approval.

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

15. Resolution to Consider in Private

The Committee, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for consideration of appendix 1 of item 11 above on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 1, 3, 6 and 14 of Part 1 of Schedule 7(A) of the Act.

16. Whistleblowing: Monitoring Report

An overview was provided of the disclosures received and investigation outcome reports completed during the period 1 July 2016 to 30 September 2016.

Decision

To note the report.

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

17. Monitoring Officer Investigation – Tron Kirk – referral report from the Finance and Resources Committee

The Finance and Resources Committee on 1 December 2016 considered a report on the Tron Kirk lease. The report was referred to the Governance, Risk and Best Value Committee for scrutiny.

Decision

To note the report.

(Reference – report by the Monitoring Officer, submitted.)

Declarations of Interests

Councillor Orr declared a financial interest in the above item as being the subject of court action related to comments made regarding the Tron Kirk and took no part in the consideration of this item.

Item 5.1 Outstanding Actions

Governance, Risk and Best Value Committee

February 2017

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	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		
2	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

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							in the near future – date TBC
3	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		
4	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 within the Rising Rolls report at the Education, Children and Families Committee in March 2017. Policy for GME access to secondary schools is published on the

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.				website and work-plan for the review of the policy is in development GME will also be included in a wider catchment area review report – date TBC
5	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.				
6	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		The CIPFA have postponed the implementation date for the 2017/18 accounts to the end of the financial year. The expected completion date has been updated to March 2018 to reflect this.
7	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		
8	24/10/16	Governance of Major Projects:	To request a follow-up report on the New	Chief Executive	March 2017		An Assurance Review will be

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		progress report	Boroughmuir High School project including information on lessons learnt, cost implications and risks to the Council.				undertaken in December 2016 and the output shared with elected members in January 2017.
9	24/10/16	Governance of Major Projects: progress report	To request a briefing note for members of Governance, Risk and Best Value Committee on the new Zero Waste Contract.	Chief Executive	January 2017	November 2016	Recommended for closure – briefing note sent to members on 18 November 2016
10	17/11/16	Emergency Repairs: Processes to approve and pay framework contractor invoices – report by the Acting Executive Director of Resources	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		
11	22/12/2016	Internal Audit	To request an update	Executive	November		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		Quarterly Update Report: 1 July 2016 – 30 September 2016	report on the recommendation for Edinburgh Buildings Services by November 2017.	Director of Place	2017		
12	22/12/2016	Internal Update Follow Up Arrangements: status report from 1 July 2016 to 30 September 2016	To request an update for the Governance, Risk and Best Value Committee in February 2017 on the reasons for the delay and timescale for completion of the reviews related to the contract management within roads services.	Chief Internal Auditor	February 2017	February 2017	Recommended for closure - on February agenda.
13	22/12/2016	Resources Team Risk Update	1) To circulate information to members of the Governance, Risk and Best Value Committee on employee surveys. 2) To clarify for members of the Governance, Risk and Best Value	Acting Executive Director of Resources	February 2017		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			Committee who provides support on management of data to parent and community councils.				
14	22/12/2016	Treasury Management: Mid-Term Report 2016/17	To circulate the briefing note on the use of bonds by other local authorities specifically in London and Aberdeen to all councillors for information.	Acting Executive Director of Resources,	December 2016	December 2016	Recommended for closure, briefing note circulated to members on 28 December 2016.
15	22/12/2016	Property Conservation: Extra Judicial Agreements – Note of Discussions	With the legacy statutory repairs resolution projects now close to completion, the Governance, Risk and Best Value Committee requests that Internal Audit conducts a 'project closure' review to establish if there are any lessons to be learned for the future. The terms of reference would be developed by the Chief Executive in consultation with the Conveners of the	Chief Executive	February 2017	February 2017	Recommended for closure, on February agenda

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			Governance, Risk and Best Value Committee and the Finance and Resources Committee. The proposed terms of reference would come to the Governance, Risk and Best Value Committee in February 2017 for approval.				

Item 6.1 - Work programme

Governance, Risk and Best Value

February 2017

	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

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	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	Accounts Commission	Annual report	Local Government Overview	External Audit	Acting Executive Director of Resources	Council Wide	Annually	January 2018
Section B – Scrutiny Items								
6	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	March 2017
7	Welfare Reform	Review	Regular update reports	Scrutiny	Acting Executive Director of Resources	Council Wide	March 2016	March 2017
8	Review of CLT Risk Scrutiny	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	March 2017
9	Whistleblowing Quarterly		Quarterly Report	Scrutiny	Chief Executive	Internal	Quarterly	March 2017

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
	Report							
10	Pride in our People	Staff	Annual report of progress	Scrutiny	Chief Executive	Council Wide	Annual	February 2017
11	Workforce Control	Staff	Annual report	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	April 2017 Consideration of this report deferred to March F&R Committee and will be referred to GRBV in April 2017.
12	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best Value Committee	Annual	October 2017
13	Dissemination of Committee Decisions	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Six-monthly	March 2017
14	Late Submission of reports	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Six-monthly	March 2017
15	Property Conservation – Legacy Closure programme and Defect	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	All	February 2017 April 2017	February 2017

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
	Costs							
16	Revenue Monitoring – 2016/17	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	February 2017 Septembe r 2017 Decembe r 2017	February 2017
17	Capital Monitoring – 2016/17	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	February 2017 Septembe r 2017 Decembe r 2017	February 2017
18	Revenue Outturn and Receipts – 2016/17	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	September 2017
19	Capital Outturn and Receipts – 2016/17	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	September 2017
20	Treasury – Strategy report	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	April 2017

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholders	Progress updates	Expected date
21	Treasury – Annual report	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	September 2017
22	Treasury – Mid-term report	Review	Progress reports	Scrutiny	Acting Executive Director of Resources	Council Wide	Annual	December 2017

GRBV Upcoming Reports

Appendix 1

Report Title	Type	Flexible/Not Flexible
2 February 2017 Committee		
Communities and Families Assurance Framework	Internal Audit	Flexible
Pride in Our People	Scrutiny	Flexible
Edinburgh Shared Repairs Service (ESRS) Update and Property Conservation – Progress Report	Scrutiny	Flexible
Revenue Monitoring – 2016/17 – month nine position	Scrutiny	Flexible
Capital Monitoring 2016/17 – Nine Month Position	Scrutiny	Flexible
Report by the Accounts Commission - Local Government in Scotland: Financial Overview 2015/16	Scrutiny	Flexible
Property Conservation Internal Audit Review – Terms of Reference	Scrutiny	Flexible
9 March 2017 Committee		
Contract Management in Roads Services	Internal Audit	Flexible
Internal Audit Quarterly Update	Internal Audit	Flexible
Internal Audit Follow Up Arrangements	Internal Audit	Flexible
Internal Audit Charter	Internal Audit	Flexible
Internal Audit Plan for the Year	Internal Audit	Flexible

Whistleblowing Update	Scrutiny	Flexible
Welfare Reform	Scrutiny	Flexible
Committee Decisions - Annual Report	Scrutiny	Flexible
Committee reports and Associated IT	Scrutiny	Flexible
Governance of Major Projects – Boroughmuir High School	Scrutiny	Flexible
Review of CLT Risk Scrutiny	Scrutiny	Flexible
20 April 2017 Committee		
Property Conservation Quarterly Report including update on new IT system	Scrutiny	Flexible
Treasury Strategy	Scrutiny	Flexible
Recent Developments in Gaelic Education Provision in Edinburgh	Scrutiny	Flexible
Workforce Control	Scrutiny	Flexible
22 June 2017 Committee		
Looked After Children: Transformation Programme	Scrutiny	Flexible

Governance, Risk and Best Value Committee

10.00am, Thursday, 2 February 2017

Communities and Families Assurance Framework

Item number	7.1
Report number	
Executive/routine	
Wards	

Executive summary

This is the second year of the Communities and Families Assurance Framework, which combines a Local Assurance Statement completed by the Head Teacher or Unit Manager of each establishment with a programme of 15 audit visits undertaken by a combined Internal Audit, Corporate Health and Safety and Information Governance team.

The Assurance Framework was extended this year to include early years centres, community centres and residential centres as well as schools.

This report outlines the key themes emerging from the audit visits and also our recommendations to facilitate improvement in Communities and Families establishments' control environments.

Links

Coalition pledges	
Council outcomes	.
Single Outcome Agreement	

Report

Communities and Families Assurance Framework

1. Recommendations

1.1 It is recommended that the Committee notes this report.

2. Background

2.1 The Communities and Families Assurance Framework launched as a pilot in 2015/16. It combined a Local Annual Assurance Statement completed by the Head Teacher of each school and a validation programme of 15 audit visits undertaken by a combined Internal Audit and Corporate Health and Safety team.

2.2 We used the experience gained from the 2015/16 pilot and the feedback that we received both from individual schools and from other stakeholders to review and strengthen the Assurance Framework for 2016/17. We expanded the Local Assurance Statement and validation checklists to include Equalities and Facilities Management, and strengthened the areas of ICT and Information Governance with Information Compliance Officers joining the audit team to assess these areas.

2.3 The Assurance Framework was also extended this year to include early years centres, community centres and residential centres as well as schools.

2.4 The 15 establishments visited were:

Secondary Schools	**Primary Schools**	**Early Years Centres**
James Gillespies	Buckstone	Fox Covert
Portobello	Leith	Cowgate Under 5s
Wester Hailes	Flora Stevenson	
St. Thomas of Aquins	Royal Mile	
Leith Academy	St. John Vianney RC	
Community Centres	**Residential Centre**	
Southside	Edinburgh Secure Services (Howdenhall)	
Jack Kane		

3. Main report

Approach

3.1 The combined Internal Audit and Health and Safety team reviewed the controls in place at each establishment visited using a standard validation checklist which covered 9 different areas:

Health and Safety	Workforce controls
Property and Statutory Inspections	Resilience
Facilities Management	Information Technology
Finance	Child Protection
Equalities	

3.2 The validation checklist contained a breakdown of all processes and controls that would be expected for each of the nine areas. The combined audit team used a simple Red, Amber, Green (RAG) scale to grade the operation of each process or control to establish an overall RAG grading for each area.

3.3 Information Compliance Officers from the Information Governance Unit (IGU) joined the audit team this year to pilot its Information Governance Maturity Model. This is an assessment across eight areas of Information Governance, which assesses how well the unit protects and manages its information. The eight areas assessed are:

Responsibilities	Decision making
Data quality	Data protection
Information Governance compliance	Availability of records
Retention of records	Disposal of records

3.4 The results of the Information Governance Maturity Model have helped the IGU identify specific areas of risk where teams require more corporate support. The Maturity Model will be rolled out across the Council and will allow the Council's overall maturity in terms of information governance to be cogently assessed and monitored.

Reporting of results

3.5 Each establishment received an individually tailored report that highlighted good practice in each of the areas looked at by the combined Internal Audit/Health and Safety team and identified improvements required. Each school was invited to prepare an action plan to address the areas identified for improvement.

3.6 We were pleased to see an improvement in the quality and speed of management responses received from the establishments this year, with only one return visit required to help a school improve its action plan, compared to seven return visits in 2015/16.

3.7 Each establishment visited will receive a copy of the Information Governance Maturity Model prepared for them, together with recommendations for improving their controls and processes in each area.

3.8 To supplement the individual establishment reports we prepared an overall report for Communities and Families analysing the results of the audit visits, identifying the key themes that emerged and making recommendations as to how Communities and Families as a Directorate can assist establishments in making improvements to their control environments. This overall report is attached as Appendix 1.

Going forward

3.9 We were pleased to see a high level of engagement with the Communities and Families Assurance Framework this year, with active discussion about controls through the Communities and Families Risk Group and the school business managers group. The Assurance Framework is now an established part of the Communities and Families governance arrangements.

3.10 With a robust assurance statement and supporting guidance now in place, as well as engagement from schools and community centres, the next stage is for Communities and Families to take full ownership of the Assurance Framework and validation programme. Internal Audit will reduce its involvement in the Assurance Framework in 2017/18 and will not continue with the programme of visits to 15 establishments.

3.11 We recommend that Communities and Families sets up a programme of peer reviews to replace the Internal Audit component of the programme. Health and Safety will continue with a rolling programme of audit visits as the Health and Safety audit requires technical expertise Communities and Families cannot be expected to provide.

3.12 Internal Audit plan to undertake an audit towards the end of 2017/18 to review whether Communities and Families have been able to successfully embed and sustain the programme.

4. Measures of success

4.1 A strengthened governance framework and control environment in schools.

5. Financial impact

5.1 No direct financial impact.

6. Risk, policy, compliance and governance impact

6.1 The findings of the work performed by the combined Internal Audit, Corporate Health and Safety and Information Governance teams will be incorporated into the Communities and Families Annual Assurance process.

7. Equalities impact

7.1 There are no adverse equalities 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 The Internal Audit team consulted with representatives from the Communities and Families, Corporate Health and Safety, Corporate Property, Corporate Risk, Information Governance and Finance teams during the development and implementation of this process.

10. Background reading / external references

10.1 None

Magnus Aitken

Chief Internal Auditor

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Links

Coalition pledges	
Council outcomes	
Single Outcome Agreement	
Appendices	Appendix 1 – Communities and Families Assurance Framework – Thematic Report

The City of Edinburgh Council

Internal Audit

Communities and Families Assurance Framework

Final Report

January 2017

Contents

This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2016/17 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2016. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there is a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

Executive summary

This was the second year of the Communities and Families Assurance Framework, which combines a Local Assurance Statement completed by the head teacher or unit manager of each establishment, with a programme of audit visits by Internal Audit, Corporate Health and Safety and Information Governance.

The Assurance Framework was extended this year to include early years centres, community centres and residential centres.

Administration is devolved to Communities and Families establishments, and each establishment is responsible for developing satisfactory processes to implement corporate policies and manage areas of risk. The Assurance Framework seeks confirmation that these processes are in place. In its second year the Framework covered:

- Health & Safety;
- Property & Statutory Inspections;
- Facilities Management Health & Safety;
- Finance;
- Workforce controls;
- Resilience;
- Information Technology;
- Child Protection;
- Equalities; and
- Information Governance.

Internal Audit, Corporate Health and Safety and Information Governance visited 15 establishments to assess the internal controls and processes in place. Each establishment was provided with a report and action plan following the visit to help them improve their processes. This report summarises common themes arising from our audit visits and follows up on areas highlighted in 2015/16 where it was felt that establishments would benefit from additional support and guidance from the corporate Communities and Families team.

Background

This is the second year of Communities and Families Assurance Framework, which is designed to inform and support the Executive Director of Communities and Families' annual assurance statement and enhance the Communities and Families control framework.

The core of the Assurance Framework is a Local Annual Assurance Statement which each head teacher or unit manager completes in January each year to confirm the controls in place in their establishment and highlight any areas of risk which they feel are not being managed effectively.

This has been supported by Internal Audit, Corporate Health and Safety and Information Governance in the past 2 years with a programme of visits to 15 establishments to assess the controls in place at the establishments visited. The areas covered by the Assurance Framework are:

- Health & Safety;
- Property & Statutory Inspections;
- Facilities Management Health & Safety;
- Finance;
- Workforce controls;
- Resilience;
- Information Technology;
- Child Protection;
- Equalities; and
- Information Governance.

The assurance checklists used by Internal Audit, Corporate Health and Safety and Information Governance are attached in **Appendix 1 together with the detailed results of our audit work**.

The findings were discussed with the head teacher or unit manager and business manager at the close of each audit visit. Each school was provided with an action plan to help them develop and improve their controls and processes.

The 15 establishments selected for audit in 2016 were:

Secondary Schools	**Primary Schools**	**Early Years Centres**
James Gillespies	Buckstone	Fox Covert
Portobello	Leith	Cowgate Under 5s
Wester Hailes	Flora Stevenson	
St. Thomas of Aquins*	Royal Mile	
Leith Academy	St. John Vianney RC	
Community Centres	**Residential Centre**	
Southside	Howdenhall	
Jack Kane		

*No Health & Safety audit was carried out, as St Thomas of Aquins High School was visited as part of the Health & Safety Assurance Programme in 2015/16.

The 2016 Assurance Framework

There were a number of changes to the Communities and Families Assurance Framework to embed the programme in 2016 and respond to feedback from its first year.

Scope of the Assurance Framework

After a successful pilot in schools which generated detailed management information and encouraged a focus on the control environment, it was decided to extend the Assurance Framework to early years centres, residential centres and community centres. The Assurance Framework will also be launched for libraries in 2017/18.

The checklist was adapted for community centres and early years centres as they have a different range of responsibilities to schools. For example, finance is not delegated to the same extent, with centre budgets managed by the Community and Families Finance Team. However, centres do regularly handle cash (lunch money, for example) and, in the case of community centres, Council officers based at the community centre may manage day-to-day finances on behalf of the centre's Management Committee, which is an independent registered charity.

Both community centres performed well in the audits, and were assessed as 'green' in all administrative areas except for finance at one community centre. Both found that with only one Community Learning & Development (CLD) worker and a part-time administrator it was difficult to maintain segregation of duties over finance. However, one community centre overcame this with regular and detailed scrutiny of financial records by the Management Committee's treasurer.

Communities and Families Risk Group

The Communities and Families Risk Group includes head teachers and senior managers from Communities and Families. The Risk Group has been very supportive of the Assurance Framework, and have developed a '40-week plan' to help schools continuously review the controls they have in place throughout the school year, with a different area of focus each week. The 40-week plan supports the Local Annual Assurance Statement head teachers complete in January each year.

Facilities Management

Feedback from head teachers on the 2015 Local Annual Assurance Statement highlighted that they were asked to sign off on aspects of Health & Safety over which they had no control, because those areas were the responsibility of Facilities Management.

To address this, areas which are the responsibility of Facilities Management were considered separately in the 2016 Local Annual Assurance Statement and audit checklist. The area facilities manager was asked to be on site during the audit to respond to questions from the Health & Safety advisor.

This has had mixed success. It has highlighted areas where Facilities Management controls are poor across the Communities and Families estate (see detailed results in **Section C**). However, we have struggled to obtain satisfactory management responses from Facilities Management. At the time of writing, we have received only four satisfactory responses from Facilities Management. In contrast, we have received satisfactory management responses for all other areas from 13 of the 15 establishments visited (and the two remaining are not yet overdue).

Information Governance

Information Governance is a key area of focus across the Council. This section of the Local Annual Assurance Statement was expanded in 2016, and Information Compliance Officers joined the audit teams in their visits to the 15 establishments. An overview of their findings is included in **Section J.** Each establishment will also be provided with a maturity assessment and an action plan.

Communication and Engagement

Our 'lessons learned' review of the 2015 assurance framework identified that the format and demands of an audit visit were unfamiliar to schools, and were not sufficiently communicated to head teachers and business managers before audit visits were scheduled. This led to delays in the audit programme, and difficulties agreeing audit findings and management actions with the schools.

It also meant that there was a delay in communicating significant control findings to key corporate officers.

We focussed on early communication and engagement in 2016, with initiatives including:

- Launch of the 2016 Assurance Framework at Head Teachers' and Business Managers meetings;
- Early communication of audit dates, and pre-audit meetings with the unit manager and business manager two weeks before fieldwork;
- Refresh of the Local Annual Assurance Statement, guidance and audit checklist in consultation with key corporate officers and the Communities and Families Risk Group;
- The 2016 Local Annual Assurance Statement has been launched as an online questionnaire, to make it easier for unit managers to respond, and enable Communities and Families to analyse and make better use of the results; and
- High risk audit findings are now shared with key corporate officers when the draft report is issued, to give the establishment immediate access to support.

We were pleased to see a high level of engagement with the Assurance Framework this year, and active discussion about controls through the Risk Group and business managers groups. A particularly encouraging development has been the establishment of a business managers working group. This is a group of experienced primary and secondary school business managers who are developing an online 'business manager's toolkit' to share good practice and provide a forum for colleagues to seek advice and support.

Future of the Assurance Framework

The Communities and Families Assurance Framework has matured in the past year and is now an established part of the Communities and Families governance arrangements.

With a robust assurance statement and supporting guidance now in place, as well as engagement from schools and community centres, the next stage is for Communities and Families to take full ownership of the Assurance Framework and validation programme. Internal Audit will reduce its involvement in the Assurance Framework in 2017/18 and will not continue with the programme of visits to 15 establishments.

We recommend that Communities and Families sets up a programme of peer reviews to replace the Internal Audit component of the programme. We have already seen the 'buddy' system, where experienced business managers support colleagues in other schools, work well. example this year was a visit by an office administrator from Royal High to Portobello High School in advance of their audit to review their financial processes and make recommendations on how they could be approved. Royal High made a number of very practical recommendations, which the school had put into practice by the time we visited.

Corporate Health and Safety will continue with a rolling programme of audit visits as the Health & Safety audit requires technical expertise Communities and Families cannot be expected to provide.

Internal Audit are planning to undertake an audit towards the end of 2017/18 to review whether Communities and Families have been able to successfully embed and sustain the programme.

Findings

A: Health and Safety Controls

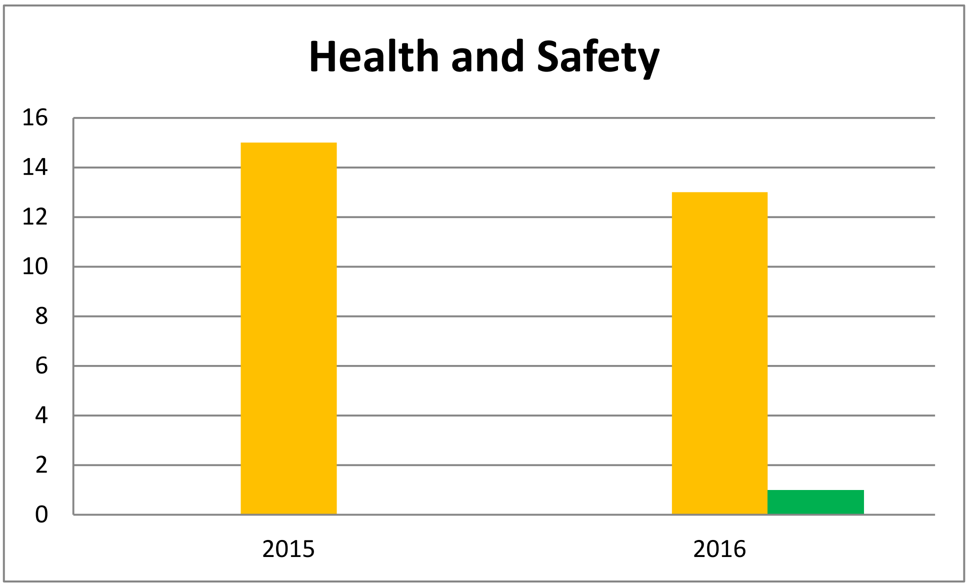

Fig. A.1: RAG Status (Health and Safety)

Current Year Overview

Whilst making a comparison between last year's programme and this year's it should be noted that changes have been made to the question set used, including moving the facilities management health and safety considerations to a separate section. This affects the comparable scores, particularly for the questions on training, risk assessments and controls.

Overall the majority of establishments indicated partial compliance (amber), as per last year, whilst there was one establishment this year that achieved an overall compliance rating (green). Overall compliance (green) is challenging to achieve as there are 86 questions across 15 subject areas in the Health and Safety section. When compared with last year there is some evidence of improvement in compliance for 8 subject areas, with four areas assessed as less compliant than last year and 3 areas with no significant change.

The most common areas requiring improvement overall this year were statutory inspections for teaching equipment, fire safety, risk assessments and risk assessment controls.

Health and safety roles and responsibilities

Health and safety roles and responsibilities were generally clear and understood. 11 of 14 (79%) establishments were assessed as compliant (green), which compares with 6 of 15 (40%) last year.

Health and safety training

Whilst induction training was generally carried out, some establishments should carry out an overall review of health and safety training provision. 10 out of 14 (71%) establishments were assessed as compliant for health and safety training compared with none of the 15 (0%) last year. The change in questions has undoubtedly impacted on this as the question on essential learning/ mandatory health and safety training was removed this year.

Health and safety communications

Communication arrangements for health and safety were generally good with information displayed and health and safety included in unit / department meetings. 11 of 14 (79%) establishments were assessed as compliant (green), which compares with 9 of 15 (60%) last year.

Health and safety risk assessments and controls

There were variable findings for health and safety risk assessments. There were some good quality risk assessments, however there were also some gaps identified. Risk assessments were not in place for some activities and also, some risk assessments require annual review and updating.

Statutory tests and inspections for teaching equipment

There was a lack of evidence that portable gym equipment was being inspected. Inspections of fixtures for wall and ceiling mounted equipment were not in place for the majority of establishments visited that had these.

Health and workplace inspections/ Housekeeping

Workplace inspections are required to be carried out quarterly/ termly and there were some gaps in this identified. 7 of 14 (50%) establishments were assessed as compliant (green) overall for workplace inspections and housekeeping compared with five of 15 (33%) last year. There was evidence of good cleaning and housekeeping.

Stress/ Employee Assistance Programme

There was a marked improvement in this area with 12 out of 14 (86%) establishments assessed as compliant (green) compared with two out of 15 (13%) last year.

First-aid arrangements

First aid arrangements were in place for most establishments, with some gaps in information displayed and defibrillator checks. 13 out of 14 (93%) establishments were assessed as compliant (green) for having an adequate number of trained first aiders which compares with 15 out 15 (100%) last year.

Fire safety

No establishment was assessed as overall compliant (green) for fire safety which compares with 6 out of 15 (40%) establishments last year. Some fire signage was missing at 11 out of 14 (79%) establishments visited, most of which included fire action notices. Fire safety training was also lacking or refresher courses required. There were generally good controls evidenced for having nominated individuals for fire safety, fire wardens, escape routes and fire extinguishers.

Emergency response

This sections includes lift breakdowns, swimming pool emergencies, bomb threats and emergency shut-offs. Emergency response procedures were in place and available for most establishments with 12 out of 14 (86%) assessed as compliant (green) which is an improvement on 7 out of 15 (47%) last year.

Reporting and investigation of incidents

All 14 establishments reported and investigated incidents, accidents and work-related ill health cases and communicated incident reporting information to all staff. Last year there were 14 out of 15 (93%) assessed as compliant (green) in this area.

Escalation and monitoring of H&S risks and issues

This area was mostly compliant (green) across the establishments, with non compliance at one establishment for risk notification procedure and some gaps identified at five establishments for tracking of actions identified in workplace inspections and audits.

Control of contractors

Control of contractors was found to be mostly compliant across the 14 establishments. A number of questions in this section were marked as not applicable as they were not managed by the establishment.

H&S arrangements with voluntary organisations

Eight out of 10 (80%) establishments provide health and safety information including emergency procedures to organisations that use the facilities. At the other four establishments this was assessed as not applicable.

B: Property & Statutory Controls

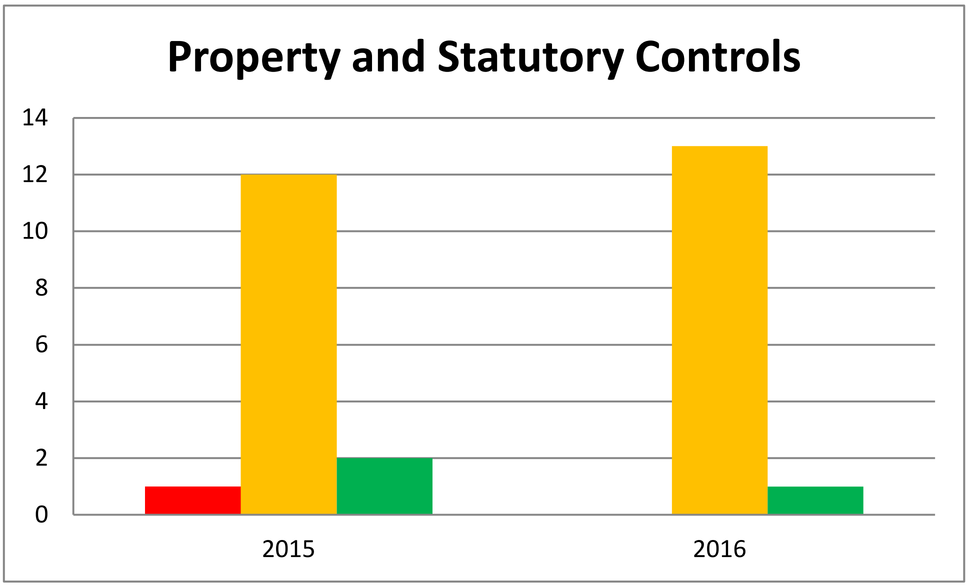

Fig. B.1: RAG Status (Property & Statutory Controls)

Current Year Overview

As last year, the majority of overall ratings for this section were partially compliant (amber). None of the establishments were assessed as non compliant (red) overall for this section this year, however only one establishment (7%) scored an overall compliant (green) compared with two last year (13%). Since the audits, Portobello High School has relocated to new premises and so many of the findings relating to property issues in that audit are no longer relevant. Overall this year, whilst some checks were in place and documented such as portable appliance testing there was a lack of evidence available for some other inspections and checks including playground equipment, window restrictors and regular walk rounds.

Statutory inspections and tests

Portable appliance testing and gas safety checks were found to be up to date with records available at all establishments. Some gaps were identified across the establishments for other statutory inspections and tests such as lightning conductors and fixed electrical systems.

Asbestos

Some gaps were identified in asbestos management. Five out of 14 (36%) establishments did not have an asbestos management plan available.

Water safety

Legionella risk assessments were in place in 13 out of 14 establishments (93%). All establishments had evidence of *legionella* control testing being carried out in compliance with Health & Safety Executive guidance document 'L8'; however one establishment lacked some records.

Playground equipment

A new specific question on natural playgrounds has been added this year. There was a lack of inspection records available for playground equipment including, where applicable, natural playgrounds. This was also the case in 2015 for fixed playground equipment.

Window restrictors

Most establishments did not have records of window restrictor checks being carried out. 9 out of 14 (64%) establishments were assessed as non compliant (red) compared with 6 out of 15 (40%) last year.

Traffic Management

Good arrangements for traffic management were in place for most establishments (7 of 10, 70%) where this was relevant.

Condition Surveys

Whilst condition surveys were considered as part of the programme this year, records of these were not available on site. Further information from Strategic Asset Management showed that 10 of 14 (71%) establishments had condition surveys carried out within the last five years for their current building (at the time of audit). Of the other four establishments, two had new buildings and two had been surveyed within the last seven years. An estate wide condition audit is due to be carried out during 2017 followed by a five-year rolling programme.

FM Walk Round Inspections

There was a lack of documented evidence at 10 out of 14 (71%) establishments that walk round checks were being carried out by Service Support Officers (Janitors). This was attributed in part to the checklists being withdrawn from use by Property and Facilities Management following feedback from Trade Unions on the volume of work and capability needed to complete these. 7 out of 10 (70%) establishments that did not have any documented evidence gave verbal confirmation that walk round checks were still being carried out.

C: Facilities Management Health and Safety

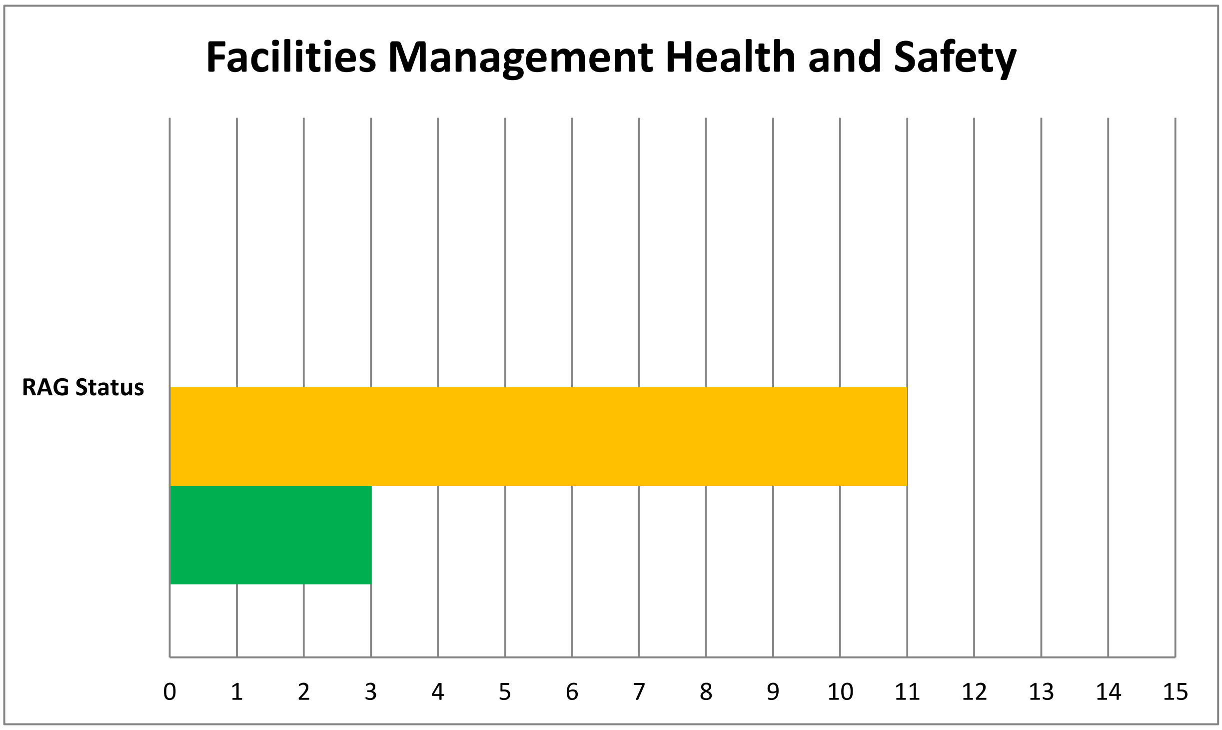

Fig. C.1: RAG Status (Facilities Management Health and Safety)

Current Year Overview

This section was not included separately in the 2015/16 pilot assurance programme and so comparable scores are not available. It was however highlighted last year that there was a lack of health and safety risk assessments for activities undertaken by Service Support Officers (Janitors). Overall this year, there was evidence of training, risk assessments and risk assessment controls in place for Facilities Management personnel and activities, however there were some gaps which are highlighted below.

FM Health and Safety Training

Training needs analysis was identified as being required at 8 out of 14 (57%) establishments, mostly for Service Support Officers (Janitors).

FM – H&S Risk Assessments and Controls

Whilst there were health and safety risk assessments in place, many of these were generic in nature and a need for more site/ job specific risk assessments was identified, including those relating to manual handling. Evidence was not available at four out of 14 (29%) establishments for ladder registers.

D: Financial Controls

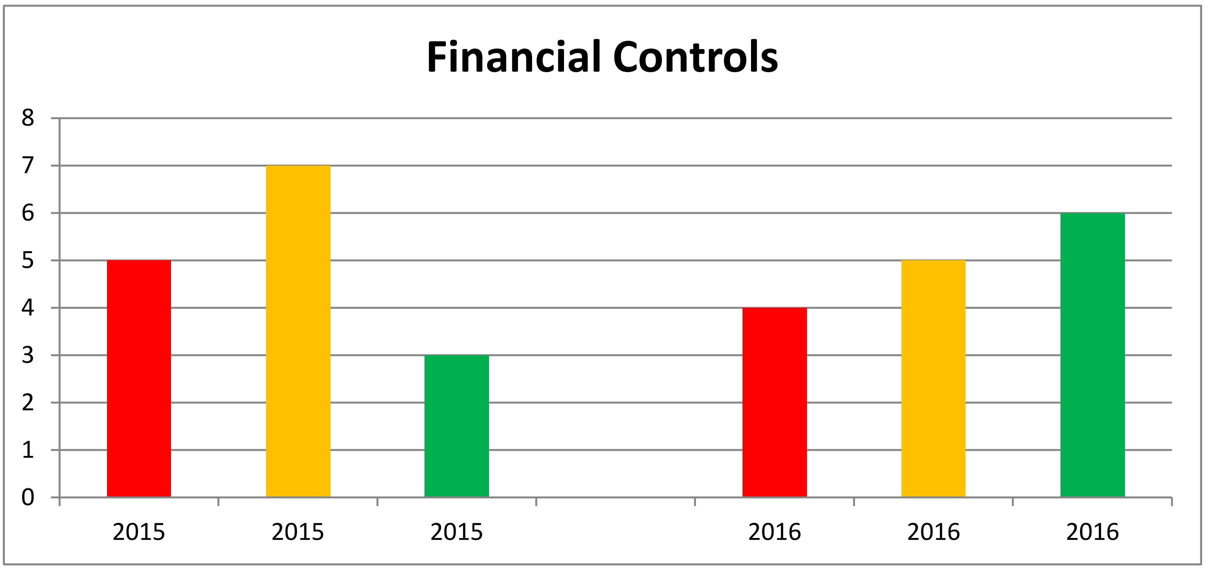

Fig D.1: RAG Status (Financial Controls)

Current Year Overview

We were pleased to see an increase in the number of establishments assessed as 'green' from 3 (20%) in 2015 to 6 (40%) this year. Establishments with strong financial controls had experienced office management teams operating simple, yet effective, cash handling systems.

