

# Notice of meeting and agenda

## Governance, Risk and Best Value Committee

10:00am, Tuesday, 28 August 2018

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

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

### Contact –

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## **1. Order of Business**

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

## **2. Declarations of Interest**

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

## **3. Deputations**

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- 3.1 If any

## **4. Minutes**

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- 4.1 Minute of the Governance, Risk and Best Value Committee of 31 July 2018 – submitted for approval as a correct record (circulated)

## **5. Outstanding Actions**

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- 5.1 Outstanding Actions – 28 August 2018 (circulated)

## **6. Work Programme**

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- 6.1 Governance, Risk and Best Value Work Programme – 28 August 2018 (circulated)

## **7. Reports**

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- 7.1 Revenue Monitoring 2017/18 – Outturn Report – referral from the Finance and Resources Committee (circulated)
- 7.2 Revenue Monitoring 2018/19 – Month Three Position – referral from the Finance and Resources Committee (circulated)
- 7.3 Capital Monitoring 2017/18 – Outturn and Receipts – referral from the Finance and Resources Committee (report which has been submitted to the Finance and Resources Committee on 16 August 2018 is circulated)
- 7.4 Capital Monitoring 2018/19 – Month Three Position – referral from the Finance and Resources Committee (circulated)
- 7.5 Treasury Management – Annual Report 2017/18 – referral from the City of Edinburgh Council (circulated)

- 7.6 External Audit Review of Internal Financial Controls 2017/18 – report by the Executive Director of Resources (circulated)
- 7.7 Corporate Leadership Team Risk Update – report by the Executive Director of Resources (circulated)
- 7.8 Internal Audit: Capacity to Deliver the 2018/19 Internal Audit Plan – report by the Executive Director of Resources (circulated)
- Note: The Internal Audit training video will be shown
- 7.9 Internal Audit – Proposed Process for Approving Changes to the Internal Audit Plan – report by the Executive Director of Resources (circulated)
- 7.10 Internal Audit – Review of General Data Protection Regulation (GDPR) Readiness Programme - report by the Executive Director of Resources (circulated)
- 7.11 Internal Audit Opinion and Annual Report for the Year Ended 31 March 2018 – referral from the Corporate Policy and Strategy Committee (circulated)
- 7.12 Planning and Building Standards Improvement Plans – referral from the Planning Committee (circulated)
- 7.13 Improving the Implementation of Council Decision Making – report by the Chief Executive (circulated)
- 7.14 Committee Reporting – report by the Chief Executive (circulated)
- 7.15 Accounts Commission – Council’s Use of Arms-Length Organisations – report by the Chief Executive (circulated)
- 7.16 Whistleblowing Update - report by the Chief Executive (circulated)

## **8. Motions**

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- 8.1 By Councillor Jim Campbell – Implementation of Garden Waste Charge
- “Requests within one cycle a report from the Chief Internal Auditor on the implementation of the Garden Waste Charge, to understand what worked well and where lessons can be learned.”
- 8.2 By Councillor Mowat –
- “Committee
- Recognises the concern expressed by many in Edinburgh regarding the hoardings that appeared around Princes Street Gardens to facilitate the Summer Sessions events which changed a public space into a private space during the busiest time of the year reducing amenity for residents and visitors to the City and in order to better understand how this happened requests a report in one cycle detailing:
- the process followed to let the contract to hold the event and how the event was approved,

- the process followed to agree the use of the hoardings including advice taken and who made the final decision.”

## **Laurence Rockey**

Head of Strategy and Insight

## **Committee Members**

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Councillors Mowat (Convener), Main (Vice-Convener), Bird, Jim Campbell, Doggart, Howie, Key, Lang, Munro, Rae and Watt.

## **Information about the Governance, Risk and Best Value Committee**

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The Governance, Risk and Best Value Committee consists of 11 Councillors appointed by the City of Edinburgh Council. The Governance, Risk and Best Value Committee usually meet every four weeks in the City Chambers, High Street in Edinburgh. There is a seated public gallery and the meeting is open to all members of the public.

## **Further information**

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If you have any questions about the agenda or meeting arrangements, please contact Gavin King, Strategy and Insight, City of Edinburgh Council, Waverley Court, Business Centre 2.1, Edinburgh EH8 8BG, Tel 0131 529 4239, e-mail [gavin.king@edinburgh.gov.uk](mailto:gavin.king@edinburgh.gov.uk)

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

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

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

## **Webcasting of Council meetings**

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published policy including, but not limited to, for the purpose of keeping historical records and making those records available via the Council's internet site.

Generally the public seating areas will not be filmed. However, by entering the Council Chamber and using the public seating area, individuals may be filmed and images and sound recordings captured of them will be used and stored for web casting and training purposes and for the purpose of keeping historical records and making those records available to the public.

Any information presented by individuals to the Council at a meeting, in a deputation or otherwise, in addition to forming part of a webcast that will be held as a historical record, will also be held and used by the Council in connection with the relevant matter until that matter is decided or otherwise resolved (including any potential appeals and other connected processes). Thereafter, that information will continue to be held as part of the historical record in accordance with the paragraphs above.

If you have any queries regarding this, and, in particular, if you believe that use and/or storage of any particular information would cause, or be likely to cause, substantial damage or distress to any individual, please contact Committee Services ([committee.services@edinburgh.gov.uk](mailto:committee.services@edinburgh.gov.uk)).

## Governance, Risk and Best Value Committee

10.00am, Tuesday, 31 July 2018

### Present

Councillors Mowat (Convener), Main (Vice-Convener), Bird, Bridgman, Jim Campbell, Doggart, Howie, Lang, Munro, Rae and Watt.

### 1. Minute

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#### Decision

To approve the minute of 5 June 2018 as a correct record.

### 2. Outstanding Actions

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

#### Decision

- 1) To agree to close the following Actions:  
**Action 10(2)** - Licensing Forum – Review of Constitution and Membership  
**Action 13(1), (2) and (3)** - Status of the ICT Programme.
- 2) To ask for an expected completion date for Action 3 – Home Care and Re-ablement Service Contract Time.
- 3) To ask that any new updates be marked clearly.
- 4) To otherwise note the remaining outstanding actions.

(Reference – Outstanding Actions – 31 July 2018, submitted.)

### 3. Work Programme

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#### Decision

- 1) To add the scrutiny of directorate assurance into the work programme.
- 2) To otherwise note the work programme.

(Reference – Governance, Risk and Best Value Committee Work Programme – 31 July 2018, submitted.)

## 4. Internal Audit Opinion and Annual Report for the Year Ended 31 March 2018

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Details were provided on the Internal Audit's annual opinion for the City of Edinburgh Council for the year ended 31 March 2018, prepared in line with the Public Sector Internal Audit Standards requirements.

### Decision

To note with concern the 'red' high level finding on the Audit Opinion and considered that this required to be addressed as a matter of urgency, and therefore agree:

- 1) That the report be remitted to the Corporate Policy and Strategy Committee for their consideration and request that they report their discussions and any decisions back to the Governance, Risk and Best Value Committee.
- 2) To request each director to bring forward a plan on how they would strengthen the control environment within their directorate and in future include reference to this within each director's assurance statement.

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

## 5. Internal Audit Update Report: 1 January-31 July 2018

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Details were provided on a summary of the findings and status of work from the Internal Audit plan of work. Additional reviews were to be added to the plan where considered necessary to address any emerging risks and issues identified during the year, subject to formal approval by the relevant committee.

The Internal Audit recruitment had been successful and the team now expected to be at full complement by the beginning of October 2018. Work had commenced on the 2018/19 annual plan, however, delivery had been impacted by the ongoing resourcing challenges. It had been agreed with PwC that resources would be provided in August to support delivery of three 2018/19 reviews.

### Decision

- 1) To note the risks associated with the 21 high rated findings raised in the 17 Council reports.
- 2) To note that the 2 Lothian Pension Fund reports had been presented to the Pensions Committee for scrutiny.
- 3) To refer the 6 reports noted in Appendix 1 to the report by the Executive Director of Resources as potentially being of interest to the Audit and Risk Committee of the Edinburgh Integration Joint Board (EIJB), to that Committee.
- 4) To note that no reports were referred by the EIJB Audit and Risk Committee to the Governance Risk and Best Value Committee at their meetings in February, March and May 2018.
- 5) To note the current position with resources and successful recruitment.

- 6) To note the progress with the 2018/19 annual plan and recent Internal Audit priorities.
- 7) To ask for an update to the next meeting on the ability of the 18/19 Plan to deliver its outcomes.
- 8) To refer the audit report on CCTV noted in Appendix 1 to the report, to the CCTV Working Group for consideration.
- 9) To refer the high and medium risk findings to each executive committee as appropriate.
- 10) To ask for a further report on the processes involved for making changes to the 2017/18 Internal Audit Plan.

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

## **6. Improving the Implementation of Council Decision Making**

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### **Decision**

To note that the report had been withdrawn.

## **7. Licensing Forum: Update on Review of Constitution and Membership**

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The Committee had agreed to a review of the appointment process for the Licensing Forum to ensure that it was transparent, fair and fully understood. Details were provided on a draft process which set out how the Council would recruit, select and appoint members to the Forum, together with proposed minor changes to the Constitution.

### **Decision**

- 1) To note the appointment of three temporary Licensing Forum members representing the community which returned the Licensing Forum to a membership of 21.
- 2) To note the progress made on reviewing the appointment process and constitution, with a revised process and constitution to be submitted to this Committee prior to being submitted to the City of Edinburgh Council for approval.

(References –Governance, Risk and Best Value Committee, 20 February 2018 (item 1); report by the Executive Director of Place, submitted.)

## **8. Quarterly Status Update – ICT Programme**

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An update was provided on the programme of works within ICT and the current services delivered by the Council's external ICT partner.

## **Decision**

To note the report by the Executive Director of Resources.

(References – Governance, Risk and Best Value Committee, 8 May 2018 (item 10); report by the Executive Director of Resources, submitted.)

### **9. Expansion of Early Learning and Childcare from 600-1140 Hours by 2020. Audit Scotland Report and Risks**

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A summary of the Audit Scotland Report, published in February 2018, on the expansion of Early Learning and Childcare was presented.

## **Decision**

- 1) To note the report by the Executive Director for Communities and Families.
- 2) To ask the Chief Executive to submit a report to the Edinburgh Partnership on workforce planning.

(Reference - report by the Executive Director for Communities and Families, submitted.)

### **10. Annual Workforce Controls Report – referral from the Finance and Resources Committee**

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The Finance and Resources Committee had referred a report which provided insight into Council workforce metrics and trends for workforce Full Time Equivalent, new starts and leavers, basic salary, overtime costs and sickness absence rates and reasons, for the period January to December 2017 to the Governance, Risk and Best Value Committee for consideration as part of their work programme.

## **Decision**

To note the report by the Executive Director of Resources.

(Reference – Finance and Resources Committee, 12 June 2018 (item 14); referral from the Finance and Resources Committee, submitted.)

