Governance, Risk and Best Value Committee

10.00am, Tuesday, 29 August 2017

Present

Councillors Mowat (Convener), Main (Vice-Convener), Jim Campbell, Dickie, Gordon, Lang, Munro, Rae, Ritchie, Watt and Webber

1.   Status of the ICT Programme

(a)   Deputation – James Gillespie's High School Parent Council

The deputation expressed concern at the ongoing lack of internet access for pupils within the James Gillespie's High School building. The school had taken the decision to implement "BYOD" (Bring Your Own Device) which allows pupils to use their own IT devices, but problems had arisen when they tried to use them within the school building. The deputation believed that the delays in accessing the internet were holding back the pupils' education.

The deputation asked the Council to work with the Parent Council to find a solution to the ongoing problems.

(b)   Report by the Executive Director of Resources

Details were provided on the programme of works within ICT and the current service delivered by the Council's ICT partner, CGI, together with options available to the Council regarding contractual remedies.

Decision

To ask the Executive Director for Children and Families for a report on:

a)   How the decision was taken to enable pupils attending James Gillespie's High School to bring their own IT devices rather than Council devices.

b)   What advice James Gillespie's High School were given by the directorate on the implications of their decision.

c)   Further information of other schools within the City who were in the same situation and their experiences.

     d)   Possible solutions to the issue raised by the deputation on the lack of wi-fi at the High School and related timescales.

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

Declaration of Interests

Councillor Main declared a non-financial interest in the above item as the parent of a child at James Gillespie's High School.

2. Minute

Decision

To approve the minute of the Governance, Risk and Best Value Committee of 1 August 2017 as a correct record.

3. Outstanding Actions

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

Decision

1) To agree to close items 3, 8, 10, 13, 14, 15 and 16.

2) To ask the Chief Officer, Edinburgh Health and Social Care Partnership to provide an update on why the new ICT system for shift allocation was not implemented earlier in the year.

3) To note the remaining outstanding actions.

(Reference – Outstanding Actions – 29 August 2017, submitted.)

4. Work Programme

Decision

To note the work programme.

(Reference – Governance, Risk and Best Value Work Programme – 29 August 2017, submitted.)

5. Review of the Policy Reporting Procedure

Decision

To note that the item had been withdrawn in the absence of a report.

6. Road Services Improvement Plan

Details were provided on the Road Services Improvement Plan which had been approved by the Transport and Environment Committee on 10 August 2017. The plan identified the different issues that impacted on road asset management performance and the actions that the service would take to address them.

Decision

1) To note the report by the Executive Director of Place.

2) To ask for a report back to Committee in 6 months time.

(References – Transport and Environment Committee of 10 August 2017 (item 6); report by the Executive Director of Place, submitted.)

7. Looked After Children: Transformation Programme Progress Report – referral from the Education, Children and Families Committee

The Education, Children and Families Committee had referred a report which provided an update on the progress of the Looked After Children transformation programme, to the Governance, Risk and Best Value Committee for consideration.

Decision

1) To ask the Education, Children and Families Committee to call for a report to its December meeting quantifying the risk related to unaccompanied asylum seeking children.

2) To ask the Education, Children and Families Committee to consider writing to the Scottish and UK Governments for their support with the increasing pressures placed on the authority with regard to looked after children.

(References – Education, Children and Families Committee, 15 August 2017 (item 14); referral from the Education, Children and Families Committee, submitted)

8. Whistleblowing Update

A high level overview of the operation of the Council's whistleblowing hotline for the period 1 January to 30 June 2017 was provided.

Decision

To note the report by the Chief Executive.

(References – report by the Chief Executive, submitted)

9. Whistleblowing Monitoring Report

The Council, in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting during consideration of the following item of business for the reason that it involved the likely disclosure of exempt information as defined in Paragraphs 1, 12 and 15 of Part 1 of Schedule 7(A) of the Act.

An overview of the disclosures received and investigation outcome reports completed during the period 1 January to 30 June 2017 was provided.

Decision

To note the report by the Chief Executive.

(Reference – report by the Chief Executive, submitted)

Item 5.1   Outstanding Actions

Governance, Risk and Best Value Committee

September 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	January 2018		The project has been delayed due to other connected ICT projects being re-planned. A meeting has been scheduled with ICT and CGI to agree an expected completion date and discuss the practicalities of e-voting with the current technology.

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.	Executive Director of Resources	April 2018		A verbal update on appointments was provided in February 2017. An update on new service model will be provided after one year. Assurance of progress was provided within the Internal Audit Opinion Report considered on 1 August 2017.
3	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 scrutiny.	Executive Director of Resources	May 2018		An update will be included in the Progress Report on the Wide Structural Investigations. This will be referred to GRBV following consideration at the Finance and Resources

							Committee in March 2018. The expected completion date for phase one is 31 January 2018.
4	24/10/16 29/09/17	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. To ask the Chief Officer, Edinburgh Health and Social Care Partnership to provide an update on why the new ICT system for shift allocation was not implemented earlier in the year	Chief Officer, Edinburgh Health and Social Care Partnership	Date TBC		Department to draft a briefing note
5	22/12/2016	Internal Audit Quarterly Update Report: 1 July 2016 – 30 September 2016	To request an update report on the recommendation for Edinburgh Buildings Services by November 2017.	Executive Director of Place	November 2017		

6	09/03/2017	Outstanding Actions	To request that the report on the Governance of the Edinburgh Partnership would be referred from the Communities and Neighbourhoods Committee to the Governance, Risk and Best Value Committee.	Chief Executive	January 2018		The Edinburgh Partnership Board will agree on the refreshed governance arrangements in March 2018. This is linked with locality committee developments which will also come early 2018. A report will be provided to members on potential proposals in January 2018
7	20/04/2017	Governance of Major Projects: progress report	1) To note the review underway for how change was reported and managed across the Council which will also include strengthening of governance arrangements around project and programme	Chief Executive			*Action 1 -* The report on Portfolio of Change, key themes, schedule of delivery and the refreshed governance arrangements is due on 31 October 2017.

			delivery. This would be reported to the Governance, Risk and Best Value Committee with developed proposals in the next reporting period. 2) To request that members of Governance, Risk and Best Value Committee have input into the scope of the lessons learned report to be drafted on the New Boroughmuir High School and that this report was referred to the Governance, Risk and Best Value Committee following consideration at the Education, Children and Families Committee. 3) To request communication with teachers, parents and parent councils on the				*Action 3* – The Chief Information Officer has met with the Parent Council of JGHS to update them on the progress of WiFi in the school.

			progress with WiFi provision in schools				
8	01/08/2017	Governance, Risk and Best Value Work Programme – 1 August 2017	To note an investigation report on retention of case records would be reported to the appropriate committee and a timescale for this would be provided as soon as possible.	Executive Director for Communities and Families	Date TBC		
9	01/08/2017	Internal Audit Opinion and Annual Report for the Year Ended 31 March 2017	To request a report on benchmarking, including historic trends, based on Internal Audit findings with other Local Authorities	Chief Internal Auditor	September 2017		*Recommended for closure, included on 26 September agenda.*
10	01/08/2017	Property Conservation Project Closure Review	1) To request a report on forecasting for potential problems with major projects and plans from the Resilience team to prevent these. 2) To provide members with information on the progress of appointing a single point of contact for all major projects.	Chief Executive	October 2017		The report on Portfolio of Change, key themes, schedule of delivery and the refreshed governance arrangements to ensure required management and scrutiny of project/programm

							e delivery is due at GRBV on 31 October.
11	01/08/2017	Employee Engagement Update 2017	To request the action plan drafted following the 2017 employee survey was reported to GRBV for scrutiny and approval prior to implementation	Executive Director of Resources	January 2018		The report will be provided, following the completion of the employee survey and the development of an action plan to address the results.
12	01/08/2017	Monitoring Officer Investigation	1) To request a scoping report on the review of the complaints procedure to the GRBV Committee on 26 September 2017 which included engagement with staff and councillors on how to improve services. 2) To request a report to track the implementation of the Ombudsman recommendations and	Chief Executive	October 2017		

			how these would be monitored in future.				
13	01/08/2017	Monitoring Officer Investigation	To request a review report on Project Management within the Council.	Chief Executive	October 2017		
14	29/08/2017	Status of the ICT Programme	To ask the Executive Director for Communities and Families for a report on: 1) How the decision was taken to enable pupils attending James Gillespie's High School to bring their own IT devices rather than Council devices. 2) What advice James Gillespie's High School were given by the directorate on the implications of their decision. 3) Further information of other schools within the City who are in the same situation and	Executive Director for Communities and Families	Date TBC		Awaiting comment.

			their experiences. 4) Possible solutions to the issue raised by the deputation on the lack of wi-fi at the High School and related timescales.				
15	29/09/2017	Roads Services Improvement Plan	To ask for a report back in 6 months time	Executive Director of Place	February 2018		

Item 6.1 - Work Programme

Governance, Risk and Best Value Committee – September 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: Overdue Recommendations and Late Management Responses		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	26 September 2017 16 January 2018 8 May 2018
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	26 September 2017 16 January 2018 8 May 2018

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	5 June 2018
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	20 March 2018
5	Accounts Commission	Annual report	Local Government in Scotland: Financial Overview	External Audit	Executive Director of Resources	Council Wide	Annually	16 January 2018
6	Accounts Commission	Annual report	Local Government in Scotland: Performance and Challenges	External Audit	Executive Director of Resources	Council Wide	Annually	Autumn/Winter 2017
7	Annual Audit Plan	Scott Moncrieff	Annual audit plan	External Audit	Executive Director of Resources	Council Wide	Annually	Spring 2018
8	Annual ISA 260 Audit Report	Scott Moncrieff	Annual Audit Report	External Audit	Executive Director of Resources	Council Wide	Annually	26 September 2017
9	Interim Audit Report	Scott Moncrieff	Interim audit report on Council wide internal financial control framework	External Audit	Executive Director of Resources	Council Wide	Annually	26 September 2017

10	IT Audit Report	Scott Moncrieff	Scope agreed during annual external audit planning cycle	External Audit	Executive Director of Resources	Council Wide	Annually	31 October 2017
Section B – Scrutiny Items								
11	Governance of Major Projects	6 monthly updates	To ensure major projects undertaken by the Council were being adequately project managed	Major Project	TBC	All	Every 6 months	31 October 2017
12	Welfare Reform	Review	Regular update reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	16 January 2018
13	Review of CLT Risk Scrutiny	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	26 September 2017 16 January 2018 8 May 2018
14	Whistleblowing Quarterly Report		Quarterly Report	Scrutiny	Chief Executive	Internal	Six-monthly	20 February 2018
15	Pride in our People	Staff	Annual report of progress	Scrutiny	Chief Executive	Council Wide	Annual	20 February 2018
16	Workforce Control	Staff	Annual report	Scrutiny	Executive Director of Resources	Council Wide	Annual	8 May 2018
17	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best Value Committee	Annual	Date TBC Re-examine after improved information tracking.

18	Dissemination of Committee Decisions	Democracy	Bi-annual report	Scrutiny	Chief Executive	Council Wide	Six-monthly	October 2017
19	Property Conservation – Legacy Closure programme and Defect Costs	Review	Progress reports	Scrutiny	Executive Director of Resources	All		Date TBC
20	Revenue Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	September 2017 December 2017 February 2018	26 September 2017
21	Capital Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	September 2017 December 2017 February 2018	26 September 2017
22	Revenue Outturn	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	26 September 2017
23	Capital Outturn and	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	26 September 2017

	Receipts							
24	Treasury – Strategy report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	8 May 2018
25	Treasury – Annual report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	26 September 2017
26	Treasury – Mid-term report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	16 January 2018

GRBV Upcoming Reports

Appendix 1

Report Title	Type	Flexible/Not Flexible
26 September 2017		
Revenue Monitoring	Scrutiny	Flexible
Capital Monitoring	Scrutiny	Flexible
Revenue Outturn	Scrutiny	Flexible
Capital Outturn and Receipts	Scrutiny	Flexible
Treasury – Annual Report	Scrutiny	Flexible
Internal Audit: Overdue Recommendations and Late Management Responses	Internal Audit	Flexible
Internal Audit Quarterly Activity Report	Internal Audit	Flexible
Internal Audit – Benchmarking, Historic Trends	Internal Audit	Flexible
Review of CLT Risk Scrutiny	Scrutiny	Flexible

Principles to govern the relationships between the Edinburgh Integrated Joint Board Audit & Risk Committee and the City of Edinburgh Council Governance, Risk & Best Value Committee.	Internal Audit	Flexible
City of Edinburgh Council – 2016/17 Annual Audit Report to the Council and the Controller of Audit	Internal Audit	Flexible
External Audit Review of Internal Financial Controls 2016/17	External Audit	Flexible
Assurance of Council Human Resources Policies – 2017	Scrutiny	Flexible
31 October 2017		
External Audit: IT Security	External Audit	Flexible
Change Portfolio Progress	Scrutiny	Flexible
Project Management Report	Scrutiny	Flexible
Dissemination of Committee Decisions	Scrutiny	Flexible
Review of Complaints and Tracking of Ombudsman Recommendations	Scrutiny	Flexible
Property Conservation Project Closure Review	Scrutiny	Flexible
Welfare Reform Update	Scrutiny	Flexible

Governance, Risk and Best Value Committee

10.00am, Tuesday 26 September 2017

Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017

Item number	7.1
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive summary

Internal Audit has made reasonable progress in the last quarter of the 2016/17 plan year and the first quarter of the 2017/18 plan year.

This report provides details of the activity from 1 January – 30 June 2017.

Report

Internal Audit Quarterly Update Report: 1 January 2017 – 30 June 2017

Recommendations

1.1 Committee is requested to note the progress of Internal Audit in issuing 11 Internal Audit reports during Quarter 4 of the 2016/17 plan year and 2 Internal Audit reports during Quarter 1 of the 2017/18 plan year.

1.2 Committee is requested to note the areas of higher priority findings for reviews issued during this six month period.

1.3 Committee is requested to refer the 6 reports noted in Appendix 1 as potentially being of interest to the Audit and Risk Committee of the Edinburgh Integration Joint Board (IJB) to that Committee.

1.4 Committee is requested to note the 6 audit in progress during Quarter 1 of the 2017/18 plan year as detailed in Appendix 1.

Background

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

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

Main report

Audit Findings for the period

3.1 Internal Audit has made reasonable progress in the final quarter of the 2016/17 plan year with 13 reports being issued for the quarter. These reports contain a total of 11 High, 18 Medium and 4 Low rated findings.

3.2 Reasonable progress was also evident in the first quarter of the 2017/18 plan year with 2 audits completed and 6 in progress. The 6 audits in progress include a thematic review performed across the Council's 10 care homes which has involved circa 120 audit days. Detailed outcome reports and management action

plans have been issued to individual care homes and the overarching report that outlines the consolidated outcomes and findings will be issued in September 2017.

3.3 The current status of all outstanding recommendations from reports issued prior to this period is discussed in the report 'Internal Audit follow-up arrangements: status report' presented separately to the Committee.

3.4 No reports were referred by the Edinburgh Integration Joint Board (EIJB) Audit and Risk Committee at their meeting in June 2017. It is recommended that the Committee refers 4 of the reports issued in Quarter 4 2016/17 to the next EIJB Audit and Risk Committee meeting (refer Appendix 1). None of the reports completed in Quarter 1 2017/18 are recommended for referral.

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

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

Measures of success

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

Financial impact

5.1 None.

Risk, policy, compliance and governance impact

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

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

Equalities impact

7.1 No full ERIA is required.

Sustainability impact

8.1   None.

Consultation and engagement

9.1   None.

Background reading/external references

10.1   None.

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11. Appendices

Appendix 1 – Summary of Internal Audit report findings issued for period of 1 January 2017 – 31 March 2017.

Appendix 2 – Summary of High Risk Findings and Management Actions for period of 1 January 2017 – 31 March 2017

Summary of Internal Audit reports issued during Quarter 4 2016/17 (1 January 2017 – 31 March 2017)

Internal Audit reports				
Title of Review	High Risk Findings	Medium Risk Findings	Low risk Findings	Advisory Comment
# Leavers Process (RES1603)	4	1	-	-
# Property Maintenance – (RES1615)	2	2	1	-
Health and Safety – Contractor Management (RES1601)	1	2	-	-
Complaints (CF1619)	-	3	1	-
# Information Commission Officer Audit Follow Up (RES 1606)	-	3	1	-
Royal Edinburgh Military Tattoo – Stock Management and Anti-Fraud procedures (JB1604)	-	2	1	-
Lothian Valuation Joint Board (JV1601)	-	1	-	1
# Contentious Testing – Working Time Regulations (RES1618)	-	1	-	-
Prevent Strategy (CF1618)	-	1	-	-
Lothian Borders Community Justice Authority (JB1603)	-	-	-	-
SesTrand (JB1602)	-	-	-	-
* # IT Disaster Recovery (CW1602)	1	-	-	-
* # Review of External Security (CW1603)	3	2	-	-
Total	11	18	4	1
Audit report referred by the Edinburgh Integration Joint Board Audit and Risk Committee				
Management Information	1	3	-	-

These reviews may be of interest to members of the Audit and Risk Committee of the Edinburgh Integrated Joint Board and it is proposed that these reviews are referred to that Committee.

* These audits were included in the 2016/17 plan. Whilst work had commenced prior to year end, reports were not finalised until May 2017.

Summary of Internal Audit reports issued during Quarter 1 2016/17 (1 April – 30 June 2017)

Internal Audit reports				
Title of Review	High Risk Findings	Medium Risk Findings	Low risk Findings	Advisory Comment
Short Term Homelessness Housing Provision (SSC1701)	2	3	1	-
Edinburgh Shared Repairs Service (RES1701)	-	-	2	1
Total	2	3	3	1
No Audit reports were referred by the Edinburgh Integration Joint Board Audit and Risk Committee from their June meeting.				

Summary of Internal Audits in progress during Quarter 1 2016/17 (1 April – 30 June 2017)

Internal Audit reports		
Title of Review	Start Date	Estimated Completion Date
Property Conservation Lessons Learned (RES17)	February 2017	Final report issued August 2017
Care Homes (HSC1701)	March 2017	Final overarching report expected by end September 2017 – individual reports have been issued to each of the 10 care homes reviewed.
HR and Payroll – Starters Process (RES1704)	April 2017	Final report issued July 2017
Ross Bandstand (PR1701)	May 2017	Final report expected by end August 2017
Treasury (RES1703)	June 2017	Final report issued August 2017
Local Development Plan (PL1705)	August 2017	Final Report expected by end August 2017

City of Edinburgh Council

Internal Audit

Summary of Critical/High Risk Findings and Management Actions

(1 January 2017 – 30 June 2017)

Contents

Section 1 – Leavers Process

RES 1603

number of findings

	Critical	High	Medium	Low
Total	-	4	1	1

Background

An extended audit of the leavers process which reported in December 2014 raised concerns over the tracking of Council assets and the management of non-payroll staff.

Following this report, Internal Audit was asked to perform a 'review recommend' of the end-to-end leavers process to assess key controls and recommend control design enhancements. Internal Audit mapped the full process and considered the controls in place to address 5 key risks associated with the leavers process:

- Overpayment to individuals for services rendered;
- Inappropriate access to Council data, systems and property;
- Council assets being retained by leavers;
- Council assets not being utilised in the most effective way; and
- Issues regarding staff morale and satisfaction not being identified and rectified.

Both payroll and non-payroll leavers processes were considered. Non-payroll leavers include fixed term contractors and agency workers from Adecco and ASA.

The review identified 5 potential weaknesses in the payroll leavers process, and 3 further weaknesses in the non-payroll leavers process. Internal Audit made 15 recommendations in total as a result of this review.

The Review Recommend report was considered by GRBV in June 2015. Management made a commitment to GRBV at that time that they would implement the recommendations made by Internal Audit, primarily through provisions made the new ICT contract and service redesign under the Council's Transformation Programme. In the interim, a group from the HR Service Centre, HR and ICT Solutions 'would collaborate to mitigate the identified risks'.

This review was undertaken to measure progress made in addressing the weaknesses identified by the Review Recommend.

Scope
The scope of this review was to assess the design and operating effectiveness of the Council's controls relating to the leavers process, with a focus on action taken to respond to weaknesses identified in the 2014 internal audit and 2015 'review recommend'.

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

- System Access;
- Payroll
- Return of mobile assets
- Completion of exit checklists
- Exit interviews; and
- Follow up of Review Recommend findings.

Summary of High Risk Findings
Outstanding Actions from the Review Recommend
Internal Audit carried out a 'Review Recommend' of the end-to-end leavers process which was reported to GRBV in June 2015. There were 8 potential weaknesses identified in this review.

Despite a commitment to GRBV that management would implement the 15 recommendations made in this review, there has been limited progress made in the past 18 months and the weaknesses identified 2 years ago remain.

System Access
From a sample of 45 employees who left the Council in August 2016. 11 (25%) still had an open Active Directory account at the time of our audit in November 2016.

An Active Directory account permits access to core Council IT systems including computer terminals, email and the intranet. User accounts for other Council systems such as Oracle (finance), Swift (social work), iTrent (HR and payroll) and Seemis (schools) are linked to the user's Active Directory account.

Note that we did not review access to other Council systems, or systems hosted by third parties. However, we observed that there is no record of which systems any one employee has access to. Leavers' accounts are therefore only closed if the leaver or their line manager contacts the relevant systems administrator.

Email Redirection
Email redirect rules can be set up on any Outlook account. This allows emails sent to a Council email address from any source to be automatically forwarded to any internal or external email address.

In the case of leavers, this means that the leaver may still have access to Council emails and potentially sensitive data as long as their Active Directory account remains open (see finding 2).

However, this is also a risk for current employees. Employees are able to automatically forward to a business or personal email account. The Council has no guarantee that external email accounts are secure, and no control over or access to information held there.

We note that the Council decided to close web-based email accounts due to concerns over security some years ago. The current Outlook accounts are intended to be accessed only from encrypted Council-managed devices. Email redirect rules allow users to bypass these controls.

Mobile Assets Register
CGI have a list of all laptops and desktops allocated a BTED reference number. However, there is no record of the location or user of each device.

There are no central records of who holds Council-owned iPads and other mobile devices as these are managed locally by service areas and teams.

This means the central IT hub does not know if leavers have returned all Council-owned assets.

Recommendations and Agreed Management Action for High Risk Findings

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
Outstanding Actions from Review Recommend Management should honour the commitment made to GRBV in June 2015 and implement the recommendations made by Internal Audit in connection with leavers.	A process review workshop will be held on 29 March when issues and improvements in the leavers process (including HR, Customer Services and ICT) will be mapped and identified.	30 April 2017	Complete
	HR guidance available to managers and staff on the Orb will be refreshed to reflect the new process and to give managers accurate information about their responsibilities when an employee leaves.	30 September 2017	Not Due.
	We seek to gain insight re: staff morale and satisfaction from a number of different methods, some of which are short term timely interventions with others seeking insight into longer term cultural change we are seeking to achieve. This includes activities ranging from team and service area surveys, staff focus groups and events such as talk with Andrew Kerr. Exit interview template and guidance are available for line managers to use if required, but they are not mandatory. We do however encourage exit interviews for 'regretted' leavers and the Orb guidance will be updated to reflect this. ***Responsible Officers:*** Head of Human Resources/Head of ICT/ Head of Customer	30 September 2017	Not Due.

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
System Access Active Directory accounts must be closed when a member of staff (whether payroll or non-payroll) leaves the Council. Access to other Council IT systems, including those hosted by third parties such as eIRD (which holds child protection records and is hosted by NHS Lothian), must be terminated when the member of staff leaves the Council, or moves to a role where access to that system is no longer required.	Responsibility for the closing down of all account/access for leavers remains with the line manager, the reason amongst other things, to give consideration to any data retrieval/ retention of content that is legislative or required before accounts are deleted. However: 1) ICT Solutions receive weekly leaver reports from HR to close specific system accounts, ITrent, IWorld, Swift etc. 2) ICT will suspend leaver's Active Directory accounts (so the leaver no longer has access to Active Directory and linked systems) once the weekly report is received from HR. ICT will consult with the business on the appropriate period to keep leavers' accounts 'suspended' before deleting them. 3) ICT has now checked the Active Directory accounts of all employees who left in 2016/17, and has deleted any accounts that were still open. 4) ICT will investigate setting an expiry date on all temporary AD accounts covering agency, contractors & partners. 5) Processes have now been tightened to suspend any inactive account where there is an exception 'not known' for 90 days. Accounts will	Immediate Immediate Immediate 30 April 2017 Immediate	Complete Complete Complete Outstanding Complete

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
	subsequently be deleted after 180 days of inactivity. 6) ICT will investigate the possibility of reporting on a subset of temporary accounts (i.e. those beginning with '990' which are assigned to agency staff, contractors and partners) with a view to further investigation with the business areas to validate them.	30 September 2017 30 June 2017	Not Due Not Due
	As per the previous finding, a process review workshop will be held on 29 March when issues and improvements in the leavers process (including HR, Customer Services and ICT) will be mapped an identified. HR guidance will then be refreshed. This will include mechanisms to notify administrators of systems hosted by third parties. ***Responsible Officers:*** Head of ICT/ Head of Customer/Head of Human Resources		
Email redirection Email redirect rules which allow the forwarding of email to a non-Council account should be disabled.	This will be discussed at the Joint Council & CGI Security working group (1st March 2017). CGI will be requested to progress and investigate all potential auto forwards currently active on our network. With the understanding gained from this process, ICT will propose a policy on the use of auto forwards. Current options include, do nothing, disable auto forwards completely, or restrict the functionality to certain individuals or addresses.	30 September 2017	Not Due
	Once the above action has been completed and a	31 October 2017	Not Due

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
	decision reached on the appropriate option, this may need to go to CLT to get agreement to the ICT proposed policy on auto forwards. ***Responsible Officers:*** Head of ICT/ Data Services Manager		
Mobile Assets Register 1) All Council-owned and managed devices should be allocated to a named user. 2) Final salary payments should be withheld until the employee has returned all Council-owned and managed devices to the IT central hub.	This will be addressed fully once the Device refresh programme is completed. All assets issued will be tagged, allocated to a named user and recorded. In the interim: 1) CEC partially holds information on unique asset reference, user name and details of user, last log on etc. for currently active devices. Unfortunately, we don't know the specific site detail where the machines are connecting from within the network. There is an action on CGI to address the level of detail down to site location, a follow up is expected. 2) All managers have been asked to return unused assets to the ICT Hub. 3) HR guidance on the Orb will be refreshed to instruct line managers that assets must be returned to the ICT Hub. Final salary payments withheld or payroll deduction for assets not returned – concept understood however we will reinforce change of process before revisiting for consideration as this would require a significantly	31 December 2017 30 September 2017 Immediate 30 September 2017 Review 31 December 2017	Not Due. Not Due. Complete Not Due Not Due

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
	robust process and extensive communication with all staff prior to taking such action. This recommendation will only be considered should the new processes not close out this issue. ***Responsible Officers:*** Head of ICT/ Head of Customer/Head of Human Resources		

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

Section 2 – Property Maintenance

RES 1615

Total number of findings

	Critical	High	Medium	Low
Total	-	2	1	1

Background

It is widely recognised that much of the Council estate is in a poor condition and that the Council does not have a complete understanding of the current state of its operational property portfolio. There is an extensive exercise underway to carry out condition surveys of all buildings owned and operated by the Council, and to use that data to inform the redesign of the Facilities Management service and the development of the Asset Management Strategy.

An in-house survey team was established in 2015 to undertake a 5 year rolling programme of visual condition surveys to identify latent defects in operational property. These surveys would supplement information from more regular surveys such as statutory inspections, insurance inspections and routine maintenance inspections. Following a recommendation to the Finance and Resources Committee as part of the Asset Management Strategy, a decision was made in 2016 to accelerate the initial 5 year condition survey programme by appointment of external consultants to work in tandem with the in-house survey team. The accelerated survey programme is expected to be completed by the Autumn of 2017. A programme of "rope access" surveys will also precede and supplement the results of the condition surveys.

The Findings surveys will inform the future 5 year Asset Management Works capital programme, any future Planned Maintenance programme and the prioritisation of works.

Scope

The scope of this report is to review the design and operating effectiveness of the Council's framework and controls for identifying repairs required and prioritizing both capital and revenue works.

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

- Identification of repairs;
- Management Information; and
- Prioritisation of work.

Summary of High Risk Findings

Maintenance Budget Shortfalls

The Asset Condition & Maintenance Strategy issued in March 2016 and subsequent quarterly reports to the Finance and Resources Committee have highlighted the significant funding gap between the estimated cost of addressing backlog capital repairs and introducing a planned preventative maintenance programme, and the current Property Maintenance budget.

The Asset Condition & Maintenance Strategy sets out a high level, medium-term strategic budget forecast for the capital and revenue expenditure required over a 5-year period to 2020/21. This estimates a backlog of capital works of £110m over 5 years, as well as the costs of a planned preventative maintenance programme using a benchmark of £26.75 per square meter per year.

This results in a shortfall (clearly reported to the Finance & Resources Committee) of £8m per year on the capital budget (a cumulative shortfall of £40m over 5 years), and £15m per year by 2020/21on the revenue budget (cumulative shortfall of £61m). There is a risk that, once capital works have been completed and operational buildings retained by the Council have been brought up to an acceptable condition, the buildings again deteriorate due to the lack of funding for ongoing maintenance.

In-house surveyors have begun a programme of condition surveys, covering 27.8% of the Council's operational estate to date. £29.6m of backlog capital works have been identified so far. Extrapolated across the remaining estate this gives a cost of £108.7m to carry out backlog capital works. This would indicate that the £110m backlog capital maintenance budget is reasonable if the surveys performed to date are reflective proportion of the population as a whole.

However, this £29.6m does not include revenue backlog costs identified as part of the surveys. Based on three surveys reviewed, revenue spend identified to date was identified as £32k per property. If extrapolated across the full operational estate, this suggests work to carry out backlog revenue works could amount to £32.8 million. This is not included in the £110m identified works, or ongoing planned preventative maintenance.

High Risk Items Identified in Conditional Surveys

It is expected that any health and safety (priority 1), wind and watertight (priority 2) or service disruption (priority 3) issues identified during the condition surveys will be reported to the Facilities Management helpdesk for immediate action.

Condition surveys

We reviewed condition surveys for 3 properties. 3 'Priority 1' health and safety issues were identified at 2 of the properties.

One of these three issues was identified appropriately on the survey, communicated directly to the Facilities Management helpdesk by the

surveyor, and actioned accordingly.

On the second property, two health & safety issues were identified in the narrative of the report issued in June 2016:

- Cracks to a boundary wall
- No finger guards on hinged edges of nursery doors.

The boundary wall was highlighted as a 'Priority 1' issue in the condition survey report. It was reported to the area facilities manager (not the Facilities Management helpdesk) in an email and resolved in August 2016. The lack of finger guards was not highlighted as a 'Priority 1' issue in the condition survey report, but was reported to the area facilities manager by email. It was not actioned. Finger guards have now been procured through the Facilities Management helpdesk as a result of this audit.

Health & Safety issues

We selected a further seven additional high risk items identified across 10 condition surveys to confirm that appropriate action had been taken. We found three issues which were not reported to the Facilities Management helpdesk.

- One issue has not been actioned;
- One issue was actioned by janitorial staff on-site; and
- One action was ultimately deemed unnecessary by the facilities manager.

It was noted during our testing that issues arising from the condition surveys are not consistently reported to the Facilities Management helpdesk, and, if reported, it is not noted that they were identified through a condition survey. This means it is difficult to verify that issues identified in condition surveys have been addressed.

Recommendations and Agreed Management Action for High Risk Findings

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
Maintenance Budget Shortfalls We emphasise the need for the Corporate Leadership Team to consider remedial revenue works and future planned preventative maintenance as part of Asset Management Strategy.	The Corporate Leadership Team (CLT) recognises the maintenance shortfalls noted above. It also recognises that the current situation will likely lead to continued deterioration of the property portfolio with corresponding impacts on service provision and increased whole life costs of individual properties. The CLT recognises the long term benefits of addressing this backlog but given the current financial climate, the priorities of the Council's ruling coalition and the competing demands on the Councils' finite financial resources, does not consider that clearing the backlog is realistically achievable at this time. CLT are proposing to allocate additional resources to the extent feasible and a report to the Finance & Resources Committee in January 2017 includes an option for an additional £1m of expenditure to help ensure that the Council can continue to ensure that its buildings remain in a stable condition, and that they met the Council's Health & Safety and Wind & Watertight criteria.	N/A	N/A
High Risk Items Identified in Conditional Surveys 1) We recommend that condition survey reports are reviewed by a second surveyor to verify that Priority 1-3 issues have been correctly identified and reported.	1. Recommendation 1 is now in place.	Immediate	Complete

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
2) Formalise process for responding to issues identified in condition surveys. We recommend that Priority 1-3 issues are reported to the Facilities Management helpdesk.	2. This process has been agreed by Strategic Asset Management and will be implemented during the external condition survey.	28 February 2017	Complete
3) Issues identified during condition surveys and reported to the Facilities Management helpdesk should be given a unique identifier to allow monitoring of actions	3. The items reported to the helpdesk are separately to be recorded and forwarded to the Technical Operations Manager Note that any urgent items (priority 1, 2 or 3) identified during condition surveys will be reported to the helpdesk but also recorded on the said condition survey and separately noted on an action tracker spreadsheet between SAM and FM. This process is an interim process until the CAFM condition module is fully operational and will allow tracking of items within the system. ***Responsible Officer:*** Capital Asset Planning Manager	28 February 2017	Complete

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

Section 3 – Health & Safety – Contractor Management

RES 1601

Total number of findings

	Critical	High	Medium	Low
Total	-	1	2	-

Background

The Council recognises that in order to deliver its targets and objectives, the health and safety of its staff, contractors and customers is key. Furthermore, in order to keep its employees, contractors and service users safe, it is important to have a robust health and safety management system and strategy in place. Non-compliance with Health & Safety requirements remains a significant risk to the Council.

In February 2015, during PwC's independent review of the proposed changes to the Health and Safety management system, a key finding around contractor management was identified. This finding noted that there were no safety expectations/requirements provided to contractors or included in contract negotiations. On occasions, contractors were found to have begun work without an agreed H&S plan.

This current review was commissioned to check progress against recommendations for improvement of contractor management as well as to carry out a more detailed review of the process of tendering, prequalification, on-boarding and ongoing monitoring of contractors.

Scope

The scope of the review will be to consider the design and operating effectiveness of the arrangements within the Council to manage contractors from a Health & Safety perspective.

The sub-processes included in the review are:

- Procurement of Contractors; and
- Management of Contractors.

Summary of High Risk Finding

Supplier Management

While the Council has a number of standing orders in place to provide guidance on Contractor procurement, there is no overarching strategy and/or policy in place for the control and management of contractors/suppliers. The standing orders in existence have been developed to meet various needs that are being identified as the procurement process becomes more robust. There is a need for a Contractor Management Policy to give structure to the whole process. There are three particular areas of weakness, we have identified:

1. **Unclear roles and responsibilities**

The lack of a structured contractor/supplier management process has led to a lack of clarity around roles and responsibilities with the majority of attention/responsibility reverting back to procurement. Procurement accepts that the initial phase of procuring contractors, is its responsibility but it does not accept that the ongoing monitoring should lie with Procurement. Contract owners are named under each framework, but the individuals are not currently mandated to do anything in regards to H&S and, moreover, there is no guidance provided as to how they should discharge their duties. Contract owners are therefore unsure what is required of them which contributes to inconsistency across the Council with regards to how it manages contractors. For example, it is good practice to request health and safety documentation such as risk assessments, method statements and training certificates prior to commencing with safety critical works. However, all contract owners and contractors interviewed during the audit process reported that this is not currently taking place.

2. **Lack of contractor performance reporting/review process**

There is no quarterly or annual review of contractor performance, covering topics such as Safety but also financial and quality aspects of contract performance. The council is therefore missing potentially valuable management information which could provide benefits such as cost saving and performance feedback. In certain cases, KPIs are set for contractors but there is no evidence that this information is requested and followed through to check how contractors are performing against agreed targets. Some contractors are providing this on a monthly basis but this is often being driven by the contractor rather than being specifically requested by the Council.

3. **Over-reliance on initial prequalification**

There is an over-reliance on the initial prequalification of contractors as a safety risk control measure. The prequalification process can only provide a snapshot in time and should be supplemented by ongoing monitoring of contractors. For example, Procurement may request a sample of risk assessments and method statements to review during the tendering stage but that does not mean that this review should be relied upon for all on-going activities by contractors. Further review should be undertaken by Contract Owners within the Council.

Recommendations and Agreed Management Action for High Risk Findings

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
Supplier Management 1. (a) Create a central team that has cross departmental oversight and is responsible for driving the different facets (Financial, Operational and Risk, plus Policy owners for H&S, data protection, resilience, etc.) of the control and management of contractors/suppliers. In the interest of consistency, we recommend that the current procurement team is augmented to be able to perform this additional oversight role. In order to effectively carry out this function, there would need to be an increase in resource and possible changes to responsibilities within CPS. (b) The monitoring of contractors and subcontractors will remain within the service areas as per the Contract Standing Orders. Where contractors are subcontracting work, a monitoring mechanism must be agreed to ensure that subcontractors are held to the council's performance standards. 2. Create a policy for the control and management of contractors and suppliers that aligns to recognised standards, leveraging sources of contractor management good practice. This policy should specify responsibilities for the	It is proposed that the findings will be addressed through the implementation of a Council-wide approach to Contract Management. The establishment of a dedicated team to facilitate the development of an overarching strategy and architecture to define common processes, best practice and to support management and reporting on a tiered basis was previously approved by CLT and will support the delivery of some of the recommendations within the report. 1. a.) Establish a team within CPS to work in partnership with service areas to facilitate the development of overarching processes, information, advice and guidance for Service Areas and Contract Owners. b.) Monitoring of Contractors and subcontractors remains the responsibility of service areas as part of the Contract Standing Orders. A reminder will be sent to service areas in this regard. Contract owners need to ensure that Contractors and Suppliers operate to acceptable standards in all aspects of their performance including quality of work, financial cost and safety standards. 2. CPS will work closely with Service Areas and the H&S and other teams to create a policy for the control and management of contractors &	1a.) 31 December 2017 1b.) Ongoing 2.) 31 December 2017	Not Due N/A Not Due

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
different stakeholders involved in the contractor management process. 3. Schedule and maintain regular reviews of contractor performance that consider the financial, operational, quality and H&S performance of the contractor. The frequency of these reviews should be determined by such factors as the significance of the safety risk, the amount of spend, etc. 4. A communication plan for contractor management should also be determined by the Chief Procurement Officer, specifying the reporting arrangements to the central team in charge of contractor management. 5. Develop a training programme for those with responsibilities within the contractor management process, especially for Contract Owners and users. A contractor management 'roles and responsibilities' training plan should be developed with specific focus on Contract Owners, Contract Users, Contractors, as well as Managers and any other specific staff as agreed by the Council.	suppliers that aligns to recognised standards and good practice. The policy will specify responsibilities for the different stakeholders involved in contract management process. 3. CPS will work with Service Areas, CPS, Risk and Policy owners for key risks (incl H&S, data protection, resilience) to identify key measures and KPIs required to ensure consistency around contractors performance and review including guidance on good practice for Contract Owners and Service Areas. Using this appropriate measurement, a process on reporting, and escalation will be developed for use by Service Areas adopting a risk based approach. 4. Service Areas and CPS to develop a communication plan which will specify the escalation, reporting and feedback arrangements to the central Contract Management team and/or other relevant team on risks, poor performance or contract breaches. 5. Chief Procurement Officer to determine generic principles of contract management with specific focus on Contract Owners, Contract Users, Contractors, as well as Managers and any other specific staff as agreed. Specific and relative skills training for contract owners will need to be assessed and implemented by Directors. Directors should ensure that suitably skilled staff are identified as Contract Owners. Head of HR will be		
		3.) 31 December 2017	Not Due
		4.) 31 December 2017	Not Due
		5.) 31 December 2017	Not Due

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
	responsible for the establishment of a Training Programme for those with responsibilities within the contractor management process. ***Responsible Officers: Directors of Resources, Place, Communities & Families, Health & Social Care, Chief Procurement Officer, Head of HR***		

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

Section 4 – IT Disaster Recovery

Total number of findings

	Critical	High	Medium	Low
Total	-	1	-	-

Background

Until 31 March 2016, BT were responsible for the provision of Edinburgh Council's DR capability. BT had access to a recovery site that held backups but there were no clear plans for how these would be used to re-establish service following a major disruptive incident. DR plans had never been reviewed or tested.

On 1 April, CGI replaced BT as the Council's IT service provider and responsibility of the provision of DR capability transferred to CGI. As part of the new contractual arrangements, CGI agreed to test the effectiveness of this capability on a timely basis, based on the criticality of ICT systems.

The CGI Head of Services is responsible for ensuring the following take place:

- Plan the test and share the plans with the Council;
- Obtain approval of test data to be used, test plan, specification and schedules prior to test execution and for the test to proceed;
- Ensuring that the DR tests are carried out according to the contracted schedules;
- Reporting back to the Council with the results of the tests including recommended actions and monitoring of these actions;
- Providing notice of testing and agree witnessing with the Council; and
- Perform retests where necessary.

The design of the DR programme proposed by CGI has only recently been agreed by the Council and testing on its effectiveness has yet to be performed. It is expecting that testing will commence at some point in 2017.

Scope

The scope of this review was to:

- Assess the design and operating effectiveness of processes to identify critical systems; and
- Assess the current roadmap, action plans and governance activity to embed IT DR capability for council systems managed by CGI.

Summary of High Risk Finding

The current DR capability is not sufficiently robust to allow confidence that ICT services across the Council can be fully recovered in a prioritised and timely manner following a significant ICT incident.

Following the transition of IT managed services to CGI, a DR programme has been established which, it is anticipated, would allow the Council to recover critical services and data in the event of major disruption or loss of IT infrastructure. However, enhancements are required to allow confidence that the DR programme will meet the recovery requirements of the Council and its stakeholders.

The weaknesses in the DR programme, set out below may adversely impact upon the ability of the Council to recover critical systems effectively:

- Robust testing in line with the CGI contractual requirement, of the Council's recovery processes has not been performed to determine whether the recovery solution is fit for purpose and to validate the effectiveness of the current design of recovery provisions and processes.

- The approach to classifying critical systems, as either P1, P2 or P3 (High, Medium, Low), is not consistent and does not consider other prioritisations within the Council. The application of these ratings are determined by business owners and is a subjective process, which may result in systems being misclassified from a Council wide perspective.

- The inventory of system dependencies between critical Council systems is not regularly reviewed or maintained. Management review this on an ad hoc basis or when CGI identify any weaknesses in infrastructure.

- There is no mandatory requirement for, or oversight of, DR provisions or testing for IT systems that are procured, managed or maintained either outside the CGI contract or without oversight from ICT.

- Business owners and stakeholders for IT systems and services have not been updated, which may result in delays in implementing improvements and establishing business requirements.

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
Management should ensure that ICT systems within the Council have been identified and classified appropriately. Disaster recovery processes should be vigorously tested to validate the ability of the Council to successfully recover systems and data within the defined timescales set by stakeholders. For systems that are identified which are not managed by central ICT (Shadow IT), Management should consider how they could	Differing implementation dates are proposed for the distinct elements of the recommendation as follows: - 'Management should ensure that ICT systems within the Council have been identified and classified appropriately' – This will be conducted for all centrally managed IT. See below for consideration of 'Shadow IT'. - 'Disaster recovery processes should be vigorously tested to validate the ability of the Council to successfully recover systems and date within the	30 June 2017 31 March 2018	IA Validation Not Due

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
work with the system owners in ensuring that that these systems are resilient and can recover following a major incident.	defined timescales set by stakeholders' – DR plan in place covering 8 keys systems to be executed by end 2017, thereafter DR plan/testing will be re-programmed in line with the status of the transformation. A prioritised DR plan incorporating the testing of systems as per their classification will be in place by 31 March 2018.		
	• 'For systems that are identified which are not managed by central IC (Shadow IT), Management should consider how they could work with the system owners in ensuring that these systems are resilient and can recover following a major incident' - Please refer to recommendation No 3 of the 'Review of External Security Internal Audit Report (CW1603).	30 November 2017	Not Due.
	Responsible Officers: Enterprise Architect, ICT Solutions		

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

Section 5 – Review of External Security

Total number of findings

	Critical	High	Medium	Low
Total	-	3	2	-

Background

The Council is operating in an increasingly connected world and is adopting digital technologies to provide more effective and responsive services to citizens. With the proliferation of the use and sharing of data through digital channels, significant risks arise in storing, processing and moving this data securely. To help facilitate a growing and complex operating environment, there is a reliance on third party suppliers, which in itself, creates additional challenges and risks to organisations who choose to source IT services externally.

In 2016 responsibility for the provision of managed IT services and infrastructure for the Council transitioned from BT to CGI. As part of this arrangement, CGI has taken responsibility for IT security services and maintaining an IT environment that protects the confidentiality, availability and integrity of the Council's information.

The Council relies on an ICT environment that includes a large number of legacy systems (i.e. those that are no longer supported by the third parties that develop core components). Improving and securing legacy systems can be challenging, particularly where the third party no longer exists or the software and infrastructure of systems are outdated.

Remediation activities to improve the security of Council infrastructure, network and systems include Public Sector Network (PSN) reaccreditation, which is required to demonstrate that the Council's security arrangements are sufficiently rigorous to access the UK Government's public sector network. In order to achieve this, 26 high and 32 medium risk items were remediated within the Council's IT estate that were identified by CGI during IT health checks in late 2016. While certification was successfully obtained in February 2017, there remain a large number of risk items that still need to be addressed including significant vulnerabilities inherited from the former IT services provider tenure.

We reviewed the coverage and oversight of controls that protect the Council's systems from external threat. In particular, this review focuses on the level of oversight provided by CGI to Council Management of the operational effectiveness of the controls that secure the Council systems.

Scope

The review focuses on the following sub-processes and control objectives:

- Risk Management;
- Control Coverage;

- Oversight; and
- Education and Awareness

Summary of High Risk Findings

<u>The Council have not embedded a security programme to coordinate security improvement activities across the organisation</u>

Following the transition of IT managed services from BT to CGI in early 2016, there have been remediation activities across the Council's estate to improve the security across infrastructure, networks and systems. Remediation plans to recertify for Public Sector Network (PSN) accreditation and ongoing progress with the Security Management Plan (which defines the baseline security measures CGI will implement) have helped to further secure the Councils defences since this time.

The Council have attempted to define an overarching security programme to coordinate these security improvement efforts. However Management have been constrained by a need to remediate current control issues. As a result, this overarching programme has not been progressed. Security improvement activities are not being carried out as part of a wider programme (joining together the SMP as well as other security activities such as user education and identification of shadow IT elements) to ensure that efforts are coordinated and prioritised in such a way that would allow the most significant risks to the organisation to be addressed.

Furthermore, the lack of security programme means that there is not a consolidated approach that would inform Senior Management of progress, provide oversight over the status of enterprise security and allow visibility over significant security gaps within the Council. It is therefore challenging for ICT Management to obtain the required engagement from stakeholders to make meaningful progress.

A security programme would also help to provide additional oversight over CGI's contractual obligations, in particular those stated within the Security Management Plan. We also note that security measures that would help to secure the Council's enterprise security have not yet been implemented by CGI, for example:

- An Information Security Management System (ISMS), that would detail CGI's policies and processes to manage information risk, has not been shared with the Council despite Management requesting assurance that this is in place and operational.

- Inventories that detail the Council's external facing systems (and network ingress/egress points) have not been completed.

- Registers have not been completed that detail which third parties services are employed, the connections that exist and the security measures that protect Council data when transacting with these suppliers. Council Management have requested this from CGI however this is still outstanding.

<u>The Council does not have assurance over the design or operating effectiveness of controls in place over its infrastructure, data and systems</u>

CGI, a third party IT service solutions provider, maintains the Council's systems, infrastructure, networks and controls that safeguard these technologies. While a contract is in place that determines what CGI will do, and a Security Management Plan that details the security activities to be delivered and managed, there are no processes in place that allow Management to obtain comfort that these controls are meeting the security requirements of the Council.

We note that Management have provided challenge to third party suppliers and have requested evidence of effective operation of control. Despite this effort, they have yet to obtain sufficient assurance and evidence of whether baseline security controls operated by CGI are:

- Appropriate for the data or systems they safeguard;
- In place, operating effectively and have not been compromised;
- Consistently updated to remove known exploits or vulnerabilities; or
- Configured in line with best practice

Furthermore, evidence has not consistently been provided by CGI to Management over the following IT security activities:

- Penetration testing over Council projects and new technologies;
- Continuous vulnerability scanning over the Council's IT estate;
- Intrusion Detection Systems (IDS) are in place and operating effectively;
- Restricting privileged roles and access over critical systems that contain sensitive or PII data; and
- Compliance activities that ensure that third party services have sufficient controls in place to handle and protect Council data and systems

Without suitable assurance and management information, the Council is unable to form a view of the security or integrity of its IT infrastructure, systems and services. Management, without such evidence, cannot gain comfort over whether the "crown jewels" of the organisation (i.e. data on vulnerable persons) have the appropriate controls in place to safeguard it, or assess whether additional controls are required.

<u>There is limited control and oversight over areas of 'Shadow IT' within the Council</u>

In discussion with Management, it was noted that there are areas of 'shadow' IT (where technology is implemented and maintained without knowledge or oversight from central IT Services) in operation at the Council. This poses an unquantifiable risk to the Council as it is unknown what types of data are stored, what security measures and processes are in place, who has access to this data and what if any Disaster Recovery provision is in place.

Management have recognised these vulnerabilities in IT and information security however and are actively trying to remediate these areas. A new process has been implemented that requires all Council IT purchases made out with of standard CGI adoption processes to be applied via a procurement waiver, which will enable ICT to assess the adoption of new technologies prior to their acquisition.

Areas of shadow IT that are currently in operation range from:

- Schools which implement their own hardware without being risk assessed or configured to a security baseline by Council IT Services. Desktops or laptops that are used to store and process sensitive or personable identifiable information (PII) may not have appropriate controls in place to safeguard this data.

- Departments within the Council that operate their own IT infrastructure or databases that are independent of central ICT services. As some departments operate autonomously and with little dependence on central ICT, there is limited oversight over the maintenance of information systems or the robustness of security controls in place. For example, traffic light management systems run on legacy operating systems that are no longer vendor supported and limited consideration has been given to the secure architecture or protection of these systems.

- Council websites (Management have noted over 200 instances) that are not administered through CGI or Council ICT services. Some instances are hosted with third party suppliers that have not considered security arrangements within the contract. Similarly many have not been subject to security testing (for example penetration testing to identify vulnerabilities or weaknesses). Management have identified the websites in operation and a programme is ongoing to consolidate these within the Council, however it is important that sufficient governance be applied to ensure that websites processing personal or sensitive data are managed securely.

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
<u>The Council have not embedded a security programme to coordinate security improvement activities across the organisation</u> The Council, with the support of CGI, should implement a formal programme of security that would consolidate the security improvement and remediation activities across the organisation.	A security programme will be prepared by CGI, reviewed by the ICT Security Manager and subject to approval by the Head of ICT. CGI will be responsible for the implementation of the Security plan ***Responsible Officers:*** ICT Security Manager	30 June 2017	IA Validation
<u>The Council does not have assurance over the design or operating effectiveness of controls in place over its infrastructure, data and systems</u> It is recommended that the Council define with CGI the security metrics, KPIs and reporting	The ICT security manager will derive suitable security metrics, KPI's and reporting mechanisms. Agreement will be sought from CGI prior to the implementation of these metrics An assurance review process will then be put in place.	31 August 201 30 September	IA Validation Not due

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
mechanisms that would provide Management assurance over the: • controls in place over their systems, infrastructure and staff • management of these controls • operating effectiveness of these controls Additionally, positive assurance reviews should be carried out by the Council to give comfort over the effectiveness of ICT controls embedded by CGI.	*Responsible Officers:* ICT Security Manager	2017	
<u>There is limited control and oversight over areas of 'Shadow IT' within the Council</u> It is recommended that a risk assessment be performed to scope the technologies and systems in operation across the Council that are not managed by central ICT services. Following this, Senior Management should determine, on a case by case basis, whether to: • accept the risk that these systems pose to the Council's security and allow them to operate autonomously; or • 'on-board' these systems to allow them to be administered by Central ICT services. An 'on-boarding' process should be developed, with sufficient oversight and governance, to facilitate the transition of systems and technologies to central management.	The four elements to this recommendation are agreed. These actions also address the 3rd action in Finding 1 of the 'IT Disaster Recovery' Internal Audit Report (CW1602) The proposed implementation dates are as follows: • Risk assessment • Senior management decisions on technologies and systems • 'On-boarding' process incorporated within decision making stage above • Procurement route(s) and appropriate risk assessment process embedded within the first two stages above. *Responsible Officers:* CIO/Head of ICT Solutions	30 September 2017 31 March 2018 31 March 2018 31 March 2018	Not Due Not Due Not Due Not Due

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
Management should also consider how they can work with the functions and departments that are able to procure IT autonomously, to ensure that shadow IT systems are appropriately identified and risk assessed prior to acquisition.			

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

Section 6 – Short Term Homelessness Provision

Total number of findings

	Critical	High	Medium	Low
Total	-	2	3	1

Background

The Council has a statutory obligation to provide temporary accommodation to any person who presents as homeless. Temporary accommodation is provided either in furnished flats (via the private sector leasing scheme), supported accommodation, Council-staffed units, bed and breakfast facilities or hostels.

The number of people presenting as homeless has decreased substantially, from 3,649 in 2015/16 to 2,912 in the 11 months to end February 2017. This represents a decrease of 13% pro rata. Meanwhile, the average length of stay in temporary accommodation has increased from 120 days in 2015/16 to 139.7 days in 2016/17. This is in large part because Edinburgh has an acute shortage of housing in the social rented sector so there is a shortage of suitable accommodation for people living in temporary accommodation to move on to.

Around 400 Bed and Breakfast ("B&B") places are provided by guesthouses under a framework contract. The framework covers the period from August 2015 to August 2017. In the 18 months since the contract framework began, demand for short-term accommodation has increased, and around 100 places are now procured as 'off contract' spot purchases.

The current providers of the private sector leasing scheme are Link Housing Association. They procure and manage private rented accommodation on behalf of the Council under a 3 year contract which runs until 31 March 2018. Link Housing Association is contracted to supply up to 1,750 flats and houses.

Scope

This review focused on contract management of bed and breakfast accommodation and the private sector leasing scheme, considering the following areas:

- Service Provision;
- Finance; and
- Forward planning

Summary of High Risk Findings

Off-contract purchasing

A significant element of expenditure on B&Bs is on off-contract properties that are consistently used and in some cases fully occupied by the council for the whole year.

In 2016/17, 15,362 bed nights were purchased in off-contract B&Bs for a total of £953,006.51. The detailed table included in the Finding in the main report following table shows a total of 11 frequently used off-contract B&Bs in 2016/17.

There are no contracts in place with these providers and there was no competitive tendering. Rates are often more than equivalent on-contract provision, and in a number of cases the Council pays these providers more than their advertised rate.

These providers are not subject to the same contractual obligations and contract monitoring as contracted providers, which include annual inspections of the property and health & safety certification.

The level of off-contract spend suggests that the current contract framework was based on inaccurate estimates of future need. The Bed & Breakfast contracts expire in August 2017. The procurement exercise for new Bed & Breakfast contracts has begun, but at present future service demand has not been forecast, and there is no clearly articulated plan for the provision of this type of accommodation as part of a wider strategy to tackle homelessness.

Invoices are not checked for accuracy of prices

B&B providers submit invoices (usually weekly) detailing the individual's name, the length of the stay, the price for the stay and any other costs such as flex rates.

The rate per room and flex rates on the invoice are not checked before approving the invoice for payment.

We inspected a sample of 25 invoices:

- 12 invoices were from contracted B&Bs. We were unable to agree any of these to contract rates.
- 9 invoices were from off-contract B&Bs. We were only able to agree 2 of these invoices to rates recorded on the HIS database.
- We were unable to obtain documentation in support of 4 invoices.

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
Off-contract purchasing The Service should work with the Corporate	For future contract delivery, a forecast analysis will be completed. Although the service is demand-led and at times subject to external influences, for example,	Completed	IA Validation

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
Procurement Office to develop a service specification which will meet the needs of the Service and service users over the next 3-4 years. We recommend that this work includes: • A forecast of future service demand; • Evaluation of the potential impact of external factors such as Welfare Reform; • Consideration of supplier capacity/appetite and alternative service models; • Analysis of where numbers of units in a ward are breached; and • A 'lessons learned' review of the current contract framework. If under the new contract there is a need for spot purchasing or an increased demand for temporary accommodation, the Service should seek to comply with Contract Standing Orders. The Service should also seek to satisfy itself that 'spot' purchase and off-contract accommodation hold the necessary licenses and meet the appropriate Health & Safety standards.	welfare benefits changes, the service holds enough information on historic and current provision for a realistic forecast of contract requirements to be completed. To ensure city-wide provision to meet the needs of our customers and minimise community impact, there has been a cap on the number of contracted properties in each ward (currently 8). Given the increase in demand, following future procurement, it is likely that some wards will have more bed and breakfast provision than others. Based on the demand projections, this cap may need to be reviewed and increased by agreement with elected members. Use of non-contracted properties will be kept to a minimum, only being used in short-term emergency situations, and service users will be transferred to contracted properties as soon as practicable. A process will be implemented to ensure that use of non-contracted properties is in line with the Council's Contract Standing Orders. Cumulative cost per supplier will be monitored to ensure £3000 threshold is not breached and waivers are put in place if necessary. Regular review meetings will be conducted to ensure that records are kept and that everything possible is being done to minimise use of these properties. ***Responsible Officers:*** Homelessness and Housing Support Senior Manager	31 July 2017 30 June 2017	IA Validation IA Validation
Rates should be checked against contracted or agreed rates before invoices are approved for payment.	We will ensure there is a process in place to provide bed costs accurately at the point of initial contact and record this on the system. This will happen for each placement to ensure that every placement has the correct price. Invoices will be checked against these	30 June 2017	IA Validation

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
A quality assurance process over the invoice check should be introduced.	prices before being approved for payment. A pro-forma will be developed for audit purposes and a 2% audit check of all invoices will be undertaken monthly to ensure accuracy of price, occupancy and invoice checking. *Responsible Officers:* Temporary Accommodation Team Leader and Business Support Manager aligned to Homelessness and Housing Support Service	31 October 2017	Not Due

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

Section 7 – Management Information – Referral from the Edinburgh Integration Joint Board Audit & Risk Committee

Total number of findings

	Critical	High	Medium	Low
Total	-	1	3	1

Background

The Edinburgh Integration Joint Board ('EIJB') approved the Strategic Plan for Health and Social Care in Edinburgh in March 2016. This plan forms the basis for directions issued to NHS Lothian and City of Edinburgh Council setting out how services should be delivered.