There were four establishments assessed as 'red'. These establishments had poor financial records and were unable to demonstrate segregation of duties over key financial processes.

ParentPay

As last year, there was no consistent approach to financial processes and, as a result, the strength of financial controls was dependent on whether or not the establishment had an experienced management team and established office staff.

A new online payments system, ParentPay, will be rolled out to schools and early years centres early next year alongside simple accounting software, Pebble. This should reduce reliance on individual skill and experience, and help embed a standardised approach with some controls built into the accounting software.

However, as observed at two of the schools assessed as red, accounting software does not guarantee good financial controls. Both schools had accounting software, but had not recorded income and expenditure transactions for several months leading up to our audit visit. Card payments will be recorded automatically on Pebble through ParentPay, but schools will still need to record expenditure and income received by cash and cheque, monitor outstanding income, and reconcile Pebble to their bank statement each month.

Budget Monitoring

- Improvements were noted in relation to the quarterly submission and monitoring reports that establishments send to the Communities and Families finance team. While no school failed completely in this area in 2015, head teachers were able to demonstrate a more proactive approach to ownership and review of their budgets this year. This means that they are aware of their financial position throughout the year, allowing any potential overspend to be addressed by the school's management team and Communities & Families.

- Budgets for early years centres, community centres, and residential centres are not devolved to the same extent. All were able to show evidence of regular scrutiny of centre budgets and conversations with the Communities and Families finance team.

Income and Banking process

- Many establishments visited were unable to demonstrate adequate segregation of duties over income collection (5 'amber', 3 'red'), or provide a full audit trail from the point income was received from the pupil or parent to banking (4 'amber', 3 'red'). This was consistent with 2015.

- There was limited oversight of the banking process, with only 4 business managers able to demonstrate that they periodically checked income prepared for banking.

- As noted, parents will be able to pay for school trips etc online with the introduction of ParentPay in 2017, which will reduce the amount of cash handled by the school. However, there is likely to be a sizeable number of parents who still prefer to pay by cash or cheque so schools will still need robust income and banking processes in place.

Bank reconciliations

- Nine of the 15 establishments were able to demonstrate that bank reconciliations were completed each month and any errors were investigated. This was consistent with 2015.

- Bank reconciliations were reviewed each month by a member of the school or centre management team at 7 establishments (5 in 2015).

Authorisation of expenditure

- Thirteen establishments were able to provide receipts for expenditure, and demonstrate that expenditure was appropriate (10 in 2015).

- However, 7 establishments did not have a process in place to ensure expenditure was authorised in advance by an appropriate member of staff (8 in 2015).

Recording and Security of Cash

- Of the establishments audited in 2016, fewer used petty cash than in 2015 with many choosing to use procurement cards instead. The establishments that did make use of petty cash, with the exception of the four who were scored as "red", largely had good records of petty cash disbursements, and reconciled cash in the tin to the cashbook at least quarterly.

- Ten of the establishments visited held cash securely in an insured safe, with a further two holding it in a cash tin in a locked drawer.

E: Workforce Controls

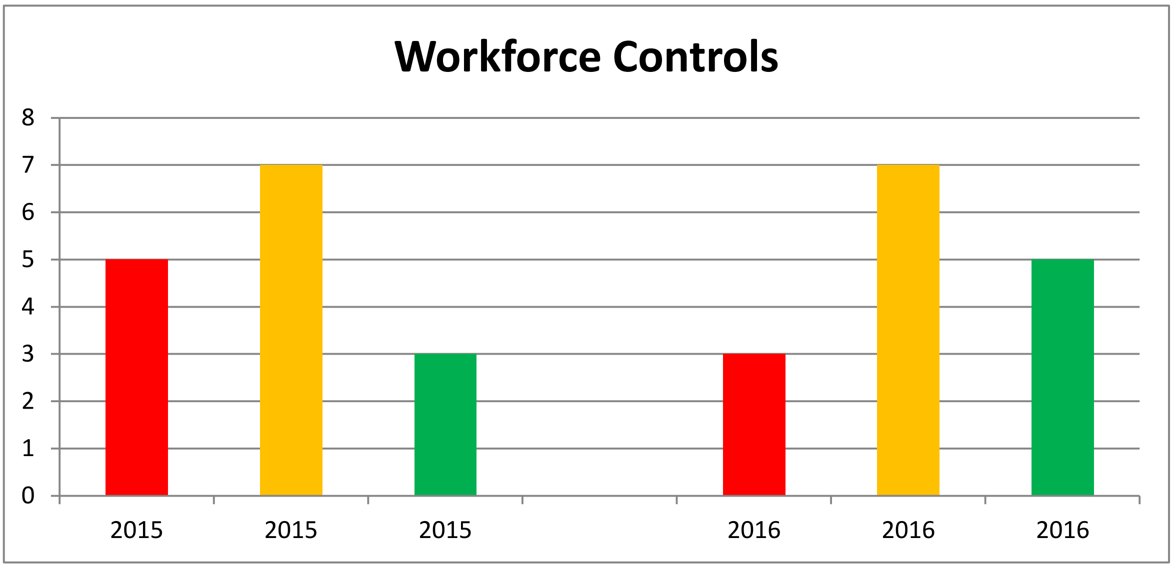

Fig. E.1: RAG Status (Workforce Controls)

Current Year Overview

Marginal improvements were seen from 2015 to 2016 in relation to workforce controls. Broadly speaking, establishments managed pre-employment checks, staff induction and essential learning well, but absence management and professional development varied considerably from establishment to establishment.

Essential Learning

- There was a marked improvement in completion rates for the annual essential learning on key policies and procedures. 11 of the 14 establishments whose staff were required to complete the essential learning were able to demonstrate that staff had completed their essential learning, compared to only 6 in 2015. One establishment had opened in 2016, so staff had all completed the induction programme within the year.

- However, only 8 of the 14 recorded essential learning on iTrent, so staff at those establishments will not be included in the Council's completion statistics.

Registers of interests, gifts and hospitality

- Business managers in all establishments were aware of the requirement to record potential conflicts of interest. However, many indicated that they were uncertain what would constitute a 'conflict of interest'. Only four establishments maintained a register of interests or asked staff to declare potential conflicts of interest, which was consistent with 2015.

- Similarly, all business managers were aware of the requirement to keep a register of gifts and hospitality. However, only 6 establishments did so.

Performance (non-teaching staff)

- Establishments must complete annual performance reviews with all staff at grade 5 or above, and record their assessment on iTrent. Only 7 establishments could demonstrate these were carried out for all staff (8 in 2015). We note that a number of the establishments encountered problems when uploading data to iTrent.

Recording Sickness and Absence Management

- The recording of sickness absence was not consistent across the establishments visited. In two schools assessed as “red” sickness absence was not always recorded on iTrent. All sickness absence should be recorded on iTrent to support the Council’s statutory reporting requirements.

- This is an area where improvements are required. Only 5 establishments were able to show that they identify trigger dates for frequent and long-term absences and follow the Council’s ‘Managing Attendance’ policy.

F: Resilience

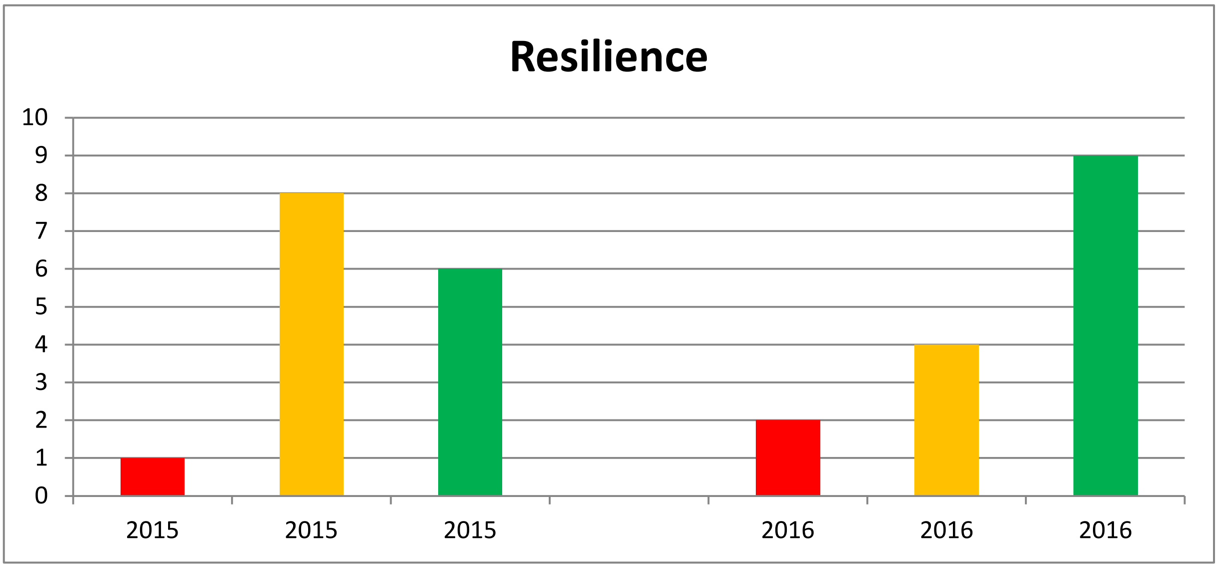

Fig. F.1: RAG Status: Resilience

Current Year Overview

We were pleased to see the number of schools assessed as 'green' for resilience increase to 9 in 2016 (60%) from 6 in 2015 (40%).

The two schools assessed as 'red' did not have staff who had completed resilience training, had not communicated contingency arrangements to staff, did not have accessible and up-to-date emergency contact lists, and had not documented key procedures.

Significant Occurrence training

- Business managers and head teachers are expected to attend the Communities and Families Significant Occurrence training at least once every three years. At least two members of the senior management team had completed this training at 8 of the 13 schools and early years centres visited (62%), compared to 8 of the 15 schools visited in 2015 (51%). CLD workers are not required to complete this training.

- Three schools were assessed as 'amber' where only one member of staff had completed the training.

Contingency Arrangements

- Contingency arrangements for severe weather, significant occurrences and infection outbreaks had been communicated to staff at 12 of the 15 establishments visited , compared to 14 out of 15 schools in 2015. Establishments prepared 'red button folders', displayed crib sheets, and briefed staff on in service training days.

- 12 of the 15 establishments visited had up-to-date emergency contact lists in easily accessible locations. Last year, 10 of the 15 schools visited had up-to-date emergency contact lists.

- A new question for 2016 was whether key procedures were documented. An office administrator had left one school unexpectedly in early 2016. No one else at the school was able to use the accounting software, so there was a large backlog of financial transactions by the time of our audit visit. Documenting key procedures helps ensure business can continue as normal if staff leave. Seven establishments had done this.

G: Information Technology

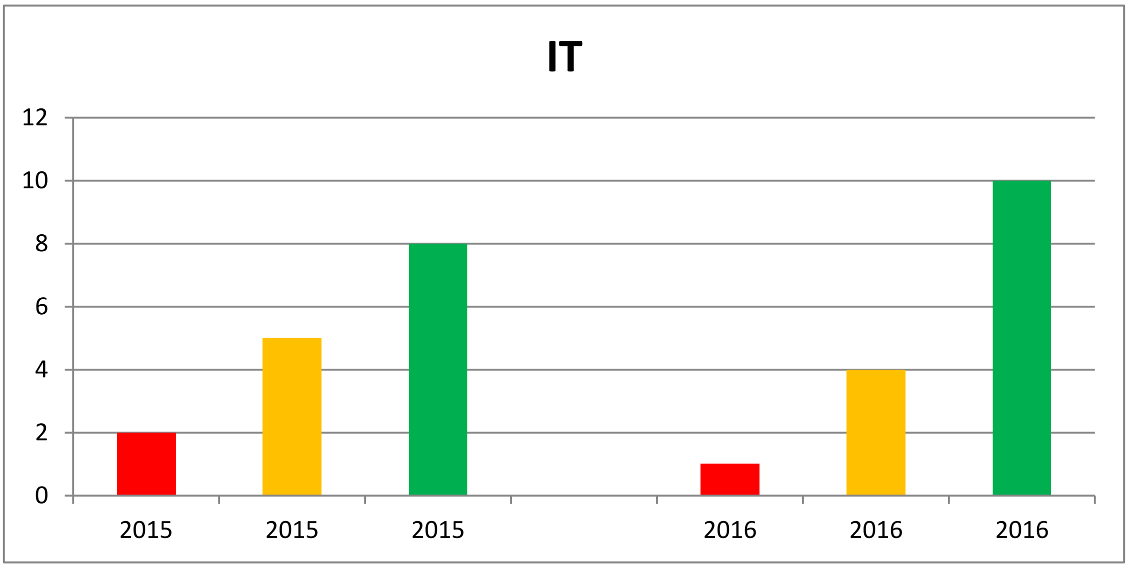

Fig. G.1: RAG Status: IT

Current Year Overview

The audit criteria in 2016 were expanded from the previous year, making a like-for-like comparison difficult. In 2015, we asked whether schools kept an asset register. In 2016, we also asked about the establishment's process for removing system access and recovering iPads and laptops when a member of staff or pupil left.

The establishments with the most effective systems were the ones where a technologically proficient member of the teaching staff took an active role in co-ordinating IT.

Other establishments scoring highly relied on external IT technicians. However, the establishment assessed as 'red' and one of the three establishments assessed as 'amber' relied on external IT technicians who they were unable to contact around the time of our audit. Both establishments were therefore unable to provide full asset registers.

Asset registers

- The recording of equipment and high value/desirable items was generally good across the establishments visited, with 12 establishments holding a full, up-to-date asset register, and one further establishment holding an asset register of iPads and laptops but not other high value equipment.

- Two establishments were unable to provide an asset register. Both relied on a support member of staff with limited hours allocated to the establishment to co-ordinate their IT.

Leavers

- 11 of the 15 establishments visited were able to demonstrate that system access was removed and iPads and laptops were retrieved when a member of staff or pupil left the establishment. Two further establishments had no leavers in the past year.

H: Child Protection

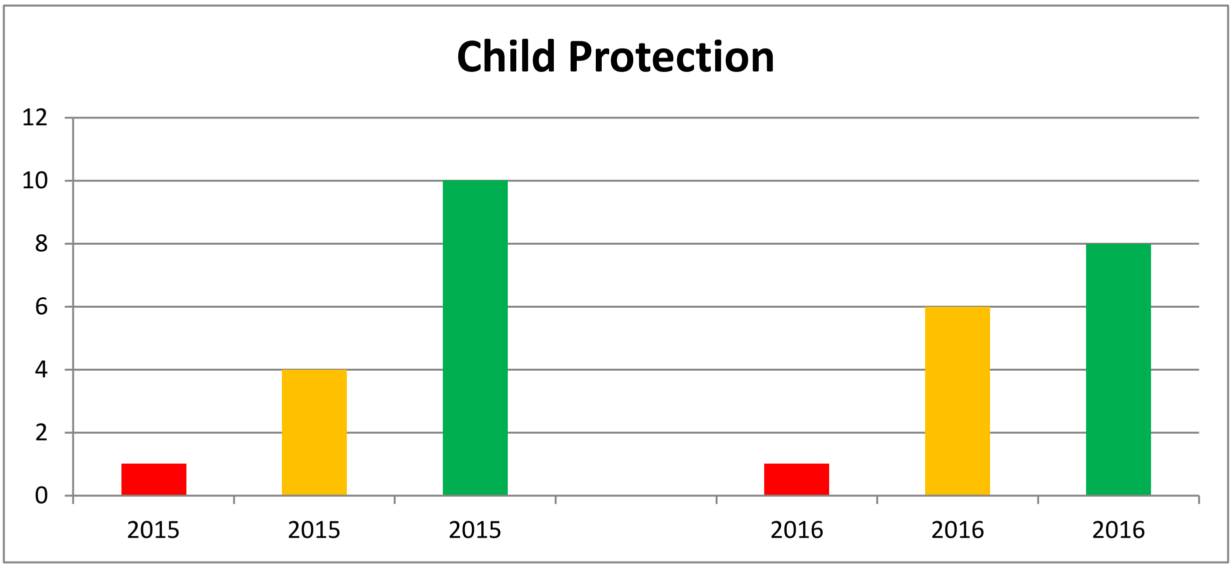

Fig. H.1: Child Protection

Current Year Overview

While the audited establishments were largely compliant in relation to child protection, there were fewer establishments assessed as ‘green’ in 2016 than in 2015.

One establishment fell short of the required standards completely, and had minimal controls established to ensure staff had been given the appropriate training, received an annual briefing, or held records securely.

Community Centres do not keep child protection records. However, staff do come into regular contact with children and vulnerable adults, so it is recommended that they complete Child Protection Level 1 & 2 training, and the CLD worker completes Child Protection Level 4 training. Staff at both community centres visited had completed, or were booked on, this training.

Training

- Staff at 13 of the 15 establishments visited were familiar with the Council’s policies for Child Protection, Allegations of Abuse Against a Member of Staff and Whistleblowing, compared to 12 in 2015.

- The annual Child Protection briefing had been undertaken in 14 establishments, but three establishments had not kept a register of attendance or recorded the training on staff’s employment records.

- At least one member of staff had completed Level 4 child protection training within the past three years at 14 of the 15 establishments visited. However, 6 schools and early years centres were assessed as amber where a named Child Protection officer had not completed the training within three years, or where there was only one officer with Child Protection Level 4 training.

- The head teacher or unit manager at only 7 of the 15 establishments had already attended the 'Managing Allegations of Abuse Against Staff and Volunteers' course. However, a further 7 were on the waiting list.

Child Protection Records

- 11 of the 13 schools and early years centres visited were found to be maintaining child protection records in accordance with Council policy.

- One early years centre was assessed as amber as they did not have a locked cabinet to keep child protection records and welfare concern records securely. However, this was a new centre and they had not yet had a child on the Child Protection register or a need to record a welfare concern.

I: Equalities

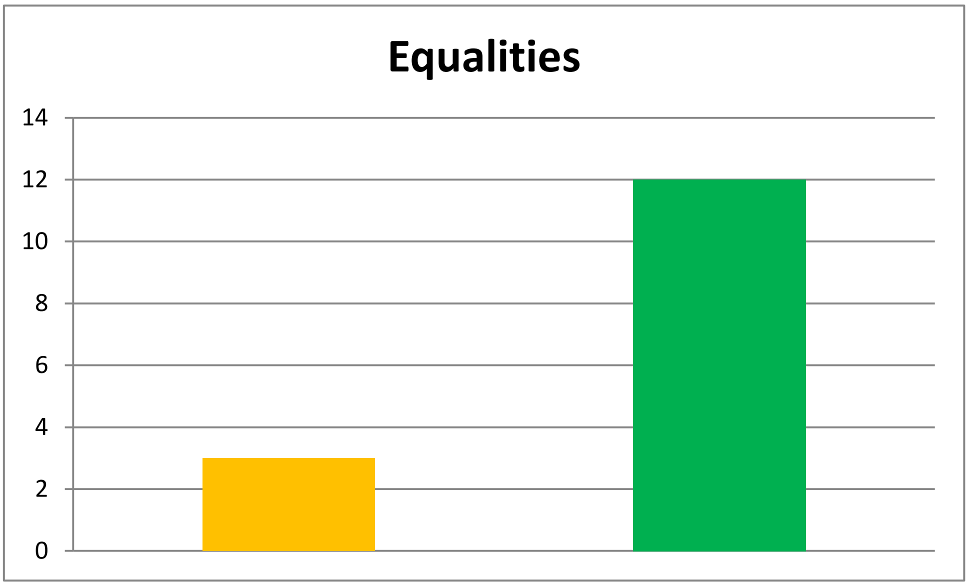

Fig. I.1: Equalities

Current Year Overview

This was a new area included in the Assurance Statement for 2016 and was a high scoring area for establishments, with staff members often showing real passion and belief in the importance of creating inclusive environments for all pupils and service users.

Establishments that did not score as highly in this area tended to fall short on things like keeping an up to date bullying log, or ensuring that all staff members had completed training in equalities and diversity.

Anti-Bullying

- All establishments visited had an anti-bullying or behaviour policy.

- Twelve of the 13 schools and early years centres had an anti-bullying log which they kept up-to-date and reviewed periodically for trends. One school had a log, but was not consistently recording incidents.

Inclusion

- All establishments were able to show that they had active policies and programmes to ensure all service users could participate in the activities run by the establishment.

- Many of the establishments audited had set up welfare funds to help those who may not be able to afford the costs of certain trips or activities.

- Three of the establishments visited were unable to accommodate staff or pupils who require the use of wheelchairs. This reason for this was primarily down to the style and nature of the building itself, and not due to a lack of effort by staff.

- There was lift access to the first floor at one school visited, but no emergency evacuation equipment had been installed due to a dispute about funding.

Equalities Training

- Training in equalities and diversity had been undertaken at 7 of the 15 establishments in the past three years.

J: Information Governance

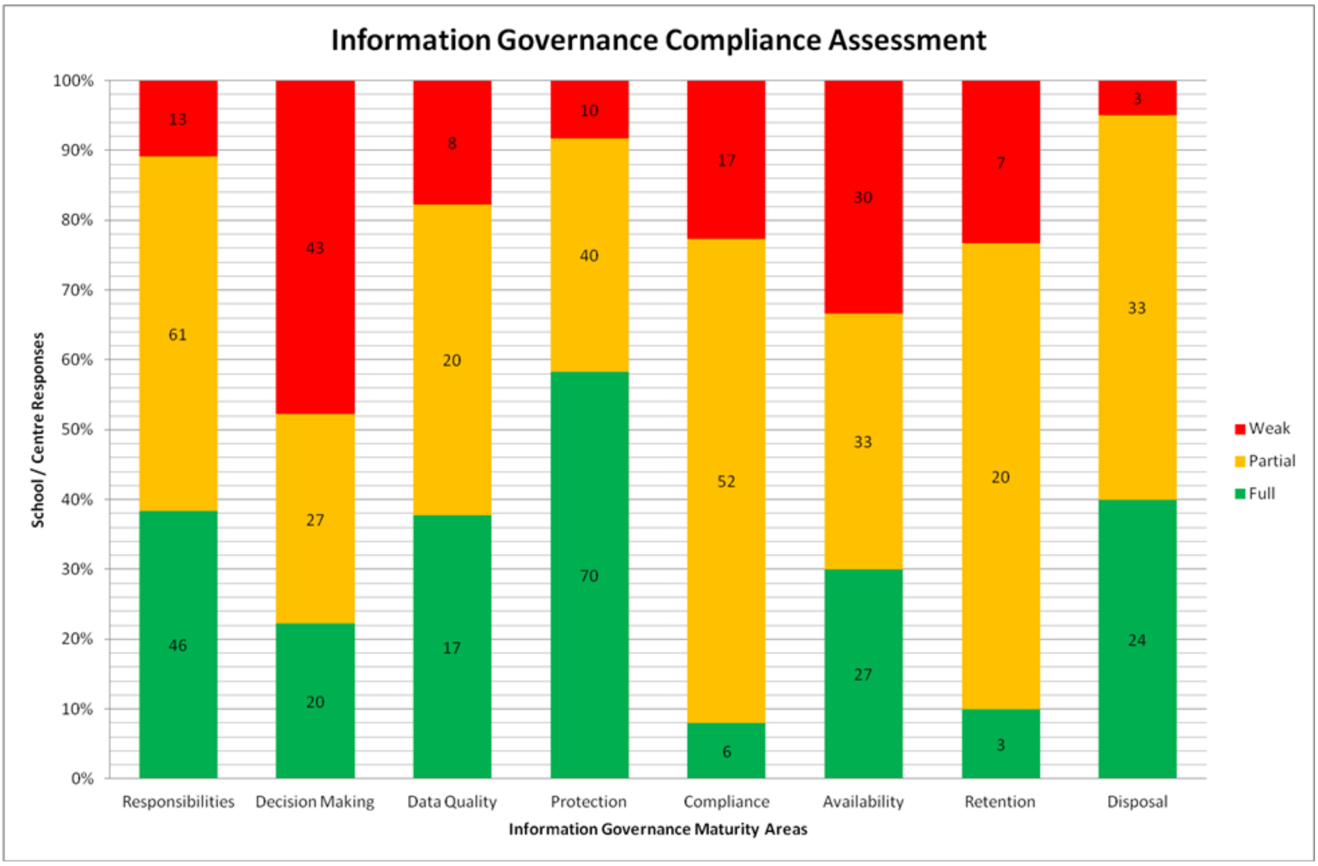

Fig.J.1: Information Governance

The Information Governance assessment covered 8 areas, with a suite of questions asked under each area. The chart above shows the number of 'red', 'amber' and 'green' responses across all 15 establishments for that area. For example, 8 questions were asked at each establishment under 'Responsibilities', so 120 responses were expected across all 15 establishments, with 46 or 38% assessed as 'green'. The establishments were not given an overall 'RAG' assessment for each area. See **Appendix 1** for full results.

Current Year Overview

This was the first year that Information Governance has been assessed in such detail within schools. Indeed, this exercise offered the Information Governance Unit (IGU) the opportunity to pilot its new Information Governance Maturity Model which will be used across the Council, and will enable the Council's overall maturity in terms of information governance to be cogently assessed and monitored.

It should be emphasised that the varying maturity levels identified within schools is likely to be reflective of the Council's overall Information Governance maturity at this time. In this respect, the audit exercise has been exceedingly helpful to the IGU in identifying specific areas of risk which require more corporate support from the centre.

It should also be noted that, overall, a significant amount of good practice was identified. However this practice was generally not documented and there was a reliance upon specific staff knowing how to deal with information management matters. Resilience and assurance ratings would be strengthened if processes were documented.

The assessment covered 8 areas. The 15 units were scored red (weak compliance); amber (partial compliance) or green (full compliance) against a set of questions in each area.

Responsibilities: *Staff are aware of their information governance responsibilities and what support is available for them.*

- A sound practical understanding of responsibilities around information management was generally demonstrated, particularly in relation to information sharing.

- There was limited knowledge of the data protection breach reporting process, although it is acknowledged that all staff would escalate issues appropriately. Overall, there is a reliance on particular staff to co-ordinate escalation and it was not clear what would happen if they were not available.

Decision-Making: *Processes that create, manage, share and dispose of Council information are documented, approved and reviewed.*

- Most units demonstrated an appropriate practical response to the management of information in their care. However, processes are not documented and consequently there is no assurance that this management is applied consistently within the school or across the Service.

Data Quality: *Council information is routinely monitored to ensure accuracy and reliability.*

- Schools rely on C&F data quality processes around SEEMiS to manage the collection and accuracy of core personal data. Most schools did not clearly demonstrate how data quality was managed for other information collected at a local level.

Protection: *Council information is secured to a level appropriate to the sensitivity of its content.*

- Good practice was identified across most schools in relation to how information was protected when taken off-site.

- Although paper records containing sensitive personal information were appropriately secured and managed in most units, practice around electronic records outside of SEEMiS was variable. Staff were often unsure of what access permissions were in place (or should be in place) for their shared drive folders and some were unsure of what information was appropriate to store within Office 365. The continued use of removable media to store Council information within some units was also of particular concern.

Compliance: *Staff comply with the Council's information governance policy requirements; incidents are reported and non-compliance is identified and managed through the Council's Risk Management Framework*

- Information risks are not being routinely recognised or recorded within units. The audit assumed that a local risk register would be in place and this was not the case in all but one school.

- Good practice was identified in relation to how personal data is collected and used. In the main, schools provided fair processing information which was effectively communicated to parents, and knew not to use the information for other purposes without further notification and consent.

Availability: *Council information is available to the right staff in the timeframe needed to meet business need and statutory obligations.*

- Broadly, schools did not identify issues with locating or retrieving information when required. However, the way that electronic information is stored varies widely with no consistency between schools or with the Council's Business Classification Scheme.

- Email management was identified as a particular issue. Some schools print information to file, some use Outlook folders, or email archives. This presents a risk that information may not be available in the long-term.

Retention: *Council records are closed and retained against the relevant Council retention rule.*

- The closure of records within units is inconsistent. There is general good practice in managing pupil and financial records but this does not always extend to other information. There were a number of cases where records were retained significantly past their standard retention period.

- Long-term digital access and preservation of education records is an issue that no school has addressed although it is accepted that this should come as a corporate solution. However, the lack of long term viability of education records poses a significant challenge and risk to citizen's rights and civic memory.

Disposal: *Council records are disposed of in a manner appropriate to their sensitivity and historic value.*

- Information was generally disposed of appropriately with the widespread use of confidential waste.

- Out of the sample of schools audited, a number had already transferred their historic records to the City Archives however there is more work to be done by the Information Governance Unit to enable the remaining schools to transfer their records (subject to local considerations).

Recommendations

Each school was given an action plan at the end of the audit visit to help them develop and improve their controls and processes. There were a number of common areas of improvement across the establishments identified where additional support and guidance from Communities and Families or Corporate Property would be beneficial.

The findings in the table below were first identified in 2016. An update on progress is given below:

Section	Finding	Recommendation	Progress	Current Position
Governance				
Sharing good practice	There is little standardisation of administrative work carried out by the head teacher and business manager. There are lots of examples of good practice, where individual business managers and head teachers have developed robust and effective tools for use in their own schools, but these were not shared amongst the school community.	A toolkit should be produced and shared with schools, which includes recommended processes and templates which schools can use for key control areas such as School Fund financial records, petty cash books, asset registers, and records audits. Schools should be encouraged to 'buddy up', so experienced business managers can share their knowledge with schools with weaker controls.		A business managers group has been established and had its first meeting in November 2016. They have set an action plan to put together a 'business manager's toolkit' over the next 6 months. We saw some good examples of 'buddying' with experienced business managers supporting colleagues in other schools.
Communication	In all schools concerns were raised over the method of communication from the corporate Communities and Families team back to the Schools. As an example, schools noted that the	Head teacher and business manager groups should be consulted to establish the most effective way of communicating key messages to schools.		Access to the head teachers' mailing list has now been restricted to reduce the volume of emails head teachers receive. Communications considered important are now sent by the Head of

	Information Governance policy was not clearly communicated, and was circulated as an attachment to a general email.			Schools and Lifelong Learning or the Senior Education Manager to increase the likelihood of head teachers and unit managers reading them.
Local Annual Assurance Statement	The Local Annual Assurance Statement will be rolled out to all Communities and Families units in 2016/17. Responses will inform the Director's Assurance Statement.	Internal Audit and Corporate Health and Safety will visit 15 units in 2016/17. Communities and Families should consider supplementing the audit programme with visits to schools to validate responses to the finance and administration sections of the self-assessment questionnaire. Corporate Health and Safety will continue to undertake H&S audits for additional units as part of their rolling audit programme. The health and safety audit requires technical knowledge and H&S competence which means audits cannot be carried out by Communities & Families staff.		The C&F Self-Assurance Programme was rolled out to community centres, early years centres and residential units in 2016/17. It will be introduced to libraries later in the year. The self-assurance questionnaire has been refreshed, and has been launched online to make it easier for units to respond, and easier for C&F to analyse the results. Now the Self-Assurance Programme is established, we recommend Communities and Families develop a programme of peer-to-peer visits to validate responses to the questionnaire, and sustain the focus on controls we have seen in the past two years. Corporate Health and Safety will continue to carry out Health & Safety audits in schools and other C&F units as part of their rolling audit programme.
Finance				
Online Payments	There were significant control weaknesses in cash management identified at 7	Communities & Families may wish to consider rolling out the online payment system to all		ParentPay, an online payment system, will be rolled out across the

	schools visited. An online payment system has been successfully trialled in a number of schools, but has not yet been introduced across the school estate.	schools. This would improve compliance with Council procedures and consistency in practice throughout the school estate.		schools estate from January 2017. Feedback should be sought from "early adopters" and used to form the basis of guidance documents. On-going support and training should be provided to staff to help ensure full understanding and effective use is made of the online systems.
Workforce				
Registers of Interest and Recording of Gifts and Hospitality	Only two of the 15 schools visited have created a register of interests. Similarly, few schools recorded gifts and hospitality received by staff.	Additional guidance should be issued to all schools confirming the requirement to maintain registers of interests, gifts and hospitality.		Only 6 of the 15 establishments visited in 2016 kept a register of gifts and hospitality, and only four kept a register of interests. Staff expressed uncertainty over what constituted 'an interest' and what value of gift should be recorded.
Recording Training	There was a lack of awareness of the requirements for recording all training for teaching and non-teaching staff. There is also no automated method of producing monitoring information on the attendance and non-attendance rates for courses booked, with no guidance available noting that this management information should be monitored.	Guidance on the most appropriate method of capturing full training information for all staff and extracting attendance information is required. Some schools monitor training well: the tools they have developed to identify training needs and monitor attendance at courses could be rolled out to all schools as a standard template.		It was expected that this would be resolved with the launch of the new Council-wide HR and Finance system, which has been delayed until October 2017.

Essential Learning Matrix	The ELM has been published in draft for some time but is not accurate for the key roles in schools. Application of the matrix in its current form requires standardisation of key activities which are not yet present in schools.	The ELM should be finalised. Representatives from schools should be consulted to ensure it is accurate before it is circulated more widely.		An ELM was drafted for secondary schools in Spring 2016, but has not been rolled out.
Performance Review	Performance reviews were not routinely held for non-teaching staff. Clarification is required about whether some form of performance review is required for staff at grade 4 or below.	A number of schools supported administration and teaching support staff with professional development. Corporate C&F team should consider whether this should be rolled out across the school estate.		No progress.
Health and Safety				
Roles and responsibilities for discharging H&S responsibilities	Lack of clarify on roles and responsibilities for **discharging** H&S accountability and responsibility (to a lesser extent in PPP schools).	Clarify roles and responsibilities for discharging H&S responsibilities across C&F, Schools and Property. (This work is currently underway and is being led by Corporate H&S). Ensure roles and responsibilities are understood and executed.		Roles and responsibilities for discharging health and safety responsibilities has been considered as part of the Facilities Management redesign project and clarity will be provided through Service Level Agreements (SLA's).
PRD Process	H&S roles and responsibilities are not included as part of the PRD process.	Consideration should be given to setting personal H&S objectives for Head Teachers, and including as part of the PRD process.		The PRD process within the Council is currently being redesigned.
H&S training	Lack of clarity on mandatory H&S training for key role	The C&F Essential Learning Matrix should be finalised with input from Corporate H&S for		An ELM was drafted for secondary schools in Spring 2016, but has not

	holders in the school.	H&S training. Completion of mandatory H&S training should be monitored and reported at appropriate SMT forums for oversight. Note that the proposed Corporate H&S Training Strategy includes the re-design of H&S training in schools to make it proportionate and relevant.		been rolled out. There is an outstanding requirement to identify mandatory training for schools and roll this out, with robust record keeping and oversight on its completion. Work is underway to roll out a one-day Health and Safety training course for Head Teachers and Business Managers.
Property and Statutory Controls				
Records management	Arrangements for record keeping for statutory inspections and tests were inconsistent and no records were held on site at a number of schools.	Review record keeping arrangements for statutory inspections and tests, to ensure records are readily available at each unit.		A 40-week plan template has been shared to enable ongoing review of health and safety and statutory controls. CAFM (the new FM system) will facilitate record-keeping once introduced. The current implementation date is April 2017, with full roll out as part of the Facilities Management Service Redesign.
Sharing best practice	Lack of sharing of best practice.	Consideration should be given to sharing best practice between PPP and non-PPP managed schools.		The Risk Management Steering Group within Communities and Families provides a forum for sharing best practice.
Information Governance				
Records Management	There was a lack of understanding of the record management requirements of the Council, particularly in the recording of data	Clear guidance and training in records management should be provided to schools to help them comply with Information Governance policies.		Information and Compliance Officers joined audit visits to C&F establishments this year to develop a better understanding of working practices and support staff in understanding and applying

	destruction.			Information Governance policies. See **Section J: Information Governance.**
Information Technology				
ICT Coordinators	There is a lack of clarity over the role of the ICT Coordinator. Not all staff members taking on this role have the necessary technical skill set.	Clarification should be provided to all ICT co-ordinators with additional training provided to those who have less technical experience. Consideration should be given to rolling out the role of cluster ICT Technicians to primary schools to support the use of ICT in schools and compliance with information security requirements.		We again found that establishments managing IT effectively had a member of the teaching staff with good IT knowledge acting as IT co-ordinator, and they had a clear remit.
Child Protection				
'Protection of Vulnerable Groups' Disclosure and Child Protection	Guidance is unclear on whether non-teaching staff such as cleaners and technicians and those who live on school grounds should have a PVG disclosure and be trained to child protection level 1.	Communities and Families should confirm which adults connected with a school must have PVG disclosure and attend Child Protection training.		Communities & Families have clarified the groups of staff requiring PVG checks. The community centres visited noted that their staff regularly work alone with children and vulnerable adults, but are PVG checks are not required. The senior CLD worker has initiated discussions with HR about adding CLD workers and community centre admin officers and SSOs to the list of posts requiring PVG disclosure.