## Governance, Risk and Best Value Committee

August 2018

| No | Date       | Report Title  | Action   | Action Owner                    | Expected completion date | Actual completion date | Comments  |
|----|------------|---|--|---------------------------------|--------------------------|------------------------|---|
| 1  | 19/10/2015 | <a href="#">Committee Report Process</a>              | To investigate technology offered by the new IT provider with a view to improving report format and reducing officer workload. To request a progress report back to Committee in one year.                                   | Chief Executive                 | August 2018              |                        | <b>Recommended for Closure</b><br><br>Report on agenda for this meeting.  |
| 2  | 26/09/16   | <a href="#">Corporate Leadership Team Risk Update</a> | 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 | Executive Director of Resources | December 2018            |                        | A report was submitted to the Corporate Policy and Strategy Committee in December 2017 who have called for a further update in 12 months. |

| No | Date     | Report Title   | Action   | Action Owner  | Expected completion date | Actual completion date | Comments  |
|----|----------|--|--|---|--------------------------|------------------------|---|
|    |          |  | Best Value Committee for scrutiny.   |   |                          |                        | The update report will then be referred to this Committee.  |
| 3  | 24/10/16 | <a href="#">Home Care and Re-ablement Service Contact Time</a> | To request an update report 6 months after the implementation of the new ICT system for shift allocation.  | Chief Officer, Edinburgh Health and Social Care Partnership |                          |                        | A project is currently underway to look at short term interventions to increase efficiency and contact time within the internal Home Care and Reablement service. This will consider issues such as sickness absence management, mobile working technology, improved management information and efficiency of travel. |
|    | 29/09/17 |  | 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 |                          |                        | The replacement of  |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments   |
|----|------|--------------|--------|--------------|--------------------------|------------------------|--|
|    |      |              |        |              |                          |                        | <p>the existing shift/resource allocation system has been placed on hold pending a wider consideration of the ICT strategy for the Partnership and the wide variety of systems currently utilised within the Partnership. An outline business case is in development for the replacement of the existing Swift system. Any replacement for our shift allocation system would need to interface effectively with the replacement for Swift.</p> |



| No | Date       | Report Title  | Action  | Action Owner    | Expected completion date | Actual completion date | Comments   |
|----|------------|---|---|-----------------|--------------------------|------------------------|--|
| 4  | 20.04.2017 | <a href="#">Governance of Major Projects: progress report</a> | <p>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 delivery. This would be reported to the Governance, Risk and Best Value Committee with developed proposals in the next reporting period.</p> <p>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</p> | Chief Executive | February 2018            | 20 February 2018       | <p>1) <b>CLOSED</b></p> <p>2) <b>UPDATE</b><br/><b><u>10 August 2018</u></b><br/>A report is to be submitted to the Education, Children and Families Committee in October 2018 which</p> |

| No | Date       | Report Title   | Action   | Action Owner                                    | Expected completion date            | Actual completion date | Comments   |
|----|------------|--|--|---|-------------------------------------|------------------------|--|
|    |            |  | <p>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.</p> <p>3) To request communication with teachers, parents and parent councils on the progress with WIFI provision in schools.</p> |   | <p>August 2018</p> <p>June 2017</p> | <p>June 2017</p>       | <p>will then be referred to this Committee.</p> <p><b>8 May 2018</b><br/>To ask the Executive Director for Communities and Families to set up a workshop for members to enable them to contribute to the scoping of the lessons learned report</p> <p>3) <b>CLOSED</b></p> |
| 5. | 01/08/2017 | <a href="#">Governance, Risk and Best Value Work Programme – 1 August 2017</a> | To note an investigation report on retention of case records would be reported to the appropriate committee and a  | Executive Director for Communities and Families | September 2018                      |                        | The internal auditor's investigation is still ongoing therefore it may take a few  |

| No | Date       | Report Title                                    | Action   | Action Owner                    | Expected completion date | Actual completion date | Comments  |
|----|------------|---|--|---------------------------------|--------------------------|------------------------|---|
|    |            |   | timescale for this would be provided as soon as possible.  |                                 |                          |                        | <p>months before an update is provided.</p> <p>The Executive Director for Communities and Families will provide an update once the Chief Internal Auditor's investigation is concluded.</p> <p>The final audit report would be referred from the Corporate Policy and Strategy Committee to GRBV.</p> |
| 6  | 01/08/2017 | <a href="#">Employee Engagement Update 2017</a> | 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 | September 2018           |                        | The report will be provided following completion of the employee survey which is due to commence in   |

| No | Date       | Report Title  | Action  | Action Owner           | Expected completion date | Actual completion date | Comments  |
|----|------------|---|---|------------------------|--------------------------|------------------------|---|
|    |            |   |   |                        |                          |                        | <p>March 2018 and following an analysis and reporting of the results an action plan will be developed and reported to committee to address the results.</p> <p><b><u>UPDATE</u></b></p> <p>The employee survey closed at the end of June 2018 and the results are currently being analysed.</p> |
| 7  | 26/09/2017 | <a href="#">Internal Audit: Overdue Recommendations and Late Management Responses</a> | <p>1) To request an update on:</p> <p>a) the progress of actions due to close in September.</p> | Chief Internal Auditor | October 2017             | October 2017           | 1) <b>CLOSED</b>  |

| No | Date | Report Title | Action  | Action Owner  | Expected completion date | Actual completion date | Comments   |
|----|------|--------------|---|---|--------------------------|------------------------|--|
|    |      |              | <p>b) Mortuary Services</p> <p>2) To request a scoping report with proposals to address the outstanding actions for Health and Social Care back to GRBV with an appendix highlighting who is responsible for each area.</p> | Chief Officer, Edinburgh Health and Social Care Partnership | October 2018             |                        | <p>2) Following discussion with the Chief Officer, Edinburgh Health and Social Care Partnership, it has been agreed that overdue H&amp;SC recommendations will be reviewed in conjunction with the findings of the IJB H&amp;SC purchasing budget audit that is due to complete by 31 March 2018. It</p> |

| No | Date       | Report Title   | Action  | Action Owner           | Expected completion date | Actual completion date | Comments  |
|----|------------|--|---|------------------------|--------------------------|------------------------|---|
|    |            |  |   |                        |                          |                        | is expected that the emerging findings from this review will replace a number of the historic overdue findings. |
| 8  | 26/09/2017 | <a href="#">Principles to Govern the Working Relationships between the City of Edinburgh Council Governance, Risk and Best Value Committee and the Edinburgh Integrated Joint Board Audit and Risk Committee</a> | To accept the high-level principles subject to further information on how elected members could best engage with the process. | Chief Internal Auditor | 27 November 2018         |                        | An update will be provided to Committee in August 2018 on how elected members can best engage with the process. |

| No | Date       | Report Title  | Action   | Action Owner  | Expected completion date | Actual completion date | Comments  |
|----|------------|---|--|---|--------------------------|------------------------|---|
| 9  | 31/10/2017 | <a href="#">Spot-checking on the Dissemination of Council Policies</a>                            | To note that a report which explored with directorates more effective ways to monitor the dissemination and understanding of Council policies by employees would be submitted by Spring 2018.  | Chief Executive   | August 2018              |                        | <b>Recommended for Closure</b><br><br>Report on the agenda for this meeting |
| 10 | 20/03/18   | <a href="#">Internal Audit Quarterly Update Report Quarter 3 – (1 October – 31 December 2017)</a> | <ol style="list-style-type: none"> <li>1) To circulate performance information in regard to third party suppliers for Adult Drug and Alcohol services to members for information.</li> <li>2) To ask that Internal Audit provide a future update on GDPR readiness.</li> </ol> | Chief Officer, Edinburgh Health and Social Care Partnership | August 2018              |                        | <b>Recommended for Closure</b><br><br>Report on the agenda for this meeting |

| No | Date     | Report Title  | Action  | Action Owner   | Expected completion date | Actual completion date | Comments  |
|----|----------|---|---|--|--------------------------|------------------------|---|
|    |          |   | 3) To ask for a report on the Edinburgh Alcohol and Drug Partnership governance and reporting arrangements and that that report be referred on to the Edinburgh Alcohol and Drug Partnership. | Chief Social Work Officer/Head of Safer and Stronger communities | May 2018                 | 8 May 2018             | <b>CLOSED</b>   |
| 11 | 08/05/18 | <a href="#">Internal Audit Report - Building Standards March 2018</a>         | To note that a further update would be provided in August 2018.   | Executive Director of Place                                      | August 2018              |                        | <b>Recommended for Closure</b><br><br>Report on the agenda for this meeting                       |
| 12 | 05/06/18 | <a href="#">Internal Audit Report - Housing Property Follow Up - May 2018</a> | To ask the Executive Director of Place to provide updated information on gas inspection records.  | Executive Director of Place                                      | Awaiting update          |                        | <b><u>UPDATED</u></b><br><b><u>10 August 2018</u></b><br><br>A briefing note for members has been |



| No | Date     | Report Title                                   | Action   | Action Owner  | Expected completion date              | Actual completion date | Comments   |
|----|----------|--|--|---|---------------------------------------|------------------------|--|
|    |          |  |  |   |                                       |                        | prepared and will be circulated in advance of Committee  |
| 13 | 05/06/18 | <a href="#">Complaints Management - Update</a> | <p>1) To ask the Chief Executive for a briefing note on the reasons for the increase in the timescales for handling complaints.</p> <p>2) To ask the Executive Director of Place for a briefing note on how the improvement to waste service complaints had been achieved and what had still to be done.</p> | <p>Chief Executive</p> <p>Executive Director of Place</p> | <p>August 2018</p> <p>August 2018</p> |                        | <p>A briefing note is in being prepared</p> <p><b><u>Update 10 August 2018</u></b><br/>This briefing note includes information on parts 1 and 2 of this action</p> |

| No | Date     | Report Title  | Action  | Action Owner                    | Expected completion date | Actual completion date | Comments  |
|----|----------|---|---|---------------------------------|--------------------------|------------------------|---|
| 14 | 05/06/18 | <a href="#">Change Portfolio</a>  | To ask for a report on the Asset Management Strategy Programme Dashboard following a report on the matter being considered by the Finance and Resources Committee | Executive Director of Resources | November 2018            |                        | The Asset Management Strategy is proposed to re-set following discussion at the Finance and Resources Committee in June 2018 and will then be reported back to Finance and Resources in September 2018, following which it will be referred to GRBV Committee in October 2018 |
| 15 | 05/06/18 | <a href="#">Reports Presented to Council and Committees - referral from the City of Edinburgh Council</a> | To agree that a report be submitted to the Committee on 28 August 2018 on the terms of the motion referred by the Council   | Chief Executive                 | 28 August 2018           |                        | <b>Recommended for Closure</b><br><br>Report on the agenda for this meeting   |

| No | Date     | Report Title  | Action  | Action Owner                                | Expected completion date | Actual completion date | Comments   |
|----|----------|---|---|---|--------------------------|------------------------|--|
| 16 | 31/07/18 | <a href="#">Internal Audit Opinion and Annual Report for the Year Ended 31 March 2018</a> | To request that each Director bring forward a plan on how they will strengthen the control environment within their Directorate and in future include reference to this within each Director's assurance statement.                 | Chief Executive and all Executive Directors |                          |                        | <b><u>9 August 2018</u></b><br>Committee Services are co-ordinating with Directorates for date for the presentation of the plans |
| 17 | 31/07/18 | <a href="#">Internal Audit Update Report - 1 January to 31 July 2018</a>                  | <p>1) To ask for an update to the next meeting on the ability of the 18/19 Plan to deliver its outcomes.</p> <p>2) To ask for a further report on the processes involved for making changes to the 2017/18 Internal Audit Plan.</p> | Executive Director of Resources             | 28 August 2018           |                        | <b>Recommended for Closure</b><br>Report on the agenda for this meeting  |
|    |          |   |   | Executive Director of Resources             | 28 August 2018           |                        | <b>Recommended for Closure</b><br>Report on the agenda for this meeting  |

| No | Date     | Report Title  | Action  | Action Owner                | Expected completion date | Actual completion date | Comments |
|----|----------|---|---|-----------------------------|--------------------------|------------------------|----------|
| 18 | 31/07/18 | <a href="#">Licensing Forum - Update on Review of Constitution and Membership</a> | To note the progress made on reviewing the appointment process and constitution, with a revised process and constitution to be submitted to the City of Edinburgh Council for approval. | Executive Director of Place | September 2018           |                        |          |