The EIJB is required to establish a performance management framework to enable it to monitor progress against the priorities and actions set out in the Strategic Plan. As part of the performance management framework, the EIJB will need data from the organisations of the Edinburgh Health & Social Care Partnership which is accurate, timely, and curated to meet the particular needs of the EIJB, allowing them to monitor performance effectively and make informed decisions on the provision of health and social care in the City.

The Public Bodies (Joint Working) (Scotland) Act 2014 also requires all Integrated Joint Boards to publish an Annual Performance Report, with the first due in July 2017 for the 2016/17 financial year. Boards will report performance in each locality against the 9 National Outcomes.

Scope

The scope of this review will be to assess the design and operating effectiveness of the EIJB's controls relating to management information. This included:

- The development of the Performance Management Framework; and
- Review performance reporting on delays across the Health & Social Care system

Summary of High Risk Findings

Performance Management Framework in Development

A key part of the strategic plan is the development of a performance management framework, which will allow the EIJB to monitor progress against national and local outcomes, and embed quality improvement.

The EIJB is also required by the Public Bodies (Joint Working) (Scotland) Act 2014 to publish a performance report each year, with the first report due in July 2017. The Scottish Ministers have indicated that this will be a report on performance against the 9 National Outcomes and 23 core indicators.

At the time of audit fieldwork, 6 months into the 2016/17 performance year, both the Performance Management Framework and the Annual Performance Report are in development. Management are building a performance management framework from scratch and, in consultation with stakeholder groups, are in the process of developing metrics for the 44 strategic objectives set by the EIJB, and the 23 core indicators set by the Scottish Ministers.

Rubrics (definitions of what 'excellent', 'acceptable' and 'poor' look like for that section) are being trialled for 5 of the 44 strategic objectives. Progress against the remaining 39 strategic objectives will be tracked by monitoring whether key milestones in the project plan are met. The project plans are currently being drafted.

Until the Performance Management Framework is developed, however, regular performance reporting to the EIJB and its subgroups is limited to financial updates and statutory delayed discharge reporting.

Recommendations and Agreed Management Action for High Risk Finding

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
Performance Management Framework in Development The Performance Management Framework, including preparation for the Annual Performance Report, should be finalised and embedded. This should include:	We now monitor and have data against the 23 core indicators. However, the 2016/17 data will not be available by July 2017. This is a national issue and Scottish Government is aware of it.	28 February 2017	Complete

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
- Performance measures (whether criteria for rubrics, or 'traditional' performance indicators); - Data required to assess performance against the National Outcomes and internal performance measures; - Establishing the source and timing of data; - Defining the roles of Committee and key management groups in relation to performance monitoring; and - Agreeing the frequency and format of performance reporting	A Performance Board is being established as part of the overall governance framework for the Health and Social Care Partnership which will work closely with the IJB Performance and Quality Group. The main role of the Performance Board will be to agree the core set of performance indicators and monitor delivery against these. The Board will have its first meeting in February 2017. An initial meeting has taken place to discuss the content of the Annual Performance Report. A core group has been identified to take this forward and a series of meetings is being arranged for early in the New Year. The intention is for a draft report to go to the IJB Development session in April 2017. A governance framework will be developed and documented setting out the roles remits and membership of the various committees and groups and the relationship between them. *Responsible Officer:* Strategic Planning Manager	31 July 2017 28 February 2017	Not Due Complete

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

Summary of High Risk Findings

Off-contract purchasing

A significant element of expenditure on B&Bs is on off-contract properties that are consistently used and in some cases fully occupied by the council for the whole year.

In 2016/17, 15,362 bed nights were purchased in off-contract B&Bs for a total of £953,006.51. The following table shows frequently used off-contract B&Bs in 2016/17: Off Contract B&B	No of Bed nights	Cost of Bed nights	Average cost per night	
Abbot House Hotel*	3658	£191,982.50	£52.48	
Abbey Lodge	2372	£158,200.00	£66.69	
Aaron Lodge	2287	£119,058.57	£52.06	
Edinburgh Regency Guest House	1605	£108,270.00	£67.46	
Parkview Hotel	909	£80,648.80	£88.72	
Heriott Park B&B	586	£56,185.00	£95.88	
Premier Inn (South Queensferry)	208	£33,625.95	£161.66	
John's Place (No 9)*	614	£28,838.00	£46.97	
Ravensdown	677	£27,200.00	£40.18	
Premier Inn (Leith)	119	£12,656.94	£106.36	
Premier Inn (Haymarket)	112	£11,958.70	£106.77	

Section 7 – Management Information – Referral from the Edinburgh Integration Joint Board Audit & Risk Committee

Total number of findings

	Critical	High	Medium	Low
Total	-	1	3	1

Background

The Edinburgh Integration Joint Board ('EIJB') approved the Strategic Plan for Health and Social Care in Edinburgh in March 2016. This plan forms the basis for directions issued to NHS Lothian and City of Edinburgh Council setting out how services should be delivered.

The EIJB is required to establish a performance management framework to enable it to monitor progress against the priorities and actions set out in the Strategic Plan. As part of the performance management framework, the EIJB will need data from the organisations of the Edinburgh Health & Social Care Partnership which is accurate, timely, and curated to meet the particular needs of the EIJB, allowing them to monitor performance effectively and make informed decisions on the provision of health and social care in the City.

The Public Bodies (Joint Working) (Scotland) Act 2014 also requires all Integrated Joint Boards to publish an Annual Performance Report, with the first due in July 2017 for the 2016/17 financial year. Boards will report performance in each locality against the 9 National Outcomes.

Scope

The scope of this review will be to assess the design and operating effectiveness of the EIJB's controls relating to management information. This included:

- The development of the Performance Management Framework; and
- Review performance reporting on delays across the Health & Social Care system

Summary of High Risk Findings

Performance Management Framework in Development

A key part of the strategic plan is the development of a performance management framework, which will allow the EIJB to monitor progress against national and local outcomes, and embed quality improvement.

The EIJB is also required by the Public Bodies (Joint Working) (Scotland) Act 2014 to publish a performance report each year, with the first report due in July 2017. The Scottish Ministers have indicated that this will be a report on performance against the 9 National Outcomes and 23 core indicators.

At the time of audit fieldwork, 6 months into the 2016/17 performance year, both the Performance Management Framework and the Annual Performance Report are in development. Management are building a performance management framework from scratch and, in consultation with stakeholder groups, are in the process of developing metrics for the 44 strategic objectives set by the EIJB, and the 23 core indicators set by the Scottish Ministers.

Rubrics (definitions of what 'excellent', 'acceptable' and 'poor' look like for that section) are being trialled for 5 of the 44 strategic objectives. Progress against the remaining 39 strategic objectives will be tracked by monitoring whether key milestones in the project plan are met. The project plans are currently being drafted.

Until the Performance Management Framework is developed, however, regular performance reporting to the EIJB and its subgroups is limited to financial updates and statutory delayed discharge reporting.

Recommendations and Agreed Management Action for High Risk Finding

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
Performance Management Framework in Development The Performance Management Framework, including preparation for the Annual Performance Report, should be finalised and embedded. This should include:	We now monitor and have data against the 23 core indicators. However, the 2016/17 data will not be available by July 2017. This is a national issue and Scottish Government is aware of it.	28 February 2017	Complete

Recommendations	Agreed Management Actions	Target Date	Status of Actions Due
- Performance measures (whether criteria for rubrics, or 'traditional' performance indicators); - Data required to assess performance against the National Outcomes and internal performance measures; - Establishing the source and timing of data; - Defining the roles of Committee and key management groups in relation to performance monitoring; and - Agreeing the frequency and format of performance reporting	A Performance Board is being established as part of the overall governance framework for the Health and Social Care Partnership which will work closely with the IJB Performance and Quality Group. The main role of the Performance Board will be to agree the core set of performance indicators and monitor delivery against these. The Board will have its first meeting in February 2017. An initial meeting has taken place to discuss the content of the Annual Performance Report. A core group has been identified to take this forward and a series of meetings is being arranged for early in the New Year. The intention is for a draft report to go to the IJB Development session in April 2017. A governance framework will be developed and documented setting out the roles remits and membership of the various committees and groups and the relationship between them. ***Responsible Officer:*** Strategic Planning Manager	31 July 2017 28 February 2017	Not Due Complete

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

Governance, Risk and Best Value Committee

10.00am, Tuesday, 26 September 2017

Internal Audit: Overdue Recommendations and Late Management Responses

Item number	7.2
Report number	
Executive/routine	
Wards	

Executive summary

This report sets out all overdue Internal Audit recommendations across the Council providing further status updates and likely implementation dates where they have been provided by service Areas (Appendix 1).

There are currently 83 open Internal Audit recommendations across Service Areas as at 25 August 2017, of which 36 (43%) are overdue. This reflects a decrease of 5 overdue recommendations from the latest position (41) reported to the Governance, Risk and Best Value (GRBV) Committee on 1 August 2017 (as at 27 June 2017).

This report also identifies audit reports that have been issued in draft where final management responses have not been received within our two week service standard. There are currently no draft reports where management responses have not been received within the two week requirement.

Internal Audit: Overdue Recommendations and Late Management Recommendations

1. Recommendations

1.1 The Governance Risk and Best Value (GRBV) Committee is requested to note:

    1.1.1 The current status of overdue Internal Audit recommendations as at 25 August 2017;

    1.1.2 The revised approach proposed in relation to the 3 recommendations noted at section 3.12 below that was approved by the Corporate Leadership Team (CLT) at their meeting on 30 August 2017;

    1.1.3 The revised Internal Audit (IA) monthly reporting timetable for updates on open and overdue recommendations detailed at section 3.13; and

    1.1.4 That there are currently no reports issued in draft where management responses have not been received within our two week service standard.

2. Background

2.1 The GRBV Committee and CLT have both expressed concerns about the number of overdue Internal Audit recommendations. Currently, the status of overdue recommendations is reported monthly to CLT and quarterly to GRBV.

2.2 It is anticipated that the greater visibility that this monthly reporting provides will result in more Internal Audit recommendations being closed off in a timely manner.

2.3 At the CLT meeting on 10 July 2017, revised proposals for monitoring and reporting on overdue Internal Audit recommendations were approved. This paper provides an update on overdue recommendations in line with the revised approach.

2.4 The Internal Audit definition of an overdue recommendation is any recommendation where all agreed actions have not been implemented by the final date agreed and recorded in Internal Audit reports.

3.   Main report

3.1   There are currently 83 open Internal Audit recommendations across Service Areas within the Council as at 25 August 2017. Of these 36 (43%) are overdue (3 High; 30 Medium; and 3 Low). This reflects an overall decrease of 5 overdue recommendations from the latest position (41) reported at the GRBV Committee meeting on 1 August 2017 (as at 27 June). This movement is represented by an increase in overdue recommendations at the end of July (5), and the closure of 10 overdue recommendations across July and August.

3.2   The 5 recommendations that became overdue at the end of July were:

- Resources – 1 High (RES1603ISS.1 – Leavers Process)
- Resources (ICT) – 1 Medium (CW1603ISS.1 – External Vulnerability Assessment). This recommendation was subsequently closed in August.
- Strategy and Insight – 1 High (CSE1601ISS.2 – Review of Grant Management / Councillor Conflicts of Interest). Rating was downgraded from 'High' to 'Medium' in July based on evidence provided.
- Health and Social Care – 1 Medium (RES1604ISS.3 – IJB Data Integration and Sharing).
- Stronger and Safer Communities – 1 Medium (SSC1701ISS.3 – Short Term Homelessness Provision). This recommendation was subsequently closed in August

3.3   The 10 overdue recommendations that were closed between 27 June and 25th August comprised 2 High; 6 Medium; and 2 Advisory across the following Service Areas:

- Health and Social Care (1 High; 1 Medium; 1 Advisory)
- ICT (1 High; 1 Medium; 1 Advisory)
- Resources (2 Medium)
- Place (1 Medium); and
- Safer and Stronger Communities (1 Medium).

3.4   Whilst no new recommendations were overdue as at 25th August, 6 open recommendations are due for completion by 31 August 2017. These are:

- Communities and Families – 2 Medium (CF1619ISS.3 and CF1621ISS.1)
- Resources – 1 High (RES1704ISS.4) and 2 Medium (CW1603ISS.5 and MIS1601aISS.2).
- Strategy and Insight - 1 Medium (CF1619ISS.1)

3.5   Ratings were downgraded for 2 overdue recommendations in July based on implementation progress where the residual risk has been demonstrably reduced by control improvements:

- Strategy and Insight (CSE1601ISS.2 grant management / conflict of interest) - reduced from High to Medium.

- Health and Social Care (HSC1503ISS.6 – Self Directed Support) - reduced from Medium to Low.

3.6 Figure 1 illustrates the ageing profile of all 36 overdue recommendations by rating across Service Areas. Of these, 17 are more than 180 days' overdue (2 High; 12 Medium; and 3 Low), with 6 of the 17 (3 Medium and 3 Low) more than 365 days overdue.

Figure 1: Aged overdue Recommendations by Rating across Service Areas
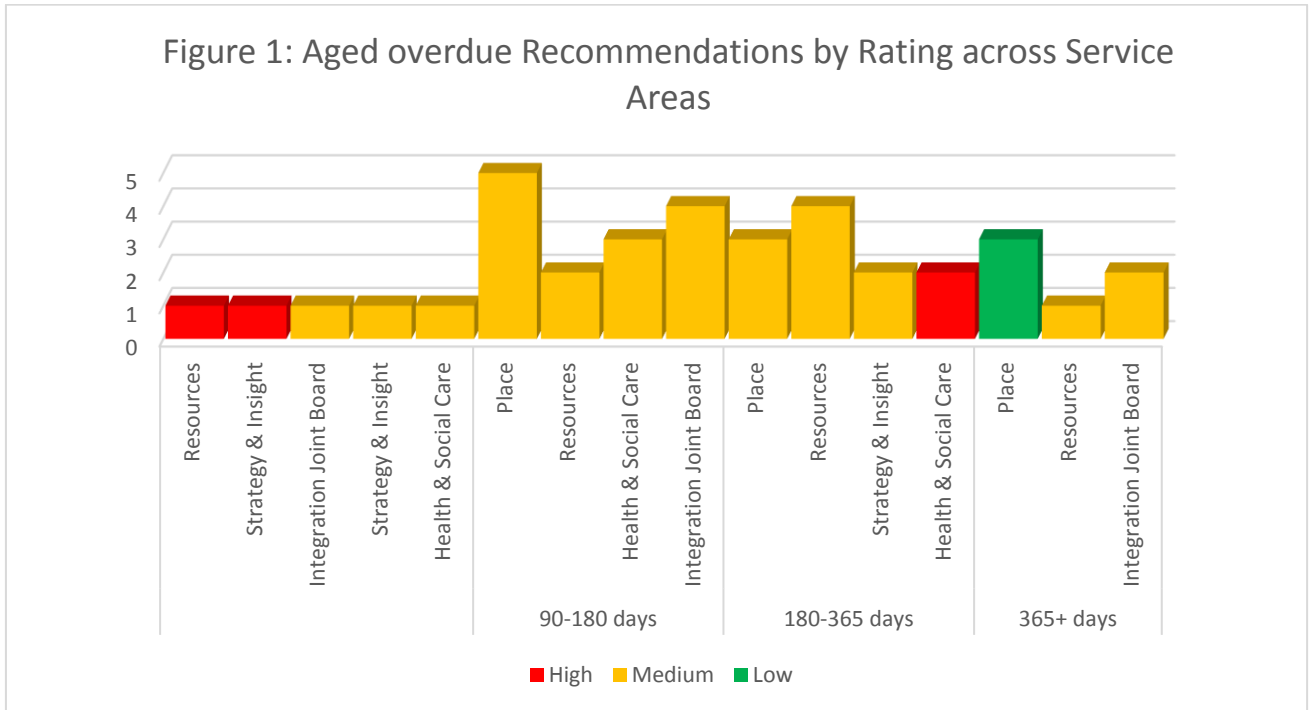
3.7 Figure 2 highlights the ageing profile of overdue Internal Audit Actions for each Service Area.

Figure 2: Aged Overdue Recommendations by Service Area
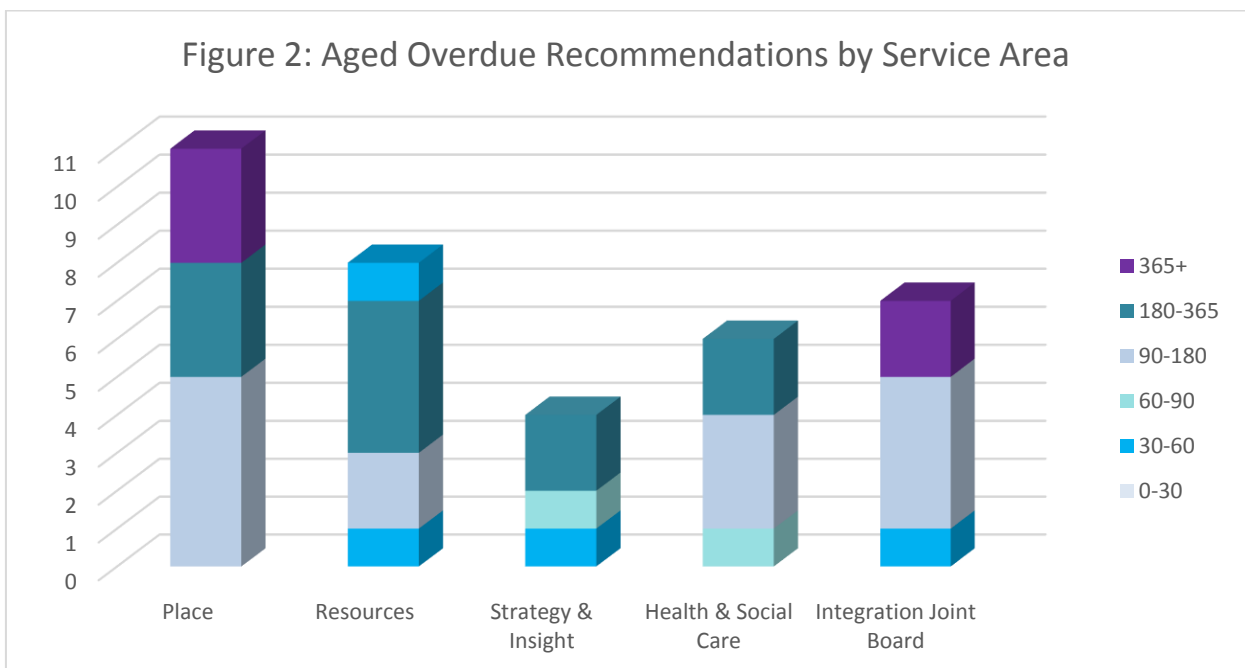
3.8   Figure 3 correlates the current top Corporate Leadership Team risks to the relevant overdue Internal Audit recommendations. Our primary risk exposures as a result of overdue recommendations are Health and Social Care and Internal Systems and Processes. Please note that these risks will be updated in October to reflect the revised CLT risk descriptions presented to the Governance, Risk and Best Value Committee in September.

Figure 3: Overdue Recommendations By CLT Risk
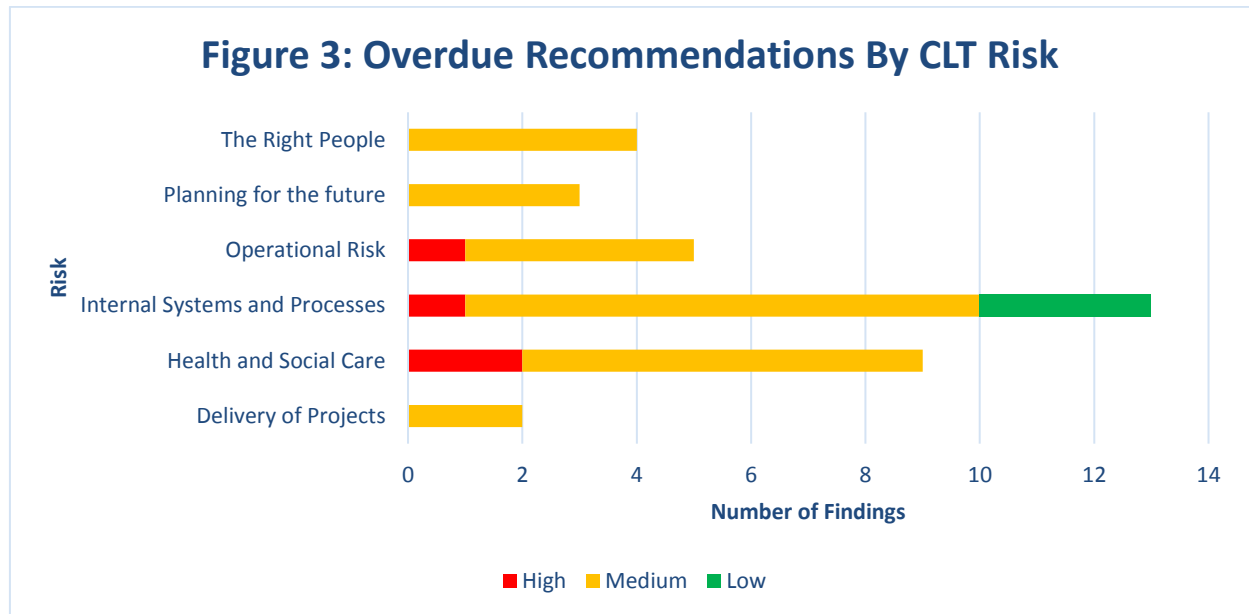
3.9   Figure 4 illustrates Service Areas who have revised completion dates for overdue recommendations more than once since the implementation dates agreed when finalising audit reports.

Figure 4: Overdue Recommendations With More Than One Revised Date
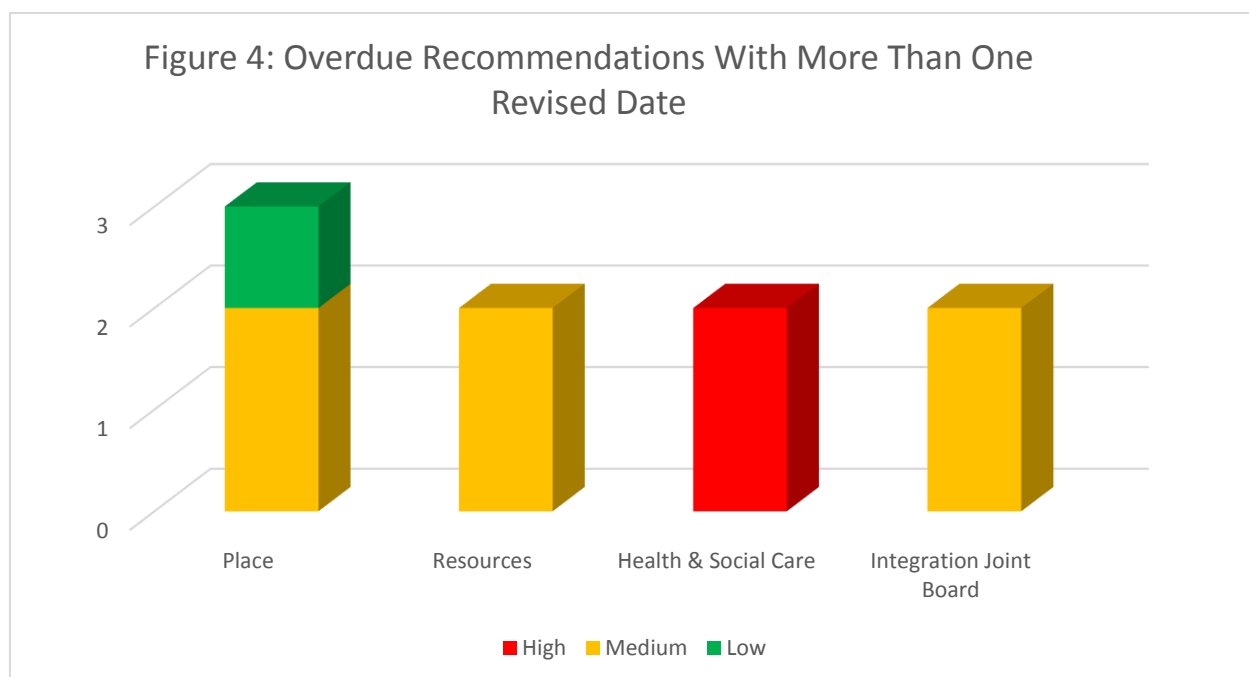
3.10 There are currently three remaining medium rated overdue recommendations in Resources where closure is dependent on implementation of the new Business World System. Internal Audit is working with the respective Management teams in Customer to enhance existing (manual) operational controls to ensure that these recommendations can be closed. We have also shared details of these recommendations with the Business World Programme and requested confirmation regarding their inclusion in the Business World system design.

3.11 There are two open (not overdue) recommendations where agreed dates for specific actions have been missed. These are:

- Strategy and Insight - ICO Follow Up (RES1606ISS.2 – Medium). Initial action date was 30 May. This action date has now been revised to 31 August, with the full recommendation due for closure by 31 March 2018.

- Safer and Stronger Communities – Short Term Homelessness Provision (SSC1701ISS.2 - High) – action date 30 June. The overdue action is currently being validated by IA, with closure of the full recommendation due by 31 October 2017.

3.12 There are currently 3 recommendations (2 open and 1 overdue) owned by the Head of ICT and the Head of Legal and Risk respectively, where support is required from all Service Areas to progress closure. To ensure that this is achieved, the following changes were approved by CLT at their meeting on 30th August 2017:

1. The Disaster Recovery and External Vulnerability Assessment Internal Audit reports concluded in May 2017 each include High findings that are open, but not overdue. A component part of each of these High findings relates to the need to identify 'shadow' IT systems and address the disaster recovery and security risks associated with them. 'Shadow IT' is defined as systems or applications historically procured and implemented by Service areas that are not managed centrally by ICT in conjunction with CGI. Responsibility for identification of the full population of shadow IT currently sits with the Head of ICT.

   As Heads of Service are best placed to review and identify any shadow IT systems or applications that they use, it is proposed that separate Medium rated findings are raised on each Head of Service to identify any shadow IT and provide their details to the Head of ICT by 30th March 2018.

   The original High findings will be amended to reflect that the Head of ICT will then be responsible for completion of a disaster recovery and security risk assessment for the shadow IT applications identified and implementation of appropriate controls to address these risks where the systems or applications are to be centrally managed going forward.

2. Our review of Service Level Agreements with Outside Entities (completed August 2016) included a Medium recommendation that reflects the need to

establish service level agreements (SLAs) with third party organisations that the Council provides services to. This was due for closure on 30th June 2017.

The Head of Legal and Risk has developed a pro forma SLA and shared with all Service Areas, however Service Areas have not yet provided information to confirm that SLAs have been implemented across the full population of third party organisations that they support.

It is proposed that the existing Medium recommendation is closed, with Low recommendations raised on each Service Area to ensure that these SLAs are implemented as required.

3.13   Since June 2017, Internal Audit has not consistently applied a cut off in the overdue recommendations reporting process in an effort to work with Service Areas and drive focus on validation and closure. With effect from September 2017, the following process will be applied:

- 10th of each month (or nearest Friday) – e mail sent to all recommendation owners with a list of all open and overdue recommendations that they own.
- The e mail will specify the requirement for receipt of progress updates, or provision of evidence to support IA validation by the 15th of each month (or nearest Friday).
- Any updates received after the 15th will not be included in the monthly CLT or quarterly GRBV reports due to be submitted in that month.

3.14   Internal Audit has categorised all overdue Internal Audit actions by Directorate showing the latest status updates where received. The detailed results of this categorisation are set out in Appendix 1.

3.15   There are currently no Internal Audit reports issued in draft where management responses have not been received within our two week service standard.

4.   Measures of success

4.1   An increase in the implementation and closure of Internal Audit recommendations within their initial estimated closure date.

5.   Financial impact

5.1   Not Applicable.

6.   Risk, policy, compliance and governance impact

6.1   If Internal Audit recommendations are not implemented, the Council will be exposed to the risks set out in the relevant detailed Internal Audit reports. Internal Audit recommendations are raised as a result of control gaps or deficiencies

identified during reviews therefore overdue items inherently impact upon effective risk management, compliance, and governance.

7. Equalities impact

7.1 Not Applicable.

8. Sustainability impact

8.1 Not Applicable.

9. Consultation and engagement

9.1 Not applicable.

10. Background reading/external references

10.1 Not Applicable.

Lesley Newdall

Chief Internal Auditor

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11. Appendices

Appendix 1 – Status report: Outstanding Recommendations Detailed Analysis

Appendix 1 - Overdue Internal Audit Recommendations as at 25 August 2017

Unique Ref	Project Name	Issue Type	Finding	Business Implication	Recommendation	Agreed Management Action	Estimated Implementation Date	Revised	Status Update	Owner
Health & Social Care										
HSC1503ISS.1	Personalisation SDS - Option 3	High	The Social Care (Self-directed Support) (Scotland) Act 2013 states that the authority must "inform the supported person of the amount that is the relevant amount for each of the options for self-directed support from which the authority is giving the person the opportunity to choose, and the period to which the amount relates." The "relevant amount" is defined as "the amount that the local authority considers is a reasonable estimate of the cost of securing the provision of support for the supported person". At present, the supported person is not informed of their assessed budget when they are asked to choose their option. They are only told of the resources available to them when they receive their personal support plan after they have selected their option.	There is a risk of non-compliance with The Social Care (Self-directed Support) (Scotland) Act 2013. The supported person may not have sufficient financial information to make an informed decision on the feasibility and affordability of arranging their own care under Option 1.	Management should seek clarification from Scottish Government on how the legislation should be applied where the supported person is allocated the same budget whichever option is chosen. Management must then ensure that the SDS assessment process is compliant with Scottish Government ' s instructions . This may mean i nforming the supported person of their personal budget at an earlier stage of the assessment process.	Scottish Government have been approached on this issue through the Social Work Scotland SDS Sub-group and have indicated that they are prepared to consider issuing further guidance and in particular revisit the issue of whether local authorities need to notify individuals of the indicative budget for each of the four options or just provide a single indicative budget which is what most authorities seem to be doing in practice. These discussions will take place through the Social Work Scotland SDS Sub-group and Senior management will ensure that Edinburgh is involved in these discussions. The current processes and practice in relation to providing individuals with an indicative budget will be reviewed and updated and clear guidance issued to staff taking acc ount of any change in guidance from the Scottish Government. In either case, an indicative budget will be given to individuals before they are asked to select their preferred option.	31/10/16	30/06/2017 31/12/2017	**August Update:** Chief Officer and Strategic Commissioning Manager provided an update at GRBV meeting of 01.08.17 that noted that a revised implementation date of December was required. **June Update:** New assessment, personal care plan and budget process introduced in May 2017. Indicative budgets no longer calculated as part of assessment: calculated once personal care plan set. This means service users are not given an indicative budget to enable them to make an informed choice about their support: non-compliance with legislation remains. Finding remains open. Changes to be requested to SWIFT to allow recording and monitoring of compliance. Once these changes have been made an instruction will be issued to all staff reminding them of the need to inform service users of their "indicative budget". Planned completion date: to be confirmed by 24/2/17 following response from ICT Services.	Wendy Dale, Strategic Commissioning Manager
HSC1503ISS.2	Personalisation SDS - Option 3	High	The Social Care (Self-directed Support) (Scotland) Act 2013 states that the authority must give the person "in any case where the authority considers it appropriate to do so, information about persons who provide independent advocacy services (within the meaning of section 259(1) of the Mental Health (Care and Treatment) (Scotland) Act 2003 (asp 13))." When researching advocacy services for people affected by SDS the only place we were able to find information was on the Council's Edinburgh Choices website which is an online directory of local care and support services, which includes details of independent advocacy services. However, we were unable to find links to the Edinburgh Choices website in key communications to service users and the general public about SDS. The Co uncil has produced d etailed pamphlets and leaflets which explain SDS to service users and carers but advocacy services are not covered, and readers are not directed to the Edinburgh Choices website. Practitioners we spoke to could not direct us to advocacy services.	There is a risk of non-compliance with the Social Care (Self-directed Support) (Scotland) Act 2013	The service should ensure that information about advocacy services is available to service users. Possible options may include: Providing practitioners with information about available advocacy service and what they do; Directions to Edinburgh Choices in guidance materials for service users; or N ames of advocacy services in pamphlets and leaflets for service users.	Existing leaflets and information materials to be reviewed to make reference to Edinburgh Choices Information to be produced for dissemination to practitioners regarding the duty to identify people who may benefit from advocacy and support them to access this services and the agencies that the Council has commissions to provide advocacy services.	31/08/16	31/08/2017 30/09/2017	August Update: Award of new contracts was agreed at Full Council at the end of June. Contracts formally signed at the end of July. Have agreed to work with the new providers to produce guidance for staff and leaflet for service users. Request revised completion date to end Sept 2017 New advocacy services contract will be agreed in June 2017. Changes to be requested to SWIFT to allow recording and monitoring of compliance. Once these changes have been made an instruction will be issued to all staff to identify those service users who may benefit from Advocacy Services and to support them to access these. Staff will be reminded that information about providers of independent advocacy services is available on Edinburgh Choices. Procedures and leaflets to be updated as part of the work to implement the new structure. Planned completion date: 31/08/2017	Wendy Dale, Strategic Commissioning Manager
SW1601ISS.4	Social Work: Pre-Employment Verification	Medium	There was insufficient evidence to support the PVG checks of three nominated candidates who were 'existing Council employees'. The original PVG certificate is destroyed at the initial point of employment. Therefore recruiting managers of nominated candidates, who are existing employees, may not be aware of the 'vetting information' included in the original PVG Check. This restricts managers' ability to make an informed decision to proceed with the employment. It should be noted that Scheme Record Updates (which carry out a check between the original PVG Certificated issued; to the date of the requested update) do not include details of any 'vetting information' held within the original certificate. The current "Recruitment and Selection Guidance for Managers Pre-Employment Checks for Nominated Candidates" states that "no further check is required if the individual is a PVG Scheme member in the Council for the same type of 'regulated work'. There is potential for staff to be recruited to a role which is not appropriate given their previous convictions. For example; a person with fraud convictions may properly be recruited to a care home if they are not handling cash but a future appointment to the homecare service; with access to vulnerable people's funds may be approved without due consideration of the risk. In October 2016 a carer in East Lothian was convicted of Fraud amounting to £46,000 from two clients.	Recruiting managers may have insufficient evidence of PVG 'vetting information' to allow them to make an informed decision over whether to proceed with employment. This may lead to recruitment of staff not appropriate to the role.	All nominated candidates should be requested to bring their copy of the PVG certificate to the pre-employment checks meeting; in order to allow mangers to make an informed decision as to whether to proceed with the recruitment process or to rescind the offer.	Locality Managers to obtain confirmation from their recruiting managers that nominated candidates are being requested to bring their PVG certificate to the pre-employment checks meeting. This requirement has been effectively communicated to all relevant managers / staff and a mechanism will be introduced to ensure that the requirement is being adhered too. This procedure will be embedded within the HSC and Safer & Stronger Communities protocol.	31/03/17	IA Validation in progress	August Update: Information has been provided and is being validated by Internal Audit. **July Update** - Meeting held with Health and Social Care early July to agree actions and evidence required. Finding owner currently on annual leave and will process on return. IA has been advised that H&SC awaiting evidence from Localities.	Cathy Wilson, Executive Business Support Manager

Ref	Area	Rating	Finding	Risk	Recommendation	Management Response	Date	Status	Update	Owner
SW1601ISS.5	Social Work: Pre-Employment Verification	Medium	Testing identified that working practices between recruiting managers, HSC Recruitment, and HR Recruitment are not fully documented and this has led to inconsistencies including: - bypassing the HSC Recruitment Co-ordination Team; - inadequate recording of Criminal Convictions form (CCF) and PVG information; - inappropriate record management; and - no clear formal procedure has been issued to Recruiting Managers to advice them of the requirement to formally document the decision to proceed with or rescind the offer of employment; following receipt of 'vetting information' in respected of the nominated candidate.	Key information may not be retained. HSC Recruitment Staff and Recruiting Managers may not be aware of what is expected of them. Risk of non-compliance with Disclosure Scotland's 'Code of Practice'.	Procedures should be produced by the HSC Recruitment Co-ordination Team in conjunction with HR Recruitment Team and senior HSC Management to ensure the recruitment process is safe, consistent and compliant with appropriate legislation and CEC policies. This should include the requirement to complete the ' PVG/Disclosure Risk Assessment Form ' and ' Record Of Mee ting on PVG/Disclosure Form '.	HSC Recruitment Co-ordination Team will work with HR Recruitment Team to develop safe and consistent procedure including the requirement to update both of the PVG / Disclosure Forms noted. Procedures to be strengthened to ensure that we are up to date to reflect safe storage and retention procedures. HSC to formally communicate this to all relevant staff and recruiting managers, including the safe storage and retention periods of both forms. Confirmation of this to be sent to Locality Managers.	31/03/17 31/05/2017	IA Validation in progress	**August Update -** Audit validation in progress **July Update -** meeting held with Health and Social Care early July to agree actions and evidence required. Finding owner currently on annual leave and will progress on return.	Cathy Wilson, Executive Business Support Manager
SW1601ISS.7	Social Work: Pre-Employment Verification	Medium	The HSC Recruitment Co-ordination Team carry out 'Bulk Interviews' on a monthly basis for Care Home and Homecare posts where there are a number of different posts required at different locations around the city. This is due to a high volume of staff movement within these posts, which due to the nature of the posts are required to be filled timeously. However; it was established that the 'Location Manager' who the nominated candidate reports to on their first day of work is not necessarily the same manager who has interviewed the candidate or taken the candidate through the pre-employment checks to check their identification. It is acknowledged that this carries the risk that the person who turns up for work may not be the person that was interviewed.	Risk of identification fraud resulting in the Council employing a candidate who does not have the skills or experience required to fulfil the duties of the post. Risk of financial sanctions re Right to Work in UK Legislation	All nominated candidates be requested to bring photographic identification with them which should be checked and verified by the 'Location Manager' on the candidates first day of work. Failure to bring the appropriate identification should result in the candidate being refused to start work within the Council. This should be embedded within H&SC and Safer and Stronger Communities procedures and communicated to all relevant staff.	Locality Managers to seek confirmation from either recruiting managers and/or location managers to ensure that candidates are being requested to bring photographic ID on their first day of work. This process will also be embedded within the H&SC and Safer & Stronger Communities procedures and communicated to all relevant staff.	31/03/17 31/05/2017	IA Validation in progress	**August Update -** Audit validation in progress **July Update -** meeting held with Health and Social Care early July to agree actions and evidence required. Finding owner currently on annual leave and will progress on return. IA has been advised that HSC awaiting evidence from Localities	Cathy Wilson, Executive Business Support Manager
SW1601ISS.8	Social Work: Pre-Employment Verification	Medium	The Council's Recruitment and Selection Policy states that "all individuals in the recruitment and selection of potential candidates on behalf of the Council" must receive Council training in equality issues, Safer Selection, and the application of the policy". The CECIL Competency Based Recruitment and Selection module under "Safer Selection and Pre-employment Checks; notes the Council's approach to safer selection includes 'Mandatory training for all recruiters' and that if a manager recruits on a regular basis they should repeat the modules every 2 years. Checks were carried out on twenty individual managers who were involved in the recruitment of the nine nominated candidates whose PVG check had returned 'vetting information'. Testing highlighted that seven of the twenty managers have either not received the mandatory training or the fact that they have completed the training, has not been recorded on the iTrent system. Details of the seven managers noted above were subsequently provided to the HSC Business Manager.	Managers are not complying with Council Policy. Managers may be undertaking the recruitment process without having the required skills to make an informed decision as to whether the candidate is suitable for the post.	All managers identified through audit testing as not complying should be contacted to establish whether they have completed the mandatory training. The iTrent system should be updated with the date completed.	The HSC Business Manager will resolve this issue with the individual Locality Managers and ensure iTrent is updated on satisfactory completion.	31/05/17	IA Validation in progress	Managers have been reminded that mandatory training must be completed before undertaking any recruitment activity and to ensure that the iTrent system needs to be updated with the date training was completed. Awaiting evidence from the Locality Managers. **July Update** Meeting held with Health and Social Care early July to agree actions and evidence required. Finding owner currently on annual leave and will progress on return. Managers have been reminded that mandatory training must be completed before undertaking any recruitment activity and to ensure that the iTrent system needs to be updated with the date training was completed. Awaiting evidence from the Locality Managers."	Cathy Wilson, Executive Business Support Manager
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Place

Ref	Service	Rating	Finding	Risk/Implication	Recommendation	Management Response	Original Date	Revised Date	Update	Owner
CF1402ISS.1	School Meals	Low	For the school meals service delivered by SfC, the roles and responsibilities of key officers within SfC and C&F were not clearly defined in a formal document such as a service level agreement (SLA) or working protocol. Although processes have not been formalised, good cross departmental working was evidenced between the C&F Development Officer and SfC Catering Performance Officer. This collaboration was specifically noted within the menu planning process. Similarly Facilities Managers (FMs) and Kitchen Supervisors work closely with School Business Managers to resolve issues on site. It is understood that Corporate Facilities Management are producing SLAs for cleaning and janitorial services, however catering is not in scope at present. It is viewed differently as the end user of the service delivered is external, i.e., the pupils rather than Council staff.	In the absence of any documentation the service is reliant on the knowledge of key members of staff and staff changes may impact on the effectiveness of the service.	Consideration should be given to preparing an SLA to outline the respective responsibilities within key cross departmental processes in delivery of the school meals service.	As part of a wider Facilities Management Review for the clarity on roles and responsibilities of key offices within SfC who have responsibility for delivering the schools meals service it is proposed that an SLA between C&F and SfC be put in place to ensure a first class school meals service is delivered.	30/04/15	30/09/17	SLA completion is dependant on organisational reviews and expected completion date is Sept 2017 July Update SLA completion is dependent on organisational reviews. Initial expected completion date was Sept 2017 and this has now been revised to December 2017.	Victor Cruz, Interim Corporate Facilities Manager
SFC1403ISS.2	Community Recycling Centres	Low	The current CRC site policy appears very basic and inappropriate to adequately safeguard Council resources. Having such a basic policy exposes the CRCs to increased risk of commercial waste being passed off as household waste. The current policy may not be appropriate for modern CRC facilities and as a consequence, user guidance on the Council website is not sufficiently prescriptive or accurate to inform the CRC site user.	Loss of income to the Council Increased cost of disposal of commercial waste passed off as domestic waste Failure to meet residents expectation and reputational damage	CEC should consider a detailed and modern policy document to reflect the increased costs and environmental demands of providing this service. This should be considered at the same time as the chargeability of certain types of household items (i.e. reclassification of waste created from improvements, repairs and alterations to a household). Once the policy has been modernised and approved, an accompanying user guidance document and customer charter should be created and published. This should cover the following: Items accepted Permitted vehicles (including hired vehicles, trailers, vans) Household and commercial waste requirements When customers need to register with the Council to use the sites Charging policy and methods of payment Hazardous waste Charity waste Health and safety requirements General information (contact, opening times, etc.)	A policy and procedures document is to be drafted and consulted upon before being released.	31/03/15 31/07/2017	30/04/2018	**August Update:** CRC Improvement Plan being developed. Focus will be on improving signage and user information as well as developing more robust internal procedures. August update Details of the CRC Improvement plan have been provided to IA a revised date of April 2018 has been set for the CRC policy to be presented to the Transport and Environment Committee.	Bob Brown, Waste & Cleansing Operations (Waste) Manager
SFC1403ISS.3	Community Recycling Centres	Low	It was noted that physical security and enforcement measures for the CRC sites was not sufficiently robust. There is no number plate recognition technology in place, CCTV coverage is incomplete and it is possible for individuals to enter and remove items of value both during opening and closing hours. There are no CCTV cameras covering the weighbridge that would protect the integrity and safety of weighbridge staff and ensure that no cash transactions are taking place.	Safety of site officials compromised Risk that valuable items can be removed Abuse of Council service results in loss of income and/or increased costs	Security at each of the three CRC sites should be reviewed and strengthened. The use of CCTV and monitoring at each site should be carefully considered to ensure that coverage is adequate and covers the high risk areas (metal disposals, weighbridge and re-use cabin). Consideration should be given to using automatic number plate recognition (ANPR) technology in conjunction with CCTV to make sure that CRCs are used appropriately, safely & securely, to monitor vehicle usage (including detecting any patterns) and to assist with disputes & complaint procedures. As both a preventative and detective measure, use of a dedicated enforcement officer for a short period of time at each of the sites might highlight whether there is a wider issue of abuse of the system. A robust enforcement and site security infrastructure would be a vital requisite for any strengthening of site usage policy and charging structure.	Constant monitoring of site security is to be implemented. CCTV images re-directed to the main office at Powderhall with images also mirrored at the security office. The weighbridge software is being changed to accommodate ANPR piloting at Powderhall. This is to be rolled out to Sighthill and Seafield CRC sites and be operational by March 2015. Discussions with Community Safety regarding the implementation of an enforcement approach and associated support will be held.	31/03/15	31/12/17	Proposals for ANPR being built into site designs for the Seafield and Sighthill depot improvements. Liaison with security services has improved with new arrangements in place at Craigmillar CRC. **August Update** "Security arrangements have been reviewed at all CRC sites along with additional monitoring of each site by managers, supervisors and operatives. Environmental checks are carried out at the start and end of each shift. Seafield CRC site has recently (March 2017) had their CCTV equipment upgraded along with the rest of the newly developed depot. CCTV upgrades are being requested for Craigmillar and Sighthill sites. Each site now has overnight security personal in place. Conflict Management training has also been developed and is being rolled out to all CRC operatives, including supervisors, during Sep, Oct and November 2017." This finding can be closed when these actions have been evidenced.	Bob Brown, Waste & Cleansing Operations (Waste) Manager

Ref	Title	Rating	Finding	Risk	Recommendation	Management Response	Date	Revised Date	Update	Owner
CW1502ISS.1	Governance Arrangements - Arms Length Companies	Medium	The Director responsible for each Arms Length Company within the Council appoints an Observer for each company from within the Directorate. The role is to scrutinise the activities and performance of the company and raise any concerns arising with the Directorate. The Observer attends company meetings on behalf of the Directorate but is not a company officer. We understand that all Arms Length Companies are different and that they will require different levels of intervention and interaction with their Observer. We would however, as a minimum expect the following from Observers: • Attendance as an observer at all Board and Audit Committee meetings; • Regular receipt and scrutiny of risk registers; • Regular receipt and scrutiny of management accounts and accompanying management information; and • Regular access to management. We identified the following instances where these minimum requirements were not met: • EICC: - the Observer attended 5 out of the 6 Board meetings tested but does not attend the Audit Committee meetings; and • EDI: - the Observer attended 2 out of the 4 Board meetings tested. We did not identify any process documentation for the observer roles within any of the Directorates. This results in the Council being subject to an element key man risk in the control of each of these entities, as the loss of the Observer would leave the Council with a limited understanding of the scrutiny processes in place for that particular company.	Observers may not carry out scrutiny to the required level when carrying out their governance roles of Council Companies on behalf of the Council. Financial and reputational risks may remain unidentified with the potential to adversely affect the Council. The controls in place are reliant on the knowledge, skills and experience of the senior staff involved. This knowledge may be lost if there is not sufficient succession planning.	Process documentation covering as a minimum the following points, should be prepared and maintained for each of the Arms Length Companies within Place. • Key management contacts; • Basic structure of the entity; • Key risks to the Council arising from the entity; • Nature/timing of meetings attended; • Key management information/reports received, their frequency and source; • Use made of/procedures undertaken on management information received including any early warning thresholds/KPI's; and • Reporting requirements for the relevant scrutinising Council Committee.	To produce process documentation covering the above points for Transport for Edinburgh, Edinburgh Trams, and Lothian Buses.	31/12/16 31/05/2017 15/09/17		August Update - revised date requested for implementation - ow 15/09/17 July Update: Action agreed to close in July were : Ensure all Board Observers are aware of their duties and responsibilities in relation to this role.	Paul Lawrence, Executive Director of Place and SRO
PL1601ISS.2	Recycling Targets	Medium	Contractors submit weighbridge tonnage data each month, which is used to calculate the recycling and landfill tonnage reported to the Transport and Environment Committee, and to prepare the annual SEPA submission. The current system for logging weighbridge tonnage submissions is manual as contractors provide their submissions in varying formats, some of which require further calculations to be made by Waste Services to establish the required figures. The data is entered manually into three separate databases, twice by the admin assistant and once by the Waste Collection Route Manager. The same data is entered into each database, with no significant differences in functionality between them.	Manual input could lead to errors in raw data used to calculate key performance measures; and Inefficient use of resources due to duplication of manual data input.	Automated data submission Contractors should be required to submit monthly weighbridge tonnage data in a prescribed format to support batch uploads of data to the tonnage database and reduce the need for manual data entry. Many contractors now have weighbridges which can produce tonnage data electronically and in real time. Management should investigate whether it is feasible to obtain this data directly. In the short term, a single database should be used for analysis and reporting. This will mean data only needs to be entered once.	There will be a review of the current process with the aim of implementing the recommendation of reducing the number of times data is inputted. This action will be taken forward on completion of the transformation process and once team structures are in place.	31/10/16	30/09/17	August Update : No further updates received by IA as LS has been on sickness leave. Further discussion required with ICT/CGI to identify software solutions to enable efficiencies. "July Update Meeting held 10/7/17 for update. 1) Date of end September is unrealistic for resolving multiple data input challenges. 2) Also need to ensure that data has been entered correctly. 3)IA to remain close to finding and monitor progress with September implementation date. 4) Weighbridge data flow return is to be looked as a detective control to identify variability on a month by month basis. This information is to be provided to internal audit to ascertain its use as a detective control. 5) The service is to identify if it is feasible to sample high value invoices to identify possible mismatches with weighbridge information. "	Lesley Sugden, Waste Strategy Manager
			Contractors submit weighbridge tonnage data each month, which is used to calculate the recycling and landfill tonnage reported to the Transport and Environment Committee, and to prepare the annual SEPA submission. The current system for logging weighbridge tonnage submissions is manual as contractors provide their submissions in varying formats, some of which require further calculations to be made by Waste Services to establish the required figures. The data is entered manually into three separate databases, twice by the admin assistant and once by the Waste Collection Route Manager. The same data is entered into each database, with no significant differences in functionality between them.	Manual input could lead to errors in raw data used to calculate key performance measures; and Inefficient use of resources due to duplication of manual data input.	Automated data submission Contractors should be required to submit monthly weighbridge tonnage data in a prescribed format to support batch uploads of data to the tonnage database and reduce the need for manual data entry. Many contractors now have weighbridges which can produce tonnage data electronically and in real time. Management should investigate whether it is feasible to obtain this data directly. In the short term, a single database should be used for analysis and reporting. This will mean data only needs to be entered once.	Within all new procurement exercises going forward part of the technical specification will address the potential for direct access to contractors weighbridge systems. Where this is not possible the Council will provide an appropriate format for the return of weekly tonnage information to reduce any requirements for double handling data. In addition the Council will investigate the use of the E-doc system with contractors which requires upload of weighbridge tickets to a secure cloud based portal.	31/03/17 Revised date required		August Update : No further updates received by IA as LS has been on sickness leave Specification document has been updated and employed on the new dry mixed recycling contract. Weekly tonnage reports are also being provided by our Principal Contractors. [Closable on receipt of Evidence] "July Update Meeting held 10/7/17 for update. Specification document has been updated and employed on the new dry mixed; food waste and residual waste contracts, which cover circa 70 - 75% of the tonnage weighed by the weighbridge. Calibration clauses are included in all recycling contracts. Weekly tonnage reports are also being provided by our Principal Contractors. [Closable on receipt of Evidence]"	Lesley Sugden, Waste Strategy Manager
PL1601ISS.4	Recycling Targets	Medium	There are a number of Council service areas and divisions effected by the waste management strategy but are unaware of key issues, regulation changes and decisions. This appears to have been as a result of key stakeholders not having been appropriately identified and engaged in all areas of the process. The key stakeholders for the Council's overall waste management strategy are wide ranging, affecting related strategies and span both across the Council and externally.	⦿ Key stakeholders not appropriately engaged leading to inefficiencies ⦿ Lack of joined up working within the Council ⦿ Regulation changes not appropriately communicated resulting in breaches ⦿ Related strategies suffer from a lack of co-ordination.	A key stakeholder identification exercise should be performed to ensure all required individuals are included in the process. Key groups identified could include: Waste Services, Sustainability Team, Property Services and other external groups. In alignment with the creation of an internal waste management policy, stakeholders could be engaged through an overarching steering group with representation from each key group. This group would help ensure that relevant information is appropriately disseminated and that all stakeholders needs are considered. It would also enable stakeholders to monitor and challenge performance against the overall waste management strategy.	As outlined within the response to Action 2, it is our intention to refresh the existing strategy and to consult with both internal and external stakeholders to help shape the final strategy. A series of commitments/actions will be a key output from the strategy and progress against individual actions/commitments will form a key part of reporting progress to stakeholders.	31/03/17	30/09/17	August Update: Information has been provided to Internal Audit regarding the process of strategy review, this is unlikely to be ready for Committee before the revised September implementation date and a new date is to be provided. Draft new Waste and Recycling strategy is not yet finalised. Communication of this strategy will form part of a delivery plan for implementation. "July Update Work is continuing on the new Waste and Recycling strategy, this is not due to be presented to the Transport and Environment Committee until October at the earliest. A commitment to the date that the Waste and Recycling strategy is to be presented to committee, the committee papers and the outcome of the committee are to be provided to audit. The action can be reduced to low on the satisfactory receipt of this information. The strategy will then need to be communicated to stakeholders before the action can be closed "	Angus Murdoch, Strategy Officer