A number of new findings were identified following our visits to schools, community centres and early years centres in 2016:

Section	Finding	Recommendation
Workforce Controls		
Conference attendance	The unit manager at one centre regularly spoke at and attended conferences both in the UK and internationally. Speaking fees were donated to the centre, and on occasion used to fund fees and travel costs for conferences attended for CPD purposes. All travel was arranged by and paid for by the centre, with no evidence of authorisation of expenditure.	Communities and Families should clarify their policy on CPD, particularly where it involves international travel or extended periods of leave which we would expect to be authorised by a senior manager. We would also expect line manager approval to be sought where an employee is speaking at an event and representing the Council. We note that under the Council's travel policy, flights and international travel must be approved by an executive director. The Council also frequently receives FoI requests relating to air travel, and has reporting duties more generally. Travel arranged independently by centres would not be captured in responses to these requests.
Equalities		
Training	Only 7 of the 15 establishments visited had offered staff training in equalities and diversity within the past 3 years.	Communities and Families indicated that they would expect establishments to offer staff training in equalities and diversity approximately every 3 years. There is an eLearn available, but not all establishments were aware of its existence. We would suggest training in equalities and diversity is captured on the Essential Learning Matrix, and establishments are given examples of training

		sessions they could deliver.

		Establishment															**Total RAG ratings**			
		Unit 1	**Unit 2**	**Unit 3**	**Unit 4**	**Unit 5**	**Unit 6**	**Unit 7**	**Unit 8**	**Unit 9**	**Unit 10**	**Unit 11**	**Unit 12**	**Unit 13**	**Unit 14**	**Unit 15**	**No**	**Partial**	**Yes**	**N/A**
A - Health and Safety																				
1.1	Health and Safety Roles and Responsibilities																1	2	11	0
1.2	Health and Safety Training																1	3	10	0
1.3	Health and Safety Communications																0	3	11	0
1.4	Health and Safety Risk Assessments																0	11	3	0
1.5	H&S Control Measures																0	12	2	0
1.6	Statutory tests and inspections for teaching equipment																6	6	2	0
1.7	H&S Workplace Inspections / Housekeeping																0	7	7	0
1.8	Stress / Employee Assistance Programme																0	2	12	0
1.9	First-aid arrangements																0	7	7	0
1.10	Fire safety and emergency response arrangements (H&S)																0	14	0	0
1.11	Emergency response																0	2	12	0
1.12	Reporting and Investigation of Incidents																0	0	14	0
1.13	Escalation and monitoring of H&S risks and issues																0	7	7	0
1.14	Control of Contractors																0	2	10	2
1.15	H&S Arrangements with Voluntary Organisations																1	1	8	4
B - Property and Statutory Inspections																				
1.1	Statutory Inspections																2	5	2	0
1.2	Asbestos																0	4	5	0
1.3	Water safety (including *legionella*)																0	3	6	0
1.4	Playground equipment																4	1	2	2
1.5	Window restrictors																7	1	1	0
1.6	Traffic Management																1	1	5	2
1.7	Condition Surveys																5	1	2	1
1.8	FM walk round inspections																1	5	3	0
C - Facilities Management																				
1.1	FM - Health and Safety Training																1	4	4	0
1.2	FM - Health and Safety Risk Assessments																0	4	5	0
1.3	FM H&S Control Measures																0	7	2	0
D - Financial Controls																				
Ref	**Monitoring and Budget Outturn**																			
1.1	Confirm that Head Teacher/Centre Manager reviews quarterly budget monitoring and forecast statement before submission to Finance. *Evidence: Signature/email*																0	2	8	0
1.2	If in potential overspend confirm whether discussions are in place with Finance or C&F Senior Managers to mitigate issue																0	2	8	0
	Income																			
2.1	Ascertain whether prime records exist that ensure all income is known and recorded (z totals, receipt book, community class list etc) *Cash book or basic accounting system*																3	2	5	0
2.2	For an appropriate sample of each category verify that the total income expected was banked intact. *Cash book to bank statement*																2	4	5	0
2.3	Ascertain whether there is segregation of duties in relation to collection of cash and banking																3	3	5	0

2.4	Confirm that income (cash) is banked at appropriate intervals	0	2	8	0
2.5	Bankings periodically checked by Business Manager to ensure completeness and accuracy (signed & dated) *Segregation of duties*				
	Expenditure				
3.1	Scrutinise school fund/early years/community centres expenditure to ascertain that expenditure appears reasonable and is compliant with the current guidance and is properly authorised. *(Sample of 10: order, invoice, authorisation)*	1	4	5	0
3.2	Ascertain if cheques are presigned at any point, obtain current cheque book to confirm.	0	2	9	0
3.3	Confirm all bank signatories are current members of staff.	0	2	8	0
	Bank reconciliations				
4.1	Bank accounts are reconciled within month of month end.	2	2	6	0
4.2	School fund/early years/community centres cash book shows balances by category (i.e general, school trip x, uniforms etc)	3	0	7	0
4.3	Reviewed and authorised by Business Manager (signed & dated)	3	2	5	0
4.4	Check addition, vouch totals to prime cash book, verify o/s cheques and lodgements to following bank statement	3	0	7	0
4.5	Confirm errors / issues addressed and not simply accumulating	3	0	7	0
	Cash				
5.1	Reconcile petty cash to cash and vouchers	2	1	5	2
5.2	Confirm that petty cash is reconciled at least quarterly (signed & dated)	4	1	3	2
5.3	Petty cash reconciliation reviewed and authorised by Business Manager /independent member of staff (signed & dated)	4	0	4	2
5.4	Confirm that cash is held securely and in compliance with insurance limits *Verify insurance limit before visit.*	3	1	6	0

E - Workforce Controls

	Conflicts of Interest, Gifts and Hospitality Registers				
1.1	Review the register of interests. Confirm that it has been updated within the school year and any conflicts of interests have been managed appropriately.	4	3	3	0
1.2	Review the gift and hospitality register. Confirm that gifts and hospitality over £10 are recorded, including offered gifts/hospitality that have been declined. "*14.6 In certain limited circumstances, and in connection with your official duties, it may be appropriate for you to offer or receive hospitality, gifts of limited value or small tokens of gratitude." (Extract from Council Policy)*	2	3	5	0

	Key Corporate Workforce Policies and Procedures				
	Mandatory C&F Training				
2.1	All staff have completed annual mandatory training on key policies and procedures.	0	2	8	0
2.2	Training completed by staff is recorded on iTrent.	2	1	7	0
	Recruitment & Induction				
3.1	The induction checklist has been completed and signed by their line manager.	2	1	7	0
3.2	The employee has been made aware of their roles and responsibilities.	1	2	7	0
3.3	Confirm that satisfactory references were obtained before the first day of employment.	0	0	10	0
3.4	Confirm that satisfactory PVG check was obtained before the first day of employment.	1	0	9	0
	Performance and Attendance				
3.5	For employees of grade 5 and above PRD records are complete and up to date on Itrent *(Teaching staff: confirmation that GTC records form completed and logged on iTrent)*	2	3	5	0
3.6	Sickness has been recorded on system correctly	2	3	5	0
3.7	Managing attendance procedure has been followed properly and evidenced on iTrent if applicable.	2	5	3	0
F. Resilience					
1.1	**Schools/Early Year Cenres only:** Confirm that there is evidence to show Headteacher, Deputy Headteacher and Business Manager have attended the annual Significant Occurrence training. *(e.g dateof course, course agenda, iTrent record)*	2	2	6	0
1.2	Have staff been made familiar with the contingency arrangements? (E.g. Full staff briefing, crib sheets displayed, 'Red button' folder, 'Hit the Hub')	2	1	7	0
1.3	Is there a log of emergency contact details?	2	1	7	0
1.4	Is the log of emergency contact details easily accessible? *(E.g. held by school office, business manager and head teacher)*	2	1	7	0
1.5	Has the log been updated within the school year/ last 12 months?	2	1	7	0
1.6	Are key procedures written down? (E.g. cash handling, first aid)	1	3	6	0
G. IT					
	Equipment and High Value / Desirable Items				
1.1	Verify that records are held of equipment and other high value or desirable items, i.e iPads, mobile phones, electrical equipment	0	1	9	0
1.2	Confirm all iPads are registered on Meraki.	0	1	9	0

1.3	Select a sample of recent purchases and confirm listed on the asset register.																0	0	10	0
1.4	Physically check a sample of assets retained within the building																0	0	10	0
	Leavers																			
2.1	BT user account has been closed.																0	1	9	0
2.2	**Schools/Early Year Centres only:** Seemis user account has been closed (teachers).																0	1	9	0
2.3	Laptops, iPads, mobile phones have been returned.																0	2	8	0
2.4	Data from personal devices has been cleansed.																0	1	9	0

Governance, Risk and Best Value Committee

10.00am, Thursday, 2 February 2017

Pride in our People and key engagement activity update 2016/17

Item number	7.2
Report number	
Executive/routine	
Wards	

Executive Summary

Our employee engagement programme, Pride in our People, launched in 2013 and has included a number of successful initiatives. It is now time for the employee engagement programme to evolve and support the council's vision to improve quality of life, ensure economic vitality and build excellent places.

Part of the journey will be to build a new 'employer brand', which will demonstrate who we are as an employer and will encourage staff to embrace and engage with the shared vision and goals of the council.

Feedback from employee focus groups and surveys will help to shape future approaches to engagement and other employee related matters.

Links

Coalition Pledges	
Council Priorities	
Single Outcome Agreement	

Report

Pride in our People and key engagement activity update 2016/17

1. Recommendations

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

2. Background

2.1 Our employee engagement programme, Pride in our People, launched in 2013. This has seen the introduction of a number of successful initiatives including: the council values, 'Talk with Andrew' events and ensuring our people managers have the right skills to lead their teams through the Leading Through Change workshops.

2.2 It was agreed at the Governance, Risk and Best Value Committee in October 2014 that an annual progress report should be submitted to Committee for consideration.

3. Main report

3.1 The transformation programme is currently on track to deliver the cost savings, so our new focus is to improve and nurture the culture internally and ensure colleagues understand the strategic priorities required to deliver the Council's vision to improve quality of life, ensure economic vitality and build excellent places.

3.2 To achieve this, the Pride in our People programme will evolve as we focus on the future vision and strategy. This has already begun and Leadership Development work will start to re-build loyalty and ensure colleagues feel more valued. Longer term, in conjunction with colleagues, we will develop an "employer value proposition" to ensure we attract and retain the best people for the job and showcase who we are as an employer. This will encourage staff to embrace and engage with the shared vision and goals of the council.

3.3 This is a significant piece of work which touches every part of the employee lifecycle and will be worked on during 2017. Brand development is underway and as each aspect of the employee journey is reviewed colleagues will start to experience a shift in tone and content, more aligned to the culture we are aspiring to.

The three key elements of our employer brand:

1. Personality - who we are as an employer, what we stand for, our values and vision;
2. Promise - our unique, differentiating employment proposition to potential and existing employees; and
3. Message - the most compelling core messages for each employee audience.

3.4 The following outlines some of the engagement activity which took place throughout 2016 and will continue to be build upon in 2017 and beyond. An updated report will be produced.

Engagement - Talk with Andrew

3.5 As part of the employee engagement programme, the Chief Executive carried out a series of events and has met with a significant number of employees over the past year. The 'Talk with Andrew' events have been held across the city with over a 100 employees attending most sessions.

3.6 The format of 'Talk with Andrew' involves an update of current issues from the Chief Executive, and overview of a topic, group discussion on the topic, then an open forum question time with the Chief Executive. The topics covered so far have been on the locality model, locality working, transformation, the City Vision. Future topics include, the Council Business Plan, organisational development, culture and budget setting.

3.7 'Talk with Andrew' events are well attended and receive good feedback and in terms of employee engagement have been a successful approach to channelling key messages and receiving feedback.

3.8 It is planned to continue with these events over the year ahead and programme is currently being developed.

Engagement - Staff Awards

3.9 Now in its tenth year, our annual staff awards celebrate the good work happening across the Council, acknowledging colleagues who go the extra mile and can demonstrate living our values: customer first, work together, honest and transparent and forward thinking.

3.10 Given the significant transformational change that took place over the course of 2016, it was more important than ever that we recognise and value the excellent contribution that our colleagues make in delivering our services in challenging times.

3.11 The awards took a slightly different focus this time. Renamed the Outstanding Achievement awards they celebrated the diversity of our staff and recognised colleagues who embodied the Council's values. Changes were made to the awards in 2016:

- Shortened nomination process - making it easier for colleagues to nominate;
- More succinct judging process – simpler and clearer;
- Name change;
- Reduced number of categories – focussing on the Council values and innovation;
- The introduction of a Special Achievement award that acknowledged colleagues from across the council who went the "extra mile" helping to ensure a swift resolution to the Edinburgh's PPP1 school closures; and
- Incorporated the Communities and Families awards – bringing all colleagues from across the council together under one reward programme.

3.12 To encourage staff to nominate their colleagues for the awards, a high profile internal communications and engagement campaign was launched. This activity included: local roadshows, sending promotional materials to all Council locations and a launch video message from Andrew Kerr endorsing and encouraging nominations. Over 170 entries across the five categories were received: a 25% increase on last year.

Engagement- Utilising virtual mediums

3.13 Over the past year, we have increasingly used video as an engagement tool. Video presents an engaging opportunity to share vital messages quickly with colleagues and communicate in a more personal way than traditional internal communications channels such as email. Examples include using video to launch the Outstanding Achievement staff awards and the Chief Executive's end of year message.

3.14 Short videos help to create a connection between the Council Leadership Team and the rest of the council. It also enables colleagues who are unable to attend a Talk with Andrew event the opportunity to hear directly from Andrew Kerr at a time that suits them.

Engagement - Employee focus groups/Surveys

3.15 A number of employee focus groups have taken place during autumn 2016. The aim of these groups was to find out how employees felt throughout the review period and expectations on next steps. Questions were also asked about feeling recognised and valued.

3.16 Around seven 90 minute focus groups were planned and the feedback from these is currently being analysed and further information gathering is planned. The output from these discussions will be used to shape messaging around transformation and support the development of effective approaches for managers to communicate and engage with staff, and provide greater support.

3.17 In order to understand in more detail what is most important to our employees, a reward and recognition survey will be conducted in Q1, which will help form proposals for improvement

3.18 In 2017, we will undertake a council wide employee opinion survey to help measure progress and inform continuous improvement plans. A further update will be provided in a future report.

Leadership Development

3.19 Further investment has been made in developing our leaders in the last 18 months. A Wider Leadership Team has been established comprising the top 100 managers within the Council. The Chief Executive chairs monthly meetings of this team. Additionally, they have worked and developed together over the last year in ‘leadership sets’. There has been a significant investment of time in supporting them to embrace the vision for change, determine the culture that we want to create and ensure they are consistent together in their approach to leading it.

3.20 The Wider Leadership Team have been supporting the development of the next tier of leadership across the Council, who came together over four workshops in December 2016 and will continue their leadership development journey until April 2017. From January through to late summer 2017, we will be investing in all levels of managers to support them to successfully implement our new approach to managing and developing performance (in addition to support being provided directly to staff). We have also been supporting the development of locality leadership teams over the last few months and this will continue as the year progresses.

3.21 Leading through Change workshops have been taking place throughout the year to help managers effectively lead and support their teams through organisational change. These workshops continue to be offered to managers as organisational reviews are launched and as part of our business as usual management and leadership development programme.

4. Measures of success

4.1 The success of each activity will be measured through:

- Feedback at specific events; and
- Employee engagement surveys and focus groups.

5. Financial impact

5.1 There are no financial implications arising from this report.

6. Risk, policy, compliance and governance impact

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

7. Equalities impact

7.1 There are no significant equalities implications arising form this report.

8. Sustainability impact

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

9. Consultation and engagement

9.1 A range of consultation approaches and mechanisms are being used throughout the development of our employee engagement activity.

10. Background reading/external references

10.1 Pride in our People and key engagement activity update 2015, report to Governance, Risk and Best Value Committee, 19 October 2015.

Hugh Dunn

Acting Executive Director of Resources

Contact: Katy Miller, Head of Human Resources
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11. Links

Coalition Pledges	
Council Priorities	
Single Outcome Agreement	
Appendices	

Governance, Risk and Best Value Committee

10.00am, Thursday 2 February 2017

Revenue Monitoring 2016/17 – Month Nine Position – referral report from the Finance and Resources Committee

Item number	7.3
Report number	
Executive/routine	
Wards	

Executive Summary

On the 19 January 2017 the Finance and Resources Committee considered a report that set out the projected third-quarter revenue monitoring position for the Council, based on period eight data. The current forecast pointed to a balanced overall outturn for the year. Attainment of this position was, however, contingent upon undertaking further actions required to deliver a number of approved savings and active management of significant risks and pressures. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

Links

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

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Terms of Referral

Revenue Monitoring 2016/17 – Month Nine Position

Terms of Referral

1.1 The report was the third of the quarterly revenue monitoring reports for 2016/17. On-going analysis of the revenue position was undertaken in line with agreed, risk-based principles, with any material changes reported in the intervening periods as required. Budget review and challenge meetings had been held across all service areas and the delivery of approved savings was regularly scrutinised at service management teams. These meetings had helped to enhance the focus on the prompt identification of, and development of appropriate mitigating action to address, service risks and pressures.

1.2 As of period eight, the Council had projected a balanced overall outturn, after taking account of available funding, projected delivery of approved savings, use of reserves and management of service risks and pressures. Services had identified a number of further challenges to attainment of this position, however, and delivery of savings and service pressures therefore required sustained proactive management throughout the remainder of the year.

1.3 The Finance and Resources Committee agreed:

1.3.1 To note the projected balanced position for the year.

1.3.2 To note the ongoing risks and challenges across all service areas which would require further management actions and active and regular scrutiny for the remainder of the year.

1.3.3 To note the balanced position projected on the Housing Revenue Account (HRA) after making a £13.0m planned contribution toward housing investment.

1.3.4 To approve in-year funding of £0.06m to take forward a pathfinder proposal examining the potential to establish an Edinburgh-based Social Stock Exchange.

1.3.5 To agree that the Acting Executive Director of Resources would circulate a briefing note to members that contained further information on the Social Stock Exchange Model.

1.3.6 To approve in-year funding of £0.3m to support the work of Transport for Edinburgh in co-ordinating transport provision across the city and wider city region.

1.3.7 To approve the allocation of any excess of contract deductions due over related costs incurred as a result of the PPP1 schools emergency to take forward any necessary remedial works ion Council buildings that shared similar design features.

1.3.8 To refer the report to Council to approve Spend to Save funding of £0.575m to purchase a route management system for the Waste Service.

1.3.9 To agree that the Business Case and a briefing note would be circulated to members of the Finance and Resources Committee on the Spend to Save Funding.

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

For Decision/Action

2.1 The Governance, Risk and Best Value Committee is asked to consider the report as part of its work programme.

Background reading/external references

Minute of the Finance and Resources Committee, 19 January 2017

Kirsty-Louise Campbell

Interim Head of Strategy and Insight

Contact: Veronica MacMillan, Committee Clerk

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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, 19 January 2017

Revenue Monitoring 2016/17 – month nine position

Item number	7.1
Report number	
Executive/routine	
Wards	

Executive summary

The report sets out the projected third-quarter revenue monitoring position for the Council, based on analysis of period eight data. The current forecast points to a balanced overall outturn for the year. Attainment of this position is, however, contingent upon undertaking further actions required to deliver a number of approved savings and active management of significant risks and pressures.

Links

Coalition Pledges	P30
Council Priorities	CP13
Single Outcome Agreement	SO1, SO2, SO3, SO4

Report

Revenue Monitoring 2016/17 – month nine position

1. Recommendations

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

1.1.1 note the projected balanced position for the year;

1.1.2 note the on-going risks and challenges across all service areas which will require further management actions and active and regular scrutiny for the remainder of the year;

1.1.3 note the balanced position projected on the Housing Revenue Account (HRA) after making a £13.0m planned contribution towards housing investment;

1.1.4 approve in-year funding of £0.06m to take forward a pathfinder proposal examining the potential to establish an Edinburgh-based Social Stock Exchange (SSE);

1.1.5 approve in-year funding of £0.3m to support the work of Transport for Edinburgh in co-ordinating transport provision across the city and wider city region;

1.1.6 approve the allocation of any excess of contract deductions due over related costs incurred as a result of the PPP1 schools emergency to take forward any necessary remedial works in Council buildings sharing similar design features;

1.1.7 refer this report to Council to approve Spend to Save funding of £0.575m to purchase a route management system for the Waste service; and

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

2. Background

2.1 This report sets out the projected overall position for the Council's revenue expenditure budget for 2016/17 based on analysis of period eight data.

3. Main report

3.1 This report represents the third of the quarterly revenue monitoring reports for 2016/17. On-going analysis of the revenue position is undertaken in line with agreed, risk-based principles, with any material changes reported in the intervening periods as required. Budget review and challenge meetings have been held across all service areas and the delivery of approved savings is regularly scrutinised at service management teams. These meetings have helped to enhance the focus on the prompt identification of, and development of appropriate mitigating action to address, service risks and pressures.

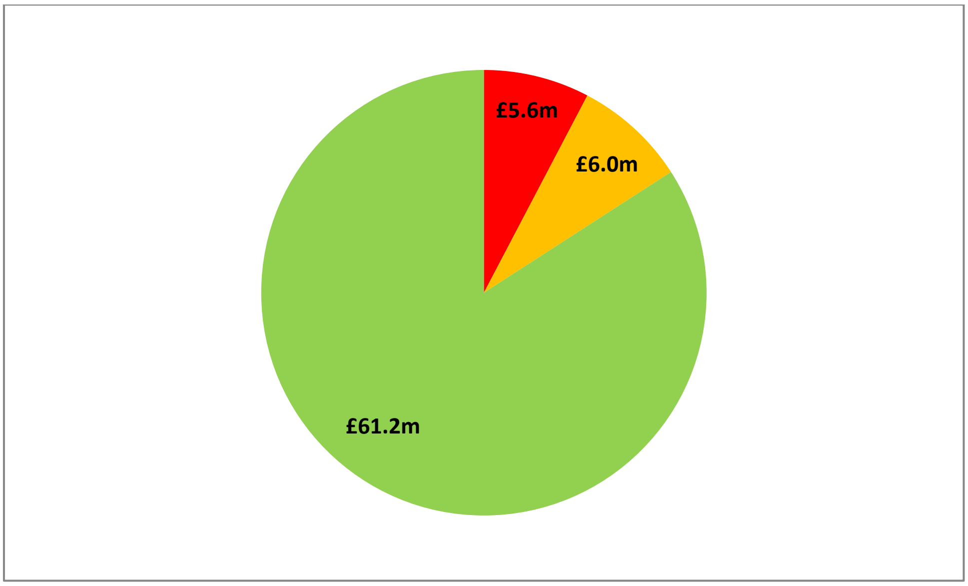
Overall position

3.2 As of period eight, the Council is projecting a balanced overall outturn, after taking account of available funding, projected delivery of approved savings, use of reserves and management of service risks and pressures. Services have identified a number of further challenges to attainment of this position, however, and delivery of savings and service pressures will therefore require sustained proactive management throughout the remainder of the year. A high-level service analysis, aligned to the Council's new structure, is included as Appendix 1.

Savings delivery

3.3 Members will recall that approval of a balanced budget for 2016/17 was predicated on the delivery of around £73m of service-specific and corporate savings. As of December, the overall RAG assessment of these savings indicates that, on the basis of actions planned or already undertaken, some 92% are on target to be delivered in full as shown in the chart below.

RAG assessment of approved budget savings, 2016/17 – December 2016



3.4 The red-assessed savings cover three specific approved proposals within Place and Health and Social Care respectively and these are shown in Appendix 2. Progress in the delivery of these savings, or where necessary alternative measures, will continue to be closely monitored, with regular updates shared with elected members. Where savings are being met other than by means of the approved measures, relevant details will continue to be reported to respective Executive Committees.

3.5 Amber-assessed savings represent, in the main, those linked to organisational reviews where it is anticipated that further work will confirm full delivery of the budgeted level of saving during the year. In some cases, however, the status reflects the addressing of shortfalls against approved savings targets by means of one-off mitigations, emphasising the need for sustainable measures to be identified going forward.

3.6 The net effect of any risk of shortfall in delivery is reflected in the overall position as assessed by service areas in the following sections. Executive Directors also continue to manage a range of risks and pressures, the most material of which, alongside any identified mitigating actions, are included in Appendix 3.

Service-specific budgets – Communities and Families

3.7 At period eight, Communities and Families continues to experience budget pressure in many areas of the service including a number of challenges relating to the delivery of approved savings. Areas of significant budget pressure include secure care, out-of-Council residential care and fostering. The phasing and delivery of savings associated with the transformational review within Schools and Lifelong Learning will also result in temporary pressures in 2016/17 in advance of full delivery in 2017/18.

3.8 Many of the management actions identified are one-off in nature, meaning that while they assist in addressing the immediate challenge in 2016/17, a permanent sustainable solution still needs to be identified.

3.9 In projecting a balanced budget position, the Acting Executive Director of Communities and Families is committed to identifying further mitigating management action to address the forecast pressures, including application of controls on vacancies and discretionary spend and utilisation of departmental reserves and other income.

Health and Social Care

3.10 The period eight outturn forecast indicates a projected overspend of £5.4m prior to any assumed additional transitional funding allocation from the Social Care Fund. The adverse movement since period five relates to a projected overspend of £2.0m on employee costs, resulting mainly from three months' delay in the realisation of savings through the service's organisational review. A £3.4m overspend on purchasing budgets is primarily attributable to delays in the implementation of transformation-linked proposals underpinning the approved budget.

3.11 On 16 September 2016, the Edinburgh Integrated Joint Board (EIJB) provisionally agreed to allocate up to £3.4m of non-recurring funding from the Social Care Fund to offset unachieved transformation-related savings. Work is continuing to identify, in the first instance, further opportunities to reduce the level of overspend, such that it may be contained within a balanced outturn position for the Council as a whole. Dialogue is continuing with the EIJB as to how any remaining overspend might be addressed. These short-term Social Care Fund contributions do not, however, obviate the need to identify a sustainable means of realising the approved level of savings in the medium- to longer-term.

Place

3.12 The approved service budget is dependent upon the delivery of over £12m of savings in 2016/17 and the Executive Director of Place has, in addition, identified significant pressures, particularly within the Environment Division.

3.13 As of period seven, a £5.1m in-year overspend is forecast, representing a £6.1m adverse variance within the Environment Division offset by forecast net underspends totalling £1m across the other Divisions. In view of this, the Executive Director has identified a range of mitigating actions, including further control of employee costs and use of service reserves, together reducing the projected overspend to £1.5m.

3.14 The remaining pressure mainly relates to the extended closure and associated loss of income of Mortonhall Crematorium. The Executive Director will continue to investigate all means of addressing this overspend with a view to returning the service to a balanced position although, given the size of the pressure and advanced stage of the financial year, there remains a risk of service overspend.

Resources

3.15 As of period eight, the Resources Directorate is reporting a balanced overall position, with the delivery of transformation programme savings, or in a small number of cases substitute savings, assessed to be on track at this stage.

Chief Executive (excluding Safer and Stronger Communities)

3.16 As of period eight, a balanced overall position is forecast. Following a detailed assessment of all liabilities associated with the transition to the new ICT service provider, it is now anticipated, based on available information, that these sums can be contained within the budgeted overall level of provision in 2016/17.

Safer and Stronger Communities

3.17 At month eight, Safer and Stronger Communities is projecting a balanced position. While forecast pressures have been identified relating to the delivery of approved savings and a requirement for bed and breakfast and short-term let accommodation in excess of the budgeted level, at this stage it is anticipated that mitigating management action, including vacant posts and accelerated savings in some service areas, will be available to offset these on a one-off basis.

Corporate budgets

3.18 The period five report indicated that work was on-going to assess the extent of potential savings across corporate areas of the budget, particularly Council Tax and loans charges. An assessment of the size and profile of the Council Tax base, including the level of exemptions and discounts, indicates that an additional £2m of income relative to budgeted levels should be delivered in 2016/17, with adjustments also incorporated within the base budget for future years.

3.19 The approved budget framework assumed receipt of a dividend from EDI of £0.5m in 2016/17. The Council has been advised, however, that no dividend is likely to be paid in the current year.

Other areas – Transport for Edinburgh

3.20 The budget framework report of 29 September 2016 advised of likely budgetary requirements linked to Transport for Edinburgh's enhanced strategic role in integrating transport provision across the city and wider city region. Subject to receipt of Committee approval, net expenditure of £0.3m is anticipated in the current year and, going forward, £0.4m will be incorporated in the budget framework to support a range of relevant initiatives.

Social Stock Exchange

3.21 The Social Stock Exchange (SSE) is the world's first regulated exchange dedicated to businesses and investors seeking to achieve a positive social and environmental impact through their activities. Listed organisations require to pass an in-depth assessment of both their financial standing and commitment to delivering these wider impacts, as well as the potential to generate viable investment returns. Once admitted, organisations are free to trade within this regulated marketplace, with potential investors able to choose investment opportunities, often in their local area, aligned to their wider goals.

3.22 Following initial discussions with the SSE, a pathfinder proposal to examine the potential for an Edinburgh-based, but Scotland-wide, exchange has been developed, under which a three-month research and scoping study will inform preparation of a detailed business case. The pilot will assess potential demand from both the business community and prospective investors and validate eligible organisations, informing consideration by Council in early 2017. The pilot will also seek to quantify the investment requirement to launch a fully-fledged Edinburgh SSE.

3.23 The cost of the pilot scheme is £60,000 and Committee approval is sought to authorise the expenditure which can be contained within the balanced overall position set out in the preceding paragraphs.

PPP1 schools emergency

3.24 At the Finance and Resources Committee's meeting on 3 November 2016, members considered a report setting out the additional costs incurred as a result of the temporary unavailability from early April 2016 of seventeen schools and two other facilities constructed as part of the PPP1 programme. As of the time of writing, discussions with the Edinburgh Schools Partnership are continuing with a view to finalising the corresponding contractual sums due to the Council over this period. Members are asked to approve that any excess of deductions due over costs incurred be earmarked to take forward any necessary remedial work identified through the programme of property surveys undertaken in buildings of similar construction.

Spend to Save

3.25 The Executive Director of Place has identified an opportunity to invest in a route management system that will support the delivery of key aspects of the waste and cleansing improvement plan by reducing the number of missed bins and increasing first-time resolution of customer queries (additional detail is included in Appendix 4). Upfront funding of £0.575m is sought from the Spend to Save fund to allow procurement of the system, with the resulting savings in overtime, fuel consumption and reduced Contact Centre staffing expected to repay the upfront investment within 5.25 years. Subject to Committee's approval, this application will be submitted for onward ratification by Council on 26 January.

Housing Revenue Account

3.26 A balanced position is forecast after making a required £13.0m contribution to fund future delivery of the affordable housing strategy as set out in the HRA business plan. Approved budget savings of £1.664m in relation to reductions in housing management, repairs and maintenance and ICT costs are forecast to be achieved.

4. Measures of success

4.1 Achieving a balanced overall budget outturn position for 2016/17 and successful delivery of approved savings and key service performance indicators.

5. Financial impact

5.1 The report's contents point to a balanced overall position. Attainment is, however, contingent upon undertaking further actions required to deliver a number of approved savings and active management of significant risks and pressures for the remainder of the year.

5.2 The Council's Financial Regulations set out Executive Directors' responsibilities in respect of financial management, including regular consideration of their service budgets such that overall expenditure is contained within approved levels.

6. Risk, policy, compliance and governance impact

6.1 The delivery of a balanced budget outturn for the year is the key target. The risks associated with cost pressures, increased demand and savings delivery targets are regularly monitored and reviewed and management action is taken as appropriate.

6.2 Ongoing communications by the Council's section 95 Officer have reinforced the respective responsibilities of Executive Directors and Heads of Service to maintain expenditure within approved budgets in accordance with the Financial Regulations. Directors also have a requirement to ensure that savings identified are both achievable and delivered to maintain a sustainable budget across the Council. With this in mind, structured plans are in place for review and feedback on current and future years' savings proposals. This has contributed positively to a position where the majority of approved 2016/17 savings are also assessed as being on track to be delivered.

7. Equalities impact

7.1 While there is no direct additional impact of the report's contents, all budget proposals are now subject to an initial relevance and proportionality assessment and, where appropriate, a formal Equalities and Rights Impact Assessment is then undertaken. The equalities and rights impacts of any substitute measures identified to address savings shortfalls are similarly assessed.