## Governance, Risk and Best Value Committee

|  | Title / description   | Sub section | Purpose/Reason  | Category or type | Lead officer           | Stakeholders | Progress updates | Expected date                                      |
|--|---|-------------|---|------------------|------------------------|--------------|------------------|--|
| <b>Section A – Regular Audit Items</b> |   |             |   |                  |                        |              |                  |  |
| 1                                      | Internal Audit: 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        | 25 September 2018<br>15 January 2019<br>7 May 2019 |
| 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        | 25 September 2018<br>15 January 2019<br>7 May 2019 |

|    |                               |                 |  |                |                                 |              |          |                |
|----|-------------------------------|-----------------|--|----------------|---------------------------------|--------------|----------|----------------|
| 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 | July 2019      |
| 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 2019  |
| 5  | Accounts Commission           | Annual report   | Local Government in Scotland: Financial Overview   | External Audit | Executive Director of Resources | Council Wide | Annually | January 2019   |
| 6  | Accounts Commission           | Annual report   | Local Government in Scotland: Performance and Challenges   | External Audit | Executive Director of Resources | Council Wide | Annually | August 2018    |
| 7  | Annual Audit Plan             | Scott Moncrieff | Annual audit plan  | External Audit | Executive Director of Resources | Council Wide | Annually | March 2019     |
| 8  | Annual ISA 260 Audit Report   | Scott Moncrieff | Annual Audit Report  | External Audit | Executive Director of Resources | Council Wide | Annually | September 2018 |
| 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 | August 2018    |
| 10 | IT Audit Report               | Scott Moncrieff | Scope agreed during annual external audit planning cycle   | External Audit | Executive Director of Resources | Council Wide | Annually | October 2018   |

|                                   |                                 |           |  |                 |                                 |   |           |   |
|-----------------------------------|---------------------------------|-----------|--|-----------------|---------------------------------|---|-----------|---|
| 11                                | Audit Charter                   |           |  | External Audit  | Executive Director of Resources | Council Wide                              |           | March 2019  |
| <b>Section B – Scrutiny Items</b> |                                 |           |  |                 |                                 |   |           |   |
| 12                                | Governance of Major Projects    | TBC       | To ensure major projects undertaken by the Council were being adequately project managed | Major Project   | Chief Executive                 | All                                       |           | November 2018   |
| 13                                | Welfare Reform                  | Review    | Regular update reports   | Scrutiny        | Executive Director of Resources | Council Wide                              | Annual    | March 2019  |
| 14                                | Review of CLT Risk Scrutiny     | Risk      | Quarterly review of CLT's scrutiny of risk   | Risk Management | Chief Executive                 | Council Wide                              | Quarterly | 28 Aug 2018<br>27 November 2018<br>February 2019            |
| 15                                | Whistleblowing Quarterly Report |           | Quarterly Report   | Scrutiny        | Chief Executive                 | Internal                                  | Quarterly | 28 Aug 2018<br>27 November 2018<br>February 2019            |
| 16                                | Workforce Control               | Staff     | Annual report  | Scrutiny        | Executive Director of Resources | Council Wide                              | Annual    | July 2019   |
| 17                                | Committee Decisions             | Democracy | Annual report  | Scrutiny        | Chief Executive                 | Governance, Risk and Best Value Committee | Annual    | Date TBC<br>Re-examine after improved information tracking. |
| 18                                | Monitoring of Council Policies  | Democracy | Annual report  | Scrutiny        | Chief Executive                 | Council Wide                              | Annual    | Spring 2018   |

|    |   |        |                  |          |                                 |              |             |  |
|----|---|--------|------------------|----------|---------------------------------|--------------|-------------|--|
| 19 | Edinburgh Shared Repairs Service and Legacy Closure Programme | Review | Progress reports | Scrutiny | Executive Director of Resources | All          | Six-monthly | August 2018                                  |
| 20 | Revenue Monitoring  | Review | Progress reports | Scrutiny | Executive Director of Resources | Council Wide | Quarterly   | August 2018<br>October 2018<br>February 2019 |
| 21 | Capital Monitoring  | Review | Progress reports | Scrutiny | Executive Director of Resources | Council Wide | Quarterly   | August 2018<br>October 2018<br>February 2019 |
| 22 | Revenue Outturn   | Review | Progress reports | Scrutiny | Executive Director of Resources | Council Wide | Annual      | August 2018                                  |
| 23 | Capital Outturn and Receipts                                  | Review | Progress reports | Scrutiny | Executive Director of Resources | Council Wide | Annual      | August 2018                                  |
| 24 | Treasury – Strategy report                                    | Review | Progress reports | Scrutiny | Executive Director of Resources | Council Wide | Annual      | March 2019                                   |
| 25 | Treasury – Annual report                                      | Review | Progress reports | Scrutiny | Executive Director of Resources | Council Wide | Annual      | August 2018                                  |
| 26 | Treasury – Mid-term report                                    | Review | Progress reports | Scrutiny | Executive Director of Resources | Council Wide | Annual      | January 2019                                 |
| 27 | Status of the ICT Programme                                   | Review | Progress Reports | Scrutiny | Executive Director of Resources | Council Wide | Quarterly   | October 2018<br>February 2019                |



|                                      |                              |        |                 |          |   |              |        |   |
|--------------------------------------|------------------------------|--------|-----------------|----------|---|--------------|--------|---|
| 28                                   | Annual Assurance Schedules   | Review | Progress Report | Scrutiny | All Directorates                                | Council Wide | Annual | October 2018 (Resources)<br>November 2018 (Place and Communities and Families)<br>January 2019 (EIJB) |
| <b>Section C – Council Companies</b> |                              |        |                 |          |   |              |        |   |
| 28                                   | Edinburgh Leisure            | Review | Progress Report | Scrutiny | Executive Director for Communities and Families | Council Wide | Annual | November 2018   |
| 29                                   | Festival City Theatres Trust | Review | Progress Report | Scrutiny | Executive Director of Place                     | Council Wide | Annual | November 2018   |
| 30                                   | Other ALEOs to be confirmed  | Review | Progress Report | Scrutiny | Relevant Director                               | Council Wide | Annual | TBC   |

## GRBV Upcoming Reports

## Appendix 1

| <b>Report Title</b>   | <b>Type</b> | <b>Flexible/Not Flexible</b> |
|---|-------------|------------------------------|
| <b>September 2018</b>   |             |                              |
| Employee Engagement Update 2016                                       | Scrutiny    | Flexible                     |
| Internal Audit: Overdue Recommendations and Late Management Responses | Scrutiny    | Flexible                     |
| Internal Audit Quarterly Activity Report                              | Scrutiny    | Flexible                     |
| Annual ISA 260 Audit Report   | Scrutiny    | Flexible                     |
| Workforce Control   | Scrutiny    | Flexible                     |
| Governance, Risk and Best Value Work Programme – 1 August 2018        | Scrutiny    | Flexible                     |
| Licensing Forum – Revised Processes and Constitution                  | Scrutiny    | Flexible                     |
| Final Reports from Internal Audit Opinion 2017/18                     | Scrutiny    | Flexible                     |

|   |          |          |
|---|----------|----------|
| <b>October 2018</b>   |          |          |
| Status of the ICT Programme Quarterly Report  | Scrutiny | Flexible |
| IT Audit Report   | Scrutiny | Flexible |
| Revenue Monitoring - Review   | Scrutiny | Flexible |
| Capital Monitoring - Review   | Scrutiny | Flexible |
| Change Portfolio  | Scrutiny | Flexible |
| Scoping Report with Proposals to Address the Outstanding Actions for Health and Social Care | Scrutiny | Flexible |
| <b>November 2018</b>  | Scrutiny | Flexible |
| Governance of Major Projects  | Scrutiny | Flexible |
| CLT Risk Register   | Scrutiny | Flexible |
| Whistleblowing Quarterly Reports  | Scrutiny | Flexible |
| Edinburgh Leisure – Annual Review   | Scrutiny | Flexible |
| Festival City Theatres Trust – Annual Review  | Scrutiny | Flexible |

|  |          |          |
|--|----------|----------|
| Principals to Govern the Working Relationships between the City of Edinburgh Council Governance, Risk and Best Value Committee and the Edinburgh Integrated Joint Board Audit and Risk Committee | Scrutiny | Flexible |
| Governance of Major Projects – Boroughmuir High School   | Scrutiny | Flexible |

# Governance, Risk and Best Value Committee

10.00am, Tuesday 28 August 2018

## Revenue Monitoring 2017/18 – outturn report – referral from the Finance and Resources Committee

|                     |     |
|---------------------|-----|
| Item number         | 7.1 |
| Report number       |     |
| Wards               | All |
| Council Commitments |     |

### Executive summary

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On 16 August 2018 the Finance and Resources Committee considered a report which set out the provisional 2017/18 revenue outturn position for the Council based on the unaudited financial statements. The position showed an overall underspend of £2.416m, representing the eleventh successive year in which net expenditure had been maintained within approved levels. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

# Terms of Referral

## Revenue Monitoring 2017/18 – outturn report – referral from the Finance and Resources Committee

### Terms of referral

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- 1.1 The Council's statement of accounts for 2017/18 was passed to the external auditor by the statutory deadline of 30 June 2018. The report set out the provisional outturn position for the revenue budget as detailed within the unaudited statement.
- 1.2 The unaudited financial statements were published on the Council website by 30 June 2018 and made available for public inspection from 2 July 2018 for 15 working days, in accordance with relevant regulations. A number of enquiries were received during this period and officers provided responses accordingly. It was, however, possible that objections to the accounts would be raised with the external auditor as part of the audit process.
- 1.3 As in previous years, the audited annual accounts and the auditor's report would be submitted initially to the Governance, Risk and Best Value Committee on 25 September 2018 and be presented for approval thereafter by the Finance and Resources Committee on 27 September 2018, thereby meeting the statutory requirement for the audited statements to be approved by members by 30 September 2018.
- 1.4 The Finance and Resources Committee agreed:
  - 1.4.1 To note the contents of the report and the provisional revenue underspend of £2.416m for the year ended 31 March 2018.
  - 1.4.2 To note that, after taking account of Council's previous approval to earmark £0.480m for additional roads investment and £0.100m for the City Vision, the remaining £1.836m had been set aside within the Council Priorities Fund.
  - 1.4.3 To note the contributions in 2017/18 to and from the General Fund as detailed in the report.
  - 1.4.4 To note that the Housing Revenue Account was balanced after making planned contributions of £10m towards in-year capital investment and £0.438m to the Renewal and Repairs Fund.
  - 1.4.5 To note that the Common Good Annual Performance Report would be considered at the Committee's meeting on 27 September 2018.
  - 1.4.6 To refer the report to the Governance, Risk and Best Value Committee as part of its workplan.

## For Decision/Action

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2.1 The Governance, Risk and Best Value Committee is asked to consider this report as part of its workplan.

## Background reading / external references

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Finance and Resources Committee 16 August 2018.