Ref	Area	Rating	Finding	Risk	Recommendation	Management Action	Date	Revised Date	Update	Owner
PL1601ISS.5	Recycling Targets	Medium	Although there is considerable recycling internally within the council, there is currently no internal waste management policy. The Waste and Recycling Strategy 2010 - 2025 focuses on external, public waste but there is no supporting policy which specifically states how the Council itself as a major local employer, plans on reducing waste arising from its own operations (e.g. schools, council offices) and increasing recycling participation. The Council's strategic aim is to reduce overall waste being sent to landfill within the local authority by increasing recycling participation. Budgets h ave been set aside for schemes to increase public awareness and participation in an effort to achieve this strategic aim; however, a group of contributors to Edinburgh's overall waste (i.e. Council employees themselves) is being overlooked by not allocati n g sufficient resource to internal waste management schemes. In addition, there is a lack of data on how much waste is sent to landfill as a result of Council operations; therefore it cannot be accurately quantified how much the internally generated waste is costing the Council in landfill charges.	☐ Lack of clarity over Council's own waste contribution that results in financial and environmental impact, ☐ Risk of reputational damage due to lack of own strategy; and ☐ Opportunity cost lost on not providing an overarching framework to support the Council's own recycling participation.	The Council should allocate sufficient resources to create and action an internal waste management or resource efficiency policy that embraces reducing, reusing and recycling. Many staff members will live in the City of Edinburgh Council, therefore generating waste at work and at home. Providing this awareness at work could realise additional benefits for the Council as a potential reduction for both internally generated waste and household generated waste within the local authority. With the continued future increases in landfill tax, it is advisable that the Council leads by example and gives consideration to monitoring its own waste data to ensure effective targeting of effort.	Our proposed management action is to approach the Sustainable Development Unit and Facilities Management to establish a working group to review any existing internal waste policy, the purpose being to incorporating this within, and consult on, a refreshed Waste Strategy Document (Ref Action 2). The inclusion of the Sustainable Development Unit is critical in moving forward this action as they hold responsibility for development of the Council's internal waste policy and recording data on internal waste arisings. Waste & Fleet Services will commit to taking the lead in establishment of the internal working group. Opportunities to improve the way in which the Council gathers and records data on its own waste arisings will be a key outcome of the working group. The Council ' s Trade Waste Service (part of the Waste & Fleet structure) has already met with Facilities Management to identify opportunities to increase the range of recycling opportunities across the Coun cil estate. New services such as food waste recycling will be available in major Council offices such as Waverley Court and is already available across a number of schools.	30/09/16	30/04/17 31/12/17	August Update - Information provided to IA regarding the Changeworks SLA requirement to "Develop awareness among staff of the correct procedures and contact points to improve and resolve waste management problems within schools." A revised date of the 31/12/17 to develop the internal waste management policy. Working group now established between Facilities Management and Waste and Cleansing Services. This group meets regularly. [Closable on receipt of evidence] July Update - meeting held 10/7/17 to discuss Recycling bins have been provided to corporate buildings. A Factsheet or Cecil leaning module could be provided and tracked to evidence that users know how to use the recycling bins. If it can be evidenced that 70% of buildings have recycling bins the action rating can potentially be reduced to low risk.	Karen Reeves, Technical Team Leader
PL1601ISS.6	Recycling Targets	Medium	There is no formal review plan in place for the Council's Waste & Recycling Strategy 2010-2025. In addition, there is no clear action plan with assigned responsible individuals that stems directly from the strategy and assists for overall monitoring and review of the strategy. Instead, individual projects are created from the strategy that are monitored and reviewed individually on an ongoing basis. This is deemed sufficient for operational purposes, but there should still be an overarching review of the strategy as a whole on a regular basis to ensure that it remains relevant.	☐ The strategy as a whole suffers a reduction in effectiveness at reaching set Council targets. ☐ There is a risk that the strategy losses relevance to changing requirements. ☐ Lack of awareness on how all projects feed into and complement the overall strategy.	The current Waste & Recycling 2010 - 2025 strategy should be reviewed and a clear action plan, with responsible individuals put in place as a direct result of the strategic goals/aims identified in the strategy. A formal review process should be implemented, which could form part of the remit for an overarching steering committee.	It is recognised within the service that the Strategy needs to remain as a 'living' document with appropriate points in its delivery for review. A number of the commitments within the existing document have been delivered and it the intention that the existing strategy undergoes a complete update/refresh. It is proposed that the refreshed strategy is consulted on with both key internal and external stakeholders to agree the contents and accompanying action plans. The key purpose is to develop a roadmap of commitments, projects and actions for the service. Waste & Fleet Serv ices are currently in the latter stages of an organisational review, a key part of which has been the establishment of the Service Support Unit (SSU). A Waste Strategy Manager has been recruited and joins the SSU in early January. A number of project deli v ery roles also exist within the strategy team. This increases and strengthens capacity within Waste & Fleet in order that the review and refresh of the existing Waste Strategy can commence in line with the proposed target date.	31/03/17	30/09/17	August Update: Waste and Cleansing Service Review complete. Responsibility for the drafting and delivery of the waste and recycling strategy has been recognised within the scope of the Technical Co-ordinator role. This will involve a review of the existing strategy. July Update - meeting 10/7/17 Responsibility for the drafting and delivery of the waste and recycling strategy has been recognised within the scope of the Technical Co-ordinator role. This will involve a review of the existing strategy. Waste and Recycling strategy review is ongoing. Evidence to be provided to IA of the ongoing workplan and ownership of the Waste and Recycling review as well as an agreed frequency for this to be reviewed.	Angus Murdoch, Strategy Officer
PL1602ISS.2	Licensing	Medium	Schemes of delegation covering licensing powers and responsibilities are in place for civic licences (the Council scheme), and for licences governed by the Licensing Board. For civic delegated decisions where an application is a renewal and non-contentious, the Authorised Officer can be a Licensing CSO (GR6). This level of authority is not formalised in writing within the section. Delegated authority for granting licences was reviewed for a sample of twenty five applications processed in 2015/16. The following issues were noted: Licences for 60 market stalls required at short notice over the festive period should have been subject to Councillor consultation. As none were available, a Senior Officer countersigned the grant sheet; Supporting papers could not be found for one application. As grant sheets are not scanned in to the APP system, no evidence could be obtained as to the level of authority required to grant this licence . 3. All applications categorised as 'new' require Councillor consultation, however one new application reviewed appears to have been incorrectly categorised as a renewal and the decision delegated to an Officer. It was noted that for changes in ownership of existing HMOs notified within 28 days of change, the application can be signed off as a renewal. In this case, actual date of ownership was difficult to determine from the supporting documents held.	There is a risk that delegated authority is used to grant applications that should be considered by elected members.	Delegated powers within the section require to be formalised. A guidance note should be produced to accompany the scheme of delegation, outlining the categories of application that can be signed off by Officers, and at what grade. Guidance should cover the requirement for segregation of duties between CSOs processing an application and granting the licence. Guidance should also cover the procedure and any retrospective validation required where Councillor consultation is not available within the required timescale. Copies of signed grant decision sheets should be held in APP to evidence the granting or refusal of the licence.	A guidance note accompanying the Councils Scheme of Delegation to Officers will be prepared for all licensing staff and discussed with elected members. All staff will be briefed on this guidance. The Team will be instructed that all grant/refusal decision sheets must be scanned and indexed in the relevant action diary within APP.	31/10/16	30/06/2017 Revised date requested - no response received	August Update: Draft letters of delegation are with legal for checking, hope to get them to the Director later today. IA has requested revised date - no response received SOD formalised, reviewed by legal. Guidance awaiting Senior Manager sign off. Need to initatiate wider review of this aspect of the scheme of delegation as the process risks legal challenge. Proposing to do this prior to local government elections and roll out new process as part of elected member training. New proposed completion date 30 June 2017. July Update Amendment to scheme of delegation was agreed at full Council on 29 June (para 3.6 of the operational governance framework report). \Paragraph 178 of the standing orders was amended to remove Councillors from role. A briefing note has been prepared explaining the change to the new Convenor. It was expected that this would take place in May but was delayed as the new administration was not in place. The existing deadline was agreed with an expected May completion date and has now been changed to end July. deadline was agreed when we expected a May report. Now that the change is agreed letters of delegation are being updated for Director approval. Once approval received, a staff briefing will be prepared reminding them all of the new procedure.	Andrew Mitchell, Regulatory Services Manager
PL1603ISS.3	Mortuary Services	Medium	The current Bereavement Services risk register, dated July 2015, outlines a range of controls in place as part of the mitigation strategy to manage the body holding capacity risk. The risk was escalated to the Place risk register, and as at April 2016 was in the top 10 Departmental residual risks, categorised as one of the most controlled risks due to the controls noted as being in place. The mitigation strategy includes the following: M ortuary plan in place ; and Staff training and participation in a Service quality action group. The Scientific , Bereavement and Registration Services Senior Manager noted that there are no formal mortuary plans in place covering arrangements to minimise storage times , and no such training is currently being delivered. In addition, n o Service KPIs or performance / service standards are currently produced. Q uality documents for the Mortuary covering forms, plans and procedures are being drafted . The mitigation strategy also notes that Funeral Directors are contacted to increase collection rates, but this does not recognise that Mortuary staff are limited i n the actions that they can take in this respect until the Funeral Director makes contact , as their service is assigned by the next of kin. The risk register does not reflect other issues outwith Council control, for example, T he daily cap on the number of post mortems undertaken means there is always a backlog ; and T he uncertainty around service delivery post Crown Office contract expiry in 2020.	The lack of an accurate risk register and formal mortuary plan increases the risk that intended controls are not implemented in practice leading to inefficient use of resources and demand not being managed effectively.	The Bereavement Services risk register requires to be updated to reflect current controls in place. Issues currently outwith Council control should be added to facilitate wider discussion on ways to better manage these. A mortuary plan should be prepared covering the management of body holding capacity. The plan should include: An outline of current arrangements; An outline of all key stakeholders; Service standards expected of Mortuary staff to ensure an efficient, prompt and respectful service; Standards expected of key stakeholders, for example, processes to be followed by Police when storing a body out of hours, prompt notification from Funeral Directors when assigned, and prompt collection by Funeral Directors when notified that a body has been released for uplift; and A programme of regular staff training sessions to ensure that Mortuary staff are aware of their responsibilities to minimise storage. The plan should incorporate contingency arrangements for business as usual during periods of extended closure, for example, at Easter and Christmas.	Work with Environment Service and Place Directorate to update the risk register post transformation review. A mortuary plan is under development and should be completed before the end of December 2016. Implementation by 31/01/2017 is anticipated.	31/03/17	IA Validation in progress	July Update - meeting held 10/7 to discuss 1) A risk register is to be created. 2) Operational plan to be produced to track and forecast demand. This could be high risk as the Council is providing services to other local authorities and may not be able to meet the additional demand. 3) A contingency plan is to be produced to ease pressure on the council mortuary at times of high demand and it should be evidenced that this has been tested. 4) Potential for rating to be reduced to low if the risk register and operational plan can be evidenced. 5) Action can be closed on the receipt of evidence that that the risk register, operational plan and contingency plan have been implemented and tested. August Update - Information was provided on the 22/8/17 and is currently being reviewed by Internal Audit.	Robbie Beattie, Scientific, Bereavement & Registration Services Senior Manager

Ref	Title	Rating	Finding	Risk	Recommendation	Management Response	Due Date	Update	Owner
PL1603ISS.5	Mortuary Services	Medium	The City Mortuary is a key stakeholder in the following plans: City of Edinburgh Council (CEC) Emergency Plan; interim update Jul 2014; CEC Corporate Business Continuity Plan; Oct 2013; CEC Corporate Pandemic Influenza Business Continuity Plan; Jul 2009 (re-issue due Apr 2017); Emergency Mortuary Management Arrangements Module of CEC Emergency Plan; draft Apr 2015; Services for Communities Contingency Plan (Bereavement Services); draft Jul 2015; and Services for Communities Business Continuity Plans for Bereavement Services; Dec 2013. There are inconsistencies and gaps between the plans including: The Bereavement Services contingency plan includes no detailed action plan covering body storage arrangements in the event of an extensive emergency, such as a pandemic, where National / reciprocal body storage resources will not be available. This area is currently under review nationally via the Scottish Government Silver Swan exercise ; and The Emergency Mortuary Management Arrangements module, covering arrangements in response to intensive emergencies outlines the locations and number of body storage units within the Council and externally . This does not reflect: The basic storage available at the Mortuary; The current location of the Council emergency units; Average spare capacity for NHS Lothian, as determined at Easter 2016; and Average spare capacity of the Queen Elizabeth Hospital in Glasgow (the 300 quoted includes day to day usage and gives no indication of any potential capacity issues here). Significant staff and organisational changes within Place and Bereavement Services over the past year have impacted on the preparation of, and key roles and responsibilities outlined within Place contingency documents. The Scientific , Bereavement and Registration Services Senior Manager recognises that all local plans need revised, with separate plans set up for Mortuary and Crematorium services .	If contingency plans in place are not comprehensive, with accurate and up to date capacity information, the required actions to be undertaken by Council staff may be unclear, increasing the risk of inappropriate treatment of fatalities.	All Mortuary Service contingency plans require to be reviewed and redrafted to ensure that they are up to date, comprehensive and reflect current government guidance. Capacity and location information within contingency documents should be corrected to reflect current arrangements. Following review and update of plans in place: Training should be rolled out to staff; and The Corporate Resilience Unit should be provided with updated extracts.	Work with Corporate Resilience Unit to update contingency plans drafted before transformation review . Work with NHS Lothian to support them taking on the role of host mortuary for mass fatalities, thus easing pressure on Council mortuary.	31/03/17 IA Validation in progress	**August Update** - Information was provided on the 22/8/17 and is currently being reviewed by Internal Audit. July Update - as per finding above, actions to resolve both are linked.	Robbie Beattie, Scientific, Bereavement & Registration Services SeniorManager

Resources

Ref	Title	Rating	Finding	Risk	Recommendation	Management Response	Due Date	Update	Owner
RES1603ISS.1	Leavers Process	High	We selected a sample of 45 employees who left the Council in August 2016. 11 (25%) still had an open Active Directory account at the time of our audit in November 2016. An Active Directory account permits access to core Council IT systems including computer terminals, email and the intranet. User accounts for other Council systems such as Oracle (finance), Swift (social work), iTrent (HR and payroll) and Seemis (schools) are linked to the user's Active Directory account. Note that we did not review access to other Council systems, or systems hosted by third parties. However, we note that there is no record of which systems any one employee has access to. Leavers' accounts are therefore only closed if the leaver or their line manager contacts the relevant systems administrator.	Risk of a breach of data protection laws if sensitive data is accessed by staff who no longer work at the Council. Risk of inappropriate or fraudulent use of ICT systems access remaining active post employment , both by leavers accessing systems remotely, and by current employees with access to former colleagues ' accounts. Once web-based Outlook and One Drive accounts are introduced in 2017, leavers with open Active Directory accounts will be able to access Council emails and shared sites with no need for access to a Council-managed device.	Active Directory accounts must be closed when a member of staff (whether payroll or non-payroll) leaves the Council. Access to other Council IT systems, including those hosted by third parties such as eIRD (which holds child protection records and is hosted by NHS Lothian), must be terminated when the member of staff leaves the Council, or moves to a role where access to that system is no longer required.	As Finding 1, a process review workshop will be held on 29 March when issues and improvements in the leavers process (including HR, Customer Services and ICT) will be mapped an identified. HR guidance will then be refreshed. This will include mechanisms to notify administrators of systems hosted by third parties.	30/06/17	30/09/17 **August Update:** Meeting held with HR and ICT for update. HR continuing to work through some actions. Position with ICG has bee escalated and IA are now engaged with them to validate new controls they will implement to support closure. Revised date has been agreed with Executive Director, Resources July Update Workshop sessions have been held on leavers process. We still have some work to do and a lot hinges on the work ICT & CGI are currently doing around asset management. CGI are reviewing best practice across all of the clients they work with to design the best process possible for CEC and we have set a date of 30 September 2017 for this to hopefully be completed.	Katy Miller, Head of Human Resources
CG1503ISS.1	Continuous Controls - One Time Payments	Medium	Finding The One Time Payment Form (OTP) is defined as being for 'one time' payments which do not relate to a contract for supplies and services. However, the audit review highlighted that the OTP system is being heavily used for multiple payments in the following categories: • System workarounds: ⬚ Oracle payment system cannot make payments to non UK bank accounts; and • Historically suppliers such as the DVLA and Sheriff Clerk required individual cheques provided with each application for Vehicle Tax or Council Tax Summary Warrant. This practice remains when other more efficient debit or electronic payment options should be available. • Inefficient Channel: Due to either a lack of knowledge of options available; or lack of access to CEC systems; a large number of cheques are raised by CEC to CEC or to suppliers already on the database. Key examples of this are: ⬚ Replenishment of Libraries Petty Cash Imprest; and ⬚ Client account transfers in H&SC.	By their frequency and nature one time payments are subject to less rigorous verification controls on set up. The system also holds less data, for example supplier number and authoriser are not held. This increases the risk of: • fraud and error being undetected; • payments being made to inappropriate individuals or companies; • key vendor system controls being bypassed leading to increased costs; • incorrect financial figures being given in respect of FOI or other monitoring requests; and • inefficient use of resources.	Channel shift should be embraced to move regular multi-payments to a more efficient platform.	A total review of this area will be completed when the new UNIT 4 Business World system is implemented. Procurement note that any methods of making payments to DVLA and Post Office are a statutory requirement and will have to continue at present. OTP'S relating to vendors will only be accepted if payment is for a rebate only. [wef 18/1/16] Payment Services will request that these types of payments are set up in the new BW system as a sundry account and paid via BACS/Cheque. It should be noted that the new BW e-solution will not have the facility to convert currencies that are not British pounds.	31/10/16	01/10/17 These actions are intrinsically linked to the implementation of the new Business World system. As a result of delays to the programme, the original due date could not be met. Internal Audit have been kept informed of changes to the anticipated implementation date of the Business World system. These updates have been agreed with Internal Audit as the ICT implementation dates have become known. Ongoing focus in the short term to minimise one time payments, with OTPs now limited to rebates since Jan 2016. However as noted DVLA and Post Office payments are statutory. **July Update** Whilst these actions are intrinsically linked to the implementation of the new Business World system (now expected to deliver April 2018), management has confirmed that revised interim controls have been implemented to mitigate this risk. A walkthrough of the enhanced controls has been scheduled for week commencing 17 July 2017. If the revised controls are assessed as adequate and evidence of their operation provided, this finding will be closed. Ongoing focus in the short term has resulted in volumes of OTPs being minimised, with OTPs now limited to rebates since Jan 2016. However as noted DVLA and Post Office payments are statutory. **August Update** Whilst these actions are intrinsically linked to the implementation of the new Business World system (now expected to deliver April 2018), management has confirmed that revised interim controls have been implemented to mitigate this risk. A walkthrough of the enhanced controls was completed on the 17th July 2017. The new procedures were found to be adequate to prevent incorrectly completed cheques being sent out by the payments team. However, issues remain regarding the authorisation of payments. A new email based authorisation process is being implemented and a walkthrough of the procedure is to be conducted in September. If the revised controls are assessed as adequate and evidence of their operation provided, this finding will be closed.	Neil Jamieson, Customer Senior Manager

Ref	Title	Rating	Finding	Risk	Recommendation	Management Response	Original Date	Revised Date / Updates	Owner
CG1511ISS.2	Continuous Testing-Standby, On Call & Disturbance Payments	Medium	Guidance is published on the Orb for standby, on call and disturbance payments, setting out the rules and rates applicable. This guidance is supported by frequently asked questions. It is however a complex area with a range of common and less common situations, and in practice various combinations of allowances are claimed. The complexity of the process does not help scrutiny of claims and provides opportunity for inaccurate or inappropriate claims to be approved. Issues contributing to weakening the control framework, whether intended or otherwise are outlined below: 1. Lack of relevant detail in narrative fields preventing proper scrutiny of claim. Claims often just have "Call" and not enough information to identify separate or repeat incidents; 2. There are different claim forms for "Standby and Call-out", Overtime, "Non-Standby Call-out". The fact that these are separate and often input at different times makes robust scrutiny more difficult; 3. Core and standby periods used by areas often differ from the published times provided by the Service Area; and 4. Frequent failure to reset claim forms leading to conflicting dates appearing on forms.	Claims being made and authorised in excess of what is appropriate as claims are accepted at face value with insufficient data to validate them.	The claim process should be simplified where possible on the migration to the new payroll system.	Management are aware of the weaknesses of the current HR/Payroll solution and have retested the functionality to confirm the findings contained in the report. Configuration of the Business World solution will where possible include reduced complexity to prevent the recurrence of these issues going forward. Ongoing we will document specific system controls that have been configured within the new system to preclude recurrence of these issues. This will be shared with Internal Audit for the purposes of completeness and ensure we have in fact closed out the weaknesses identified.	31/10/16	01/04/18 These actions are intrinsically linked to the implementation of the new Business World system. As a result of delays to the programme, the original due date could not be met. Internal Audit have been kept informed of changes to the anticipated implementation date of the Business World system (2018). In the short term we are assessing the use of Robotics Process Automation (RPA) as an interim solution. This will cover both the form, process and transaction. Complete assessment by 31/8/17. July Update Whilst these actions are intrinsically linked to the implementation of the new Business World system (expected delivery date April 18), management has confirmed that they are implementing new controls into the existing process to mitigate the risk. It is expected that these will be in place by end of August 2017. Audit will arrange time to perform walkthroughs and obtain supporting evidence in early September. If the revised controls are assessed as adequate and evidence of their operation provided, this finding will be closed. August Update Whilst these actions are intrinsically linked to the implementation of the new Business World system (now expected to deliver April 2018). A walkthrough of the controls was completed on the 23/8/17, manual checking is completed by the payroll team to ensure the correct information is inputted into the iTrent system. Although there is segregation of duties it is the same team processing and checking the payments. Although some forms are rejected if completed inaccurately, there is no documented process regarding when a form should be rejected. Additional controls are being discussed with Internal Audit.	Grant Craig, People Support Manager
CG1511ISS.3	Continuous Testing-Standby, On Call & Disturbance Payments	Medium	The iTrent payroll system in its current configuration lacks basic automated input controls to validate the quality of information submitted. This leads to a high number of erroneous claims being accepted. A key example of this found during the review was a claim from 22:30 to 12:00 which led to a 1.5 hour claim being paid at 13.5hrs. This led to an overpayment of £316.80 which had not been identified. The money was recovered when we notified payroll. Lack of basic automated controls has led to the following types of errors being accepted, all identified during the course of this review: Conflicting standby header and week commencing dates, Incorrect mixture of 12 and 24 hour clock affecting claimed times, Invalid times accepted e.g. 2430, Future dates accepted, Historic dates from previous financial years accepted, Standby disturbance claims accepted when not on standby, and Mutually exclusive elements accepted at same time.	The lack of basic automated application controls increases the risk of invalid claims being made, approved and paid.	As part of the development of and migration to the new payroll system logical validation checks over input should be incorporated wherever possible.	Management are aware of the weaknesses of the current HR/Payroll solution and have retested the functionality to confirm the findings contained in the report. Configuration of the Business World solution will where possible include increased validation to prevent the recurrence of these issues going forward. Ongoing we will document specific system controls that have been configured within the new system to preclude recurrence of these issues. This will be shared with Internal Audit for the purposes of completeness and ensure we have in fact closed out the weaknesse s identified.	31/10/16	01/04/18 These actions are intrinsically linked to the implementation of the new Business World system. As a result of delays to the programme, the original due date could not be met. Internal Audit have been kept informed of changes to the anticipated implementation date of the Business World system (2018). In the short term we are assessing the use of Robotics Process Automation (RPA) as an interim solution. This will cover both the form, process and transaction. Complete assessment by 31/8/17. July Update Whilst these actions are intrinsically linked to the implementation of the new Business World system (expected delivery date April 18),management is currently investigating the costs associated with upgrading the iTrent system input controls to mitigate this risk. If these costs are significant, then this Finding will remain open until the Business World implementation is complete.	Grant Craig, People Support Manager
CW1501ISS.1	Procurement Arrangements	Medium	Contract Register Updates It is the responsibility of Service Areas to provide complete, accurate and up to date contract information. Data is entered online via a contract register form in the Orb, downloaded to C&PS and used to update the register manually. This ensures that fields are updated in the same format as much as possible. The online form is being simplified to improve consistency of data provided. A sample of 12 contracts awarded by the Finance & Resource Committee in 2014/15 were selected to establish if details are reflected in the register. Most contracts had been updated, however in four cases contract end dates & values, and cross referencing between the live contract and live framework tabs required further validation. The Senior Commercial Operations Officer recognised the need for better validation of data provided online by Service Areas prior to updating the register. It is also recognised that a formal system to track activity within and improve the links between the contract and pipeline registers is required. Access to the Registers The registers are currently held in excel with shared open access within C&PS . There are plans to set up the pipeline register as a web application , with a link to an access database which will hold the contract register. Contract Register Overviews & Feedback Bi-monthly contract register overviews sent to each Directorate include lists of all contracts due to expire within 18 months, for example, details of 105 contracts were issued to Services for Communities (SfC) in March 2015. Service Areas are required to provide a note of actions being taken against each expiring contract. Feedback received by the Commercial Partners is forwarded to the Senior Commercial Operations Officer to update the contract and pipeline registers, and to the relevant Category Manager to note any new tendering requirements. It is recognised that data issued to Service Areas need to be more refined prior to issue; checks need to be made to the pipeline and contract registers to ensure that only contracts that C&PS require updates on are followed up.	Information inaccuracies on the contract register risk best value not being achieved and potential savings lost. Open access leaves the registers vulnerable to deliberate or accidental manipulation. The quantity of data provided creates additional work for both sides and may distract from the key information required.	Robust data validation checks are required to ensure the accuracy and completeness of contract register entries, including framework contract details. The Procurement Reform (Scotland) Act 2014 proposes a requirement for all Local Authorities to publish a register of contracts over £50,000, likely to come into effect within the next year. This pending wider scrutiny re-inforces the need to ensure that information is robust. Action should be taken to secure the pipeline and contract registers. This should include implementing password protection, restricting edit rights and creating an audit trail so that modifications can be tracked and monitored. Improvements need to be made to the process to ensure more targeted information in respect of expiring contracts is sent out focusing attention on areas where management feedback is required.	Validation checks are now in place. Each Category manager has reviewed the Register to validate entries aligned to their Category. The transfer of the pipeline to a Sharepoint database provides an audit trail reducing vulnerability to deliberate or accidental manipulation. In the short term we will introduce password protection for the contracts register or move the live version into a folder with restricted access, but in the medium term intend also to move the register to a database that provides an audit trail and provide wider access to staff to input their updates. Reporting of contracts approaching expiry is a recent development. The early reports have identified gaps in our procedures for capturing the current status of actions being taken against each expiring contract. We will address this by developing and documenting a clear process for recording status updates. In addition we will ensure that both Delivery Teams and Commercial Partners review reports before they are circulated to services.	31/03/16	30/04/17 **IA Updates requested July and August - no responses received potentially due to timing of annual leave.** (ii) Short-term - the pipeline register is now held on the Sharepoint database. The contract register is now password protected; only 4 members of the Commercial Operations Team now have access to update the master. Completed. The contract register and pipeline will be held within Business World 4 when this is implemented. As a consequence of delays to ERP programme the expected dates have not been met as CPS are reliant on Business World implementation. July Update Short-term - the pipeline register is now held on the Sharepoint database. The contract register is now password protected; only 4 members of the Commercial Operations Team now have access to update the master. Completed. The contract register and pipeline will be held within Business World 4 when this is implemented. As a consequence of delays to ERP programme the expected dates have not been met as CPS are reliant on Business World implementation. Whilst final implementation is dependent on Business World Implementation (expected April18), Audit are working with Procurement team to walkthrough the key controls (July) to establish whether the risk has been mitigated and the rating can be reduced.	Tammy Gillies, Acting Head of Procurement

Ref	Title	Rating	Background	Risk	Recommendation	Management Response	Original Date	Revised Date	Latest Update	Owner
MIS1601aISS.3	Non Housing Invoices	Medium	The system used to manage repairs and maintenance to operational buildings, AS400, is due to be replaced in the Autumn/Winter 2016. The system is over 40 years old and is limited in its capabilities and links to other Council systems. This means it is difficult to obtain information about repairs carried out. Only one officer is able to use AS400 reporting functions, and none we spoke to in Co rporate Property knew how to access information about EBS non-housing recharges through the Frontier financial reporting system. This limits the management information available to Corporate Property about the volume and value of repairs. It also delayed our audit fieldwork and restricted the scope of our audit. For example, the AS400 (works ordering), Total (billing) and Oracle (finance) systems do not use the same reference numbers. A manual log is kept to record the invoice number for each works order raised on AS400. This was not consistently updated, so , despite the help of the non-housing administration team and Accounts Payable, we were able to trace invoices for only 4 of the 60 charges reviewed. We also identified occasions where details of work s orders charged to Corporate Property had not been transferred into the Oracle data warehouse. This means we (and Corporate Property) were unable to validate the accuracy of the charge for those periods. The total charge only was recorded.	Lack of management information about the volume and value of non-housing repairs.	Management will not have ready access to accurate and reliable information about the volume and cost of repairs and maintenance until AS400 is replaced by CAFM in Autumn/Winter 2016. We note that the introduction of CAFM has been delayed, and every effort should be made to meet the new target implementation date.	It is anticipated that CAFM will be in operational use (services being implemented on a rolling programme thereafter) in early 2017 with a non-Housing R&M implementation process in place for FY 2017/18	01/04/17	Revised Date required	**Latest Update:**This has progressed. However, following the PPP structural wall issue plus reports to CLT, the condition module has now been prioritised and, with assistance from external surveyors, this will be complete for the non-housing estate in autumn 2017. This will identify the backlog maintenance, both capital and revenue, and allow prioritisation and budget planning in detail going forward. The remaining property maintenance modules will be rolled out in 2017/18 and this is progressing. July Update This has progressed. However, following the PPP structural wall issue plus reports to CLT, the condition module has now been prioritised and, with assistance from external surveyors, this will be complete for the non-housing estate in autumn 2017. This will identify the backlog maintenance, both capital and revenue, and allow prioritisation and budget planning in detail going forward. The remaining property maintenance modules will be rolled out in 2017/18 and this is progressing.	Peter Watton, Acting Head of Corporate Property
RES1605ISS.1	Service Level Agreements with Outside Entities	Medium	We reviewed the arrangements in place with 5 organisations to which the Council provides professional services. Organisation Services provided 2015/16 Fees Lothian Valuation Joint Board Payroll services Accountancy services Internal Audit £ 20,100 SEStran Accountancy services Payments and procurement Insurance Treasury management Internal Audit Payroll services £ 23,350 Lothian & Borders Community Justice Authority A ccountancy services Payments Internal Audit £ 22,000 CEC Holdings Account ancy services £ 20,000 Royal Edinburgh Military Tattoo Payroll services Treasury management Internal Audit £ 1,500 There was a current Service Level Agreement (SLA) in place with only one of those 5 entities (SEStran). The agreement had been set up in June 2013 for a period of 12 months, and has been extended a further 3 times since then. There was a further SLA with the Lothian & Borders Community Justice Authority. This SLA expired in March 2010. The Council has continued to provide accounting support including accounts preparation to LBCJA at the rates agreed in 2009. Additional services including accounts payable and internal a udit were not included in this SLA. There were no SLAs in place with the remaining 3 entities. Services provided and fees charged were understood to be historic arrangements.	If service levels are not formally agreed with the other organisation, there is a risk that: There is r eputational damage and increased resource pressure if the Council does not deliver services as expected by the counter party; The Council may not receive appropria te remuneration for services provided; and Arrangements in place may not be appropriate or may conflict with other Council duties.	Service Level Agreements with the organisations to which the Council provides professional services should be reviewed and/or established. These should set out services provided, key activities and deliverables, and the respective roles and responsibilities of the Council and the counterparty. Service Level Agreements should be for a defined period and refreshed regularly to ensure that agreed services and charges remain appropriate.	A service level agreement with the Edinburgh Integration Joint Board is currently being developed. This template will be rolled out to other third party organisations to which the Council provides services as a generic service level agreement, with the exact terms (fees, services, dates) appended as a delivery schedule. July Update The IJB SLA is signed and a generic SLA to be used as the basis for agreements with ALEOs as required has now been shared with all Service Areas. Directors / Heads of Service have been requested to confirm (for their areas) that service level agreements have been established to support all third party relationships where the Council provides services. If individual responses are not provided by end August 2017, individual actions will be raised allocated across all Service Areas to ensure that SLAs are implemented.	31/01/17	30/06/17	**August update:** Request in main paper for CLT to close this action and raise separate actions on all Heads of Service to identify all third party organisations and implement the SLAs. The SLA with the IJB has been agreed and is now a signed document. The next stage is to roll this template out to the other third party organisations that the Council provides services to. These have been identified and the task of implementing SLA's has been allocated to discrete individuals. The revised target for getting the SLAs in place is 30 June 2017.	Nick Smith, Head of Legal and Risk
RES1606ISS.2	ICO Follow Up	Medium	CEC agreed to the ICO that all employees would complete the e-learning module on Information Governance that was mandatory at the time (A16). Since the ICO review, frequent and consistent messages have been issued on information governance. Despite this, a number of council staff have still to complete the module. In addition, CEC agreed to undertake role-specific training for a number of higher-risk data security roles. In some cases (A6, C20, C27) these trai ning sessions have been planned, with materials provided for review. However, these sessions have not yet taken place , as many of the staff are relatively newly appointed and due to organisational restructur e and change across the Council. All role-specific training sessions agreed with the ICO are currently scheduled to be held by the end of Q2 2017.	Risk that staff do not properly understand the implications of data security within their role and the steps they can take to minimise risk to the Council.	All staff should complete the e-learning module and role-specific training courses should be conducted, as planned, by Q2 2017.	Existing Council employees who have not yet completed the IG eLearning module will be instructed/strongly encouraged to do so. Once the elearning module is complete, staff will be expected to update their knowledge of the Information Governance related policies on an annual basis as part of the annual policy refresher process. However, completion of the elearning module may be considered excessive for front line manual workers who have minimal or no information governance responsibilities and a briefing note, prepared by the Information Governance Manager, will be used as an alternative for these particular employee groups.	30/05/17	31/10/17	Several role specific training programmes have been established in relation to data protection compliance. The e-learning module for managers is being revised to include the latest guidance issued by the external regulator concerning the new General Data Protection Regulation which comes into force in May 2018.	Margaret-Ann Love, Learning & Development Manager

Strategy & Insight

Ref	Title	Rating	Finding	Risk	Recommendation	Management Response	Date	Revised	Update	Owner
CSE1601ISS.2	Review of Grant Management	High	Conflicts of interest are difficult to define due to their inherent subjectivity and are often the subject of public scrutiny. The Culture and Sport Committee consists of 15 elected members. They approve grant funding to cultural organisations on an annual basis. A review of Companies House records and the Register of Interests found that ten of the elected members are current or recent directors of one or more of the funded organisations. This could result in the perception of conflicts of interest as in effect, elected members are awarding grants to organisations that they are connected to and have an interest in. The Councillors' Code of Conduct set by the Standards Commission for Scotland defines holding office in a company or voluntary organisation as a declarable non-financial interest (section 4.22). The Code states that an elected member must withdraw from the meeting room until any discussion or vote on an item where they have a declarable interest is concluded (section 5.7). The Code further advises that councillors should not accept a role or appointment if it would mean they frequently declare an interest at a particular committee on which they sit (section 5.22). There is an exemption within the code (section 5.18–d) where the appointment has been approved by the councillor's local authority and the company or voluntary organisation was: Established wholly or mainly for the purpose of providing services to the councillor's local authority; and Entered into as a contractual arrangement with that local authority for the supply of goods and/or services to that local authority In such a case, the councillor is not required to withdraw from discussion or voting, but must declare their interest. The Culture and Sport Committee approved grants to 36 cultural organisations on 8 March 2016. The 13 councillors present between them held 18 directorships on the boards of charities receiving grants. Only 9 interests in Directorships were declared at the meeting. No councillors withdrew from the meeting. It is not clear to Internal Audit that the 9 interests declared were in organisations that would qualify for the section 5.18-d exemption.	Risk that public confidence is damaged by perception that the Committee's decisions are influenced by factors other than the public interest; and Risk of Contravention of the Councillors' Code of Conduct	In accordance with the Councillors' Code of Conduct, Councillors must declare an interest where they are a member or director of a public body, company, or other organisation. Unless the exemption discussed above applies, councillors must withdraw from the meeting room until discussion or voting on an item where they have a declarable interest. This includes scrutiny or funding of charities of which they are a director. To meet best practice governance standards, we recommend that councillors do not sit on Committees which award grants to and scrutinise the activity of charities of which they are a director.	Mandatory induction training for new elected members in May 2017 on these areas will be in place. July Update Mandatory code of conduct training was scheduled as part of the new Councillor training programme with three scheduled sessions (9, 10 and 15 May) and two additional sessions delivered. . Strategy and Insight has provided evidence of the training packs, however 19 of the Councillors (16 returning and 3 new Councillors) have not yet completed this mandatory training. A training needs analysis will be carried out in August after recess, which will inform the Autumn training programme to be delivered in October/November. This will include training on the Code of Conduct. Based on the above, the rating has been reduced from High to Medium.	30/06/17	Revised date required		Kirsty-Louise Campbell, Strategy & Governance Manager
HSC1604ISS.2	IJB Data Integration & Sharing	High	During interviews conducted with NHS and CEC, it was noted that two processes (specifically access management and communication protocols for data sharing) do not fully support the objectives of the IJB. Responsibilities for ensuring that access rights to NHS and CEC systems remains appropriate have not been established. Currently, managers within NHS should notify CEC and vice versa of staff joiners, leavers or movers. This allows access rights to be updated in line with revised operational requirements. However, there is no formal documented process or guidance that sets out the requirement to notify the two bodies of staff changes , and interviewees reported that access control is inconsistently applied (for example not all managers notify their ' non-home ' organisation ' of staff changes). Currently, communication protocols for data sharing are in place. However, we observed that these protocols were not fully established and not sufficiently mature enough on data protection to properly support the objectives of IJB.	There is a risk of managers not being aware of their responsibilities to notify their 'non-home' organisation of staff changes. This could lead to access rights not being updated for leavers or movers and result in confidentiality of sensitive citizen data being put at risk, leading to regulatory fines or censure. Immature data sharing protocols increase the risk of data being inappropriately handled or misused, putting the confidentiality of sensitive citizen data at risk, leading to regulatory fines or censure.	IJB should ensure the communication protocols for data sharing are fully established and mature on data protection.	A pan Lothian General Data Sharing Protocol that facilitates trust among all parties (NHS Lothian, Edinburgh, East, West and Mid Lothian Councils and IJBs) is now in place and the Memorandum of Understanding (MOU) defining the joint data controller responsibilities between the City of Edinburgh Council, NHS Lothian and the EIJB is in the final draft. It is envisaged that the MOU will be signed off by all parties by the end of June 2017. Once sign off has been achieved details will be shared with staff through the regular staff newsletter.	31/07/17	31/10/17	**August Update:** A final draft of the MOU has been circulated and we anticipate this to be agreed, in principle, by all parties and forwarded for signature shortly. Subsidiary documentation is currently being assessed by NHS, Lothian Councils, and CEC as part of this process.	Kevin Wilbraham, Information Governance Manager, Corporate Governance.
RES1605ISS.2	Service Level Agreements with Outside Entities	Medium	There is no complete record of professional services provided by the Council to outside entities.	Lack of a contract register makes it difficult to monitor services provided to other organisations and ensure that current contracts are in place. There is a risk that the resources required to provide professional services to other organisations are not fully understood and accommodated.	A contracts register should be created which includes: Counterparty Date of agreement Period of contract and expiry date S ervices provided Contract manager Key contact at organisation Contracted fees The contracts register should be reviewed periodically to ensure that all professional services provided to external organisations are captured, and that there is a current service level agreement in place for each one.	The findings of this audit review will be presented to the Corporate Leadership Team. Executive Directors will be asked to detail professional services provided to other organisations and to ensure that these are underpinned by Service Level Agreements. The Governance Unit within Strategy & Insight will maintain the Council's Register of Service Level Agreements and shall liaise with service areas to ensure that these are regularly reviewed.	31/10/16	Revised date required	All Service Area responses have now been received. Further clarity had been requested from 2 service areas. This has now been received and these submissions will be reviewed with a view to closing this action by the Outturn date of 30 April 2017.	Andy Nichol, Governance and Democratic Services Manager
RES1607ISS.1	Online Customer Services	Medium	Communication with the Head of Service and Service Manager for Licensing about the development and delivery of the HMO Licensing work stream has been irregular and limited to date. There was a 2-week consultation period in winter 2015 at the beginning of the project, but there has been limited communication since. There is no representative from the service area on the Project Board, and key programme documents have not been shared with the service area including: The Project Initiation Document (PID) ; The d esign document (which maps both the existing and the proposed processes) ; ICT and Transformatio n Service Level Agreements :, Risk registers (with no process of escalation of the risks from the Service Area to the programme) ; Agendas and minutes from Project Board and other key group meetings ; and Support available to the service area during and post-implementation. Ther e is no stakeholder engagement stage in corporated in the project plan. We note that the design document for the HMO licensing onlin e platform states that ' [the] Licensing Team [is] to own policy and guidance documents development to accommodate an online platform . ' It is unclear how they can do this effectively witho ut involvement in its design and implementation.	Stakeholder expectations are not adequately managed as critical stages of the project are not communicated; The Project Board may not have a full understanding of the service requirements for each work stream , meaning that it may not deliver the expected benefits ; The needs of users are not considered in the development of the system , meaning that it may not deliver expected benefits ; Barriers to implementation that the service area is able to identify from experience, but which may not be obvious to the programme team (for example, legislative requirements) are not captur ed; Service Area leads may not buy-in to the project which risks slowing project progress.	Stakeholder Engagement The Project Board should include representatives from the live Service Area projects to ensure all critical documentation is shared and service and legislative requirements are considered, managing stakeholder expectations at each stage of the project . The Project Board may decide that this is most effectively managed through the creation of working groups for key work streams.	As part of the Programme rest (detailed in the 'Current Status Update' above), the programme governance and model used for business engagement is being reviewed, clarified and improved. This will include standardised documentation. When the detailed pla n is received from CGI/Agilisys in April 2017 Working Groups for each " Dr op" will be convened to include Subject Matter Experts from each of the relevant service areas . Re-engagement across senior and frontline stakeholders is currently being planned to refresh the message and planned outcomes of the Programme to support buy-in across the organisation.	31/05/17	31/08/17	Governance structure was put in place before project was placed on hold. This will be adapted based on whatever the new development partner structure may be. 05/07/2017: Business Engagement Approach and Internal/External comms plans provided by Clare Mills (Project Manager). These set out the general principles of stakeholder engagement, with heads of service identified as key stakeholders to attend working group. However, no detail as yet on who those stakeholders are, frequency of meetings, nature of engagement etc. No workstream has progre July 2017 Business Engagement Approach and Internal/External comms plans provided by Clare Mills (Project Manager). These set out the general principles of stakeholder engagement, with heads of service identified as key stakeholders to attend working group. However, no detail as yet on who those stakeholders are, frequency of meetings, nature of engagement etc. No workstream has progressed far enough at this stage for active engagement with stakeholders: expect progress by end of August. Rating reduced to 'Medium' given Business Engagement Approach now developed.	Clare Mills, Project Manager

Ref	Title	Rating	Finding	Risk	Recommendation	Management Response	Date	Source	Update	Owner
RES1616ISS.1	Facilities Management	Medium	The plans to transform the Facilities Management service are ambitious and rely on staff adopting significant changes to working practices, and building users understanding and accepting agreed service levels. During our review of the project plans and documentation, it was noted an implementation plan to embed the new service and minimise disruption during and immediately following the launch of the new operating structure has not yet been developed.	There is a risk of loss of stakeholder support if disruption occurs during the implementation phase which would result in the programme failing to deliver the expected benefits.	Formalise the project implementation plan to include mitigating controls which minimise disruption to service delivery.	The following action plan will be put in place: Hold a team workshop to discuss detailed Work Breakdown Structure for project preparation and implementation Develop programme including identifying critical path and key dependencies Finalise resource schedule for implementation and seek formal approval from CLT to implement any change within pre-agreed budget parameters Review governance for FM roll out and ensure it is sufficiently robust and in line with the wider AMS governance arrangements Continue to monitor progress and report in line with existing arrangements	30/01/17	Internal Audit currently validating	A team workshop was held and a detailed work break down structure and programme plan produced with key dependencies identified. All resource is now in place for programme delivery and it will be held within agreed budget parameters within AMS. The implementation team are currently re-programming the key millstones due to a decision taken by CLT to push the launch of consultation until after the Election and split the consultation into phases, launching with janitorial in mid May and cleaning and others after the summer holiday period. The FM implementation will continue to be monitored as part of the AMS governance arrangements and through the wider Change Board. 10/07/2017 - requested copy of programme plan, dependencies log, and latest project dashboard. July Update Awaiting full evidence from Service Area. Once received and reviewed, IA will close this action as appropriate. A team workshop was held and a detailed work break down structure and programme plan produced with key dependencies identified. All resource is now in place for programme delivery and it will be held within agreed budget parameters within AMS. The implementation team are currently re-programming the key millstones due to a decision taken by CLT to push the launch of consultation until after the Election and split the consultation into phases, launching with janitorial in mid May and cleaning and others after the summer holiday period. The FM implementation will continue to be monitored as part of the AMS governance arrangements and through the wider Change Board.	Emma Baker, Project Manager

EIJB

Ref	Title	Rating	Finding	Risk	Recommendation	Management Response	Date	Update	Owner
HSC1503ISS.3	Personalisation SDS - Option 3	Medium	Scottish Government collects data on SDS users through annual and quarterly statistical surveys of local authorities. The answers to survey questions are based on data held in Swift. The accuracy and completeness of data input is therefore essential. There have been several changes in the assessment process and data captured in the past year such as: - Eligibility for services (on which data is required by Scottish Government) has been recorded since January 2015; - 'Initial steps to support' assessments were in use for new contacts between August 2014 and May 2015 but are now used only for crisis care; -A new personal support plan was introduced in October 2015. Where a new personal support plan is used, 'Option 4' is now recorded as a combination of Options 1, 2 and 3. There was no cut-off date after which all assessments would be carried out using new templates. The full process of assessment and arranging care can be lengthy. This means that there are several different ways of recording assessments running concurrently, with different data captured in each one. It is therefore difficult to extract complete and accurate data for management information and for reporting to Scottish Government.	Data on Swift is used to provide internal and external reporting which is likely to be incorrect. Data quality is affected where several processes to capture the same information are in use. There are over 500 practitioners completing assessments on Swift: multiple process changes over a short period of time increase the likelihood of errors in data input.	Further changes to the assessment process are expected over the next year as a result of the Transformation Programme and integration with the NHS. A change management process should be in place to minimise the number of process and recording changes through the year, implement clear cut-off dates, and to ensure changes are communicated to staff clearly. In the meantime, Research and Information should be aware of the likely inconsistencies in data recorded and ensure th at reports are thoroughly reviewed before issue.	A change management process will be established and overseen by the SDS Infrastructure Steering Group. The inconsistencies in data recording are as a result of numerous changes to processes and trying to reduce the recording burden of implementing these on frontline practitioners. The Research and Information Team are aware of all changes to recording practice and take these into account. A summary of all changes and the impact on data extraction has also been produced.	30/06/16 30/06/2017 31/12/2017	**August Update** Chief Officer and Strategic Commissioning Manager provided an update at GRBV meeting of 01.08.17 that noted that a revised implentation date of December was required. Existing change management processes will be formalised as part of the revised governance being put in place for the Health and Social Care Transformation Programme. Planned completion date: 31 March 2017	Wendy Dale, Strategic Commissioning Manager
HSC1503ISS.6	Personalisation SDS - Option 3	Medium	Since October 2015, all personal care plans must be signed off by a senior. This is a measure introduced to improve the quality of personal support plans. We obtained a report of all personal support plans completed between October 2015 and January 2016. We identified 44 cases out of 811 (5.4%) where the system recorded that the assessor who prepared the personal support plan also signed it off. This was reflected in the variable quality of the 25 personal care plans we reviewed as part of our audit work.	The quality of personal support plans is a vital aspect of delivering SDS and ensuring that people receive the care that they choose and need. A lack of review may affect the quality of care received.	All personal care plans should be signed off by a senior, as required by HSC policy. 'Workarounds' on Swift should be deactivated to prevent this breach of segregation of duties recurring.	Ensure that there is a mechanism in place on SWIFT for the senior to record that at the time of the review will show that the senior has both prepared and reviewed the plan. Data quality reports will be set up to identify any support plan signed off by the assessor who produced the plan. Sector Managers and seniors to ensure appropriate oversight and sign off by senior for the personal care plans	30/06/16 30/06/2017 31/12/2017	An instruction will be issued to all staff that Support Plans must be signed off by a senior social worker, who cannot be the same person who created the plan. Reports will be set up to ensure compliance as part of regular quality monitoring. Planned completion date: to be confirmed by 24/2/17 following response from Strategy and Insight . 20/06 Assessments are no longer signed off, but costed Personal Support Plans up to the value of £650 p.w. are signed off by a senior. To close these findings, we need to confirm that sign off is being monitored through exception reporting to identify Plans which haven't been signed off, or that have been prepared and signed off by the same person. **August Update**: Report has now been set up so it will automatically identify cases where the support plan was created and signed off by the same person. Evidence of this has been supplied to Internal Audit. Business Support Teams will be asked to run these reports on a monthly basis initially. The outstanding issue here relates to support plans that have not been signed off. We had asked if an additional category of "closed before completion" could be created in SWIFT but have been advised that this is not possible. Strategic Commissioning Manager will arrange to have a discussion as to how we resolve this with Senior Strategy and Planning Officer and Internal Audit. Suggest revised date to end December to allow time for Audit to check this is working. **July Update** Preparer and approver of live Personal Care Plans compared manually on 19/07/2017: no cases identified where a Personal Care Plan had been signed off by the assessor who produced it. This manual comparison will be repeated monthly for al new care plans. Risk rating reduced from 'medium' to 'low'. Changes to system requested to allow electronic exception reporting, and to record status ('in progress'/'terminated') and 'go live' date to identify any care packages which have not been authorised. This is already checked manually by the Service Matching Unit each time a new care package is allocated to a care provider. Revised date 31/08/2017	Wendy Dale, Strategic Commissioning Manager

Ref	Title	Priority	Finding	Risk	Recommendation	Management Response	Date	Update	Owner
HSC1504ISS.1	Care Sector Capacity	Medium	A Joint Strategic Needs Assessment (JSNA) has been drafted by the Research and Information team in preparation for health and social care integration. This analyses demographics across the city and the attendant pressures on social care provision such as life expectancy, morbidity, deprivation, prevalence of unpaid carers and employment levels (affecting both need for social care and the availability of carers). While the JSNA gives a sophisticated analysis of the current demographic and economic profile of the city, it is a snapshot based on historic statistics. Forecast is limited to percentage growth according to the National Records of Scotland population projections by age group. The demographic trends and pressures on social care provision identified in the JSNA have not been translated into the likely effect they will have on demand for services in the medium- to long- term. This means that the Council does not have a robust forecasting model of demand for social care in the City to inform its strategic planning.	Lack of robust forecasting models impedes informed strategic planning of future service provision; New service structures and initiatives may be c reated in an attempt to address current problems which are not suitable for changing demands caused by foreseeable mov ements and trends in the population.	Forecasting The JSNA should be developed into a robust forecasting m odel for demand for social care in the City. This should involve an appropriate level of scrutiny of t he reliability of the data used and the assumptions used in the model. We recommend that an officer from Health and Social Care is involved in the development of the JSNA in order to assess the assumptions used. The forecasting model should include a sensitivity analysis to assess the likely impact of variation in forecast trends. This is particularly important given the recognised breadth and complexity of social and economic factors affecting demand for care. Gap Analysis Once demand for homecare services has been forecasted, the Service should identify the gap between current and required capacity. If the forecast is sufficiently nuanced, the Service will be able to identify the gap between available resources and need fo r different groups, types of care, and localities. Implementation To date, population projections have generally been used to illustrate the need for service reform. The forecasting model and gap analysis should be used to inform strategic planning of Health and Social Care services.	Forecasting The Edinburgh Health and Social Care Partnership ' s Strategic Plan includes as a priority the improvement of our understanding of the strengths and needs of the local population through the ongoing development of the JSNA . A working group has been established to carry out this work. Members include colleagues from Public Health in NHS Lothian as well as from the Health and Social Care Partnership . One of the work streams which ha ve been identified for the group is to further investigate methods of forecasting needs among specific groups , and our P ublic Health colleagues are supporting this work. Sensitivity analyses will be built into forecasting models. Gap Analysis Existi ng methods enable the gap to be identified between demand and supply in broad terms. Further work will be done in conjunction with Strategic Planning and Contracting colleagues to provide analyses in relation to specific service models. Implementation Improved understanding of the strengths and needs of local populations, and the gap between demand and supply, will be used to develop service models and will inform strategic planning.	30/04/17 Revised date required.	This action is being taken forward through the ongoing development of the JSNA and the development of the Capacity and Demand Plan for Older People	Wendy Dale, Strategic Commissioning Manager
HSC1601ISS.6	Care Home Debt Management	Medium	Section 22(2) of the National Assistance Act 1948 states that "the payment (which a person is liable to make) for any such accommodation shall be in accordance with a standard rate fixed for that accommodation by the council managing the premises in which it is provided (and that standard rate shall be represent the full cost to the authority of providing the accommodation)." Historically the Council have not charged the full cost of accommodation provision and provided the accommodation at a discount to the full unit cost. The Chief Officer of the Edinburgh Health and Social Care Partnership is responsible for reviewing charges on an annual basis. Unit costs are updated regularly by Finance and are available to Health and Social Care senior management to inform decisions on charges. Rates charged to residents for Care Homes are currently based on a historic costs exercise thought to have been completed in approximately 2005, then updated by "inflationary" increases in subsequent years. These uplifts were not linked to the actual cost increases in delivering accommodation and in 2015/16 a cohort of 9 residents receiving specialist dementia care at the North Merchiston Care Home appear to have been charged £9.80 per week in excess of the Home's unit cost of care provision for all or part of the year (total over-charge: £3,059), an apparent breach of the National Assistance Act 1948. This situation did not recur in 2016/17 due to the contract changes with the company running the care home on behalf of the Council. The unit cost of care increased by 3.9% in 2016/17 while the rate charged to residents remained constant, resulting in the unit cost of care being greater than the unit cost for patients in this category at the North Merchiston Care Home.	The Council appears to have charged this cohort of residents a sum in excess of what is permitted under the National Assistance Act 1948. The rates charged to residents in all Council provided accommodation needs to be reviewed for 2017/18 to ensure that they better reflect the actual cost of the care provided and prevent a similar recurrence.	The rates charged to residents in all Council provided accommodation needs to be reviewed for 2017/18 to ensure that they better reflect actual cost of the care provided and prevent a similar recurrence.	The rates charged to residents in all Council provided accommodation will be reviewed for 2017/18 to ensure that they better reflect the actual cost. Finance will update unit costs to inform this review.	31/03/17 30/06/2017 Revised date required	A meeting is being arranged between the Strategic Planning and Quality Manager for Older People and colleagues in Finance to progress this action. NB: no changes have been made to care home charges for 2017/18, work to review their appropriateness in light of actual costs incurred will start once the revised staffing structures following the conclusion of the organisational review are in place. Suggest dependency be pushed implementation back to the end of June. Update requested July - finding owner on annual leave returning 17/7 - no further updates have been provided.	Katie McWilliam, Strategic Planning and Quality Manager for Older People
HSC1603ISS.3	Management Information [EIJB]	Medium	Monthly 'waiting for assessment' reports are generated by the Council Performance and Information team for locality managers, which identify the length of time service users have been waiting for an assessment by locality and by sector team. At 1 September 2016 there were 1,638 assessments on the waiting list, with 1,320 overdue (on the waiting list for more than 2 weeks). Delays in assessments in the community have an impact across the health and social care system and are likely to contribute to higher admissions to hospital. This information is not reported to the EIJB or its Executive Board. The number of patients remaining in hospital because their assessment is overdue is reported to the EIJB bi-monthly as part of the 'delayed discharges' report. At 1 September 2016 this number stood at 33, just 2% of the total number on the waiting list for assessments. Only 9 of those were overdue (0.7% total overdue). In comparison, 78 delayed discharges recorded in July were caused by delays in arranging domiciliary care.	Risk that attention is focussed on effect rather than cause: a relatively small (though high impact) number of delayed discharge, with poor visibility of delays across the health & social care system.	Reporting on delays Management should consider including reporting delays in waiting times for assessments as part of bi-monthly delayed discharge reporting to the EIJB, to help members consider and address delays across the health and social care system (which may be contri b uting to higher admissions to hospital and delayed discharge rates). Lessons learned In developing the Performance Management Framework, management should consider the measures they report to ensure they give EIJB and Executive Bo ard Members a full and ba lanced view of performance across the health and social care system, covering areas which are under the remit of both the legacy NHS and legacy Council teams.	Reports on delays across the whole system from point of referral to receipt of service are being developed and will be reported to the Performance Board on a monthly basis. The whole system approach to reporting that is being developed under the auspices of the Flow Programme Board chaired by an IJB member will provide greater transparency in terms of delays across the whole system. This report will also inform future reporting to the IJB.	08/03/17 31/07/2017 IA validation	22/08/17: The Annual Performance report is a sub set of indicators including 23 core indicators and 6 Integration Indicators together with some key local indicators including waiting times for assessment and packages of care which will be reported to and scrutinised by the IJB Performance and Quality Sub group. A performance report based on the Annual Performance report will be submitted to the IJB every 6 months. If the Performance and Quality Group have any concerns these will be escalated to the IJB. The Annual Performance Report was issued to the EIJB on 14/07/2017 where it was agreed that "the report would be circulated to members for comments and additions prior to sign-off by the Chair and Vice Chair, and publication" IA has requested further evidence of IJB Performance and Quality Sub Group minutes from the Strategic Commissioning Manager for the last 3 months to evidence scrutiny undertaken by the sub-group Implementation date extended to 31/07/2017. Whole system reporting has been developed through the Flow Programme e. W e will be in a better position to confirm the regular reporting arrangements to the IJB Performance and Quality Group and through them to the IJB once the Annual Performance Report has been completed.	Wendy Dale, Strategic Commissioning Manager

Ref	Title	Rating	Finding	Risk	Recommendation	Management Response	Date	Update	Owner
HSC1603ISS.4	Management Information [EIJB]	Medium	There is one member of the NHS Data Set Team responsible for pulling together and circulating delayed discharge reports to locality managers each week. We selected a sample of 5 weeks and confirmed that the report had been generated and circulated. We identified: - One week where no delayed discharge report was circulated as the officer responsible was on annual leave; - One week where additional information was missing as the officer responsible did not have time to complete it.	Locality managers do not have sight of delays if the staff member responsible for preparing management information is absent. There is a risk that this means resources cannot be targeted effectively, and the number of delays increases. There is a reliance on existing NHS and Council professional support arrangements which may not meet the needs of the EIJB.	Delayed Discharge At least one other member of the NHS or Council Data Set Teams should be trained in preparing delayed discharge reports to provide cover in the event of staff absence. Lessons Learned In developing the Performance Management Framework, the Edinburgh Health and Social Care Partnership should identify re sources required to collect and analyse performance data and maintain a consistent quality of reporting to locality managers, the Executive Board, and the EIJB.	The resource requirements to meet the performance management requirements of the IJB will be identified as part of the development and implementation of the new operating structure in Health and Social Care.	31/03/17 31/07/2017 Revised date required	Implementation date extended: the support services part of the new structure has not progressed as quickly as anticipated.	Rob McCulloch-Graham, Chief Officer: Edinburgh Health & Social Care Partnership
HSC1604ISS.3	IJB Data Integration & Sharing	Medium	During our audit procedures, we observed there are compatibility and connectivity issues when using CEC hardware at NHS locations or to access NHS owned systems and vice versa. CEC staff have experienced difficulties in connecting through Wi-Fi at NHS sites (and vice versa) in order to access their emails, and some systems cannot be accessed using specific hardware such as mobile devices (i.e. tablets, mobile phones).	There is a risk of the operational efficiency and effectiveness being impacted by an inability to access system in a timely manner.	The IJB should ask for a review of connectivity and hardware compatibility to be conducted in NHS and CEC sites, to ensure all staff can be fully operational wherever they are located.	The ICT and Information Governance Steering Group will request a review of connectivity and hardware compatibility to be conducted across all sites housing integrated teams and consider any recommendations arising from that review.	30/06/17 Revised date required.	Update requested 14/07/17	Wendy Dale, Strategic Commissioning Manager

Governance, Risk and Best Value Committee

10.00am, Tuesday 26 September 2017

Internal Audit Opinion Benchmarking Exercise

Item number	7.3
Report number	
Executive/routine	
Wards	
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Executive summary

This report details the outcomes of a benchmarking exercise performed to assess the consistency of Internal Audit annual opinions provided across local authorities in Scotland.

Or review demonstrates that a significant range of opinion types and supporting definitions are applied across local authorities, which impacts the ability to make meaningful comparisons between the annual opinion types provided.

Additionally, Internal Audit annual opinions will vary depending on:

- The quality of risk assessments supporting the annual plan;
- The complexity and volume of audits included in the annual plan and their outcomes;
- Existence of an effective and consistently applied Internal Audit methodology;
- Any limitations impacting Internal Audit performance or affecting their independence; and
- The quality, skills and experience of the Internal Audit teams.

Governance, Risk and Best Value Committee

Internal Audit Annual Opinion Benchmarking Exercise

1. Recommendations

1.1   It is recommended that the Committee notes the outcomes of the Internal Audit annual opinion benchmarking exercise.

2. Background

2.1   At its meeting on Tuesday 1 August 2017, the Governance Risk and Best Value (GRBV) Committee noted the annual Internal Audit opinion for the year ended 31 March 2017. The opinion for the year was a '2' - Generally adequate but with enhancements required', reflecting the outcomes of the Internal Audit work performed during the year and the outstanding recommendations that had not been addressed by Service Areas at 31 March. Details of the range of available Internal Audit opinion types applied within the Council are included at Appendix 1.

2.2   GRBV then requested completion of a benchmarking exercise to provide a comparison of the Council's annual Internal Audit opinion with those delivered by other local authority council Internal Audit teams.

2.3   The Local Authority Accounts (Scotland) Regulations 2014 specify (at section 7) that 'A local authority must operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing.'