8. Sustainability impact

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

9. Consultation and engagement

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

10. Background reading/external references

10.1 Service monitoring statements for period eight.

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 SO2 – Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health SO3 – Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 – Edinburgh's communities are safer and have improved physical and social fabric
Appendices	Appendix 1 – Service analysis Appendix 2 – 2016/17 budget savings RAG assessment – savings assessed as red in part or in full Appendix 3 – Service risks and pressures Appendix 4 – Spend to Save Fund application – route management system

THE CITY OF EDINBURGH COUNCIL

REVENUE MONITORING 2016-17

PERIOD 8 REVENUE MONITORING

SERVICE ANALYSIS

Account	Revised Budget £000	Budget to Date £000	Actual to Date £000	Variance to Date £000	Variance to Date %	Projected Outturn £000	Projected Variance £000	Projected Variance %
Communities and Families	337,903	225,276	226,204	928	0.4%	337,903	0	0.0%
Chief Executive	39,417	32,280	31,979	(301)	(0.9%)	39,417	0	0.0%
Safer and Stronger Communities	25,530	17,508	17,508	0	0.0%	25,530	0	0.0%
Health and Social Care	184,428	114,004	122,928	8,924	7.8%	185,568	1,140	0.6%
Resources	133,267	108,288	104,695	(3,593)	(3.3%)	133,267	0	0.0%
Place	65,054	44,339	47,753	3,414	7.7%	65,054	0	0.0%
Valuation Joint Board Requisition	3,744	2,496	2,496	0	0.0%	3,744	0	0.0%
Direct Service Expenditure	**789,343**	**544,191**	**553,563**	**9,372**	**1.7%**	**790,483**	**1,140**	**0.1%**
Council-wide - Living Wage	333	0	0	0	n/a	333	0	0.0%
Council-wide - Non-Domestic Rates	442	0	0	0	n/a	442	0	0.0%
General Fund Services Subtotal	**790,118**	**544,191**	**553,563**	**9,372**	**1.7%**	**791,258**	**1,140**	**0.1%**
Net Cost of Benefits	(62)	(41)	(362)	(321)	n/a	(62)	0	0.0%
Pension Auto Enrolment	507	0	0	0	0%	507	0	0.0%
Pension Fund - Lump Sum Payment	3,064	2,043	2,043	0	0%	3,064	0	0.0%
Non Distributed Costs	5,816	3,877	3,877	0	0%	5,816	0	0.0%
Non-Domestic Rates - Discret. Relief	350	0	0	0	n/a	350	0	0.0%
Carbon Tax	1,200	1,200	1,219	19	1.6%	1,200	0	0.0%
Insurance Premiums	3,513	0	0	0	n/a	3,513	0	0.0%
Loans Charges / Interest on Rev Bals	112,488	0	0	0	n/a	112,488	0	0.0%
Council Transformation	4,050	2,700	1,922	(778)	n/a	4,050	0	0.0%
Prior Year and Other Adjustments	2,978	0	0	0	n/a	2,978	0	0.0%
Staff Release and Transformation	22,300	18,601	18,601	0	n/a	22,300	0	0.0%
Dividend and Investment Income	(6,500)	0	0	0	n/a	(6,000)	500	(7.7%)
Transport for Edinburgh	0	0	0	0	n/a	300	300	n/a
Social Stock Exchange pilot	0	0	0	0	n/a	60	60	n/a
Total General Fund	**939,822**	**572,571**	**580,863**	**8,292**	**1.4%**	**941,822**	**2,000**	**0.2%**
Funding								
General Grant Funding	(343,039)	(228,693)	(228,693)	0	0%	(343,039)	0	0.0%
Non Domestic Rates	(374,650)	(249,767)	(249,767)	0	0%	(374,650)	0	0.0%
Council Tax	(240,631)	(160,421)	(160,421)	0	0%	(242,631)	(2,000)	0.8%
Less: Council Tax Reduction Scheme	26,252	17,501	17,501	0	0%	26,252	0	0.0%
Operating Deficit / (Surplus)	**7,754**	**(48,808)**	**(40,516)**	**8,292**	**n/a**	**7,754**	**0**	**n/a**
Contribution to / (from) Reserves								
Earmarked Reserves								
- Capital Fund	(2,000)	0	0	0	n/a	(2,000)	0	0.0%
- Service Transformation	1,700	0	0	0	n/a	1,700	0	0.0%
- Dilapidations Fund	700	0	0	0	n/a	700	0	0.0%
- Various	121	0	0	0	n/a	121	0	0.0%
- Other earmarked Balances	(8,275)	0	0	0	n/a	(8,275)	0	0.0%
Total Contribution to / (from) Reserves	(7,754)	0	0	0	n/a	(7,754)	0	0.0%
In-year Deficit / (Surplus)	**0**					**0**	**0**	**n/a**
Housing - HRA	**0**	**(54,325)**	**(55,742)**	**(1,417)**	**n/a**	**0**	**0**	**n/a**

Net Cost of Benefits variance reflects the profile of sums received from the Department for Work and Pensions and is anticipated to be in line with budgeted levels by the year-end.

BUDGET SAVINGS RAG ASSESSMENT, DECEMBER 2016 - SAVINGS ASSESSED AS RED IN PART OR IN FULL IN 2016/17 **Appendix 2**

Savings description	Service area	Approved level of saving, 2016/17 (£000)	RAG Status (insert relevant element of saving under each heading. These amounts should be shown net of any assumed mitigating action) Red	Amber	Green	Approved further level of saving, 2017/18 to 2019/20	RAG Status (insert relevant element of saving under each heading. These amounts should be shown net of any assumed mitigating action) Red	Amber	Green	Categorisation	Basis of current status	Planned actions and associated timescales for delivery of savings
Transformation: Organisational Review	**Health and Social Care**	**5,818**	1,718	0	4,100	**5,437**	0	4,937	500	Health and Social Care	This RAG status reflects the level of savings achieved to date from the release of staff under VERA and VR from HQ, disability services, older people's services and assessment and care management. It also takes into account a level of current vacancy, the use of agency and continued recruitment into the reconfigured disability service to reach agreed staffing levels. The current assessment of implementation is that the review, originally planned for December 2016, will slip by three months which is reflected in the revised red RAG status of £1.718m.	The next stage is to finalise implementation of the organisational review. A detailed plan for reduction in agency spend will be developed.
Transformation: Re-ablement; Demand Management; Telecare	**Health and Social Care**	**4,137**	3,376	511	250	**4,969**	0	4,969	0	Health and Social Care	These savings proposals are being revisited through the H&SC Transformation Programme. A prudent approach has been taken when assessing in-year delivery and this is reflected in the £0.761m at amber or green. A significant step-up in 2017/18 is forecast.	The next stage is to agree the business cases and develop implementation plans which take account of the preliminary work undertaken.
Total Health and Social Care		**9,955**	**5,094**			**10,406**	**0**					

Savings description	Service area	Approved level of saving, 2016/17 (£000)	Red	Amber	Green	Approved further level of saving, 2017/18 to 2019/20	Red	Amber	Green	Categorisation	Basis of current status	Planned actions and associated timescales for delivery of savings
Tram Advertising Income	**Place**	**500**	500	0	0	**0**	0	0	0	Planning and Transport	The approved budget saving is predicated on generation of additional income through the Council's existing advertising contract by selling naming rights and "wrapping" Edinburgh Trams. As of the time of writing, however, no specific plans have been agreed to contribute towards the current year's income target.	Ongoing dialogue with contractor.
Total Place		**500**	**500**	**0**	**0**	**0**	**0**	**0**	**0**			
Total all areas			**5,594**									

NB While the analysis above captures, by value, all savings assigned a red status in 2016/17, there are a number of other savings where an element is assessed as amber, hence the total shown is lower than in the equivalent figure in Paragraph 3.3.

SERVICE RISK AND PRESSURES **Appendix 3**

Risk or pressure description	Service area	Estimated financial impact, 2016/17 (£000)	Any estimated further impact, 2017/18 to 2019/20 (£000)	Residual risk after taking account of mitigating actions, 2016/17	Residual risk status, 2016/17	Explanatory notes, including description of any recurring pressures and mitigating measures implemented or proposed to date. This analysis should include consideration of the Council's key risks as they affect the service area's activities.
Waste Service Pressure	**Place**	**5,300**	**(1,800)**	**3,150**		Following analysis of the 2015/16 position and the roll-out of recent service changes (recycling redesign, ceasing commercial waste at CRC sites, etc.) it is estimated that the pressure in waste services for 2016/17 will be around £3.15m, without any further savings measures. The market for recyclate continues to be volatile and there is a risk that the cost of disposing recyclable waste could increase this overspend significantly.
North Bridge	**Place**	**1,150**	**(200)**	**465**		Following routine inspection work, significant expenditure is required on North Bridge. Prior to capital funding being made available (£12m is required), enabling revenue funding is required for these preparatory works and to set up a project team to carry out initial work to develop the scope of the capital project. Some of these costs have been met from within the overall transport budget, but the service is unable to contain the full cost.
Mortonhall - Income shortfall	**Place**	**2,000**	**(2,000)**	**1,400**		The crematorium is currently closed for refurbishment work. This is resulting in a significant loss of income, which is being partially offset by additional income from Scientific Services. The service is developing a mitigation plan to help address the income shortfall, but this is unlikely to address the pressure in full.
Sub-total		**8,450**	**(4,000)**	**5,015**		

Risk or pressure description	Service area	Estimated financial impact, 2016/17 (£000)	Any estimated further impact, 2017/18 to 2019/20 (£000)	Residual risk after taking account of mitigating actions, 2016/17	Residual risk status, 2016/17	Explanatory notes, including description of any recurring pressures and mitigating measures implemented or proposed to date. This analysis should include consideration of the Council's key risks as they affect the service area's activities.
Out of Council Residential Care (Pressure)	**Communities and Families**	**1,200**	**1,200**	**1,200**		The service has annual approved savings of £1.8m against Out of council residential placements by 2017/18 compared to the 2012/13 budget. This has proved very challenging to deliver at the same time as reductions of £3.5m have been made to internal residential services. The service has assessed that there will be an ongoing demand for approximately £1.2m of placements in future. This pressure has been reported to CLT and the service is in the process of identifying alternative savings for 2017/18 onwards.
Secure Care (Risk)	**Communities and Families**	**1,200**	**1,200**	**1,200**		The budget for secure places is 8. Average usage for 2015/16 was 13 and in March 2016 this number was 16. If the average usage of 13 continues then the pressure will be £1.375m. Changing this pattern of secure risk requires culture change and practice changes across a range of children's services. Further to the recent transformation process for children's services, frontline manager engagement on this issue was put in place from June 2016.
Sub-total		**2,400**	**2,400**	**2,400**		
Total all services		**10,850**	**(1,600)**	**7,415**		

Spend to Save proposal - Waste Route Management System **Appendix 4**

Project	Description	Outcome	Coalition Pledges and Council Outcomes	Funding	Risk	Payback Period
Waste Route Management System	Purchase of a new route management system will support delivery of key aspects of the service improvement plan. The system will provide operational crews with higher-quality information to reduce the number of missed bins and allow greater first-time resolution of customer queries.	Investment in the system will improve the overall waste and recycling service. Savings will be generated initially through reductions in overtime linked to delayed collections, lower fuel consumption as a result of both fewer missed collections and more efficient vehicle routing and a reduced associated staffing requirement within the Contact Centre. Further ICT-related savings are anticipated from April 2018.	P44 - Prioritise keeping our streets clean and attractive P49 Continue to increase recycling levels across the city and reduce the proportion of waste going to landfill CO17 - Clean - Edinburgh's streets and open spaces are clean and free of litter and graffiti CO18 - Green - we reduce the local environmental impact of our consumption and production CO19 - Attractive places and well-maintained - Edinburgh remains an attractive city through the development of high-quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm CO24 - The Council communicates effectively internally and externally and has an excellent reputation for customer care	£575,000	Medium	5.25 years

Governance, Risk and Best Value Committee

10.00am, Thursday 2 February 2017

Capital Monitoring 2016/17 – Month Nine Position – referral report from the Finance and Resources Committee

Item number	7.4
Report number	
Executive/routine	
Wards	

Executive Summary

On the 19 January 2017 the Finance and Resources Committee considered a report that set out the overall position of the Council's capital budget at the nine month stage (based on analysis of period seven and eight data) and the projected outturn for the year. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

Links

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

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Terms of Referral

Capital Monitoring 2016/17 – Month Nine Position

Terms of Referral

1.1 The month nine position reported £0.632m of acceleration in gross expenditure, compared to projected slippage of £1.485m variance at month five. At month five, there was an expected shortfall in capital receipts compared to the budgeted level of £0.250m. This shortfall had now increased to £4.608m at month nine. The net effect of the variances projected at month nine was an increase of £5.540m in the amount that the Council required to borrow corporately to support its capital programme relative to budgeted assumptions.

1.2 Net acceleration on gross expenditure projected at month nine represented a variance against budget of 0.55% (which was below the 15/16 Scotland wide average of slippage of 16%). There had been acceleration of £8.903m in the delivery of a number of projects, most notably in the general asset management works programme, the Place depot review and the final completion settlement for the new Portobello High School. This was largely offset by slippage which in the majority, was caused by uncontrollable and unforeseen delays that had occurred since re-profiling and aligning the revised budget. In the main, these included delays caused by a change in procurement route on the early learning and childcare estate improvements project and delays to piling operations on the new build Boroughmuir High School.

1.3 The Finance and Resources Committee agreed:

1.3.1 To note the projected capital outturn positions on the General Fund and Housing Revenue Account (HRA) at month nine.

1.3.2 To note the prudential indicators at month nine.

1.3.3 To note that the Acting Executive Director of Resources was closely monitoring the capital receipts position,

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

For Decision/Action

2.1 The Governance, Risk and Best Value Committee is asked to consider the report as part of its work programme.

Background reading/external references

Minute of the Finance and Resources Committee, 19 January 2017

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, 19 January 2017

Capital Monitoring 2016/17 – Nine Month Position

Item number	7.4
Report number	
Executive/routine	
Wards	

Executive summary

At month nine, the Council is projecting the following outturn position against its Capital budgets:

- General Fund investment - £0.6m acceleration
- General Fund Capital Receipts - £4.6m slippage
- HRA investment - £4.5m underspend
- HRA Capital Receipts - £2.8m acceleration

As a result of these forecasts, the level of General Fund borrowing is projected to be £5.240m more than budget. This position should be considered in the context of the challenging nature of capital projects, where variances may occur for reasons outwith the Council's control.

The HRA underspend is primarily related to a reduction in the combined update of kitchen and bathroom upgrades from tenants. Heating replacements have been accelerated by 40% to mitigate this underspend in part. The acceleration of HRA capital receipts is mainly due to a spike in Council house sales prior to the abolition of Right to Buy in August 2016 and an increase in grant income from Scottish Government for affordable housing.

Links

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

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Capital Monitoring 2016/17 – Nine Month Position

1. Recommendations

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

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

1.1.2 Note the prudential indicators at month nine;

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

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

2. Background

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

3. Main report

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

	Outturn Variance at Month Nine £000	Outturn Variance at Month Five £000	Movement from Month Five £000
Net (slippage) / acceleration in gross expenditure	632	(1,485)	2,117
Net (surplus) / deficit in capital receipts / grant income	4,608	250	4,358
Net increase / (decrease) in borrowing requirement	5,240	(1,235)	6,475

3.2 The month nine position reports £0.632m of acceleration in gross expenditure, compared to projected slippage of £1.485m variance at month five. At month five, there was an expected shortfall in capital receipts compared to the budgeted level of £0.250m. This shortfall has now increased to £4.608m at month nine. The net effect of the variances projected at month nine is an increase of £5.540m in the amount that the Council requires to borrow corporately to support its capital programme relative to budgeted assumptions.

3.3 Explanations for significant slippage and accelerations projected at month nine are presented in Appendix 2. The net acceleration on gross expenditure projected at month nine represents a variance against budget of 0.55% (which is below the 2015/16 Scotland wide average of slippage of 16%). There has been acceleration of £8.903m in the delivery of a number of projects, most notably in the general asset management works programme, the Place depot review and the final completion settlement for the new Portobello High School. This is largely offset by slippage which in the majority, is caused by uncontrollable and unforeseen delays that have occurred since re-profiling and aligning the revised budget. In the main, these include delays caused by a change in procurement route on the early learning and childcare estate improvements project and delays to piling operations on the new build Boroughmuir High School.

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

Capital receipts/grant income

3.5 A review of capital receipts from asset sales undertaken by Corporate Property and Finance estimates that net receipts of £14.412m will be realised in 2016/17, compared to a budget of £19.020m resulting in a receipts shortfall of £4.608m.

3.6 The net decrease from the month five position for General Services receipts relates to revised settlement dates for some receipts. The reported figures reflect a cautious approach placing the receipt from King’s Stables Road in 2017/2018 when it is possible that the sale will complete before the end of March 2017. The budgeted transfer of receipts to the capital fund of £5.559m will now also be reprofiled to 2017/18. Council approved at its budget meeting of 21 January 2016 the allocation of these additional receipts for the Local Development Plan (LDP) infrastructure and revenue repairs and maintenance across the existing Council property estate and expenditure plans will also be reprofiled.

3.7 Ring fenced receipts are also expected to be lower than budgeted. This is largely due to the intention to transfer some of these sites to the HRA with an associated transfer of borrowing costs, based on market value to the HRA having a similar financial impact on the General Fund as receiving a capital receipt.

Prudential Indicators

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

Housing Revenue Account (HRA)

3.9 The Housing Revenue Account is forecasting slippage in gross expenditure of £4.526m at month nine (balanced position at month five) as shown in Appendix 4. At month nine, the forecast is gross expenditure of £39.808m (£44.334m at month five) capital receipts / grant income of £24.119m (£22.461m at month five) and borrowing of £15.689m (£21.873m at month five).

3.10 Approximately £4m of the underspend is due to a below average uptake from tenants on the kitchen and bathrooms programme. The programme is still on track to meet the Council commitment of ensuring that no kitchen or bathroom is over 25 years old by the end of this financial year. The budget was set assuming all 1,920 tenants would receive upgrades for both kitchens and bathrooms. However, only two thirds of tenants have proceeded with both upgrades to date, with the remainder only agreeing to one upgrade or no upgrade at all.

3.11 The Heating Replacement Programme has been accelerated in line with the agreed strategy to reduce the overall under spend. The programme has already exceeded the year end target of 1,234 homes, with 1,279 having benefited from upgrades by the end of November 2016. The programme will be accelerated further to continue to mitigate under spends and make tenants' homes easier to heat. It is projected that more than 1,700 tenants will be benefitting from the programme at the year end, a 40% increase in delivery.

3.12 The Neighbourhood Improvement Programme is projected to under spend by £0.8m. However, all identified projects will be delivered in line with the priorities agreed with local teams and neighbourhood governance. The underspend (£0.3m) in the Regeneration Programme was due to a last minute change of the specification of one project (St Stephen's Court), resulting in a slight delay on securing relevant building warrant and site start.

3.13 The 21st Century Homes programme is on track to spend its approved budget. The first phase of the Pennywell housing regeneration is due to complete in December 2016 with construction works already started on phase 2. This project will deliver more than 700 new market and affordable homes in total. Housing construction is also underway at Leith Fort with the first homes expected to be available to let in early summer. Site starts have been planned at North Sighthill, Calders, West Pilton Grove and Greendykes in 2017. A total of 357 new homes are expected to be on site by the end of March 2017.

4. Measures of success

4.1 Completion of capital projects as budgeted for in the 2016/17 capital programme.

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

5. Financial impact

5.1 The projected 2016/17 general fund outturn outlines capital borrowing of £70.474m. The overall loan charges associated with this borrowing over a 20 year period would be a principal amount of £70.474m, interest of £45.877m, resulting in a total cost of £116.356m based on a loans fund interest rate of 5.1%. The loan charges will be interest only in the first year, at a cost of £1.816m, followed by an annual cost of £5.727m for 20 years.

5.2 The projected 2016/17 HRA outturn outlines capital borrowing of £15.689m. The overall loan charges associated with this borrowing over a 20 year period would be a principal amount of £15.689m, interest of £10.213m, resulting in a total cost of £25.903m based on a loans fund rate of 5.1%. The loan charges will be interest only in the first year, at a cost of £0.403m followed by an annual cost of £1.275m for 20 years.

5.3 The borrowing required is carried out in line with the Council's approved Treasury Management Strategy.

5.4 The loan charge costs outlined above will be met from this year's general fund and HRA revenue budgets for loan charges.

6. Risk, policy, compliance and governance impact

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

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

6.3 Monitoring of major capital projects including risk assessment is carried out by the Council's Strategy and Insight service.

6.4 The nature of capital projects means that there is an inherent risk of delays or unforeseen circumstances outwith the control of the Council.

7. Equalities impact

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

8. Sustainability impact

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

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

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

9. Consultation and engagement

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

10. Background reading/external references

Capital Monitoring 2016-17 – Half Year Position Finance and Resources Committee, 29 October 2015

Hugh Dunn

Acting Executive Director of Resources

Contact: Denise Pryde, Senior Accountant

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Links

Coalition pledges	P3 – Rebuild Portobello High School and continue progress on all other planned school developments, while providing adequate investment in the fabric of all schools P8 – Make sure the city's people are well-housed, including encouraging developers to build residential communities, starting with brownfield sites P30 – Continue to maintain a sound financial position including long-term financial planning P31 – Maintain our City's reputation as the cultural capital of the world by continuing to support and invest in our cultural infrastructure P33 – Strengthen Neighbourhood Partnerships and further involve local people in decisions on how Council resources are used P42 – Continue to support and invest in our sporting infrastructure
Council outcomes	CO1 – Our children have the best start in life, are able to make and sustain relationships and are ready to succeed CO16 – Edinburgh draws new investment in development and regeneration CO20 – Culture, sport and major events – Edinburgh continues to be a leading cultural city where culture and sport play a central part in the lives and future of citizens CO23 – Well-Engaged and Well-Informed – Communities and individuals are empowered and supported to improve local outcomes and foster a sense of community CO25 – The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO3 - Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 - Edinburgh's communities are safer and have improved physical and social fabric
Appendices	1 – Capital Monitoring 2016/17 – General Fund 2 – Slippage / Acceleration on capital projects 2016/17 3 – Prudential Indicators 2016/17 4 – Capital Monitoring 2016/17 - HRA

Appendix 1

Capital Monitoring 2016/17

General Fund Summary

Period 9 (based on period 7 and 8 data)

Expenditure	Revised Budget £000	Adjusts £000	Total Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	Projected Variance %
Communities and Families	45,781	2,741	48,522	29,951	44,308	(4,214)	-8.68%
Resources - AMW	10,936	464	11,400	11,329	16,307	4,907	43.04%
Edinburgh IJB	4,167	321	4,488	4,284	4,532	44	0.98%
Place	83,759	5,556	89,315	48,005	89,210	(105)	-0.12%
Chief Executive	15,789	-	15,789	-	15,789	-	0.00%
General slippage across programme			-			-	
Total Gross Expenditure	**160,432**	**9,082**	**169,514**	**93,569**	**170,146**	**632**	**0.37%**

Resources	Revised Budget £000	Adjusts £000	Total Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	Projected Variance %
Capital Receipts							
General Services	19,634	-	19,634	8,409	13,332	(6,302)	-32.10%
Capital Receipts in lieu of prudential borrowing	-	-	-	-	680	680	
Ringfenced Asset Sales	4,895	50	4,945	153	650	(4,295)	-86.86%
Less additional receipt income to capital fund	(5,559)		(5,559)	-	-	5,559	-100.00%
Less Fees Relating to Receipts			-	(85)	(250)	(250)	
Total Capital Receipts from Asset Sales	*18,970*	*50*	*19,020*	*8,477*	*14,412*	*(4,608)*	*-24.23%*
Developer and other Contributions	7,468	5,570	13,038	6,620	13,038	-	0.00%
Capital Grants Unapplied Account drawdown	808	-	808	546	808	-	0.00%
Total Capital Receipts	*27,246*	*5,620*	*32,866*	*15,643*	*28,258*	*(4,608)*	*-14.02%*
Grants							
Scottish Government General Capital Grant	41,626	-	41,626	27,751	41,626	-	0.00%
Cycling, Walking and Safer Streets	540	-	540	-	540	-	0.00%
Management Development Funding	29,248	-	29,248	5,459	29,248	-	0.00%
Total Grants	*71,414*	-	*71,414*	*33,210*	*71,414*	-	*0.00%*
Total Resources	**98,660**	**5,620**	**104,280**	**48,853**	**99,672**	**(4,608)**	**-4.42%**

Balance to be funded through borrowing	**61,772**	**3,462**	**65,234**		**70,474**	**5,240**	**8.03%**

CAPITAL MONITORING 2016/2017 - Period 9 (based on period 7 and 8 data)
Slippage and Acceleration on Projects
Slippage on projects is shown as a negative value, while acceleration or overspends are shown as positive values.

Key to variance category

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

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

	Period 9 £000	Period 5 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Communities and Families					
Early learning and childcare estate improvements	-1,223	-1,085	-138	Due to tender submission stage taking longer than originally envisaged.	2
Duncan Place improvement	-212	-400	188	Delay in contract start due to requirement for value engineering exercise to bring project in line with available budget.	1
Boroughmuir High School	-4,302	0	-4,302	Delay in starting contract due to issues with concrete levels- school is now due to open August 2017	1
Rising School Rolls	327	0	327	Several schools required extra work under the Rising School Rolls programme and will require to be funded from future years budgets	4
Portobello High School	879	0	879	Settlement of final account will be made in 2016-2017 and not 2017-2018 as originally envisaged	4
St John's Primary School	228	0	228	External fees for producing stage 1 report will be incurred in 2016-2017 rather 2017-2018 as originally envisaged	4
Fees relating to the cost of sale of assets	83	0	83	Acceleration of spend to be met from future receipts.	4
Net (slippage) / acceleration on various projects	6	0	6		4
Total Communities and Families	**-4,214**	**-1,485**	**-2,729**		
Resources - AMW					
Acceleration across the Asset Management Works programme	4,907	0	4,907	General acceleration across the Asset Management Works programme	4
Total Resources - AMW	**4,907**	**0**	**4,907**		

	Period 9 £000	Period 5 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Edinburgh IJB					
Net (slippage) / acceleration on various projects	44		44		4
Total Edinburgh IJB	**44**	**0**	**44**		
Place					
Depot Review	1,800	0	1,800	Better than anticipated progress on depot review project	4
Calton Hill redevelopment	629	0	629	Acceleration of Council contribution to facilitate the cashflow of the project	4
Fleet Vehicle Purchase	-751	0	-751	Long lead in time for the procurement of specialist vehicles	2
Road Asset Management	-661	0	-661	Two carriageway schemes postponed due to gas works	2
Street Lighting and Traffic Signals	-638	0	-638	Transformation process resulted in loss of staff to deliver programme - delay until vacancies can be filled	2
Rose Street - Public Realm	-282	0	-282	Works delayed due to 3rd Party works (Hub Hotel) programme running over until Spring 2017	2
Leith Walk Constitution Street	-236	0	-236	Reprogramming of projects in conjunction with tram enabling works	2
Net (slippage) / acceleration on various projects	34	0	34		2
Total Place	**-105**	**0**	**-105**		
Total for all Services	**632**	**-1,485**	**2,117**		
Summary of Variance Category					
1. Slippage due to unforeseen delays	-4,514	-400	-4,114		1
2. Slippage due to optimistic budget	-3,757	-1,085	-2,672		2
3. Slippage due to timing of payments	0	0	0		3
4. Acceleration on a project	8,903	0	8,903		4
	632	-1,485	2,117		

PRUDENTIAL INDICATORS 2016/17 - Period 9 (based on period 7 and 8 data)

Indicator 1 - Estimate of Capital Expenditure

	2015/16 Actual £000	2016/17 Estimate £000	2016/17 Forecast £000	2017/18 Estimate £000	2017/18 Forecast £000	2018/19 Estimate £000	2018/19 Forecast £000	2019/20 Estimate £000	2019/20 Forecast £000	2020/21 Estimate £000	2020/21 Forecast £000
Children & Families	48,181	0	0	0	0	0	0	0	0		
Corporate Governance	7,407	0	0	0	0	0	0	0	0		
Economic Development	42	0	0	0	0	0	0	0	0		
Health & Social Care	5,680	0	0	0	0	0	0	0	0		
Services for Communities	77,149	0	0	0	0	0	0	0	0		
SfC - Asset Management Programme	14,516	0	0	0	0	0	0	0	0		
Other Capital Projects	3,014	0	0	0	0	0	0	0	0		
Unallocated funding - indicative 5 year plan 201	0	0	0	0	0	0	0	7,000	7,000	7,000	7,000
Chief Executive	0	17,291	15,789	1,125	1,125	0	0	0	0	0	0
Communities and Families	0	50,436	44,308	7,595	27,278	10,184	12,984	14,766	6,709	558	165
Edinburgh Integration Joint Board	0	4,229	4,532	114	108	0	0	0	0	0	0
Place	0	99,404	89,210	72,464	93,027	30,719	32,154	24,201	72,698	19,834	19,835
Resources - Asset Management Works	0	24,044	16,307	11,035	8,010	8,436	8,334	19,173	29,097	14,000	14,000
Total General Services	155,989	195,404	170,146	92,333	129,548	49,339	53,472	65,140	115,504	41,392	41,000
Housing Revenue Account	35,626	48,508	39,808	65,708	65,708	76,500	76,500	84,794	84,794	85,022	85,022
Total	191,615	243,912	209,954	158,041	195,256	125,839	129,972	149,934	200,298	126,414	126,022

The 'estimate' figures relate to those reported in the prudential indicators as part of the budget motion in February 2016. Differences between these and the 'forecast' figures relate to further realignment and rephasing that has taken place as part of the revised budget process.

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

	2015/16 Actual %	2016/17 Estimate %	2016/17 Forecast %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
General Services	11.51	12.00	12.19	11.94	11.66	11.55	N/A
Housing Revenue Account	37.31	36.64	34.10	39.33	40.73	42.49	44.60

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

Figures for 2017/18 onwards are indicative as neither the Council nor HRA has set a budget for these years. The figures for General Services are based on the current long term financial plan that ends in 2019/20. HRA figures are based on the current business plan.

Indicator 3 - Capital Financing Requirement

	2015/16 Actual £000	2016/17 Estimate £000	2016/17 Forecast £000	2017/18 Estimate £000	2017/18 Forecast £000	2018/19 Estimate £000	2018/19 Forecast £000	2019/20 Estimate £000	2019/20 Forecast £000	2020/21 Estimate £000	2020/21 Forecast £000
General Services (including finance leases)	1,275,213	1,297,933	1,277,947	1,260,004	1,274,158	1,191,945	1,216,275	1,133,225	1,214,249	1,064,001	1,156,018
Housing Revenue Account	357,602	377,947	356,706	387,821	370,064	406,950	393,925	437,419	430,692	474,861	475,019
Total	1,632,815	1,675,880	1,634,653	1,647,825	1,644,222	1,598,895	1,610,200	1,570,644	1,644,941	1,538,862	1,631,037

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

Indicator 4 - Authorised Limit for External Debt

	2016/17 Estimate £000	2016/17 Rev Est £000	2017/18 Estimate £000	2017/18 Rev Est £000	2018/19 Estimate £000	2018/19 Rev Est £000	2019/20 Estimate £000	2019/20 Rev Est £000	2020/21 Estimate £000	2020/21 Rev Est £000
Borrowing	1,591,015	1,591,015	1,617,379	1,617,379	1,630,954	1,630,954	1,558,749	1,558,749	1,507,508	1,507,508
Credit Arrangements	226,589	226,600	215,777	215,787	205,412	205,420	195,958	195,965	187,755	187,763
Total	1,817,604	1,817,615	1,833,156	1,833,166	1,836,366	1,836,374	1,754,707	1,754,714	1,695,263	1,695,271

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

Indicator 5 - Operational Boundary for External Debt

	2016/17 Estimate £000	2016/17 Rev Est £000	2017/18 Estimate £000	2017/18 Rev Est £000	2018/19 Estimate £000	2018/19 Rev Est £000	2019/20 Estimate £000	2019/20 Rev Est £000	2020/21 Estimate £000	2020/21 Rev Est £000
Borrowing	1,491,015	1,491,015	1,487,329	1,487,329	1,520,904	1,520,904	1,478,699	1,478,699	1,457,458	1,457,458
Other Long-Term Liabilities	226,589	226,600	215,777	215,787	205,412	205,420	195,958	195,965	187,755	187,763
Total	1,717,604	1,717,615	1,703,106	1,703,116	1,726,316	1,726,324	1,674,657	1,674,664	1,645,213	1,645,221

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

Indicator 6 - Impact on Council Tax and House Rents

	2016/17 Estimate £	2016/17 Forecast £	2017/18 Estimate £	2017/18 Forecast £	2018/19 Estimate £	2018/19 Forecast £	2019/20 Estimate £	2019/20 Forecast £	2020/21 Estimate £	2020/21 Forecast £
for the band "D" Council Tax	2.46	-0.93	9.17	1.29	13.68	13.12	18.02	24.11	N/A	N/A
for the average weekly housing rents	-0.19	-0.39	-0.68	-1.35	-0.50	-1.17	0.55	-0.13	3.50	2.83

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

The changes between the forecast and the original estimate reflect the realignment of the Capital Investment Programme reported to Finance and Resources Committee in August 2016.

Appendix 4

CAPITAL MONITORING 2016/17

Housing Revenue Account Summary

Period 9 (based on period 7 and 8 data)

	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	Projected Variance %
Gross Expenditure	44,334	19,263	39,808	-4,526	-10.2%
Total Gross Expenditure	44,334	19,263	39,808	-4,526	-10.2%

Resources					
Capital Receipts	-4,183	-2,282	-9,107	-4,924	117.7%
Developers and Other Contributions	-11,847	-2,864	-8,027	3,820	-32.2%
Specific Capital Grant	-5,274	-1,556	-6,985	-1,711	32.4%
Total Resources	-21,304	-6,702	-24,119	-2,815	13.2%

Borrowing					
Borrowing	23,030	12,561	15,689	-7,341	-31.9%
Total	23,030	12,561	15,689	-7,341	-31.9%

Governance, Risk and Best Value Committee

10.00am, Thursday 2 February 2017

Report by the Accounts Commission – Local Government in Scotland: Financial Overview 2015/16 – referral report from the Finance and Resources Committee

Item number	7.5
Report number	
Executive/routine	
Wards	

Executive Summary

On the 19 January 2017 the Finance and Resources Committee considered a report by the Accounts Commission that provided a high-level overview of Councils' income and expenditure in 2015/16 and placed these within the context of recent years' trends. The report also examined the financial outlook for Councils at the end of 2015/16 and outlined a number of specific factors for consideration in assessing future spending plans. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

Links

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

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Terms of Referral

Reports by the Accounts Commission – Local Government in Scotland: Financial Overview 2015/16

Terms of Referral

1.1 In November 2016, the Accounts Commission published its Scotland-wide review of local government financial performance for 2015/16. The report concluded that, across the sector, financial health in the year was generally good, with a slight increase in reserve levels and a reduction in overall debt. All Councils' financial statements were also unqualified, with no specific concerns raised about their immediate financial position.

1.2 This said, given on-going increases in demographic-led demand and additional pressures that arose from inflation, legislative reform and a reduction in real-terms resources, the report re-iterated the ongoing importance of effective budget management and long-term financial planning.

1.3 The Finance and Resources Committee agreed:

1.3.1 To note the report.

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

For Decision/Action

2.1 The Governance, Risk and Best Value Committee is asked to consider the report as part of its work programme.

Background reading/external references

Minute of the Finance and Resources Committee, 19 January 2017

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, 19 January 2017

Report by the Accounts Commission – Local Government in Scotland: Financial Overview 2015/16

Item number	7.13
Report number	
Executive/routine	
Wards	

Executive summary

In November 2016, the Accounts Commission published its Scotland-wide review of local government financial performance for 2015/16. The report concluded that, across the sector, financial health in the year was generally good, with a slight increase in reserve levels and a reduction in overall debt. All councils' financial statements were also unqualified, with no specific concerns raised about their immediate financial position.

This said, given on-going increases in demographic-led demand and additional pressures arising from inflation, legislative reform and reducing real-terms resources, the report re-iterates the on-going importance of effective budget management and long-term financial planning.

Links

Coalition Pledges	P30
Council Priorities	CP13
Single Outcome Agreement	SO1, SO2, SO3, SO4

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Report

Report by the Accounts Commission – Local Government in Scotland: Financial Overview 2015/16

1. Recommendations

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

1.1.1 note the contents of the report; and

1.1.2 refer the report to the Governance, Risk and Best Value Committee as part of its work programme.

2. Background

2.1 In recent years, as an integral part of its annual programme of scrutiny and inspection across Scotland's local authorities, the Accounts Commission has published a high-level, independent overview report. This annual report has drawn upon work undertaken in the preceding year, summarising findings and key themes emerging from financial statement, Best Value, Community Planning and wider performance audits.

2.2 For the 2015/16 review, a slightly different approach has been adopted. Rather than providing coverage of all of the above areas in the overview, a series of discrete reports will instead be issued. An overview of service performance and the range of challenges facing councils will be released in March 2017. The financial overview report (included as Appendix 1) has been issued several months earlier than usual, however, with the intention that it then inform and complement councils' budget-setting processes.

2.3 As in previous years, the report is aimed primarily at councillors and senior officers and assesses councils' financial performance in the context of a number of existing and emerging challenges. These challenges centre on reconciling demographic-led increases in service demand, other cost pressures and growing complexity and citizen aspirations arising from legislative change with on-going real-terms reductions in funding. To assist councillors in both improving their understanding of the issues concerned and discharging their scrutiny role, a number of specific suggested questions are also highlighted.

2.4 Given its Scotland-wide coverage, the report's recommendations are correspondingly general. Edinburgh-specific and other reports covering areas of relevance to the Council's activities are, however, regularly considered by the Governance, Risk and Best Value Committee. Of particular relevance is the Council's own Annual Audit Report, also considered by the Finance and Resources Committee on 1 December 2016.

3. Main report

3.1 The Accounts Commission report comprises two distinct sections. The first provides a high-level overview of councils' income and expenditure in 2015/16, placing these within the context of recent years' trends. The second section then proceeds to examine the financial outlook for councils at the end of 2015/16 and outlines a number of specific factors for elected members to consider in assessing future spending plans.

3.2 The report concludes that, across the local government sector, financial health in 2015/16 was generally good, with a slight increase in reserve levels and a reduction in overall debt. All councils' financial statements were also unqualified, with no specific concerns raised about their immediate financial position.