### **Laurence Rockey**

Head of Strategy and Insight

Contact: Stuart Johnston, Committee Services

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## Links

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### **Appendices**

Appendix 1 - report by the Executive Director of Resources

# Finance and Resources Committee

10.00am, Thursday 16 August 2018

## Revenue Monitoring 2017/18 – outturn report

Item number

Report number

Executive/routine

Wards n/a

Council Commitments n/a

### Executive Summary

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The report sets out the provisional 2017/18 revenue outturn position for the Council based on the unaudited financial statements. This position shows an overall underspend of £2.416m, representing the eleventh successive year in which net expenditure has been maintained within approved levels.



## Revenue Monitoring 2017/18 – outturn report

### 1. Recommendations

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- 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 £2.416m for the year ended 31 March 2018;
  - 1.1.2 note that, after taking account of Council's previous approval to earmark £0.480m for additional roads investment and £0.100m for the City Vision, the remaining £1.836m has been set aside within the Council Priorities Fund;
  - 1.1.3 note the contributions in 2017/18 to and from the General Fund as detailed in the report;
  - 1.1.4 note that the Housing Revenue Account was balanced after making planned contributions of £10m towards in-year capital investment and £0.438m to the Renewal and Repairs Fund;
  - 1.1.5 note that the Common Good Annual Performance Report will be considered at the Committee's meeting on 27 September; and
  - 1.1.6 refer this report to the Governance, Risk and Best Value Committee as part of its workplan.

### 2. Background

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- 2.1 The Council's statement of accounts for 2017/18 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 2018 and made available for public inspection from 2 July 2018 for 15 working days, in accordance with relevant regulations. A number of enquiries were received during this period and officers provided responses accordingly. It is, however, possible that objections to the accounts will be raised with the external auditor as part of the audit process.
- 2.3 As in previous years, the audited annual accounts and the auditor's report will be submitted initially to the Governance, Risk and Best Value Committee on 25 September 2018 and be presented for approval thereafter by the Finance and

Resources Committee on 27 September, thereby meeting the statutory requirement for the audited statements to be approved by members by 30 September.

### 3. Main report

#### Overall position

- 3.1 The unaudited outturn position for 2017/18 shows an overall underspend of £2.416m, equating to 0.26% of the Council's total net expenditure. Table 1 below summarises the outturn, with further details provided in Appendix 1. Achievement of a balanced outturn in 2017/18 represents the eleventh successive year in which expenditure has been maintained within budgeted levels.

**Table 1 – Summarised Unaudited Outturn Statement, 2017/18**

|                                    | <b>Revised Budget</b> | <b>Outturn</b> | <b>Outturn Variance</b> |
|------------------------------------|-----------------------|----------------|-------------------------|
|                                    | <b>£000</b>           | <b>£000</b>    | <b>£000</b>             |
| Service areas                      | 822,581               | 822,082        | (499)                   |
| Non-service specific budgets       | 150,158               | 146,194        | (3,964)                 |
| Movement in reserves               | 1,137                 | 3,591          | 2,455                   |
| Sources of funding                 | (973,876)             | (974,285)      | (409)                   |
| <b>In-year (surplus) / deficit</b> |                       | <b>(2,416)</b> | <b>(2,416)</b>          |

- 3.2 As reported to the Finance and Resources Committee on 7 November 2017, in view of significant demand-led pressures apparent within both Health and Social Care and Safer and Stronger Communities during the year, £10.6m of additional funding was made available to these areas. In order to maintain overall expenditure within approved levels, however, offsetting savings, comprising a combination of assumed underspends in other service areas (£2.828m), reductions in loans charge expenditure (£1m), additional Council Tax income (£2.714m) and a number of one-off contributions from reserves (£4.058m) were identified and it is against these revised budgets that the variances shown above have therefore been presented.

#### Service area variances

- 3.3 Taking into account the provision of the net additional funding outlined above, the Council's main service areas showed an overall underspend of £0.499m during the year. Commentaries on the main factors comprising these variances, as well as material risks and pressures managed during the year, are included as Appendix 2.

## **Other areas**

3.4 In addition to the slight underspend across service areas noted above, a net underspend of £1.917m was also achieved across non-service and other corporately-managed budgets. The main elements comprising this outturn position were:

(i) **Loans charge expenditure (£1.217m underspend)**

The favourable variance was largely attributable to the Council's ongoing strategy of using available cash balances in lieu of undertaking external borrowing.

(ii) **Council Tax (£0.408m additional income)**

Increased property numbers and lower-than-budgeted levels of exemptions and discounts, linked to a focused review of Single Person Discount entitlement, contributed to a small favourable overall variance relative to the position assumed at the mid-year point. The in-year collection rate of 96.8% was also the highest achieved since the Council's formation in 1996.

(iii) **Council Tax Reduction Scheme (£2.455m underspend)**

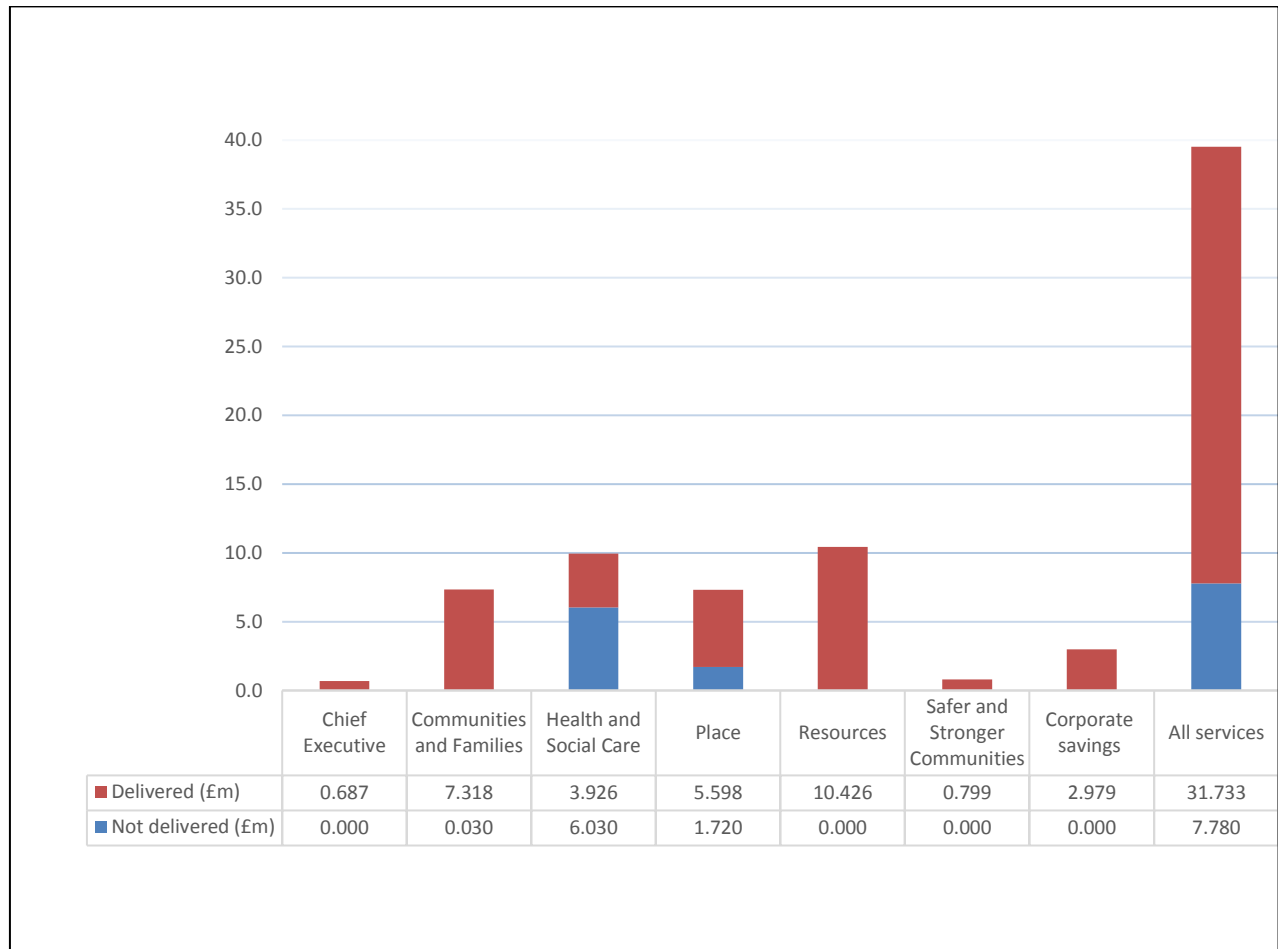
While the entirely demand-led nature of the scheme exposes the Council to risks, sums paid out in 2017/18 were lower than the equivalent level of budgetary provision. As in 2016/17, this underspend has been set aside within the Council's allocated reserves to address potential welfare reform-related pressures in future years, particularly given the full roll-out of Universal Credit with effect from October 2018.

3.5 As noted in the report to Council on 28 June 2018, the provisional Council-wide outturn also reflects impairment costs of £3.116m in respect of the EDI Group's transition strategy. As reiterated at that time, however, the wider strategy remains on schedule, with an estimated dividend to be paid to the Council, after repayment of all outstanding loan stock and share capital, of £8.5m and further sums receivable in respect of profit share for the Brunstane and Market Street projects.

### Approved budget savings delivery

3.6 As shown in Table 2 below, the final outturn position for 2017/18 indicates that 80% of approved savings by value were delivered, with those not achieved primarily attributable to slippage in transformation- and demand management-linked savings within Health and Social Care. A number of savings within the Environment Division of the Place Directorate were, as anticipated, not delivered during the year pending implementation of medium-terms plans geared towards securing financial sustainability in these areas.

**Table 2 – Delivery of approved budget savings, 2017/18**



3.7 The shortfall in delivery of savings in the areas concerned was offset by a variety of one-off mitigating management actions throughout the year, including further tightening of workforce and financial controls and prioritisation of discretionary expenditure.

### Transfer to Council Priorities Fund

3.8 At the meeting of Council on 28 June 2018, members approved the earmarking of an element of the provisional 2017/18 in-year underspend to support additional investment in the city's roads network (£0.480m) and enhanced engagement on the City Vision (£0.100m). The remaining £1.836m has been set aside within the Council Priorities Fund pending completion of the external audit process.

- 3.9 Members additionally approved, subject to the outcome of the audit process, an increase of £7.463m in the level of the Council's 2017/18 offer to the Edinburgh Integration Joint Board (EIJB). Approval of a revised offer at this level is implicit in the set-aside noted above.

#### **Staff release costs**

- 3.10 Given the stage of the Council's Transformation Programme, the level of expenditure associated with staff early release was, at £2.727m, considerably lower than in 2016/17.
- 3.11 Expressed on a cumulative basis, as of 24 May 2018, staff equivalent to 983FTE had left, or had confirmed leaving dates, through Voluntary Early Release or Voluntary Redundancy Arrangements as part of the wider Transformation Programme. The total release cost of these arrangements is £41.5m, with the associated payback period of 13.4 months consistent with the original planning assumptions.

#### **Housing Revenue Account (HRA)**

- 3.12 In line with the HRA Business Plan, at the end of 2017/18 the HRA was balanced after making a contribution of £0.438m to the Renewal and Repairs Fund and £10m towards in-year capital investment, with sums also drawn down from the Fund during the year to meet the cost of approved projects. The funds held in the Renewal and Repairs Fund are earmarked for investment in existing housing stock and future capital investment in new homes through the Council's own housing development programme.