2.4   The recognised standards applied by local authority Internal Audit teams are the Chartered Institute of Public Finance and Accountancy's (CIPFA) Public Sector Internal Audit Standards (PSIAS).

2.5   Whilst the PSIAS require the provision of an annual Internal Audit opinion, they not do provide any methodology or guidance to derive opinion titles or definitions. The City of Edinburgh Council has adopted the approach detailed at Appendix 1. This is consistent with the methodology applied by the main consulting firms (for example PwC) who provide outsourced Internal Audit services, and is generally considered as industry best practice.

2.6   There are currently 32 local authority councils across Scotland with established Internal Audit teams as required by the Local Authority Accounts (Scotland) Regulations.

3. Main report

3.1 A total of 15 annual Internal Audit opinions were publicly available and could be sourced from relevant local authority websites for comparison.

3.2 The opinion titles and supporting definitions of opinions varied significantly with 8 different opinion titles noted across the 15 opinions reviewed. This suggests that the majority of Council Internal Audit teams have derived their own opinion titles and definitions due to the lack of formal guidance provided by CIPFA in the PSIAS as noted above.

3.3 We noted the following published opinion types:

- Balanced opinion – 1
- Adequate and effective controls operating – 1
- Generally adequate with enhancements required – 1 (CEC)
- Generally operating as expected – 1
- Generally sound – 1
- Reasonable and objective assurance – 1
- Reasonable assurance – 8
- Substantial assurance – 1

3.4 The most common opinion type reported is 'reasonable assurance' which was used by 8 Internal Audit teams. Appendix 2 illustrates that whilst a consistent 'reasonable assurance' opinion title has been applied, the supporting narrative varies considerably across the 8 Councils.

3.5 'Reasonable assurance' is an opinion type predominantly used in the external audit of financial statements, and is typically defined as 'the level of confidence that an auditor, exercising professional skill and care, is expected to attain from an audit that the financial statements are not materially misstated'.

3.6 Given the significant variations noted above, it has not been possible to make meaningful comparisons between the annual opinion types provided across the 15 local authority Internal Audit opinions reviewed.

3.7 Our review also highlighted a significant variation in the size of audit teams (ranging from 1.6 to 27 FTE) and the provision of co-source support. The CEC team is currently 7 FTE with a co-source arrangement established with PwC.

3.8 It was also noted that there was a wide variety of scrutiny committee names across the local authorities, with the most common being 'Audit' for 8 of the 32 local authorities. We did not perform any comparison of the terms of reference for these committees.

3.9 A broader corporate services benchmarking exercise is currently being explored by the Executive Director of Resource which will include Internal Audit.

4. Measures of success

4.1 N/A.

5. Financial impact

5.1 No direct financial impact.

6. Risk, policy, compliance and governance impact

6.1 The Local Authority Accounts (Scotland) Regulations 2014.

6.2 Chartered Institute of Public Finance and Accountancy's (CIPFA) Public Sector Internal Audit Standards (PSIAS).

6.3 Research performed by Michael Page on the definition of 'reasonable assurance': Reasonable Assurance

7. Equalities impact

7.1 No direct impact.

8. Sustainability impact

8.1 No direct impact.

9. Consultation and engagement

9.1 N/A.

10. Background reading/external references

10.1 Information included in Appendix 2 was obtained from the relevant local authority council websites.

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Chief Internal Auditor

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11. Appendices

Appendix 1 – City of Edinburgh Council Opinion Types

Appendix 2 – Benchmarking Result

City of Edinburgh Council Opinion types

We consider that there are 4 possible opinion types that could apply to the Council. These are set out in the table below:

1 Adequate *An adequate and appropriate framework of Governance, Risk management & Control is in place enabling the risks to achieving organisation objectives to be managed*	**2 'Generally adequate but with enhancements required'** *Areas of weakness and non-compliance in the framework of Governance, Risk management & Control that that may put the achievement of organisational objectives at risk*
3 'Significant enhancements required' *Significant areas of weakness and non-compliance in the framework of Governance, Risk management & Control that puts the achievement of organisational objectives at risk*	**3 Inadequate** *The framework of Governance, Risk management & Control is inadequate with a substantial risk of system failure resulting in the likely failure to achieve organisational objectives.*

Judgement is required to be exercised in determining the appropriate opinion to be given and it should be noted that in giving any opinion, assurance can never be absolute.

Appendix 2 - Internal Audit Annual Opinion Benchmarking Exercise results

	Council	Name of Report	Audit Opinion/Conclusion	Opinion/Conclusion Definition	Limitations impacting Opinion	Number of Audits Delivered in the year	Size of Audit Team	Governance / Scrutiny Committee
1	Aberdeen City	Internal Audit Progress Report	reasonable assurance	Major recommendations made in 5 reports. There were limitations to the scope of planned Internal Audit work. These limitations relate to not being permitted access to records held and requested information not being provided during audits, thereby limiting the level of assurance that could be provided.	4 projects	20	not available	Audit, Risk & Scrutiny
2	Aberdeenshire	Internal Audit Annual report & Internal Financial Control Statement 2016/17	reasonable assurance	Major recommendations made in 10 reports in 2016/17 (10 in 2015/16). The outcome of these audits, along with others, and concerns regarding the implementation of previously agreed recommendations have been reported to the relevant Policy Committees and the Scrutiny and Audit Committee (more latterly the Audit Committee In addition to the above, areas of good practice, improvement, and procedural compliance have been identified and these have been detailed in individual assignment reports. The number of recommendations made by Internal Audit throughout the year have reduced when compared to previous years.	None	47 includes 15 carried forward from 2015/16	not available	Audit
3	Angus	Internal Audit Annual Report 2016/17	reasonable assurance	although some control weaknesses were noted generally controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met. The internal audit work of the year has identified a number of areas of good practice and good 10.internal control. Significant improvement has been made in addressing implementation of internal audit recommendations	None	19 includes 6 Financial, + 13 Non-Financial	1.6 FTE + Co-source Audit Manager	Scrutiny & Audit
4	Argyll & Bute	Internal Audit Annual Report 2016/17	substantial assurance	With specific regard to internal control, I am satisfied that recommendations made have been or are currently being addressed by management, and my opinion on the Council's systems is based on those recommendations being satisfactorily implemented.	None	30	not available	Audit & Scrutiny
5	Edinburgh City	Internal Audit Opinion and Annual Report for the Year Ended 31 March 2017	generally adequate but with enhancements required	However, based on our work performed in the year, (set out below) and the management recommendations that remain outstanding at the date of this report, Internal Audit considers that there are weaknesses in the framework of governance, risk management and controls. There were also instances during the year of non-compliance with existing controls. If not addressed, these weaknesses and instances of non-compliance may put the achievement of organisational objectives at risk. We consider that improvements are therefore required to address the matters identified, which will enhance the adequacy and effectiveness of governance, risk management and control	None	46 including 6 carried forward from 2015/16	7	Governance, Risk and Best Value
6	Clackmannanshire	Internal Audit & Fraud Annual Report	Last reported 15/09/16.	**N/A**	N/A	N/A	N/A	Internal Audit & Finance
7	Dumfries & Galloway	Outturn Against the 2016-17 Internal Audit Plan and Controls Assurance Statement	reasonable assurance	The level of staffing resources available to undertake internal audit work remained as expected and no significant adjustments to the internal audit plan were required. There were no restrictions on internal audit's ability to access the systems, people and records required to complete its work. There were therefore no impairments on internal audit during the year.	None	19 includes 5 Grant Certifications	not available	Audit, Risk & Scrutiny
8	Dundee City	Internal Audit Annual Report	Last reported 29/06/16.	N/A	N/A	N/A	N/A	Scrutiny
9	East Ayrshire	Internal Audit Annual Report 2016/17 (Audit)	Reported 20 April 17. Report papers not available on web page	N/A	N/A	N/A	N/A	Governance & Scrutiny
10	East Dunbartonshire	N/A	No papers available from web site	N/A	N/a	N/A	N/A	Audit & Risk Management

11	East Lothian	Annual Internal Audit Report	CIA opinion or conclusion not noted in the report	N/A	N/a	18	5 = 1 Manager + 3 Senior Auditors + 1 Senior Audit Assistant	Audit & Governance
12	East Renfrewshire	East Renfrewshire Council Annual Accounts & Draft Annual Audit Report for 2015/16	Last reported 28/09/16.	N/A	N/A	N/A	N/a	Performance & Audit
13	Falkirk	Internal Audit: Annual Assurance Statement 2015/16	Last reported 20/06/16.	N/A	N/A	N/A	N/A	Audit
14	Fife	Strategic Audit Plan 2017/22 and Operational Audit Plan 2017/18	Last reported 02/03/17 covers part year 01/01/16 to 30/06/16	N/A	N/A	N/A	N/A	Standards & Audit
15	Glasgow	Internal Audit Performance Report	Last report 01/10/2016 no mention of an assurance statement	N/A	N/A	N/A	circa 27 13.8 FTE Qualified 7 FTE Qualified in security 4 FTE trainees 2 FTE technical/administrative	Finance & Audit Scrutiny
16	Highland (Comhairle na Gaidhealtachd)	Internal Annual Report 2016-17	reasonable assurance	On the basis of the work undertaken during the year, it is considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However as no system of control can provide absolute assurance against material loss, nor can Internal Audit give that assurance	None	21	7.4 FTE audit staff + 1 FTE Corporate Audit Manager/Chief Audit Executive	Audit & Scrutiny
17	Inverclyde	Internal Audit Annual Report & Assurance Statement	last reported 23/08/16	N/A	N/A	N/A	N/A	Audit
18	Midlothian	Internal Audit Annual Assurance Report 2016-17	a balanced opinion	It is my view that overall the Council's framework of governance, risk management and internal control over the period 2016/17 are of a satisfactory standard and have been implemented and are monitored by management in line with Financial Directives, Council Policy and the other key essentials of a robust Internal Control Environment	None	8		Audit
19	Moray	Internal Audit Annual report	last reported 28/09/16	N/A	N/A	N/A	N/A	Audit & Scrutiny
20	Comhairle nan Ellen Siar (Western Isles)	Internal Audit Annual Report & Assurance Statement 2016/17	generally operating as expected	Appropriate responses to the recommendations made in our reports have been obtained and **if actioned** should provide management with additional comfort that the systems of control operated as intended.	None	28 + 30 follow up reports		Audit & Scrutiny
21	North Ayrshire	Internal Audit Annual Report 2016/17	reasonable assurance	This statement on the adequacy and effectiveness of the framework of governance, risk management and internal control is based on the audit work performed during 2016-17 as reported above. It also draws on the experience of audit work carried out in earlier years as well as assurances received from management and external audit findings.	None	13	Circa 3.5 - 1 Team Manage, p/t Computer Auditor + 1 f/t and 1 p/t Auditors	Audit & Scrutiny

| 22 | North Lanarkshire | Internal Audit Annual report | reasonable assurance | Internal Audit recently reviewed the Council's project management arrangements. The findings of the audit require me to qualify my opinion on the adequacy and effectiveness of key aspects of the Council's project management arrangements. Management has responded positively to the report and has highlighted current and future planned actions which hare expected to improve the control environment.

In April 2016, the Council received allegations of potential irregularities and corruption associated with certain aspects of the Council's corporate property and procurement arrangements. The findings of the audit investigation which were reported to the Chief Executive in September 2016, require me to qualify my opinion on the adequacy and effectiveness of key aspects of the Council's contract management arrangements in relation to corporate property. Management reported to Committee in March 2017 on steps already taken to address some of the issues identified and on further future planned actions.

Internal Audit recently reviewed the Council's approach to progressing 'transformational change' which continues to evolve. While generally positive of the direction of travel, the findings of the audit require me to qualify my opinion given the weaknesses identified including the need to rationalise and prioritise projects, to ensure that there is sufficient organisational capacity and resources to deliver planned work and to ensure adequate processes are in place to monitor projects and report on progress to key stakeholders. | 4 qualified opinions noted | 12 | | not included | Audit & Scrutiny |
| 23 | Orkney Islands | Internal Audit Annual report & Assurance Statement | adequate and effective controls operating | The audit work has confirmed that, for the areas subject to audit review during 2016/17 there are adequate and effective controls operating, subject to the following exclusions:
Pickaquoy Centre Trust
The audit found that generally the principles of the Code of Practice of Following the Public Pound were being followed to varying extents within the Service Agreement and that areas of good practice were evident. Areas where improvements could be made were also identified, both with regard to the content of the Service Agreement and the actual operating arrangements between the Council and the Trust.
High priority recommendations were made, these concerned the following: -
⬚ The Service Agreement should be aligned with the achievement of current Council objectives and priorities relevant to the service area, and should be subject to annual review.
⬚ Performance measures should be included within the Business Plan and these should be approved by Council. Performance targets should also be reported on within the End of Year Performance Monitoring report.
⬚ The Business Plan should be submitted within a timescale to allow it to be considered during the Council's budget setting processes.
⬚ The required testing of Environmental Conditions and Ground Maintenance should be completed each quarter. | 5 | 18 | | 2.8 FTE (0.8 FTE Chief Internal Auditor + 2FTE Internal Auditors | Monitoring & Audit |

#	Council	Report	Date/Status	Detail				Committee
				Orkney Childcare and Young People's Partnership (OCYPP) The audit confirmed that good management practices were being followed for budgetary control and management of the Partnership budget. It was also found however that formal communication and agreement to its Terms of Reference was required between the OCYPP and the Integration Joint Board to support joint working and a unified and efficient approach to child and young person support in Orkney. Some improvements to procedures were also agreed in order to increase compliance with the Council's policy on Funding External Bodies and Following the Public Pound.				
				Capital Project Review: Photovoltaic Panels on Council Housing The audit findings confirmed that installation of the panels had not delivered all of the expected benefits as detailed within the Capital Project Appraisal reports. The income received from the panels was considerably lower than estimated due primarily to the Government reducing the Feed-in-Tariff rates available over the period of the installation and registration of the panels. The project lacked expediency at key points during its duration, particularly relating to the registration of the panels. The delayed registration of installations contributed to the reduced level of income received.				
				The Council's performance and risk management system, Aspireview, is used to monitor implementation of agreed internal audit recommendations. When internal audit reports have been finalised they are uploaded to Aspireview and the identified responsible officers for implementing the audit recommendations are then required to provide an update on the progress being made twice per year, as at the end of September and the end of March. The updates provided as at 31 March 2017 have been reviewed in order to assess progress. Whilst there are a number of recommendations which are still to be implemented, including recommendations which are overdue in being progressed, there are no recommendations which remain outstanding which impact on the annual internal audit opinion.				
24	Perth & Kinross	Draft Annual Audit Report to Members	Draft report on 28/09/16.	N/A	N/A	N/A	N/A	Audit
25	Renfrewshire	Annual Accounts 2016/17 Annual Governance Statement	reasonable and objective assurance	It is not feasible for the system of internal control in the Council to be without any weaknesses. It is important to balance the risks involved in accepting systems limitations with the consequences if a problem emerges. Internal audit recognises this and address this in its reporting mechanism	3	not included	6.9FTE	Audit, Risk & Scrutiny
26	Scottish Borders	Annual Audit Report	Last reported Sept 16.	N/A	N/A	N/A	N/A	Audit & Scrutiny
27	Shetland Islands	Annual Audit Report	Last reported Sept 16.	N/A	N/A	N/A	N/A	Audit
28	South Ayrshire	Internal Audit Service - Statement on Internal Controls	Last reported June 16.	N/A	N/a	N/A	N/A	Audit & Governance
29	South Lanarkshire	Interim Audit Report 2016/17	Due to be reported Sept 17	N/A	N/a	N/a	N/A	Risk & Audit Scrutiny
30	Stirling	Audit Committee Draft Annual Report	Last reported Sept 16.	N/A	N/A	N/A	N/A	Audit

| 31 | West Dunbartonshire | Internal Audit Annual Report to 31 March 2017 | reasonable assurance | My evaluation of the control environment is informed by a number of sources:
The audit work undertaken by Internal Audit during the year to 31 March 2017, including risk based systems audits, ICT audits, investigations, follow-up reviews and one-off exercises;
The assessment of risk completed during reviews of the annual audit plan;
The assurance statements signed by the Strategic Directors and Strategic Leads on the operation of the internal financial controls for the services for which they were responsible during the year to 31 March 2017;
The assurance statement signed by the Chief Executive for the overall Council for the year ended 31 March 2017;
Reports issued by the Council's External Auditors, Audit Scotland, and other review agencies;
My knowledge of the Council's governance, risk management and performance monitoring arrangements; and
An ongoing audit investigation on tendering and contracting within Roads and Greenspace, for which the audit work completed to date has highlighted a number of high risk issues. Management has been advised of these issues and has implemented appropriate interim actions to rectify them.
inappropriate scope or resource limitations. Opinion It is my opinion, based on the above, that reasonable assurance can be placed upon the adequacy and effectiveness of West Dunbartonshire Council's systems of governance, risk management and internal control in the year to 31 March 2017. | None | 14 | not included | Audit & Performance |
| 32 | West Lothian | Internal Audit Annual Report | generally sound | My opinion is based on:
the internal audit work undertaken during 2016/17, including follow up work;
the work of the council's external auditor, which is placed before the Audit Committee as a matter of course;
the work undertaken by Gallagher Bassett, the council's risk consultant;
the work of the council's Governance and Risk Board;
the governance compliance statements prepared by heads of service | None | not included | not included | Audit |

Governance, Risk and Best Value Committee

10.00am, Tuesday 26 September 2017

Principles to govern the working relationship between the City of Edinburgh Council Governance, Risk and Best Value Committee and the Edinburgh Integrated Joint Board Audit and Risk Committee

Item number	7.4
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive summary

This report sets out five proposed principles to govern the relationship between the City of Edinburgh Council Governance Risk and Best Value (GRBV) Committee and the Edinburgh Integration Joint Board (EIJB) Audit and Risk Committee.

These principles were approved by the EIJB Audit and Risk Committee at their last meeting on Friday 2 June 2017.

Report

Principles to govern the working relationship between the City of Edinburgh Council Governance, Risk and Best Value Committee and the Edinburgh Integrated Joint Board Audit and Risk Committee

Recommendations

1.1 To ensure alignment with best practice governance arrangements, it is recommended that the Committee approve the five proposed principles to govern the working relationship between the Council's GRBV Committee and the EIJB Audit and Risk Committee detailed in this paper. These principles mirror those established to govern the relationship between the EIJB Audit and Risk Committee and the NHS Lothian Audit and Risk Committee.

Background

2.1 The EIJB is responsible for the strategic planning of the provision of Adult Health and Social Care services in the City. The EIJB's board consists of representatives from the Council and NHS Lothian. The services are delivered by the Edinburgh Health and Social Care Partnership, which consists of two partners, the Council and NHS Lothian.

2.2 The EIJB has its own scrutiny committee, the Audit and Risk Committee, and it is likely that there will be areas of overlap (particularly in relation to social care) in the scrutiny provided by the EIJB Audit and Risk Committee and the Council's GRBV Committee. The structural relationship between the two committees is set out it the diagram below:
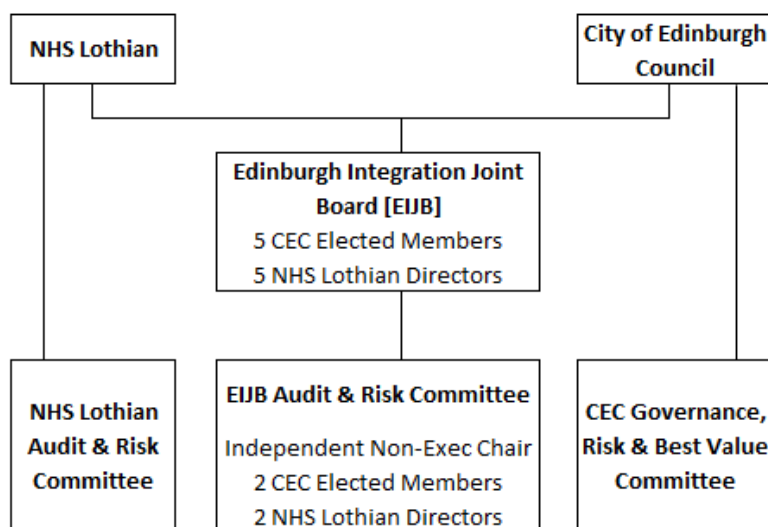
2.3 It was recognised early in the inception process for the EIJB Audit and Risk Committee that it would be beneficial to share information (particularly in relation to Internal Audit) between the scrutiny committees of the EIJB, NHS Lothian and the Council.

2.4 This prompted NHS Lothian to draft a set of principles to govern the relationships between the NHS Lothian Audit and Risk Committee and the four Integrated Joint Boards Audit and Risk Committees (of which the EIJB Audit and Risk Committee is one), which represent the four Integrated Joint Boards to which NHS Lothian is party.

2.5 Input to the draft principles was provided by representatives of the EIJB and Officers of the Council who provide administrative support to the EIJB. The 'Provision of internal support services to the EIJB' was agreed at the Finance and Resources Committee on 23 March and then approved by the NHS Lothian Audit and Risk Committee in April 2017.

2.6 Five principles were then drafted to govern the relationship between the EIJB Audit and Risk Committee and GRBV. These 'mirror' the principles established between NHS Lothian and the EIJB Audit and Risk Committees, and were approved by the EIJB Audit and Risk Committee in June 2017.

2.7 Cooperation between the GRBV and EIJB Audit and Risk Committees is already occurring in relation to Internal Audit activity, with Council reports of interest to the EIJB being referred to the EIJB Audit and Risk Committee, and EIJB reports that may be of interest to the Council being referred to GRBV.

2.8 These Principles, which will be effective immediately, are intended to formally codify existing practices in how the two committees interact.

Main report

3.1 The five governance Principles proposed are:

3.1.1 The Edinburgh Integration Joint Board (EIJB) Audit and Risk Committees and the City of Edinburgh Council Governance, Risk and Best Value (GRBV) Committee have an effective working relationship to take forward matters of common interest.

3.1.2 To support the efficient conduct of business, there is a clear communication process from the EIJB Audit and Risk Committee to the City of Edinburgh Council GRBV Committee, and vice versa.

3.1.3 The reports from the City of Edinburgh Council Internal Audit function shall be readily available to the EIJB Audit and Risk Committee. The reports from the EIJB Internal Audit function shall be readily available to the City of Edinburgh Council Governance, Risk and Best Value Committee.

3.1.4 The minutes of the EIJB Audit and Risk Committee and the City of Edinburgh Council Governance, GRBV Committee shall be accessible.

3.1.5 The City of Edinburgh Council internal audit plan shall take into account the requirements of the Edinburgh Integration Joint Board internal audit plan.

Measures of success

4.1   Effective co-operation between this Committee and the Edinburgh Integrated Joint Board Audit and Risk Committee.

4.2   Effective co-operation between the City of Edinburgh Council and EIJB Internal Audit functions.

Financial impact

5.1   No direct financial impact.

Risk, policy, compliance and governance impact

6.1   These principles have been created to ensure that appropriate governance arrangements are established and applied to support the relationship between the City of Edinburgh Council's Governance Risk and Best Valued Committee and the Edinburgh Integration Joint Board Audit and Risk Committee.

Equalities impact

7.1   No direct impact.

Sustainability impact

8.1   No direct impact.

Consultation and engagement

9.1   Edinburgh Integration Joint Boards Audit and Risk Committee.

Background reading/external references

10.1 [Provision of internal support services to the Edinburgh Integration Joint Board, report to Finance and Resources Committee, 23 March 2017](#)

Lesley Newdall

Chief Internal Auditor

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11.　Appendices

Appendix 1 – Principles to govern the working relationship between the Edinburgh Integration Joint Board Audit and Risk Committee and the City of Edinburgh Council Governance, Risk and Best Value Committee.

Appendix 1 - Principles to Underpin Working relationships between EIJB A&R and CEC GRBV Committees.docx

PRINCIPLE 1:   The Edinburgh Integrated Joint Board Audit and Risk Committees and the City of Edinburgh Council Governance, Risk and Best Value Committee have an effective working relationship to take forward matters of common interest.

How will this work in practice?

- ✓ The committees, chief internal auditors and management from the Edinburgh Integration Joint Board (EIJB) and the City of Edinburgh (CEC) Council shall work collaboratively to resolve issues and risks, recognising that for some issues and risks there are interdependencies between the organisations.

- ✓ In the event that the CEC Council Governance, Risk & Best Value Committee (GRBV) should wish to call the attention of the EIJB Audit & Risk Committee (A&R) to a specific matter, the Convenor will refer the matter through the established communication channel (see below), flagging the need for the matter to be drawn to the attention of the Chair of the EIJB A&R and the EIJB Chief Officer.   The matter could arise from any aspect of the Committee's business, e.g. audit reports or risks identified from risk management reports.

- ✓ In the event that the EIJB A&R identifies a matter of direct and material relevance to the GRBV, the Chair will refer the matter through the established communication channel (see below), flagging the need for the matter to be drawn to the attention of the GRBV and CEC Chief Executive.

- ✓ The EIJB A&R has the right to require CEC management to attend their meetings, should they wish to discuss an internal audit report with them. However it is agreed that this right would be exercised after due consideration and would probably be exceptional. In the normal course of events the EIJB A&R will in the first instance rely on the scrutiny and oversight work of the GRBV.

Appendix 1 - Principles to Underpin Working relationships between EIJB A&R and CEC GRBV Committees.docx

PRINCIPLE 2: **To support the efficient conduct of business, there is a clear communication process from the Edinburgh Integrated Joint Board Audit & Risk Committee to the City of Edinburgh Council Governance, Risk & Best Value Committee, and vice versa.**

How will this work in practice?

- ✓ In the event that the EIJB A&R wishes to raise a matter directly with the GRBV, the EIJB Chief Finance Officer will be tasked with communicating the request.

- ✓ The EIJB Chief Finance Officer shall send the request to the Clerk of the GRBV (currently Gavin King, gavin.king@edinburgh.gov.uk). The Clerk shall process the request accordingly.

- ✓ With regard to communication from GRBV to the EIJB A&R, the Clerk of the GRBV shall send the information to the EIJB Chief Finance Officer (currently Moira Pringle, moira.pringle@nhslothian.scot.nhs.uk).

PRINCIPLE 3: **The reports from the City of Edinburgh Council internal audit function shall be readily available to the Edinburgh Integrated Joint Board Audit & Risk Committee. The reports from the Edinburgh Integrated Joint Board internal audit function shall be readily available to the City of Edinburgh Council Governance, Risk & Best Value Committee.**

How will this work in practice?

- ✓ The EIJB A&R shall refer any relevant EIJB internal audit reports to the GRBV, and reflect that referral in their minutes. The EIJB Chief Internal Auditor shall send the reports to the CEC Chief Internal Auditor (currently Lesley Newdall, lesley.newdall@edinburgh.gov.uk) and the Clerk of the GRBV.

- ✓ The GRBV shall refer any relevant CEC internal audit reports to the EIJB A&R, and reflect that referral in their minutes. The CEC Chief Internal Auditor shall send the reports to the EIJB Chief Internal Auditor (currently Lesley Newdall, lesley.newdall@edinburgh.gov.uk) and the EIJB Chief Financial Officer.

Appendix 1 - Principles to Underpin Working relationships between EIJB A&R and CEC GRBV Committees.docx

PRINCIPLE 4: The minutes of the Edinburgh Integrated Joint Board Audit & Risk Committee and the City of Edinburgh Council Governance, Risk & Best Value Committee shall be accessible.
How will this work in practice?   ✓ The GRBV minutes will be available within the Board papers on its website, and the Clerk of the GRBV will advise the EIJB Chief Finance Officer when they are available.   ✓ The EIJB A&R minutes will be available on the website of the City of Edinburgh Council, and the EIJB Chief Finance Officer will advise the Clerk of the GRBV when they are available.

PRINCIPLE 5: The City of Edinburgh Council internal audit plan shall take into account the requirements of the Edinburgh Integration Joint Board internal audit plan.
How will this work in practice?   ✓ The EIJB Chief Internal Auditor shall liaise with the CEC Chief Internal Auditor when developing the EIJB internal audit plan. The CEC Chief Internal Auditor shall set aside time to accommodate EIJB audit work.   ✓ The CEC internal audit plan shall be developed in the spirit of collaboration and co-ordination, to ensure that the CEC internal audit resource deployed to support EIJB internal audit plan is being used effectively and with due regard to residual risk.

Governance, Risk and Best Value Committee

10.00am, Tuesday, 26 September 2017

City of Edinburgh Council – 2016/17 Annual Audit Report to the Council and the Controller of Audit

Item number	7.5
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

The report summarises the principal findings arising from the Council's 2016/17 external audit. While primarily focused on the review of the financial statements, the wider scope aspects of the audit include consideration of the Council's financial management, financial stability, governance and transparency and arrangements to secure and demonstrate value for money.

An unqualified audit opinion has been issued on the financial statements and other prescribed matters but the report notes the failure of one of the Council's Significant Trading Operations (STOs) to break even over a rolling three-year period.

The report concludes that the Council has a strong track record of maintaining expenditure within budgeted levels, effective financial management and a well-developed financial strategy. It additionally notes that the Council is open and transparent in the way it conducts its business and demonstrates strong self-awareness of areas of poor performance. A number of opportunities for further improvement have, however, been identified and progress against these will be tracked and reported to the Committee over the coming months.

Report

City of Edinburgh Council – 2016/17 Annual Audit Report to the Council and the Controller of Audit

1. Recommendations

1.1 Members are asked to:

1.1.1 note that, following the audit process, an unqualified audit opinion has been issued on the Council's Annual Accounts for 2016/17;

1.1.2 refer the audited Annual Accounts for 2016/17 to the Finance and Resources Committee for approval and thereafter to Council for noting;

1.1.3 note that, following approval by the Finance and Resources Committee, the audited Annual Accounts will be signed and submitted to the external auditor; and

1.1.4 note the areas of strength identified within the wider scope audit work and that progress in the delivery of the remaining improvement actions set out in the action plan in Appendix 2 of the auditor's report will be reported to the Committee during the year.

2. Background

2.1 The Council submitted its unaudited Annual Accounts to the external auditor by the required date of 30 June.

2.2 The review of all matters relating to external audit forms part of the remit of the Governance, Risk and Best Value Committee and is an important aspect of the overall governance arrangements of the Council. The external auditor will attend the Governance, Risk and Best Value Committee meeting to provide an overview of the accompanying report and respond to specific queries members may have on its content. Given the Committee's scrutiny function, however, approval of the annual accounts will be secured by onward referral to the Finance and Resources Committee meeting taking place on 28 September. The external auditor will also attend the Finance and Resources Committee meeting.

2.3 In discharging its work, the external auditor is required to comply with Audit Scotland's revised Code of Audit Practice and ISA260: Communications with those charged with governance. As part of the standard, the auditor is required to highlight:

- Relationships that may bear on the independence, integrity and objectivity of the appointed auditor and audit staff;
- The overall scope and approach to the audit, including any expected limitations, or additional requirements;
- Expected modifications to the audit report;
- Management representations requested by him/her;
- Unadjusted misstatements other than those that are clearly trivial;
- Material weaknesses in internal control identified during the audit;
- Qualitative aspects of accounting practice and financial reporting, including accounting policies; and
- Matters specifically required by auditing standards to be communicated to those charged with governance and any other matters that are relevant to the audit.

3. Main report

3.1 There are no qualifications to the proposed audit certificate. As in previous years, however, the audit opinion includes an explanatory paragraph in respect of the Council's significant trading organisations (STOs). The Edinburgh Catering Services – Other Catering STO failed, over the three-year rolling period to 2016/17, to meet the statutory requirement to break even.

3.2 A number of potential adjustments which are not considered material, either individually or in aggregate, have been discussed and agreed with Council officers and will be incorporated in the audited accounts. These adjustments have no impact on the Council's reported outturn for the year.

3.3 One such matter relates to the Council's depreciation policy, which it is recommended be revised to provide for depreciation in the year of an asset's purchase or creation. Council officers have agreed to review the current policy with a view to implementing the changes in preparing the financial statements for 2017/18.

3.4 As was noted in the External Audit Plan considered by the Governance, Risk and Best Value Committee on 9 March 2017, the 2016/17 audit reflects a revised approach to best value agreed by the Accounts Commission in June 2016. This "wider scope" audit comprises four elements:

- Financial management;
- Financial sustainability;
- Governance and transparency; and

- Value for money.

3.5   The key messages from the audit are presented on page 1 of the Scott-Moncrieff report, with a number of action points for the Council to address in the coming months also noted. These, together with the responses provided by the Council, are shown on pages 44 to 48.

Financial statements (pages 6 to 14)

3.6   Scott-Moncrieff has provided an unqualified opinion on the financial statements and other prescribed matters, albeit it has noted that one Significant Trading Operation, Edinburgh Catering Services – Other Catering, failed to meet the statutory requirement to break even over a rolling three-year period. The in-year deficit for 2016/17 was £191,000, forming part of a cumulative three-year deficit of £498,000, reflecting the impact of a continuing downturn across both in-house catering and external hospitality.

3.7   The Council has on-going plans for investment in this area, with a dedicated Catering Manager now in post with a view to re-designing the service to deliver improvements in performance.

3.8   The auditor's report intimates that there were no material adjustments to the unaudited accounts, confirming the in-year underspend of £1.058m previously transferred to the Council Priorities Fund.

Financial management (pages 16 to 20)

3.9   The report notes that the Council has a strong record of delivering against budget, with overall revenue expenditure maintained within approved levels for ten successive years and levels of capital expenditure slippage comparing favourably in both absolute terms and with other councils. Financial management arrangements are also assessed to be effective, with the majority of approved savings then delivered and no significant weaknesses identified within the internal control framework. The report does, however, identify opportunities for improvement in the transparency of in-year financial reporting and potential changes in this area will be examined with a view to implementing these during the year.

Financial sustainability (pages 22 to 27)

3.10   The report notes that the Council has a well-developed financial strategy, informed by a clear understanding of future pressures and their impact on its medium-term financial position, forming part of a wider set of interlinked and complementary strategies. The Council's reserves management arrangements are also assessed to be effective.

Governance and transparency (pages 29 to 34)

3.11   The report notes that, once the new political administration was formed, the Council quickly developed a medium-term business plan, informed by a clear understanding of the issues affecting it and its wider operating environment. Council business is assessed to be undertaken in an effective, open and transparent way and

governance arrangements for arm's length organisations have been strengthened through the creation of the Governance Hub.

3.12   Recognising the extent of change in the make-up of Council following the May 2017 elections, the report notes the comprehensive training programme put in place for new and returning members and the good attendance levels achieved.

3.13   The report comments favourably on the effectiveness of the Council's response to the PPP1 school emergency and, following publication of the subsequent Cole Inquiry report, prompt actioning of the recommendations.

3.14   The Council's risk management arrangements and framework to prevent, or identify, fraud and irregularity are also assessed to be effective.

Value for money (pages 36 to 39)

3.15   The report notes that the Council can demonstrate improvement in performance against its priorities, with 60% of comparable performance indicators within the top two quartiles of Scotland's local authorities. In some areas where performance is less strong, including Health and Social Care, although action plans have been developed, these have not yet resulted in demonstrable improvements in performance.

4.   Measures of success

4.1   The Council receives an unqualified audit certificate from the external auditor by 30 September 2017.

4.2   Agreed measures are implemented to address any actions identified within the Annual Audit Report in accordance with the timescales indicated.

5.   Financial impact

5.1   There is no direct additional impact arising from the report's contents, although the on-going effectiveness of the Council's current financial management and planning arrangements has been noted.

6.   Risk, policy, compliance and governance impact

6.1   The Committee's remit includes the review of all matters relating to external audit, including reports and action plans to monitor implementation of external audit recommendations.

6.2   The Council's arrangements for risk management, fraud prevention and internal control, as well as its wider governance framework, have been assessed to operate effectively.

7. Equalities impact

7.1 There is no direct relevance of equalities and rights issues to the report's contents.

8. Sustainability impact

8.1 There are no impacts on carbon, adaptation to climate change and sustainable development arising directly from this report.

9. Consultation and engagement

9.1 The financial statements were made available for public inspection in July for a period of 15 working days in accordance with the provisions of Part VII of the Local Government (Scotland) Act 1973 and the Local Authority Accounts (Scotland) Regulations 2014. The Council received one request for further information under these Regulations during this period. Additionally, an individual lodged an objection with Audit Scotland, with a hearing convened.

10. Background reading/external references

Unaudited Annual Accounts, 2016/17, City of Edinburgh Council, 29 June 2017

City of Edinburgh Council External Audit Plan, 2016/17, Governance, Risk and Best Value Committee, 9 March 2017

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Chief Executive

Stephen S. Moir

Executive Director of Resources

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11. Appendices

Appendix 1 – 2016/17 Annual Audit Report to the Council and the Controller of Audit

Appendix 2 – 2016/17 Audited Annual Accounts

City of Edinburgh Council

2016/17 Annual Audit Report to the Council and the Controller of Audit

September 2017

Contents

Key messages

Annual accounts

The annual accounts for the year ended 31 March 2017 are due to be approved by the Finance and Resources Committee on 28 September 2017. We plan to report within our independent auditor's report an unqualified opinion on the annual accounts and on other prescribed matters.

We have, however, drawn attention in our independent auditor's report to the fact that the council's Edinburgh Catering Services – Other Catering trading operation has failed to break even, on a cumulative basis, over the three- year period to 2016/17. While this is a failure to comply with the Local Government in Scotland Act 2003, it does not affect our overall opinion on the financial statements. There are no other matters that we have to report to you by exception.

The annual accounts and supporting schedules were of a good standard. Our thanks go to staff at the council for their assistance with our work.

Wider scope

Financial sustainability
The council has a well-developed Financial Strategy that accounts for the impact of key service pressures such as demographic change, and areas of investment and development, including the City Regional Deal.
The council's reserves increased during 2016-17and are managed in line with key financial risks. In the most recent update, the council identified the need to address a further savings gap estimated at £91.6 million by 2020-21.

Financial management
The council has a strong track record of delivering against budget. The annual accounts records an overall underspend of £1.06 million in 2016-17.

Financial management is effective but we identified opportunities to enhance the effectiveness of financial scrutiny by improving consistency in the reporting of outturn projections.

Governance and transparency
The council's new administration has quickly set out an updated Business Plan which sets out clear council priorities and an understanding of challenges for the medium term. The council is open and transparent in the way that it conducts its business, and we identified the Governance Hub as a key improvement in the way that council companies are managed.

Value for money
The council can demonstrate strong self-awareness and performance reports draw on trend analysis, as well as benchmarking with other councils.
The council acts to tackle area of poor performance, including developing improvement plans. In some service areas, including waste, roads and delayed discharges performance remains poor.

Key facts

- The Council spent £1.564billion on the provision of public services in 2016/17.

- Cash backed reserves held by the Council were £253.911million as at 31 March 2017; of which £141.826million relates to general fund balances.

- £128.801million of the general fund balance was earmarked for future purposes with the remainder representing an unallocated general fund of £13.025million.

- The Council delivered 98% of its 2016/17 approved capital programme of £204.026million.

Conclusion

This report concludes our audit for 2016/17. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK and Ireland) and Ethical Standards.

Scott-Moncrieff
September 2017

1

Introduction

This report is presented to those charged with governance and the Controller of Audit and concludes our audit of the City of Edinburgh Council for 2016-17.

We carry out our audit in accordance with Audit Scotland's revised Code of Audit Practice (May 2016). This report also fulfils the requirements of International Standards on Auditing (ISA) 260: Communication with those charged with governance.

At the City of Edinburgh Council, we have designated the Governance, Risk and Best Value Committee as "those charged with governance".

Introduction

1. Audit Scotland appointed Scott-Moncrieff as auditor to the City of Edinburgh Council (the "Council") for the five year period from 2016-17 to 2020-21. The appointment is made under the Local Government (Scotland) Act.

2. The scope of the audit was set out in our External Audit Annual Plan, which was presented to the Governance, Risk and Best Value Committee at the outset of our audit. The audit was planned in accordance with the revised Code of Audit Practice issued by Audit Scotland in May 2016.

3. We use this report to summarise our :

- opinion on significant issues arising from our external audit for the year ended 31 March 2017; and

- consideration of the wider dimensions of public audit work, as set out in Exhibit 1, below.

Exhibit 1: Audit Dimensions within the new Code of Audit Practice

Source: Code of Audit Practice, May 2016

4. The main elements of our work in 2016/17 have been:

- Participating in, and providing evidence and intelligence for, the shared risk assessment (SRA) process;

- An audit of the annual accounts;

- A review of governance arrangements, internal controls and financial systems;

- A review of arrangements for governance and transparency, financial management, financial sustainability and value for money;

- An appraisal of the arrangements for the collection and publication of statutory performance information in accordance with the Accounts Commission direction;

- Any other work requested by Audit Scotland, for example, local performance audit work; and

- Provision of an opinion on a number of grant claims and returns.

5. As part of our audit, we have also made use of the work of other inspection bodies, the council's internal audit service and Audit Scotland.

6. The council is responsible for preparing annual accounts that show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses does not

absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

7. This report contains an action plan with specific recommendations, responsible officers and dates for implementation. Senior management should assess these recommendations and consider their wider implications before deciding appropriate actions. Each recommendation has been given a grading to help the council assess its significance and prioritise the actions required.

8. We would like to thank all members of the council's management and staff who have been involved in our work for their co-operation and assistance during our audit work.

Adding value through the audit

9. All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the council promote improved standards of governance, better management and decision making and more effective use of resources.

10. This report is addressed to the council and the Controller of Audit and will be published on Audit Scotland's website. www.audit-scotland.gov.uk.

11. We welcome any comments you may have on the quality of our work and this report via: www.surveymonkey.co.uk/r/S2SPZBX.

2

Annual accounts

The Council's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

In this section we summarise the findings from our audit of the 2016/17 annual accounts.

Annual accounts

An unqualified audit opinion on the annual accounts

The annual accounts for the year ended 31 March 2017 are due to be approved for signature by the Finance and Resources Committee on 28 September 2017. We plan to report within our independent auditor's report:

- **An unqualified opinion on the annual accounts; and**
- **An unqualified opinion on other prescribed matters.**

We have, however, drawn attention to the fact that the council's Edinburgh Catering Services – Other Catering trading operation has failed to break even, on a cumulative basis, over the three year period to 2016/17.

Good administrative processes were in place

We received draft annual accounts and supporting papers of a good standard, in line with our agreed audit timetable. Our thanks go to staff at City of Edinburgh Council for their assistance with our work.

1. The council's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources. The respective responsibilities of the council and the auditor in relation to the annual accounts are outlined in Appendix 1.

2. In this section we summarise the findings from our audit of the 2016/17 annual accounts.

Overall conclusion

An unqualified audit opinion on the annual accounts

3. The annual accounts for the year ended 31 March 2017 will be considered by the Governance, Risk and Best Value Committee on 26 September 2017 and approved for signature by the Finance and Resources Committee on 28 September 2017. We plan to report within our independent auditor's report:

- An unqualified opinion on the annual accounts; and
- An unqualified opinion on other prescribed matters.

4. We have however, drawn attention in our audit report to the fact that the Council's Edinburgh Catering Services – Other Catering trading operation has failed to break even, on a

cumulative basis, over a three year period (paragraph 17). While this is a failure to comply with the Local Government in Scotland Act 2003, it does not affect the overall opinion on the financial statements.

Good administrative processes were in place

5. We received unaudited annual accounts and supporting papers of a good standard, in line with our agreed audit timetable. Our thanks go to staff at City of Edinburgh Council for their assistance with our work.

Our assessment of risks of material misstatement

6. The assessed risks of material misstatement described in Exhibit 2 are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified with respect to any of the risks described in Exhibit 2.

Exhibit 2: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

1. Revenue recognition

Under ISA 240- *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the council could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

Noted in 2016/17 External Audit Plan

7. While we did not suspect incidences of material fraud and error, we evaluated each type of revenue transaction and documented our conclusions. We have reviewed the controls in place over revenue accounting and found them to be sufficient. We have evaluated key revenue transactions and streams, and carried out testing to confirm that the council's revenue recognition policy is appropriate and has been applied reasonably.

2. Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the annual accounts. This is treated as a presumed risk area in accordance with ISA 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

Noted in 2016/17 External Audit Plan

8. We have not identified any indications of management override in the year. We have reviewed the council's accounting records, obtained evidence to ensure that any significant transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed the journal entries processed in the period and around the year-end.

9. During our review of the financial controls processes however, we did note a lack of segregation of duties in respect of the posting of journals. Journals are prepared and posted without any evidence of secondary review or authorisation. Compensating controls are in place which mitigate against the opportunity for individuals to achieve monetary gain. These include, for example, control account reconciliations and preparation and presentation of financial monitoring reports to the council. There does however remain a risk that individuals post journals to manipulate the reported financial position; with no monetary gain involved. While our audit work did not identify any indications of management override, we recommend that arrangements are put in place to review or authorise year-end journals.

Action plan point 1

Exhibit 2: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

3. Associated spend with new financial systems

In August 2015 the council awarded CGI the contract for the provision of ICT services. Following a transition of services in late 2015 and early 2016, the CGI contract went live on 1 April 2016. The council has reported a number of benefits from the first phase of implementation of the contract, including significantly increased network bandwidth in council schools and council offices.

A further 12 projects will be delivered through 2016 and 2017 as part of the CGI contract, with joint governance arrangements in place involving the council, CGI and supply chain partners. Most of these projects have commenced, although officers have acknowledged that timescales for implementation of some projects, such as Enterprise Integration and Enterprise Resource Planning have slipped due to technical and resource challenges.

The council is however currently reviewing the expenditure incurred to date and the associated accounting treatment. There is a risk that this is not correctly accounted for in the 2016/17 annual accounts.

Noted in 2016/17 External Audit Plan

10. At the outset, the contract with CGI was expected to save the council at least £45million over the first seven years. Since the contract commenced in 2016, the council has reported that CGI has underperformed on the contractual commitments. Most major programmes are at least 12 months late and there are several still in a state of re-plan which is impacting on the council's ability to transform services. In some cases the revised delivery date has meant that the council has been unable to realise the benefits and/or savings envisaged. Improvements have been made during the year; however this has not been at the pace required by the council or in line with the contract.

11. A paper was presented to the Governance, Risk and Best Value Committee in August 2017, giving members an overview of the services delivered by CGI including options available to the council regarding contractual remedies.

12. As a consequence of the delay in the delivery of the planned improvements as part of the ICT contract, capital expenditure within 2016/17 annual accounts was limited to £1.341million. No further payments had been made at 31 March 2017 as milestone triggers had not been met. From audit work performed we are satisfied that this expenditure has been appropriately accounted for in the annual accounts.

Other risk factors

13. Further to the identification of significant audit risks (Exhibit 2), we also identified in our External Audit Plan a number of risk factors which could potentially result in a material misstatement to the annual accounts. An update on these risk factors is set out below:

School closures

14. Following the collapse of a wall at Oxgangs Primary in January 2016, property surveys were undertaken at other schools built as part of the same schools PPP1 contract. In April 2016, 17

schools were closed temporarily as a consequence of the survey findings, and alternative accommodation arrangements put in place for school pupils. A range of remedial work was undertaken by the PPP operator, Edinburgh Schools Partnership (ESP), with a phased return of schools to the Council in operable condition between May and August 2016, prior to commencement of the new school term.

15. Under the unavailability clause of the PPP1 contract and following the school closures, the

council, in 2016/17, withheld unitary charge payments of £5.36million.

16. Through review of the accounting entries in relation to the retention of the unitary charge we noted that only the financing and service elements of the charge have been withheld, the capital element has been paid throughout 2016/17. This reduces the PPP1 liability in accordance with the original contract terms and conditions and is in accordance with relevant accounting standards. We are satisfied that appropriate accounting treatment has been applied. Further information relating to the schools closure is included in paragraphs 165 – 175.

Significant trading operations

17. The council's Edinburgh Catering Services – Other Catering trading operation has previously failed to breakeven over a three year period. The council has put in place a number of measures addressing the profitability of the service going forward, including a new pricing policy and reductions in vending equipment. The catering service is also included within the scope of the property and asset management strategy which is being pursued by the council.

18. Despite these actions the trading operation has failed to breakeven in 2016/17, reporting a deficit of £0.191million and a cumulative three year deficit of £0.489million.

19. Local authorities have a duty under section 10 of the Local Government in Scotland Act 2003 to operate their significant trading operations so that income is not less than expenditure over each three year period. The council has failed to comply with this statutory requirement for the three year period ending 31 March 2017 in respect of the trading operation. We have reported this matter in our independent auditor's report.

20. The council has on-going plans for investment in the trading operation. Over the past three years the Corporate Facilities Management service has been under review. Due to this, the service has been operating under the leadership of property managers rather than a dedicated catering manager. This post was filled in July 2017. The new catering manager is responsible for the staff canteen and coffee shops and is looking to redesign the service to deliver improvements in performance. Short-

term actions are already in progress including the introduction of Electronic Point of Sale (EPOS) technology to facilitate card payments on site at Waverley Court and City Chambers staff restaurants and coffee shops.

21. In addition to this, the posts of Performance Manager and Commercial Manager within the Facilities Management service have been filled in June and August 2017 respectively. These posts will be responsible for improving scrutiny and oversight of the Other Catering operation.

Revised financial statement formats

22. From 2016/17 the Code requires authorities to present service segments on the face of the Comprehensive Income and Expenditure Statement (CIES) based on the way in which they operate and manage services.

23. The council has fully complied with the new requirements of the Code. The CIES has been presented in line with council directorates. Prior year figures have been restated. The notes to the financial statements include an Expenditure and Funding Analysis which demonstrates how the funding available to the council has been used in providing services in comparison to the amounts recorded in the CIES.

Loans Fund Accounting

24. The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 came into force on 1 April 2016. The Regulations set out the powers of local authorities to borrow and maintain a loans fund and result in a change in accounting treatment from 2016/17. There is a risk that the council does not have arrangements in place to comply with the new accounting practices.

25. From audit work performed we concluded that the council has appropriate arrangements in place to comply with the Regulations.

Group accounting

26. The council has a complex group which requires consolidation of a range of subsidiaries, associates and joint ventures. For 2016/17 this also includes consolidating the Edinburgh Integrated Joint Board. The complexity of the group arrangements leads to a risk over the accuracy and completeness of the group accounts.

27. During the planning stages of our audit we reviewed the structure of the group and during the audit sought to gain an understanding of significant audit risks, materiality and extent of the audit work performed for the significant components.

28. In respect of consolidation of the Edinburgh Integrated Joint Board and other group companies we have concluded that the council's share of results has been appropriately consolidated into the group accounts.

29. In early 2017, the council confirmed that operational activities undertaken by EDI, Parc Craigmillar and Waterfront Edinburgh would in future be delivered through an in-house Council Model. A transition period would ensure business as usual for existing projects operated by the companies and a commitment was made to honour all contractual arrangements in place for key projects.

30. No time frame for enacting this decision was given and in the absence of a known date by which activities, assets and liabilities, including properties are to be transferred all companies have continued to prepare accounts on a going concern basis. This is set out in note 1 to the EDI Group Limited accounts. The external auditors have also drawn attention to this basis for accounting within their audit certificate.

Our application of materiality

31. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the misstatement. This means that different materiality levels will be applied to different elements of the annual accounts.

32. Our initial assessment of materiality for the group annual accounts was £14.1million and for the council single entity annual accounts £12.6million. We revised our assessment, following receipt of the unaudited annual accounts, to £15.4million for the group and £12.6million for the council and it remained at these levels throughout our audit.

33. Our assessment of materiality is set with reference to three key benchmarks: gross expenditure (2%), surplus/deficit on provision of services (10%) and useable reserves (2%). We consider these to be the principal

considerations for the users of the accounts when assessing the performance of the council and its group.

34. We set a performance (testing) materiality for each area of work which was based on a risk assessment for the area. We perform audit procedures on all transactions and balances that exceed our performance materiality. This means that we are performing a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are set out in the table below:

	Area risk assessment £million		
	High (45%)	Medium (55%)	Low (70%)
Group	6.9	8.4	10.8
Council	5.6	6.9	8.8

35. We agreed with the Governance, Risk and Best Value Committee that we would report on all material corrected misstatements, uncorrected misstatements with a value in excess of £250,000, as well as other misstatements below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Governance, Risk and Best Value Committee on disclosure matters that we identified when assessing the overall presentation of the annual accounts.

Audit differences

36. We are pleased to report that there were no material adjustments to the unaudited annual accounts. We identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of annual accounts.

37. We also identified a number of potential adjustments which are not considered material to the annual accounts, either individually or in aggregate. These have been reported to the Head of Finance and are included as an appendix to the letter of representation. The letter covers a number of issues and we have

requested that it be presented to us at the date of signing the annual accounts.

An overview of the scope of our audit

38. The scope of our audit was detailed in our External Audit Plan, which was presented to the Governance, Risk and Best Value Committee in March 2017. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the council. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.

39. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.

40. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical review. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit manager and audit partner. In performing our work we have applied the concept of materiality, which is explained earlier in this report.

Legality

41. We have planned and performed our audit recognising that non-compliance with statute or regulations may materially impact on the annual accounts. Our audit procedures included the following:

- Reviewing minutes of relevant meetings;
- Enquiring of senior management and the council's solicitors the position in relation to litigation, claims and assessments; and
- Performing detailed testing of transactions and balances.

42. We are pleased to report that we did not identify any instances of concern with regard to the legality of transactions or events.

Other matters identified during our audit

43. During the course of our audit we noted the following:

The Local Authority Accounts (Scotland) Regulations 2014

44. As part of our audit we reviewed the council's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulations 8 to 10[1] as they relate to the annual accounts. Overall we concluded that appropriate arrangements are in place to comply with these Regulations.

45. In 2016/17, two letters were received citing objections to the annual accounts. For one it was determined that points raised did not constitute an objection to the accounts. In relation to the other, a hearing has been scheduled with regard to the points raised.

Management commentary

46. The Local Authority Accounts (Scotland) Regulations 2014 require local authorities to include a management commentary within the annual accounts. The management commentary is intended to assist readers in understanding the annual accounts and the organisation that has prepared them.

47. As auditors we are required to read the management commentary and express an opinion as to whether it is consistent with the annual accounts. We have concluded that the management commentary is consistent with the annual accounts and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.

48. As part of our audit we also reviewed the council's management commentary against the non-statutory guidance issued by the Scottish Government (Local Government Finance Circular 5/2015). We considered the extent to which the council's management commentary included relevant information in respect of:

- The context of the annual accounts;
- Insight into the priorities of the council and strategies adopted to achieve these priorities and objectives;
- Information on future plans;

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[1] Regulations 8 to 10 relate to the preparation and publication of unaudited accounts, notice of public right to inspect and object to the accounts and consideration and signing of the audited accounts.

- KPIs which measure progress against objectives/priorities; and
- Information on the principal risks and uncertainties facing the council.

49. From our review of the 2016/17 management commentary, we noted, in our view, areas which could be further developed. In particular:

- More information in respect of the overall group;
- More performance information (both financial and non-financial).

The council updated the draft accounts to reflect our comments.

Annual governance statement

50. The Chief Executive and the Council Leader have confirmed that in their opinion, reasonable assurance can be placed upon the adequacy and effectiveness of City of Edinburgh Council and its group systems of governance. The Annual Governance Statement identifies a range of actions that have been, or will be, taken by the council to continue to progress improvements in the council's governance arrangements.

51. We have reviewed the Council's Annual Governance Statement and have found that it is consistent with the accounts and has been prepared in accordance with *Delivery of Good Governance in Local Government: Framework (2016)*.

Remuneration report

52. Our independent auditor's report confirms that the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Depreciation and amortisation policy

53. The council's current accounting policy is not to provide for depreciation or amortisation in the year of an asset's purchase. In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), depreciation/amortisation should be charged over an asset's useful life, starting from when the asset is available for use. The depreciation and amortisation charge in the council's 2016/17 annual accounts is understated by up to £5.36million (calculated as the maximum

possible impact). This has been categorised as an unadjusted difference and detailed in the letter of representation.

Charitable trust funds

54. The council administers seven charitable trust funds. Over the last few years the council has rationalised the number of charitable trusts down from over 100 to seven, with further plans in place to wind up the Usher Hall Conservation Trust in 2017/18.

55. The total charitable trust fund balance as at 31 March 2017 amounts to £14.671million, an increase of £0.173million in comparison with the prior year.

56. The Charities Accounts (Scotland) Regulations 2006 outline the accounting and auditing requirements for charitable bodies. The Regulations require an auditor to prepare a report to the charity trustees where an audit is required by any other enactment. The council's charitable trust funds are covered by the requirements of section 106 of the Local Government (Scotland) Act 1973 and consequently require a full audit.

57. We have audited the council's 2016/17 charitable trust funds. Our findings from our audit have been separately reported to the Trustees. In summary we reported the following:

- We have provided an unqualified audit opinion on the charitable trust funds annual accounts;
- The council has complied with the Local Authority Accounts (Scotland) Regulations 2014 as they relate to its charitable trust funds;
- We did not identify any significant weaknesses over the accounting systems and internal controls associated with the charitable trust funds.

Common good fund

58. Local Authorities are required to administer common good funds under section 15 of the Local Government (Scotland) Act 1994. The purpose of common good funds is to provide benefit to the population of the area either through the disbursement of funds, securing

assets for on-going use for the population or contributing to specific local projects/initiatives.

59. The Common Good Fund stands separate from the council's accounts and has been described as "the ancient patrimony of the community".

60. During 2016/17, a surplus of £104,000 was generated from the common good fund. Two capital receipts were generated following the sale of 6-8 Market Street and land at St James Quarter.

61. In 2016, the council's Finance and Resources Committee approved the use of the common good fund for planned maintenance of the common good assets. £2million was earmarked in 2015/16 (following a receipt from the sale of East Market Street Garage), to fund a maintenance programme for common good assets. As at 31 March 2017; £1.890million remained in this fund. Overall common good funds stood at £2.402million as at 31 March 2017.

62. The Community Empowerment (Scotland) Act 2015 obliges local authorities to establish and maintain a register of property which is held by the authority as part of the common good. The Act received Royal Assent on 25 July 2015; some provisions came into force in 2015 and the remaining provisions are likely to come into force during the latter part of 2017.

63. The Scottish Government issued draft guidance for consultation on 30 June 2017, with responses invited by 29 September 2017. The consultation concerns the statutory guidance related to Part 8 of the Community Empowerment (Scotland) Act 2015 – common good registers - and asks for views on issues such as timescales, information about assets, local consultation, publicising proposals and disposal and use of common good property.