3.3 This said, given on-going increases in demographic-led demand and additional pressures arising from inflation, legislative reform and reducing real-terms resources, the report re-iterates the on-going importance of effective budget management and long-term financial planning.

3.4 As mentioned above, the report seeks to address issues of general applicability and, as such, there are few Edinburgh-specific references. The Council's own Annual Audit Report did, however, provide commentary on a number of areas discussed within the report, including:

(i) **Paragraph 36** - levels of capital programme expenditure slippage continue to compare favourably with other councils in Scotland;

(ii) **Paragraphs 37 – 42** - current financial management arrangements are assessed to be effective, with all services containing expenditure within budgeted levels in 2015/16, supported by robust scrutiny arrangements from senior management and elected members;

(iii) **Paragraphs 50 – 62** - the Council's overall level of external borrowing has decreased by nearly £100m since March 2014. The prudence, affordability and sustainability of all debt is regularly reviewed as part of the Council's treasury management and wider financial planning arrangements. Debt associated with the purchase of Waverley Court and acquisition of some of the assets of EDI and Waterfront Edinburgh was, for example, supported by elected member consideration and approval of detailed business cases, delivering significant overall savings to the Council;

(iv) **Paragraphs 72 – 85** - good progress has been made to date in delivering the savings underpinning the Council's Transformation Programme, with these contributing, as of the time of the mid-year review, to an indicative balanced revenue budget position in both 2017/18 and 2018/19, in so doing making significant progress in addressing the Council's financial challenges over this period; and

(v) **Paragraphs 86 – 89** - whilst acknowledging that appropriate scrutiny arrangements are already in place, the annual report underlined the importance of maintaining this focus, with a particular emphasis on the early identification of potential barriers to savings delivery and the taking of prompt remedial action to mitigate these risks.

4. Measures of success

4.1 Relevant measures in setting the revenue budget include:

4.1.1 Accurate capturing and quantification of the key determinants of the Council's overall expenditure requirement and available sources of income, allowing a balanced overall budget and subsequent years to be set as part of a longer-term sustainable framework;

4.1.2 Development of savings and investment options aligned to the Council's priority outcomes, with due opportunity provided for public consultation and engagement; and

4.1.3 Subsequent delivery of the approved savings, particularly where these are linked to additional service investment, along with continued delivery of key service performance outcomes.

5. Financial impact

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

6. Risk, policy, compliance and governance impact

6.1 An annual report on the risks inherent in the budget process (included elsewhere on today's agenda) is considered by the Finance and Resources Committee in January and referred to Council as part of setting the revenue and capital budgets.

6.2 The savings assurance process is intended to ensure that, as far as is practicable, those proposals approved by Council deliver the anticipated level of financial savings in a way consistent with the expected service impacts outlined in the respective budget templates. This process has been aided by the integration into a single cost reduction plan of savings derived from the respective transformation and service prioritisation programmes, monitoring against which is being reported to the Finance and Resources Committee on a bi-monthly basis.

6.3 Recent improvements to the budget monitoring process have also enhanced CLT and elected member scrutiny of the management of service pressures and delivery of approved savings, a point specifically referenced in the Council's own Annual Audit Report.

7. Equalities impact

7.1 As in previous years, those proposals comprising the budget framework have been assessed for their corresponding potential equalities and human rights impacts. The results of this assessment are reported to the Finance and Resources Committee to allow members to pay due regard to them in setting the Council's budget.

7.2 A progress report outlining the effectiveness of the mitigating actions put in place to address those approved proposals with potential adverse impacts in 2016/17 was considered by the Committee on 9 June 2016.

8. Sustainability impact

8.1 The proposals comprising the budget framework are also subject to an assessment of their likely corresponding carbon impacts, with the main findings of the 2016/20 framework proposals reported to the Council as part of the budget-setting.

9. Consultation and engagement

9.1 An extensive period of public engagement was undertaken on the proposals comprising the framework, with the findings reported to the Finance and Resources Committee on 14 January 2016 and informing the final approved budget. A similar process of engagement was undertaken in October and November 2016, with the main findings reported elsewhere on today's agenda.

10. Background reading/external references

The City of Edinburgh Council: 2015/16 Annual Audit Report to Members and the Controller of Audit, Finance and Resources Committee, 1 December 2016

Hugh Dunn

Acting Executive Director of Resources

Contact: Hugh Dunn, Acting Executive Director of Resources

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

Links

Coalition Pledges	P30 – Continue to maintain a sound financial position including long term financial planning
Council Priorities	CP13 – Deliver lean and agile Council services
Single Outcome Agreement	SO1 – Edinburgh's economy delivers increased investment, jobs and opportunities for all SO2 – Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health SO3 – Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 – Edinburgh's communities are safer and have improved physical and social fabric
Appendices	One – Local Government n Scotland: Financial Overview 2015/16

Local government in Scotland

Financial overview 2015/16

ACCOUNTS COMMISSION

Prepared by Audit Scotland
November 2016

The Accounts Commission

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

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

Our work includes:

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

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

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

Contents

Links

PDF download

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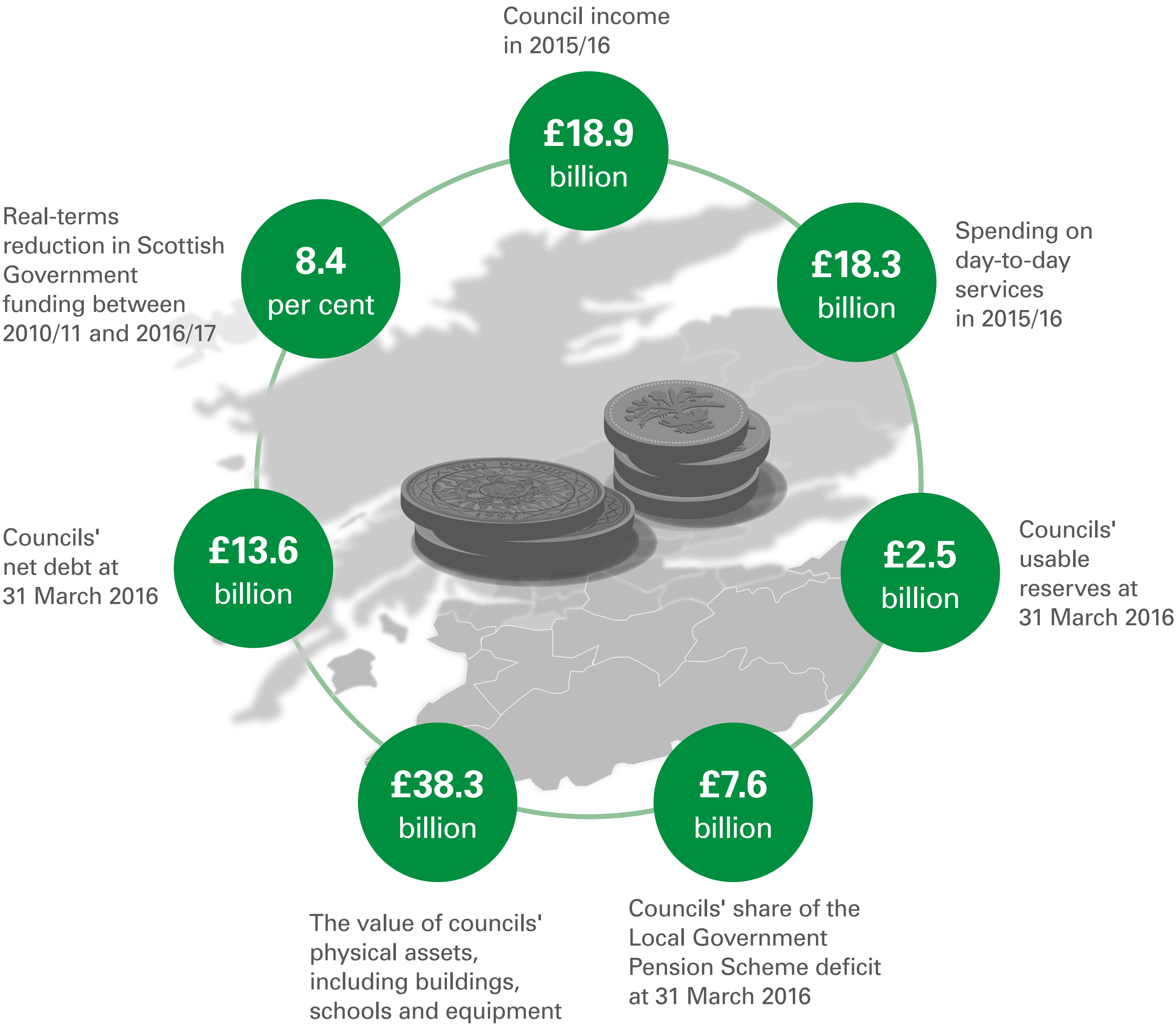
Exhibit data

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

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

Key facts


Council income
in 2015/16
£18.9
billion
Spending on
day-to-day
services
in 2015/16
£18.3
billion
Councils'
usable
reserves at
31 March 2016
£2.5
billion
£7.6
billion
Councils' share of the
Local Government
Pension Scheme deficit
at 31 March 2016
£38.3
billion
The value of councils'
physical assets,
including buildings,
schools and equipment
Councils'
net debt at
31 March 2016
£13.6
billion
Real-terms
reduction in Scottish
Government
funding between
2010/11 and 2016/17
8.4
per cent

Chair's introduction

This financial report is the first of our new overview outputs. It tells the strategic financial story for local government in Scotland in 2015/16, another challenging year for councils. Overall, councils responded well by controlling their spending and have also increased reserves and reduced debt. Scottish Government funding has fallen in real terms in recent years and, although there was a small annual real-terms increase in 2015/16, it fell again in 2016/17. Councils also continue to face cost pressures, including increasing pension costs and wage inflation. We recognise councils have been making difficult decisions when setting their budgets and that this has required a disciplined approach to delivering savings. This disciplined approach must continue when we move into the 2017 election year, as significant challenges lie ahead and councils need to be well placed to meet them.

In anticipation of reductions in future Scottish Government funding, most councils have continued to increase their reserves. Councils must consider how and when reserves are used to support services, in line with their financial plans and reserves policies, as they can only be used once and relying on them is not sustainable. All councils have identified future funding gaps that will need to be addressed through making savings or using reserves. How well placed individual councils are to address these funding gaps is a combination of the relative size of the funding gap, the reserves they hold, and their ability to identify and make savings and to service debt.

Financial scrutiny and transparency in financial reporting are themes that recur throughout this report. Under the new *Code of Audit Practice 2016*, auditors will comment on the financial sustainability of councils. It is important that all councils have long-term financial strategies in place that support their strategic priorities, underpinned by more detailed financial plans and indicative budgets that cover the next three to five years. These will help councillors and officers assess the impact of approved spending on their current and future financial position.

Our new approach to overview reporting

This year, we have developed our approach to overview reporting for local government into a series of outputs throughout the year. We will examine the performance of council services and the challenges facing councils in our upcoming overview report in March 2017, but hope that the links between good financial and service performance remain clear.

We are publishing this analysis of the 2015/16 accounts and audit findings a few months earlier than usual, so that they can be considered by councils and councillors when setting their 2017/18 budgets. In addition to this report and the accompanying supplements, an interactive exhibit and additional financial information are available on our website. These will allow council officers and councillors to look at areas that may be of particular interest to them and to compare their council with others.

I hope this report and the supplementary information prove to be informative and help shed light on the complex nature of local government finances. We welcome feedback and will use this to inform our approach to overview reporting in future years.

Douglas Sinclair
Chair of Accounts Commission

Summary

Key messages

1 The overall financial health of local government was generally good in 2015/16 and there was a slight increase in overall reserves and a reduction in overall debt. Auditors did not raise concerns about the immediate financial position of Scotland's councils and, for the fifth year in a row, issued unqualified opinions on councils' accounts.

2 Significant challenges for local government finance lie ahead. Councils' budgets are under increasing pressure from a long-term decline in funding, rising demand for services and increasing costs, such as pensions. There is variation in how these pressures are affecting individual councils, with some overspending their total budgets or budgets for individual services such as social care. It is important that councils have effective budgetary control arrangements in place to minimise unplanned budget variances that can affect their financial position.

3 Councils need to change the way they work to deal with the financial challenges they face. All councils face future funding gaps that require further savings or a greater use of their reserves. There is variation in how well placed councils are to address these gaps.

4 Long-term financial strategies must be in place to ensure council spending is aligned with priorities, and supported by medium-term financial plans and budget forecasts. Even where the Scottish Government only provides councils with one-year financial settlements, this does not diminish the importance of medium and longer-term financial planning. This is necessary to allow councillors and officers to assess and scrutinise the impact of approved spending on future budgets and the sustainability of their council's financial position.

councils have managed their finances well but significant challenges lie ahead

About this report

1. This report provides a high-level, independent view of councils' financial performance and position in 2015/16. It is aimed primarily at councillors and senior council officers as a source of information and to support them in their complex and demanding roles. It is in two parts:

- Part 1 (page 9) focuses on the councils' income and expenditure in 2015/16 and trends over time.
- Part 2 (page 19) comments on the financial outlook of councils at the end of 2015/16 and outlines important factors to be considered in assessing future spending plans.

2. Throughout this report we present a detailed analysis of councils' finances in 2015/16 and, where appropriate, comparisons over a five-year period (2011/12 to 2015/16). Our primary sources of information are councils' audited accounts and their 2015/16 annual audit reports. We have supplemented this with other information supplied by auditors and councils. This includes budget information collected by auditors shortly after councils approved their 2016/17 budgets and which informed our analysis of councils' projected funding gaps up to 2018/19.

3. Where we refer to councils' funding in 2016/17, we use information from the Scottish Government's 2016/17 Local Government financial settlement. Although we do not audit this information, we feel it is important to make appropriate references to funding in the current financial year. Where we have done this, we have analysed trends since 2010/11 when Scottish Government funding peaked.

4. We refer to real-terms changes in this report where we are showing financial information from past and future years in 2015/16 prices, adjusted for inflation, so that they are comparable to information from councils' 2015/16 accounts. In general we compare income and expenditure items in Part 1 in real-terms but do not adjust items in Part 2 as they are adjusted in their preparation.

5. Throughout the report, we identify questions that councillors may wish to consider to help them better understand their council's financial position and to scrutinise financial performance. The questions are also available in Supplement 1: Self-assessment tool for councillors on our website.

6. We recognise that complex financial information is often presented differently for different purposes. For example, local finance returns (LFRs), which councils submit to the Scottish Government, present spending information for councils on a different basis from the spending information that councils record in their annual accounts. There are also differences in how funding is recorded in different sources. Alongside this report, we have published a short supplement to explain the main differences in the way financial information is reported. This is included in the self-assessment tool for councillors.

7. Accompanying this report, and to facilitate insight and comparisons across the sector, we have provided additional financial information on our website. The information is based on councils' audited accounts. We hope this will be useful for senior council finance officers, their staff and other interested stakeholders.

Part 1

Income and spending

Key messages

1. The overall financial health of local government was generally good in 2015/16 and there was a slight increase in overall reserves and a reduction in overall debt. Auditors did not raise concerns about the immediate financial position of Scotland's councils and, for the fifth year in a row, issued unqualified opinions on councils' accounts.

2. More than half of councils' income comes from the Scottish Government. Councils have experienced a long-term decline in their grant funding from the Scottish Government. This is expected to continue to fall in future, putting greater pressure on budgets.

3. Councils have managed their finances well so far in responding to the pressures they face. In 2015/16, 15 councils planned to use some of their reserves to support spending and, across local government, revenue reserves were forecast to decrease. However, only seven councils drew on their reserves and, overall, revenue reserves increased in 2015/16.

4. Councils spent £19.5 billion in 2015/16. Spending on providing services remains lower than in 2011/12, but is increasing in key services, most noticeably in social care because of rising demand from an ageing population. Many councils overspent their social care budgets and this poses a risk to their longer-term financial position. Councils need to ensure budgets reflect true spending patterns so that the impact of current spending on their financial position is clearly understood.

5. Over and above growing demands on services, councils need to manage other financial pressures such as increasing pension costs and wage inflation. It is essential that councils have long-term financial strategies and plans in place that align with their priorities and are supported by medium-term financial plans and budget forecasts.

there has been a long-term decline in grant funding to councils, this is to continue

All councils received an unqualified audit opinion on their 2015/16 accounts but they can better use their accounts to explain financial performance

8. The overall financial health of local government was generally good in 2015/16. All accounts were received on time and, for the fifth consecutive year, auditors issued all of Scotland's 32 councils with a true and fair unqualified audit opinion on their 2015/16 accounts.

9. Over two-thirds of councils operated within their budgets and there was a slight increase in overall reserves and a reduction in overall debt. Auditors did not raise concerns about the short-term financial position of Scotland's councils, but raised a number of concerns about individual councils facing significant funding gaps over the next two to three years.

10. For the last two years, councils have produced a management commentary to accompany their annual accounts. These commentaries play an important role in helping readers to better understand the accounts and a council's financial performance. As such, they should include explanations of amounts included in the accounts as well as:

- a description of the council's strategy and business model
- a review of the council's business
- a review of principal risks and uncertainties facing the council
- an outline of the main trends and factors likely to affect the future development, financial performance and financial position of the council.

11. The management commentary should concisely present the financial 'story' of a council in an understandable format for a wide audience. Auditors express an opinion on whether the management commentary is consistent with the audited financial statements.

12. Analysis of the management commentaries shows variation in how clearly councils explain their financial and general performance. However, there is a general improvement from last year. It is the Commission's view that councillors have an important role in ensuring that the management commentary effectively tells the story of the council's financial performance and can be understood and scrutinised by a wide audience.

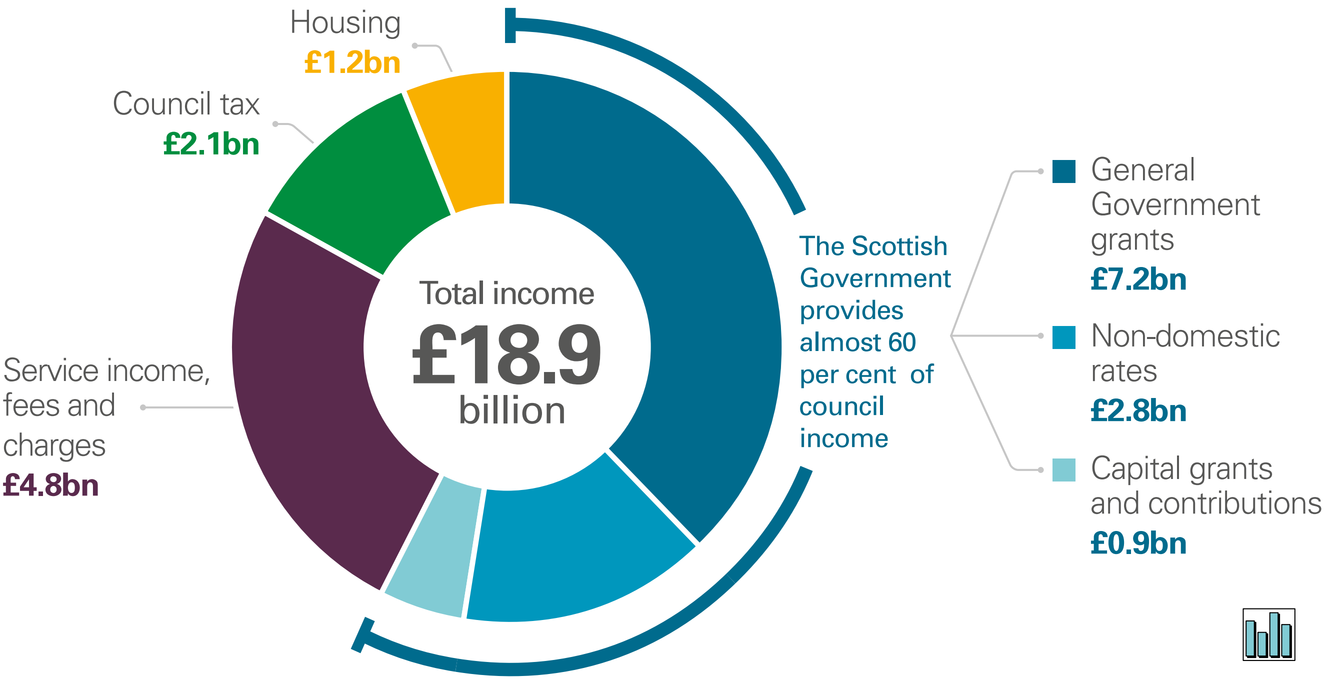
Does the management commentary section of the annual accounts provide a clear and easily understandable account of the council's finances?

Scottish Government funding increased in 2015/16 but has reduced significantly over the longer term

13. In 2015/16, councils' total revenue and capital income was £18.9 billion, a real-terms increase of 2.9 per cent since 2014/15. £10.9 billion (57 per cent) of this came from the Scottish Government (Exhibit 1, page 11). The share of council income coming from the Scottish Government has reduced slightly from 2014/15 (58 per cent), mainly because of a large increase in income from service fees and charges.[1]

14. Scottish Government grants are councils' major source of income. Between 2010/11 and 2015/16, Scottish Government funding (combined revenue and capital) for councils reduced in real terms by around £186 million (1.7 per cent) to £10.9 billion.[2] Taking into account 2016/17 funding, councils have experienced a real-terms reduction in funding of 8.4 per cent since 2010/11. This is approximately the same as the reduction in the Scottish Government's total budget over the same period.

Exhibit 1
Sources of councils' income in 2015/16
Councils' total income in 2015/16 was £18.9 billion and almost 60 per cent (£10.9 billion) of this came from the Scottish Government.



Notes: 1. Figures have been rounded to one decimal place so the sum of the categories does not exactly match total income. 2. Service income, fees and charges may include specific service-related grants and income such as payments from the Scottish Government, NHS or other councils. It also includes funds returned to councils from Integration Joint Boards. 3. Capital grants and contributions include income from the Scottish Government and others such as central government bodies, National Lottery and the European Union. As the majority is in the form of Scottish Government capital grants, we have included this within income provided by the Scottish Government.

Source: Councils' audited annual accounts, 2015/16

In 2015/16, councils received a slight increase in revenue funding from the Scottish Government to support the implementation of national policies

15. The Scottish Government allocates councils a set amount of revenue funding from both grants and non-domestic rates (NDR). In 2015/16, this amounted to £10.0 billion. This represents a real-terms annual increase of 1.1 per cent but a 2.1 per cent reduction since 2010/11.

16. Revenue grants totalled £7.25 billion in 2015/16 and included: £560 million for continuing to freeze council tax at 2007/08 levels; around £350 million to replace council tax benefit previously provided by the UK Government; and additional funding for implementing other Scottish Government policies, such as maintaining teacher numbers and pupil to teacher ratios. In their accounts, councils record income from Scottish Government funding differently from how it is allocated (Supplement 1: Self-assessment tool for councillors). As a result, councils' accounts show income from Scottish Government general revenue grants of £7.2 billion in 2015/16. This represents a real-terms reduction in councils' income of £38.0 million since 2014/15.

17. An increasing proportion of revenue funding is coming from NDR (29 per cent in 2015/16 compared to 22 per cent in 2010/11). The increase in NDR income in recent years has not fully offset reductions in revenue grant funding.

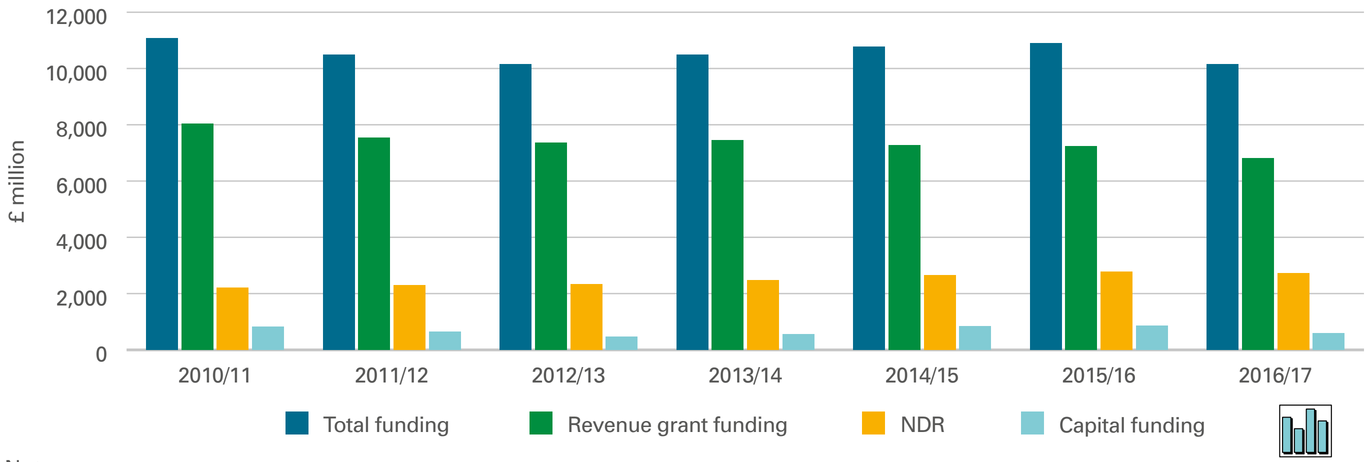
Scottish Government revenue funding fell by almost seven per cent between 2010/11 and 2016/17, and further reductions are expected

18. In 2016/17, Scottish Government grant funding has fallen by £489 million to £9.6 billion. This is a greater reduction than in previous years and represents a real-terms annual reduction in revenue grant of 5.9 per cent and NDR of 2.2 per cent. Since 2010/11, combined revenue funding has fallen by 6.8 per cent (Exhibit 2).

Exhibit 2

Scottish Government funding to councils from 2010/11 to 2016/17, at 2015/16 prices

Councils are experiencing a long-term reduction in revenue funding.



Notes:
1. Funding allocations up to 2012/13 have been adjusted to remove funding for police and fire. Responsibility for these services transferred from local to central government in April 2013. From 2013/14, revenue funding includes payments for council tax reduction, replacing council tax benefit previously coming from the UK Government. We have also adjusted these figures for specific elements of the local government settlement relating to adjustments for police and fire pensions.
2. Since 2013/14, Scottish Government revenue funding has included payments of around £350 million per year to fund council tax reductions, replacing council tax benefit which previously came from the UK Government.
3. The 2016/17 figures do not include £250 million the Scottish Government allocated to health and social care integration authorities specifically for social care. This is an allocation from the Scottish Government health budget to NHS boards, rather than councils. The NHS boards will allocate this funding to the integration authorities.

Source: Local Government Finance Circulars 2011-16, Scottish Government

19. Councils expect revenue funding to decrease in future years, although the extent of this is not clear as, the Scottish Government has provided councils with one-year funding settlements in 2015/16 and 2016/17. Councils contend that this constrains their ability to develop meaningful long-term financial strategies and medium-term financial plans. However, the challenging financial environment further strengthens the case for councils taking a long-term view of their finances Part 2 (page 19). There should be clear links between financial strategies and plans and councils' strategic priorities to provide a basis for decision-making.

How do you consider potential changes to income streams and their impact on spending and services as part of medium and long-term planning?

Income from NDR and council tax increased in some councils in 2015/16

20. In 2015/16, councils received £2.79 billion in NDR income, a real-terms annual increase of £134.3 million (5.1 per cent). Twenty-six councils saw an increase in their NDR income in 2015/16. This ranged from a £12.1 million (16.0 per cent) reduction in Falkirk Council to an increase of £26.5 million (7.3 per cent) in City of Edinburgh Council.

21. Council tax income was £2.1 billion in 2015/16, a real-terms annual increase of £32.3 million (1.6 per cent). With council tax levels being frozen nationally (paragraph 16), real terms increases and decreases will come about through changes in council tax relief and collection rates, as well as changes in the number of households paying council tax through new housebuilding, empty homes and/or depopulation. Council tax income increased in 29 councils but decreased in real terms in three (Aberdeenshire 1.4 per cent, Argyll and Bute 0.1 per cent and East Lothian 1.7 per cent.)

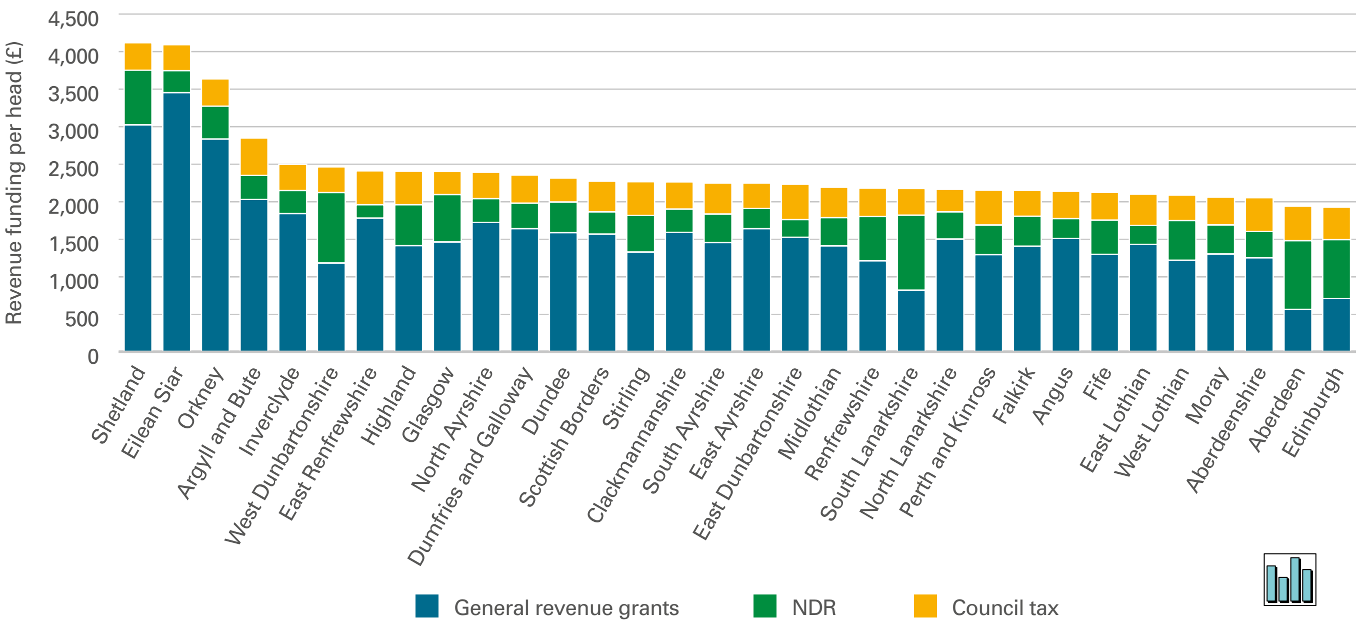
22. Councils collected 95.7 per cent of council tax in 2015/16. This was up from 95.3 per cent in 2014/15. Collection rates ranged from 93.6 per cent in Dundee City Council to 98.5 per cent in Perth and Kinross Council. We will look in more detail at councils' performance in collecting council tax and the associated costs in our March 2017 report.

23. The funding available to councils from Scottish Government general revenue grants, NDR and council tax varies widely. For Scotland, this equated to £2,232 per person in 2015/16. This is around £14 (0.6 per cent) higher in real terms than in 2014/15 and around £214 (8.8 per cent) lower than in 2011/12. The highest revenue funding per person was in Shetland Islands Council, around £4,118; and the lowest was around £1,928 in City of Edinburgh Council (Exhibit 3). The variation in funding per head between councils can impact upon both their financial performance and financial position.

Exhibit 3

Revenue funding from general grants and taxation, 2015/16

Revenue funding per head varies significantly by council.



Note: General revenue grant funding allocations for individual councils are decided by a needs-based formula that takes into account a variety of factors including rurality (including an allowance for island authorities) and levels of deprivation.

Source: Councils' audited accounts for 2015/16; and General Registrar of Scotland mid-year population estimate for 2015

Councils are raising an increasing proportion of their income through fees, charges and specific grants

24. Councils' 2015/16 accounts show income from fees and charges and other specific grants income totalled £4.8 billion. In real terms, this was £324.0 million (7.2 per cent) more than in 2014/15 and represents the largest growth area in council income. Service income increased in a number of areas, including education, roads and transport. The most significant increase was within social work and social care services, reflecting how councils have accounted for funds provided by Integration Authorities for delivering services.[3] Service income from other areas, including environmental and planning and development services, fell in real terms.

25. Councils' accounts do not show how much of their income is specifically from service charges. In 2013, the Accounts Commission highlighted that councils need to be clear about how their charging policies affect local citizens.[4] Charges should not be set in isolation. Any decision to vary or introduce charges to generate income should take account of the council's priorities. We will be looking at this again in our future work programme.

Is income from fees and charges clearly reported?

What increases in fees and charges are planned and how will these affect your citizens? Do you consider local economic impacts?

How do your fees and charges compare to other councils?

Capital income increased in 2015/16, reflecting earlier Scottish Government decisions about capital funding

26. In 2015/16, councils' total capital income was £0.9 billion. This represented a real-terms annual increase of £50.4 million (5.8 per cent). £856.3 million of this capital income came from Scottish Government grant funding. Between 2010/11 and 2015/16, capital funding from the Scottish Government increased by three per cent in real terms.

Is your capital investment programme appropriately funded?

27. As part of its 2011/12 Spending Review, the Scottish Government rescheduled some of councils' planned capital grant funding for 2012/13 and 2013/14 by two years. As a result, capital allocations in 2014/15 and 2015/16 were around 50 per cent more than originally planned. Scottish Government capital funding in 2016/17 has fallen to £597.9 million owing to the Scottish Government again rescheduling capital funding (£150 million) to later years.

28. When councils borrow, it is mainly to finance assets such as buildings, schools and houses. Councils' current and planned capital expenditure therefore impacts upon what they borrow, their total levels of debt and the level of reserves they hold. In Part 2 (page 19), we examine the financial position of councils and how debt and reserves directly affect this.

Councils' spending on services increased in 2015/16 but is lower than five years ago

29. In 2015/16, councils spent £19.5 billion (revenue and capital). This real-terms increase of £708.9 million on 2014/15 was driven by increased spending in 22 councils. Although councils spent £0.6 billion more than their income, this can be attributed in part to accounting adjustments that councils must make in their annual accounts.

30. Councils' spending included pensions and interest on borrowing, but the vast majority (94.2 per cent) was spent on providing services to their communities. At £18.3 billion, this was a real-terms increase of £756.6 million (4.3 per cent) on 2014/15.

31. Twenty-six councils own council houses. In 2015/16, these 26 councils spent £1.3 billion on council housing, around 6.5 per cent of total local government spending. This ranged from three per cent of total spending in Shetland Islands Council to 19.2 per cent of spending in Aberdeen City Council.