#### **Reserves**

- 3.13 As at 31 March 2018, the General Fund reserves had risen to £151.285m, an increase of £8.674m relative to the preceding year. Details of the opening and closing amounts in the General Fund, including earmarked balances, are shown in Appendix 3. The adequacy and appropriateness of the level of reserves continues to be reviewed annually by Council as part of the revenue budget-setting process.
- 3.14 The overall increase in reserves mainly reflects differences between the timing of receipt of external funding and the related expenditure. The overall increase also reflects, however, the in-year surplus transferred to the Council Priorities Fund noted at 3.8 above.
- 3.15 The unallocated General Fund balance remained unchanged at £13.025m, in line with the Council's medium-term strategy, and alongside a net increase in reserves held for specific purposes of £8.674m, is considered by officers to be consistent with the range and nature of risks to which it is exposed. The main elements of this movement in the level of earmarked reserves were:

#### Net contributions to reserves

- i. **Council Tax Discount Fund** - £3.198m - 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. While the Council has

subsequently approved the removal of the remaining 10% second home discount, the additional income concerned accrues to the General Fund. 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 seek to deliver 20,000 new affordable homes by the Council and its not-for-profit housing association partners over the next ten years;

- ii. **Council Priorities Fund** – the increase of £2.805m comprised a combination of (i) approved funding of £1.70m to support future priorities, (ii) the additional in-year revenue surplus of £2.416m and (iii) the application of net funding totalling £1.311m, primarily the drawdown of the audited surplus for 2016/17. As noted above, in approving the report on the Unaudited Accounts considered by Council on 28 June 2018, members subsequently earmarked £0.580m of this sum and there are a number of further commitments on the restated balance of £7.111m going forward;
- iii. **Balances set aside for specific investment** – the increase of £14.990m includes various additional contributions for specific projects received prior to and during 2017/18 that were set aside in the year, including for welfare reform and planned future service transformation. The sum also includes the £2.682m of General Revenue Funding paid by the Scottish Government in 2017/18 but received in respect of 2018/19; and
- iv. **Devolved School Management** – in accordance with relevant Scottish Government guidance, £3.578m of the Council's Pupil Equity Fund (PEF) allocation for the 2017/18 financial year has been carried forward, with the aim that these funds be used by the end of the 2017/18 academic year. Given the acknowledged need to put in place appropriate supporting arrangements in the Fund's first year of operation, however, guidance makes provision, in exceptional circumstances, for a further carry-forward into the 2018/19 academic year should this be required.

#### Net contributions from reserves

- i. **Dilapidations** - net reduction of £7.267m – contractual sums due were paid during the year in respect of the Council's waste disposal arrangements and renunciation of the Council's lease for 1A Parliament Square;
- ii. **Lothian Buses** – net reduction of £3.407m – in accordance with the earlier decision of Council, costs associated with necessary Stage 2 land acquisition and other preparatory and scoping works were incurred during the year prior to the taking of a final decision on the proposed tram extension to Newhaven in Autumn 2018; and

- iii. **Spend to Save/similar projects** – net reduction of £4.110m – sums were drawn down in the year to support upfront investment in a number of eligible projects, including the Re:fit energy efficiency programme and Routesmart vehicle management system for the Waste Service. £2.047m of funding relating to the former BT Efficiency Fund has now also been reclassified within “balances set aside for specific investment” above.

### **Common Good**

- 3.16 During 2017/18, the Common Good Fund incurred an overall deficit of £0.015m, primarily due to essentially-fixed levels of associated governance costs and limited investment income. A more detailed commentary on the outturn and related current financial and other issues will be included within the Common Good Annual Performance Report to be considered at the Committee’s following meeting on 27 September 2018.

## **4. Measures of success**

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- 4.1 The Council has a statutory duty to set a balanced budget each year and the Financial Regulations further set out Executive Directors’ responsibilities in maintaining expenditure within approved levels. A balanced overall outturn position has been achieved for the eleventh 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**

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- 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**

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- 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**

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

## 8. Sustainability impact

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- 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

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

## 10. Background reading/external references

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- 10.1 [Unaudited Annual Accounts 2017/18](#), City of Edinburgh Council, 28 June 2018
- 10.2 [Revenue Monitoring 2017/18 – Month Five Position](#), Finance and Resources Committee, 7 November 2017
- 10.3 [Revenue Monitoring 2017/18 – Month Eight Position](#), Finance and Resources Committee, 23 January 2018

**Stephen S. Moir**  
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## 11. Appendices

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One - Unaudited Revenue Budget Outturn Statement, 2017/18

Two – Service Outturn Commentaries, 2017/18

Three – Transfers to and from usable reserves, 2017/18



## Unaudited Revenue Budget Outturn Statement, 2017/18

|   | Approved Budget  | Monitoring Adjustment | Revised Budget   | Outturn          | Outturn Variance |
|---|------------------|-----------------------|------------------|------------------|------------------|
|   | £000             | £000                  | £000             | £000             | £000             |
| <b>Service areas</b>                                  |                  |                       |                  |                  |                  |
| Services reporting to Chief Executive                 | 11,388           | (368)                 | 11,020           | 11,019           | (1)              |
| Communities and Families                              | 342,953          | (1,000)               | 341,953          | 342,940          | 987              |
| Health and Social Care                                | 185,810          | 7,100                 | 192,910          | 193,273          | 363              |
| Place   | 70,449           | -                     | 70,449           | 70,447           | (2)              |
| Resources   | 172,662          | (1,460)               | 171,202          | 170,304          | (898)            |
| Safer and Stronger Communities                        | 27,806           | 3,500                 | 31,306           | 30,470           | (836)            |
| Lothian Valuation Joint Board                         | 3,741            | -                     | 3,741            | 3,629            | (112)            |
| <b>Service areas total</b>                            | <b>814,809</b>   | <b>7,772</b>          | <b>822,581</b>   | <b>822,082</b>   | <b>(499)</b>     |
| <b>Non-service specific areas</b>                     |                  |                       |                  |                  |                  |
| Loan Charges  | 112,762          | (1,000)               | 111,762          | 110,545          | (1,217)          |
| Other non-service specific costs                      | 18,516           | -                     | 18,516           | 19,604           | 1,088            |
| Council Tax Reduction Scheme (Note 1)                 | 26,672           | -                     | 26,672           | 24,217           | (2,455)          |
| Early Release Costs                                   | 2,815            | -                     | 2,815            | 2,727            | (88)             |
| Net Cost of Benefits                                  | (62)             | -                     | (62)             | (625)            | (563)            |
| Interest and investment income                        | (9,545)          | -                     | (9,545)          | (10,274)         | (729)            |
| <b>Non-service specific areas total</b>               | <b>151,158</b>   | <b>(1,000)</b>        | <b>150,158</b>   | <b>146,194</b>   | <b>(3,964)</b>   |
| <b>Movements in reserves</b>                          |                  |                       |                  |                  |                  |
| Net contribution to / (from) earmarked funds (Note 1) | 7,001            | (4,058)               | 2,943            | 5,397            | 2,455            |
| Contribution to / (from) Repair and Renewals Fund     | 93               | -                     | 93               | 93               | -                |
| Contribution to / (from) Capital Fund                 | (1,899)          | -                     | (1,899)          | (1,899)          | -                |
| <b>Movements in reserves total</b>                    | <b>5,195</b>     | <b>(4,058)</b>        | <b>1,137</b>     | <b>3,591</b>     | <b>2,455</b>     |
| <b>Sources of funding</b>                             |                  |                       |                  |                  |                  |
| General Revenue Grant                                 | (345,757)        | -                     | (345,757)        | (345,757)        | -                |
| Non-Domestic Rates                                    | (355,063)        | -                     | (355,063)        | (355,063)        | -                |
| Council Tax   | (270,342)        | (2,714)               | (273,056)        | (273,465)        | (409)            |
| <b>Sources of funding total</b>                       | <b>(971,162)</b> | <b>(2,714)</b>        | <b>(973,876)</b> | <b>(974,285)</b> | <b>(409)</b>     |
| <b>In-year (surplus) / deficit</b>                    | <b>-</b>         | <b>-</b>              | <b>-</b>         | <b>-</b>         | <b>(2,416)</b>   |

Note 1 – uncommitted funds linked to the in-year underspend in respect of the Council Tax Reduction Scheme of £2.455m were transferred to an earmarked reserve.

### Service outturn commentaries

**Services reporting to the Chief Executive** – after taking account of the agreed contribution to offset overspends in other areas, the services reporting to the Chief Executive showed a balanced position for the year.

**Communities and Families** (£0.987m overspend, representing 0.3% of net service budget) – as set out within the Revenue Monitoring report considered by the Finance and Resources Committee on 7 November 2017, those Executive Directors projecting a balanced or underspend position were requested to identify additional savings opportunities to offset pressures in Health and Social Care and Safer and Stronger Communities, with Communities and Families' share of these additional savings being £1m. While the Executive Director was committed to identifying these further savings, increasing underlying pressures across a number of areas of activity during the remainder of the financial year meant that a small underspend was achieved against the core service budget but with the additional savings requirement not met. As such, the overall year-end position showed a £0.987m overspend against the revised budget.

The main pressures apparent within the service during the year included greater use of out-of-Council area placements linked to accommodating a number of Unaccompanied Asylum-Seeking Children (UASC) within the city, increased demand for other residential care placements and costs of Home to School transport. Mitigating measures identified included savings within the Early Years, fostering and day care service areas and application of Home Office funding for UASC.

**Health and Social Care** (£0.363m overspend, representing 0.2% of net service budget) – in light of significant demand-led pressures and non-delivery of £6.03m of planned transformational-related purchased savings, £7.1m of additional funding was made available to support the service during the year and the outturn is expressed after provision of these sums. The movement between the Period 8 forecast and year-end outturn primarily reflected an under-recovery of Intensive Housing Benefit income from providers of £0.5m.

Subject to the outcome of the audit process, the Council approved in June an increase in the level of its offer to the EIJB for 2017/18 by £7.463m in line with actual expenditure incurred.

**Place** (£0.002m underspend) – the Environment Division of the Directorate continued to be subject to significant pressures during the year, with additional employee costs and higher-than-anticipated Landfill Tax expenditure both apparent pending the phased introduction of the actions underpinning the Service Improvement Plan. Roads Services similarly continued to experience pressures with regard to the underlying reduction in the volume of rechargeable works.

Over the medium term, concerted action is clearly required to address these underlying structural deficits. In 2017/18, however, combination of additional parking income, Directorate-wide vacancy control, use of service reserves and savings against the additional investment approved as part of the budget allowed expenditure to be maintained within approved levels.

**Resources** (£0.898m underspend, representing 0.5% of net service budget) – following the emergence of significant demand-led pressures elsewhere within the Council, the Executive Director of Resources was requested to deliver a minimum of £1.46m of additional savings, with these subsequently primarily delivered through a combination of employee cost savings, accelerated telecoms and ICT-related procurement savings and application of the Customer Transformation Programme contingency.

The confirmed service outturn reflected further one-off savings within Property and Facilities Management, HR Learning and Development and staff vacancy control across the service.

**Safer and Stronger Communities** (£0.836m underspend, representing 2.7% of net service budget) - significant service pressures resulted from the removal with effect from April 2017 of temporary accommodation management fees from Housing Benefit eligibility, combined with changes to the benefits cap, which also impact on Housing Benefit income.

Demand for Bed and Breakfast (B&B) and Short Term Let (STL) accommodation continued to rise during the year, due to increasing average length of stay and a shortage of available move-on accommodation. B&B usage in 2017/18 was 217,188 bed-nights, compared with 173,337 in 2016/17 (25% increase). STL usage in 2017/18 was 71,510 bed-nights, compared with 60,219 in 2016/17 (19% increase).