64. Each local authority will be required to publish a list of property which it proposes to include on its Common Good register and to consult on this list. There will be no requirement on local authorities to make checks or confirm title beforehand. Individuals and community bodies can make a case for property to be included in or excluded from the register. Each local authority will have time to investigate and respond to representations before making a

final decision as to inclusion on the list. The common good register is required to be published within six months of the end of this consultation period.

65. The council has begun to collate information regarding those properties historically considered to be common good, specifically those included on the "common good register of assets for accounting purposes", relevant parks and other assets with a public function. Work has also progressed on developing a methodology for assessing all properties' common good status, taking into account the relevant legal tests.

66. Progress is being accelerated by seconding a solicitor from an external legal firm to Legal Services to release a council solicitor to work on the project and additional administrative support has also been appointed.

Related party transactions

67. The council discloses within its annual accounts material transactions with related parties. These can be defined as bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council.

68. The councillors' register of interests is one way that the council can identify its related parties. On review of the councillors' register of interests we identified four additional interests which had not been declared. There is a risk, should the registers not be updated, that the council does not identify and report all related party transactions in its annual accounts.

Action plan point 2

Qualitative aspects of accounting practices and financial reporting

69. During the course of our audit, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the annual accounts. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the annual accounts, and we consider these to be appropriate to the council.
The timing of the transactions and the period in which they are recorded.	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts. Significant estimates have been made in relation to property plant and equipment, provisions, pension liabilities and arrears. We consider the estimates made, and the related disclosures, to be appropriate to the council.
The potential effect on the annual accounts of any uncertainties, including significant risks and disclosures such as pending litigation that are required to be disclosed in the annual accounts.	We did not identify any uncertainties, including any significant risk or required disclosures that should be included in the annual accounts (beyond the existing disclosures made).
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed in the annual accounts.	From our testing performed, we identified no unusual transactions in the period.
Apparent misstatements in the Management Commentary or material inconsistencies with the annual accounts.	There are no misstatement or material inconsistencies with the annual accounts in the Management Commentary.
Any significant financial statement disclosures to bring to your attention.	There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statement disclosure.	There was no disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no difficulties encountered in the audit.

3

Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial management

The council has a strong track record of delivering against budget. Financial management arrangements appear effective and have been strengthened by the introduction of monthly budget review and challenge meetings.

The transparency and scrutiny of financial reporting could be further improved by providing consistency in outturn projections.

Our testing of internal controls identified no significant internal control weaknesses.

Financial performance

70. The council's annual accounts for 2016/17 record an overall underspend of £1.058million, equating to 0.11% of the council's total net expenditure. The council has been able to deliver services within budget for the tenth successive year.

Exhibit 3: Extract from the 2016-17 Outturn Statement

Service	Budget £million	Actual £million	Variance £million
Communities and Families	342.7	341.8	(0.8)
Place	66.7	68.4	1.7
Resources	132.0	130.9	(1.2)
Health and Social Care	186.7	187.8	1.1
Chief Executive	41.4	41.3	(0.1)
Safer and Stronger Communities	25.6	25.5	(0.1)
Lothian Valuation JB	3.7	3.7	-
GF Services	**798.9**	**799.4**	**0.5**

General Fund Services

71. The 2016-17 Outturn Statement (Exhibit 3) shows that the council spent a total of £799.4 million on the provision of services against a budget of £798.9 million.

72. Two services exceeded budgets during the year, the Place Directorate, and the Health and Social Care services delegated by Edinburgh Integrated Joint Board.

73. The Place Directorate faced significant financial pressures (£5.7million), including the closure of Mortonhall Crematorium for a significant part of the financial year. Despite management actions and offsetting underspends in other service areas, the Directorate recorded an overspend of £1.7million.

74. The council agreed an additional £1.1million contribution to Health and Social Care in January 2017, which meant that General Fund services delivered an overall underspend of £0.6million.

Health and Social Care

75. Throughout the financial year, the Edinburgh Integrated Joint Board (IJB) reported significant overspend against the approved budget, primarily as a result of failing to achieve the savings targets for Council-delivered services and ongoing pressures in prescribing and nursing for services delivered by NHS Lothian. In 2016-17, there was an overspend of £8.0m on Council-delivered services, although this was offset by an agreed non-recurring contribution of £6.9m from the Social Care Fund. As a result, the additional contribution approved by the council of £1.1million allowed the IJB to meet its financial targets.

76. Performance reports, including financial reports were made to the Health, Social Care and Housing Committee in 2016-17. In addition, the level of overspend was included in revenue budget monitoring reports to the Finance and Resources Committee. However, there is scope to improve the transparency of reporting and level of financial scrutiny applied to Health and Social Care spending, including any approval for additional resources.

Corporate budgets

77. There were a number of key movements in other income and expenditure. As a result of higher council tax income (£0.7million), and lower payments made under the council tax reduction scheme (£2.95 million), the council was able to make a contribution to earmarked reserves of £3m during 2016-17. Other underspends, including lower than anticipated loan charges, meant that the council was able to meet additional early release costs of £1.6 million in 2016-17.

Budget monitoring and control

78. The council's Finance and Resources Committee receives quarterly revenue and capital monitoring reports throughout the financial year. The reports include a risk rated assessment of the achievement of savings, information on key variances and areas of financial risk. The reports are referred to the Governance, Risk and Best Value Committee for scrutiny.

79. We did, however, note that financial scrutiny could be enhanced by ensuring that revenue monitoring reports include consistent outturn projections throughout the year.

Audit Plan Point 3

Savings Programme

80. When the 2016-17 budget was agreed, the council had identified the need to achieve a challenging target of £72.8 million of savings in year.

81. The council's transformation programme identified £70 million of savings, with £40.5 million to be delivered in 2016-17. In addition, a further £32.3 million of savings proposals were identified in the budget process. As Exhibit 4 highlights, the council achieved £64.1 million of savings in 2016-17.

**Exhibit 4: The Council achieved 88% of its approved savings in 2016-17**
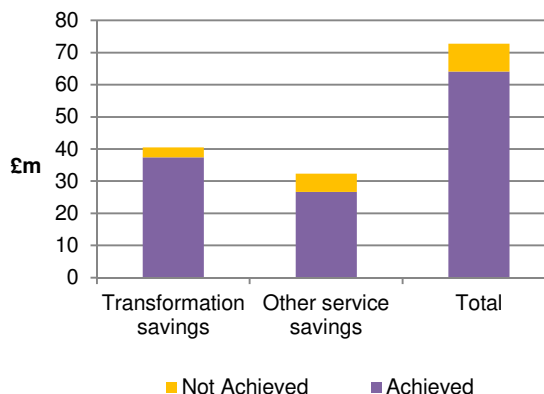
Source: 2016-17 Outturn Report

Capital Expenditure

82. During 2016/17 the council made total capital additions of over £140 million. Of this, £98.7 million were general fund additions and £41.97 million were HRA additions. Outturn against the Capital Investment Programme has been summarised in Exhibit 5.

Exhibit 5: Capital Outturn was broadly in line with budget in 2016-17
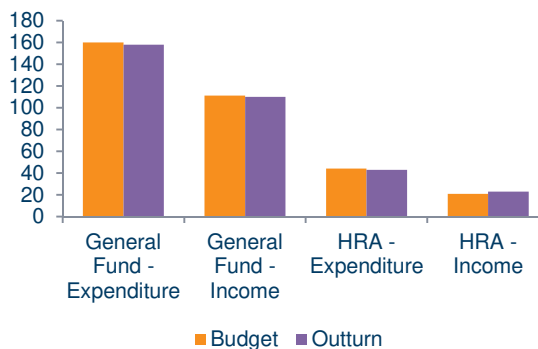
Source: Capital Outturn Report 2016/17

83. A net underspend of £1.745million against budgeted General Fund expenditure is a result of slippage on a number of projects, offset by an acceleration of £6.4million on Asset Management Works. Key areas of slippage include altering the procurement approach on early learning and childcare estates improvements (£3.3million); delays in securing traffic management for Road Asset

Management projects (£2.7million); and delays in delivering Boroughmuir High School (£1.7million).

84. Capital receipts generated from the sale of assets were £12.36million, compared to a budget of £24.58million. This deficit reflects a number of sales that are now due to be settled later than originally expected. The deficit is offset by an increase in income from developers' and other contributions, resulting in capital income being £1.28million below budget.

85. An underspend of £0.68million against the HRA was largely due to a low number of tenants participating in the kitchen and bathrooms programme; the heating programme was accelerated to reduce the overall underspend in line with the agreed strategy. Capital receipts were £1.99million above budget due to a spike in council house sales prior to the abolition of Right to Buy in August 2016.

86. The net underspend on gross General Fund expenditure represents a variance of 1.09% against the revised budget (variance of 6.59% was reported for the 2015/16 outturn position). This demonstrates the success of the capital monitoring team in effectively managing the capital programme and accelerating projects where appropriate to offset slippages elsewhere. Progress on major projects is reported to the Governance, Risk and Best Value Committee on a quarterly basis, summarising activity and any issues relating to timescales or budgets. Each project is allocated a RAG rating to reflect the current level of risk and enable the council to manage the overall programme effectively.

87. Capital expenditure was funded as shown in Exhibit 6.

Exhibit 6: Sources of Capital Funding

Sale of assets 14%
Revenue funds 1%
Loans fund advances 41%
Capital grants 44%
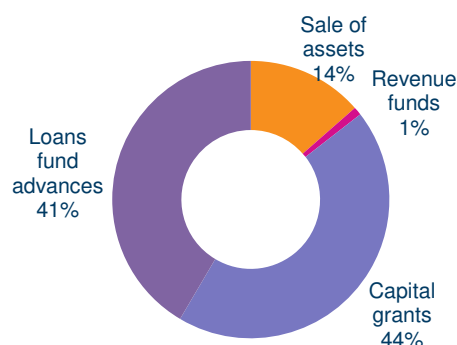
Source: Capital outturn report 2016-17

Systems of internal control

88. We have evaluated the council's key financial systems and internal financial controls to determine whether they are adequate to prevent material misstatements in the annual accounts. Our approach has included audit testing on the key internal financial controls to confirm that they are operating as intended.

89. As reported more fully in our Review of Internal Financial Controls report to management, we consider that the council has well-designed systems in place to record, process, summarise and report financial and other relevant data. We did not identify any material weaknesses in the council's accounting and internal control systems during our final audit. Our conclusions have been reached following consideration of the following key financial systems, as set out in our external audit plan.

Exhibit 7: Key financial systems evaluated in 2016-17

Council tax	Non domestic rates	Cash receipts and banking
Housing rents	Sundry income	Payroll
Treasury management	Members remuneration / expenses	Expenditure

ICT controls

90. Our IT audit work for 2016/17 has focused on the effectiveness of security management controls within CGI over the council's ICT network. The review has considered a wide range of control areas including security management plans, management and monitoring of privileged user accounts, patch management processes, security monitoring, incident management and internal and external security testing. Prior to conducting our review, we were aware that council ICT management had raised concerns with CGI regarding the lack of assurance on security management arrangements. This resulted in a specific team being commissioned within CGI (the 'Red Team') to develop and implement a Security Improvement Plan (SIP). The SIP was agreed in May 2017.

91. Our audit report is in the process of being agreed with CGI and council ICT management. We have raised a number of recommendations from our audit work, a significant number of which are graded as high risk. Whilst our audit work has recognised that there has been improvement in security management processes within CGI, they lack the level of maturity that we would expect at this stage of the contract. A number of key processes which underpin effective security are under-developed or developing, for example, processes in relation to patching, configuration management, security hardening and vulnerability management. There are also weaknesses in relation to the management and monitoring of privileged user access.

92. There is a need to assign implementation dates for all actions contained within various security management action plans, in particular, the Security Improvement Plan and PSN compliance actions. It was not clear whether these dates were the deadline for formal approval by the council or agreement by the joint Security Working Group.

93. There is also a need to implement patching and security hardening policies and a programme of internal vulnerability testing of the council network. Our final report on this area will be presented to the Governance, Risk and Best Value Committee in October 2017.

Internal audit

94. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the council's total audit resource. Each year we consider whether it is the most effective use of the council's total audit resource to place reliance on the work of internal audit. When reliance is to be placed over the work of internal audit we carry out an assessment of the internal audit function to ensure this is sufficient in terms of quality and volume, and is performed in accordance with the Public Sector Internal Audit Standards (PSIAS).

95. We have reviewed the council's internal audit arrangements in accordance with International Standard on Auditing 610 (Using the Work of Internal Auditors), to determine if we could rely on the work of internal audit and if so, to what extent. Overall we concluded that we will place reliance on the work of internal audit where appropriate.

96. A formal external quality assessment of internal audit's compliance with the Public Sector Internal Audit Standards (PSIAS) is required at least once every five years. The Head of Audit and Inspection of North Lanarkshire Council completed an External Quality Assessment Review (EQAR) in 2016/17. The review concluded that the council's internal audit service fully conforms with the PSIAS.

4

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial sustainability

The council has a well-developed Financial Strategy and has a clear understanding of future pressures and the impact on the medium term financial position.

The council has recently identified the need to secure additional savings of £91.6million in the period to 2020-21 and is developing the proposals and programme management necessary to deliver on this challenging target.

There is an effective approach to the management of reserves, highlighting significant risks identified in the budget process, quantifying these wherever possible, and establishing provisions to mitigate the risk. The council's current level of reserves is in line with other councils in Scotland.

Financial planning

97. The council developed its Financial Strategy in 2015-16 and has updated the assumptions and forecasts underpinning the framework every 6 months since then. The Long Term Financial Plan covers five financial years and includes a range of assumptions on inflationary pressures, demographic change, new legislative requirements and estimates of government funding.

98. The Plan is reviewed by the Finance and Resources Committee on a regular basis and is used to inform the development of budget proposals.

99. We reviewed the analysis used to produce the current Revenue and Capital Budget Framework 2018-23 and we were satisfied that it was based on a good level of understanding about services, emerging service pressures and up to date expectations of future government funding.

Delivering a sustainable financial position

100. The Scottish Government sets out the financial settlement for councils in December each year. The council uses the settlement figures to update assumptions, and to refine budget proposals before the budget is finalised. The budget for 2017-18 was approved by the council at its meeting in February 2017. The budget framework also set out an indicative balanced budget for 2018-19. At the time, additional savings requirements of £15.4m and £10.9m were highlighted in 2019-20 and 2020-

21 respectively, which would require to be met from the identification of additional savings and/or income.

101. The Finance and Resources Committee recently received an update on the budget framework. This report sets out a greater financial challenge in the 5 years covered by the plan. As Exhibit 8, overleaf, indicates, movements in the key assumptions include:

- Increases in the provisions made for pay awards. The pay award assumption has been revised to 2% for 2018-19 to 2022-23 inclusive, resulting in an annual incremental increase in provision of £2.6m for each financial year.

- Decreased government grant funding, following independent research on likely public spending in Scotland. The assumed changes in grant funding have been revised to annual reductions of 2.9%, 3.7% and 3.2% respectively over the period from 2018-19 to 2020-21. This accounts for a further reduction in estimated grant income of £59m over the life of the plan

- Additional investment in infrastructure, partly as a result of the City Deal and commitments within the Local Development Plan.
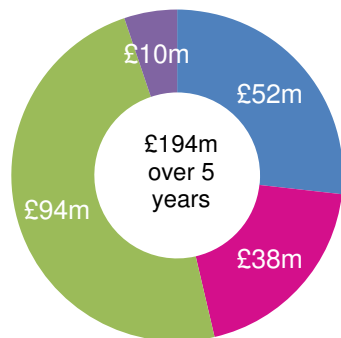
Note: The total financial gap has been offset by revised changes to assumptions relating to Council Tax income (£38million) and others (£14 million). The total gap by 2022-23 is estimated to be £141.60m.

Source: Revenue and capital budget framework 2018/23 – progress update, Sept 2017

102. The creation of the Scottish Government's Social Care Fund has made additional funding available for the Integrated Joint Board to reflect the significant demographic and cost pressures. As a result, the council has reduced its anticipated allocations to the Edinburgh Integrated Joint Board to assume a flat-cash allocation. This level of anticipated delegated budget compares favourably to the overall position across the Council where the assumed revenue reduction is 9.6% over the period to 2022-23. The council estimates that, overall, savings of £91.6 million are required in the period to 2020-21. As Exhibit 9 highlights, the paper to the Finance and Resources Committee outlines a cumulative savings gap of £142million by 2022-23.

Exhibit 9: The council's most recent financial estimates highlight an increased and significant cumulative savings gap in the period to 2022-23
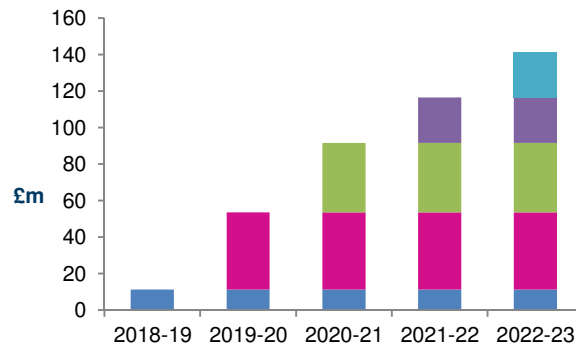
Source: Revenue and capital budget framework 2018/23 – progress update, Sept 2017

103. The council will use the latest long term financial plan to inform the budget process during the period from October until the 2018-19 budget is approved in February 2018. Until there is a clear savings plan in place to address the funding gap, there is a risk to the council's reserves position and future service delivery.

Managing reserves

104. The level of usable reserves available is one of the measures used to assess the financial strength and sustainability of councils. Councils hold reserves to manage risks and make provisions for future spending. The General Fund is the largest of the council's reserves, accounting for 56% of the total usable reserves.

105. As part of the budget preparation process, the council considers an annual Risks and Reserves report. This report outlines the key financial risks associated with the budget process, including:

- The achievement of transformation and other savings

- Volatile demand and therefore funding to deliver the planned outcomes of the Edinburgh Integration Joint Board

- Demographic changes leading to rising service demands.

106. The report for members quantifies the risk wherever possible, and outlines the mitigating actions taken, including factoring in best

estimates to the long term financial plan, and holding specific reserves to manage the risks.

107. The council has agreed to hold a sum of £13.025 million as an unallocated element of the General Fund. This is lower than normal practice for Scottish local authorities, but is mitigated by the earmarked balances for specific risks, and for areas of investment, including the Council Priorities Fund.

108. Exhibit 10 below confirms that the council's General Fund balance increased by £13.4 million during 2016-17, primarily as a result of contributions for projects that were received during 2016-17 but set aside to match expenditure, a £1.058 million underspend against budget, and expenditure incurred under the Council Tax Reduction Scheme falling significantly lower than budgeted (£2.95 million).

Exhibit 10: The council's General Fund balance increased in 2016-17
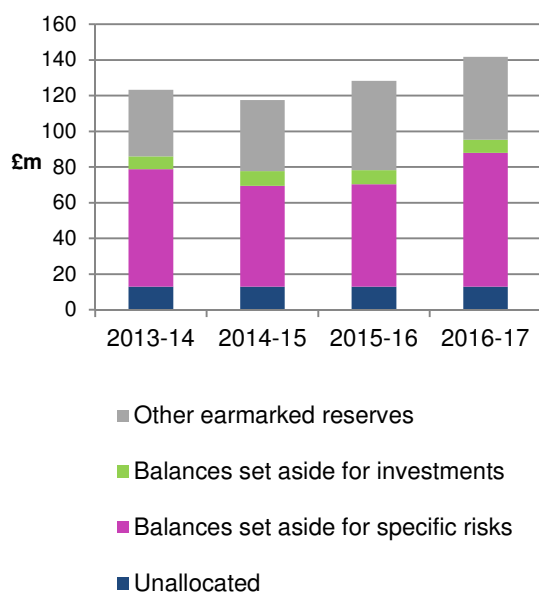
Source: Annual Accounts 2014-15 to 2016-17

109. The balances set aside for specific risks increased from £57.4million in 2015-16 to £74.9million in 2016-17. The earmarked balances held include:

- Additional contributions of £13million, in line with the Financial Strategy, for specific projects relating to welfare reform and potential additional works relating to the

programme of inspection of council buildings following the PPP1 school closures

- An additional contribution to the Council Priorities Fund of £3million.

110. The council also holds balances for specific investments to meet the costs of transformation, and to shift towards preventative expenditure. The balances held fell from £7.8million in 2015-16 to £7.4million in 2016-17.

Usable reserves

111. Exhibit 11 summarises the movements on the council's usable reserves in 2016-17. We note that the City of Edinburgh council's level of usable reserves is above the mean of other local authorities in Scotland and supports our view that the council has adequate financial management arrangements in place (Exhibit 12).

112. Other usable reserves include the Renewal and Repairs Fund and Housing Revenue Account (HRA). The HRA is the statutory fund used to record all income and expenditure for the management of, and investment in, council homes. Under statute, all expenditure on homes let by the council is funded through the rent and related service charges paid by its tenants.

113. The council's surplus on the HRA is transferred to the Renewal and Repairs Fund to leave a nil balance as part of the preparation of the annual accounts. In 2016-17, the HRA made a contribution of £11.9million to the Renewal and Repairs Fund. This balance is earmarked for future capital investment in new affordable homes through the 21st Century Homes programme and as a contingency to manage the impact of welfare reform.

114. Other usable reserves include the Capital Fund and Capital Grants Unapplied Fund.

Exhibit 11: The council's usable reserves increased by £15.9million in 2016-17

Movement in the council's usable reserves	2014/15 £million	2015/16 £million	2016/17 £million	Movement In year
General Fund	117.5	128.4	141.8	£13.4m
Renewal and Repairs Fund	35.8	38.1	50.1	£12m
Capital Grants unapplied	4.4	2.7	0.8	£(1.9m)
Capital Fund	31.7	68.8	61.2	£(7.6m)
Total usable reserves	**189.4**	**238.0**	**253.9**	**£15.9m**

Source: Annual Accounts 2014-15 to 2016-17

Exhibit 12: Councils' usable reserves as a proportion of net cost of services
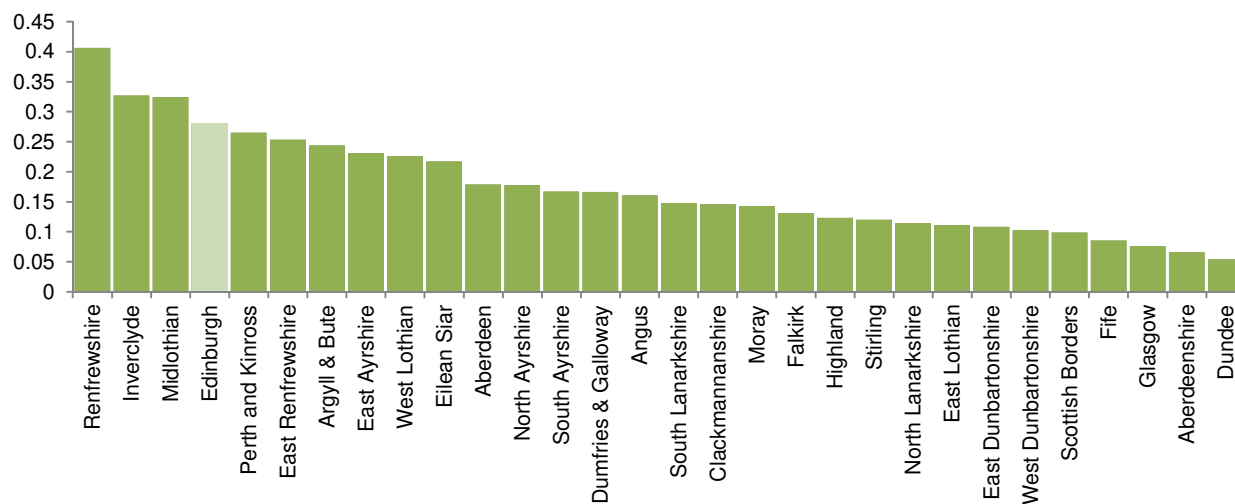
Source: Audit Scotland database complied from draft Annual Accounts 2016-17. Note that Shetland and Orkney Islands councils have been omitted from the comparison as their level of reserves may distort the assessment.

Links to other strategies

115. The council's Strategic Framework identifies a suite of interlinked strategies necessary to deliver the coalition's commitments, the Business Plan and the strategic outcomes agreed with Community Planning partners on the Edinburgh Partnership. Key priorities and service developments have to be balanced with financial pressures and delivering longer term financial sustainability.

116. Audit Scotland's Best Value Follow Up report in February 2016 noted the significant progress that the council had made in strategic planning. The council's long term financial plan is a key part of the strategic framework, and the 2016-20 business plan was also supported by a Workforce Strategy and Corporate Asset Strategy.

117. As we note within the financial management section of this report, the council reports that it has delivered significant change and savings through its transformation programme.

Workforce planning

118. The Workforce Strategy 2015-20 approved in March 2015 set out the council's plans to reduce its workforce by an estimated 2,000 by 2017 through a Voluntary Early Release Arrangement (VERA).

119. As at July 2017, the council reported that 923.4 full time equivalent (FTE) staff had left the organisation under the VERA scheme, with an estimated recurring saving of £38 million per year. The council's basic payroll costs have fallen from £405.4 million at June 2015 to £386.6 million in June 2017.

120. The most recent People Strategy 2017-20 update (February 2017) outlines the actions taken to date, including an extensive leadership development programme, and reaffirms the strategic themes for developing the council's workforce. The Strategy sets a high level vision for the workforce. The Strategy will be underpinned by a more detailed People Plan but at the time of our review this was not yet in place.

Audit Plan Point 4

Embedding change

121. The council's transformation programme was established in February 2015. Each of the organisational reviews set out within the original transformation programme has now either been completed or is approaching completion.

122. The council is continuing to develop its overall Change Strategy, but we understand that all future major change initiatives will be overseen by a Change Board led by the Corporate Leadership Team. The council has established plans for the Project Management methodology, and for reporting progress to the Change Board using dashboard progress reports.

123. The council's embedding change programme has sought to ensure that key themes from transformation, such as people and workforce change, customer focus, technology and asset management have been embedded in service implementation plans. Transformation and savings proposals will therefore form part of service delivery and management arrangements, rather than being separate activities.

124. Our early conclusion on these plans is that a single Board to consider all major change initiatives will provide a clear view of progress on savings and change necessary to deliver. We will, however, continue to consider the effectiveness of reporting progress to committee.

Asset management

125. The council's Property and Asset Management Strategy was approved in September 2015 and set out a business case that aimed to deliver £9million of recurring annual savings as part of the council's wider Transformation Programme.

126. The Asset Management Strategy forms part of the overall Transformation Programme and outlines a sustainable future operating model for property and facilities management based on:

- Service redesign;
- Estate rationalisation; and
- Investment in the portfolio.

127. The most recent asset management transformation progress update to the Finance and Resources Committee highlights a number of financial and non-financial benefits, including forecast recurring annual savings of £5.3million by 2018-19. Good progress has been made in preparing Waverley Court to allow subletting and the estates rationalisation programme is

128. The council has historically reported low performance in relation to the national indicator measuring the suitability of accommodation for current use under the Local Government Benchmarking Framework. In 2015-16, Edinburgh's results were the lowest in Scotland, at 59.3%, against a Scottish average of 79.6%. As part of the transformation programme, condition surveys have been carried out across 70% of the estate to date to quantify and prioritise spend or management of the property to secure improvements.

129. As part of the strategic planning framework, the asset management strategy is being revised to ensure that it reflects the needs of locality planning.

Looking forward

Edinburgh Trams

130. In September 2017, the Transport and Environment Committee considered an updated Outline Business Case (OBC) for the Edinburgh Tram York Place to Newhaven project.

131. The capital cost of the project is estimated to be £165.2 million through to project completion and the construction programme is estimated to be approximately three years plus four months for testing and commissioning. Subject to approval by Council, the line is projected to be open to passengers in the second quarter of 2022.

132. A public interest inquiry has been convened to establish why the original Edinburgh Trams project incurred delays, cost more than originally budgeted and through reductions in scope delivered significantly less than projected. The Chair, Lord Hardie, will issue a report on the findings once all evidence has been assessed. The oral hearing started on Tuesday 5 September 2017, and we will consider how the council uses the outcomes to learn lessons for the next stage of the project.

City Deal

133. In July 2017, Heads of Terms were agreed for the Edinburgh and South East Scotland City Region Deal. The heads of terms are an agreement between the Scottish Government, the six local authorities in the region and the UK Government. Both governments are committed to jointly investing £600m over the next 15

years and regional partners have committed to adding up to £500m, overall representing a deal worth £1.1 billion.

134. The city region deal aims to drive investment and address inclusion across the regional area. The Council will work with the Scottish Government and local authority partners East Lothian, Fife, Midlothian, Scottish Borders and West Lothian Councils to deliver a range of key commitments, including:

- £300m for world leading data innovation centres

- £140m for crucially needed A720 city bypass at the Sheriffhall Roundabout and transport improvements across west Edinburgh

- £20m capital funding for new world class concert hall

- £25m regional skills programme to support improved career opportunities for disadvantaged groups

- £65m of new funding for housing to unlock strategic development sites

135. The deal is expected to conclude before the end of the financial year. We will monitor the implications for the council's medium term financial plan, and arrangements to monitor the impact on outcomes throughout the term of our engagement.

Local Development Plan

136. In September 2017, the council initiated a consultation exercise to help shape the next Local Development Plan (LDP). The council's LDP provides the vision for how communities will grow and develop in the future. The consultation and key appraisals such as the impact on education, the environment and transport may therefore have significant implications for the council's financial planning.

5

Governance and transparency

Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information. Through the chief executive, monitoring officer and section 95 officer, the council is responsible for ensuring the proper conduct of its affairs including compliance with relevant guidance, the legality of activities and transactions and for monitoring the adequacy and effectiveness of these arrangements. Organisations usually involve those charged with governance in monitoring these arrangements.

Governance and transparency
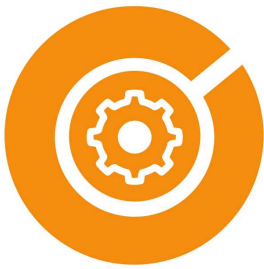
The council's new administration has quickly set out an updated Business Plan for the medium term, based on a clear understanding of future pressures. The council continues to engage with local communities on the longer term Edinburgh 2050 vision.

The council is open and transparent in the way that it conducts its business, with the public able to attend meetings or view webcasts online.

Following the Public Pound arrangements continue to improve and have been enhanced by the establishment of a Governance Hub for council companies.

The serious incident at Oxgangs Primary School revealed failings by the council in the scrutiny and quality assurance arrangements for the original PPP1 development. The council responded in a fast, transparent and comprehensive way to the challenges it faced.

Leadership and vision

137. Scottish local government elections were held in May 2017. In Edinburgh, there was a significant turnover in elected members as only 28 of the 63 councillors returned, with the remaining 35 being new to the council. The political balance of the council has also changed. In the period to May 2017, the council was run by a Labour/SNP administration. At the election, the SNP became the largest party and the Minority Administration is formed from members from the SNP and Labour parties, with an SNP member serving as the council Leader.

138. Once the coalition was finally agreed, the Administration quickly published revised coalition commitments. Plans to develop a revised Business Plan by December 2017 were brought forward, and the council agreed the plan in August 2017. The revised Plan signals a continuity of vision and strategy for Edinburgh, which is informed by *Edinburgh 2050,* the consultation on the long term vision for the city.

139. The renewed Business Plan (2017-21) is supported by the Financial Strategy, People Strategy, Digital Strategy, Asset Strategy and a developing Economic Strategy. Work is also underway to develop the Performance Framework necessary to monitor progress against the Plan.

140. We are satisfied that the council has clarity on its priorities and that the long term plans necessary to achieve these are in place or planned for delivery in 2017-18.

Community Empowerment

141. The Community Empowerment Act (2015) aims to give community bodies new rights and to boost community empowerment and engagement. The Act introduces new requirements for Scottish local authorities, including the introduction of asset transfers to community group, and participatory budgeting.

142. One of the key priorities within the Business Plan is to deliver a council that works for all, including more empowered, transparent and improved public services. The coalition has committed to devolved decision making, and ensuring that 1% of the council's discretionary budget will be allocated through participatory decision making.

143. There are plans in place to devolve decision making to four multi-agency Locality Committees. Cross-party working groups have been established to lead the planning and engagement across each of the four localities. Locality Improvement Plans will feed into the council's business planning process.

144. We are satisfied that the council has shown a commitment to community empowerment, and the approach to locality planning provides a strong basis to involve citizens in decisions about services.

Governance arrangements

145. The council reviewed its political management arrangements in June 2017. As part of the review, consideration was given to the relative workload of the 8 existing committees and the evolution of national priorities and structural change, such as the establishment of Integrated Joint Boards.

146. The council has agreed to a more streamlined committee structure, moving from 8 executive committees to 6, over an 8 week cycle. The structure will continue to be supported by the Governance, Risk and Best Value Committee, which performs the role of an Audit Committee but with an extended remit for scrutiny.

147. Under the revised arrangements, the Corporate Policy and Strategy Committee will provide scrutiny of the services delegated to the Integration Joint Board. We note that the Edinburgh IJB Annual Performance Report (July 2017) has not yet been considered by a council committee.

Audit Plan Point 5

Local Code of Governance

148. In April 2016, CIPFA published a revised Delivering Good Governance in Local Government: Framework (2016 Edition). The council has a Local Code of Corporate Governance in place, but the annual self-assessment against the Code had not been concluded at the time of our report.

149. We also noted that the Annual Governance Statement was not subject to separate scrutiny by a committee as part of the preparation for the annual accounts process.

Audit Plan Point 6

Transparency

150. Each of the council's committee meetings is held in public and the papers for committees are available at least 6 days in advance of the meeting. The committee meetings are also filmed and available to view from the council's website. We therefore concluded that the council is open and transparent in the way that it conducts committee business.

Committee effectiveness

151. It is too early to conclude on the effectiveness of the revised committee arrangements. We have, however, attended and observed a number of council and committee meetings over the period August 2016 to August 2017.

152. During our observations, we noted that papers were well-prepared, allowing questions to focus on the issues presented. Committee members appeared to be well-prepared and asked appropriate questions.

153. We take a particular interest in the work of the Governance, Risk and Best Value Committee. Our early observations are that the committee operates well, with a clear understanding of its role, and benefits from an experienced Chair. We will continue to review the effectiveness of the Committee throughout our appointment, to ensure that the key functions we expect to be performed by an audit committee are delivered by the council's committee structure. Good practice is available in CIPFA's *Audit Committees: Practical Guidance for Local Authorities and Police*.

Training for elected members

154. During May to August 2017, the council provided a comprehensive programme of induction and training sessions for the new and returning elected members. The programme included 31 sessions that were repeated to help attendance.

155. We reviewed attendance rates for some of the key training sessions (Exhibit 13). We noted that attendance rates were generally good for new elected members, although only 15 members attended training for risk management.

Exhibit 13: Attendance at the member induction and training programme was generally good for new elected members

(Bar chart showing attendance figures)

- Code of Conduct: 83%
- How Committees work: 71%
- Governance Framework: 80%
- Effective Scrutiny: 66%
- Risk Management: 34%

■ Returning members   ■ New members
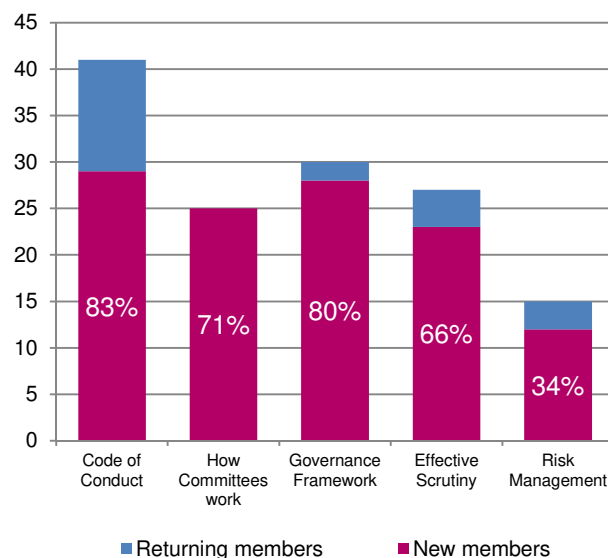
Source: Elected member training attendance records.

Note: Percentage rates in white relate to the proportion of new members who attended training

Risk Management

156. Public sector bodies face increasing demand for quality services at a time of significant financial pressure. Well-developed risk management arrangements help councils to make effective decisions and secure better use of resources.

157. The council's internal auditors reviewed the risk management arrangements in November 2016. They found that as a result of reorganisation, dedicated risk roles within Directorates had been disbanded and there was a need to review and update the council's risk management strategy.

158. In February 2017, the council appointed an in-house Chief Risk Officer. The Chief Risk Officer reports to the Head of Legal and Risk and chairs the quarterly Corporate Leadership Team's Risk and Assurance Committee, the quarterly directorate SMT Risk and Assurance Committees and the Risk Management Steering Group. Each directorate has established its own risk lead who chairs the individual directorate Risk Management Group.

159. The Corporate Leadership Team's risk register is reported to the Governance, Risk and Best Value Committee on a quarterly basis. The reporting includes the top ten prioritised risks, current mitigating controls and further actions to be delivered.

160. Overall, we were satisfied that risk management arrangements appear to be embedded across the organisation.

Following the Public Pound

161. The council uses a number of arms-length external organisations (ALEOs) to provide services on its behalf, including the EDI Group, Edinburgh Trams and Lothian Buses. While the ALEO is responsible for the delivery of the services, the council remains responsible for the public money it provides to the ALEO and the quality of services the ALEO provides. The council needs to hold ALEOs to account for their use of public funds and should have sufficient governance arrangements in place to do so.

162. In June 2016, the council received a report outlining the proposed response to the findings of an internal audit review of council companies. Internal audit identified four areas of concern:

- the independence of elected members as directors of companies;
- governance reporting to council committees;
- the council observer role; and
- the annual assurance process for council companies.

163. The Governance, Risk and Best Value Committee continue to scrutinise the performance, risks and financial standing of the ALEOs.

164. We are satisfied that the council's following the public pound arrangements appear to be well-developed and improving. The council is one of the case study sites for Audit Scotland's national performance audit on ALEOs, which is due to report in Spring 2018.

Edinburgh Schools

165. In 2001, the council entered into a Public Private Partnership (known as PPP1) for the provision of school buildings, maintenance and other facilities with Edinburgh Schools Partnership Limited (ESP). This arrangement was subsequently supplemented by a further agreement in April 2004, requiring ESP either to replace or substantially renovate ten primary, five secondary and two special schools, together with one close support unit and a community wing, and to maintain these schools to a set standard.

166. On the morning of Friday 29 January 2016 a section of brickwork wall at Oxgangs Primary School (one of the PPP1 schools), weighing approximately 9 tons, collapsed onto the pathway below. Due to the early hour, no one was in the vicinity of the wall that collapsed and no injuries resulted. However in slightly different circumstances this event could have resulted in considerable injury or even fatalities. Subsequent structural surveys undertaken across the remainder of the PPP1 estate

resulted in the temporary closure of a total of 17 schools and two other facilities in early April, with the last schools not re-opening until August.

Managing the Emergency School Closures

167. The need for the temporary closure of schools was identified three days before the schools were due to return from Easter Holidays. The council's incident management team quickly put in place a communications strategy and parents, stakeholders and the media were informed about the closures. The Communities and Families department, working with parents, pupils, head teachers and schools staff, the PPP1 contractors and other public sector agencies arranged temporary arrangements to be put in place for over 8,300 primary, secondary and nursery pupils. This was a huge undertaking which involved a relocation strategy across alternative accommodation and the transportation of pupils across 61 alternative schools.

168. Responsibility for rectifying the issues at Oxgangs Primary School and the issues subsequently identified across the PPP1 estate lay with ESP. The council agreed that an independent inquiry should be held into matters relating to the closure of Edinburgh schools. The council appointed Professor John Cole CBE, to lead the independent inquiry. The report of the inquiry was published in February 2017 and concluded that:

- the council had a sound rationale for their decision to adopt the PPP methodology for the funding and procurement of the PPP1 schools.

- the primary cause of the collapse of the wall at Oxgangs school was poor quality construction in the building of the wall and the failure to achieve the required building requirements in relation to the wall ties particularly in the outer leaf of the cavity wall. The issues were ultimately the responsibility of the design and build contractor in charge of the site.

- there were fundamental and widespread failures of the quality assurance processes of the various contractors and sub-contractors, who built or oversaw the building of the PPP1 schools.

- an appropriate level of independent scrutiny over the PPP1 contract by the council was missing.
- the council failed to appreciate the demands of the PPP process and as a result under-resourced the team that represented or advised the client side in the PPP1 contract relationship.
- there was a misunderstanding within the council of the role of Building Standards in the monitoring of construction quality.

169. The decision to close all 17 PPP1 schools required the council to relocate over 8300 pupils within the shortest possible time. Within 12 days of this decision alternative teaching accommodation, transport and catering arrangements had been put in place for all pupils. The Inquiry concluded that this was a remarkable feat to have achieved within an extremely short time.

170. The inquiry report also identified a number of specific or wider lessons which could be learnt by the council, the construction industry and public bodies generally.

171. The council has agreed and is implementing a detailed action plan which addresses the 40 separate recommendations included in the report. The council's response to the action plan includes: the resourcing of full time clerks of works on all projects with a value in excess of £2m, greater emphasis being applied to ensure procured design and construction services are quality checked and a recognition of the limitations of true risk transfer on PPP/Design Build Facilities Management type project, notably in relation to reputational risk and disruption to services.

172. Since the PPP1 problems the council has carried out a risk based assessment on properties on the council estate. The risk assessment has led to a programme of inspections to cover whether similar issues existed on any other council properties. The inspections are currently in progress but to date five properties have been identified which have similar problems and work has been undertaken to remedy these.

Additional costs incurred by the council as a result of PPP1 incident

173. Under the PPP1 contract, the council pays ESP a monthly "unitary charge" which covers both the provision of facilities management services and reimbursement of capital expenditure and interest associated with upfront construction. The temporary closure of all schools under the PPP1 contract led to the unavailability clauses coming into effect. This resulted in unitary charge amounting to £5.36 million being withheld by the council. A final negotiated settlement has been agreed in principle with ESP. As a result there will not be any overall direct cost to the council from this incident.

Overall conclusion

174. Having been faced with a very serious incident impacting on a large number of pupils across a significant number of schools the council responded in a fast, transparent and comprehensive way to the challenges it faced.

175. The wall collapse at Oxgangs Primary School revealed very serious defects in the construction of the school and other schools under the PPP1 contract. Other similar defects have been found in a small number of other council buildings. The Cole inquiry identified that the primary failure to achieve the required building requirements lay with the contractor in charge of the site. However there were significant failings by the council in the scrutiny and quality assurance arrangements put in place during the construction of these schools. Wider lessons were also highlighted for the construction industry and public sector.

Fraud and irregularity

176. In accordance with the Code of Audit Practice, we have reviewed the council's arrangements for the prevention and detection of fraud and irregularities. Overall we found the council's arrangements for fraud and irregularity to be operating effectively.

177. The council's Corporate Fraud Investigation Team reported on their work in an Annual Report to the Finance and Resources Committee in September 2017. The team identified customer fraud in excess of £0.45million in 2016-17 and recovery action is ongoing where possible.

National Fraud Initiative

178. The National Fraud Initiative (NFI) is a counter-fraud exercise co-ordinated by Audit Scotland working together with a range of Scottish public bodies, external auditors and overseen by the

Cabinet Office for the UK as a whole to identify fraud and error.

179. The NFI exercise produces data matches by comparing a range of information held on various public bodies' systems to identify potential fraud or error. Bodies investigate these matches and record appropriate outcomes based on their investigations.

180. The most recent NFI exercise commenced in October 2016 and as part of our 2016/17 audit we monitored the council's participation in NFI. We submitted an assessment of the council's participation in the exercise to Audit Scotland in June 2017. Overall we concluded that the council has actively participated in the NFI exercise.

Standards of conduct and arrangements for the prevention and detection of bribery and corruption

181. The council's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption are in line with our expectations. Our conclusion has been informed by a review of the arrangements for adopting and reviewing standing orders, financial instructions and schemes of delegation and complying with national and local Codes of Conduct.

6

Value for money

Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to the council's own reporting of its performance.

Value for money

The council can demonstrate improvements in performance against key partnership and coalition priorities.

Performance indicators that can be compared against other Scottish local authorities highlight improvement against a range of services, and 60% of indicators are in the top two quartiles.

The council can demonstrate strong self awareness, and acts to tackle areas of poor performance, but in a number of key areas, including delayed discharges, interventions have not yet improved outcomes.

Performance Framework

182. The strategic planning framework includes the coalition's commitments, the council's Business Plan and the Community Plan, which is due to be refreshed and agreed with public sector partners in March 2018.

183. The council is refreshing the Performance Framework to support the implementation of the Business Plans, and ensure that elected members have the assurance they need, including performance and progress reporting.

184. The revised Performance Framework is expected to be in place by December 2017.

Public Performance reporting

185. Currently, the public performance arrangements are based on council-wide performance reports that are presented to the council on a six-monthly basis. Public performance reports include:

- A six monthly update on coalition pledges
- An annual report against the strategic outcomes in the Edinburgh Partnership Community Plan
- Annual comparator reports on a range of performance indicators included in the Local Government Benchmarking Framework
- An Annual Performance Overview report.

186. The final report on the previous Administration's coalition pledges was considered in December 2016. The report summarised the progress and achievements towards meeting the priorities set out in the Capital Coalition Agreement in April 2012 and shows that all 53 pledges are

reported as being achieved or on track.

Exhibit 14: The Edinburgh Partnership reported good progress against outcomes
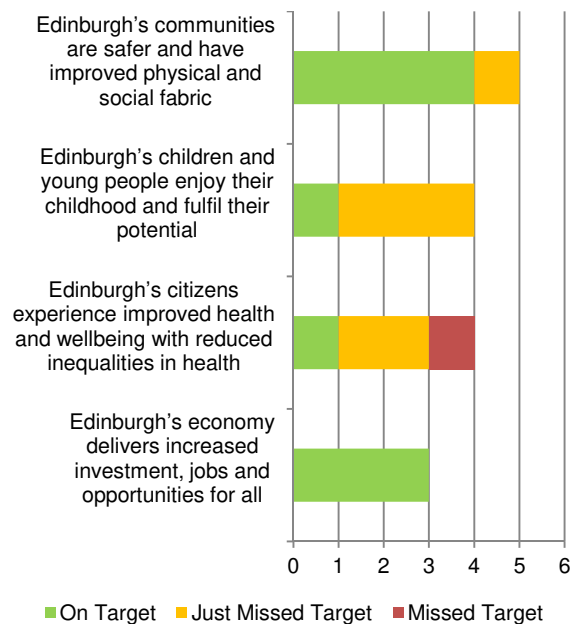
Source: Edinburgh Partnership Annual Performance Overview

187. In August 2017, the council received the annual report on performance against the Edinburgh Partnership Community Plan (summarised in Exhibit 14) as part of the Annual Performance Overview. The report demonstrated improvements against a range of outcome indicators including:

- Educational attainment measures
- Positive destinations for school leavers

- The creation and safeguarding of jobs.

Statutory performance indicators

188. The Accounts Commission has a statutory power to define the performance information that local authorities have to publish. The 2015 Direction, which applied to 2016-17, reinforced the Accounts Commission's focus on public performance reporting (PPR) and local authorities' requirement to take responsibility for the performance information they report.

189. Two Statutory Performance Indicators (SPIs) were prescribed in 2016-17:

SPI 1: Each council will report a range of information setting out:

- Its performance in improving local public services (including with partners)
- Its performance in improving local outcomes (including with partners)
- Its performance in engaging with communities and service users, and responding to their views and concerns
- Its performance in achieving Best Value, including its use of performance benchmarking; options appraisal and use of resources.

SPI 2: Each council will report its performance in accordance with the requirements of the Local Government Benchmarking Framework.

190. At the time of our reporting, the council were preparing the Annual Performance Overview 2017, which would complete the suite of public performance reports for 2016-17. We were therefore unable to conclude in full on the achievement of SP1 1.

Action Plan Point 7

191. The council fulfilled its obligations to report performance in line with the Local Government Benchmarking Framework. A summary of the performance, including key areas for improvement and trends was presented to the council in August 2017.

192. Exhibit 15 highlights that over 60% of Edinburgh's performance indicators are within the top 2 quartiles of Scottish councils.

193. There are a number areas highlighted as continuing poor performance, including:

- The cost of environmental health services (32nd out of 32 authorities)

- The Percentage of adults satisfied with the refuse collection services (32nd)
- Cost of maintenance per kilometre of roads (27th)
- Accommodation that is suitable for current use (32nd).

194. We are satisfied that the council has a good level of self awareness about performance. The Council has performed poorly on a range of important indicators within the roads and waste departments. Improvement plans have been established to secure change, which are monitored by the Transport and Environment Committee and scrutinised by the Governance, Risk and Best Value Committee.

195. Within 2016-17 performance outcomes, we note that some improvement has been observed in recycling rates. In 2016-17, the citywide recycling rate for 2016/17 was 43%, this represents a 1% improvement on the 42% achieved in 2015/16. Increases continue in the tonnage of food waste collected for recycling, with an increase of 7% collected in 2016/17 compared to the previous year.

196. Other improvements in 2016-17 include Council Tax collection, where the council achieve its best ever collection rate at the same time as a 19% reduction in the unit costs of collection.

Exhibit 15: Performance against Local Government Benchmarking Framework

Quartile 1 23%
Quartile 2 37%
Quartile 3 20%
Quartile 4 20%

2015-16
2014-15
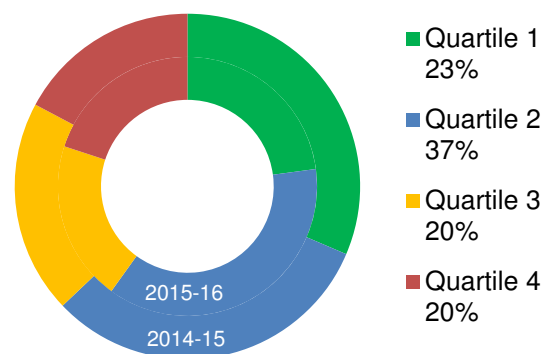
Source: Local Benchmarking Framework Annual Report

Delayed discharges

197. We note in paragraph 147 that the council has not yet received the Annual Report from the Edinburgh Integrated Joint Board. During 2016-17, the IJB noted that the level of delayed discharges in the city presents a risk to the partnership in providing the right care at the right time. To reflect the importance and urgency of the number and length of delayed discharges the IJB received regular updates on performance and whole system delays throughout the year.

198. A 'star chamber' meets weekly where locality and hub managers are held to account for performance and any issues having a negative impact can be escalated immediately.

199. We do, however, note that performance has continued to worsen in the period to June 2017 (Exhibit 16), despite the focus given to the issue. We also note that Edinburgh has regularly had the highest number of delayed discharges of any Integration Authority in Scotland.

Action plan point 8

Exhibit 16: Delayed discharges continue to present a significant risk to the council and the IJB
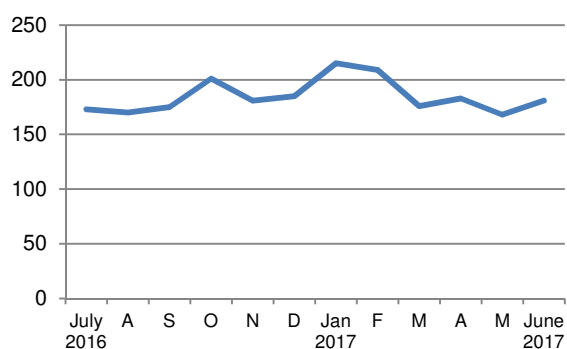
Source: Whole System Delays – Recent Trends, Report to Edinburgh IJB, July 2017

Other Scrutiny

200. The council's Local Scrutiny Plan was prepared by the Local Area Network (LAN) of scrutiny partners in May 2017. The Plan was presented to the Governance, Risk and Best Value Committee in August 2017.

201. The LAN noted the significant reductions in staff arising from transformation activities to date, as well as the potential for the remaining reviews to result in further reductions. The LAN is therefore keen to understand how staff reductions have been distributed across council departments and services and the potential impact of the loss of both numbers and skills and will explore these issues in more detail with the council during 2017/18.

Good Practice: Commercial Excellence

The Council's Commercial Excellence programme was created in 2013. The programme provides a strategic approach to procurement and purchasing activity, with the aim to make savings and improve contract management and partnership working.

Since then, the Council received "superior performance" in the last Procurement Capability Assessment, and was awarded 85.4% in the latest Procurement and Commercial Improvement Programme assessment, carried out by Scotland Excel. This places the Council as f the best performing local authority in Scotland.

Recent examples of success include:

- Award of the contract for Receipt and Processing of Recyclable Materials from Kerbside and Communal Collections. The Contract represents a saving of £1.7 million over the cost of continuing the current recyclables processing arrangements across the period.

- The Contractor Works Framework will consolidate the current strands into one framework providing suitably experienced and qualified contractors, maximising economies of scale, improving contract management efficiencies and rationalising the portfolio of contractors. It is anticipated that the framework will deliver financial efficiencies of £2m over the contract duration through rationalising the number of suppliers, consolidating spend and promoting contract compliance.

- The Council has adopted a contract for Business Travel Services, which it is estimated will generate savings of £106,181 over four years. Other non-financial benefits include the ability to choose travel packages in real time, greater flexibility in travel options and having access to a larger choice of accommodation.

Care Inspectorate

202. The joint inspection of services for older people in Edinburgh was carried out by the Care Inspectorate and Health Improvement Scotland between August and December 2016.

203. The inspection was focused around the nine quality indicators and identified a number of areas of weakness, as shown in Exhibit 17 below. Seventeen specific recommendations for improvement were raised, which were accepted by Edinburgh IJB.

204. The IJB has published a detailed improvement plan in response to the recommendations. Progress against the plan is monitored by an Improvement Board and the IJB's Performance and Quality Sub-Group oversees delivery of the improvement plan on behalf of the IJB.

Exhibit 17: Findings from the joint inspection of services for older people in Edinburgh

Quality indicator	Evaluation	Evaluation criteria
Key Performance Outcomes	Weak	**Excellent** – outstanding, sector leading
Getting Help at the Right Time	Weak	
Impact on Staff	Adequate	**Very good** – major strengths
Impact on the community	Adequate	**Good** – important strengths with some areas for improvement
Delivery of key processes	Unsatisfactory	
Strategic planning and plans to improve services	Weak	**Adequate** – strengths just outweigh weaknesses
Management and support of staff	Adequate	**Weak** – important weaknesses
Partnership working	Adequate	**Unsatisfactory** – major weaknesses
Leadership and direction	Weak	

Best Value

205. The Best Value work carried out this year focussed on the council's arrangements for demonstrating Best Value in financial and service planning, financial governance and resource management.

206. We have reported the results of our work within the relevant sections of this report and we are satisfied that there are sound arrangements for financial and service planning through the adoption of the Financial Strategy, Business Plan and interlinked People Strategy and Asset Strategy.

6

Appendices

Appendix 1: Respective responsibilities of the council and the Auditor

Responsibility for the preparation of the annual accounts

The council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Head of Finance has been designated as that officer within City of Edinburgh Council.

The Head of Finance is responsible for the preparation of the council's annual accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the annual accounts, the Head of Finance is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent; and
- complying with the Code.

The Head of Finance is also responsible for:

- keeping proper accounting records which are up to date; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor responsibilities

We audit the annual accounts and give an opinion on whether:

- they give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of the affairs of the body as at 31 March 2017 and of its surplus for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code;
- they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government Scotland Act 2003; and
- the information given in the Annual Governance Statement and Statement of Financial Control is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

We are also required to report, if in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

Independence

We are required by International Standards on Auditing to communicate on a timely basis all facts and matters that may have a bearing on our independence. We can confirm that we have complied with the Auditing Practices Board's (APB) Ethical Standard 1: Integrity, Objectivity and Independence. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

Appendix 2: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist. The weaknesses or risks identified are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication of the matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Action plan grading structure

To assist the Council in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. Our rating structure has been revised to ensure consistency with the structure/terminology used by internal audit.

The rating structure is summarised as follows:

Finding rating	Assessment rationale
Critical	A finding that could have a: • ***Critical*** impact on operational performance; or • ***Critical*** monetary or financial statement impact; or • ***Critical*** breach in laws and regulations that could result in material fines or consequences***; or*** • ***Critical*** impact on the reputation or brand of the organisation which could threaten its future viability.
High	A finding that could have a: • ***Significant*** impact on operational performance; or • ***Significant*** monetary or financial statement impact; or • ***Significant*** breach in laws and regulations resulting in significant fines and consequences***; or*** • ***Significant*** impact on the reputation or brand of the organisation.
Medium	A finding that could have a: • ***Moderate*** impact on operational performance; or • ***Moderate*** monetary or financial statement impact; or • ***Moderate*** breach in laws and regulations resulting in fines and consequences; or • ***Moderate*** impact on the reputation or brand of the organisation.

Action plan point	Issue & Recommendation	Management Comments
1 **Rating** **Medium** **Paragraph ref** **9**	During our review of the financial controls processes we noted a lack of segregation of duties in respect of the posting of journals. Journals are prepared and posted without any evidence of secondary review or authorisation. While our audit work did not identify any indications of management override, we recommend that arrangements are put in place to review or authorise year-end journals.	While, as noted in the main report, a range of compensating controls mitigating any risk of monetary gain is already in place, arrangements to introduce proportionate additional independent review will be examined with a view to implementation as part of the 2017/18 accounts closure process. **Responsible Officer:** Corporate Finance Senior Manager **Completion Date:** March 2018

Action plan point	Issue & Recommendation	Management Comments
2 **Rating** **Medium** **Paragraph ref** **68**	The Council discloses within its annual accounts material transactions with related parties. These can be defined as bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. The councillors' register of interests is one way that the Council can identify its related parties. On review of the councillors' register of interests we identified four additional interests which had not been declared. There is a risk, should the registers not be updated, that the Council does not identify and report all related party transactions in its annual accounts. It is the responsibility of a councillor to make sure that he/she is familiar with, and their actions comply with, the provisions of the Code of Conduct. The Ethical Standards in Public Life, etc. (Scotland) Act 2000 does impose on Councils a duty to help their members to comply with the relevant code. Councillors should be reminded of the importance of ensuring the register of interests is updated regularly and completely	The Council has robust arrangements to remind councillors of their duties under the Act. • We regularly review Elected Member Register of Interests; • Remind Elected Members of their responsibilities in registering any changes/updates within a month of the change occurring; • Check individual registers for anomalies that we can identify and highlight these to relevant elected members to prompt updates; • Regularly review our process; • Provide appropriate guidance and prompts to Elected Members to support compliance. For the new Council in May 2017: • We explained the requirement for Elected Members to make their first Register of Interest within one month of election in their introduction letter/pack issued at the count, with a copy of the Code of Conduct and the relevant form; • We emphasised the importance of this requirement in the Code of Conduct training sessions that formed part of the Induction and Training Programme for Elected Members (May/June 2017).