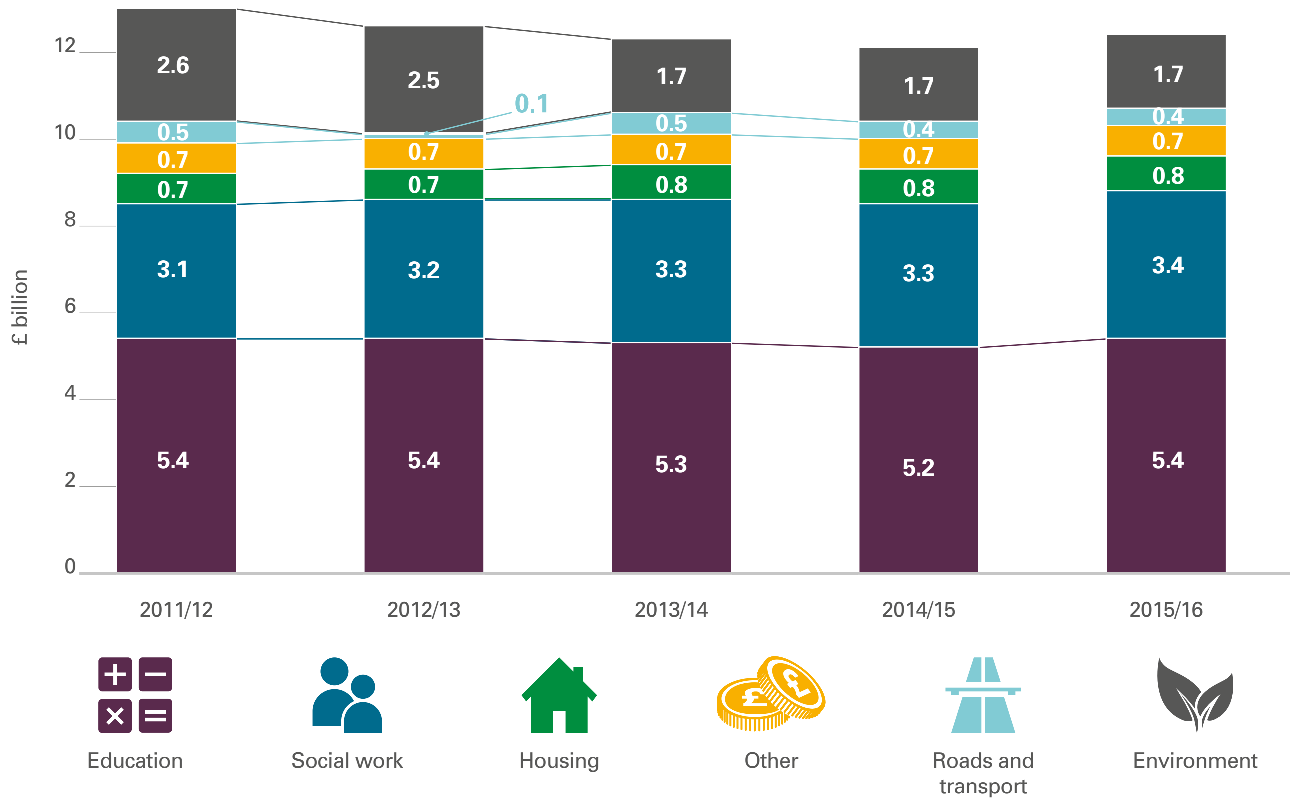
32. Overall, council expenditure remains 1.4 per cent lower than in 2011/12. Councils have managed financial pressures by controlling net spending (spending minus service income) over time. However, net service spending in 2015/16 was higher than in 2014/15, at £12.4 billion. The increase in 2015/16 included a real-terms increase of £217.3 million in net spending on education, driven by additional funding from the Scottish Government to support national educational priorities.

33. Real-terms spending on other services, such as roads and housing, has been maintained or reduced over time. The exception to this is social work and social care, where net spending has increased by £268 million (8.6 per cent) since 2011/12 (Exhibit 4). This reflects the increasing demand from a growing elderly population, which presents a huge challenge for both health and social care.[5]

Exhibit 4

Council spending on main services, 2011/12 to 2015/16 (at 2015/16 prices)

Councils have reduced or maintained real-terms net spending in a number of service areas, but there have been annual increases within social work.



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

Source: Councils' audited annual accounts, 2011/12-2015/16

Councils spent around £2.4 billion on capital projects in 2015/16, with around a quarter of this spent on council housing projects

34. Of the £19.5 billion that councils spent in 2015/16, £2.4 billion (12 per cent) was on investing in capital projects such as buildings, roads and equipment. Just over a quarter of this capital spending (£632 million, 27 per cent) was on council housing projects. Capital spending ranged from £13.8 million in Shetland Islands Council to £191.9 million in City of Edinburgh Council.

35. There is a wide range in the scale of councils' capital investment programmes relative to their other expenditure. For example, less than seven per cent of total spending in East Ayrshire Council was on capital projects, while it was over 20 per cent of total spending in Highland Council. Capital investment will be driven largely by the condition of councils' current estate and their local priorities. Capital investment can reduce ongoing revenue expenditure and generate income, but it also incurs long-term costs that impact on councils' revenue budgets.

36. The majority of councils (28) underspent significantly against their combined General Fund and Housing Revenue Accounts (HRA) capital budgets in 2015/16. Common reasons for this were project delays and project slippage where spending did not progress as expected. Where possible, councils attempted to offset this by bringing projects scheduled for later years forward into 2015/16. For example, Angus Council spent £48.3 million on its General Fund capital programme in 2015/16, £4.0 million (eight per cent) less than budgeted. This was after the council offset some of the forecast shortfall by bringing forward two education projects and beginning them in 2015/16 rather than in 2016/17.

Do you know what slippage there has been in capital projects and why? Are you assured that appropriate action is being taken?

Over two-thirds of councils remained within their overall budgets in 2015/16 but there were variations within individual services

37. Councils are required to submit their annual budget and expected expenditure (provisional outturn) to the Scottish Government. Like the budgets presented to councillors, these are prepared on a funding basis and this differs from the figures in the annual accounts (Supplement 1 outlines the differences).

38. Throughout the year councils will revise their initial budget estimates to take into account factors such as extra funding. Our analysis of annual accounts and the information councils provide to the Scottish Government indicates that provisional outturns were relatively accurate when compared to actual spending, with actual expenditure being within two per cent in most cases. (Exhibit 5, page 17).

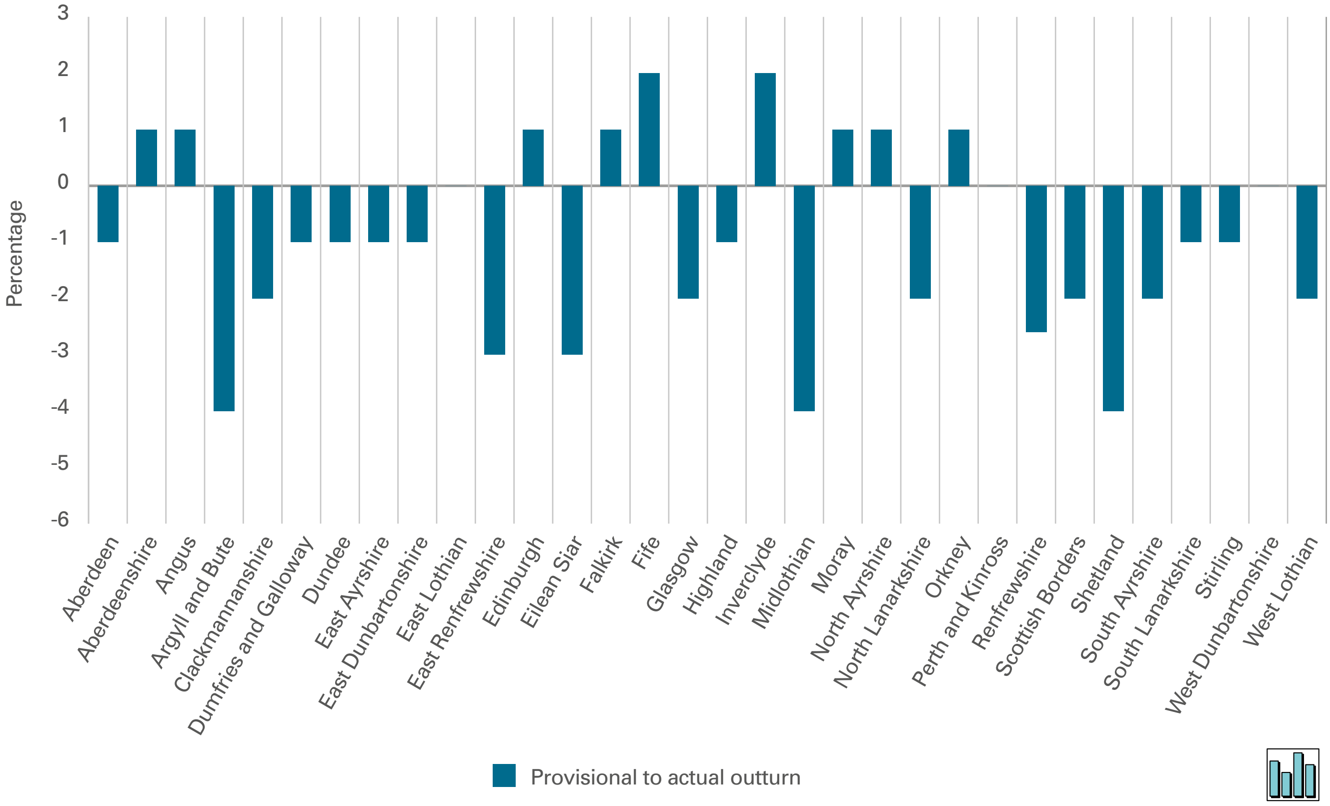
39. While over two-thirds of councils have remained in line with their overall budgets in 2015/16, there are significant variations in how different services have performed within councils. Where some services are significantly overspending, this may be offset by underspends elsewhere and result in a council remaining within their overall budget.

40. Our review of councils' annual audit reports has highlighted a number of service areas where councils commonly over-or underspent against their budgets. Around a third of the reports highlighted overspending in social work or elements of social work services. Aberdeenshire Council, for example, overspent against its adult social work budget by £2.0 million, with a £2.7 million overspend on care packages being the main contributor to this. A number of councils, including Clackmannanshire, Dundee and Falkirk, reported overspending relating to fostering services and residential school placements.

Do service budgets reflect your priorities?

Are potential overspends highlighted to you as they occur and before year-end?

Exhibit 5
Councils' provisional and actual net service expenditure, 2015/16
Only a few councils spent significantly more or less than they estimated near the end of the year.



Note: Budget figures that councils submit to the Scottish Government are prepared on a funding basis (Supplement 2). While there is no corresponding figure in the annual accounts, we are able to adjust the figures from the accounts to allow final service spending from the accounts to be compared to councils' provisional outturns.

Source: Councils' audited accounts 2015/16; and Provisional Outturn and Budget Estimate Statistics 2015/16, Scottish Government

41. Conversely, around a third of councils reported underspending against their education budgets or elements of these, and several councils underspent against their social work budgets. Last year, we reported that City of Edinburgh Council overspent its health and social care service budget by £5.9 million owing to demand pressures. In 2015/16, the service received additional funding of £9.8 million to provide additional short-term support and underspent its total budget by £3.4 million.

42. The need for budgets and forecasts to reflect actual spending becomes increasingly important for councils with decreasing or low levels of usable reserves to draw on. Councils cannot continue to rely on underspends in certain services offsetting overspending elsewhere. Where services have been found to consistently overspend, budgets should be revised to reflect true spending levels and patterns. This requires good financial management to ensure spending is accurately forecast and monitored within the year. The impact of current spending approved by councillors on the financial position can only be accurately assessed if budgets are robust.

Are there services where you are consistently over or under spending against your budget? Are such variances adequately explained?

Councils continue to generate savings through reducing their workforce

43. Councils have continued to reduce their workforces to make recurring savings. In doing so, they incur significant initial costs, typically lump sum payments for redundancy or early retirement, and additional payments to pension schemes if employees are offered enhanced benefits or early access to their pension. Councils' decisions on reducing their workforce numbers through exit packages are supported by business cases which set out the associated costs and potential savings. Councils will typically expect to recoup the costs and start making savings within a few years.[6]

Are exit packages supported by business cases setting out the total estimated costs and savings?

44. In 2015/16, 2,246 staff left councils through exit packages at a total cost of £79.7 million. This represents an average cost of around £35,500 per package. In the last five years, just over 13,000 staff have left councils through exit packages at a cost of £518.5 million (at 2015/16 prices) (Exhibit 6). We will consider how councils are managing their workforces in more detail in our March 2017 report.

Exhibit 6

Number and cost of staff exit packages, 2011/12 to 2015/16

Over 13,000 staff have left via exit packages since 2011/12 at a cost of £518.5 million at 2015/16 prices. The average cost per package has been reducing since 2012/13 and is less than £40,000 over the period.

2015/16 prices	2011/12	2012/13	2013/14	2014/15	2015/16	Total
Number of packages	4,070	2,407	2,373	1,933	2,246	**13,029**
Cost of packages (£m)	156.9	112.7	94.2	75.0	79.7	**518.5**
Cost per package (£)	£38,555	£46,818	£39,681	£38,798	£35,504	**£39,797**

Source: Councils' audited accounts 2011/12-2015/16

Equal pay claims impact on councils' financial position

45. Equal pay remains a substantial issue for local government and continues to be of public interest. Settling claims may require councils to use a significant amount of their usable reserves, influencing their financial position. The Accounts Commission is currently carrying out a performance audit on equal pay and will publish our findings in 2017.

Part 2

Financial outlook

Key messages

1. By the end of 2015/16, usable reserves had risen by five per cent across local government and net debt decreased slightly for the second year in a row. Some councils are building up reserves and reducing borrowing in anticipation of further funding reductions.

2. Councils' net debt currently stands at £13.72 billion. Councils currently spend around £1.5 billion a year on the associated interest and repayments. The proportion of their income that councils spend on servicing debt varies and this has direct implications for the amount available to spend on services.

3. Local Government Pension Scheme (LGPS) deficits decreased from £10.0 billion to £7.6 billion in 2015/16. Despite this, councils and pension funds continue to face challenges from below-target or negative returns on investments and increasing administration costs.

4. All councils face future funding gaps and there is significant variation in how well placed individual councils are to address them. Councils will need to make further savings and/or generate additional income as relying on reserves is not sustainable. Opportunities to make savings are partly affected by national policy commitments and the costs of servicing debt. Councils' ability to make savings will also be influenced by the level of savings they have already made and the extent of their plans for transforming how services are delivered. It is therefore important that councils' savings plans are achievable within the timescales required.

5. Councils face tough decisions around their finances that require strong leadership and sound financial management. Long-term financial strategies must be in place to ensure council spending is aligned with priorities. Decisions need to be informed by well-developed medium-term financial plans and budget forecasts that allow councillors and officers to assess the impact of approved spending on their longer-term financial position.

all councils should have long-term financial strategies supported by more detailed financial plans

Councils continued to increase their usable reserves and reduced their net external debt in 2015/16

Usable reserves reached £2.5 billion in 2015/16

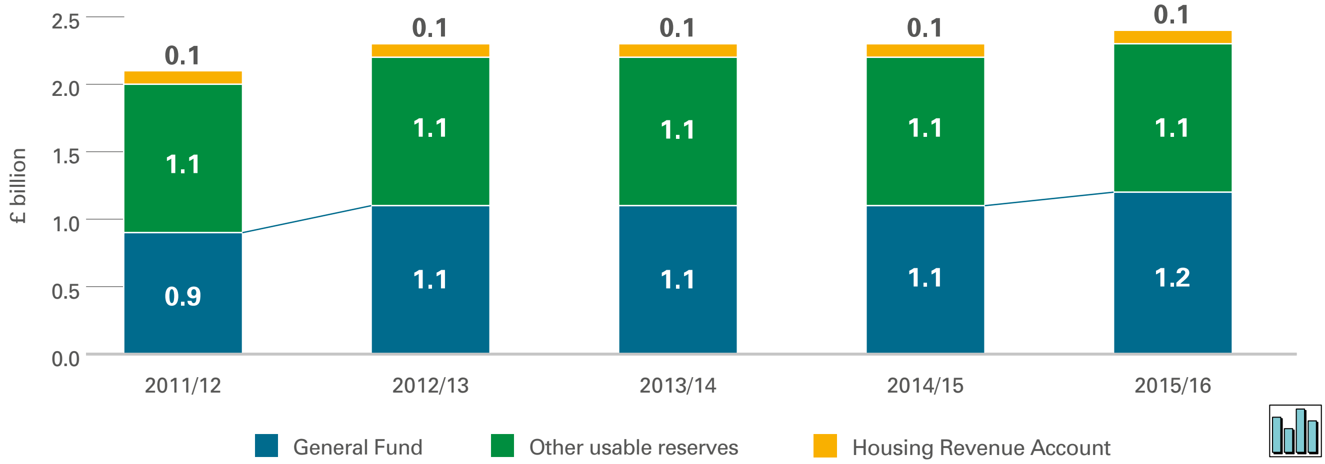
46. Councils' reserves at 31 March 2016 were £18.9 billion. Of these, £2.5 billion (13 per cent) were usable reserves that can be used to support services (these are often referred to as cash-backed reserves). The remainder were unusable reserves (£16.4 billion), which represent accounting adjustments to reflect things such as an increase in the value of council-owned buildings. Continuing the trend in recent years, councils increased both their usable and unusable reserves during 2015/16.

47. Usable reserves comprised £1.9 billion of revenue and £0.6 billion of capital reserves. The General Fund, which can be used to support a wide variety of services, is the largest usable reserve. Together with the Housing Revenue Account (HRA) reserve, these represent over half of usable reserves (Exhibit 7).

Exhibit 7

Councils' usable reserves, 2011/12 to 2015/16

Usable reserves have increased since 2011/12.



The level of General Fund reserves as a proportion of income from general revenue grants, NDR and council tax income has increased slightly since 2011/12.

2011/12	2012/13	2013/14	2014/15	2015/16
7.6%	8.8%	9.2%	9.4%	9.8%

Note: Other usable reserves are primarily attributable to Orkney and Shetland Islands holding large reserves relating to oil, gas and harbour related activities.

Source: Councils' audited accounts 2011/12-2015/16

48. Twenty-three councils increased their General Fund reserves in 2015/16, resulting in an overall increase of £58.0 million (5.2 per cent) to £1.2 billion. This is equivalent to about nine per cent of councils' available revenue income from

Scottish Government grants, NDR, council tax and council house rents. Half of the 26 councils with council houses increased their HRA reserves. This resulted in HRA reserves increasing by £11.9 million (9.2 per cent) overall to £141.8 million.

49. While usable reserves can be used to support services, councillors must consider how and when these are used as they can only be used once. Use of reserves must comply with the council's annually reviewed reserves policy. This should be clearly linked to financial plans and consideration must be given to the impact on future financial position. Using reserves to support services in the short term is not sustainable unless they are used to support service transformation and generate future savings. A significant proportion of usable reserves held by councils have already been allocated for specific purposes and so will not be available for other uses.

Do you know what levels of reserves are needed and why?

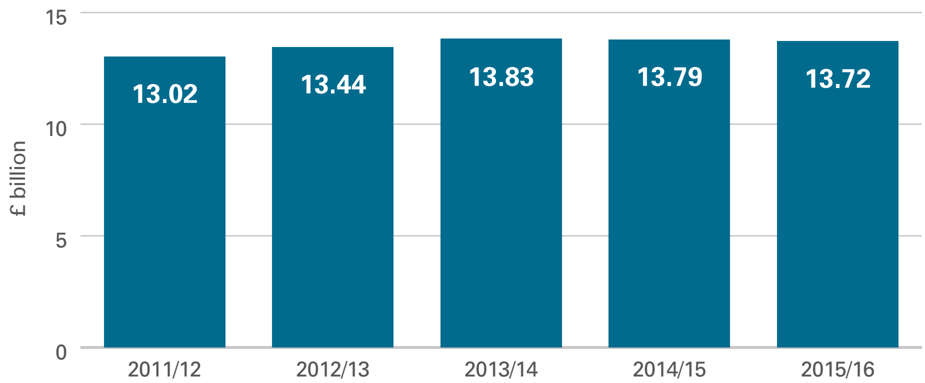
Do you think reserves are being used effectively?

Net debt decreased again in 2015/16, but is set to rise as councils use their reserves to fund services

50. In 2015/16, Scotland's councils owned physical assets worth £38.3 billion. Councils can borrow from both external and internal sources to fund capital investment in new assets, such as building a school. Councils' assess the affordability of borrowing decisions under CIPFA's Prudential Code and it is up to individual councils as to what they borrow to invest in assets. External borrowing involves a council borrowing from another public sector body, from the financial markets or entering into a public-private partnership. Internal borrowing is when a council temporarily borrows from funds it has available, such as its reserves. This can delay it having to borrow externally. By doing this, a council will avoid paying costs to a lender but will also forego interest it could receive by investing its reserves.

51. For the second year in a row, councils' net debt (total external debt minus investments) decreased in 2015/16. The fall in net debt is largely a result of councils having higher levels of usable cash reserves that they can either invest or use to finance the capital expenditure for which they would otherwise have to borrow. Councils now have debt of around £15.2 billion and investments of around £1.5 billion. This means net debt is £13.72 billion, a reduction of £69 million (0.5 per cent) since 2014/15 (Exhibit 8).

Exhibit 8
Councils' net external debt, 2011/12 to 2015/16
Councils' net external debt has been falling but remains higher than in 2011/12.



Note: Orkney and Shetland Islands councils hold large reserves and investments related to oil, gas and harbour activity so are excluded from this analysis of net debt.

Source: Councils' audited accounts 2011/12-2015/16

52. We estimate value of internal borrowing across councils is about £0.9 billion. Interest payable on external debt is higher than the interest a council can receive on investments and so councils are utilising more internal borrowing to save money.

53. A key treasury management decision for councils will be when to borrow rather than use their cash reserves to fund projects. This will be influenced by councils' capital investment plans, the extent to which reserves are needed to support service spending as cost pressures increase (which means councils will need to borrow externally to replace the reserves used for internal borrowing) and whether any forecast change in interest rates makes external borrowing more attractive. The link between capital plans and debt is important and councillors must have a clear understanding of how changes in capital programmes will affect their council's debt position. Our report *Borrowing and treasury management in councils* outlines this in more detail.[7]

Are there clear links between the capital programme and treasury management strategy?

Councils spend around £1.5 billion on servicing debt each year

54. Councils' external debt comprises borrowing from a variety of sources:

- the Public Works Loan Board (PWLB), which is a UK Government agency
- long-term liabilities from assets acquired under public/private partnerships, including the Public Finance Initiative (PFI), Public/Private Partnerships (PPP) or the Scottish Government's newer Non-Profit Distributing (NPD) model (paragraphs 58 and 59)
- lender option/borrower option loans (LOBOs) (paragraph 60)
- other market loans.

Do you know the implications that different types of borrowing options have on future revenue budgets?

55. Within councils' accounts, debt is categorised by when it has to be repaid and not by source. It is also discounted to take into account factors such as when it has to be paid and interest payments. The source and value of councils' external debt in 2015/16 is shown in Exhibit 9 (page 23).

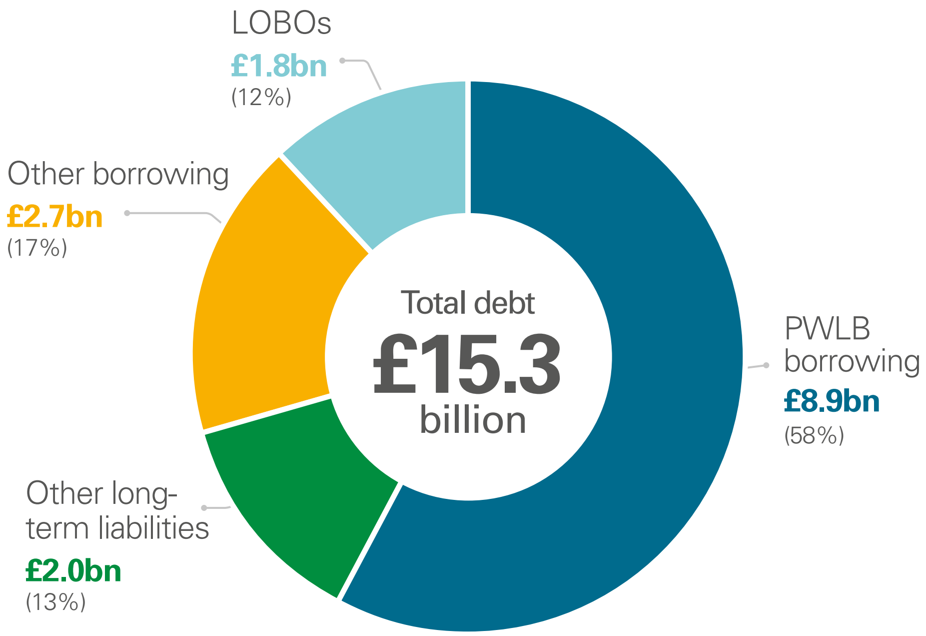
56. The presentation of local government accounts mean that it is not always possible to identify whether a council's debt is related to its HRA or its General Fund. This is an important distinction, as the cost of servicing HRA debt will affect council house rents, whereas the cost of servicing General Fund debt will need to be met from general revenue grants, NDR and council tax that are typically used to fund services.

Do you know the split in debt between General Fund and HRA (where applicable)? Is this reported within your management commentary?

57. The capital finance requirement included in councils' accounts, a measure of what council debt still needs to be financed, can be split between the HRA and General Fund. Using this split, we have apportioned debt to both the HRA and General Fund Exhibit 10 (page 23). This shows considerable variation.

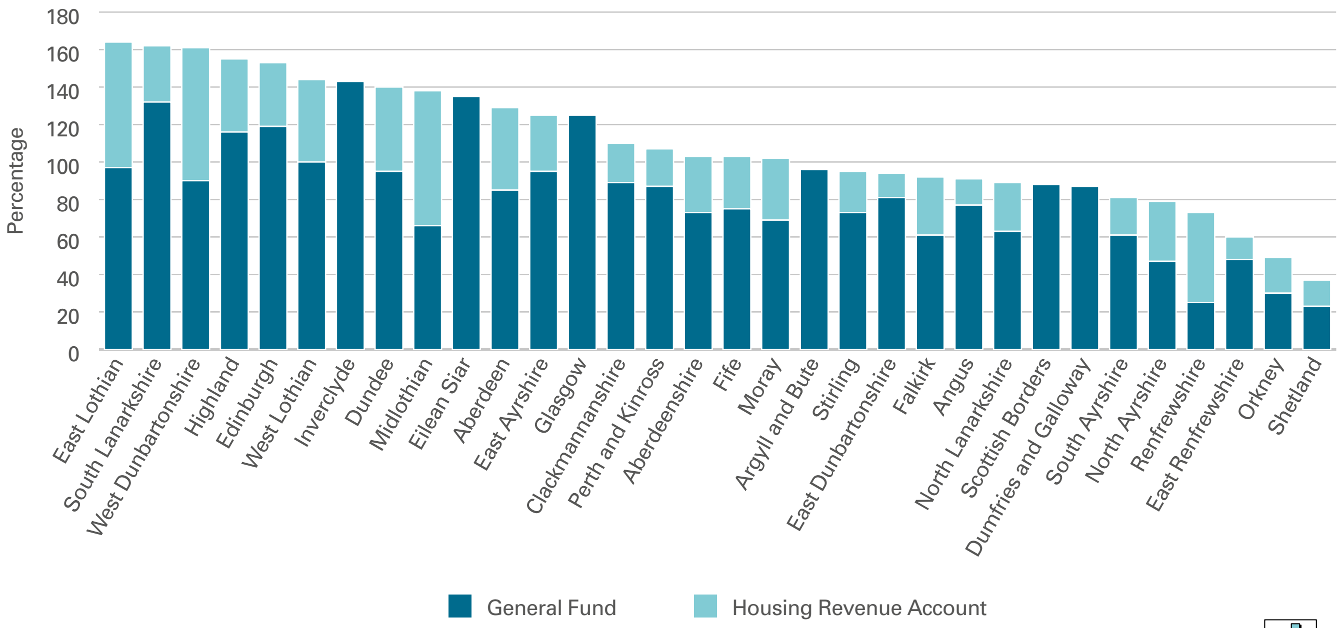
58. Most council debt takes the form of traditional fixed interest rate loans, providing certainty over future interest payments. The exception to this is PFI/PPP/NPD debt and LOBOs. The cost of PFI/PPP/NPD debt is generally acknowledged to be more expensive than traditional borrowing, as repayments are usually inflation-linked. Councils should have considered this in their value for money assessments. Councils with a high proportion of PFI/PPP/NPD debt will have to make more complex affordability assessments for future borrowing. Exhibit 11 (page 24) shows levels of General Fund debt relative to the size of council, with the debt split between borrowing and other long-term liabilities (PFI/PPP/NPD and finance leases).

Exhibit 9
Sources of councils' debt, 2015/16
Over half of council debt is borrowing from the PWLB.



Note: Total figure subjects to rounding.
Source: Councils' audited accounts 2015/16 and auditor returns

Exhibit 10
Councils' total debt as a proportion of their annual income, 2015/16
Councils' debt varies from less than half to more than one and a half times their annual income.

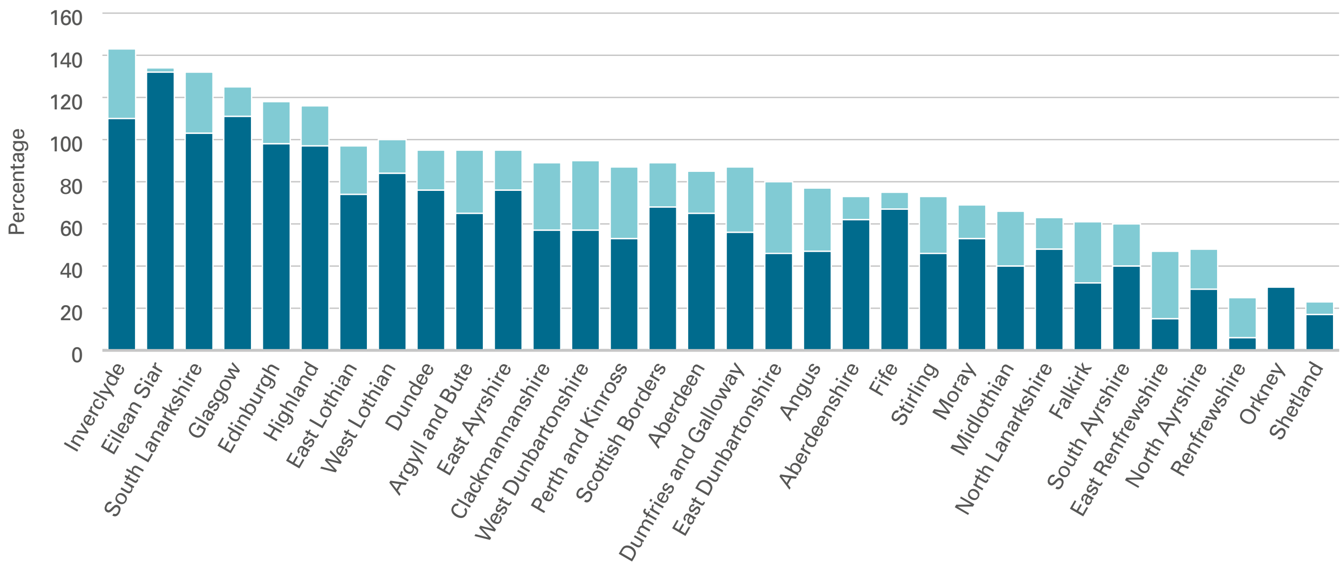


Source: Audit Scotland's analysis of councils' audited accounts 2015/16

Exhibit 11

Councils' General Fund debt, 2015/16

Councils with more debt relating to PFI/PPP/NPD projects and finance leases may face higher costs.



Source: Audit Scotland's analysis of councils' audited accounts 2015/16

59. As well as the debt and debt repayments associated with public/private partnerships, there are also significant revenue costs associated with these projects. Under the terms of the contracts, councils make annual repayments (unitary charges). Around 90 per cent of annual unitary charges relate to schools projects. The charges are made up of three elements: debt repayment, interest costs (both of which are included in debt servicing costs) and an annual service charge (included within the relevant service revenue spending). Councils' annual unitary charge payments are around £500 million per year. As councils' revenue budgets decrease, and the repayments increase in line with inflation, the proportion of revenue budgets being used to service the revenue elements of these contracts will increase.

60. LOBOs offered councils borrowing at lower interest rates than were available for fixed or variable interest loans but, at fixed intervals, a lender can decide to change the interest rate. As such, the long-term cost of servicing LOBOs is uncertain. While councils benefited from lower interest rates offered by LOBOs, their use has attracted public interest owing to the financial risk to which councils are exposed from the potential change in the interest rate.

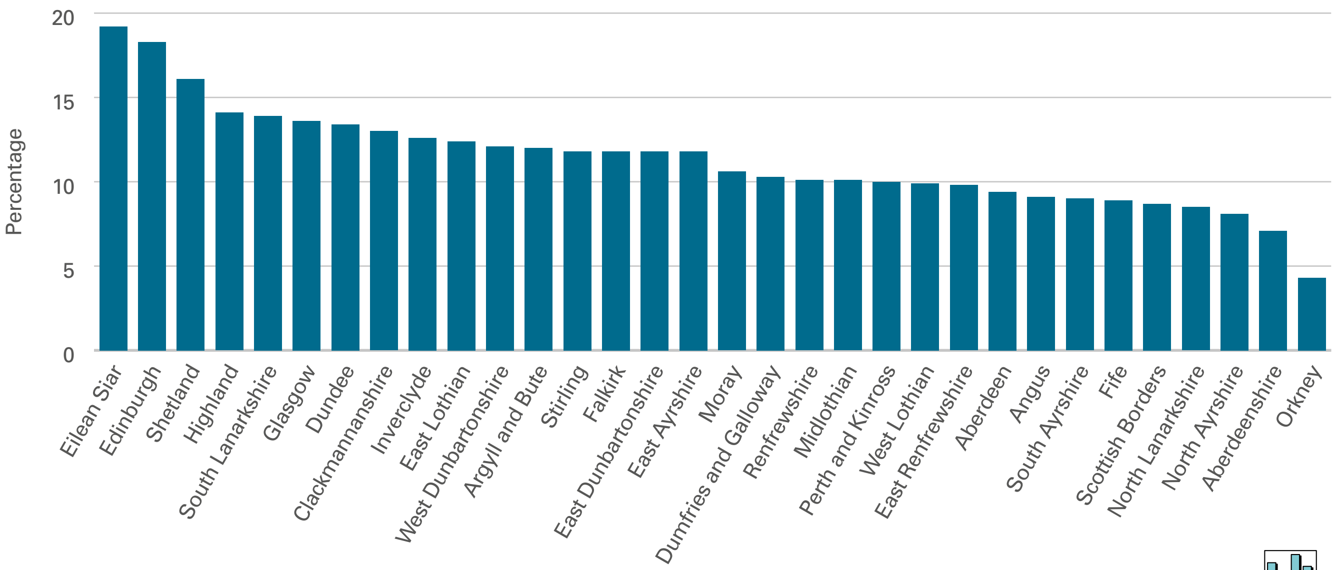
61. The cost of servicing debt (repaying debt and interest costs) will depend on the mix of borrowing a council has, the interest rates secured at the time loans were taken out and the amounts it requires to set aside to repay debt. In 2015/16, this cost councils around £1.5 billion, equivalent to 12 per cent of their available funding from general government revenue grants, NDR, council tax and council housing rents. The percentage of this funding that councils use to service debt varies significantly, from 19.2 per cent in Comhairle nan Eilean Siar to 4.3 per cent in Orkney Islands Council. Aberdeenshire Council, with 7.1 per cent, is the council with the next smallest percentage of income used to service debt (Exhibit 12, page 25).

Do you know how debt repayments affect what money is available to spend on services?

Exhibit 12

The percentage of income used to service debt, 2015/16

Twenty-two councils spend ten per cent or more of their revenue income on servicing their debt.



Source: Councils' audited accounts 2015/16

62. The cost of servicing debt directly impacts upon council spending on services. However, councils can elect to reduce their debt by making extra repayments or by repaying loans early. Councillors must satisfy themselves that any accelerated debt repayment represents an appropriate use of funds, balancing the future savings against the current impact on council services.

Local government pension deficits decreased in 2015/16, mainly owing to estimated changes in long-term liabilities

63. Councils have long-term commitments regarding pensions. They are required to include a pension liability on their balance sheets for the Local Government Pension Scheme (LGPS) but not for the Scottish Teachers Superannuation Scheme (STSS).