As a consequence of these pressures, the service consistently presented a projected net overspend of £3.5m and was provided with corresponding corporate support. At the end of the financial year, however, Housing Benefit income levels exceeded forecasts, resulting in an overall £2.7m overspend. For presentational purposes, however, after taking account of the £3.5m of in-year corporate support provided, a year-end underspend of £0.8m was reported.

**Lothian Valuation Joint Board (LVJB) Requisition** (£0.112m underspend, representing 3% of net requisition) – in line with the Board's approved revenue budget strategy for 2017/18, a one-off refund of £0.112m was paid to the Council from the Board's unallocated reserve during the year.

**Net cost of benefits** (£0.563m underspend) – improved processes for Housing Benefit overpayment recovery resulted in an underspend during the year. Going forward, however, there remains some uncertainty as to how the current arrangements may be affected when Housing Benefit falls fully within the scope of Universal Credit.

**TRANSFERS TO AND FROM USABLE RESERVES**

|  | Balance at<br>31-Mar-17<br>£000 | Transfers<br>Out<br>2017/18<br>£000 | Transfers<br>In<br>2017/18<br>£000 | Balance at<br>31-Mar-18<br>£000 |
|--|---------------------------------|-------------------------------------|------------------------------------|---------------------------------|
| <b>Balances Set Aside to Manage Financial Risks and for Specific Investment</b>                  |                                 |                                     |                                    |                                 |
| Balances set aside for specific inv.   | 25,659                          | (8,813)                             | 23,803                             | 40,649                          |
| Contingency funding, incl workforce  | 18,094                          | 0                                   | 49                                 | 18,143                          |
| Council Priorities Fund  | 4,886                           | (1,312)                             | 4,117                              | 7,691                           |
| Dilapidations fund   | 12,344                          | (9,267)                             | 2,000                              | 5,077                           |
| Insurance funds  | 14,667                          | (17)                                | 1,225                              | 15,875                          |
|  | <u>75,650</u>                   | <u>(19,409)</u>                     | <u>31,194</u>                      | <u>87,435</u>                   |
| <b>Balances Set Aside from Income Received in Advance</b>  |                                 |                                     |                                    |                                 |
| Licensing and Registration income  | 3,093                           | (272)                               | 259                                | 3,080                           |
| Lothian Buses  | 3,795                           | (3,587)                             | 180                                | 388                             |
| Other minor funds  | 236                             | (18)                                | 0                                  | 218                             |
| Pre-paid PPP monies  | 2,155                           | 0                                   | 412                                | 2,567                           |
| Recycling monies   | 1,161                           | (464)                               | 0                                  | 697                             |
| Council Tax Discount Fund  | 24,234                          | 0                                   | 3,198                              | 27,432                          |
| Unspent grants   | 2,934                           | (2,722)                             | 1,662                              | 1,874                           |
| City Strategic Investment Fund   | 6,180                           | (768)                               | 49                                 | 5,461                           |
|  | <u>43,788</u>                   | <u>(7,831)</u>                      | <u>5,760</u>                       | <u>41,717</u>                   |
| <b>Balances Set Aside for Investment in Specific Projects which will Generate Future Savings</b> |                                 |                                     |                                    |                                 |
| Savings set aside for IT projects  | 2,046                           | (2,068)                             | 22                                 | 0                               |
| Energy efficiency  | 98                              | 0                                   | 80                                 | 178                             |
| Salix / CEEF   | 1,324                           | (1,324)                             | 197                                | 197                             |
| Spend to save  | 3,992                           | (1,026)                             | 9                                  | 2,975                           |
|  | <u>7,460</u>                    | <u>(4,418)</u>                      | <u>308</u>                         | <u>3,350</u>                    |
| <b>Balances Set Aside under Devolved School Management Scheme and Pupil Equity Fund</b>          |                                 |                                     |                                    |                                 |
| Devolved School Management   | <u>2,688</u>                    | <u>(2,688)</u>                      | <u>5,758</u>                       | <u>5,758</u>                    |
| <b>Unallocated General Reserve</b>   | <u>13,025</u>                   | <u>0</u>                            | <u>0</u>                           | <u>13,025</u>                   |
| <b>Total General Reserve</b>   | <u>142,611</u>                  | <u>(34,346)</u>                     | <u>43,020</u>                      | <u>151,285</u>                  |

# Governance, Risk and Best Value Committee

10.00am, Tuesday 28 August 2018

## Revenue Monitoring 2018/19 – Month Three Position – referral from the Finance and Resources Committee

|                     |     |
|---------------------|-----|
| Item number         | 7.2 |
| Report number       |     |
| Wards               | All |
| Council Commitments |     |

### Executive summary

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On 16 August 2018 the Finance and Resources Committee considered a report which set out the projected revenue budget position for the year based on analysis of period two 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 2018/19 – Month Three Position – referral from the Finance and Resources Committee

### Terms of referral

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- 1.1 The report set out the projected overall three-month position for the Council's 2018/19 revenue expenditure budget based on analysis of actual expenditure and income to the end of May 2018.
- 1.2 As of period three, an overall overspend of £7.720m was forecast. This variance reflected £15.175m of projected service expenditure in excess of approved levels, partially offset by £7.455m of savings, or additional income, across a number of corporate budgets.
- 1.3 In light of this overall position, all Executive Directors had been required to identify, as a matter of urgency, further proposed actions to bring their respective budgets into balance by the year-end. An update on these proposed actions and wider management of risks and pressures would be reported to the Finance and Resources Committee's meeting on 11 October 2018.
- 1.4 The Finance and Resources Committee agreed:
  - 1.4.1 To note that a number of significant pressures had been highlighted by Executive Directors, such that an overall year-end overspend of £7.720m, after taking account of current mitigating actions and assuming no further mitigating actions were taken, was forecast as of month three.
  - 1.4.2 To note that in light of this projected position, all Executive Directors and the Chief Officer of the Edinburgh Health and Social Care Partnership had been required to identify, as a matter of urgency, further proposed actions to bring their respective budgets into balance by the year-end.
  - 1.4.3 To note the balanced projected position on the Housing Revenue Account (HRA) after making a £9.25m planned contribution towards housing investment.
  - 1.4.4 To refer the report to the Governance, Risk and Best Value Committee as part of its work programme.
  - 1.4.5 To agree that the Convener would make representations to the Integration Joint Board (IJB) to review how to address the challenges associated with

increasing existing packages of care and/or taking on new packages and to seek assurance that the Council was not failing in terms of its statutory requirements to clients.

- 1.4.6 To agree that the Chief Officer, Edinburgh Health and Social Care Partnership and the IJB's Chief Financial Officer would be invited to answer questions related to Health and Social Care Budgets in the Revenue Monitoring report being brought to the October 2018 Committee.
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## For Decision/Action

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

## Background reading / external references

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Finance and Resources Committee 16 August 2018.

### Laurence Rockey

Head of Strategy and Insight

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## Links

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### Appendices

Appendix 1 - report by the Executive Director of Resources

# Finance and Resources Committee

10.00am, Thursday 16 August 2018

## Revenue Monitoring 2018/19 – month three position

Item number

Report number

Executive/routine

Wards n/a

Council Commitments n/a

### Executive Summary

---

The report sets out the projected revenue budget position for the year based on analysis of period two data. Service areas have identified a number of significant pressures, particularly in demand-led areas, together totalling £15.2m and prompt and effective implementation of planned and additional mitigating actions will therefore be required to maintain expenditure within approved levels.



## Revenue Monitoring 2018/19 – month three position

### 1. Recommendations

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- 1.1 Members of the Finance and Resources Committee are asked to:
  - 1.1.1 note that a number of significant pressures have been highlighted by Executive Directors, such that an overall year-end overspend of £7.720m, after taking account of current mitigating actions and assuming no further mitigating actions were taken, is forecast as of month three;
  - 1.1.2 note that in light of this projected position, all Executive Directors and the Chief Officer of the Edinburgh Health and Social Care Partnership have been required to identify, as a matter of urgency, further proposed actions to bring their respective budgets into balance by the year-end;
  - 1.1.3 note the balanced projected position on the Housing Revenue Account (HRA) after making a £9.25m planned contribution towards housing investment; and
  - 1.1.4 refer this report to the Governance, Risk and Best Value Committee as part of its work programme.

### 2. Background

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- 2.1 This report sets out the projected overall three-month position for the Council's 2018/19 revenue expenditure budget based on analysis of actual expenditure and income to the end of May 2018.

### 3. Main report

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- 3.1 This report represents the first quarterly revenue monitoring report for 2018/19. 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, an overall overspend of £7.720m is forecast as shown in the table below. This variance reflects £15.175m of projected service expenditure in

excess of approved levels, partially offset by £7.455m of savings, or additional income, across a number of corporate budgets.

**Table 1 – 2018/19 Revenue Budget – Projected Expenditure**

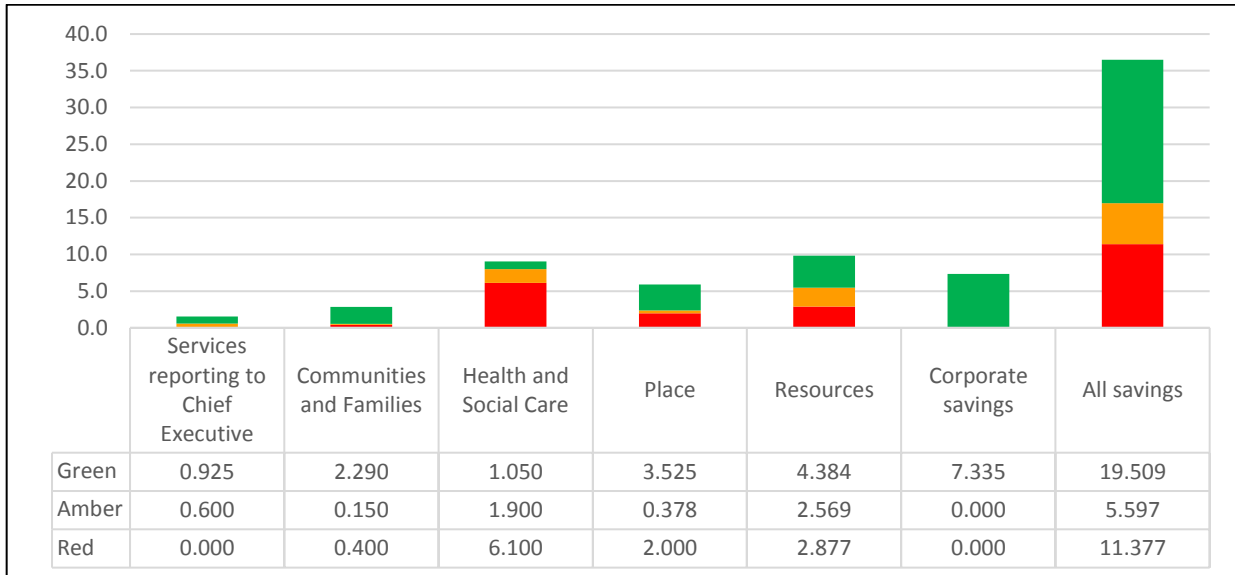
|                                    | <b>Revised Budget (£000)</b> | <b>Period Budget (£000)</b> | <b>Period Actual (£000)</b> | <b>Period Variance (£000)</b> | <b>Projected Outturn (£000)</b> | <b>Outturn Variance (£000)</b> |
|------------------------------------|------------------------------|-----------------------------|-----------------------------|-------------------------------|---------------------------------|--------------------------------|
| Service areas                      | 814,102                      | 210,151                     | 218,174                     | 8,023                         | 829,277                         | 15,175                         |
| Non-service specific areas         | 174,244                      | n/a                         | n/a                         | n/a                           | 170,244                         | (4,000)                        |
| Movements in reserves              | (9,211)                      | (8,901)                     | (8,901)                     | 0                             | (11,666)                        | (2,455)                        |
| Sources of funding                 | (979,135)                    | (291,974)                   | (291,974)                   | 0                             | (980,135)                       | (1,000)                        |
|                                    |                              |                             |                             |                               |                                 |                                |
| <b>In-year (surplus) / deficit</b> |                              |                             |                             |                               | <b>7,720</b>                    | <b>7,720</b>                   |