Action plan point	Issue & Recommendation	Management Comments
		• We reminded Elected Members ahead of the deadline (31 May 2017) • We engaged with political Group Business Managers to secure their support in reminding their members ahead of the deadline; • We issued additional guidance on declaring property income under remuneration following a couple of queries on this topic and after seeking clarification from the Standards Commission; • We reminded all Elected Members that they would need to update their Register of Interests to reflect appointments made at Council in June 2017; • We reminded Elected Members of their responsibilities for updating their Register of Interests following further appointments at Council in August and to remind about registering gifts and hospitality. We will continue to remind regularly councillors of their duties under the Act. **Responsible Officers:** Governance and Democratic Services Manager Councillors **Completion Date:** Ongoing

Action plan point	Issue & Recommendation	Management Comments
3 **Rating** **Medium** **Paragraph ref** **79**	The council's Finance and Resources Committee receive quarterly revenue and capital monitoring reports throughout the financial year. The reports include a risk rated assessment of the achievement of savings, information on key variances and areas of financial risk. The reports are referred to the Governance, Risk and Best Value Committee for scrutiny. In our view there is scope to improve the transparency within financial monitoring reports by ensuring that revenue monitoring reports include consistent outturn projections throughout the year.	Based on a best-practice review oreporting elsewhere, opportunities to improve further the clarity and transparency of existing financial reporting will be actively considered with a view to a phased implementation of any resulting changes. Opportunities to improve reporting and scrutiny of some areas of transformational activity, particularly within Health and Social Care, will also be examined. **Responsible Officers**: Head of Finance **Completion Date**: February 2018

Action plan point	Issue & Recommendation	Management Comments
4 **Rating** **Medium** **Paragraph ref** **120**	The most recent People Strategy 2017-20 update (February 2017) sets a high level vision for the workforce. The more detailed People Plan requires to be finalised to support the Strategy. The Plan should set out how the council will manage the impact of any skills gaps.	People plans are an internal tool for senior business partners. These plans are currently being shared with Senior Management Teams for each of the main service areas. The plans will be finalised by end of September. **Responsible Officer:** Head of Human Resources **Completion Date:** September 2017

Action plan point	Issue & Recommendation	Management Comments
5	We note that the Edinburgh IJB Annual Performance Report (July 2017) has not yet been considered by a council committee. The Corporate Policy and Strategy Committee provides scrutiny of the services delegated to the Integration Joint Board.	The Edinburgh IJB Annual Performance Report will be presented to the Corporate Policy and Strategy Committee on 3 October 2017.
Rating		
Medium	The council should continue to monitor the effectiveness of scrutiny arrangements for services delegated by the IJB to ensure that they remain fit for purpose.	**Responsible Officer:** Interim Chief Officer, Edinburgh Health and Social Care Partnership
Paragraph ref		
147		**Completion Date**: October 2017

Action plan point	Issue & Recommendation	Management Comments
6	In April 2016, CIPFA published a revised Delivering Good Governance in Local Government: Framework (2016 Edition). The council has a Local Code of Corporate Governance in place, but the annual self-assessment against the Code had not been undertaken at the time of our report.	The Council revised its Corporate Governance Framework self-assessment template to reflect the revised CIPFA/SOLACE framework. The 2016/17 self-assessment exercise commenced on 4 September 2017 and is scheduled for scrutiny by the Governance, Risk and Best Value Committee on 28 November 2017.
Rating		
Medium	We also noted that the Annual Governance Statement was not subject to separate scrutiny by a committee as part of the preparations for the annual accounts process.	As in previous years, the Annual Governance Statement was considered by Council on 29 June 2017. Given the local government election in May 2017 and the introduction of revised political management arrangements it would have been difficult to provide for separate scrutiny ahead of Council consideration.
Paragraph ref		
149		**Responsible Officer:** Governance and Democratic Services Manager
		Completion Date: November 2017

Action plan point	Issue & Recommendation	Management Comments
7 **Rating** **Medium** **Paragraph ref** **190**	Each council will report a range of information setting out: • Its performance in improving local public services (including with partners) • Its performance in improving local outcomes (including with partners) • Its performance in engaging with communities and service uses, and responding to their views and concerns • Its performance in achieving Best Value, including its use of performance benchmarking; options appraisal and use of resources. The Annual Performance Overview 2017, which would complete the suite of public performance reports for 2016-17 has yet to be submitted to the Council.	A new performance management framework for the Council is being developed. Monitoring of performance will follow this new framework and will include all relevant benchmarking as well as service performance. The Council's overview of performance is also published in an enhanced format with trend information as well as service improvements and benchmarking. **Responsible Officers:** Interim Strategy and Insight Senior Manager **Completion Date**: March 2018

Action plan point	Issue & Recommendation	Management Comments
8 **Rating** **High** **Paragraph ref** **198**	The Council's performance in relation to delayed discharges has continued to worsen in the period to June 2017 despite a focus being given to the issue. Edinburgh has regularly had the highest number of delayed discharges of any Integration Authority in Scotland. We recommend that improving performance in this area remains a priority.	Performance is closely monitored at: • A weekly Star Chamber meeting of key managers from the four localities and hospital sites – progress, challenges being faced (e.g. reductions in provider capacity) and improvement actions are identified and discussed. • The IJB, which receives a "Whole System Delays" report at each of its meetings. The report includes progress with key improvement workstreams, including reviewing the contract with care at home providers. **Responsible Officers:** Interim Chief Officer, Edinburgh Health and Social Care Partnership NHS Director **Completion Date**: December 2017

Governance, Risk and Best Value Committee

10.00am, Tuesday, 26 September 2017

External audit review of internal financial controls, 2016/17

Item number	7.6
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive summary

As an integral part of the annual audit cycle, the external auditor requires to assess the effectiveness of the Council's internal control framework in preventing material misstatement within its financial statements. This process involves documentation of the Council's key financial systems and the principal controls within these and then sample-testing their effectiveness.

This report presents the main findings of the 2016/17 review, concluding that, while opportunities for further improvement exist, the controls assessed are considered to be well-designed and effective.

Report

External audit review of internal financial controls, 2016/17

1. Recommendation

1.1 Members of the Governance, Risk and Best Value Committee are requested to note:

1.1.1 the findings of the 2016/17 external review of the effectiveness of the Council's internal controls; and

1.1.2 that a further update on progress in implementation of the improvement actions will be provided to the Committee in January 2018.

2. Background

2.1 Section 95 of the Local Government (Scotland) Act 1973 requires local authorities to make arrangements for the proper administration of their financial affairs and to designate an officer to have responsibility for these arrangements. The Head of Finance is the appointed Section 95 Officer for the Council and therefore has overarching responsibility to maintain a sound system of internal control.

2.2 As an integral part of the annual audit cycle, the external auditor requires to assess the effectiveness of the Council's internal control framework in preventing material misstatement within its financial statements. This involves documentation of the Council's key financial systems and the principal controls within these and then sample-testing their effectiveness.

3. Main report

3.1 Following the appointment of Scott-Moncrieff as the Council's external auditor in October 2016, the majority of the fieldwork and financial systems testing was undertaken between March and May 2017. The key areas examined are set out in Exhibit 1 on page 1 of the report.

3.2 For those systems falling within the scope of testing, Scott-Moncrieff's conclusion is that these controls form part of a framework that is well-designed and effective.

3.3 A number of opportunities for improvement have nonetheless been identified and these are listed in Section 3 of the external audit report, alongside the Council's response and an indication of the corresponding timescales within

which actions to address any outstanding issues raised will be undertaken. These actions in the main comprise recommended improvements in the maintenance and review of procedural documentation and systems access controls. A progress update will be provided to the Committee in January 2018, by which time it is anticipated that the majority of recommendations will have been fully implemented.

3.4   Members of the Committee will be aware of other on-going, complementary work focused upon further strengthening aspects of the Council's internal control framework. Internal audit and risk management arrangements continue to identify areas for improvement and arrangements are in place to monitor implementation of identified actions and lessons learned Council-wide.

4.   Measures of success

4.1   Improvements to the system of internal control are intended to ensure that assets are safeguarded, transactions properly authorised and recorded and material errors or irregularities either prevented or detected timeously.

5.   Financial impact

5.1   While there is no specific direct financial impact resulting from the report's contents, enhancements to the effectiveness of the Council's systems of internal control form an essential part of improved governance arrangements.

6.   Risk, policy, compliance and governance impact

6.1   Improvements to the internal control framework form an integral part of strengthening the wider governance arrangements within the Council.

7.   Equalities impact

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

8.   Sustainability impact

8.1   There is no direct sustainability, climate change adaptation or sustainable development impact arising from the report's contents.

9.   Consultation and engagement

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

10.   Background reading/external references

10.1   None.

Stephen S. Moir

Executive Director of Resources

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11.   Appendices

Appendix 1 – City of Edinburgh Council Review of Internal Controls, 2016/17.

City of Edinburgh Council

Review of internal financial controls
For the year ended 31 March 2017

Contents

1

Introduction

Introduction

1. This report concludes our 2016/17 audit of the Council's key financial systems and internal financial controls.

Scope of our audit

2. Auditors are required to carry out the audit of financial statements in accordance with International Standards on Auditing (UK and Ireland) (ISAs). To comply with the requirements of the ISAs we consider the Council's key accounting systems and internal financial controls and determine whether these are adequate to prevent material misstatements in the financial statements.

3. Our approach includes documenting the processes and key internal financial controls within the key financial systems (Exhibit 1) and performing testing to confirm our understanding of the system. For certain systems we also test a sample of internal financial controls to establish whether they provide adequate assurance to support the preparation of the financial statements.

4. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the Council's total audit resource. Each year we aim to place reliance on the work of internal audit wherever possible. Prior to placing such reliance we are required to carry out a review of the internal audit function to ensure that it is sufficient in terms of quality and volume and performed in accordance with accepted internal audit standards. The findings from our review are detailed in this report.

Reporting to those charged with governance

5. This report has been prepared to communicate the findings of our audit to those charged with governance. We have agreed with the Council that these communications will be through the Governance Risk and Best Value Committee.

6. Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls.

7. ISAs require us to report promptly any material weaknesses in the design or operation of

Exhibit 1 – Key financial areas (and associated systems) considered in 2016/17

Council tax	Non domestic rates	Cash receipts and banking
Housing rents	Sundry income	Payroll
Treasury management	Members remuneration / expenses	Expenditure

internal financial controls which have come to our attention.

8. A material weakness in internal control is a deficiency which could adversely affect the Council's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

9. Any weaknesses or risks identified are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve the Council of its responsibility to address the issues raised and to maintain an adequate system of control.

10. As required under the Code of Audit Practice, this report will be published on Audit Scotland's website: www.audit-scotland.gov.uk.

Adding value through the audit

11. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the Council through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to help the Council promote

improved standards of governance, better management and decision making and more effective use of resources.

Feedback

12. We always welcome feedback on the quality of our audit work and associated outputs. Please access the following link to provide comments: https://www.surveymonkey.co.uk/r/S2SPZBX

13. We would like to thank management and staff who have been involved in our work for their co-operation and assistance during our audit visits.

2

Summary of findings

Summary of findings

14. We are pleased to report that our audit work did not identify any significant deficiencies in the adequacy or design of internal financial controls over the Council's key financial systems. We consider these systems to be well designed. However, we identified a number of areas with scope for improvement which, if addressed, would further strengthen the system of internal financial control. Our findings and recommendations are included in section 3 (Action plan).

Internal audit

15. We are committed to avoiding duplication of audit effort and ensuring an efficient use of the Council's total audit resource. Each year we consider whether it is the most effective use of the Council's total audit resource to place reliance on the work of internal audit. When reliance is to be placed over the work of internal audit we carry out an assessment of the internal audit function to ensure this is sufficient in terms of quality and volume, and is performed in accordance with the Public Sector Internal Audit Standards (PSIAS).

16. During our interim audit, we reviewed the Council's internal audit arrangements in accordance with International Standard on Auditing 610 (Using the Work of Internal Auditors), to determine we could rely on the work of internal audit and if so, to what extent. Overall we concluded that we will place reliance on the work of internal audit where appropriate.

17. A formal external quality assessment of internal audit's compliance with the Public Sector Internal Audit Standards (PSIAS) is required at least once every five years. The Head of Audit and Inspection of North Lanarkshire Council completed an External Quality Assessment Review (EQAR) in 2016/17. The review concluded that the Council's internal audit service fully conforms with the PSIAS.

3

Action plan

Action Plan

Our action plan details the control weaknesses and opportunities for improvement that we have identified during our audit.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist. The weaknesses or risks identified are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication of the matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Action plan grading structure

To assist the Council in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. Our rating structure has been revised to ensure consistency with the structure/terminology used by internal audit.

The rating structure is summarised as follows:

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

Payroll		
Rating	**Issue & Recommendation**	**Management Comments**
Medium	**Payroll procedures** Procedures have not been documented for all key aspects of the payroll process. For example, we were unable to identify procedures covering amendments over employees standing information. We also noted that where procedures are in place, these are not subject to regular review and approval. There is a risk that key payroll processes and controls are not being implemented correctly or effectively. The Council should develop comprehensive procedures that cover all key aspects of the payroll process. Documented procedures should be approved by the appropriate level, made accessible to all relevant staff and subject to regular review.	This is currently part of an improvement project for People Support to document a comprehensive set of payroll procedures. This work is linked to ongoing process improvement activities to be completed in advance of the new Business World system. A further exercise will be undertaken to review the procedures when the new Business World System is operational. From 2018, the payroll procedures will be audited and updated by the Payroll Specialist on a six-monthly basis. Updates will be communicated to the team/relevant stakeholders, highlighting specific changes. **Responsible Officer:** Payroll Specialist, Customer **Completion Date:** January 2018
Medium	**System access** There is no regular review of user access to the payroll system to ensure this is up-to-date and appropriate given the employees current role. This was also identified by the Council's previous external auditors, Audit Scotland. *"We identified a number of system users during our controls review where their system access rights did not appear appropriate for their roles."* There is a risk that inappropriate transactions may be processed. The Council should ensure user access to the payroll system is reviewed on a regular basis.	Access rights for all payroll employees to be reviewed and ICT updated with list of requirements for systems access. This process will be reviewed on a quarterly basis. **Responsible Officer:** Payroll Specialist, Customer **Completion Date:** October 2017

Revenue expenditure

During our interim audit we documented the following systems (in the context of purchasing for the Council):

- Oracle – General operating expenditure
- Swift - Payments to care homes and foster carers
- Tranman - Supplier payments for fleet hires, fleet maintenance, and fleet purchases
- CFATS Telford - City development costing system to commission/pay subcontractors

Rating	Issue & Recommendation	Management Comments
Medium	**Procedures** During our review we noted the following in respect of procedures: - CFATS Telford – No procedures are in place for the processing of work orders and certificates. - Tranman – Procedures for the ordering and receipting of goods and services have not been reviewed since 2009. On discussion with management this review has subsequently been undertaken and procedures updated. - Swift – Procedures for the processing of direct payments via Allpay do not include detail on how to reformat payment files, upload to Allpay or process payments to individual pre-loaded cards. If relevant procedures are not in place or are not reviewed and updated on a timely basis there is a risk that some key controls are not observed. The Council should ensure procedures cover all key aspects of the system. Documented procedures should be approved by the appropriate level, made accessible to all relevant staff and subject to regular review.	Documented procedures for the processing of work orders and certificates in CFATS Telford are being developed. Once complete these will be reviewed annually. **Responsible Officer:** Business Support Manager, Customer **Completion Date:** December 2017 Tranman procedures for the ordering and receipting of goods and services have now been updated and will be reviewed annually. **Responsible Officer:** Fleet and Workshops Manager, Place **Completion Date:** Ongoing SWIFT – Procedures for processing payments in Allpay have been updated. SWIFT development team will update online procedures accordingly **Responsible Officer:** Customer Manager – Transactions Assessment and Finance, Customer **Completion Date:** December 2017

Revenue expenditure		
Medium	**System access** On review of the CFATS Telford system we noted that there is no formal documentation retained for the addition of users onto the system or any amendments made to their access levels. In addition there are no controls in place to identify and remove leavers from the system on a timely basis. The Council should ensure user access is reviewed on a regular basis.	A log has now been established for new user and access level change requests. An audit of current users is being undertaken to ensure appropriate user access levels and to identify and remove leavers. User data will be subject to six-monthly review, although the scope for more regular reconciliation with data from existing leavers processes is being explored. **Responsible Officer:** Business Support Manager, Customer **Completion Date:** December 2017
Medium	**Documentation** During review of both the Oracle and the CFATS Telford systems we were unable to evidence that the following key controls were in operation: • Oracle – Review of the daily amendments report which details all amendments made including addition of new suppliers. • CFATS Telford – Reconciliation of work performed and work requested prior to payment being processed. As these controls are not documented there is no audit trail in place to enable us, or any other interested party, to evidence their operation. There is a risk that these controls are not being adhered to. The Council should ensure evidence is retained for all key controls in operation.	CFATS - Controls will be documented as part of the development of the procedural documentation referenced above. **Responsible Officer:** Business Support Manager, Customer **Completion Date:** December 2017 Oracle **Responsible Officer:** Chief Procurement Officer, Finance **Completion Date:** December 2017

Members remuneration and expenses		
Rating	**Issue & Recommendation**	**Management Comments**
Medium	**Guidance** Guidance on members' remuneration and expenses has not been updated since March 2012 and makes reference to legislation that is out of date. The Council should update the guidance and ensure that new and re-elected members have access to this. Going forward, the guidance should be subject to regular review to ensure it remains up to date.	Guidance will be updated and published on the ORB and shared with elected members. This information will be signposted in future inductions for new elected members. The guidance will be reviewed annually as part of the Customer review of policy and procedures. **Responsible Officer:** Transaction Team Manager: People Support, Customer **Completion Date:** October 2017

Non domestic rates		
Rating	**Issue & Recommendation**	**Management Comments**
Low	**Reliefs/exemptions – spot checks** The Quality Assurance team performs spot checks on the reliefs/exemptions. NDR spot checks were scheduled to take place in January 2017. However, due to resource constraints, this work was not able to be performed. We understand spot checks will resume in 2017/18. We recommend that the Council make arrangements for the spot checks to resume in 2017/18.	Spot checks are underway and will be concluded by November 2017. Activities are being scheduled within the business as usual plans for future years. **Responsible Officer:** Rating Manager **Completion Date:** November 2017

Governance, Risk and Best Value Committee

10.00am, Tuesday, 26 September 2017

Assurance of Council Human Resources Policies - 2017

Item number	7.8
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

The Council has in place a Corporate Policy Framework which enables a consistent application of policy assurance processes across the organisation. At the Corporate Policy and Strategy Committee in February 2017, a request was made for a review of the current policy assurance process in relation to Human Resources Policies.

As a result of this review, this report makes recommendations to streamline the assurance process in relation to these policies, while ensuring it still maintains a focus on best practice, continuous improvement and robust governance. Additionally, this report recommends that Human Resource Policies are exempt from the application of Corporate Policy Framework templates, but instead are presented to Committee as they would be available to staff.

Report

Assurance of Council Human Resources Policies - 2017

1. Recommendations

1.1 To scrutinise the proposed process for the assurance of Council Human Resources policies as detailed.

1.2 To refer the report to Corporate Policy and Strategy Committee for decision.

2. Background

2.1 The Corporate Policy and Strategy Committee agreed on 3 September 2013 to strengthen governance arrangements in relation to policy assurance by agreeing a policy framework to ensure that all current Council policies are easily accessible, and are created, revised and renewed in a consistent manner. This included the development of a comprehensive register of Council policies, which are required to be assured on an annual basis, along with the introduction of a policy template to provide the Council with a standardised format in terms of content and style. This included internal Human Resource policies.

2.2 At the Corporate Policy and Strategy meeting in February 2017 a request was made for the Council to review its current approach to the assurance of Human Resource (HR) policies. This review has now been completed and the Governance, Risk and Best Value Committee are asked to scrutinise the proposals made.

2.3 Recognising the differing nature of HR Policies, in that they are typically based in statute, case law, national terms and conditions of service or Government policy this report recommends two key changes to the current approach: firstly, that HR policies should be considered throughout the year as and when there is a requirement to do so, and; that these policies are exempt from the Corporate Policy Template, but are instead presented to Committee as they would be made available to our employees.

3. Main report

3.1 The Council has in place a Corporate Policy Framework which requires a consistent application of Policy assurance across the organisation. However, at the Corporate Policy and Strategy Committee in February 2017, a request was made for a review

of the current policy assurance specifically in relation to Council HR policies for our employees.

3.2   The proposed approach would mean that HR Policies would be reported to Committee as and when a change to the existing policy deemed this necessary, primarily as a result of: changes to legislation or statute; agreement of new national terms and conditions of service or Government Policy; organisational change; or resulting from changes agreed through Trade Union Consultation (a recent example being Performance Policy).

3.3   Additionally, recognising that it is important that when considering HR Policies, it is critical for the relevant Committee to scrutinise, review and approve changes to policy or new policies, as they would be presented to employees. The current template adopted by Committee does not enable this. Therefore, it is recommended that the relevant HR Policy is attached to the Committee report concerned at that time as an appendix as it would be made available to employees.

3.4   We believe that this approach will provide the Committee with a clear and consistent means of scrutinising the Council's HR Policies, whilst providing assurance that they are legally robust, adopt best practice and are reviewed within required timescales in response to external and internal drivers.

3.5   To provide additional oversight, it is recommended that Annual Assurance is provided to Committee, which details all the HR Policies which have been reviewed or approved in the preceding year for scrutiny together with a status report relating to the other HR Policies.

3.6   In addition to the assurance required by Committee, it is recognised that there is further work to undertake, to work towards ensuring that all existing HR policies are presented in a consistent and accessible template, coupled with the relevant guidance and education for line managers.

4.   Measures of success

4.1   That all Council policies are assured in a consistent and timely manner which ensures necessary scrutiny and oversight arrangement remain in place.

4.2   That all Council HR policies are reviewed in line with changes to such policies as a result of legislative changes or to drive best practice or continuous improvement.

5.   Financial impact

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

6.   Risk, policy, compliance and governance impact

6.1 The changes to the assurance process aim to recognise the importance of the assurance of HR policies in a timely manner.

7. Equalities impact

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

8. Sustainability impact

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

9. Consultation and engagement

9.1 Consultation has taken place with officers in Resources and in particular HR. The Governance, Risk and Best Value Committee provides member scrutiny before consideration by the Corporate Policy and Strategy Committee.

10. Background reading/external references

10.1 Corporate Policy and Strategy Committee 3 September 2013 - Review of Council Policy

Stephen S Moir

Executive Director of Resources

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11. Appendices

11.1 Performance Management Policy, available on the Orb.

11.2 New Performance Management Framework and Policy, report to Corporate, Policy and Strategy Committee, 6 December 2016

Performance Management Policy

We believe that all our employees want to do the best possible job they can for the Council and the people in our city and that we are all responsible for the work we do and how we do it. As your employer, it is our job to provide you with the right support so we can help you be at your best. Being at your best applies to both what you do and how you do it. We expect our Council Values to be at the heart of the approach we all bring to our work.

A user guide is available to support this policy to ensure that it is implemented as intended, with the focus on helping you to do your job to the best of your ability and supporting you to improve when you need help.

Author

Employee Relations, Human Resources, Resources Directorate.

Purpose

The purpose of this policy is to:

set out how we'll manage sickness absence across the organisation, and ensure that you know what's expected of you and what support we can put in place to support you, if you find yourself absent from work with an illness.

Review

The policy will be reviewed as required, in the light of business needs or changes to legislation, in consultation with the recognised Trade Unions.

This document is a local collective agreement between the Council and the recognised Trade Unions. We will make every effort to ensure that this policy is maintained as a local collective agreement, with changes made by agreement. If we cannot agree, either party can end the local collective agreement by giving four months' notice in writing. In such circumstances, the terms of the local agreement will cease to apply to existing and future employees.

We will review this policy regularly to ensure that it continues to support the performance of our colleagues.

Scope

The principles of this policy apply to all our colleagues and we expect everyone to approach their work in line with our Values. We recognise that there are groups of employees who have their own nationally agreed procedures for continuing professional development and managing performance. These remain in place.

However, nothing in those procedures exempts staff and managers from following the key principles outlined in this policy, and all staff are expected to have regular conversations with their managers, as a matter of good practice and to demonstrate the Council's Values as they go about their work.

Contents

1   Key principles

Clear expectations

We can all expect to have clarity on our role and what's expected of us. From your first weeks with the organisation onwards, you can expect to have an understanding of how your work fits in to the work we do in the city and to have clear goals, standards and measures for the part you play.

Support

We can all expect to be supported to perform at our best. This support includes advice, coaching, training and support for our development on the job. In return, we are all expected to do our very best and participate fully in conversations about our performance.

Focus on you

This policy is designed to look beyond the narrow focus of how you do your job and looks at you as an individual, giving the flexibility to factor in your personal circumstances where they relate to your performance.

Focus on improvement

The focus of this policy is on supporting you to do your job in the best way you can and identifying any additional support, tools or adjustments needed where there are any issues meeting the standards required.

Feedback

We can all expect to get regular feedback on how we are doing. We will all get the chance to have regular, two-way conversations about our performance and development. Your manager will help you seek feedback from others and will regularly review your performance with you.

2   Responsibilities

We will make sure that our approach to performance helps you be at your best at work. We will support your manager, so that they feel confident in providing you with the tools you need to do your job as well as the support and information you need. If you cannot meet the requirements of your job, your line manager will provide you with the support to help you reach the expected standards.

Employee's responsibilities

We are all individually responsible for managing our performance and engaging in conversations about it.

- You are responsible for the quality of your work and for putting in the effort needed to do the job to the standard required.
- You need to be clear on what it is you are being asked to do at work and what you need to do to achieve your goals and/or measures.
- You will need to work with your manager to agree how you are going to achieve your goals and/or measures and when you need to achieve them by.

If you need help, tell your manager and make it clear what support you think you need to be able to do your job.

Manager's responsibilities

- Your manager will make sure that you understand what you are expected to do in your job and that you know how to do it well.

- They will agree a set of goals and/or measures for you to achieve each year, starting from when you first join the Council.
- They will give you the support you need to achieve these by having regular conversations with you about your work throughout the year and by providing you with the time and development you need to do the best you can.

Your manager will have received appropriate performance management training to ensure that the performance management framework is adopted and applied consistently and fairly across the organisation.

Your manager's performance will be evaluated each year on how effectively they support their people to perform and how they manage the performance of their area.

3   Performance management

Setting and measuring goals

When you join us, your manager will set goals and/or measures for you and set out the wider standards of performance expected, in line with what is required in your area and with the Council's Values. Performance conversations will then happen throughout the year.

Annual conversation about progress and priorities

There will also be a more formal annual conversation between you and your manager. The annual meeting will be your opportunity to review your progress in the year that has just passed and to get clear on the priorities and expectations for the year ahead. The date at which the annual conversation takes place will be determined by the needs of the area where you work. Senior managers will still have their annual conversation in the spring.

During the annual conversation, as well as being clear on what you are aiming to achieve and how you should go about achieving it, you will also discuss any development and support needs you might have. The aim is to ensure that you can give your best possible performance and we absolutely encourage you to ask for the help you need to achieve that. Your work goals and/or measures and your development priorities will be recorded along with the support you need.

Regular one-to-one catch-ups

Throughout the year, you and your manager will have the opportunity to have regular one-to-one catch-ups. The frequency will depend on what works well for you and your manager. During these conversations, you will be able to discuss progress against your goals and/or measures, your health and wellbeing, any challenges you are encountering, along with support and development needs you might have. You will also be able to share and receive feedback on your performance.

Looking back over the year

At the end of the performance management cycle, you should arrange the next annual conversation to look back and review your performance for the year and provide an opportunity for reflection, feedback and recognition before planning for the year ahead once again. The 'looking back' part of the annual conversation will build on all the catch-up conversations you have had throughout the year so there should be no surprises. You and

your manager will agree a performance rating that reflects what you have accomplished during the year and how you have approached it.

If you don't feel you're achieving your goals

Occasionally you might feel that you are not going to be able to meet the standard of performance for the job or some goals and/or measures that were agreed. If you feel that, you should speak to your manager and let them know why you think you will not achieve what's expected of you and discuss what help you need. Your manager will listen to what you say and will give you the help you need where they can. It is your responsibility to make sure that you ask for help and take responsibility for meeting the necessary standards.

If your manager doesn't feel you're achieving your goals

In some cases, your manager might feel that you are not performing to the required standard, in which case they will bring this up as part of normal day-to-day management. Additional support should be discussed as part of everyday performance management. If you feel you need additional support, make sure that you ask for it. Your manager will be supportive in this. They will also be specific about expected improvements.

Managers will always want to understand why you might not be performing as well as expected and will try to understand your point of view, as well as giving you clear and honest feedback. Our aim is always to find out how we can help you achieve the required standards and expectations and to agree a way of resolving any issues and getting back on track. Your manager and yourself will agree how your performance can be improved and how often to meet in order to monitor your improvement until you are back performing at your best.

4   Performance improvement

Performance improvement plan

We understand that under-performance cannot always be improved by everyday performance management and further intervention is sometimes needed. If you have been given help but your manager feels that you are continuing to underperform, then they will set up a meeting with you to put a formal performance improvement plan in place. You can be represented at this meeting by a trade union representative or accompanied by a work colleague.

However, we must stress that being asked to attend a formal meeting about your performance should not come as a surprise to you. Your manager will have been discussing your performance with you throughout the year.

Any areas where your performance could improve will have been brought to your attention before any formal action is considered and your manager will have supported you to try to improve your performance on an informal basis, through normal day-to-day management at the time. We see formal performance improvement as the last stage of a concerted effort to help you achieve the desired level of performance, backed by evidence of the support you've received.

Stage	Actions and outcomes
Meeting to discuss the plan	The meeting will be a structured conversation between you and your manager about putting in place a formal plan to resolve the performance issues. Your manager will set out where you have not met the expected standards, with the evidence they've got from the conversations you had through the year. It's important that both you and your manager share feedback on any issues that are affecting your performance and that you discuss the impact they are having on your ability to do your work. It is important that you speak up about any factors impacting on your ability to perform so that your manager can consider any reasonable adjustments or whether your performance would be better dealt with under another Council policy.
Making you aware of potential outcomes	By the end of the meeting, your manager will set out the improvement in your performance that they expect to see. They will confirm that this represents a formal warning about your performance. This means that if there is no improvement in your performance, then this could result in your dismissal. Your manager will also tell your head of service that your performance is being managed using a performance improvement plan. We must emphasise that your manager will want to help you improve your performance and will want you to succeed. Equally, it's important that you see this as an opportunity to show that you can perform well in your job.
Confirming improvement needed	After the meeting to discuss the performance improvement plan, your manager will send you a completed performance improvement plan and a letter confirming that you are under performance improvement measures. In this letter, they will confirm that you have 12 working weeks to improve. They will also set out how often you will meet to monitor your improvement and the actions you are expected to take to show your improvement. The letter will also confirm your formal warning and note that if you do not improve your performance, then this could result in your dismissal. The warning will be live for 9 months and if your performance drops during that time, then you will be given a final written warning.
Monitoring performance	While your performance is under review, you and your manager will meet regularly to review your progress and, where required, adjust any development support you need to help. We would expect this to be at least weekly, in order for both you and manager to see if your performance is improving and to give feedback on progress made.
Improvement achieved	At the end of the review period, your manager will meet with you to discuss the outcome of the improvement period. You can be represented at this meeting by a trade union representative or accompanied by a work colleague. If you have achieved the improvement needed, then no further action will be taken and everyday performance management will continue. Your written warning will still be live for 9 months. If there is another drop in performance during this period, your manager will meet with you to discuss the situation. If the dip in performance means that further formal performance improvement support is put in place for you, then you will also be given a final written warning.

| No improvement | If you have not met the required standard of performance at the end of the improvement period, then your manager will meet with you to discuss the situation. You can be represented at this meeting by a trade union representative or accompanied by a work colleague.

The meeting will be a structured conversation between you and your manager about putting in place a formal plan to resolve the performance issues. Your manager will set out where you have not met the expected standards, with the evidence they've got from the conversations you had through the year. It's important that both you and your manager share feedback on any issues that are affecting your performance and that you discuss the impact they are having on your ability to do your work. It is important that you speak up about any factors impacting on your ability to perform so that your manager can consider any reasonable adjustments or whether your performance would be better dealt with under another Council policy.

By the end of the meeting, your manager will set out the improvement in your performance that they expect to see. You will then be given a final warning and a further 4 working weeks to try to improve your performance levels. This means that if there is no improvement in your performance, then this could result in your dismissal. The warning will be live for one year. Your manager will also tell your head of service that your performance is being managed using a performance improvement plan. |
|---|---|
| Final performance improvement meeting | If you do not reach the standard of performance needed for your job in the final 4 working week period, then your manager will meet with you to confirm this and arrange for a final meeting to be chaired by your head of service (or a senior manager in your area with the authority to dismiss). You can be represented by a trade union representative or accompanied by a work colleague to both the meeting with your manager and the meeting with your head of service.

At the final performance improvement meeting, the chairperson will review your performance improvement plan, consider the performance level you have been able to achieve, the support you received, your own feedback on what has prevented you achieving the standards required and feedback from your manager. You will be given the opportunity to share your thoughts on the situation.

At the end of the meeting, the chairperson will confirm what action is to be taken. This will be either dismissal, action short of dismissal, redeployment or, in exceptional circumstances, a further period of review of up to 4 working weeks. This will only be considered if you have been able to demonstrate that you can achieve the required standard within that time. The chairperson will send you a letter confirming the decision. |

5   Appeals

If you are dismissed or action short of dismissal is taken, you can appeal that decision by following the standard appeal process, which will be set out in your confirmation letter. You cannot appeal any other outcome of the final meeting.

Corporate Policy and Strategy Committee

10.00am, Tuesday, 6 December 2016

New Performance Management Framework and Policy

Item number	7.6
Report number	
Executive/routine	
Wards	

Executive Summary

The organisation is under pressure to transform itself and become fit for purpose to operate effectively in a much altered financial climate. It also has bold ambitions to deliver joined up public services that have the biggest impact in strengthening and empowering the communities we serve. The organisation's Wider Leadership Team have a clear and ambitious vision of the type of culture that needs to be established to ensure the organisation is at its most effective and productive in delivering for the city in new ways.

Our approach to managing performance and supporting our people to perform at their best plays a crucial role in enabling the organisation to be at its best in delivering for the city.

In response to insight from staff and managers that was sought out in 2015, a group of staff and managers from around the organisation have worked together to transform our approach to performance management.

Included with this report is the new approach that has been tested extensively across the organisation and negotiated with our trade unions. Agreement is sought on the new Performance Management Policy that accompanies this new Performance Framework, to enable us to create a culture of learning and performance across the Council.

Links

Coalition Pledges

Council Priorities

Single Outcome Agreement

Report

New Performance Management Framework and Policy

1. Recommendations

1.1 Note our ambitions to establish excellent performance management practices and create a positive culture of learning and performance, as represented in our new Performance Framework, which will come in to effect from 1 April 2017.

1.2 Agree the accompanying new Performance Management Policy as a replacement to the Managing Work Performance Policy with effect from 1 April 2017, in line with the introduction of the new Performance Framework.

2. Background

2.1 The organisation is under pressure to transform itself and become fit for purpose to operate effectively in a much altered financial climate. It also has bold ambitions to deliver joined up public services that have the biggest impact in strengthening and empowering the communities we serve. The organisation's Wider Leadership Team have a clear and aspirational vision of the type of culture that needs to be established to ensure the organisation is at its most effective and productive in delivering for the city in new ways.

2.2 Our approach to managing people performance is a significant cultural lever to pull in securing a culture of learning and performance that will help us support our people to deliver their best and help us transform how we work in the city to make the biggest difference.

2.3 The business case for organisations adopting high performance working practices is a compelling one and the cost of not doing so - to staff, customers and the organisation - can be considerable. Meta-research undertaken by The Mindgym in 2011, for example, suggests that when managers play their performance management and development role effectively, performance can increase by as much as 25%. As we are now operating in a climate of reduced resources, this productivity benefit is significant and the support for staff that comes with it is necessary for our people.

2.4 Work commenced in summer 2015 to determine how to change our approach to managing performance in a way that would have the biggest and most positive impact on our culture and our performance as a Council.

2.5 In August 2015 we embarked on an exercise to understand our staff experience of performance management and identify what would need to happen to create a positive performance culture. We talked with approximately 200 staff in focus

groups, interviewed around 20 managers who it was thought were 'pockets of excellence', sought the perspective of around a dozen senior leaders and heard from around 150 staff through an online system survey, in addition to desk research and benchmarking with around half a dozen other companies.

2.6   What we heard from staff suggested that, while some managers were excellent in supporting their teams to perform, this was not felt to be the norm and our approach as an organisation was neither fuelling performance nor driving engagement.

2.7   The key frustrations we heard were that our performance management approach felt like a 'box ticking' process, felt unconnected with why people were here and didn't support people to deliver their best. The over-focus on process and compliance was felt to be compounded by the fact that supporting systems and materials were overly cumbersome, complex and difficult to engage with.

2.8   Staff in focus groups also found it frustrating that performance issues appeared to be tolerated, with the impact on them being that they often had to take up slack of others, albeit a minority of the workforce. Managers we interviewed described the difficulties faced when trying to tackle performance issues due to feeling unsupported by the organisation with the pressures faced when tackling issues and as a result of the policy timelines being so long in practice.

2.9   Additionally, we found that the focus on pay was getting in the way of positive, stretching and developmental performance conversations, we found that colleagues getting feedback was not the norm and that, not only did poor performance appear to be tolerated, it was also felt that great performance was sometimes just 'tolerated'.

3.   Main report

3.1   In response to insight gleaned from staff and managers about what would be needed to close the gap between our current reality and our ambitions to create a culture of learning and performance, a 'Business User Group' was established in September 2015 to work with HR to co-create a new Performance Framework.

3.2   The thinking behind the new Performance Framework (and accompanying Performance Management Policy) has been focused on how to establish a supportive climate for performance that engages people at a human level, establishes a consistently high bar, makes it easy for our people to deliver their best performance and ultimately maximises the potential of our workforce. The focus is on supportive, developmental and, where needed, courageous conversations.

3.3   In addition to engagement and negotiation with our trade unions, there has been wide engagement of colleagues in the creation of the new approach and iterative developments of the new approaches have been extensively tested in a variety of Council operating environments throughout summer 2016. (See section 9 for more details).

3.4   As a departure from current practice, the new approach is inclusive of all colleagues of all grades. While some staff, such as teaching staff, have nationally agreed professional procedures, the principles and spirit of the new approach will apply to all.

3.5   The key components and changes to practice outlined in the Performance Framework and Policy are:

    3.5.1   To support great conversations about 'the how' of performance, a new values map has been created to replace the Council's complex competency framework. The map brings to life the behaviours demonstrated when colleagues are approaching their work in line with our organisational values.

    3.5.2   To move the focus from process and 'box ticking' to positive and stretching conversations about service delivery, a new approach to the annual conversation has been created to replace the 'Performance Review and Development' (PRD) conversation. The approach is more forward-looking, has been significantly simplified and moves away from a mathematical approach to evaluating performance to an agreement about the broad ballpark a colleague's performance is in, with a view to prompting a development-oriented conversation.

    3.5.3   To increase our focus on supporting our staff to be their best and deliver their best throughout the year, a focus on year-round conversations is central to the framework. To support managers in having the most positive impact in these year-round conversations, a picture of what good looks like has been created for one-to-one and team conversations.

    3.5.4   Drawing on the weight of external research showing the correlation between getting regular, balanced feedback from a variety of key stakeholders (peers, customers etc.) and performance improvement, a tool to support staff and managers in seeking feedback from the people they work with is included in the framework.

    3.5.5   To support managers to support the minority of staff whose performance needs improvement, timeframes in the policy have changed. While the existing Managing Work Performance Policy had timeframes for improvement that could have resulted in resolution within a six month period, in practice it has been taking at least a year and sometimes up to 18 months to resolve performance issues, with negative consequences for the manager, the team and indeed the affected staff member. Due to the new focus on having clear and supportive performance conversations throughout the year, the timeframes for resolving performance issues have reduced to within six months (12 weeks initially, a possible extension of four weeks and a further short extension in exceptional circumstances). The focus is very much on supporting people to improve, and training will be provided to ensure manager capability in applying the policy fairly so as to avoid overly punitive interpretations (see 3.7).

3.6   In response to the feedback heard from staff and managers last year, the overall approach has been simplified and more flexibility incorporated to enable it to be successfully used in the wide variety of operating environments we have. While the whole framework is designed to be used flexibly, two key aspects of flexibility are:

3.6.1   To ensure flexibility in relation to operating environments, the performance cycle will be flexible for all staff, with the exception of senior managers whose performance year will remain on an April to March basis to align with the management of the organisation's performance. This ensures that different operating environments can choose a point in the year that aligns well with their service priorities and enables managers of high volumes of staff to spread out the more time-intensive conversations throughout the year.

3.6.2   To ensure flexibility of process, it is intended that managers of staff without easy access to the new online forms (that will be developed as part of the new Business World launch) can use simple paper forms and would only be required to add their performance evaluation 'score' for each member of staff each year.

3.7   To support managers and staff to use the new approach well, an extensive engagement and development plan has been developed.

3.7.1   This will see all levels of senior managers (approximately 350+ people managers from the CEO down) take part in a robust two-day workshop in the January- March 2017 period, to support them in modelling the best possible practices ready for the 1 April launch. Thereafter, all other managers will receive a comparable amount of development to support them in rethinking and practising new approaches to performance conversations.

3.7.2   Additionally, to support and engage staff in proactively playing their role in this, e-user guides are being developed and a road show of short workshops will run from January 2017 onwards to engage them in their role in managing their performance and development.

3.8   The link between pay and performance will be reviewed in 2017.

4.   Measures of success

4.1   An evaluation and embedding change plan is currently being developed that will drive our focus in measuring and adjusting the change in the coming two years and beyond.

4.2   Indicators of success will be agreed at the level of practice and also at the level of impact (i.e. impact on colleagues, impact on service). At the level of practice, we will return to the ten indicators that were used in the summer 2015 research phase (including, for example, determining the extent to which our people have clear, aligned and stretching goals, are getting clear, honest and frequent feedback on their progress, etc).

5. Financial impact

5.1 There are costs associated with the development phase of this work that are incorporated within the organisation's transformation budget but an internal delivery model is being used to minimise costs.

6. Risk, policy, compliance and governance impact

6.1 Due to the links between people performance and organisational performance and change capability, the risks to the organisation's ability to successfully transform itself to be fit for purpose in a new climate are significant if this new approach is not implemented.

7. Equalities impact

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

8. Sustainability impact

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

9. Consultation and engagement

9.1 Since September 2015, HR have worked with a 'Business User Group' established to co-create the new Performance Framework and Policy. This group has been made up of a trade union representative, a senior manager representative, two manager representatives and two staff representatives.

9.2 In creating the new values map, furthermore, the indicators were created by interviewing a random sample of top performers in the organisation to seek to understand, 'codify' and share the great approaches they are taking. The new map was then confirmed with a sample of Wider Leadership Team members to ensure it was fit for purpose not just for today but also for the future.

9.3 Additionally, in spring 2016, six 'early adopter sites' were identified to test out and refine the new approaches in the draft framework to ensure that the new framework was fit for purpose and flexible enough to meet the needs of our large variety of operating environments. The feedback from early adopter sites has been used to improve the iterations of the new framework and the reception to the overall approach has been overwhelmingly positive.

9.4 The trade union negotiation for the new Performance Framework was successfully concluded on 14 November 2016.

10. Background reading/external references

10.1 The report from the Mindgym metaresearch from September 2011, referenced at 2.3, is available in hard copy from Jo Guz.

Stephen Moir

Executive Director of Resources

Contact: Jo Guz, Organisational Development Manager

E-mail: Jo.Guz@edinburgh.gov.uk | Tel: 0131 469 6178

11. Links

Coalition Pledges	
Council Priorities	
Single Outcome Agreement	
Appendices	Appendix 1 – Our Performance Framework: Being our best in everything we do for the people in our city
	Appendix 2 – Performance Management Policy

OUR PERFORMANCE FRAMEWORK

Being our best in everything we do for the people in our city

ABOUT THIS FRAMEWORK

WHAT IS IT? – Having great performance conversations is a craft you develop over time. This framework is NOT designed to teach you how to have these conversations – it aims to offer a blend of templates, tools and tips to be used flexibly to suit your needs and situation. If you would like support to practice performance conversations, you can book into a development workshop.

WHAT DOES IT COVER? – The framework is made up of the following elements:

VALUES MAP – A set of the best behaviours, approaches, qualities and attitudes that show HOW we are expected to approach our work. These are aligned to our core values: Customer first / Working Together / Honest & Transparent / Forward-Thinking

ANNUAL CONVERSATION – A chance to step back and take stock. We reflect on the year that's been and what we've accomplished and we get prepared for the year ahead and what we want to achieve.

PERFORMANCE IMPROVEMENT CONVERSATION – As and when issues arise, we may need a conversation about improving our performance. This is a one to one discussion to dig deeper into the reasons for a performance issue, to get clear on what the issue is and to agree a way forward together.

ONE to ONE CHECK-IN - Regular one to one catch ups that take place throughout the year. We talk about progress against goals and measures, your life and wellbeing, challenges you are encountering and any support and development needs you have. You'll also be able to share and receive feedback.

FEEDBACK – Quick and simple tools to enable real-time and regular feedback on performance from our colleagues, managers, direct reports and customers.

TEAM CHECK-IN – Regular team catch ups that take place throughout the year. A chance to discuss and reflect on our team priorities, goals, challenges, ideas and opportunities. It's also a chance to share our learning, discuss the wider context and celebrate our achievements.

Click here for our Performance Management policy

Values Map

This VALUES MAP is a set of all the best qualities, behaviours, approaches and attitudes that show how we do things when we are at our best. Our four values make our organisation unique. They are at the heart of everything we do and the core of who we are and who we want to be. The values map will help us to celebrate what we do well, have meaningful conversations about how we can be at our best and how we might want to develop.

FORWARD THINKING

We think ahead and approach our work creatively to continuously improve the services we offer

HONEST and TRANSPARENT

We hold ourselves accountable to our city and act with integrity in everything we do
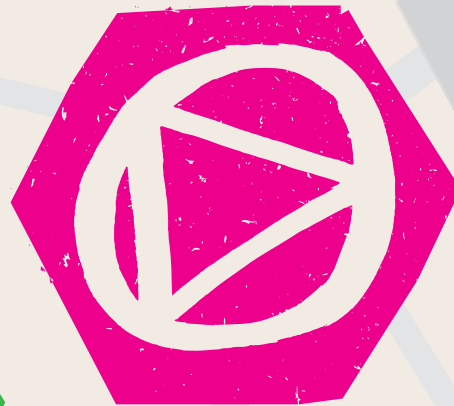
PUT CUSTOMERS FIRST

We treat our customers with respect and deliver caring and responsive services

WORK TOGETHER

We keep connected with our communities and partners and make relationships a priority, working flexibly together to achieve our goals

At my best

I do everything with commitment and total belief in what I care for

I am consistent and deliver what I said I would efficiently and to the highest standard possible

I care and use a genuine approach to engage with customers and the people I work and interact with

When making decisions, I focus on the outcome and have the person at the heart

I am flexible and adapt my style and communication to focus on what matters to people

I am committed and see things through to the very end

I involve customers to be active partners and acknowledge that I might not always be the expert

I take the time to listen and ask questions to seek understanding

I try to make people feel at ease and comfortable by building trust and being open

Put Customers first

1st

We treat our customers with respect and deliver caring and responsive services

I let my mood affect how I treat others

I make little or no effort to understand things from others' point of view and ignore the voice of the customer

I make promises I cannot keep for an easier way out

I make assumptions and take a "one size fits all" approach when working with people

I focus solely on the task and process, not the people

I can be insensitive and unhelpful to customers and my style does not take into account their feelings and opinions

I behave in a way that is detrimental for my customers or has a negative impact on the Council's reputation

Not at my best

At my best

I engage people in a way that inspires them to be a part of it

I give importance to relationships and make time for growing them

I acknowledge the good work and achievements of the people around me

I approach conversations with shared solutions in mind

I extend trust and take time to understand people I am working with

I recognise the times when what's needed is to roll up our sleeves and pull together

I show people I care about them and have their backs when needed

I help the people I work with to stay connected to the good work we are doing together

I am genuine with people and respectful in my conversations

I give colleagues the same importance as external customers and take the time to get to know them so that we can work well together

Working Together

We keep connected with our communities and partners and make relationships a priority, working flexibly together to achieve our goals

I don't flex my style to meet others' needs

I sometimes play power games to drive forward my own agenda and undermine the people I work with

I behave in a way that is detrimental for my colleagues and team

I have little interest and take no responsibility in getting to know people and finding out the best about them

I feel that it is easier to get the job done myself

I assume and have a "one size fits all" approach to working together with people

I give greater importance to my own opinions and achievements over others

I am not approachable and don't prioritise giving people time and space

I don't make efforts to understand how my work or the team work fit into the bigger picture

I don't make efforts to share information about my work that is not confidential with others

I pay lip service to working together – I play at listening but don't really explore different perspective and let the important things remain unsaid

Not at my best

4

I feel excited, passionate and connected with the work I do

I am curious and open to new approaches and I think creatively to make things happen

I actively play my part in making the future vision for our service and city a reality

I embrace change with enthusiasm and see it as an opportunity to make things better

I regularly take stock of what I am here to do

I make sure I know the facts and what is important when planning and making decisions

I encourage others to share ideas and try new things

If I see that something is not working or it could be improved, I take responsibility to do something about it

I embrace the "rocky road" and always look for sustainable solutions and opportunities for improvement

I take small steps to achieve the big goals

I take ownership for my own learning to continuously develop and fulfil the requirements of my role

Forward thinking

We think ahead and approach our work creatively to continuously improve the services we offer

I dismiss fresh and new ideas and discourage people from suggesting new ways of doing things

I ignore problems, don't use my initiative and hide behind my job description

I stick to the status quo and remain focussed on problems, not solutions

I rely on established solutions, ignore feedback and don't ask or value other people's views and suggestions

I ignore the facts and evidence to justify my decisions

I take short cuts and turn a blind eye when things are getting tough

I work within my own rigid parameters

At my best

I stay true to our values and feel accountable to do the right thing even when it's really challenging to do so

I play my part in helping my team act with integrity in everything we do together

I am transparent about the work I do, how I go about it and the decision I make

I am open and honest about what I do and don't know and seek people's ideas and suggestions to find solutions

I take the time to reflect on my approach to help me stay true to the Council values and the values that are important to me

I have conversations that are clear and frank at the same time as being respectful and constructive

I have confidence in myself to make the right decisions and, if needed, say no in a constructive manner

I speak up to positively challenge others in a way that is constructive, direct and appropriate

Honest and transparent

We hold ourselves accountable to our city and act with integrity in everything we do

I might be manipulative when influencing others and leave people with the impression I want to give

I come across as defensive when service improvements are suggested and think "we've always done it this way"

I blame the "system" and others by not taking responsibility for my actions

When making decisions, I hold back for fear of being judged or being wrong

I talk negatively about the Council and people working within it

I waver and don't remain involved until the resolution

I am blunt and insensitive when being honest

I pass the buck when things get tough

I don't tell the whole truth about my work, my approach or the decision I make

I put off the conversations and don't tackle the tough stuff

Not at my best

THE ANNUAL CONVERSATION

A conversation once a year between us and our line manager. A chance to step back and take stock. We reflect on the year that's been and what we've accomplished and we get prepared for the year ahead and what we want to achieve

LOOKING AHEAD: SETTING THE COURSE

WHY
What are we trying to make happen in our service area this year and why? What's the difference I want to make in this?

WHAT
What does this mean for my contribution in the year ahead? What will I need to do? And how will I know that I've been successful? What does good look like? What will the measure of good be?

HOW
How will I go about it? How do I want to approach my work this year in a way that I'll be most proud of? What will great look like in terms of my approach?

MY SUPPORT AND DEVELOPMENT
What does this mean for my development and the support I need in the year ahead? Where do I want to go longer term and what support would help?

OUTPUTS
Agreement on:

Expectations for the year ahead

What I do	How do it
My goals and/or performance measures	Our values and relevant professional standards

My development priorities/knowledge, skills, behaviour

LOOKING BACK: REFLECTING ON MY ACHIEVEMENTS

OUTPUTS
Agreement on:
My performance zone

What I deliver	How I go about it

Implications for my development

MY IMPACT
So, all in all, what's the impact I had this year on our outcomes, service, and colleagues? And how does this relate to what we're trying to make happen in our service?

MY LEARNING & STRETCH
What are my reflections on what I learnt this year? In what ways did I develop and stretch myself and the service this year? And how does that sit with the development priorities set?

HOW I WENT ABOUT IT
What are my reflections on the approach I took this year – on the good days and the more challenging days? How does that chime with our values? And did I feel supported to bring my best?

WHAT'S BEEN ACCOMPLISHED
What's the best of what I've achieved or accomplished this year? And how does that stack up against my goals and measures?

ANNUAL CONVERSATION QUESTIONS BANK

Some suggested questions from both an employee and manager perspective that we can choose from to prompt a good annual conversation

LOOKING BACK

MANAGER

- What strengths or approaches did you use that helped you achieve that?
- When you think about the last 12 months, what do you feel really proud of?
- What have you enjoyed working on most over the year?
- What is something new you learned in the past year
- What has been challenging or had you feeling out of your comfort zone?

EMPLOYEE

- In what ways do you think I could further improve?
- What impact has my contribution made on our service area?
- What you do feel my key achievements have been over the last 12 months?

LOOKING FORWARD

MANAGER

- Where do you think you could focus your energies over the next 12 months that would make the biggest impact?
- What goals are we looking at this year that interest you and present an opportunity to develop?
- How can we be clear on what good looks like in all key areas of the role?
- How do you want to stretch your skills or further grow your impact this year?
- What support do you need – and from who?

EMPLOYEE

- What are some of the big priorities coming up for our team that I might contribute to and how do these relate to the bigger picture?
- What support and development opportunities are available to help me achieve my priorities?
- What are the standards we're striving for in our service?

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PERFORMANCE ZONES

Reflecting back on the whole year on balance, these zones give us an overall sense of how we are doing in our role in terms of what we do and how we do it

GEM (GOING THE EXTRA MILE)

At various points throughout the year, there will be many times when we're truly going the extra mile – going above and beyond to pull together in the face of team challenges, delivering a particularly impressive quality of service or being the one who works consistently behind the scenes to keep the show on the road against the odds. Why wait until the end of the year to recognise this? It's hoped that space can be created throughout the year to appreciate, recognise and celebrate these moments at the time.

NEEDING SUPPORT

It might be because I'm brand new in post or, for whatever reason, I'm not yet hitting what's expected of me in my role yet and am showing the need for solid improvement in one or more key areas for my contribution to be where it needs to be in the year ahead.

This will likely include one or more of the following:

- Struggling to achieve performance goals, measures or standards expected in my role
- Being a way off approaching my work in a way that sits well with our values or professional standards
- Avoiding helping out my colleagues where needed or showing no real desire to ensure our service meets the standards our customers should be able to expect
- Requiring a level of support or direction that wouldn't ordinarily be expected for the level and scope of the role
- Struggling to have a positive impact on my customers or service users or having a negative impact on the team

ALMOST THERE

Whether I'm brand new to role or not, I'm a developing performer who is very close to consistently achieving what's expected of me and need just a bit more development in one or more areas to be really delivering my best in the year ahead and beyond.

This will likely include one or more of the following:

- Sharpening up my approach in relation to a key skill, one of our values or one of the professional standards we hold as important in my area
- Doing more to ensure I balance my priorities or deliver within the expected timeframes
- Stretching myself to be more proactive in overcoming the day-to-day challenges I face in my role
- Developing the experience needed for the role or focusing on the learning that would help with the changes and developments in my area
- Focusing in on improving the impact I have with my colleagues or customers / service users or focusing on improving the relationships that are key to this role

FULLY EFFECTIVE

I'm reliably broadly achieving what's expected of me on all fronts not just in terms of what I deliver but how I go about it, including taking responsibility for my ongoing development and supporting the team along the way.

This will likely include:

- Broadly hitting the performance goals and/or measures expected in my role (taking in to account reasonable obstacles)
- Consistently approaching my work in a way that fits really well with our values and professional standards (taking in to account the fact that we all may have the occasional bad day)
- Reliably helping out my colleagues and offering ideas, however small, for how we can continuously improve our service
- Embracing opportunities to learn within my role and, for the most part, actively keeping focused on my ongoing personal development
- Typically having a positive impact on my customers or service users and being somebody who is a consistently positive face for the Council

ANNUAL CONVERSATION RECORD

A form to record the key points and actions arising from the annual conversation

Name of employee	Name of manager
Employee number	Performance period

Performance goals and/or measures

This is the place to make sure you have a clear agreed picture of what good looks like for the employee in the year ahead. This may be a set of goals / objectives or it may be a set of key performance measures.

Personal development priorities

This is the place to make sure you have a clear agreed picture of what the priorities are for the employee's personal development in the year ahead to help the role holder to be at their best in the year ahead.

Review of the year

Employee reflections	Manager reflections	Performance zone

ONE-to-ONE CHECK-IN

A one-to-one catch up that take place regularly (frequency to be agreed between us and our manager) throughout the year. These might be pre-arranged meetings or just a quick touch-base. This tool suggests some topics that can be used to focus the conversations. Pick which ones feel the most important to talk about at the time

A conversation around what challenges, barriers & obstacles are being experienced and how these could be overcome and what support we might need to overcome them.

A conversation about us as a person. A chance to discuss how we are in general, how we are feeling, any time off we have had and anything in our personal life that might be impacting on our working life or vice versa

A chance to use feedback to reinforce good practice or behaviour, recognise where we have gone the extra mile or highlight where improvements are needed. Feedback and recognition should be two-way.