64. The size of council pension liabilities varies significantly and depends on factors including:

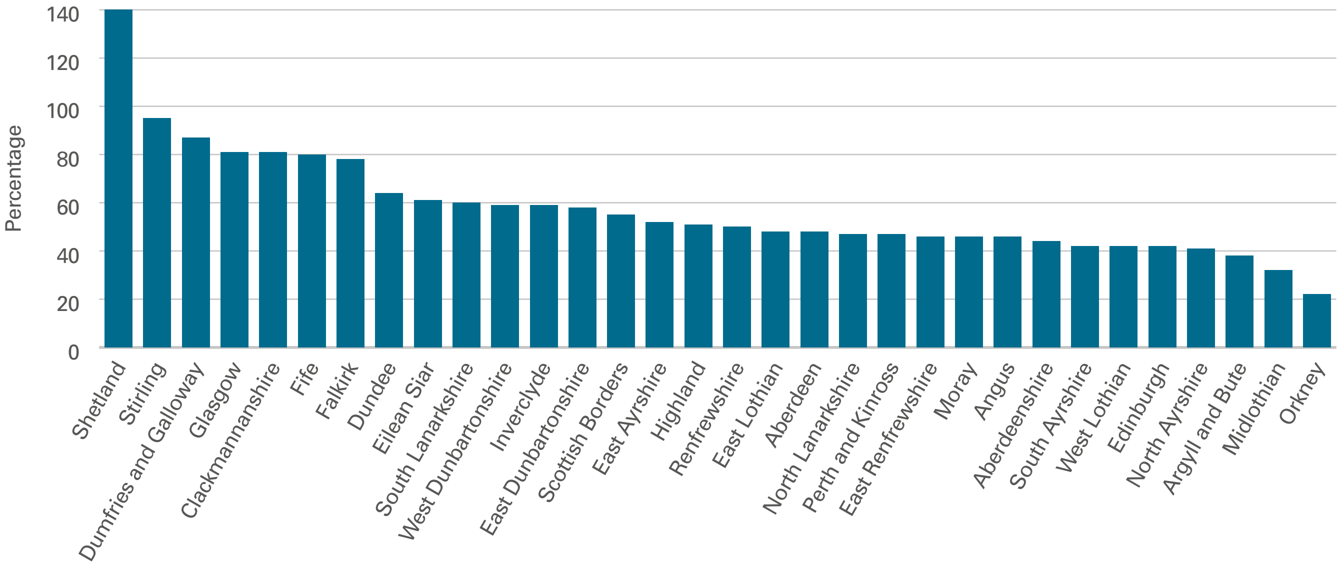
- performance of the pension funds of which they are members
- assumptions made by actuaries of the various funds
- the maturity of the council's membership (average age of pension scheme members)
- decisions made by councils to award discretionary benefits to staff retiring early.

65. Councils with larger pension liabilities will tend to have higher annual costs. The scale of the challenge for each council in meeting these costs can be illustrated by considering their pension liability in relation to their annual income (Exhibit 13, page 26).

Exhibit 13

Council pension liabilities (LGPS and discretionary benefits awarded), 2015/16

Councils' pension liabilities range from around 1.4 to 0.2 times their annual revenue incomes.



Source: Councils' audited accounts 2015/16

66. The LGPS is a funded pension scheme, where employers' and employees' contributions are invested to meet the cost of future benefits. For most councils, the estimated value of employees' benefits exceeds the current value of investments, leading to a net pension deficit. Councils' pension deficits reduced from £10.0 billion to around £7.6 billion during 2015/16 (Exhibit 14, page 27). This reduction is primarily due to actuarial calculations discounting the current value of what the funds will need to pay in the future. The factors contributing to this decrease include assumptions around inflation and salary increases decreasing and the discount rate increasing significantly.

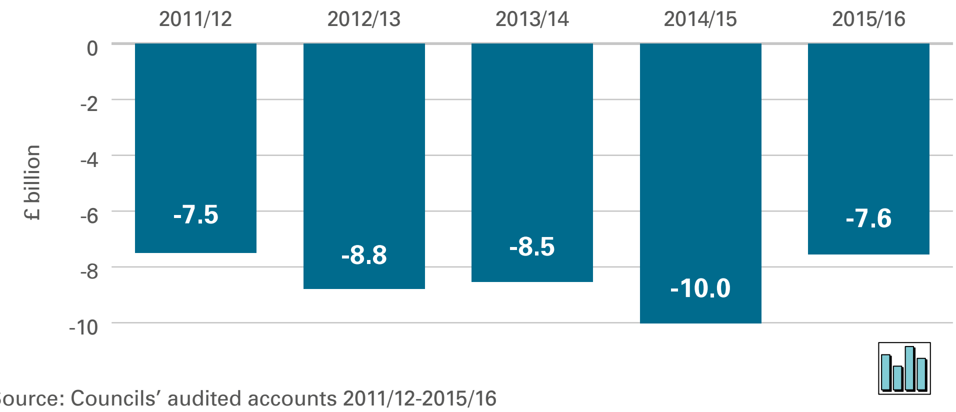
67. With increasing life expectancy, pension contributions have risen to help meet the increased cost of providing pension benefits. Employer contributions in respect of teachers increased by two per cent to 17.2 per cent in October 2016. Councils' contributions to the LGPS are reviewed every three years and will next be reviewed in 2017.

68. In 2015/16, the new 2015 LGPS was introduced. This sees pensions based on average career earnings and the pension retirement age linked to the state retirement age. The scheme includes a cost-sharing mechanism that limits employer costs to ensure it remains affordable. This cap is set by considering the cost associated with active members and will come into force when these reach a maximum of 17.5 per cent for the whole of the scheme (rather than for individual employers).

Exhibit 14

Pension deficits on councils' balance sheets, 2011/12 to 2015/16

Councils' pension deficits decreased in 2015/16, mainly owing to actuarial calculations discounting the value of future commitments.



Source: Councils' audited accounts 2011/12-2015/16

69. Alongside changes to the LGPS, pension auto-enrolment for existing and new employees is now in place. Traditionally there is high pension scheme membership among council staff but there will be additional costs associated with existing and new staff joining the pension scheme.

70. The councils that administer the 11 LGPS funds in Scotland have coped well with these changes. However, the scheme changes, combined with workloads associated with councils reducing their staffing costs through voluntary severance and having to administer added year payments, means there are ongoing administrative pressures.

71. We comment on the 11 LGPS funds, their accounts, governance and performance in a supplement to this report (Supplement 2: Local Government Pension Funds 2015/16).

Good financial planning and management are required to ensure the impact of spending decisions is fully understood

72. Councils are developing their financial strategies and plans in an increasingly complex environment. It is imperative that long-term financial strategies (covering five to ten years) link spending to councils' strategic priorities and that spending plans are considered in this context.

73. The Commission recognises that the Scottish Government providing funding settlement figures for a single year (as in 2016/17 and 2017/18) presents challenges to councils updating medium-term financial plans and ensuring they have long-term financial strategies in place. Although we recognise changes in Scottish Government funding may alter assumptions in both the long and medium terms, the absence of indicative funding should not prevent councils projecting future income and spending, and planning accordingly.

74. Fourteen councils currently have long-term financial strategies in place while 15 others have at least a medium-term financial strategy (three to five years) linking their spending plans to their wider strategic priorities. Three councils (East Renfrewshire, Glasgow City and Highland) do not have a financial strategy covering the medium or long term.

Do you have a long-term financial strategy covering five to ten years?

Are there clear links between the financial strategy and the vision for the future?

Is the long-term financial strategy supported by detailed plans covering a minimum of three years?

75. Twenty-nine councils have either medium-or long-term financial plans that set out planned spending, the savings required and how they intend to use reserves to support spending. Two councils have financial plans covering less than three years (Falkirk and Glasgow City). Orkney Islands Council does not have a financial plan but has a medium term financial strategy and a change programme is in place to deliver the medium-term savings identified.

76. There should be very clear links between a council's medium-term financial plan and the annual budgets that councillors approve. Although councillors approve only the budget for a single year, this should be supported by indicative future spending plans that forecast the impact of relevant pressures for councils. Presenting a budget for a single year in isolation does not allow councillors to fully scrutinise the implications of spending decisions.

77. There is variation across councils in how they presented indicative future budgets to councillors alongside their 2016/17 budget. Twenty-three councils presented budgets up to 2018/19; four (Glasgow City, North Ayrshire, South Ayrshire and West Lothian) presented budgets up to 2017/18; and five (Aberdeen City, Angus, Dundee City, Orkney Islands and Renfrewshire) presented budget figures for 2016/17 only.

Councils face significant funding gaps over the next three years

78. We asked auditors to provide information about budgets for 2016/17 and indicative plans for 2017/18 and 2018/19 that were presented to councillors when the 2016/17 budget was being approved (Appendix (page 34)). We focused on the largest elements of councils' budgets: the General Fund revenue budget; the level of approved savings within this budget; and the potential impact of this upon councils' General Fund reserves.

79. Within our analysis we have made several simplifying assumptions. We have only adjusted for savings approved in 2016/17 and further savings will have been identified. When approved these savings will offset future funding gaps. We have also assumed that any identified funding gaps will be met from General Fund reserves when councils' can also use other usable reserves to support spending. Finally, we have assumed that all General Fund reserves are available to close identified funding gaps when a significant proportion of these reserves may have already been allocated.

80. Where councils did not provide information to their auditors about their forecast General Fund budgets in 2017/18 and 2018/19, we made some assumptions from available information. Most councils that provided information up to 2018/19 are forecasting a continued reduction in revenue funding from the Scottish Government but with increases in council tax receipts. They are also forecasting that spending will increase. In particular, they anticipate rising demand on key services through demographic changes and generally assume wage inflation of between 1.0 and 1.5 per cent in both 2017/18 and 2018/19.

81. At the time of setting the 2016/17 budgets, councils anticipated an £87 million in-year shortfall between General Fund revenue income (excluding any use of reserves) and expenditure (after approving savings of £524 million). They planned to bridge the gap by using seven per cent of existing General Fund reserves, reducing them from £1.2 billion to around £1.1 billion by the end of 2016/17.

82. All councils have adequate reserve cover in 2016/17, meaning at the end of the year they will still have General Fund reserves they can use in future. The

?

Is the long-term financial strategy supported by detailed plans covering a minimum of three years?

Do financial plans set out the implications of different levels of income, spending and activity?

Is there a clear link between the council's revenue plans and the budget information you are asked to approve?

Do financial plans identify the differences between income and expenditure for the next three years?

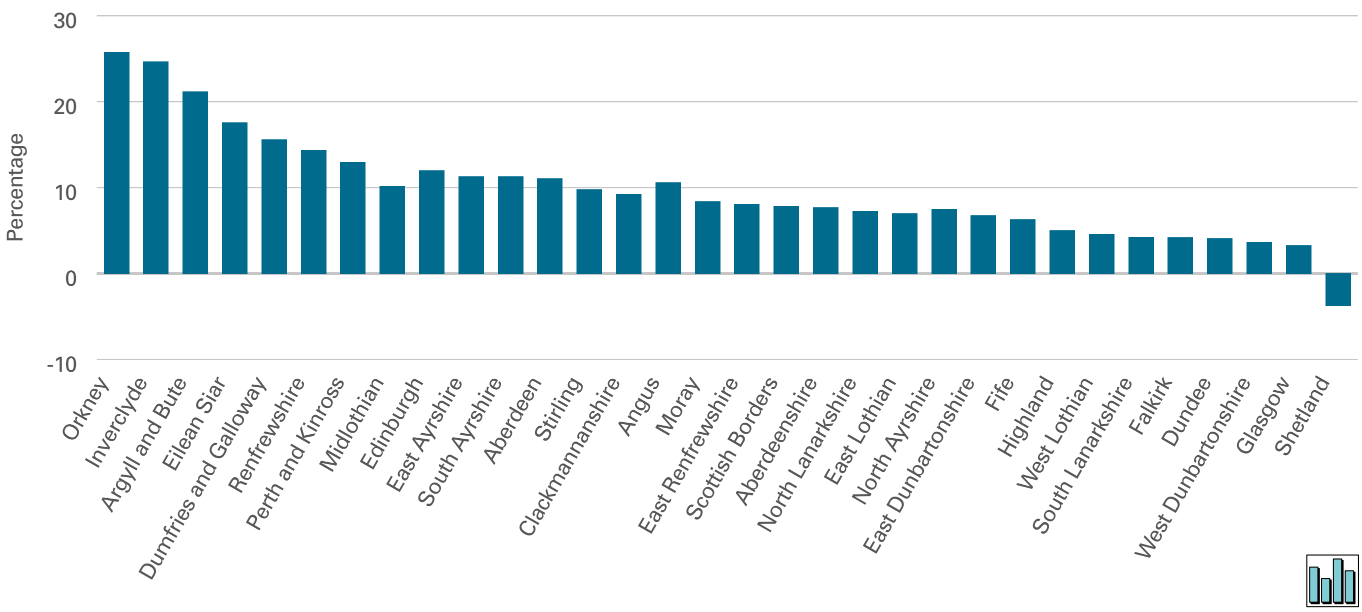
Do you know the actions being taken to close the funding gap?

exception is Shetland Islands Council, but only because of the way it classifies its sizeable reserves as opposed to any financial difficulties or it approving an unbalanced budget. General Fund reserves at the end of 2015/16 were equivalent to nine per cent of councils' overall income from the Scottish Government, NDR, council tax and council housing rents (paragraph 48). Adjusting for reserves that councils planned to use in 2016/17 reduces this to just over eight per cent (Exhibit 15). Councils will also have already allocated a proportion of their available reserves for specific purposes, and therefore what remains available as a contingency to support services will be significantly less.

Exhibit 15

2015/16 General Fund reserves as a percentage of councils' income, adjusted for planned reserve use in 2016/17

The level of reserves held as a percentage of income varies widely among councils.



Note: Shetland Islands Council classifies its reserves differently. This is not an indication of financial difficulties or an unbalanced budget.

Source: Councils' audited accounts 2015/16 and auditor returns

83. Seventeen councils planned to use reserves to balance their budget in 2016/17. This ranged from Moray Council planning to use 28 per cent of reserves to Dumfries and Galloway Council intending to use less than one per cent.

84. Excluding Shetland Islands Council, two councils (Falkirk and South Lanarkshire) forecasted a funding gap in excess of their General Fund reserves in 2017/18. A further 11 councils currently forecast a funding gap in excess of their General Fund reserves in 2018/19. Our analysis therefore indicates that by 2018/19, over a third of councils will face a funding gap that exceeds their General Fund reserves. We recognise that since setting their 2016/17 budgets this position will have changed as councils have continued to identify other savings to address funding gaps.

Exhibit 16

Council budget information for 2016/17, 2017/18 and 2018/19

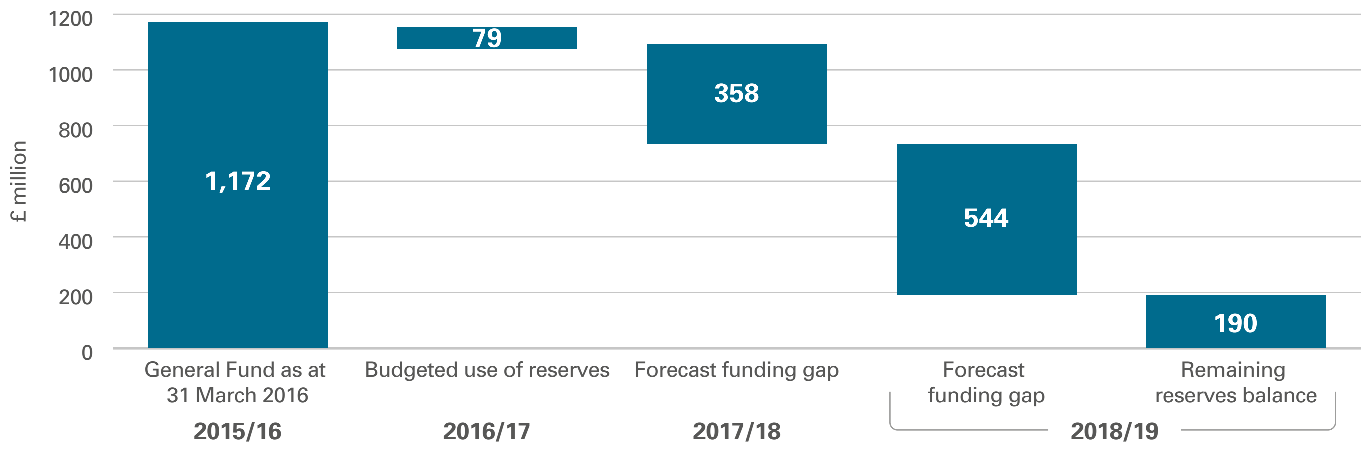
Councils planned to use £79 million of reserves in 2016/17 and forecast significant funding gaps in the following two years. There were significant forecasted funding gaps across the 23 councils that approved their 2016/17 budgets accompanied by indicative plans for the next two years.

	2016/17 (32 councils)	2017/18 (27 councils)	2018/19 (23 councils)
	Budget	**Forecast funding position**	**Forecast funding position**
Income	£11.94 billion	£10.32 billion	£7.85 billion
Expenditure	£12.01 billion	£10.65 billion	£8.25 billion
Budgeted use of reserves/ Forecast funding gap	£79 million	£323 million	£402 million

After applying assumptions derived from completed returns to estimate the position for councils that did not provide information for all three years, we estimated the following position:

	2016/17	2017/18	2018/19
	Budget	**Forecast funding position**	**Forecast funding position**
Income	£11.94 billion	£11.82 billion	£11.72 billion
Expenditure	£12.01 billion	£12.18 billion	£12.27 billion
Budgeted use of reserves/ Forecast funding gap	£79 million	£358 million	£544 million

The potential impact on General Fund reserve balances is illustrated below, assuming that further savings are not approved and funding gaps are met from General Fund reserves. A proportion of these reserves, however, will have already been allocated for other purposes.



Note: Total figures subject to rounding.

Source: Councils' audited accounts 2015/16 and auditor returns

85. The level of General Fund reserves as a percentage of General Fund revenue expenditure would fall from 9.1 per cent at the end of 2016/17 to 1.5 per cent at the end of 2018/19 if all funding gaps had to be met from General Fund reserves. This reflects the need for councils to draw on a significant proportion of reserves if further savings are not identified and approved (Exhibit 16, page 30).

Councils need to appraise all possible options to address forecasted funding gaps

86. Councils need to make significant savings to address forecasted funding gaps without significantly reducing reserves in the next three years to support recurring spending. Councils' ability to make savings will be influenced by a range of factors, including:

- the level of savings they have already made and the extent of their plans for transforming how services are delivered
- national policy commitments for example, around education
- demographic changes increasing demand for services such as social care
- the costs of servicing debt, such as PPP/PFI/NPD revenue payments relating to school buildings.

87. In total, net spending on education, social work and interest payments on external debt equates on average to almost 75 per cent of local government income from general revenue grants, NDR, council tax and council housing rents. The variation across councils is shown in (Exhibit 17, page 32). Councils with a higher proportion of spending on education, social work and debt repayment may face greater challenges in generating their required savings, and potentially face making more significant savings in other areas. This highlights the importance of councils appraising all possible options for delivering their broad range of services. Recent Best Value audits have shown councils relying on incremental savings rather than considering service redesign options. The Commission is of the view that this is neither sufficient nor sustainable given the scale of the challenge facing councils.

?

Do you know what plans there are to redesign services and deliver savings?

Are savings plans realistic within agreed timescales?

Are all savings clearly identified and categorised as recurring or non-recurring (i.e. one off) savings?

Is the council reliant on non-recurring savings?

Do you know what will happen to the reserves if savings are not made?

Councillors should understand how the plans and budgets they are approving will affect the financial position of their council

88. Throughout this report, we ask councillors and officers to be clear about how their financial strategies, plans and agreed budgets affect their council's financial position. We would expect the following to form part of an assessment of the short and medium-term financial sustainability:

- confirmed and indicative changes in Scottish Government funding to councils
- how to avoid any short-term budget pressures, such as significant overspending in services that could result in the financial position of councils deteriorating
- whether future financial plans provide sufficient spending information to be considered when approving budgets.

Do you feel you have the knowledge and expertise to scrutinise your finances effectively?

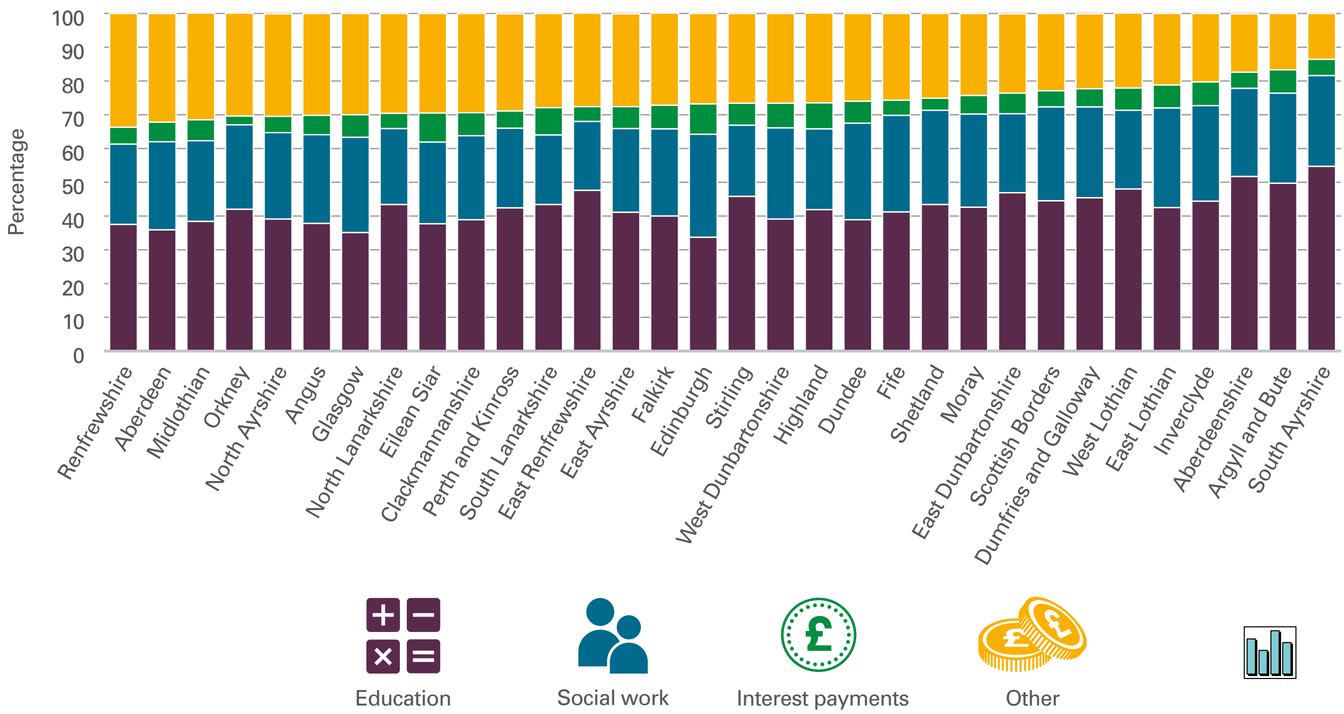
89. In the medium to long term, we would also expect the presence of long-term financial plans, and the assumptions these make, to be taken into account alongside the following factors:

- current reserve levels and how these will be used to support service transformation and delivery while continuing to provide a suitable level of contingency
- expected demand and ongoing cost pressures, including councils’ pension obligations, and how these are likely to impact on the services councils need to deliver
- the impact options for investing in assets (such as buildings) will have on both councils’ debt and available income, taking into account ongoing servicing costs.

Exhibit 17

Percentage of councils' income spent on education, social work and interest payments, 2015/16

Savings may be more difficult to identify where councils devote more spending to education, social work and paying interest on their external debt.



Notes: 1. Figures are from councils' accounts and include interest payments totalling £814 million, including annual interest costs associated with PFI/PPP/NPD projects. 2. The £1.5 billion debt servicing costs quoted elsewhere are on a funding basis and are not directly comparable for the purposes of this analysis and includes the annual repayments of debt related to PFI/PPP/NPD projects. 3. For the purposes of this analysis net spending on social work services includes money directed to and from Integration Authorities.

Source: Councils' audited accounts 2015/16

Endnotes

1. Most of the increase in service income is due to a £371 million increase in social work and social care income because of how councils have accounted for money being returned to councils from the new Integration Joint Boards (IJBs) which are now responsible for local health and social care.
2. Funding allocations up to 2012/13 have been adjusted to remove funding for police and fire. Responsibility for these services transferred from local to central government in April 2013. From 2013/14, revenue funding includes payments for council tax reduction, replacing council tax benefit previously coming from the UK Government.
3. Councils contribute to Integration Authorities (IAs), and receive money back to provide services on behalf of the IA. Social Work income in the accounts may be inflated depending on how councils have recorded this income received from the IA.
4. *How councils work: an improvement series for councillors and officers – Charging for services: are you getting it right?*, Audit Scotland, October 2013.
5. *Health and social care integration*, Audit Scotland, December 2015; and *Social work in Scotland*, Audit Scotland, September 2016.
6. *Managing early departures from the Scottish public sector*, Audit Scotland, May 2013.
7. *Borrowing and treasury management in councils*, Audit Scotland, March 2015.

Appendix

Methodology of funding gaps analysis

There are challenges in analysing budget information for individual councils to provide a comparative picture across local government. This is mainly due to variations in the way councils prepare and present budget information and the terminology used to define funding gaps. In discussions with local auditors and wider stakeholders we have designed our approach to try and address these challenges.

To allow a more consistent comparison among councils, we have revised how we define a funding gap. Previously the Commission identified a budget shortfall as the difference between income and expenditure, and a funding gap to be any remaining difference once savings approved by councillors have been taken into account (for example, service redesign, approved savings or use of reserves). Feedback from auditors and wider stakeholders suggested these definitions did not accurately reflect how councils refer to a funding gap.

As part of our 2015/16 audit work, we issued an information request to auditors. This focused on councils' General Fund revenue budgets for 2016/17, their budgeted use of reserves and forecasted differences between income and expenditure. We also requested information about approved savings and the main assumptions in respect of the forecasted figures.

In this analysis, we have focused on councils' General Fund budgets and the difference between income (excluding income drawn from reserves) and expenditure (reduced only for approved savings). This allows us to report on the budgeted use of reserves in 2016/17. Forecasted differences between income and expenditure in 2017/18 and 2018/19 then represent the forecasted funding gap, better reflecting the feedback we received about how this term is generally used.

The revised approach provides greater clarity about each council's plans and of the current position of the sector. We asked auditors to provide the level of savings formally approved by councils as part of the 2016/17 budget-setting process. This will include specific savings as well as general efficiencies. While it is expected that councils will continue to identify and approve further savings, the forecast funding gaps for 2017/18 and 2018/19 represent what councils currently forecast they will need to reduce expenditure by or finance from their reserves, ahead of formally approving further savings for these years.

We have applied common assumptions to allow the position of all 32 councils to be reported for years where individual councils did not supply information. Using information supplied by the other councils, we derived and applied:

- a reduction in income of 1.10 per cent and an expenditure increase of 1.16 per cent in 2017/18
- a reduction in income of 0.89 per cent and an expenditure increase of 0.66 per cent in 2018/19.

Local government in Scotland

Financial overview 2015/16

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Governance, Risk and Best Value Committee

10.00am, Thursday 2 February 2017

Edinburgh Shared Repairs Service (ESRS) Update and Property Conservation – Progress Report – referral report from the Property Sub-Committee

Item number	7.6
Report number	
Executive/routine	
Wards	

Executive Summary

On the 30 January 2017 the Property Sub-Committee considered a report that provided details of the progress, to December 2016, of the Edinburgh Shared Repairs Service (ESRS), outlined progress with the closure of the former Property Conservation Service and detailed the results of a consultation on the requirement for new or amended legislation to encourage private owners to undertake maintenance and repairs to common elements of tenement properties. The report has been referred to the Governance, Risk and Best Value Committee for its consideration.

Links

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

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Terms of Referral

Edinburgh Shared Repairs Services (ESRS) Update and Property Conservation – Progress Report

Terms of Referral

1.1 The Edinburgh Shared Repairs Service (ESRS) the new enforcement service was currently in its implementation phase. The service aimed to complete implementation activities prior to the launch of the full service in April 2017, as follows: Transformation service review and recruitment, governance arrangements, review of operational process and procedure, procurement of the contractors framework, ICT improvements and communications.

1.2 The Sub-Committee also received further information on refunds owed to customers who could not be located. This noted:

1.2.1 In relation to Property Conservation complaints resolution and settlements, all 407 customers who had raised specific concerns relating to 155 Statutory Notice projects and had their cases reviewed by Deloitte Real Estate had been issued with settlement letters. 1,731 additional owners were identified as being affected by common issues in the 155 projects. All other owners had also been issued with settlement letters which brought this part of the settlement process to an end.

1.2.2 The value of the “No Response” cases was £0.44m, which was made up of 442 customers who had either refused or not responded to the settlement letters sent by the Council. These cases were continuously monitored and investigative actions had been taken in an effort to trace those that were due a refund. Owners who had moved or were outwith contact and untraceable might contact the service to claim settlement.

1.2.3 The Programme Board approved that the value of the “No Response” cases be retained as a credit sum within the Council’s accounts to meet any refund claim with the proviso that if anyone approached the Council, payments would be honoured, subject to ongoing review by the Programme Board.

1.3 Following the request from the Property Sub-Committee, ESRS officers had met with the Edinburgh Conveyancers Forum (ECF), the Chief Executive of Edinburgh Solicitors Property Centre (ESPC) and the Royal Institute of Chartered Surveyors (RICS). The findings were summarised in Appendix 2 of the attached report.

1.4 The Property Sub-Committee agreed:

1.4.1 To note the management information dashboard reports in Appendix 1 of the report.

1.4.2 To note the update on the implementation of the Edinburgh Shared Repairs Service (ESRS).

1.4.3 To note the Consultation on Legislation Change report detailed in Appendix 2 of the report.

1.4.4 To refer the report to the February 2017 Governance, Risk and Best Value Committee for its consideration.

For Decision/Action

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

Background reading/external references

Minute of Property Sub-Committee, 30 January 2017

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

Property Sub-Committee

10.00am, Monday, 30 January 2017

Edinburgh Shared Repairs Service (ESRS) Update and Property Conservation – Progress Report

Item number	5.1
Report number	
Executive/routine	
Wards	

Executive summary

This report provides the Property Sub-Committee with a progress update for the Edinburgh Shared Repairs Service (ESRS) and Programme Momentum.

Links

Coalition pledges	P40 , P41
Council outcomes	CO7, CO19
Single Outcome Agreement	SO4

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Report

Edinburgh Shared Repairs Service (ESRS) Update and Property Conservation – Progress Report

1. Recommendations

1.1 The Sub Committee is requested to:

1.1.1 Note the management information dashboard reports in Appendix 1;

1.1.2 Note the update on the Implementation of ESRS;

1.1.3 Note the Report – Consultation on Legislation Change in Appendix 2; and

1.1.4 Note the progress of debt recovery work in Property Conservation - Project Momentum

1.1.5 To refer the report to the February 2017 Governance, Risk and Best Value Committee for their consideration.

2. Background

2.1 This report provides details of progress, to December 2016, of the ESRS, outlines progress with the closure of the former Property Conservation Service, and details the results of consultation on the requirement for new or amended legislation to encourage private owners to undertake maintenance and repairs to common elements of tenement properties.

3. Main report

Edinburgh Shared Repairs Service (ESRS)

Implementation activities

3.1 The new enforcement service is currently in its implementation phase. The service aims to complete implementation activities prior to launch of the full service in April 2017. These are listed below:

- Transformation service review and recruitment;
- Governance arrangements;
- Review of Operational process and procedure;
- Procurement of the contractors framework;
- ICT improvements; and
- Communications.

3.2 **Transformation service review and recruitment:** Any further recruitment will be held until the Business Plan and staff structure has been reviewed and approved by the Programme Board.

3.3 **Governance arrangements:** On 8 September 2016, the Finance and Resources Committee approved the new political governance arrangements. Updates will be reported to the Property Sub-Committee on a quarterly basis.

3.4 **Review of Operational process and procedure**: The standard operating procedures (SOP's), initially developed by external consultants and Council staff, continues to be reviewed by officers within the service during this phase. The recently updated version of the SOP's have been issued to officers. The SOP's will remain in draft format until full launch in April 2017. The documents are available to be viewed by committee members. The nine documents consist of the following:

- CC1 and GA1– Guidance and advice and Customer Contact;
- INT 1 – Diagnosis of Defect and Tailored Communication to Owners;
- INT 3 – Missing Share, payment of missing share to owners a/c, undertaking repairs;
- EM1 and EM2 – Emergency and Essential repairs;
- ENF1 – Scope the works required for Essential repair;
- ENF2 – Arrange and manage essential repairs from Procurement to Completion;
- FIN – Finance Procedures;
- GCP – Gateways and Compliance for Projects; and
- Governance, Policy and Performance Framework.

3.5 **Procurement of the contractors framework**: The evaluation of tenders for the new ESRS Contractors framework has been completed. The ESRS Award of Framework Agreement report has been recommended for approval to the Finance and Resource committee on 19 January 2017.

The framework consists of four LOTs for micro and minor works for roofing and stonework.

The operation of the framework for ESRS differs from the framework agreement which operated in Property Conservation. ESRS will tender and award each work package, under each of the framework Lots, using the agreed schedule of rates, contractors percentage adjustment and the competitively priced site specific preliminaries. This will ensure only contractors with capacity to deliver the contract works will price the work package and return a tender. Each work package will be tendered using the Public Contract Scotland procurement system, ensuring an audittable process. A tender report will be prepared for each work package prior to award.

3.6 **ICT improvements: -** The new version 10 of the Uniform system is now in use. Further improvements are currently underway. This includes enhancements that allow development of workflows and tasks to manage the new ESRS processes. This workstream is programmed to be completed by mid February 2017.

3.7 **Communications**: Case officers from the service continue to hold drop in sessions at libraries and shopping centres in the city to offer advice to private property owners with common repair needs and make those people requiring help aware of what the Service can offer.

Progress Update

3.8 The total number of cases to 19 December 2016 is 40. Of these cases, five cases are categorised as facilitation. Of the 35 remaining cases, the service has been successful in closing 19 to date. This represents a 54% success rate where owners have taken the project back to arrange works privately with the help of case officers. At present only six of the 35 open cases have reached the enforcement stage. This represents 17% of all cases piloted so far.

Advice and information

3.9 This area of the service is where customers initially make contact to request advice and information. The service offers advice on how the customer can progress repairs through the process outlines in the Tenement (Scotland) Act 2004 using the Tenement Management Scheme (TMS).

3.10 The case officer offers to send the customer an Owners Evidence pack. This pack contains detailed information on the process which is available to owners and also contains useful templates for letters, meeting minutes and voting forms. Since June 2016, 244 packs have been requested by customers.

Facilitation

3.11 This area of the service is used when a customer has approached the service for assistance with defects on a property but for reasons of financial or reputational risk the service cannot assist at an enforcement level.

3.12 In these cases the service does assist the property owner in others ways; for example, corresponding with other owners at the property or contacting other Council departments to help progress matters.

3.13 There are five cases in facilitation at present.

Intervention Service

3.14 The Intervention service is made up of the activity undertaken following the identification of an essential repair and prior to taking a decision to enforce the repair. The objective is to support owners to take responsibility to progress the repair privately. Included in this area of work is diagnosis of the defect reported, tailored communication to owners and a site visit.

3.15 Case officers currently have nine cases with correspondence on-going with the lead owner and other owners engaging at each of these properties.

Missing Share Cases

3.16 One case has been brought to the service by owners requesting a missing share be taken up by the Council. This case has 21 owners. Twenty owners have agreed to take the works forward privately and one owner is unwilling to participate.

3.17 The ESRS Panel has approved and paid the funds of £7,122 into the owners' bank account to allow the owners to arrange the repair works valued at £150,000.

3.18 ESRS will pilot two further cases prior to a recommendation to the Property Sub-Committee that the policy is approved as permanent.

Successful Intervention/ Cases closed

3.19 The phased Implementation service has successfully intervened and closed nineteen cases in total. A follow up will be undertaken to check work has been undertaken privately after three months has passed.

The Enforcement Service

3.20 The Enforcement service is activated when all intervention services have failed to provide a platform for owners to procure the works privately.

3.21 Upon ESRS Panel approval the project will be allocated to the surveying team for progression through the standard operating procedures. The procedures include carrying out a full survey, preparation of cost estimates, preparation of risk registers, issuing of the Statutory Notice, tender preparation including design and specification, tender approvals and award and contract administration on site.

3.22 Six projects have been approved by the ESRS Panel to progress to the enforcement process. Statutory Notices have been issued on five projects.

- One project at Survey/Cost estimate No.1 stage;
- Two projects are at tender preparation stage;
- One project has been awarded and will be on site in January 2017;
- One new project has started on site; and
- One project is complete on site and in the Finance stage.

In addition to these six, one project has been taken back by owners.

3.23 The first major project completed by ESRS is at the finance stage where invoices will be issued to owners in February 2017. An owners meeting will be held to gather feedback and answer any queries arising at the end of the works. There are no outstanding issues with owners at present. The project remains within the cost parameters notified to owners.