- 3.4 In light of this overall position, all Executive Directors have been required to identify, as a matter of urgency, further proposed actions to bring their respective budgets into balance by the year-end. An update on these proposed actions and wider management of risks and pressures will be reported to the Finance and Resources Committee's meeting on 11 October 2018.
- 3.5 In view of significant savings requirements in future years, Executive Directors should aim to address in full the in-year variances set out within this report. Should sufficient measures not be forthcoming, however, they should nonetheless identify savings, the full-year effect of which will be consistent with the 2019/20 service expenditure baseline included in the budget framework report considered by the Committee on 12 June 2018. This is particularly important given that savings in corporate areas in 2018/19 are either one-off in nature i.e. transfers from reserves or are assumed to underpin subsequent years' savings requirements.
- 3.6 The emphasis should, in the first instance, be on balancing the overall budget in 2018/19 through the identification of mitigating measures within service areas. As part of re-establishing the stability of the budget framework going forward, however, members may wish to earmark, should this be necessary, the residual 2017/18 underspend of £1.836m that has been transferred to the Council Priorities Fund. Availability of this sum is subject to the outcome of the external audit process.

## Delivery of approved savings

- 3.7 The approved budget for 2018/19 was predicated on the delivery of £36.5m of service-specific and corporate savings. As of the end of June, the overall RAG assessment of these savings indicates that, on the basis of actions planned or already undertaken, some 69% are on target to be delivered as shown in the chart below.

**Chart 1 - RAG assessment of approved budget savings (£m), 2018/19 – June 2018**



- 3.8 Those savings assessed as red, by the Finance Division, at this stage are as follows:

### 3.8.1 Communities and Families

**Home to School Transport** – while a number of relevant workstreams are progressing, due to increases in underlying service demand, the budgeted saving of £0.4m will not be delivered and alternative mitigating measures are being sought.

### 3.8.2 Health and Social Care

**Asset-based approach to demand management** – “capacity-releasing” savings of £3m. As of the end of June, only around 100 of the planned 1,600 reviews to facilitate delivery of this saving had been undertaken;

**Service transformation - Self-Directed Support (SDS)** - £1m of approved savings predicated on offsetting disinvestment of in-house services as a result of expansion of SDS. As yet, there is no tangible progress towards delivery of this saving;

**Workforce management savings** – while a number of proposed actions totalling £1.1m have been identified by the Partnership Management Team, none of these has been implemented to date; and

**Homecare re-ablement** – no substantive progress has been made thus far in developing specific plans to deliver the £1m of assumed savings in this area.

### 3.8.3 Place

**Roundabouts and verge advertising** – delivery of this £0.35m saving is dependent upon further negotiation of contractual advertising arrangements. Subject to this outcome, an accompanying implementation plan will then be developed;

**Align Economic Development to new strategy** – while a project team has been developing a delivery plan, realisation of the associated £0.6m saving is dependent upon approval and implementation of the plan. On this basis, the saving is assessed as red at this time;

**Garden waste charging** – following the end of the initial registration period, overall scheme sign-up is slightly above the levels assumed in the associated business case. While this level of participation, if sustained, will by extension result in delivery of the corresponding approved full-year saving, apportionment of relevant income in line with the revised implementation date results in a £0.6m in-year pressure;

**Public transport initiatives** – while relevant project work is underway, a specific implementation plan to deliver the approved saving of £0.35m requires to be developed; and

**Fleet financing model** - delivery of £0.2m of the approved total saving of £0.5m is assessed as red pending development of the second phase of the fleet re-procurement programme.

### 3.8.4 Resources

**Asset Management Strategy and review of Property and Facilities Management** – corresponding plans require to be developed to deliver the combined approved savings of £2.877m on a sustainable basis.

- 3.9 The above savings assessments have been reflected in the wider outturn commentaries included in the following sections.

#### **Service-specific budgets - Communities and Families**

- 3.10 In accordance with Council's recent decision to transfer leadership of the Safer and Stronger Communities function to the Executive Director of Communities and Families, the corresponding income and expenditure projections set out below reflect this change.
- 3.11 Across the Directorate's functions, at this stage £9.8m of net budget pressures are being projected as a result of increasing costs in several demand-led areas of service. The main service areas affected include temporary accommodation, home-to-school transport, rising school rolls, community access to schools and the increased use of out-of-Council area placements linked to accommodating a number of Unaccompanied Asylum-Seeking Children (UASC) within the city.
- 3.12 The Executive Director of Communities and Families is fully committed to making all efforts to identify mitigations to reduce the emerging pressures and a strategy

has been developed to identify and implement management actions required to address these. This will include additional vacancy control measures, a review of reserves, identification of income generation opportunities, an examination of the scope to stop or reduce planned levels of expenditure and the identification of any spend-to-save opportunities. Given the magnitude of these as-yet unmitigated pressures, however, there is the potential for a significant level of overspend, estimated at £5m at this stage.

### **Health and Social Care**

- 3.13 As of Period 3, an overall overspend of £6.1m is projected. This financial forecast takes account of anticipated delivery of £2.950m of the £9.050m savings plans underpinning the approved budget but reflects slippage of £6.1m across the projects noted at 3.8.2 above. The forecast outturn is also reliant on the management and mitigation of further risks noted in the following sections.
- 3.14 Of the £9.050m of approved savings, £5.050m are “cash-releasing” with a further £4m targeting the release of additional capacity to meet demand through the review of existing packages of care and delivery of productivity/efficiency improvements in the internal Homecare/Reablement service. The delivery of these savings is overseen by the Savings Governance Board. Given the extent of approved savings assigned a red status, however, urgent action is required to accelerate implementation or to agree alternative mitigating actions.
- 3.15 Service volumes purchased through Care at Home increased by c. 7% during 2017/18 and expenditure incurred through Direct Payments and Individual Service Funds by c. £5m. The provisional budget for 2018/19 does not reflect any assumption of increases in service volumes/financial commitments beyond those made in 2017/18. There are furthermore no additional financial resources available to increase existing packages or take on new packages unless offset by reductions or ending of other packages. Given the significant growth in overall service volumes apparent in recent years, the on-going appropriateness of these assumptions is being kept under regular review and will be considered as part of the October update to the Committee.
- 3.16 The approved budget also assumes an additional contribution of £4m from NHS Lothian (NHSL) to foster additional capacity. The findings of a study on sustainable community support give significant weight to the additional contribution request and NHSL will present a paper to its Finance and Resources Committee on 25 July outlining the potential benefits. Confirmation of the funding from EIJB is also dependent on the outcome of this meeting. There is furthermore a shortfall of £0.5m in the funding contribution assumed by CEC from the IJB to offset the costs of additional community capacity for which slippage on projects will require to be identified.

### **Place**

- 3.17 As of period 3, the Executive Director of Place continues to report significant gross pressures within, in particular, the Environment and Roads functions. Given that

these pressures were addressed in large part through one-off mitigations in 2017/18, over the medium term, concerted action is clearly required to address these underlying structural deficits on a sustainable basis and this forms parts of the respective Improvement Plans.

- 3.18 Of the £11.4m of gross pressures, mitigating actions have been identified to address £4.6m of these and a number of further proposals are currently being verified. At this stage, however, based on the best assessment of these proposals, their likely deliverability and associated savings, a residual shortfall of £3m exists.

### **Resources**

- 3.19 Based on analysis of period two data and an assessment of the in-year deliverability of the savings proposals approved as part of the 2018/19 revenue budget, overall expenditure is anticipated to exceed budgeted levels by £1.075m. This sum represents the residual pressure, net of recurring and non-recurring mitigating actions, for the Asset Management Strategy. At this stage, no firm additional proposals have been developed to address this residual pressure on a sustainable basis and, as such, an overspend of this level is currently being forecast.
- 3.20 The Executive Director of Resources is committed to identifying sustainable measures to maintain overall expenditure within approved levels and the Directorate's Senior Management Team is continuing to examine opportunities to realise savings, whether through reductions in expenditure or increases in income, such that a balanced position is achieved by the year-end.

### **Services reporting to the Chief Executive**

- 3.21 While work is continuing to identify means to deliver the full saving associated with the Strategy and Insight Division's Organisational Review, at this stage a balanced position is forecast.

### **Non service-specific budgets**

- 3.22 In view of the significant projected overspends within frontline service areas, non service-specific budgets continue to be examined on a regular basis to identify any potential savings in expenditure or additional income.
- 3.23 Updated analysis of the size and profile of the Council Tax base, taking account of property numbers, discounts and exemptions (the last-mentioned in the context of increased but proportionate scrutiny of Single Person Discount entitlement) indicates that in-year income is forecast to exceed budgetary assumptions by £1m.
- 3.24 A report elsewhere on today's agenda sets out the realigned 2018/23 Capital Investment Programme (CIP). In view of the combined effect of the 2017/18 outturn, revised CIP and the on-going strategy of using available cash balances in lieu of external borrowing, in-year savings of £3m relative to the level of budgetary provision are now anticipated.
- 3.25 A separate report on the meeting agenda provides a detailed commentary on the revenue outturn for 2017/18. The report notes that, in view of the in-year

underspend in sums paid out as part of the Council Tax Reduction Scheme, £2.455m was set aside within an allocated reserve to address potential welfare reform-related pressures in subsequent years. Given the on-going financial pressures being experienced with regard to temporary accommodation-related expenditure highlighted earlier in this report, it is proposed that this sum be drawn down in full in 2018/19 to mitigate these.

- 3.26 In accordance with the principles of prudent financial management, the Council's budget includes a degree of inflationary contingency consistent with the nature and profile of its contracts and other purchasing arrangements. Analysis of projected spend and relevant applicable inflation rates indicates that £1m of the total level of provision is available to offset, on a one-off basis, pressures within frontline service areas. The non-recurring nature of this and the corporate contributions outlined in the preceding paragraphs re-emphasises, however, the importance of identifying sustainable measures going forward.

### **Housing Revenue Account (HRA)**

- 3.27 At month 3, the HRA is forecasting a balanced position. As set out in the approved HRA Budget, it is expected that a £9.250m contribution to housing improvement will be able to be made from in-year rentals received. This contribution is, however, dependent on the mitigation of key risks.
- 3.28 In addition, there remain significant budget pressures relating to housing repairs and maintenance. Furthermore, with the roll-out of Universal Credit starting in 2018/19, there is a risk that the income assumptions made in the HRA budget do not come to fruition. These key risk areas will continue to be monitored closely and reported to the Housing and Economy Committee as appropriate.

## **4. Measures of success**

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- 4.1 Achieving a balanced overall budget outturn position for 2018/19 and successful delivery of approved savings and key service performance indicators.