CHALLENGES & SUPPORT

FEEDBACK & WHAT I DO WELL

LIFE & WELLBEING

PERSONAL DEVELOPMENT

GOALS & PERFORMANCE MEASURES

TASK & ACTIVITIES

A conversation about our personal development needs and an opportunity to explore how we might want to expand our knowledge, skills and experience and reflect on career aspirations.

A conversation to ensure that goals are on track

A conversation around recent and up-coming task & activities

ONE-to-ONE CHECK-IN QUESTIONS BANK [Manager questions]

Some suggested questions for managers to choose from and personalise to help to start a good one-to-one check-in conversation

PERSONAL DEVELOPMENT

- How are you progressing against your personal development priorities? Where do you feel you would like to further grow?
- What might be one area for development that would help you to perform even better or have more impact?
- When thinking of your long term career, what is important to you?

TASK & ACTIVITIES

- What's taking up most of your time at the moment?
- How well prioritized do your various tasks feel?
- What has gone well for you recently? What is about the approach you're taking that's helped?
- What are you trying to make happen in the next month?
- Who do you need to involve in that?

FEEDBACK & WHAT I DO WELL

- What is your sense of how well you are performing?
- What feedback have you sought recently and what have you learned from this?
- What makes you feel valued at work?
- Do you have any feedback for me?

GOALS & PERFORMANCE MEASURES

- How do you feel your goals are progressing?
- What approaches are you taking to achieve your goals / the standards?
- What is getting in the way of you achieving what's needed in your role?
- Are you getting the right support from me or others? What could I do more of to have you feel supported?

CHALLENGES & SUPPORT

- What is your biggest challenge right now?
- What approaches are you taking to address it and what have you learned in the process?
- What other approaches could you consider?
- What support could help you?

LIFE & WELLBEING

- How do you feel about your work/life balance right now? How can I help?
- What worries or concerns do you have?
- What changes could you make to improve your thinking time or "headspace"?
- What do you spend your time on that doesn't add value that you could stop doing?

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ONE-to-ONE CHECK-IN QUESTIONS BANK [Employee questions]

Some suggested questions for employees to choose from and personalise to help to start a good one-to-one check-in conversation

TASK & ACTIVITIES

- What do you see as being some of my recent highlights?
- What's one bit of feedback you could give me to help my development?

CHALLENGES & SUPPORT

- What approaches could I take to address my biggest challenge?
- How can I get support with….?
- Who can help me with...?
- Who needs support from me in the team?

GOALS & PERFORMANCE MEASURES

- How do you see my goals are progressing?
- How close to hitting the measures of success do you think I am?
- Am I delivering to the standard you're looking for?

FEEDBACK & WHAT I DO WELL

- What is your sense of how I am performing?
- What's your sense of the best of my strengths?
- What nudge would you give me that would help me be more effective?
- Can you give me some feedback on what you saw from me during ... piece of work?

LIFE & WELLBEING

- How might I get the right balance between work and life in my role?
- What changes could I make to get more headspace?

PERSONAL DEVELOPMENT

- What personal development opportunities are there that could help me with...?
- How could I learn more about…..?
- Who might I be able to shadow to learn more about....?

CHECK-IN PREPARATION TOOL

An optional tool for both a manager and an employee to use, if helpful, to prepare for a one-to-one check in. We could use it to jot down reminders of what we would like to talk about and/or make a note of some good questions to ask

CHALLENGES & SUPPORT

TASK & ACTIVITIES

FEEDBACK & WHAT I DO WELL

GOALS & PERFORMANCE MEASURES

PERSONAL DEVELOPMENT

LIFE & WELLBEING
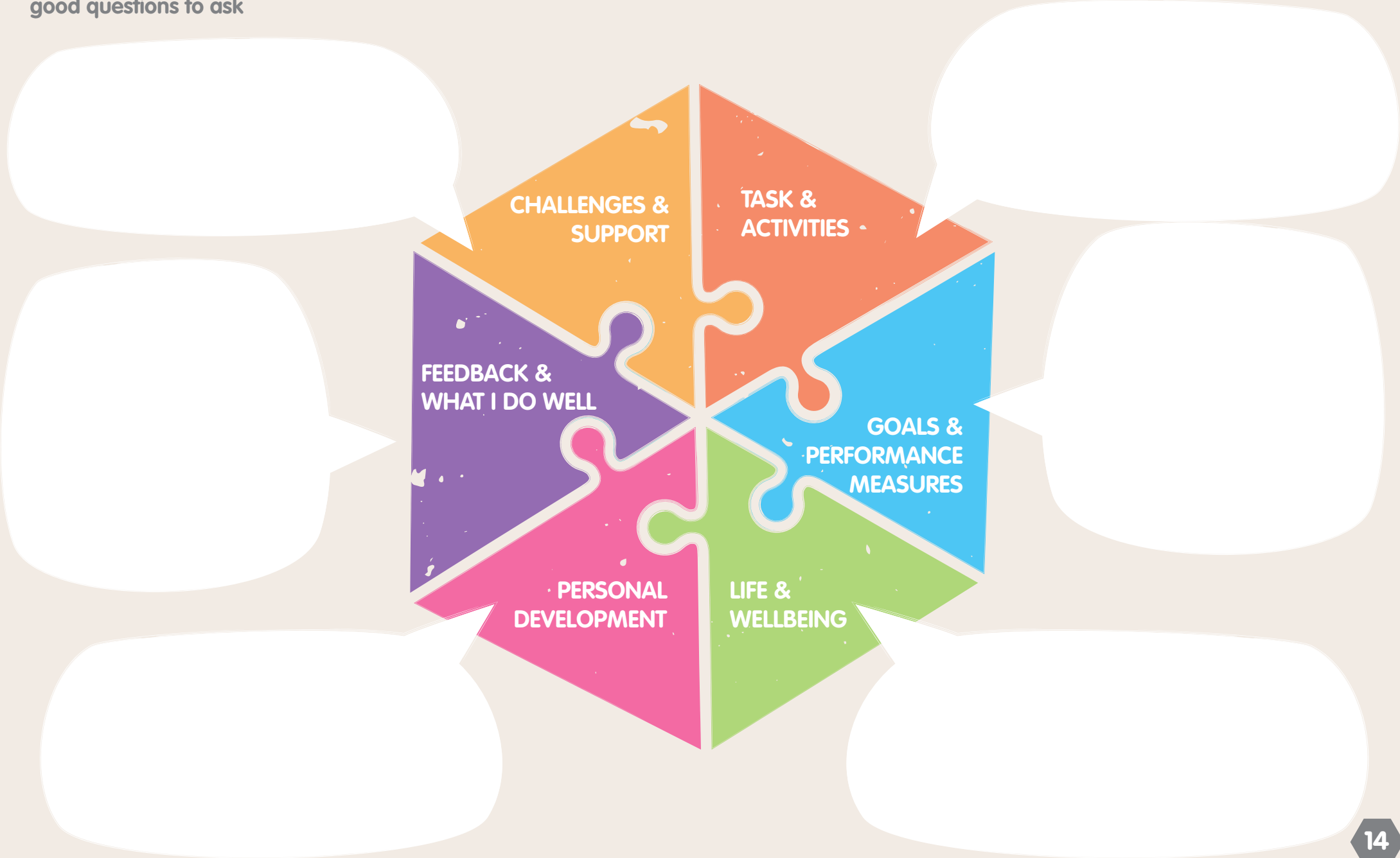
ONE-to-ONE CHECK-IN RECORD

A form to record the key points and actions arising from a one-to-one check in meeting

Name of employee	Name of manager

DATE	MAIN TOPICS DISCUSSED	ACTIONS (Who will do what by when)

TEAM CHECK-IN

A regular team catch up (frequency will vary between service areas). This tool suggests some topics that can be used to focus team check-in conversations. Pick which ones feel the most important to talk about

A chance to share what we aré learning with each other e.g. feeding back after attending an event or sharing something we have read or seen.

A conversation about challenges we are facing, any team tensions and obstacles to us achieving our goals and priorities. A chance to explore solutions and ways forward together and ways of supporting each other.

A conversation about our wider context – what is going on in our organisation, city or beyond that could impact our performance. What changes and news do we need to touch base on as a team?

A conversation to get a sense check about how we are currently performing.

A chance to celebrate what we are doing well as a team, where we have gone the extra mile and reflecting on our impact.

A conversation to get clear on our team goals and priorities. What does good look like?

CHALLENGES & IDEAS

TEAM LEARNING

CURRENT PERFORMANCE

BIGGER PICTURE & NEWS

CELEBRATING ACHIEVEMENTS

TEAM GOALS & PRIORITIES

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PERFORMANCE IMPROVEMENT CONVERSATION

As and when issues arise, we may need a conversation about resolving a performance issue. This tool suggests a way to structure a one-to-one performance improvement conversation to dig deeper into the reasons for a performance issue, to get clear on what the issue is and to agree a way forward together

WHAT IS THE PURPOSE OF THE CONVERSATION?

State why we're here and the intent to resolve the issue.

SHARING FEEDBACK ABOUT THE ISSUE

- Give honest and constructive feedback about the issue, with specific examples
- Describe the impact of the issue on others
- Clarity what will happen if nothing changes
- Recognise what is working well that we can build on

EXPLORING THE REASONS BEHIND THE ISSUE

- Explore what they think about the issue
- Explore possible reasons for the issue
- Try to learn what is going on from their point of view

WHAT CAN & WILL WE DO ABOUT IT?

Work towards a resolution to find a way forward together, being clear about what happens next and who will do what.

TOP 3 TIPS

- Choose the time and place for the conversation carefully
- Ask open questions and listen carefully to the responses
- Keep focused on moving towards a resolution

Click here for links to the Performance Improvement Policy and template for a Performance Improvement Plan

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PERFORMANCE IMPROVEMENT QUESTIONS BANK

Some suggested questions for managers to choose from and personalise to help explore reasons behind a performance issue and what we can do about it

Exploring the issue

Can we talk through how you approached X piece of work?

What is the issue as you see it?

What impact can you imagine this having on others?

How engaged do you feel with your work generally?

How clear are you on the goals, standards and expectations of the role?

How confident do you feel in your ability?

How supported do you feel?

What else is happening that might be having an impact?

Exploring what we can do about it

How do we move forward from here to get things back on track?

What is the best first step in resolving this?

What support would help you? From who?

What could I do differently to help you be at your best?

What are the next steps we're agreeing then?

Where might you need to grow your skills?

What might get in the way and how will we get past that?

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TIMELY AND REGULAR FEEDBACK AND APPRECIATION

A tool to encourage us to regularly seek feedback on our performance from our manager, colleagues, direct reports and/or customers and to remind us to show timely appreciation to others

When I'm at my best, how does it effect others?

When I'm at my best, what do you see from me?

My strengths

What are my unique strengths?

What do you value about my approach?

Asking Others About

When I'm not at my best, what do you see?

How I can improve?

When I'm not at my best, how does it effect others?

What could I improve on and how might I go about it?

managers

you

peers

customers

direct report

Giving Appreciation

– Ask Yourself Regularly…

Is there someone I owe a simple thank you to?

Is there something great I've seen someone do?

Why was it great and how will I let them know?

Is there someone I owe some appreciation to? (including the reliable people who are sometimes in the background)

Top Tips

● Be honest
● Be specific
● Be respectful
● Be constructive

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FORWARD THINKING

We think ahead and approach our work creatively to continuously improve the services we offer

HONEST and TRANSPARENT

We hold ourselves accountable to our city and act with integrity in everything we do
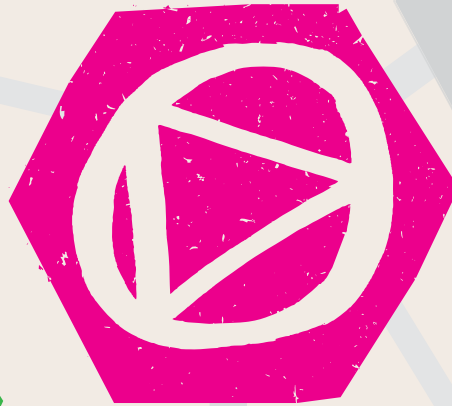
PUT CUSTOMERS FIRST

We treat our customers with respect and deliver caring and responsive services

WORK TOGETHER

We keep connected with our communities and partners and make relationships a priority, working flexibly together to achieve our goals

If you want to know more about our new performance framework or if you have any questions, please contact your manager.

We would love to hear your feedback on this framework, email us at performance2@edinburgh.gov.uk

Performance Management

Implementation date: 1 April 2017

Control schedule

Approved by	
Approval date	
Senior Responsible Officer	Katy Miller
Author	Stewart Cassie
Scheduled for review	

Version control

Version	Date	Author	Comment
0.1	15 November 2016	Stewart Cassie	Final draft for Corporate Policy & Strategy Committee

Committee decisions affecting this policy

Date	Committee	Link to report	Link to minute

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

Performance Management

Policy statement

1.1   We believe that all our employees want to do the best possible job they can for the Council and the people in our city and that we are all responsible for the work we do and how we do it. As your employer, it is our job to provide you with the right support so we can help you be at your best

1.2   Being at your best applies to both **what you do** and **how you do it**. We expect our Council Values to be at the heart of the approach we all bring to our work.

1.3   A toolkit is available to support this policy to ensure that it is implemented as intended, with the focus on helping you to do your job to the best of your ability and supporting you to improve when you need help.

Scope

2.1   The principles of this policy apply to all our colleagues and we expect everyone to approach their work in line with our Values.

2.2   We recognise that there are groups of employees who have their own nationally agreed procedures for continuing professional development and managing performance. These remain in place.

2.3   However, nothing in those procedures exempts staff and managers from following the key principles outlined in this policy, and all staff are expected to have regular conversations with their managers, as a matter of good practice and to demonstrate the Council's Values as they go about their work.

Key Principles

3.1   **Clear Expectations**

We can all expect to have clarity on our role and what's expected of us. From your first weeks with the organisation onwards, you can expect to have an understanding of how your work fits in to the work we do in the city and to have clear goals, standards and measures for the part you play.

3.2   **Support**

We can all expect to be supported to perform at our best. This support includes advice, coaching, training and support for our development on the job. In return, we are all expected to do our very best and participate fully in conversations about our performance.

3.3   **Feedback**

We can all expect to get regular feedback on how we are doing. We will all get the chance to have regular, two-way conversations about our performance and development. Your manager will help you seek feedback from others and will regularly review your performance with you.

3.4   **Focus on Improvement**

The focus of this policy is on supporting you to do your job in the best way you can and identifying any additional support, tools or adjustments needed where there are any issues meeting the standards required.

3.5   **Focus on you**

This policy is designed to look beyond the narrow focus of how you do your job and looks at you as an individual, giving the flexibility to factor in your personal circumstances where they relate to your performance

Policy content

4.1   Performance Management

When you join us, your manager will set goals and/or measures for you and set out the wider standards of performance expected, in line with what is required in your area and with the Council's Values. Performance conversations will then happen throughout the year. There will also be a more formal annual conversation between you and your manager. The annual meeting will be your opportunity to review your progress in the year that has just passed and to get clear on the priorities and expectations for the year ahead. The date at which the annual conversation takes place will be determined by the needs of the area where you work. Senior managers will still have their annual conversation in the spring.

During the annual conversation, as well as being clear on what you are aiming to achieve and how you should go about achieving it, you will also discuss any development and support needs you might have. The aim is to ensure that you can give your best possible performance and we absolutely encourage you to ask for the help you need to achieve that. Your work goals and/or measures and your development priorities will be recorded along with the support you need.

Throughout the year, you and your manager will have the opportunity to have regular one-to-one catch-ups. The frequency will depend on what works well for you and your manager. During these conversations, you will be able to discuss progress against your goals and/or measures, your health and wellbeing, any challenges you are encountering, along with support and development needs you might have. You will also be able to share and receive feedback on your performance.

At the end of the performance management cycle, you should arrange the next annual conversation to look back and review your performance for the year and provide an opportunity for reflection, feedback and recognition before planning for the year ahead once again. The 'looking back' part of the annual conversation will build on all the catch-up conversations you have had throughout the year so there should be no surprises. You and your manager will agree a performance rating that reflects what you have accomplished during the year and how you have approached it.

Occasionally you might feel that you are not going to be able to meet the standard of performance for the job or some goals and/or measures that were agreed. If you feel that, you should speak to your manager and let them know why you think you will not achieve what's expected of you and discuss what help you need. Your manager will listen to what you say and will give you the help you need where they can. It is your responsibility to make sure that you ask for help and take responsibility for meeting the necessary standards.

In some cases, your manager might feel that you are not performing to the required standard, in which case they will bring this up as part of normal day-to-day management. Additional support should be discussed as part of everyday performance management. If you feel you need additional support, make sure that you ask for it. Your manager will be supportive in this. They will also be specific about expected improvements.

Managers will always want to understand why you might not be performing as well as expected and will try to understand your point of view, as well as giving you clear and honest feedback. Our aim is always to find out how we can help you achieve the required standards and expectations and to agree a way of resolving any issues and getting back on track. Your manager and yourself will agree how your performance can be improved and how often to meet in order to monitor your improvement until you are back performing at your best.

4.2 Performance Improvement

We understand that under-performance cannot always be improved by everyday performance management and further intervention is sometimes needed. If you have been given help but your manager feels that you are continuing to underperform, then they will set up a meeting with you to put a formal performance improvement plan in place. You can be represented at this meeting by a trade union representative or accompanied by a work colleague.

However, we must stress that being asked to attend a formal meeting about your performance should not come as a surprise to you. Your manager will have been discussing your performance with you throughout the year. Any areas where your performance could improve will have been brought to your attention

before any formal action is considered and your manager will have supported you to try to improve your performance on an informal basis, through normal day-to-day management at the time. We see formal performance improvement as the last stage of a concerted effort to help you achieve the desired level of performance, backed by evidence of the support you've received.

The meeting will be a structured conversation between you and your manager about putting in place a formal plan to resolve the performance issues. Your manager will set out where you have not met the expected standards, with the evidence they've got from the conversations you had through the year. It's important that both you and your manager share feedback on any issues that are affecting your performance and that you discuss the impact they are having on your ability to do your work. It is important that you speak up about any factors impacting on your ability to perform so that your manager can consider any reasonable adjustments or whether your performance would be better dealt with under another Council policy.

By the end of the meeting, your manager will set out the improvement in your performance that they expect to see. They will confirm that this represents a formal warning about your performance. This means that if there is no improvement in your performance, then this could result in your dismissal. Your manager will also tell your head of service that your performance is being managed using a performance improvement plan.

We must emphasise that your manager will want to help you improve your performance and will want you to succeed. Equally, it's important that you see this as an opportunity to show that you can perform well in your job.

4.3 **Confirming the Improvement Needed**

After the meeting to discuss the performance improvement plan, your manager will send you a completed performance improvement plan and a letter confirming that you are under performance improvement measures. In this letter, they will confirm that you have 12 working weeks to improve. They will also set out how often you will meet to monitor your improvement and the actions you are expected to take to show your improvement. The letter will also confirm your formal warning and note that if you do not improve your performance, then this could result in your dismissal.

4.4 **Reviewing progress**

While your performance is under review, you and your manager will meet regularly to review your progress and, where required, adjust any development support you need to help. We would expect this to be at least weekly, in order for both you and manager to see if your performance is improving and to give feedback on progress made.

4.5   **Improvement Achieved**

At the end of the review period, your manager will meet with you to discuss the outcome of the improvement period. You can be represented at this meeting by a trade union representative or accompanied by a work colleague. If you have achieved the improvement needed, then no further action will be taken and everyday performance management will continue. Your written warning will still be live for 9 months. If there is another drop in performance during this period, your manager will meet with you to discuss the situation. If the dip in performance means that further formal performance improvement support is put in place for you, then you will also be given a final written warning.

4.6   **No Improvement**

If you have not met the required standard of performance at the end of the improvement period, then your manager will meet with you to discuss the situation. You can be represented at this meeting by a trade union representative or accompanied by a work colleague.

The meeting will be a structured conversation between you and your manager about putting in place a formal plan to resolve the performance issues. Your manager will set out where you have not met the expected standards, with the evidence they've got from the conversations you had through the year. It's important that both you and your manager share feedback on any issues that are affecting your performance and that you discuss the impact they are having on your ability to do your work. It is important that you speak up about any factors impacting on your ability to perform so that your manager can consider any reasonable adjustments or whether your performance would be better dealt with under another Council policy.

By the end of the meeting, your manager will set out the improvement in your performance that they expect to see. You will then be given a final warning and a further 4 working weeks to try to improve your performance levels. This means that if there is no improvement in your performance, then this could result in your dismissal. The warning will be live for one year. Your manager will also tell your head of service that your performance is being managed using a performance improvement plan.

4.7   **Final Performance Improvement Meeting**

If you do not reach the standard of performance needed for your job in the final 4 working week period, then your manager will meet with you to confirm this and arrange for a final meeting to be chaired by your head of service (or a senior manager in your area with the authority to dismiss). You can be represented by

a trade union representative or accompanied by a work colleague to both the meeting with your manager and the meeting with your head of service.

At the final performance improvement meeting, the chairperson will review your performance improvement plan, consider the performance level you have been able to achieve, the support you received, your own feedback on what has prevented you achieving the standards required and feedback from your manager. You will be given the opportunity to share your thoughts on the situation.

At the end of the meeting, the chairperson will confirm what action is to be taken. This will be either dismissal, action short of dismissal, redeployment or, in exceptional circumstances, a further period of review of up to 4 working weeks. This will only be considered if you have been able to demonstrate that you can achieve the required standard within that time.

The chairperson will send you a letter confirming the decision.

4.8 Appeals

If you are dismissed or action short of dismissal is taken, you can appeal that decision by following the standard appeal process, which will be set out in your confirmation letter.

You cannot appeal any other outcome of the final meeting.

Implementation

5.1 To support an effective implementation in line with the principles of this policy, a comprehensive period of development for staff and managers will commence in January 2017, ahead of implementation in April 2017.

Roles and responsibilities

6.1 We will make sure that our approach to performance helps you be at your best at work. We will support your manager, so that they feel confident in providing you with the tools you need to do your job as well as the support and information you need. If you cannot meet the requirements of your job, your line manager will provide you with the support to help you reach the expected standards.

6.2 We are all individually responsible for managing our performance and engaging in conversations about it. You are responsible for the quality of your work and for putting in the effort needed to do the job to the standard required. You need to be clear on what it is you are being asked to do at work and what you need to do to achieve your goals and/or measures. You will need to work with your

manager to agree how you are going to achieve your goals and/or measures and when you need to achieve them by. If you need help, tell your manager and make it clear what support you think you need to be able to do your job.

6.3   Your manager will make sure that you understand what you are expected to do in your job and that you know how to do it well. They will agree a set of goals and/or measures for you to achieve each year, starting from when you first join the Council. They will give you the support you need to achieve these by having regular conversations with you about your work throughout the year and by providing you with the time and development you need to do the best you can.

6.4   Your manager will have received appropriate performance management training to ensure that the performance management framework is adopted and applied consistently and fairly across the organisation.

6.5   Your manager's performance will be evaluated each year on how effectively they support their people to perform and how they manage the performance of their area.

Related documents

7.1   This policy forms part of the overall performance framework, a copy of which is attached.

Equalities impact

8.1   For details of the completed Record of Equality and Rights Impact Assessment (ERIA) form, contact the named author of the policy.

Sustainability impact

9.1   It has been assessed that this policy will have no environmental impact.

Risk assessment

10.1   The revised policy is fully compliant with legislative requirements and good employment practice.

Review

11.1   This document is a local collective agreement between the Council and the recognised Trade Unions. We will make every effort to ensure that this policy is maintained as a local collective agreement, with changes made by agreement. If we cannot agree, either party can end the local collective agreement by giving four months notice in writing. In such circumstances, the terms of the local agreement will cease to apply to existing and future employees

11.2   We will review this policy regularly to ensure that it continues to support the performance of our colleagues.

Governance, Risk and Best Value Committee

10.00am, Tuesday 26 September 2017

Revenue Monitoring 2016/17 – Outturn Report - referral from the Finance and Resources Committee

Item number	7.9
Report number	
Wards	All

Executive summary

On 5 September the Finance and Resources Committee considered a report on the provisional 2016/17 revenue outturn position for the Council based on the unaudited financial statements. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its work-plan.

Terms of Referral

Revenue Monitoring 2016/17 – Outturn Report

Terms of referral

1.1 The Council's statement of accounts for 2016/17 was passed to the external auditor by the statutory deadline of 30 June 2017. The unaudited financial statements were published on the Council website by 30 June 2017 and made available for public inspection from 3 July 2017 for 15 working days, in accordance with relevant regulations.

1.2 For 2016/17, the unaudited outturn position showed an overall underspend of £1.058m, which equated to 0.11% of the Council's total net expenditure.

1.3 The Finance and Resources Committee agreed:

1.3.1 To note the contents of the report and the provisional revenue underspend of £1.058 million for the year ended 31 March 2017 and that these monies had been set aside within the Council's Priorities Fund.

1.3.2 To note the contributions in 2016/17 to and from the General Fund as detailed in the report and refer the report to Council for ratification for use of funds.

1.3.3 To note the Housing Revenue Account was balanced after making a contribution of £11.9m to the Renewal and Repairs Fund.

1.3.4 To note that a report on the Common Good Fund was also considered by the Finance and Resourced Committee on 5 September 2017.

1.3.5 To refer the report to the Governance, Risk and Best Value Committee as part of its workplan.

1.4 The Committee is also asked to note that any reference in the Executive Director's report to the "Strategic Acquisition Fund" (e.g. paragraph 3.8) should have referred to the "City Strategic Investment Fund".

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to the City of Edinburgh Council on 21 September 2017 for ratification for use of funds.

Background reading / external references

Finance and Resources Committee 5 September 2017.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices	Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10.00am, Tuesday, 5 September 2017

Revenue Monitoring 2016/17 – outturn report

Item number

Report number

Executive/routine

Wards

Executive summary

The report sets out the provisional 2016/17 revenue outturn position for the Council based on the unaudited financial statements. The statement of accounts shows an overall underspend of £1.058m.

Finance and Resources Committee

Revenue Monitoring 2016/17 – outturn report

1. Recommendations

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

1.1.1 note the contents of this report and the provisional revenue underspend of £1.058m for the year ended 31 March 2017 and that these monies have been set aside within the Council Priorities Fund;

1.1.2 note the contributions in 2016/17 to and from the General Fund as detailed in the report and refer to Council for ratification for use of funds;

1.1.3 note the Housing Revenue Account was balanced after making a contribution of £11.9m to the Renewal and Repairs Fund;

1.1.4 note the Common Good Annual Performance Report will be considered elsewhere on the agenda; and

1.1.5 refer this report to the Governance, Risk and Best Value Committee as part of its workplan.

2. Background

2.1 The Council's statement of accounts for 2016/17 was passed to the external auditor by the statutory deadline of 30 June. This report sets out the provisional outturn position for the revenue budget as detailed within the unaudited statement.

2.2 The unaudited financial statements were published on the Council website by 30 June 2017 and made available for public inspection from 3 July 2017 for 15 working days, in accordance with relevant regulations.

3. Main report

3.1 The unaudited outturn position for 2016/17 shows an overall underspend of £1.058m, equating to 0.11% of the Council's total net expenditure. The table below outlines the constituent elements of this variance, with additional details provided in Appendices 1 and 2. Executive Committees will receive outturn commentaries for their areas of responsibility, along with the period 3 monitoring reports.

	Outturn Variance
Service Variance	**£000**
Communities and Families	(875)
Place	1,708
Resources	(1,166)
Health and Social Care	1,140
Chief Executive	(136)
Safer and Stronger Communities	(124)
Service Variances	**547**
Additional funding	(1,140)
Total Service Variances	**(593)**
Corporate Variances	
Early Release Costs	1,610
Net Cost of Benefits	(307)
Other non-service specific costs	482
Interest and investment income	(750)
Loan Charges	(883)
Contribution to Earmarked Funds	3,000
Council Tax / CTRS	(3,617)
Total Corporate Variances	**(465)**
In-year (surplus)	**(1,058)**

3.2 There was an overspend within service areas of £0.547m. Additional funding of £1.140m was approved to support Health and Social Care at the Finance and Resources Committee on 19 January 2017, resulting in an adjusted service underspend of £0.593m. Within this amount, four of the six main service areas returned underspends against their approved budgets.

3.3 The net underspend of £1.058m has initially been set aside within the Council Priorities Fund, for the purposes of closing the 2016/17 accounts. Members are therefore asked to refer set-aside of the underspend within the Council Priorities Fund to Council for approval.

3.4 Service variances are outlined in more detail in Appendix 2.

Other variances

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

Early Release Costs (centrally funded)

Costs relating to staff early release under the Transformation programme in 2016/17 were met, as planned, through central funding, amounting to £15.610m against a budget of £14m, resulting in an overspend of £1.610m however this

was within the planned overall provision. The costs include those for staff leaving during the financial year and any pre-approved exits even if the leaving date is in a subsequent period, in accordance with IAS 19 and will therefore differ to costs shown in the monthly dashboards reported to this Committee. The costs were funded using the planned budgets, non-service specific surplus incomes and underspends.

The table below summarises voluntary severance and pension strain costs relating to the release of staff as part of the Transformation programme during the year to enable approved savings to be delivered.

Service	Total £000	Number of staff
Communities and Families	1,396	72
Place	1,261	72
Resources	1,902	78
Chief Executive	668	24
Safer and Stronger Communities	998	41
Non-service specific	9,385	62
Sub-Total	**15,610**	**349**
Health and Social Care	2,428	116
Total	**18,038**	**465**
Pension Strain Costs	**7,789**	

The costs incurred within Health and Social Care were reported as part of the services outturn position, in order to account for all costs within the Edinburgh Integration Joint Board on a consistent basis.

Recurring savings of £38.1m will be realised as a result of these and prior year staffing reductions and the overall payback period of 14 months is in line with planning assumptions.

Council Tax Reduction Scheme

The majority of funding for this scheme is included within the Local Government Finance Settlement. The entirely demand-led nature of this scheme exposes the Council to risks, however the sums paid out in 2016/17 were £2.951m lower than the level of budgetary provision. The underspend, along with favourable Council Tax income, enabled £3m to be set aside in earmarked reserves, including £2m to address welfare reform-related pressures in 2017/18.

Loan Charges

There was an overall favourable variance of £0.883m, largely attributable to the Council's ongoing strategy not to undertake external borrowing to finance capital investment.

Council Tax

Increased property numbers and lower than budgeted levels of exemptions and discounts contributed to a favourable overall variance of £0.666m.

Approved budget savings delivery

3.6   The final outturn position for 2016/17 indicates that 88% of approved savings by value were delivered, with non-delivery primarily as a result of shortfalls in Health and Social Care and a small number of other savings, including Tram advertising income and non-receipt of dividend from EDI Limited. The shortfall in delivery of savings was offset by a variety of one-off mitigating management actions throughout the year, including vacancy management, acceleration of saving proposals and controlling discretionary expenditure.

Housing Revenue Account (HRA)

3.7   The HRA achieved a balanced position for 2016/17 after making a contribution of £11.886m to the Renewal and Repairs Fund, which represents sums set aside for the provision of new affordable homes through the 21st Century Homes programme and as a contingency to manage the impact of welfare reform.

Reserves

3.8   Details of the opening and closing amounts in the General Fund, including earmarked balances are shown in Appendix 3. The unallocated General Fund balance remained unchanged at £13.025m, while there was a net increase in reserves held for specific purposes by £13.430m. The main elements of this movement were:

Net contributions to Reserves

Council Tax Discount Fund - £2.64m - monies set aside as a result of reducing Council Tax second home and long-term empty property discounts from 50% to 10% as permitted in statute. Use of the fund is prescribed by the Scottish Government and is restricted to supporting the development of affordable housing. These funds are allocated in the Council's approved house-building plan to deliver at least 16,000 new affordable homes by the Council and its not-for-profit housing association partners over the next ten years.

Balances set aside for specific investment - £13.09m – various additional contributions for specific projects received prior to and during 2016/17 that were set aside in year, including for welfare reform, funds for additional works arising from the programme of inspection undertaken in light of the PPP1 schools emergency and the transformational programme, including ICT.

Council Priorities Fund – the increase of £2.97m primarily comprised a combination of (i) approved funding of £1.70m to support future priorities and (ii) the additional revenue surplus of £1.058m outlined at paragraph 3.3, together resulting in a year-end balance of £4.102m. The revenue monitoring report elsewhere on today's agenda proposes use of the 2016/17 underspend in mitigating current-year pressures, with up to £1.127m also previously earmarked to support the further development of the City Region Deal.

Contributions from Reserves

Unspent Grants – net reduction of £2.88m – the balance represents monies received as income in advance of expenditure that is expected to be incurred in 2017/18.

Strategic Acquisition Fund - £1.28m – drawdown of funds in respect of capital investment at Sighthill Industrial Units, as approved by Council on 28 May 2015.

National Performance Centre for Sport - £2m – fully drawn down funds set aside to contribute to funding of the Oriam sports complex.

Common Good

3.9   During 2016/17, the Council generated two capital receipts for the Common Good. 6-8 Market Street and land at St James Quarter were sold with a total receipt of £0.225m, which was credited to the Common Good Fund. Further details are included in the report elsewhere on today's agenda.

3.10   In 2015/16, £2m of the Common Good Fund was earmarked to fund a property maintenance programme. To date £0.110m has been utilised to fund Scott Monument lighting works, with the remaining £1.890m being retained for planned property maintenance.

4.   Measures of success

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

5.   Financial impact

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

6.   Risk, policy, compliance and governance impact

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

7.   Equalities impact

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

8.   Sustainability impact

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

9.   Consultation and engagement

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

10.   Background reading/external references

Revenue_monitoring_2016-17_ - month_nine_position – Finance and Resources Committee, 19 January 2017

Unaudited_annual_accounts_2016-17 - Report to Council, 29 June 2017

Stephen S. Moir

Executive Director of Resources

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11.   Appendices

Appendix 1 - Unaudited outturn statement, 2016/17
Appendix 2 - Service outturn commentaries
Appendix 3 - General Fund – movements in usable reserves

THE CITY OF EDINBURGH COUNCIL

UNAUDITED OUTTURN STATEMENT 2016-17

Service	Adjusted Budget £000	Outturn £000	Outturn Variance £000
Communities and Families	342,682	341,807	-875
Place	66,679	68,387	1,708
Resources	132,027	130,861	-1,166
Health and Social Care	186,698	187,838	1,140
Chief Executive	41,438	41,302	-136
Safer and Stronger Communities	25,610	25,486	-124
Lothian Valuation Joint Board	3,744	3,744	0
General Fund Services	798,878	799,425	547
Additional contribution to Health and Social Care	1,140	0	-1,140
General Fund Services	800,018	799,425	-593
Other income and expenditure			
Early Release Costs	14,000	15,610	1,610
Net Cost of Benefits	-62	-369	-307
Other non-service specific costs	14,833	15,315	482
Interest and investment income	-8,802	-9,552	-750
Loan Charges	113,071	112,188	-883
Contribution to Repairs and Renewals	60	60	0
Contribution from Capital Fund	-2,120	-2,120	0
Contribution to Earmarked Funds	6,345	9,345	3,000
Income from council tax	-244,131	-244,797	-666
- Council Tax Reduction Scheme	26,357	23,406	-2,951
Revenue support grant	-344,919	-344,919	0
Distribution from NDRI pool	-374,650	-374,650	0
In-year Surplus	**0**	**-1,058**	**-1,058**

Service Outturn Commentaries

Communities and Families

Communities and Families returned an underspend of £0.875m against budget for 2016/17, which represents 0.25% of the net budget.

A number of unfunded budget pressures were managed by Communities and Families during 2016/17, the most significant of which included:

• additional out of council residential care and secure unit provision;

• home to school transport and general transport recharges;

• schools and lifelong learning review, delayed implementation.

Management actions and service underspends related to vacancy control and some service demand reductions in specific areas enabled the service to mitigate these pressures and deliver an underspend of £0.875m.

Place

Place returned an overspend against budget of £1.708m, representing 2.6% of the net budget. There were a number of significant pressures primarily in the Environment division amounting to £5.7m, including the closure of Mortonhall Crematorium for a significant part of the financial year. These pressures were partly offset by management actions and underspends in service areas including Transport and Planning and Housing and Regulatory Services and by the use of £1.75m of service reserves, however the loss of income from Mortonhall was unable to be contained.

Resources

Resources achieved an underspend of £1.166m for 2016/17, being 0.88% of the service net budget.

The underspend was primarily derived from Property and Facilities Management, through project slippage on the Asset Management Strategy (AMS) project and staff vacancies. Funds have been set aside in reserves to manage the delays in implementing the AMS savings.

The service had small underspends in Customer and HR service areas offset in part by an overspend in Legal, Risk and Compliance.

Health and Social Care

Health and Social Care overspent by £1.140m in 2016/17, representing 0.61% of the annual net service budget.

Additional one-off funding of £1.140m was approved by the Finance and Resources Committee in January 2017, to assist with mitigating the overspend. Health and Social Care were able to report an overall balanced budget after application of this funding.

The principal overspends were in employee costs linked to delays in implementation of organisational reviews, and purchasing, particularly demand-led Individual Service Fund and Direct Payments.

Chief Executive

The Chief Exective services achieved an underspend of £0.136m in 2016/17, mainly from staffing, which represents 0.33% of the net service annual budget.

Safer and Stronger Communities

Safer and Stronger Communites returned an overall underspend of £0.124m, representing 0.48% of its annual net budget.

In-year pressures totalling £4.5m, mainly affecting Community Justice and Homelessness and Housing Support services, were contained through a combination of management actions in both of these areas and acceleration of savings in Regulation and Professional Governance.

General Fund - movement in usable reserves   **Appendix 3**

	Balance at 31.3.16		Balance at 31.3.17	
	£m	£m	£m	£m
Unallocated General Fund		13.025		13.025
Balances set aside to manage future risks				
Balances set aside for specific investment	12.565		25.659	
Council Priorities fund	1.129		4.102	
Contingency funding, workforce management	18.075		18.094	
Dilapidations fund	12.094		12.343	
Insurance fund	13.539		14.667	
		57.402		74.865
Balances set aside from income received in advance				
Licensing and registration income	1.393		3.092	
Lothian Buses	5.704		3.795	
Other minor funds	0.240		0.237	
PPP monies	1.729		2.155	
Recycling monies	1.371		1.160	
National Performance Centre for sport	1.996		0.000	
Council Tax discount fund	21.596		24.234	
Unspent grants	5.814		2.934	
Strategic Acquisition Fund	7.458		6.180	
		47.301		43.787
Balances set aside for investment in specific projects which will generate future savings				
IT transformation	3.133		2.047	
Energy efficiency	0.847		0.098	
Salix / Energy efficiency Fund	0.000		1.324	
Spend to save	3.884		3.992	
		7.864		7.461
Devolved School Management		2.804		2.688
Total General Fund		**128.396**		**141.826**

Governance, Risk and Best Value Committee

10.00am, Tuesday 26 September 2017

Capital Monitoring 2016/17 - Outturn and Receipts - referral from the Finance and Resources Committee

Item number	7.10
Report number	
Wards	All

Executive summary

On 5 September 2017 the Finance and Resources Committee considered a report that presented the final outturn on the Council's Capital Programme for 2016/17 which included details of capital receipts and slippage/acceleration on projects within the Capital Investment Programme. The report has been referred the Governance, Risk and Best Value Committee for consideration as part of its work-plan

Terms of Referral

Capital Monitoring 2016/17 – Outturn and Receipts

Terms of referral

1.1   The final General Fund outturn showed that in 2016/17, the Council required an advance from the Loans Fund of £48.324m. This funded capital investment of £157.977m after receipt of grants of £79.037m and capital income, net of transfer to the Capital Fund, of £30.616m. This position was subject to the external audit process which will be completed in September 2017.

1.2   The final Housing Revenue Account (HRA) capital investment programme showed that in 2016/17, the HRA required a prudential borrowing advance from the Loans Fund of £20.365m. This funded capital investment of £43.627m after the receipt of grants of £2.015m and other capital income of £21.247m.

1.3   The final outturn position reported £1.745m slippage on gross expenditure on projects, compared to an estimated acceleration of £0.632m at month nine. Net capital receipts and grant income were less than the budgeted level by £6.437m.

1.4   The Finance and Resources Committee agreed:

    1.4.1   To note the 2016/17 final unaudited capital positions on the General Fund and Housing Revenue Account (HRA).

    1.4.2   To approve the revised Capital Investment Programme for 2017-2022.

    1.4.3   To refer the report to the Governance, Risk and Beat Value Committee as part of its workplan.

For Decision/Action

2.1   The Finance and Resources Committee has referred the report to the Governance, Risk and Best Value Committee on 26 September 2017 for consideration as part of its work-plan.

Background reading / external references

Finance and Resources Committee 5 September 2017.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices	Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10.00am, Tuesday, 5 September 2017

Capital Monitoring 2016/17 – Outturn and Receipts

Item number	7.3
Report number	
Executive/routine	
Wards	

Executive summary

The final General Fund outturn shows that in 2016/17, the Council required an advance from the Loans Fund of £48.324m. This funded capital investment of £157.977m after receipt of grants of £79.037m and capital income, net of transfer to the Capital Fund, of £30.616m. This position is subject to the external audit process which will be completed in September 2017.

The current approved Capital Investment Programme (CIP) 2017-2022 projects an approximately balanced over/under programming position over the five-year period.

The final Housing Revenue Account (HRA) capital investment programme shows that in 2016/17, the HRA required a prudential borrowing advance from the Loans Fund of £20.365m. This funded capital investment of £43.627m after the receipt of grants of £2.015m and other capital income of £21.247m.

Links

Coalition pledges	
Council outcomes	
Single Outcome Agreement	

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Report

Capital Monitoring 2016/17 – Outturn and Receipts

1. Recommendations

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

1.1.1 Note the 2016/17 final unaudited capital positions on the General Fund and Housing Revenue Account (HRA);

1.1.2 Approve the revised Capital Investment Programme for 2017-2022; and

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

2. Background

2.1 This report presents the final outturn on the Council's Capital Programme for 2016/17, including details of capital receipts and slippage / acceleration on projects within the Capital Investment Programme.

3. Main report

3.1 The outturn position is detailed in Appendix 1 and summarised in the table below.

	Final Outturn Variance	Outturn Variance at Month Nine	Movement from Month Nine
	£000	£000	£000
Net (slippage) / acceleration in gross expenditure	(1,745)	632	(2,377)
Net (surplus) / deficit in capital receipts and grant income	6,437	10,167	(3,730)
Net (slippage) / acceleration in Capital receipts income transferred to Capital Fund	(5,159)	(5,559)	400
Net increase / (decrease) in borrowing requirement	(467)	5,240	(5,707)

3.2   As presented in the table at 3.1 above, the final outturn reports £1.745m slippage on gross expenditure on projects, compared to an estimated acceleration of £0.632m at month nine. Net capital receipts and grant income were less than the budgeted level by £6.437m.

3.3   As reported at month nine, the receipt from the sale of King's Stables Road has slipped into 2017/18 and the budgeted transfer of £5.559m to the Capital Fund has also been included in the revised Capital Investment Programme for 2017/18.

3.4   Committee agreed on 3 November 2016 and 23 March 2017 to transfer several sites held on the General Fund to the HRA for housing development. At the end of 2016/17, land at the former Dumbryden Primary School and first tranche of sites were transferred from the General Fund to the HRA in 2016/17 and the revenue generating non-Housing assets were transferred from the HRA to the General Fund. The reduction in capital receipts is mitigated by the resultant debt transfer of £3.522m between the two funds.

3.5   The net effect of the variances presented in table 3.1 above, is a decrease of £0.467m in the amount that the Council requires to borrow corporately to support its capital programme relative to budget assumptions.

3.6   Explanations for significant slippage and accelerations in year are included in Appendix 2. Where applicable, variances on individual projects have been categorised and summarised to provide further analysis of the net slippage position.

3.7   The 2016/17 budget was realigned in respect of the changes in the delivery expectations of projects reported at the month 9 position and the impact included in the Capital Investment Programme 2017-2022 approved by Council in February 2017.

3.8   The slippage position is, in the main, a result of the procurement approach being altered on the early years' improvement project, delays in the delivery of the replacement Boroughmuir High School and delays around securing traffic management for road asset management projects. The slippage in spend against budget of the Water of Leith Phase 2 project is now expected to result in an underspend on the final delivery of the project which is reported within the three-month report elsewhere on this agenda.

3.9   Slippage on the above projects was largely offset by an acceleration in the Asset Management Works programme by £6.424m.

3.10   The net slippage on gross expenditure represents a 1.09% variance against the revised budget which has decreased compared to a 6.59% variance in the 2015/16 outturn position. This low budget variance demonstrates the continuing success of the centralised capital monitoring team in tackling optimism bias within the programme along with promoting delivery.

3.11   Members should note that in any given year, variance against budget will occur due to delays or unforeseen circumstances outwith the control of the Council. The impact of this type of slippage has been minimised this year due to acceleration or better than anticipated progress elsewhere in this programme. However, the ability to minimise in future years is dependent on how 'shovel-ready' projects are to allow for acceleration in any given year.

3.12   The General Fund outturn shows that, in 2016/17, the Council required to draw down advances from the Loans Fund of £48.324m. This position is subject to the external audit process which will be completed in September 2017.

Capital receipts/grant income

3.13   A detailed list of capital receipts, including those ring-fenced for specific projects is shown in Appendix 3.

3.14   A total of £12.362m receipts income was generated from asset sales in 2016/17 compared to a budget of £24.579m. This deficit reflects receipts which are now expected to settle later than originally expected and the transfer to the HRA of General Fund sites. Members should however note that the transfer of the sites to the HRA generated a debt transfer and as such reduced the overall capital financing requirement of the General Fund.

Housing Revenue Account (HRA)

3.15   As can be seen in Appendix 4, the HRA outturn position reports gross expenditure of £43.627m compared to projected expenditure of £39.808m at month nine.

3.16   The slippage in the programme reported at month nine was largely as the result of a below average uptake from tenants in the kitchen and bathrooms programme. The heating replacement programme was accelerated in line with the agreed strategy to reduce the overall underspend.

3.17   Capital receipts and grant income of £23.262m were received, which is £1.988m in excess of the budget of £21.274m (£24.119m forecast at month nine). 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.

3.18   The HRA required a prudential borrowing advance from the Loans Fund of £20.365m. This borrowing funded capital investment of £43.627m after the receipt of grants of £2.015m and other capital income of £21.247m.

3.19   In addition, the General Fund transferred debt to the HRA of £3.522m in respect of the difference in the net value of sites between the Funds noted in 3.4 above.

Revised Capital Investment Programme 2017-2022

3.20 The Capital Investment Programme (CIP) approved by Council in February 2017 was based on an interim budget which included net slippage and acceleration at month nine.

3.21 The remainder of slippage and acceleration since the month nine position has been carried forward in the capital programme. The revised CIP for 2017-2022, including actual net slippage from 2016/17 is shown in Appendix 5.

3.22 The CIP has been realigned and re-phased to ensure that individual project cash flows reflect the most up to date projections. The centralised capital monitoring team within Finance has worked closely with project managers to ensure that optimism bias has been avoided where possible. Project managers have been asked to consider risk issues such as adverse weather or other uncontrollable factors that can impact on delivery and to build this into budgeted cash flows.

3.23 Where block budgets exist, project managers have been asked to phase budgets according to the stage of individual projects within the block.

Capital Budget Framework 2017-2022 update

3.24 Council approved the five-year capital programme for the period 2017-2022 in February 2017. At a general level, the ability to commit additional investment over and above that included in the current programme remains difficult due to:

- Reductions in the level of General Capital Grant;

- The large number of capital receipts underpinning the existing capital programme or earmarked to supplement planned repairs and maintenance through use of the Capital Fund and providing funding towards future LDP Infrastructure requirements;

- The on-going lack of sustainable "headroom" within the revenue budget to support, on a recurring basis, the additional loans charge expenditure linked to additional borrowing.

3.25 As part of the 2017-2022 CIP, Executive Directors identified their respective top three priorities, highlighting unfunded pressures totalling around £126m.

3.26 The Scottish Government announced one-off additional General Capital grant of £9.208m and Council approved the addition of the following new projects to the programme utilising a package of this additional grant, unallocated funding from future years and the Capital Fund:

• North Bridge Major Refurbishment	£12.000m
• New South Edinburgh Primary School	£12.737m
• Meadowbank Sports Centre	£ 7.900m
• Dumbryden Care Home	£ 1.597m
• Rising School Rolls	£ 7.774m

- Parks and Green Space   £ 0.850m
- Open Libraries solution   £ 0.350m

3.27   The level of General Capital Grant funding in 2017/18 at £53.708m is an increase from the 2016/17 level of £41.6m.

3.28   As no firm allocations have been advised by the Scottish Government beyond this, an estimate of each year's General Capital Grant Settlement has been factored in for the periods 2018/19 to 2021/22 base on a prudent estimate of the possible Scotland-wide funding and adjusting for a deferred £10.264m allocation from 2016/17 which is assumed to be received in 2019/20.

3.29   Current indications suggest that the next Scottish Government Finance Settlement will be announced in late November or early December 2017.

3.30   Any confirmed changes in grant funding will be considered by Members, taking cognisance of capital priorities as part of the 2018/19 budget framework process.

4.   Measures of success

4.1   Completion of capital projects as budgeted for in the revised 2017/18 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 final General Fund outturn shows that in 2016/17, the Council required an advance from the Loans Fund of £48.324m which funded capital investment of £157.977m after receipt of capital income and grants of £109.653m. This level of borrowing was £0.467m less than budgeted.

5.2   The final HRA capital outturn shows that in 2016/17, the HRA required prudential borrowing of £20.365m which funded capital investment of £43.627m after receipt of capital income and grants of £23.262m. This level of borrowing was £2.665m less than budgeted.

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 Communities 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 will be undertaken as part of the budget process.

10. Background reading/external references

Capital_investment_programme-plan_2017-18_to_2025-26_-_referral_from_the_Finance_and_Resources_Committee, The City of Edinburgh Council, 9 February 2017

, Finance and Resources Committee, 19 January 2017

Stephen S. Moir

Executive Director of Resources

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11. Appendices

Appendix 1 – Capital Monitoring 2016/17 – Final Position – General Fund
Appendix 2 – Slippage and Acceleration on Capital Projects 2016/17
Appendix 3 – Capital Receipts Schedule 2016/17
Appendix 4 – Capital Monitoring 2017/18 – Final Position – HRA

Appendix 5 – Revised Capital Investment Programme 2017-2022

Capital Monitoring 2016/17

General Fund Summary

Outturn Position - Unaudited

Expenditure	Revised Budget £000	Adjusts £000	Total Budget £000	Outturn 16/17 £000	Variance £000	Variance %
Communities and Families	45,781	523	46,304	41,816	(4,488)	-9.69%
Resources - Asset Management Works	10,936	1,548	12,484	18,908	6,424	51.46%
Edinburgh IJB	4,167	330	4,497	4,527	30	0.67%
Place	83,759	11,840	95,599	90,704	(4,895)	-5.12%
Chief Executive	15,789	(14,951)	838	838	-	0.00%
Council Wide / Corporate Projects	-	-	-	1,184	1,184	
General slippage across programme					-	
Total Gross Expenditure	**160,432**	**(710)**	**159,722**	**157,977**	**(1,745)**	**-1.09%**

Capital Income

	Revised Budget £000	Adjusts £000	Total Budget £000	Outturn 16/17 £000	Variance £000	Variance %
Capital Receipts						
General Services	19,634	-	19,634	12,148	(7,486)	-38.13%
Less General asset sales for property rationalisation savings			-		-	
Capital Receipts in lieu of prudential borrowing	-	-	-	-	-	
Ringfenced Asset Sales	4,895	50	4,945	214	(4,731)	-95.67%
Ringfenced Asset Sales to be provided as part of carry forward		-	-	-	-	
Less additional receipt income to capital fund	(5,559)		(5,559)	(400)	5,159	-92.80%
Less Fess Relating to Receipts	-	-	-			n/a
Asset Sales to reduce Corporate borrowing			-		-	n/a
Less Fees Relating to Receipts			-	(126)	(126)	
Total Capital Receipts from Asset Sales	*18,970*	*50*	*19,020*	*11,836*	*(7,184)*	*-37.77%*
Developer and other Contributions	7,468	3,501	10,969	16,875	5,906	0.00%
Capital Grants Unapplied Account drawdown	808	1,097	1,905	1,905	0	0.00%
Total Capital Receipts	*27,246*	*4,648*	*31,894*	*30,616*	*(1,278)*	*-4.01%*
Grants						
Scottish Government General Capital Grant	41,626	-	41,626	41,626	-	0.00%
Cycling, Walking and Safer Streets	540	-	540	540	-	0.00%
Management Development Funding	29,248	7,623	36,871	36,871	-	0.00%
Total Grants	*71,414*	*7,623*	*79,037*	*79,037*	*-*	*0.00%*
Total Capital Income	**98,660**	**12,271**	**110,931**	**109,653**	**(1,278)**	**-1.15%**

	Revised Budget £000	Adjusts £000	Total Budget £000	Outturn 16/17 £000	Variance £000	Variance %
Balance to be funded through borrowing	**61,772**	**(12,981)**	**48,791**	**48,324**	**(467)**	**-0.96%**

CAPITAL MONITORING 2016/2017 - Outturn
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	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 overriding reason has been considered when applying a variance category.