Emergency Service Update

3.24 This part of the service intervenes when public health and safety is at risk due to unsafe buildings. The service will attend and carry out works to immediately make safe dangerous and emergency situations. The service is the first port of call for the emergency services when they are dealing with situations such as fire damaged buildings, which require specialist surveying or structural engineering intervention. The majority of service requests are for drainage related works in private property where Scottish Water have no responsibility.

3.25 Between October and December 2016, 137 emergency repairs were carried out.

Consultation on Legislation change

3.26 Following the request from the Property Sub-Committee, ESRS officers have met with Edinburgh Conveyancers Forum (ECF), the Chief Executive of Edinburgh Solicitors Property Centre (ESPC) and the RICS in Scotland. The Report summarising the findings is attached in Appendix 2.

Property Conservation

Delegated Authority – Irrecoverable Sums and Settlements

3.27 The provision for bad debt is £17.9m.

3.28 A total of £14.7m has been approved for write-off against the provision comprising irrecoverable sums of £7.4m, aged debt of £3.1m and a total value of £4.2m for settlements to date.

3.29 The balance of £3.2m on the provision is reviewed regularly by the Edinburgh Shared Repairs Senior Manager and the Acting Executive Director of Resources.

Billing and Recovery Update

3.30 Billing on Deloitte reviewed projects is complete at a total of £17.5m.

3.31 £12.5m has been received in payment from individual owners. A further £1.1m has been secured in payment plans. Total recovery rate in debt collected and secured debt is £13.6m (78%). A sum of £0.2m has been subject to Council approved write-off for inhibition registration, recovery exhaustion and company insolvency reasons.

3.32 The balance of debt of £3.7m is being actively pursued, predominantly through Morton Fraser, and is at various stages of recovery.

Debt Recovery - Morton Fraser

3.33 Since 1 April 2015, 687 instructions, under Project Joule including associated customer legacy debt, have been issued to Morton Fraser with a total value of £7.3m for debt collection.

3.34 The overall sums recovered or in payment plans secured by Morton Fraser total £3.1m over 373 customers. The outstanding balance of £4.2m, comprising

£3.7m Project Joule and £0.5 associated legacy customer debt, remains with Morton Fraser for collection.

3.35 The costs of Morton Fraser to date in return for the £3.1m recovery is £157k. The solicitor's fee to debt recovery ratio is £20 recovered for every £1 spent.

3.36 Monthly review meetings are established between the Council and Morton Fraser with performance measures, standards and reporting in place.

3.37 All Project Joule Statutory Notice debt related instructions are now with Morton Fraser to progress recovery action.

Debt Recovery - Suspended Debt

3.38 The suspended debt has reduced from £6.4m to zero.

Property Conservation Projects – Legacy Defects projects

3.39 One Legacy Defect project remains to be completed.

4. Measures of success

4.1 Collection of outstanding debt within the provision provided.

4.2 Launch of new replacement service.

5. Financial impact

5.1 The associated revenue cost in resolution of the legacy closure programme from April 2013 to March 2016 totals £7.4m.

5.2 The financial statements include a provision of £17.9m for impairments and settlement repayments of which £14.7m has been approved as at December 2016.

5.3 The adequacy of the impairment and settlement provision remains under regular review by the Head of Edinburgh Shared Repairs Service and the Acting Executive Director of Resources.

5.4 A budget of £1.3m has been set for the ESRS for 2016/17. The overall 2016/17 budget available for both Legacy and ESRS is £2.4m.

6. Risk, policy, compliance and governance impact

6.1 This area of work represents a significant financial and reputational risk for the Council.

7. Equalities impact

7.1 There is no equalities impact arising from this report.

8. Sustainability impact

8.1 There is no adverse environmental impact arising from this report.

9. Consultation and engagement

9.1 Not applicable.

Background reading/external references

Report to City of Edinburgh Council, 12 February 2015, Shared_Repairs_Services_-Development_of_a_New_Service.

Report to City of Edinburgh Council 11 December 2014, Shared_Repairs_Services_-Development_of_a_New_Service_-_

Hugh Dunn

Acting Executive Director of Resources

Contact: Andrew Field, Edinburgh Shared Repairs Service Senior Manager

E-mail: andrew.field@edinburgh.gov.uk | Tel: 0131 529 7354

Links

Coalition pledges	P40 – Work with Edinburgh World Heritage Trust and other stakeholders to conserve the city's built heritage P41 – Take firm action to resolve issues surrounding the Council's Property Services
Council outcomes	CO19 – Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm
Single Outcome Agreement	SO4 – Edinburgh's communities are safer and have improved physical and social fabric
Appendices	Appendix 1: Management Information Dashboards Appendix 2: Report – Consultation on Legislation Change

Appendix 1 – Edinburgh Shared Repairs Service & Legacy Dashboard December 2016

Monthly progress update (for reporting purposes month end is 25 December)

EDINBURGH SHARED REPAIRS SERVICE

The Phased Implementation of the new full service will take place throughout 2016/17. A Soft Launch of the new service began on 1 June 2016.

TOP RISKS	MITIGATION	
1. No. of Phased Implementation Cases	Communications to be increased with customers to identify additional cases for Implementation Phase, linked to soft-launch after 1 June.	
2. Tender returns	ESRS Contractors Framework award recommendations to go to Finance and Resources Committee in January 2017.	
3. People	Business Plan, including staff structure, submitted to Programme Board for consideration.	
4. Staffing Structure not established for New Service	Senior Management Team in place for Phased Implementation of the New Service. Ongoing review of Business Plan.	

OVERALL STATUS	COMMENTS	
Governance	The Edinburgh Shared Repairs Service and Legacy Programme will be managed overall within the Property and Facilities Management Service within Resource in the new Council structure.	
Processes	Draft procedures are being tested during Pilot and implementation phase. Proposed changes are being tracked. Procedures have been updated internally and reissued at the end of November 2016. An internal audit was carried out by PWC in February 2016.	
IT	Work is underway to implement the operational workstream deliverables. The main focus at present is to establish the baseline for system redesign for each of the business processes. The implementation of a task based management system is commencing in January and will be complete by the end of February 2017.	
Finance	Finance processes and procedures in place for financial management of ESRS. Operating budget for 2016/17 sits at £1.3m.	
Procurement	ITT documents have been returned. Contractors framework is programmed to be in place early 2017.	
People	Recruitment is on hold until after the Business Plan review. Recruitment of suitable technical resource will continue to be reviewed.	

KEY PLANNED ACTIVITIES

Officers are continuing to hold drop-in session in local libraries and local area Council offices to make the public aware of the new service. A communications plan has been developed with colleagues in Communications to be rolled out over the next year.

LEGACY PROGRAMME

A number of legacy workstreams continue to draw to a close with the billing and the settlements processes now complete and historic projects on site reaching completion.

TOP RISKS	MITIGATION	RAG
1. Debt Recovery	Morton Fraser are leading on Debt Recovery.	
2. Bad Debt Provision	The provision will continue to be monitored and reported monthly.	
3. Settlement Process	All Settlement letters have been issued.	
4. Loss of legacy staff	Discussion with relevant Directors to ensure service is maintained.	

OVERALL STATUS	COMMENTS	RAG
Case Reviews and Settlements	All complainants and other affected owners have been issued with settlement.	
Debt Recovery	Debt outstanding is currently £7.5m. Of this debt £6.2m is being pursued through active billing, Morton Fraser recovery or other legal action. The remaining debt is being pursued for legal action.	
Projects	Defect projects handed over to ESRS from 1 January : • 3 new complaints are being investigated. • 1 projects due to be programmed for completion in early 2017 • 8 projects are in the defect period to be signed off by ESRS	
Customer services	Customer contact across the legacy service shows a steady decline.	

KEY PLANNED ACTIVITIES	INFORMATION / DECISIONS
Continuation of debt recovery programme. Continuation of legacy projects. Management of closure programme timeline	Service review to be undertaken 2016/17 closure programme staffing under continual review

ESRS Phased Implementation Dashboard

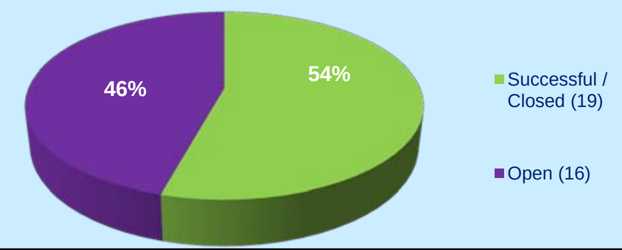
Programme dashboard as at 25 December 2016

OVERVIEW OF PROGRESS
Increases in requests for service will be reported to the Board on a monthly basis. The Pilot Phase currently consists of 13 open cases with successful intervention achieved on 20 projects. The ESRS Panel has rejected one case after it was considered that the financial and reputational risk was too high for the Council to accept. 244 Tenement Act evidence packs have been issued to owners since June 2016.

CUSTOMER CONTACT PROGRESS		NO.
Customer Contact:	• Sent TMS pack to owners	244

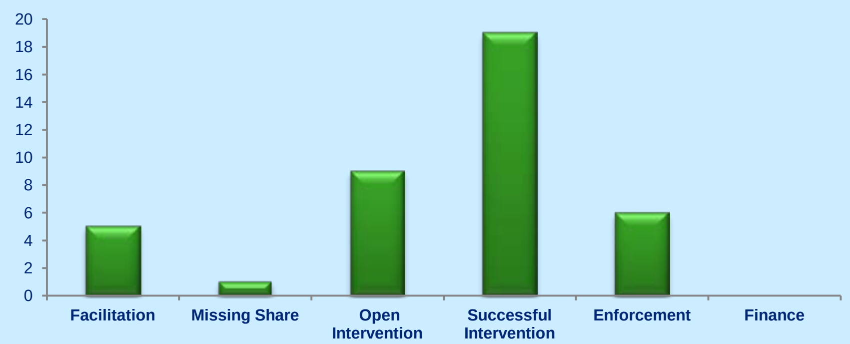
CASE WORKLOAD PROGRESS		NO.
Facilitation:	• Advice and Information only	5
Missing Share:	• Case Open	1
Intervention:	• Pre-Intervention	7
	• Intervention	2
	• Successful Intervention / Closed Cases	19
Enforcement:	• Site Survey / S24 Notice / S26 Notice	1
	• Procurement	3
	• Projects On Site	1
	• Projects complete	1
Finance:	• Final Account issued	
	• Invoices issued to owners	
	Total Number of Cases	40

Cases progressed through Intervention (Sept 15 - Dec 16)



ENFORCEMENT PROJECTS WORKLOAD	MAJOR	MINOR	ESTIMATED VALUE
1. Under £10,000			
2. Under £50,000		2	£64k
3. Under £250,00	3		£223k
4. Over £250,000	1		£364k
TOTAL	4	2	£651k

Pilot Status Overview



ESRS PANEL DECISIONS RECORD	APPROVED	REJECTED	TOTAL
Missing Share	1		1
Enforcement	7	2	9
Enforcement - Additional Works During Project	1		1
TOTAL	9	2	11

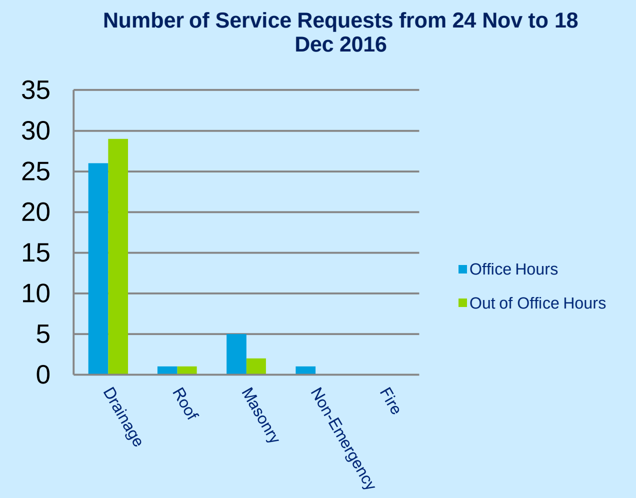
Emergency Service Dashboard

Programme dashboard as at 25 December 2016

OVERVIEW OF PROGRESS

All Statutory Notices issued this period were drainage related. Customers advising the service of dangerous building issues were provided with advice and information to enable them to take forward private repairs. The majority of these were not deemed to be dangerous and were more related to lack of building maintenance being undertaken by the owners. On these occasions all owners are written to and made aware that they need to make arrangements to rectify the defects.

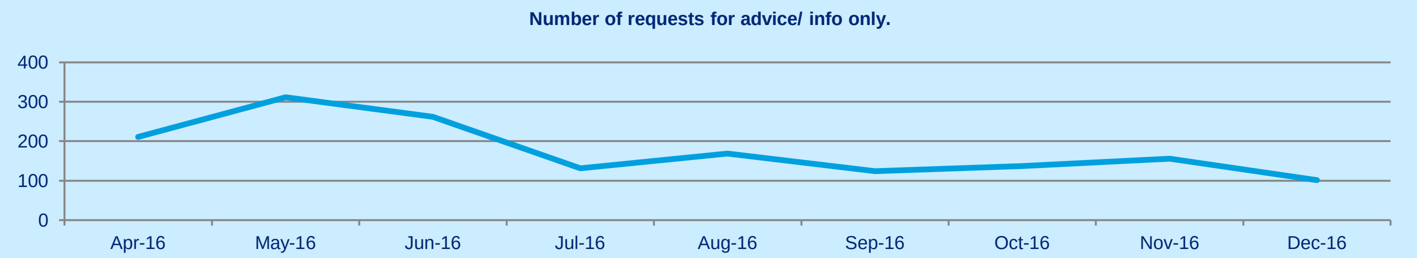
EMERGENCY SERVICE WORKLOAD	Oct 16	Nov 16	Dec 16
No. of service requests (Site Visits)	53	61	64
No of emergency repair inspections resulting in statutory notices issued 31(4)	44	43	50
No of drainage repairs resulting in statutory notices issued 31 (1) & (3)	0	0	0
No. of Emergency service requests where information / advice was provided	10	18	14
Total value of invoices issued to owners for emergency repairs in financial year 2016/17	£289,507.79 (Current collection rate is 86%)		



Customer Services

OVERVIEW

The Statutory Notices issued this month have increased as have the Service Requests due to the winter weather.



SOLICITOR ENQUIRES RECEIVED
347

ESRS WBSITE VISITS
3,028

Finance and Debt Recovery Overview

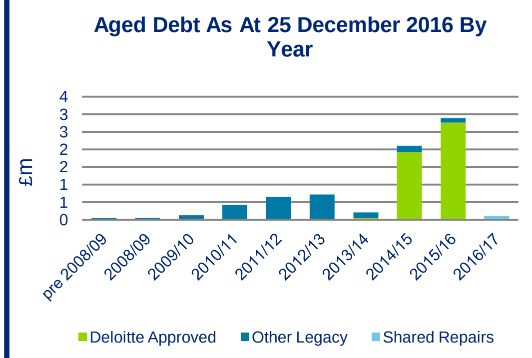
Programme dashboard as at 25 December 2016

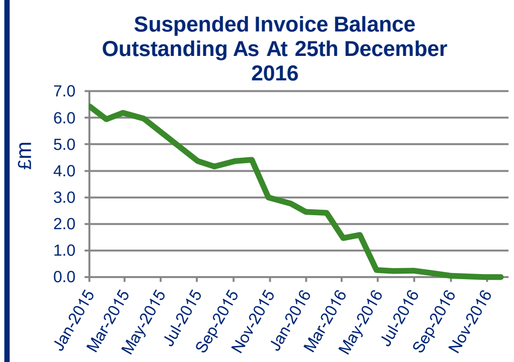
EDINBVRGH
YOUR COUNCIL - YOUR FUTURE

PROGRESS

The current level of debt outstanding is £7.5m of which £4.8m is Deloitte (Project Joule) reviewed debt and £2.7m of Legacy and Shared Repairs debt. A total of £6.2m is being pursued through active billing. Debt of £1.3m is being prepared for legal action. Suspended debt has been managed down from a position of £6.4m in January 2015 to zero.

Debt Status	Deloitte Project Joule (Reviewed)	Legacy And Shared Repairs	Total
Total debt being pursued	£4.7m	£1.5m	£6.2m
Total debt scheduled for action	£0.1m	£1.2m	£1.3m
Total Debt	**£4.8m**	**£2.7m**	**£7.5m**
Payment plans and inhibitions agreed within debt total	£1.1m	£0.2m	£1.3m

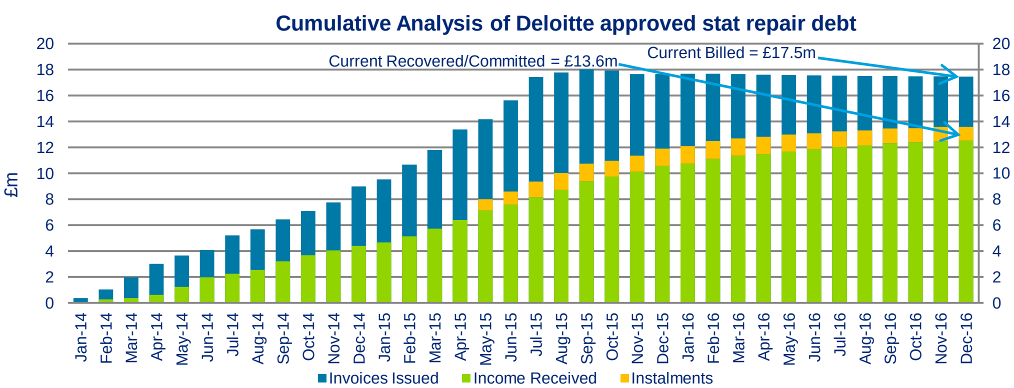


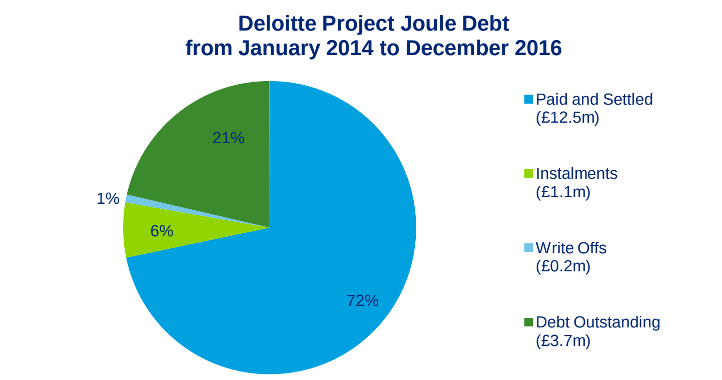


Project Joule Billing and Recovery Progress

PROGRESS

Billing on Deloitte reviewed (Project Joule) cases is complete and totals £17.5m. £12.5m has been received in settlement and a further £1.1m of secured debt in payment plans giving a total of settled and secured debt of £13.6m. This represents a current collection rate of 78%. £0.2m has been written off for inhibitions, recovery exhaustion and insolvency reasons. The balance of debt is £3.7m and is being actively pursued, predominantly through Morton Fraser.





Morton Fraser Progress

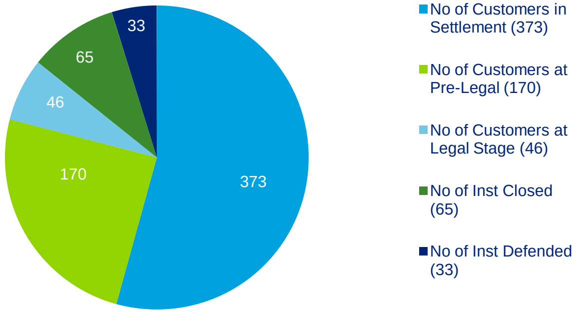
Programme dashboard as at 25 December 2016

PROGRESS

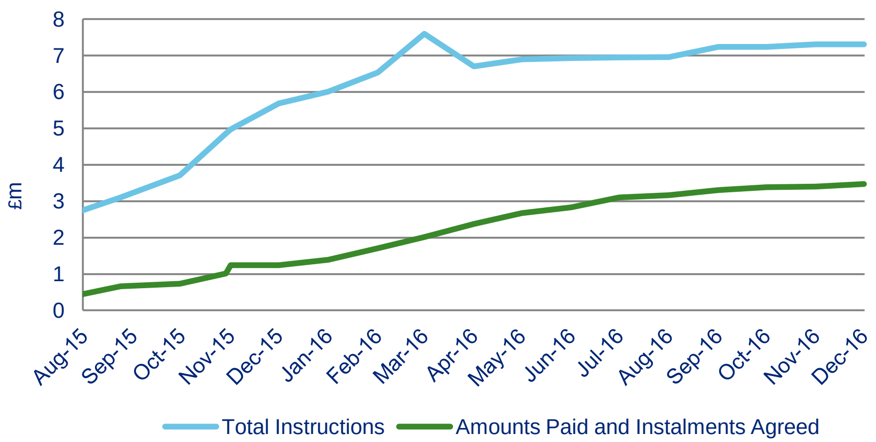
Under the extended contracted arrangements, Morton Fraser took on responsibility for statutory notice debt recovery in April 2015. To date, 687 instructions have been issued to Morton Fraser with a total value of £7.3m for debt collection. Since April 2015 the overall sums settled or in payment plans total £3.1m over 373 customers , 170 cases are at pre legal stage, 46 at legal stage with 65 cases closed and 33 being defended.

Morton Fraser Debt Recovery Cases pursued by the Council	Sep-16	Oct-16	Nov-16	Dec-16
Total debt recovery cases pursued by Morton Fraser	685	685	687	687
Total value of instructions issued	£7.2m	£7.2m	£7.3m	£7.3m
Total debtors settled or in payment plan	365	366	367	373
Total sum recovered or in payment plan	£3.1m	£3.1m	£3.1m	£3.1m
Total sum recovered in payment plan as % of debt recovery	43%	43%	42%	42%

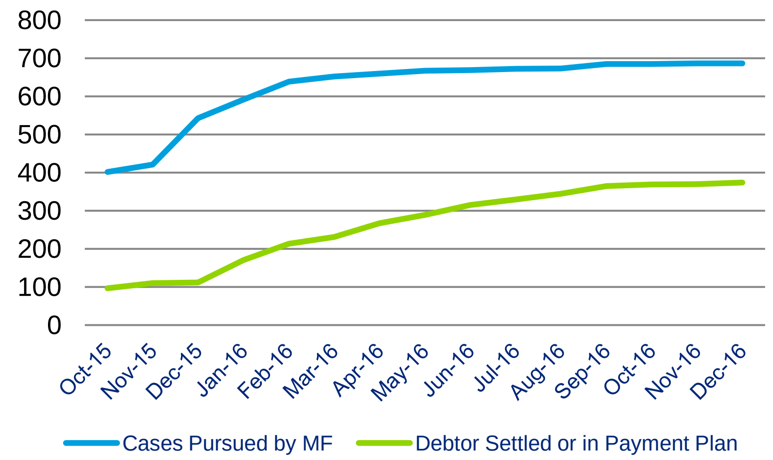
Cases at Morton Fraser As At 25th December 2016



Morton Fraser Recovery Rate as at 25th December 2016



Debtor Profile



Provision for Impairment and Settlements

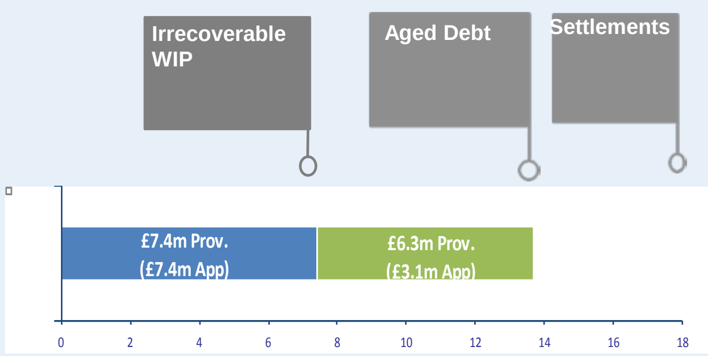
Programme dashboard as at 25 December 2016

PROGRESS

The provision recommended for impairment and settlement repayments is £17.9m. The basis of the provisions are as follows:

- **Irrecoverable WIP (£7.4m)** – This is based on the actual final sum of £6.4m for the Deloitte (Project Joule) Review outcomes on Irrecoverable Work-In Progress. In addition £1.0m provision has been made for Irrecoverable WIP for Non-Deloitte old legacy work remedial projects, old unbilled Emergency Work and door closed entry systems.
- **Aged Debt (£6.3m)** – An overall collection rate of 56% is required to ensure adequacy of provision.
- **Settlements (£4.2m)** – Work on settlements is near final with a write off sum of £4.2m.

Provision for Impairment and Settlements



Impairments to date Deloitte –Project Joule

-Delegated authority (<£50k)
£ 2,301,517

-Board approved (£50k-£100k)
£ 1,323,881

-Committee approved (>£100k)
£ 3,044,271

-Non Deloitte – Legacy(<£50k)
£745,002

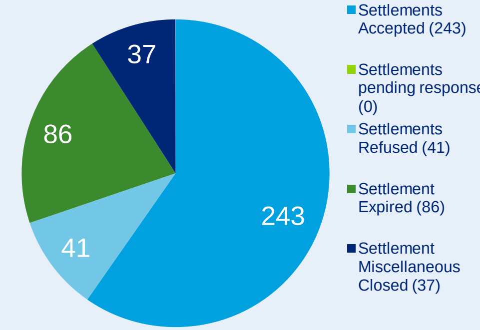
Total
£ 7,414,671

-Debt Recovery
£3,071,894

-Settlements approved
£ 4,237,716

Total £14,724,281

Complainant Closure Status



Appendix 2 – Consultation on Legislation Change

1. Background

1.1 In piloting the new Edinburgh Shared Repairs Service (ESRS), it has been established that private owners face many difficulties in relation to arranging these repairs.

1.2 45% of the housing stock in Edinburgh is tenemental and the difficulties faced by tenement owners in agreeing to have common repairs carried out has led to the condition of private property being in many cases below acceptable standards. The continual deterioration may ultimately cause higher levels of public safety issues for the Council and owners to resolve.

1.3 At present the Council use The City of Edinburgh District Council Order Confirmation Act 1991 to allow emergency situation to be made safe and also enforce permanent repairs. However, this legislation does not force owners to take control of the repair themselves.

1.4 There is alternative legislation which includes obligations for owners to maintain and repair their property such as the Housing (Scotland) Act 2006 and the Tenement (Scotland) Act 2004. Owners have the option to use their powers under these Acts to enforce repairs on their fellow neighbours. The Council have additional powers in the Housing (Scotland) Act 2006 to force owners to provide maintenance plans and undertake works in default of the owners, and to pay missing shares.

2. Main report

2.1 Between October and November 2016, ESRS officers met with two organisations concerned with the selling and purchasing of tenemental properties in Edinburgh. These were the Edinburgh Conveyancers Forum (ECF) and the Edinburgh Solicitors Property Centre (ESPC).

<u>ECF</u>

2.2 The members of the forum agreed that poor maintenance is prevalent in the city and that there is a requirement for a change in culture amongst owners towards the responsibility for tenemental repairs.

2.3 The forum members suggested that improvements could be made to the Home Buyers Report to add the requirement for owners to provide maintenance plans and to encourage membership of stair residents associations.

2.4 The forum members also suggested that construction industry professionals in Edinburgh could offer annual surveys of tenements and noted that there was an opportunity present for local business to assist in providing a solution to the issue of lack of maintenance. This would also raise awareness to owners of the need to maintain properties.

2.5 Other ECF suggestions included the provision of a sinking fund for properties held by the Council, collection of funding for repairs through Council tax and levy's on tenement owners to contribute to repair costs.

ESPC

2.6 Officers met with the Chief Executive of the ESPC who also agreed and recognised the need for a system to enable repairs to tenements through-out the city. The discussion mirrored the views of the ECF. It was agreed that the ESRS and ESPC would further explore the potential for joint working and activity. These could include drop-in sessions at the ESPC shop front, speaking sessions at ESPC-hosted events and advertising in ESPC publications.

RICS

2.7 Officers also met with the Royal Institution of Chartered Surveyors (RICS) to discuss a report they submitted to the Minister for Housing in December 2016. In this paper, the RICS propose an initiative that encourages owners of properties in common ownership to have a building condition survey undertaken on a five yearly basis. This suggestion is called the Tenement Health Check Policy. This would be a voluntary scheme that is accompanied by Government funding for surveys of tenemental buildings. RICS propose that the Tenement Health Check Surveys would be held centrally by the Scottish Government and available to prospective buyers, thus plugging a gap in the current Home Buyers Report system.

2.8 The Tenement Health Check would be an in depth survey which includes approximate costs and has a traffic light system for prioritising repairs. The 'Gold Standard' would be achieved if a property has additional measures in place such as residents committee, maintenance account and maintenance plan.

2.9 At the time of writing, the Government's response to the RICS proposal is awaited.

3. Conclusions

3.1 The Council's ESRS reacts to requests for service from tenement owners. The Council's objective in the new service is to encourage owners to take responsibility for repairs themselves rather than rely on the Council's power to enforce repairs. The new service has tested cases in the Pilot and has achieved a success rate of 60% of cases where owners who requested service went on to arrange the works privately, allowing the Council to close the case. However the power to enforce statutory repairs is still the only option for some owners where they have difficulty in engaging with their fellow neighbours. Of all cases in the pilot only 20% reached the enforcement stage where the Council will undertake repairs in default of owners.

3.2 The Council's introduction of the Missing Share policy Pilot will also enable owners to avoid enforcement of repairs by the Council. The pilot has enabled a repair worth approximately £150,000 to be taken forward by owners with less than £10,000 committed by the Council to be recovered from owners.

3.3 The Council's approach to repairs and maintenance is based on the use of available legislation, specifically the Tenements (Scotland) Act 2004, the Housing (Scotland) Act 2006 and the City of Edinburgh District Council Order Confirmation Act 1991. The Service combines this approach with "cultural support" activities designed to encourage owners to carry out their own repairs and maintenance projects.

3.4 Through increasing links and activities with bodies such as the ECF, ESPC, RICS, COSLA and Scotland's Housing Network (SHN), the ESRS will continue to both contribute to and respond to changes in practice and legislation across Scotland.

4. Contact Details

Andrew Field

Edinburgh Shared Repairs Senior Manager

Contact: Andrew Field, Edinburgh Shared Repairs Senior Manager

E-mail: andrew.field@edinburgh.gov.uk | Tel: 0131 529 73

Governance, Risk and Best Value Committee

10.00am, Thursday, 2 February 2017

Property Conservation – Project Closure Review

Item number	7.7
Report number	
Executive/routine	
Wards	

Executive summary

At the GRBV Committee meeting on 22 December 2016, the Committee took the following decision:

With the legacy statutory repairs resolution projects now close to completion, the Governance, Risk and Best Value Committee requests that Internal Audit conducts a 'project closure' review to establish if there are any lessons to be learned for the future. The terms of reference would be developed by the Chief Executive in consultation with the Conveners of the Governance, Risk and Best Value Committee and the Finance and Resources Committee. The proposed terms of reference would come to the Governance, Risk and Best Value Committee in February 2017 for approval.

This reports sets out the proposed Terms of Reference for the Internal Audit 'project closure' review.

Links

Coalition pledges	
Council outcomes	.
Single Outcome Agreement	

Report

Property Conservation – Project Closure Review

1. Recommendations

1.1 It is recommended that the Committee approves the propose Terms of Reference for the planned 'Project Closure' review to be conducted by Internal Audit.

2. Background

2.1 Following a high number of complaints and allegations of impropriety which prompted a Police investigation, the Council took the decision in 2011 to close the Property Conservation service.

2.2 The closure of the service required:

- The completion of ongoing works and rectification of identified defects;
- The assessment of the collectability and subsequent billing of the un-billed WIP balances held by the Service;
- The resolution of complaints by dis-satisfied customers; and
- The collection of funds owed by customers for works undertaken.

2.3 These processes were close to completion by the end of 2016 and on 22 December 2016, the GRBV Committee took the following decision:

With the legacy statutory repairs resolution projects now close to completion, the Governance, Risk and Best Value Committee requests that Internal Audit conducts a 'project closure' review to establish if there are any lessons to be learned for the future. The terms of reference would be developed by the Chief Executive in consultation with the Conveners of the Governance, Risk and Best Value Committee and the Finance and Resources Committee. The proposed terms of reference would come to the Governance, Risk and Best Value Committee in February 2017 for approval.

3. Main report

3.1 In response this decision, Internal Audit developed proposed Terms of Reference for a 'project closure' review of the Property Conservation closure process.

3.2 The Terms of Reference developed are set out in Appendix 1.

4. Measures of success

4.1 The Council learns the lesson arising from the process of closing the legacy Property Conservation service.

5. Financial impact

5.1 No direct financial impact.

6. Risk, policy, compliance and governance impact

6.1 The identification of the lessons arising from the closure of the legacy Property Conservation Service should inform the Council's governance and control arrangements and reduce the risk of similar events recurring. Cognisance of the lessons learned would also assist the Council in responding should a similar situation occur in future.

7. Equalities impact

7.1 There are no adverse equalities 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 The Internal Audit team consulted with representatives from Corporate Properly and Facilities Management, Legal, Risk and Compliance, the Central Leadership Team and elected members during the development of the proposed Terms of Reference.

10. Background reading / external references

10.1 None

Magnus Aitken

Chief Internal Auditor

Links

Coalition pledges	
Council outcomes	
Single Outcome Agreement	
Appendices	Appendix 1 - Internal Audit Terms of Reference: Property Conservation – Project Closure

Corporate Property and Facilities Management

Terms of Reference – Property Conservation – Project Closure

To: Andrew Kerr – Chief Executive

From: Magnus Aitken - Chief Internal Auditor Date: [insert date]

Cc: Hugh Dunn – Acting Director of Resources
Peter Watton – Head of Corporate Property & Facilities Management
Andrew Field – Head of Edinburgh Shared Repairs
Nick Smith – Head of Legal Risk & Compliance

Background

The legacy statutory repairs resolution projects are now close to completion. At its meeting on 22 December 2016, the Governance, Risk and Best Value Committee requested that Internal Audit conduct a project closure review to establish whether there are any lessons to be learned from the Council's handling of the Property Conservation service closure.

Scope

The scope will be to review the closure of the former Property Conservation service and the Council's response to complaints about legacy statutory repairs, and identify lessons to be learned for the future.

This includes, and is limited to, a review of:

- The completion of 'active sites' and the cessation of activities by the Property Conservation service, subsequent to the decision to close the service;
- The process of determining the recoverability of the un-billed WIP at cessation and its subsequent billing – Project Joule;
- The Council's handling of and response to complaints from owners – the Resolution Team / Panel and their subsequent replacement by Project Momentum ; and
- The management of the debt collection process and its adherence to the Council debt collection policy.

For each stage we will consider:

- Governance and decision-making arrangements;
- Application and adequacy of Council procedures and policies; and
- The level of the Council's engagement with and communication to owners.
-

Limitations of Scope

The scope of our review is outlined above. This review will not include investigations into or assessments of the validity of decisions made in individual cases.

As part of this process, we may seek to contact individuals who are not Council employees. These individuals may exercise their right not to enter into communication with us.

This review will not involve the review of individuals email accounts, nor will it involve any physical searches for documentation.

The scope also excludes consideration of the new Shared Repairs Service. This was the subject of a 'Review Recommend' completed by Internal Audit in January 2016. The new service will be revisited by Internal Audit in 2017/18.

Approach

Our audit approach is as follows:
- Obtain an understanding of the Property Conservation service closure and resolution projects through discussions with key personnel;
- Review available project and case documentation; and
- Consider the appropriateness of the approaches adopted during the Property Conservation service closure and resolution processes; and
- Consider whether there are any lessons to be learned for the future.

Key Contacts

Name	Title	Role	Contact Details
Andrew Kerr	Chief Executive	Review Sponsor	0131 469 3002
Hugh Dunn	Acting Head of Resources	Review Sponsor	0131 469 3150
Peter Watton	Head of Corporate Property	Key Contact	0131 529 5962
Andrew Field	Head of Shared Repairs Service	Key Contact	0131 529 7354
Nick Smith	Head of Legal Risk & Compliance	Key Contact	0131 529 4377
Jackie Timmons	Shared Repairs Manager	Key Contact	0131 529 4946
Linda Murray	Property Conservation – Finance Manager	Key Contact	0131 529 4540