	Outturn £000	Period 9 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Communities and Families					
Early learning and childcare estate improvements	-3,279	-1,223	-2,056	Due to tender submission stage taking longer than originally envisaged.	2
Duncan Place improvement	-284	-212	-72	Delay in contract start due to requirement for value engineering exercise to bring project in line with available budget.	1
Boroughmuir High School	-1,686	-4,302	2,616	Delay in starting contract due to issues with concrete levels	1
James Gillespie's HS	-453	0	-453	Remaining budget available to fund future Wave 3 projects	2
Rising School Rolls	45	327	-282	Furniture, fixture and equipment for Rising school rolls 4 programme will require to be funded from future years budgets	4
Portobello High School	200	879	-679	Settlement of final account made in 2016-2017 and not 2017-2018 as originally envisaged	4
St John's Primary School	350	228	122	External fees for producing stage 1 report incurred in 2016-2017 rather 2017-2018 as originally envisaged	4
Meadowbank New sports Centre	353	0	353	Initial fees to be offset against future year budgets	4
Fees relating to the cost of sale of assets	85	83	2	Acceleration of spend to be met from future receipts.	4
Net (slippage) / acceleration on various projects	181	6	175		4
Total Communities and Families	**-4,488**	**-4,214**	**-274**		
Resources - Asset Management Works					
Acceleration across the Asset Management Works programme	6,424	4,907	1,517	This represents better than anticipated progress on projects and acceleration of future projects across the asset management works programme.	4
Total Resources - Asset Management Works	**6,424**	**4,907**	**1,517**		

	Outturn £000	Period 9 £000	Movement between periods £000	Explanations for Significant Slippage / Acceleration	Variance Category
Edinburgh Integrated Joint Board					
Net (slippage) / acceleration on various projects	30	44	-14		4
Total Edinburgh Integrated Joint Board	**30**	**44**	**-14**		
Place					
Depot Review	0	1,800	-1,800	Budget phasing was realigned in approved CIP in Jan 17	4
Calton Hill redevelopment	-61	629	-690	Acceleration of Council contribution to facilitate the cashflow of the project	3
Fleet Vehicle Purchase	0	-751	751	Budget phasing was realigned in approved CIP in Jan 17	3
Road Asset Management	-2,713	-661	-2,052	Two carriageway schemes postponed due to gas works and delays around ensuring traffic management in projects in the same local vicinity and issues around progressing works in areas where utility providers are carrying out infrastructure investment	1
Street Lighting and Traffic Signals	-165	-638	473	Transformation process resulted in loss of staff to deliver the programme. Delays anticipated at Period 9 were largely caught up.	1
Rose Street - Public Realm	0	-282	282	Budget phasing was realigned in approved CIP in Jan 17	4
Leith Walk Constitution Street	0	-236	236	Budget phasing was realigned in approved CIP in Jan 17	4
Water of Leith - Phase 2	-1,855	0	-1,855	Projected underspend on the project noted in the main report	2
Net (slippage) / acceleration on various projects	-101	34	-135		2
Total Place	**-4,895**	**-105**	**-4,790**		
Council Wide / Corporate Projects					
EICC	816	0	816	Residual expenditure from the sale of the Atria in March 2016 which were met from the receipt received	4
Wi-Fi Voucher scheme	368	0	368	Scottish Government funded scheme, offset by income	4
Total Council Wide / Corporate Projects	**1,184**	**0**	**1,184**		
Total for all Services	**-1,745**	**632**	**-2,377**		
Summary of Variance Category					
1 Slippage due to unforeseen delays	-4,848	-5,813	965		
2 Slippage due to optimistic budget	-5,688	-1,189	-4,499		
3 Slippage due to timing of payments	-61	-122	61		
4 Acceleration on a project	8,852	7,756	1,096		
	-1,745	632	-2,377		

CAPITAL MONITORING 2016/17
General Fund - Land and Property Asset Sales

Asset sales	£000	£000
6-8 Market Street	542	
38 (1F1) Cockburn Street	165	
Oxgangs Path	690	
Slateford Rd	26	
South Gyle Wynd, former St Aug/Forrester HS - 3rd stage payment	3,530	
11 Loaning Road	79	
Site C, Potterrow	2,300	
Land at St James	719	
22 McLeod St - final of two stage payment	199	
63 Pennywell Road	122	
Cowgate/Victoria St	3,475	
Land at Newcraighall	175	
Containerisation Sales	141	
Various vehicle sales	81	
Various minor land disposals	118	
Total Land and Property Asset Sales		**12,362**

CAPITAL MONITORING 2016/17

Housing Revenue Account Summary

Outturn Position - Unaudited

	Revised Budget £000	Outturn £000	Variance £000	%
Gross Expenditure	44,304	43,627	-677	-1.53%
Total Gross Expenditure	44,304	43,627	-677	-1.53%

Capital Income				
Capital Receipts	-4,153	-15,560	-11,407	274.67%
Developer and Other Contributions	-11,847	-5,687	6,160	-52.00%
Specific Capital Grant	-5,274	-2,015	3,259	-61.79%
Total Capital Income	-21,274	-23,262	3,259	-15.32%

Borrowing				
Borrowing	23,030	20,365	-2,665	-11.57%
Total Borrowing	23,030	20,365	-2,665	-11.57%

REVISED
CAPITAL INVESTMENT
PROGRAMME 2017-2022
(Incorporating full-year slippage from 2016/17)

REVISED CAPITAL INVESTMENT PROGRAMME 2017-2022

SUMMARY OF EXPENDITURE AND FUNDING - GENERAL SERVICES

2017-2022	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Expenditure	**153,346**	**124,985**	**121,360**	**101,762**	**41,000**	**542,453**
Funding						
Capital receipts						
General asset sales	18,936	1,038	6,318	3,000	3,000	**32,292**
Less additional receipt income tfr to capital fund	(5,559)	-	-	-	-	**(5,559)**
Asset sales to reduce corporate borrowing	1,890	-	-	-	-	**1,890**
Ring-fenced asset sales	3,470	8,395	3,000	-	-	**14,865**
Capital Fund drawdown	-	15,439	4,561	-	-	**20,000**
Developers and other contributions	745	40	585	-	-	**1,370**
Capital Grants Unapplied account	9	-	-	-	-	**9**
Total receipts	19,491	24,912	14,464	3,000	3,000	**64,867**
Grants						
Specific Capital Grant	34,962	-	-	-	-	**34,962**
General Capital Grant	53,708	44,500	48,264	38,000	38,000	**222,472**
Total Grants	88,670	44,500	48,264	38,000	38,000	**257,434**
Borrowing						
Support brought forward	17,515	-	-	-	-	**17,515**
Prudential framework						
- Through council tax	-	-	-	-	-	-
- Departmentally supported	21,889	63,278	51,468	60,762	-	**197,397**
Total borrowing	39,404	63,278	51,468	60,762	-	**214,912**
Over / (under)-programming	5,781	(7,705)	7,164	-	-	**5,240**
Total Funding	**153,346**	**124,985**	**121,360**	**101,762**	**41,000**	**542,453**

Grant funding from 2018/19 onwards is based on prudent estimates

REVISED CAPITAL INVESTMENT PROGRAMME 2017-2022

SUMMARY OF EXPENDITURE	Revised Budget 2017/18	Revised Budget 2018/19	Revised Budget 2019/20	Revised Budget 2020/21	Revised Budget 2021/22	Total Budget 2017-2022
	£000	£000	£000	£000	£000	£000
General Services						
Communities and Families	36,118	28,895	17,850	2,485	165	**85,513**
Edinburgh Integration Joint Board	302	2,069	1,528	-	-	**3,899**
Place	90,571	86,315	76,622	85,277	19,835	**358,620**
Resources - Other	15,470	-	-	-	-	**15,470**
Resources - Asset Management Works						
- Communities and Families	8,138	4,917	6,616	-	-	**19,671**
- Edinburgh Integration Joint Board	97	-	25	-	-	**122**
- Place	1,618	1,295	265	-	-	**3,178**
- Resources - Corporate Property	1,032	1,494	1,596	-	-	**4,122**
- Not yet allocated to projects	-	-	16,858	14,000	14,000	**44,858**
Unallocated - indicative 5 year plan	-	-	-	-	7,000	**7,000**
Total General Services	**153,346**	**124,985**	**121,360**	**101,762**	**41,000**	**542,453**

REVISED CAPITAL INVESTMENT PROGRAMME 2017-2022

COMMUNITIES AND FAMILIES	Revised Budget 2017/18	Revised Budget 2018-19	Revised Budget 2019-20	Revised Budget 2020-21	Revised Budget 2021-22	Total Budget 2017-2022
	£000	£000	£000	£000	£000	£000
Early years						
Early learning and childcare	-	-	-	-	-	-
Longstone PS nursery	803	50	-	-	-	853
Granton early years Centre	1,390	70	-	-	-	1,460
Davidson's Mains PS nursery	1,161	53	-	-	-	1,214
Corstorphine PS nursery	597	45	-	-	-	642
Ferryhill PS Nursery	966	50	-	-	-	1,016
Tynecastle PS Nursery	689	-	-	-	-	689
Blackhall NS	15	-	-	-	-	15
Early years contingency	5,095	-	-	-	-	5,095
Fox Covert nursery	4	-	-	-	-	4
Early years total	**10,720**	**268**	**-**	**-**	**-**	**10,988**
Primary schools						
Upgrade kitchens - free school meals initiative	44	-	-	-	-	44
Cramond PS FSM Kitchen	31	-	-	-	-	31
East Craigs PS FSM Kitchen	26	-	-	-	-	26
Sciennes PS FSM Kitchen	28	-	-	-	-	28
Towerbank PS FSM Kitchen	18	-	-	-	-	18
Waterfront	19	-	-	-	-	19
New South Edinburgh Primary	530	1,274	8,613	2,320	-	12,737
Primary schools total	**696**	**1,274**	**8,613**	**2,320**	**-**	**12,903**
Secondary schools						
Liberton high school replacement gym	69	-	-	-	-	69
Replacement Queensferry high school	400	5,184	-	-	-	5,584
New high school for Craigmillar	618	-	-	-	-	618
Secondary schools total	**1,087**	**5,184**	**-**	**-**	**-**	**6,271**
Community centres						
Duncan Place	1,511	45	-	-	-	1,556
Community centres total	**1,511**	**45**	**-**	**-**	**-**	**1,556**
Children's services						
Heather Vale Young person Centre	53	-	-	-	-	53
Oxgangs New YPC	91	200	-	-	-	291
Children's services total	**144**	**200**	**-**	**-**	**-**	**344**
Other projects						
Gaelic PS Playground	25	-	-	-	-	25
Kirkliston primary school - development works	238	40	-	-	-	278
WHHLC underpass	1	-	-	-	-	1
Other projects total	**264**	**40**	**-**	**-**	**-**	**304**
Capital investment new Nurseries and Gym						
Blackhall new gym	1	-	-	-	-	1
Duddingston nursery	1	-	-	-	-	1
Wardie nursery	1	-	-	-	-	1
Capital investment new Nurseries and Gym Total	**3**	**-**	**-**	**-**	**-**	**3**
Rising School Rolls						
Rising school rolls general	-	-	1,206	-	-	1,206
Wardie PS RSR3	13	-	-	-	-	13
Gilmerton PS RSR	9	-	-	-	-	9

COMMUNITIES AND FAMILIES	Revised Budget 2017/18	Revised Budget 2018-19	Revised Budget 2019-20	Revised Budget 2020-21	Revised Budget 2021-22	Total Budget 2017-2022
	£000	£000	£000	£000	£000	£000
James Gillespies PS RSR3	21	-	-	-	-	21
Pentland PS RSR	9	-	-	-	-	9
Ratho PS RSR	30	-	-	-	-	30
Clermiston PS RSR	9	-	-	-	-	9
East Craigs PS RSR 4	7	-	-	-	-	7
Ferryhill PS RSR 4	80	-	-	-	-	80
Fox Covert PS RSR 4	7	-	-	-	-	7
St Mary's RC PS RSR 4	16	-	-	-	-	16
Roseburn PS RSR4	50	-	-	-	-	50
Liberton PS RSR5	1,411	-	-	-	-	1,411
Corstorphine HS RSR5	454	-	-	-	-	454
Bruntsfield PS RSR5	54	-	-	-	-	54
Rising School Rolls Phase 5 Gen	350	7,513	-	-	-	7,863
Rising School Rolls Total	**2,520**	**7,513**	**1,206**	**-**	**-**	**11,239**
Wave three school projects						
Boroughmuir high school replacement	5,671	1,400	-	-	-	7,071
James Gillespies campus	52	-	-	-	-	52
Portobello high school replacement	1,159	-	-	-	-	1,159
St Crispin's special school replacement	1,097	107	5,167	-	-	6,371
St John's new wave 3 School	6,000	5,806	171	-	-	11,977
New park former Portobello HS	-	1,000	-	-	-	1,000
Wave three inflation contingency	-	2,913	-	-	-	2,913
Wave three school projects total	**13,979**	**11,226**	**5,338**	**-**	**-**	**30,543**
Libraries						
Library Capital	350	-				350
Peoples Network	40	-	-	-	-	40
Self service terminals	16	-	-	-	-	16
Drum Brae Library	6	-	-	-	-	6
George IV Bridge Library-enhancement works	365	-	-	-	-	365
Libraries total	**777**	**-**	**-**	**-**	**-**	**777**
Sports						
Queensferry Recreation project	8	-	-	-	-	8
Edinburgh Leisure	165	165	165	165	165	825
Meggetland 3G Pitch	13	-	-	-	-	13
New Meadowbank Sports Centre	2,039	2,980	2,528	-	-	7,547
Hunter Hall cycle hub and pitch	1,067	-	-	-	-	1,067
Sports total	**3,292**	**3,145**	**2,693**	**165**	**165**	**9,460**
Community safety						
CCTV Capital	1,125	-	-	-	-	1,125
Community safety total	**1,125**	**-**	**-**	**-**	**-**	**1,125**
Total Communities and Families	**36,118**	**28,895**	**17,850**	**2,485**	**165**	**85,513**

REVISED CAPITAL INVESTMENT PROGRAMME 2017-2022

EDINBURGH INTEGRATION JOINT BOARD	Revised Budget 2017/18	Revised Budget 2018-19	Revised Budget 2019-20	Revised Budget 2020-21	Revised Budget 2021-22	Total Budget 2017-2022
	£000	£000	£000	£000	£000	£000
Care homes						
New care home - Drumbrae	-	2,069	1,528	-	-	3,597
Royston care Home	278	-	-	-	-	278
Care homes total	**278**	**2,069**	**1,528**	**-**	**-**	**3,875**
Other projects						
Oxgangs day centre	18	-	-	-	-	18
Ravenglass Hostel	(65)	-	-	-	-	(65)
Specialist HOP Equipment	-	-	-	-	-	-
Telecare	63	-	-	-	-	63
Wester Hailes Living Centre Underpass	8	-	-	-	-	8
Other projects total	**24**	**-**	**-**	**-**	**-**	**24**
Total Edinburgh Integration Joint Board	**302**	**2,069**	**1,528**	**-**	**-**	**3,899**

REVISED CAPITAL INVESTMENT PROGRAMME 2017-2022

PLACE	Revised Budget 2017/18	Revised Budget 2018-19	Revised Budget 2019-20	Revised Budget 2020-21	Revised Budget 2021-22	Total Budget 2017-2022
	£000	£000	£000	£000	£000	£000
Environment						
Waste services						
Containers - household waste	(151)	-	-	-	-	(151)
Zero Waste: Millerhill - Capital contribution	-	-	28,000	-	-	28,000
Waste services total	(151)	-	28,000	-	-	27,849
Parks and green spaces						
HLF - Saughton Park	1,317	-	-	-	-	1,317
Severe Weather Projects	10	-	-	-	-	10
Parks - Cammo	679	-	-	-	-	679
Parks - General Budget	3	-	-	-	-	3
Waterfront Green Space	230	-	-	-	-	230
Salvesen Steps	620	-	-	-	-	620
Fair A Far Weir	435	-	-	-	-	435
Niddrieburn Footbridge	113	-	-	-	-	113
Parks and green spaces total	3,407	-	-	-	-	3,407
Depot review						
The Causey project	30	-	-	-	-	30
Bankhead depot	5,000	-	10,600	-	-	15,600
Russell road depot	80	-	1,963	-	-	2,043
Seafield depot - Phase 1	200	-	-	-	-	200
Seafield depot - Phase 2	2,500	-	763	-	-	3,263
Depot review total	7,810	-	13,326	-	-	21,136
Fleet						
Vehicle Purchase	751	-	-	-	-	751
Fleet total	751	-	-	-	-	751
Cemeteries and crematorium						
Mortonhall Crematorium - mercury abatement	(181)	-	-	-	-	(181)
Mortonhall - cremator replacement	22	-	-	-	-	22
Mortonhall Memorialisation	240	-	-	-	-	240
Cemeteries and crematorium total	81	-	-	-	-	81
Environment Total	**11,898**	**-**	**41,326**	**-**	**-**	**53,224**
Housing and regeneration						
Stair Lighting	545	-	-	-	-	545
Travelling People's site	14	-	-	-	-	14
Home owners adaptation grants	1,133	1,000	1,000	1,000	1,000	5,133
Commuted Sums (S75)	159	-	-	-	-	159
National Housing Trust 3	6,470	32,208	4,718	4,042	-	47,438
Broomhouse Community Hub	802	-	-	-	-	802
SfC Capital Asset Management	167	-	-	-	-	167
Development Funding Grant	29,115	-	-	-	-	29,115
Housing and regeneration Total	**38,405**	**33,208**	**5,718**	**5,042**	**1,000**	**83,373**
Transport and Planning						
Roads, structures and flood prevention						
Flood prevention [block]		-	-	-	-	-
North Bridge major refurbishment	934	7,494	3,572	-	-	12,000
Burnshot Bridge	1,100	400	-	-	-	1,500

REVISED CAPITAL INVESTMENT PROGRAMME 2017-2022

PLACE	Revised Budget 2017/18	Revised Budget 2018-19	Revised Budget 2019-20	Revised Budget 2020-21	Revised Budget 2021-22	Total Budget 2017-2022
	£000	£000	£000	£000	£000	£000
Water of Leith - phase 1	334	-	-	-	-	334
Water of Leith - phase 2	8,568	3,409	-	-	-	11,977
Bridge strengthening	152	882	-	-	-	1,034
Roads, structures and flood prevention total	11,088	12,185	3,572	-	-	26,845
Roads asset management plan						
Bus stop investment	177	-	-	-	-	177
Right first time carriageway and footway works	1,199	-	-	-	-	1,199
Carriageway / footway works [block]	11,974	17,489	12,771	12,771	13,585	68,589
Roads asset management plan total	13,350	17,489	12,771	12,771	13,585	69,965
Street lighting and traffic signals						
Traffic signals (renewal)	973	29	-	-	-	1,002
Street lighting	1,590	3,249	1,500	1,500	1,500	9,339
Street lighting - City wide LED replacement prog	2,401	14,865	7,171	-	-	24,437
Street lighting and traffic signals total	4,964	18,143	8,671	1,500	1,500	34,778
Roads and network						
UTMC and parking guidance	122	-	-	-	-	122
St Andrew Square public realm	16	430	-	-	-	446
Link to Royal Infirmary (NBR Bridge)	1	-	-	-	-	1
Lower Granton Road realignment	-	-	-	-	-	-
Transport asset management	-	1,000	1,000	1,000	1,000	4,000
Roads and network total	139	1,430	1,000	1,000	1,000	4,569
Policy and planning						
Road safety	420	-	-	-	-	420
20mph speed limiting [block]	237	-	-	-	-	237
Walking projects [block]	406	-	-	-	-	406
Bus Tram integration	58	-	-	-	-	58
Frederick Street - Hanover Street	59	-	-	-	-	59
Tram Land Acquisitions	-	-	-	-	-	-
Edinburgh Gateway Tram Stop	-	-	-	-	-	-
Cycle projects [block]	1,829	-	-	-	-	1,829
St Andrew Square bus station	226	-	-	-	-	226
Bus priority schemes / bus shelters	372	-	-	-	-	372
Electric vehicles	26	-	-	-	-	26
Design of future projects	1,061	-	-	-	-	1,061
Bustracker- RTI extension	(47)	-	-	-	-	(47)
Bus - priority at signals SVD	109	-	-	-	-	109
Cycling, Walking and Safer Streets	683	-	-	-	-	683
Developer Contributions	214	-	-	-	-	214
Sighthill Signalised Junction	-	-	-	-	-	-
B924 pedestrian crossing	-	-	-	-	-	-
Road safety, cycling and public transport	-	1,750	1,750	1,750	1,750	7,000
Policy and planning total	5,653	1,750	1,750	1,750	1,750	12,653
Transport - City Centre						
Waverley Bridge / Market Street	-	-	-	-	-	-
West end public realm	-	-	-	-	-	-
Rose Street - public realm	14	490	-	-	-	504
Leith Walk Constitution Street	2,505	-	-	-	-	2,505
Transport - City Centre total	2,519	490	-	-	-	3,009

REVISED CAPITAL INVESTMENT PROGRAMME 2017-2022

PLACE	Revised Budget 2017/18	Revised Budget 2018-19	Revised Budget 2019-20	Revised Budget 2020-21	Revised Budget 2021-22	Total Budget 2017-2022
	£000	£000	£000	£000	£000	£000
South East locality						
City Centre NP	5	232	67	68	-	372
South Central NP	128	68	68	67	-	331
Liberton - Gilmerton NP	(8)	68	68	68	-	196
NH Roads ward 10	12	-	-	-	-	12
NH Roads ward 11	-	80	-	-	-	80
NH Roads ward 15	11	-	-	-	-	11
NH Roads ward 16	21	-	-	-	-	21
South East locality total	169	448	203	203	-	1,023
North East locality						
Leith NP	193	168	68	67	-	496
Craigentinny - Duddingston NP	29	118	68	68	-	283
Portobello - Craigmillar NP	54	168	68	68	-	358
NH Roads ward 12	-	100	-	-	-	100
NH Roads ward 13	-	51	-	-	-	51
NH Roads ward 14	74	-	-	-	-	74
NH Roads ward 17	50	-	-	-	-	50
North East locality total	400	605	204	203	-	1,412
North West locality						
Almond NP	6	127	68	68	-	269
Western Edinburgh NP	139	168	67	68	-	442
Forth NP	(30)	68	68	68	-	174
Inverleith NP	84	68	68	68	-	288
NH Roads ward 3	1	-	-	-	-	1
NH Roads ward 4	17	-	-	-	-	17
NH Roads ward 5	52	-	-	-	-	52
NH Roads ward 6	1	-	-	-	-	1
North West locality total	270	431	271	272	-	1,244
South West locality						
South West NP	83	68	68	68	-	287
Pentlands NP	9	68	68	68	-	213
NH Roads ward 2	42	-	-	-	-	42
NH Roads ward 7	-	-	-	-	-	-
NH Roads ward 8	5	-	-	-	-	5
NH Road ward 9	-	-	-	-	-	-
South West locality total	139	136	136	136	-	547
Transport other						
Tram Lifecycle Replacement	-	-	1,000	1,000	1,000	3,000
Transport other total	-	-	1,000	1,000	1,000	3,000
Transport and other infrastructure total	**38,691**	**53,107**	**29,578**	**18,835**	**18,835**	**159,045**
Museums and Arts						
Calton Hill redevelopment	361	-	-	-	-	361
Usher Hall - Phase 2	(270)	-	-	-	-	(270)
Custom House Acquisition	(18)	-	-	-	-	(18)
Customs house external fabric improvements	50	-	-	-	-	50
Museum of Childhood Redevelopment	9	-	-	-	-	9
Assembly Rooms - Theatre Strategy	166	-	-	-	-	166

REVISED CAPITAL INVESTMENT PROGRAMME 2017-2022

PLACE	Revised Budget 2017/18	Revised Budget 2018-19	Revised Budget 2019-20	Revised Budget 2020-21	Revised Budget 2021-22	Total Budget 2017-2022
	£000	£000	£000	£000	£000	£000
Nicholson St - Acq of Solum	1,037	-	-	-	-	1,037
Museums and Arts Total	**1,335**	**-**	**-**	**-**	**-**	**1,335**
Strategic support						
St James redevelopment	-	-	-	61,400	-	61,400
City dressing programme	156	-	-	-	-	156
Strategic support total	**156**	**-**	**-**	**61,400**	**-**	**61,556**
Place - contingency	86	-	-	-	-	86
Total Place	**90,571**	**86,315**	**76,622**	**85,277**	**19,835**	**358,619**

REVISED CAPITAL INVESTMENT PROGRAMME 2017-2022

RESOURCES - OTHER	Revised Budget 2017/18	Revised Budget 2018-19	Revised Budget 2019-20	Revised Budget 2020-21	Revised Budget 2021-22	Total Budget 2017-2022
	£000	£000	£000	£000	£000	£000
ICT function						
ICT transformational change investment	-	-	-	-	-	-
ICT contract asset purchase	14,211	-	-	-	-	14,211
CRM Solution	509	-	-	-	-	509
CATs ICT capital investment	-	-	-	-	-	-
ICT function total	**14,720**	**-**	**-**	**-**	**-**	**14,720**
Corporate Property						
Leith Walk Community Hub	750	-	-	-	-	750
Corporate Property Total	**750**	**-**	**-**	**-**	**-**	**750**
Total Resources - Other	**15,470**	**-**	**-**	**-**	**-**	**15,470**

REVISED CAPITAL INVESTMENT PROGRAMME 2017-2022

RESOURCES - ASSET MANAGEMENT WORKS	**Revised Budget 2017/18**	**Revised Budget 2018-19**	**Revised Budget 2019-20**	**Revised Budget 2020-21**	**Revised Budget 2021-22**	**Total Budget 2017-2022**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Communities and Families						
Boilers	303	58	700	-	-	1,061
Early Years property	2	-	-	-	-	2
External fabric	115	23	-	-	-	138
Fabric enhancement	2,040	803	119	-	-	2,962
Fabric upgrade	42	-	-	-	-	42
Fire safety	400	600	600	-	-	1,600
Internal fabric enhancements	1	-	44	-	-	45
Internal fabric improvements	48	-	-			48
M&E upgrade	2,454	2,908	1,853	-	-	7,215
Roof and rainwater	167	-	1,095	-	-	1,262
Stonework	402	25	401	-	-	828
Water quality	955	400	400	-	-	1,755
Water quality upgrade	-	12	-			12
Windows and doors	1,209	88	1,404	-	-	2,701
Communities and Families total	**8,138**	**4,917**	**6,616**	**-**	**-**	**19,671**
Edinburgh Integration Joint Board						
Fabric enhancement	4	-	-	-	-	4
M&E upgrade	93	-	25	-	-	118
Edinburgh Integration Joint Board total	**97**	**-**	**25**	**-**	**-**	**122**
Place						
External fabric	211	80	-	-	-	291
Fabric enhancement	107	15	-	-	-	122
Fabric upgrade	220	550	-	-	-	770
Fire safety	131	170	165	-	-	466
Internal fabric enhancements	-	79	55	-	-	134
M&E upgrade	97	324	-	-	-	421
Parks infrastructure	260	-	-	-	-	260
Roof and rainwater	35	-	-	-	-	35
Roofing / rainwater goods	3	25	45	-	-	73
Water quality improvements	4	-	-	-	-	4
Windows and doors	550	52	-	-	-	602
Place total	**1,618**	**1,295**	**265**	**-**	**-**	**3,178**
Resources - Corporate Property						
Boilers	100	-	-	-	-	100
Energy management	-	-	500	-	-	500
External fabric	-	119	35	-	-	154
Fire upgrade	120	50	75	-	-	245
Internal fabric enhancement	41	-	117	-	-	158
M&E upgrade	230	907	610	-	-	1,747
Roofing / rainwater goods	-	322	203	-	-	525
Stonework / masonry	11	56	-	-	-	67
Water quality upgrade	180	-	-	-	-	180
Windows and doors	350	40	56	-	-	446
Resources - Corporate Property total	**1,032**	**1,494**	**1,596**	**-**	**-**	**4,122**
Funding not yet allocated to projects	-	-	16,858	14,000	14,000	44,858
Total Asset Management Works	**10,885**	**7,706**	**25,360**	**14,000**	**14,000**	**71,951**

Governance, Risk and Best Value Committee

10.00am, Tuesday 26 September 2017

Revenue Monitoring 2017-18 - Month Three Position - referral from the Finance and Resources Committee

Item number	7.12
Report number	
Wards	All

Executive summary

On 5 September 2017 the Finance and Resources Committee considered a report that set out the projected overall position for the Council's revenue expenditure budget for 2017/18 based on analysis of period three data. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

Terms of Referral

Revenue Monitoring 2017/18 – Month Three Position

Terms of referral

1.1   The 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. A complementary schedule of meetings, aligned to the Council's revised Committee structure, had also been developed at which more detailed, service-specific comments would be considered.

1.2   As of period three, the Council was projecting a significant overall overspend of £5.0m after taking account of available funding, projected delivery of approved savings, use of reserves and management of service risks and pressures. This overall variance comprised projected overspends in Health and Social Care, Safer and Stronger Communities and Place, offset primarily by net savings in, and contributions from, corporate areas.

1.3   The Finance and Resources Committee agreed:

1.3.1   To note the significant projected overspend position for the year.

1.3.2   To note the proposal to apply, subject to the outcome of the external audit process and ratification by Council, the 2016/17 in-year underspend and sums previously earmarked in respect of welfare reform-related changes to address pressures in 2017/18, together supporting the process of longer-term service redesign.

1.3.3   To instruct the Executive Director of Place, Chief Officer of the Edinburgh Health and Social Care Partnership and Head of Safer and Stronger Communities to identify, as a matter of urgency, proposed remedial measures to address the projected overspends in their respective areas.

1.3.4   To note that those Executive Directors whose Directorates were projecting a balanced or underspend position would be asked to identify opportunities for additional savings in their respective areas.

1.3.5   To note that, in light of the above, a further update would be included in the mid-year review to be considered at the Committee's next meeting on 28 September 2017.

1.3.6   To note the balanced position projected on the Housing Revenue Account.

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

1.3.8 To agree that a further report be submitted on 7 November 2017 regarding proposed savings arising from the integration of services.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to the Governance, Risk and Best Value Committee on 26 September 2017 for consideration as part of its work-programme.

Background reading / external references

Finance and Resources Committee 5 September 2017.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices	Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10.00am, Tuesday, 5 September 2017

Revenue Monitoring 2017/18 – month three position

Item number	7.4
Report number	
Executive/routine	
Wards	

Executive summary

As of period three, the Council is projecting a significant overall overspend of £5.0m, after taking account of available funding, projected delivery of approved savings, use of reserves and management of service risks and pressures. This overall variance comprises projected overspends in Health and Social Care, Safer and Stronger Communities and Place (together totalling £11.1m), offset primarily by net savings in, or contributions from, corporate areas of £6.1m.

Members are asked to recommend that the Chief Officer of the Edinburgh Health and Social Care Partnership, Executive Director of Place and Head of Safer and Stronger Communities identify potential options to mitigate the projected levels of overspend as a matter of urgency and report on progress to the Committee's next meeting on 28 September.

Report

Revenue Monitoring 2017/18 – month three position

1. Recommendations

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

1.1.1 note the significant projected overspend position for the year;

1.1.2 note the proposal to apply, subject to the outcome of the external audit process and ratification by Council, the 2016/17 in-year underspend and sums previously earmarked in respect of welfare reform-related changes to address pressures in 2017/18, together supporting the process of longer-term service redesign;

1.1.3 instruct the Executive Director of Place, Chief Officer of the Edinburgh Health and Social Care Partnership and Head of Safer and Stronger Communities to identify, as a matter of urgency, proposed remedial measures to address the projected overspends in their respective areas;

1.1.4 note that those Executive Directors whose Directorates are projecting a balanced or underspend position will be asked to identify opportunities for additional savings in their respective areas;

1.1.5 note that, in light of the above, a further update will be included in the mid-year review to be considered at the Committee's next meeting on 28 September;

1.1.6 note the balanced position projected on the Housing Revenue Account (HRA) after making a £13.5m planned contribution towards housing investment; and

1.1.7 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 2017/18 based on analysis of period three data.

3. Main report

3.1 This report represents the first of the quarterly revenue monitoring reports for 2017/18. 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.

3.2   A complementary schedule of meetings, aligned to the Council's revised Committee structure, has also been developed at which more detailed, service-specific commentaries will be considered.

Overall position

3.3   As of period three, the Council is projecting a significant overall overspend of £5.0m, after taking account of available funding, projected delivery of approved savings, use of reserves and management of service risks and pressures. This overall variance comprises projected overspends in Health and Social Care, Safer and Stronger Communities and Place (together totalling £11.1m), offset primarily by net savings in, and contributions from, corporate areas of £6.1m. A high-level service analysis, aligned to the Council's revised operating structure, is included as Appendix 1.

3.4   While the remaining service areas are anticipated to maintain expenditure within budgeted levels, relevant Executive Directors have nonetheless identified a number of challenges to attainment of this position and delivery of approved savings and service pressures will therefore require sustained proactive management throughout the remainder of the year.

3.5   As enshrined within the Council's Financial Regulations, Executive Directors are responsible for ensuring that expenditure remains within the budgeted level and that the savings expected from approved efficiency and other measures are delivered.   Members are therefore asked to recommend that the Chief Officer of the Edinburgh Health and Social Care Partnership, Executive Director of Place and Head of Safer and Stronger Communities identify potential options to bring expenditure back in line with budgeted levels as a matter of urgency. Those Executive Directors whose Directorates are projecting a balanced or underspend position have further been asked to identify opportunities for additional savings in their respective areas.

3.6   Due to the seriousness of the overall position, while the Period 5-based report is not scheduled to be presented to the Finance and Resources Committee until 7 November, a progress update will be provided as part of the mid-year review scheduled for consideration at the Committee's next meeting on 28 September.

Savings delivery

3.7   The approved budget for 2017/18 was predicated on the delivery of £39.5m of service-specific and corporate savings. As of July, the overall RAG assessment of these savings indicates that, on the basis of actions planned or already undertaken, some 79% are on target to be delivered in full as shown in the chart below.

RAG assessment of approved budget savings, 2017/18 – July 2017
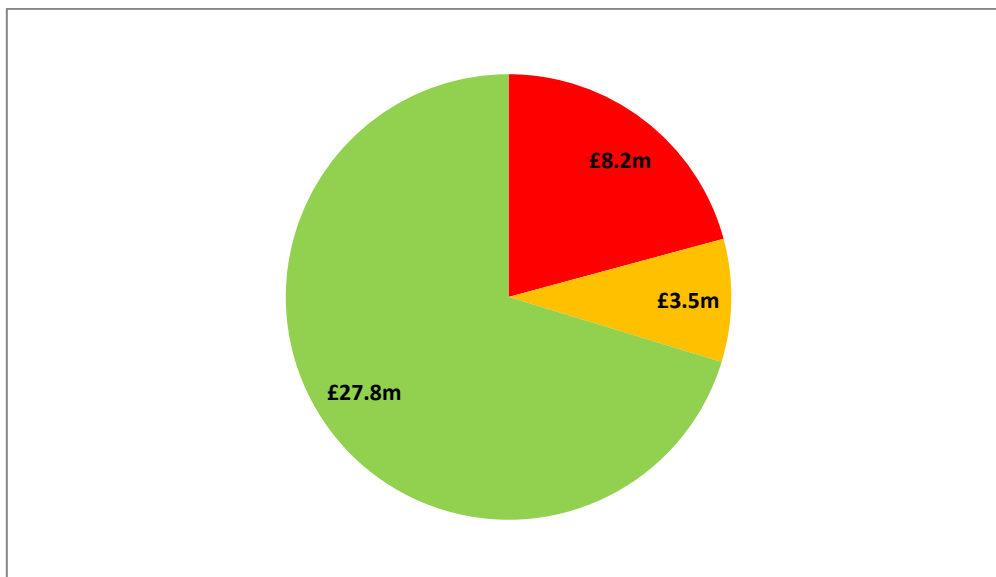
3.8   The majority of the red-assessed savings are those of a transformational or demand-led nature within Health and Social Care, with most of the remainder representing savings within the Place Directorate linked to the Roads and Waste Services transformation plans.

3.9   Amber-assessed savings represent, in the main, those where interim or one-off funding solutions have been identified pending development of sustainable means of delivering the savings concerned.

3.10   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 also noted below.

Service-specific budgets - Communities and Families

3.11   As of period three, subject to on-going work reviewing the delivery of approved savings and effectiveness of planned mitigating actions, the Executive Director of Communities and Families is forecasting a balanced overall position for the year.   This position is, however, dependent in particular upon management of a number of demand-led service pressures, including increased use of out-of-Council area placements linked to accommodating a number of Unaccompanied Asylum-Seeking Children (UASC) within the city.

Health and Social Care

3.12 The month three outturn forecast reflects significant demand-led pressures within Health and Social Care and currently shows a gross overspend of £9.35m. This forecast position takes account of the delivery of £3.9m of savings associated with the organisational review but includes £6.03m of slippage on planned transformation-related purchasing savings.

3.13 Work is being progressed to achieve the approved savings by means of agreed business cases for those proposals focused on asset-based assessment, support planning and brokerage and telecare. Work has also begun to identify further opportunities, both centrally and through locality management, for schemes that include: targeted reviews to reduce cost of care packages; business process redesign; and tackling delays across the system. Any in-year savings generated through these initiatives will be applied against the gross overspend.

3.14 The Chief Finance Officer of the Edinburgh Integration Joint Board (EIJB) will recommend to the Board the release of £2.25m of recurring funding from the Social Care Fund to recognise ongoing demography-driven demand and other pressures within the care at home purchasing budget. Subject to EIJB approval, this will reduce the level of overspend to £7.1m. A range of further measures, including additional controls on agency spend through adoption of generic job roles and more effective staff rostering, is also being investigated.

Place

3.15 In addition to the £7.3m of newly-approved savings for delivery in 2017/18, mitigating actions require to be identified to address a number of carried-forward or in-year budget pressures affecting, in particular, the Waste and Roads Services functions.

3.16 As of period three, the Executive Director of Place has identified potential mitigations (including those in respect of approved savings delivery) to address the majority of these pressures, albeit additional work is required to develop a number of these proposals fully. Work is continuing to identify potential options to address the remaining £1m shortfall, including examining opportunities to accelerate those early proposals developed as part of the 2018/19 budget development process. Work is also underway to develop the supporting detail of the improvement plans for Roads and Waste Services with a view to offsetting in-year pressures and re-attaining financial sustainability in these areas over the medium term.

Resources

3.17 Based on analysis of the period three position, the Resources Directorate is - projecting an overall underspend of £0.5m, reflecting acceleration of an element of savings initially planned for delivery in 2018/19. A small number of savings

shortfalls are being mitigated by one-off measures pending the development of sustainable measures to be implemented from 2018/19.

Chief Executive (excluding Safer and Stronger Communities)

3.18   A balanced overall position is being forecast, with all approved savings on track for full delivery in 2017/18.

Safer and Stronger Communities

3.19   Significant service pressures are being faced as a result of temporary accommodation management fees being removed from Housing Benefit eligibility with effect from April 2017, combined with changes to the benefits cap which also impact on Housing Benefit income. These pressures are being exacerbated by increasing demand for both Bed and Breakfast and Short-Term Let accommodation as a result of longer average lengths of stay and a shortage of available "move-on" accommodation.

3.20   The total projected unfunded budget pressure is currently £8.6m which is partially offset by mitigations totalling £5.1m, resulting in a net residual unfunded budget pressure of £3.5m.

3.21   The Head of Safer and Stronger Communities remains fully committed to making all efforts to identify mitigations to reduce the pressure. There is, however, limited scope to achieve this, given the size of the pressure relative to the net budget available. A balanced budget position is not therefore expected to be deliverable by the end of 2017/18.

Corporate budgets

3.22   A review of the size of the Council Tax base, taking into account property numbers and bands, reviews of Single Person Discount entitlement and recent years' collection rates, points to an increase in projected Council Tax income in 2017/18 of £2m.

3.23   Based on an analysis of anticipated in-year capital spend and continuation of the policy of no new external borrowings, loans charge savings of £1m relative to budgeted levels are also anticipated.

2016/17 outturn

3.24   Subject to the outcome of the external audit process, the Council's General Fund outturn for 2016/17 showed an overall underspend of £1.058m. It is proposed, assuming ratification by Council, for this sum, currently uncommitted, to be made available to offset in-year pressures.

3.25   In view of the in-year underspend in respect of demand-led Council Tax Reduction Scheme expenditure in 2016/17, a provision of £2m was made as part of closing the 2016/17 accounts to provide transitional funding to support longer-term wider service redesign given further welfare reform-related changes due for implementation in 2017/18 and 2018/19. Subject to savings realised

through measures set out in the preceding sections, it is proposed to release this provision in 2017/18, thus mitigating the overall level of overspend.

Other areas

Local Government election

3.26 The Council's approved budget for 2017/18 included £1m in respect of conducting the Local Government election held on 5 May. Analysis of the outturn has confirmed that actual expenditure was maintained within this level.

2017/18 employee pay award

3.27 Following acceptance by the three representative trade unions, agreement has been reached on the 2017/18 pay award for the Scottish Joint Council (SJC) for Local Government Employees and Chief Officials. The agreed settlement will see a flat-rate increase of £350 (applied pro-rata where applicable), effective from 1 April 2017, paid to all staff whose basic remuneration is no higher than £35,000 and 1% for those above this level. In order to maintain parity with the wider employee pay award, the Scottish Local Government Living Wage will also increase from £8.33 to £8.51 per hour from this time. Over the non-teaching Local Government workforce as a whole, the agreement equates to an average increase of about 1.55%.

3.28 While the level of settlement is slightly above that assumed in the budget framework, the resulting additional expenditure has been met within the overall inflationary provision. The actual level of pay award has also been reflected in the employee cost baseline for the 2018/19 budget. The equivalent position for the teachers' award will be confirmed once discussions have concluded.

Housing Revenue Account

3.29 A balanced position is forecast after making a required £13.5m contribution to fund future delivery of the affordable housing strategy as set out in the HRA business plan, subject to repairs and maintenance expenditure outturning in line with budget.

4.   Measures of success

4.1 Achieving a balanced overall budget outturn position for 2017/18 and successful delivery of approved savings and key service performance indicators.

5.   Financial impact

5.1 The report's contents point to a potential in-year overspend, highlighting the importance of prompt action to bring expenditure back in line with approved levels.

The Council's Financial Regulations set out Executive Directors' responsibilities in respect of financial management, including regular consideration of their service budgets.

## 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 2017/18 savings are 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	The Corporate Leadership Team (CLT) has formally reviewed and discussed the month 3 position and year-end projection. As a consequence, the Chief Executive has tasked Executive Directors with identifying mitigating actions to address in-year pressures and to review opportunities for additional savings proposals.

9.2   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 regular consultation and engagement.

10.   Background reading/external references

10.1   Service monitoring statements for period three.

Stephen S. Moir

Executive Director of Resources

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11.   Appendices

Appendix 1 – Service analysis, Period 3

Appendix 2 – 2017/18 budget savings RAG assessment – savings assessed as red in part or in full

THE CITY OF EDINBURGH COUNCIL

REVENUE MONITORING 2017-18

PERIOD 3 REPORT

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	341,812	85,453	85,453	0	0.0%	341,812	0	0.0%
Place	64,070	16,018	18,153	2,136	13.3%	65,070	1,000	1.6%
Resources	165,619	39,080	37,576	(1,504)	(3.8%)	165,119	(500)	(0.3%)
Health and Social Care	184,201	41,445	43,207	1,762	4.3%	191,301	7,100	3.9%
Chief Executive	11,086	3,221	3,168	(53)	(1.6%)	11,086	0	0.0%
Safer and Stronger Communities	25,715	6,429	6,902	473	7.4%	29,215	3,500	13.6%
Valuation Joint Board Requisition	3,741	935	935	0	0.0%	3,741	0	0.0%
General Fund Services Subtotal	**796,244**	**192,581**	**195,394**	**2,814**	**1.5%**	**807,344**	**11,100**	**1.4%**
Other income and expenditure								
Net Cost of Benefits	(62)	(16)	51	67	n/a	(62)	0	0.0%
Early Release Costs	1,010	253	857	605	0%	1,010	0	0.0%
Other non-service specific costs	24,611	6,153	3,218	(2,935)	0%	24,611	0	0.0%
Interest and investment income	(8,811)	(2,203)	0	2,203	0%	(8,811)	0	0.0%
Loan Charges	114,442	28,611	0	(28,611)	0%	113,442	(1,000)	-0.9%
Contributions to Earmarked Funds	6,292	1,573	0	(1,573)	0%	4,292	(2,000)	-31.8%
Income from Council Tax	(266,342)	(66,586)	(66,586)	0	0%	(268,342)	(2,000)	-0.8%
- Council tax reduction scheme	23,277	5,819	5,819	0	0%	23,277	0	0.0%
Revenue support grant	(335,598)	(83,900)	(83,900)	0	0%	(335,598)	0	0.0%
Distribution from NDRI pool	(355,063)	(88,766)	(88,766)	0	0%	(355,063)	0	0.0%
Return of 2016/17 surplus from Council Priorities Fund	0	0	0	0	0%	(1,058)	(1,058)	n/a
In-year Deficit / (Surplus)	**0**					**5,042**	**5,042**	**n/a**

Savings description	Service area	Approved level of saving, 2017/18 (£000)	RAG Status (insert relevant element of saving under each heading. These amounts should be shown net of any assumed mitigating action)			Basis of current status, including brief details of confirmed or planned mitigating actions	Planned actions and associated timescales for delivery of savings
			Red	Amber	Green		
Edinburgh Connect	Communities and Families	142	30	0	112	The Council and the NHS are jointly reviewing the Connect service and as part of the review, one-year only additional funding of £30K has been agreed.	Savings will be delivered in full from April 2018.
Review of support staff within all Special Schools	Communities and Families	292	50	0	242	The majority of savings have been delivered and the actions to ensure full-year savings next year will be in place by December. The £50K shortfall has been covered from one-off savings in another area.	
Review allowances within family-based care	Communities and Families	158	73	25	60	£60K relates to kinship care and is achieved. The £98K relating to adoptions allowances is expected to be delivered over four years through existing adopters moving onto a new rate band. The temporary shortfall in savings will be covered from other mitigating actions.	
Total, Communities and Families			153				

Savings description	Service area	Approved level of saving, 2017/18 (£000)	Red	Amber	Green	Basis of current status, including brief details of confirmed or planned mitigating actions	Planned actions and associated timescales for delivery of savings
Reablement 1	Health and Social Care	630	630	0	0	Business cases for savings yet to be finalised and actioned	
Telecare	Health and Social Care	960	960	0	0	Business cases for savings yet to be finalised and actioned	
Review Team	Health and Social Care	300	300	0	0	Business cases for savings yet to be finalised and actioned	Work is currently being progressed to achieve the approved savings via agreed business cases for proposals focussed on asset-based assessment, support planning & brokerage, telecare, etc. Work has also begun to identify further opportunities, both centrally and through locality management for schemes that include: targeted reviews to reduce cost of care packages; business process redesign and; tackling delays across the system.
Support planning and brokerage	Health and Social Care	2,880	2,880	0	0	Business cases for savings yet to be finalised and actioned	
Review of financial allocation system	Health and Social Care	750	750	0	0	Business cases for savings yet to be finalised and actioned	
Reablement 2	Health and Social Care	510	510	0	0	Business cases for savings yet to be finalised and actioned	
Total Health and Social Care			**6,030**				
Place	Environment	2,030	2,030			At this stage, all Environment-related savings are assessed as "red" pending continuing work on improvement plans for Roads and Waste Services.	
Total Place		**2,030**	**2,030**	**0**	**0**		
Total all areas			**8,213**				

Governance, Risk and Best Value Committee

10.00am, Tuesday 26 September 2017

Capital Monitoring 2017-18 – Three-Month Position - referral from the Finance and Resources Committee

Item number	7.13
Report number	
Wards	All

Executive summary

On 5 September 2017 the Finance and Resources Committee considered a report that set out the overall position of the Council's capital budget at the three month stage 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-plan

Terms of Referral

Capital Monitoring 2017-18 – Three Month Position

Terms of referral

1.1 The Capital Monitoring month three position showed that the Council was projected to require to borrow £40,843m and would be in receipt of grants and capital income amounting to £104.169m. Together this would fund projected capital investment of £145.012m. The level of borrowing requirement was projected to be £5.098m lower than the revised budget as a result of anticipated slippage in the delivery of the capital investment programme partly offset by delayed receipts from asset sales.

1.2 The HRA capital investment programme was expected to be delivered in line with the revised budget with a projected borrowing requirement of £42.992m and would be in receipt of grants and capital income amounting to £35.012m. Together this would fund projected capital investment of £78.004m

1.3 The Finance and Resources Committee agreed:

1.3.1 To note the projected capital outturn positions on the General Fund and HRA at month three.

1.3.2 To note the prudential indicators at month three.

1.3.3 To refer the report to the Governance, Risk and Beat Value Committee as part of its workplan.

For Decision/Action

2.1 The Finance and Resources Committee has referred the report to the Governance, Risk and Best Value Committee on 26 September 2017 for consideration as part of its work-plan.

Background reading / external references

Finance and Resources Committee 5 September 2017.

Laurence Rockey

Head of Strategy and Insight

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Links

Appendices	Appendix 1 - report by the Executive Director of Resources

Finance and Resources Committee

10.00am, Tuesday 5 September 2017

Capital Monitoring 2017/18 – Three-month position

Item number 7.7
Report number
Executive/routine
Wards

Executive summary

The month three position shows that the Council is projected to require to borrow £40.843m and will be in receipt of grants and capital income amounting to £104.169m. Together this will fund projected capital investment of £145,.012m. The level of borrowing requirement is projected to be £5.098m lower than the revised budget as a result of anticipated slippage in the delivery of the capital investment programme partly offset by delayed receipts from asset sales.

The HRA capital investment programme is expected to be delivered in line with the revised budget with a projected borrowing requirement of £42.992m and will be in receipt of grants and capital income amounting to £35.012m. Together this will fund projected capital investment of £78.004m.

Capital Monitoring 2017/18 – Three Month Position

Recommendations

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

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

1.1.2   Note the prudential indicators at month three; and

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

Background

2.1   This report sets out the overall position of the Council's capital budget at the three month stage and the projected outturn for the year.

Main report

3.1   The month three budget position is based on the revised 2017-2022 Capital Investment Programme incorporating slippage / acceleration from 2016/17 (the detail of which can been seen in Appendix 7 of the Capital Monitoring 2016/17 – Outturn and Receipts report which is elsewhere on the agenda).

3.2   The position at month three can be seen in Appendix 1, which shows expenditure on the Capital Investment programme of £145.012m funded by grants and other capital income of £104.169m and borrowing requirement of £40.843m.

3.3   The Water of Leith Phase 2 flood prevention project is expected to be completed in 2017/18 with forecast expenditure £4.5m under the budget provision. Officers proposals will be brought to Members for approval to transfer the resources available from this underspend to other capital expenditure priorities (see paragraph 3.8).

3.4   Members should note that in any given year, variance against budget will occur due to delays or unforeseen circumstances outwith the control of the Council. Whilst known variances to the delivery of the programme advised by Executive Directors have been incorporated into the revised Programme referred to in 3.1, an assumption of further slippage in the Programme of 2.5% of the revised budget, amounting to £3.834m has been made at this early stage in the financial year. This general provision and specific project variances will be kept under review throughout the remainder of the year and amended as appropriate.

Capital receipts/grant income

3.5 Projected capital receipts from the sale of surplus assets of £15.7m are lower than budget by £3.236m for 2017/18 as a result of changes in anticipated settlement dates for receipts which are now expected to be received in 2018/19.

3.6 Members should also be aware that the value and timing of capital receipts can be impacted by a number of factors including abnormal costs arising from survey results and offers contingent on planning approvals. Any further revisions to the receipts programme will be reported within future capital monitoring reports.

3.7 An overall balanced net underspend position of £5.098m is projected currently reflecting up to date re-phasing and realignment of the revised capital programme 2017-2022.

Impact in Future Years

3.8 As members may be aware from the briefing paper that the North Bridge refurbishment project is currently estimated to be under funded by £5.262m. The existing budget provision of £12m has been accelerated in line with the feasibility report and cost estimate provided. The shortfall in the project funding of £4.411m in 2019/20 and £0.851m in 2020/21 will require to be considered as part of the budget setting process.

3.9 There may be a shortfall in the anticipated capital receipt from the sale of the current Boroughmuir High School as the result of the rejection of planning permission for the development proposed by the prospective purchaser. The receipt has been earmarked towards funding for the replacement Boroughmuir High School, Duncan Place nursery and the new South Edinburgh Primary School. Any shortfall in the funding for these projects will require to be considered as part of the budget setting process.

Prudential Indicators

3.10 In considering its programme for capital investment, Members are required within the Prudential Code to have regard to:

- Affordability, e.g. implications for Council Tax/House Rents;
- Prudence and sustainability, e.g. implications for external borrowing;
- Value for money, e.g. option appraisal;
- Stewardship of assets, e.g. asset management planning;
- Service objectives, e.g. strategic planning for the Council; and
- Practicality, e.g. achievability of the forward plan.

3.11 The Prudential Indicator monitoring attached in Appendix 2 provides information for six indicators.

3.12 Indicator 1 shows the actual capital expenditure that was incurred in 2016/17, the previously approved capital programme and the forecast capital expenditure to be incurred for the current and future years. The difference between 2017/18 estimates and forecast is due to rephasing of the capital programme and project slippage in 2016/17.

3.13   Indicator 2 shows the estimates of the ratio of financing costs to net revenue streams for the Council and the HRA for the actual for 2016/17 and current and future years. Figures for 2018/19 onwards are indicative as the Council has not set a General Services or HRA budget for these years. The figures for General Services are based on the current long term financial plan. HRA figures are based on the business plan which was reported to Finance and Resources Committee on 19 January 2017.

3.14   Indicator 3 shows the Capital Financing Requirement. The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. In accordance with best professional practice, the Council does not associate borrowing with particular items or types of expenditure. The authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction is made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the authority's underlying need to borrow for a capital purpose.

3.15   Indicator 4 shows the Authorised Limit for External Debt. These authorised limits are consistent with the authority's current commitments, existing plans and the proposals in this budget for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of most likely, prudent but not worst case scenario, with in addition sufficient headroom over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.

3.16   Indicator 5 shows the Operational Boundary for External Debt. The Council is also asked to approve the following operational boundary for external debt for the same time period. The proposed operational boundary equates to the estimated maximum of external debt. It is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements. The operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and credit arrangements are separately identified. The Council delegate authority to the Head of Finance, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and credit arrangements, in a similar fashion to the authorised limit. Any such changes will be reported to the Council at its next meeting following the change.

3.17   Indicator 6 shows the impact on Council Tax and House rents from changes to the capital investment programme since it was previously reported. The estimate of the incremental impact of capital investment decisions proposed in this budget, together with changes in projected interest rates, over and above capital investment decisions that have previously been taken by the Council are.

Housing Revenue Account (HRA)

3.18   The Housing Revenue Account is forecasting to spend in line with its revised budget. The full HRA capital investment budget position is shown in Appendix 3. At month three, the forecast is gross expenditure of £78.004m, capital receipts and grant income of £35.012m and prudential borrowing of £42.992m.

Measures of success

4.1   Completion of capital projects as budgeted for in the revised 2017/18 capital programme.

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

Financial impact

5.1   The projected 2017/18 general fund outturn outlines capital borrowing of £40.843m. The overall loan charges associated with this borrowing over a 20-year period would be a principal amount of £40.843m, interest of £26.588m, resulting in a total cost of £67.431m 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 £1.051m, followed by an annual cost of £3.493m for 20 years.

5.2   The projected 2017/18 HRA outturn outlines capital borrowing of £42.992m. The overall loan charges associated with this borrowing over a 20-year period would be a principal amount of £42.992m, interest of £27.987m, resulting in a total cost of £70.979m based on a loans fund rate of 5.1%. The loan charges will be interest only in the first year, at a cost of £1.119m followed by an annual cost of £3.493m 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.

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.

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.

Sustainability impact

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

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

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

Consultation and engagement

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

Background reading/external references

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Executive Director of Resources

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11.   Appendices

Appendix 1 - Capital Monitoring 2017/18 – General Fund

Appendix 2 - Prudential Indicators 2017/17

Appendix 3 - Capital Monitoring 2017/18 - HRA

Capital Monitoring 2017/18

General Fund Summary

Period 3

Expenditure	Approved Budget £000	Adjusts £000	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	%
Communities and Families	33,368	2,750	36,118	5,329	36,118	-	0.00%
Edinburgh IJB	134	168	302	71	302	-	0.00%
Place	127,259	(36,688)	90,571	7,760	86,071	(4,500)	0.00%
Resources - Asset Management Works	11,132	(247)	10,885	2,239	10,885	-	0.00%
Resources - Other	-	15,470	15,470	191	15,470	-	0.00%
General slippage across programme			-		(3,834)	(3,834)	n/a
Total Gross Expenditure	**171,893**	**(18,547)**	**153,346**	**15,590**	**145,012**	**(8,334)**	**-5.43%**

Income							
Capital Receipts							
General Services	18,936	-	18,936	742	15,700	(3,236)	-17.09%
Ringfenced Asset Sales	7,880	(4,410)	3,470	118	3,470	-	0.00%
Less additional receipt income to capital fund	(5,559)	-	(5,559)	-	(5,559)	-	0.00%
Asset Sales to reduce Corporate borrowing	1,406	484	1,890		1,890	-	0.00%
Less Fees Relating to General Receipts	-	-	-		-	-	n/a
Total Capital Receipts from Asset Sales	*22,663*	*(3,926)*	*18,737*	*860*	*15,501*	*(3,236)*	*-17.27%*
Developer and other Contributions	174	571	745	(945)	662	-	0.00%
Capital Grants Unapplied Account drawdown	-	9	9	-	9	-	0.00%
Total Capital Receipts	*22,837*	*(3,346)*	*19,491*	*(85)*	*16,172*	*(3,236)*	*-16.60%*
Grants							
Scottish Government General Capital Grant	53,708	-	53,708	13,427	53,708	-	0.00%
Cycling, Walking and Safer Streets	683	-	683	171	683	-	0.00%
Management Development Funding	29,115	-	29,115	7,279	29,115	-	0.00%
Early Years and Childcare - Expansion	-	2,504	2,504	-	2,504	-	0.00%
Other Specific Government Grants	-	2,660	2,660	-	1,987	-	0.00%
Total Grants	*83,506*	*5,164*	*88,670*	*20,877*	*87,997*	*-*	*0.00%*
Total Capital Income	**106,343**	**1,818**	**108,161**	**20,792**	**104,169**	**(3,236)**	**-2.99%**

Balance to be funded through borrowing	**65,550**	**(20,365)**	**45,185**		**40,843**	**(5,098)**	**-11.28%**

PRUDENTIAL INDICATORS 2017/18 - Period 3

Indicator 1 - Estimate of Capital Expenditure

	2016/17 Actual £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	2021/22 Estimate £000	2021/22 Forecast £000
Council Wide / Corporate Projects	1,184	0	0	0	0	0	0	0	0	0	0
Unallocated funding - indicative 5 year plan 2019	0	0	0	0	0	0	0	0	0	7,000	7,000
Chief Executive	838	0	0	0	0	0	0	0	0	0	0
Communities and Families	41,816	33,368	36,118	23,404	28,895	17,850	17,850	2,485	2,485	165	165
Edinburgh Integration Joint Board	4,527	134	302	69	2,069	1,528	1,528	0	0	0	0
Place	90,704	127,259	86,071	33,554	86,315	77,398	76,622	24,535	85,277	20,285	19,835
Resources	0	0	15,470	0	0	0	0	0	0	0	0
Resources - Asset Management Works	18,908	11,132	10,885	7,229	7,706	27,107	25,360	14,000	14,000	14,000	14,000
General slippage across programme (2.5%)	0	0	-3,834	0	3,834	0	0	0	0	0	0
Total General Services	157,977	171,893	145,012	64,256	128,819	123,883	121,360	41,020	101,762	41,450	41,000
Housing Revenue Account	43,627	79,459	79,459	100,933	100,933	97,414	97,414	105,849	105,849	147,388	147,388
Total	201,604	251,352	224,471	165,189	229,752	221,297	218,774	146,869	207,611	188,838	188,388

The 'estimate' figures relate to those reported in the prudential indicators as part of the budget approved in February 2017. 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

	2016/17 Actual %	2017/18 Estimate %	2017/18 Forecast %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %
General Services	11.63	11.53	11.96	11.72	11.61	11.41	N/A
Housing Revenue Account	35.21	37.61	36.33	39.58	42.28	44.79	46.76

Forecast and estimates include the financing cost relating to the Tram (phase 1) project.

Figures for 2018/19 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 2020/21. HRA figures are based on the current business plan.

Indicator 3 - Capital Financing Requirement

	2016/17 Actual £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	2021/22 Estimate £000	2021/22 Forecast £000
General Services (including finance leases)	1,250,818	1,272,527	1,222,218	1,210,923	1,213,964	1,202,508	1,208,834	1,134,855	1,201,943	1,061,110	1,128,198
Housing Revenue Account	364,934	398,199	391,106	435,864	428,771	486,728	479,635	523,509	516,416	583,289	576,196
Total	1,615,752	1,670,726	1,613,324	1,646,787	1,642,735	1,689,236	1,688,469	1,658,364	1,718,359	1,644,399	1,704,394

Forecasts include the capital financing requirement relating to PPP assets and Trams (Phase 1) project

Indicator 4 - Authorised Limit for External Debt

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Borrowing	1,970	1,960	1,990	1,900	1,800
Credit Arrangements	220	200	200	230	220
Total	2,190	2,160	2,190	2,130	2,020

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

Indicator 5 - Operational Boundary for External Debt

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Borrowing	1,580	1,570	1,610	1,600	1,590
Other Long-Term Liabilities	220	200	200	230	220
Total	1,800	1,770	1,810	1,830	1,810

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

Indicator 6 - Impact on Council Tax and House Rents

	2017/18 Estimate	2017/18 Forecast	2018/19 Estimate	2018/19 Forecast	2019/20 Estimate	2019/20 Forecast	2020/21 Estimate	2020/21 Forecast	2021/22 Estimate	2021/22 Forecast
	£	£	£	£	£	£	£	£	£	£
for the band "D" Council Tax	9.17	-0.05	13.68	2.58	18.02	8.92	N/A	8.46	N/A	N/A
for the average weekly housing rents	-0.68	0.23	-0.50	1.17	0.55	2.62	3.50	3.60	N/A	5.78

In calculating the incremental impact of capital investment decisions on the band "D" Council Tax, investment decisions relating to National Housing Trust Phases and the St James GAM 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 2017.

CAPITAL MONITORING 2017/18

Housing Revenue Account Summary

Period 3

	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance	
				£000	%
Gross Expenditure	78,004	8,360	78,004	0	0.0%
Total Gross Expenditure	78,004	8,360	78,004	0	0.0%

Income					
Capital Receipts	-11,400	-766	-11,400	0	0.0%
Developers and Other Contributions	-16,537	-120	-16,537	0	0.0%
Specific Capital Grant	-7,075	-2,119	-7,075	0	0.0%
Total Income	-35,012	-3,005	-35,012	0	0.0%

Borrowing					
Borrowing	42,992		42,992	0	0.0%
Total	42,992		42,992	0	0.0%