## **5. Financial impact**

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- 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.
- 5.2 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**

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- 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 to identify at an early stage where corrective action is required.

## **7. Equalities impact**

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- 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**

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- 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**

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- 9.1 In view of the overall projected position set out within this report, 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

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10.1 [Capital Coalition Budget Motion](#), City of Edinburgh Council, 22 February 2018

10.2 Service monitoring statements for period three

**Stephen S. Moir**  
**Executive Director of Resources**

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## 11. Appendices

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One – 2018/19 Revenue Budget – projected expenditure analysis

|   | Revised Budget   | Period Budget    | Period Actual    | Period Variance | Projected Outturn | Outturn Variance |
|---|------------------|------------------|------------------|-----------------|-------------------|------------------|
| Service areas   | £000             | £000             | £000             | £000            | £000              | £000             |
| Services reporting to Chief Executive                           | 9,243            | 2,372            | 2,307            | (65)            | 9,243             | 0                |
| Communities and Families  | 383,466          | 95,712           | 98,209           | 2,497           | 388,466           | 5,000            |
| Health and Social Care  | 198,359          | 54,902           | 56,791           | 1,889           | 204,459           | 6,100            |
| Place   | 58,498           | 16,031           | 16,882           | 851             | 61,498            | 3,000            |
| Resources   | 160,961          | 40,240           | 43,091           | 2,851           | 162,036           | 1,075            |
| Lothian Valuation Joint Board                                   | 3,575            | 894              | 894              | 0               | 3,575             | 0                |
| <b>Service areas total</b>                                      | <b>814,102</b>   | <b>210,151</b>   | <b>218,174</b>   | <b>8,023</b>    | <b>829,277</b>    | <b>15,175</b>    |
| <b>Non-service specific areas</b>                               |                  |                  |                  |                 |                   |                  |
| Loan Charges  | 112,473          |                  |                  |                 | 109,473           | (3,000)          |
| Other non-service specific costs less sums to be disaggregated: | 28,980           | n/a              | n/a              | n/a             | 27,980            | (1,000)          |
| - Pay award contingency (including Living Wage)                 | 6,432            |                  |                  |                 | 6,432             | 0                |
| - Apprenticeship Levy   | 1,857            | 446              | 443              | (3)             | 1,857             | 0                |
| - Early Learning and Childcare                                  | 1,176            |                  |                  |                 | 1,176             | 0                |
| - Carbon Tax  | 1,159            |                  |                  |                 | 1,159             | 0                |
| - Non-Domestic Rates (poundage uplift)                          | 500              |                  |                  |                 | 500               | 0                |
| - Energy  | 500              |                  |                  |                 | 500               | 0                |
| - Discretionary Rates   | 350              |                  |                  |                 | 350               | 0                |
|   |                  |                  |                  |                 |                   |                  |
| Council Tax Reduction Scheme                                    | 26,672           | n/a              | n/a              | n/a             | 26,672            | 0                |
| Staff early release costs                                       | 3,200            | n/a              | n/a              | n/a             | 3,200             | 0                |
| Net Cost of Benefits  | (62)             | n/a              | n/a              | n/a             | (62)              | 0                |
|   |                  |                  |                  |                 |                   |                  |
| Interest and investment income                                  | (8,993)          | 0                | 0                | 0               | (8,993)           | 0                |
| <b>Non-service specific areas total</b>                         | <b>174,244</b>   | <b>n/a</b>       | <b>n/a</b>       | <b>n/a</b>      | <b>170,244</b>    | <b>(4,000)</b>   |
| <b>Movements in reserves</b>                                    |                  |                  |                  |                 |                   |                  |
| Net contribution to / (from) earmarked funds                    | (9,211)          | (8,901)          | (8,901)          | 0               | (11,666)          | (2,455)          |
| <b>Movements in reserves total</b>                              | <b>(9,211)</b>   | <b>(8,901)</b>   | <b>(8,901)</b>   | <b>0</b>        | <b>(11,666)</b>   | <b>(2,455)</b>   |
| <b>Sources of funding</b>                                       |                  |                  |                  |                 |                   |                  |
| General Revenue Grant   | (355,601)        | (136,090)        | (136,090)        | 0               | (355,601)         | 0                |
| Non-Domestic Rates  | (340,474)        | (85,119)         | (85,119)         | 0               | (340,474)         | 0                |
| Council Tax   | (283,060)        | (70,765)         | (70,765)         | 0               | (284,060)         | (1,000)          |
| <b>Sources of funding total</b>                                 | <b>(979,135)</b> | <b>(291,974)</b> | <b>(291,974)</b> | <b>0</b>        | <b>(980,135)</b>  | <b>(1,000)</b>   |
|   |                  |                  |                  |                 |                   |                  |
| <b>In-year (surplus) / deficit</b>                              | <b>0</b>         | <b>(90,500)</b>  | <b>(82,479)</b>  | <b>8,021</b>    | <b>7,720</b>      | <b>7,720</b>     |

# Governance, Risk and Best Value Committee

10.00am, Tuesday 28 August 2018

## Capital Monitoring 2017/18 – Outturn and Receipts – referral from the Finance and Resources Committee

|                     |     |
|---------------------|-----|
| Item number         | 7.3 |
| Report number       |     |
| Wards               | All |
| Council Commitments |     |

### Executive summary

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On 16 August 2018 the Finance and Resources Committee considered a report which detailed the final outturn on the Council's Capital Programme for 2017/18, including details of capital receipts and slippage / acceleration on projects within the Capital Investment Programme. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

# Terms of Referral

## Capital Monitoring 2017/18 – Outturn and Receipts – referral from the Finance and Resources Committee

### Terms of referral

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- 1.1 The final General Fund outturn showed that in 2017/18, the Council required an advance from the Loans Fund of £14.516m. This funded capital investment of £145.462m after receipt of grants of £102.233m and capital income, net of transfer to the Capital Fund, of £28.713m. This position was subject to the external audit process which would be completed in September 2018.
  - 1.2 The current approved Capital Investment Programme (CIP) 2018-2023 projected an over programming position over the five-year period of £15.0m.
  - 1.3 The final Housing Revenue Account (HRA) capital investment programme showed that in 2017/18, the HRA required a prudential borrowing advance from the Loans Fund of £35.078m. This funded capital investment of £72.816m after the receipt of grants of £5.050m and other capital income of £32.688m.
  - 1.4 The Finance and Resources Committee agreed:
    - 1.4.1 To note the 2017/18 final unaudited capital positions on the General Fund and Housing Revenue Account (HRA).
    - 1.4.2 To note that budgets for lending to Edinburgh Living from 2019-20 onwards were based on the pipeline of development and would be subject to annual approval from Finance and Resources Committee and Council.
    - 1.4.3 To approve the revised Capital Investment Programme for 2018-2023.
    - 1.4.4 To refer the report to the Governance, Risk and Best Value Committee as part of its workplan.
- 

### For Decision/Action

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- 2.1 The Governance, Risk and Best Value Committee is asked to consider this report as part of its workplan.

## Background reading / external references

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Finance and Resources Committee 16 August 2018.

### **Laurence Rockey**

Head of Strategy and Insight

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## Links

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### **Appendices**

Appendix 1 - report by the Executive Director of Resources

# Finance and Resources Committee

10.00am, Thursday, 16 August 2018

## Capital Monitoring 2017/18 – Outturn and Receipts

Item number

Report number

Executive/routine

Wards

Council Commitments

### Executive summary

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The final General Fund outturn shows that in 2017/18, the Council required an advance from the Loans Fund of £14.516m. This funded capital investment of £145.462m after receipt of grants of £102.233m and capital income, net of transfer to the Capital Fund, of £28.713m. This position is subject to the external audit process which will be completed in September 2018.

The current approved Capital Investment Programme (CIP) 2018-2023 projects an over programming position over the five-year period of £15.0m.

The final Housing Revenue Account (HRA) capital investment programme shows that in 2017/18, the HRA required a prudential borrowing advance from the Loans Fund of £35.078m. This funded capital investment of £72.816m after the receipt of grants of £5.050m and other capital income of £32.688m.

## Capital Monitoring 2017/18 – Outturn and Receipts

### 1. Recommendations

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- 1.1 Members of the Finance and Resources Committee are requested to:
- 1.1.1 Note the 2017/18 final unaudited capital positions on the General Fund and Housing Revenue Account (HRA);
  - 1.1.2 Note that budgets for lending to Edinburgh Living from 2019-20 onwards are based on the pipeline of development and will be subject to annual approval from Finance and Resources Committee and Council;
  - 1.1.3 Approve the revised Capital Investment Programme for 2018-2023; and
  - 1.1.4 Refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

### 2. Background

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- 2.1 This report presents the final outturn on the Council's Capital Programme for 2017/18, including details of capital receipts and slippage / acceleration on projects within the Capital Investment Programme.

### 3. Main report

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- 3.1 The outturn position is detailed in Appendix 1 and summarised in the table below.

|  | <b>Final<br/>Outturn<br/>Variance</b> | <b>Outturn<br/>Variance<br/>at Month<br/>Nine</b> | <b>Movement<br/>from<br/>Month<br/>Nine</b> |
|--|---------------------------------------|---|---|
|  | <b>£000</b>                           | <b>£000</b>                                       | <b>£000</b>                                 |
| Net (slippage) / acceleration in gross expenditure                                   | (15,061)                              | (28,058)  | 12,997                                      |
| Net (surplus) / deficit in capital receipts and grant income                         | 9,664                                 | 16,604  | (6,940)                                     |
| Net (slippage) / acceleration in Capital receipts income transferred to Capital Fund | 5                                     | (809)   | 814   |
| <b>Net increase / (decrease) in capital advance requirement</b>                      | <b>(5,392)</b>                        | <b>(12,263)</b>                                   | <b>6,871</b>                                |

- 3.2 As presented in the table at 3.1 above, the final outturn reports £15.061m slippage on gross expenditure on projects, compared to estimated slippage of £28.058m at month nine. Net capital receipts and grant income were less than the budgeted level by £9.664m which was an improvement on the position projected at month nine (slippage £16.604m).
- 3.3 The drawdown of government grants for specific projects totalling £2.428m, including the City Observatory and Broomhouse Community Hub were delayed in line with the delays of delivery and expenditure on the projects which is noted in Appendix 2.
- 3.4 The net effect of the variances presented in table 3.1 above, is a decrease of £5.392m in the amount that the Council requires to borrow corporately to support its capital programme relative to budget assumptions.
- 3.5 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.
- 3.6 The 2017/18 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 2018-2023 approved by Council in February 2018.
- 3.7 Slippage in the delivery of capital projects can be as a result of various factors. Delays in securing confirmation or the unavailability of external funding to deliver individual projects and programmes remains a factor in the ability of the Council to take these forward within the originally planned timescales. In 2017/18 this impacted the early years' improvement project with the full extent of funding not being announced by the Scottish Government until May 2018 and the requirement to review the scope of a number of smaller projects.
- 3.8 The on-going transformation programme of the Council can also impact on revisions to the scope or delivery mechanism of projects, including the depots rationalisation programme in 2017/18. The ICT contract with CGI originally assumed a payment at the start of the contract for capital assets. However, changes in the delivery model has resulted in payments being instead aligned with milestone delivery targets.
- 3.9 The Council has identified challenges within service resources to design infrastructure projects which were reported to Transportation and Environment Committee on 1 March 2018 along with the actions being taken to mitigate them. This along with reported issues within the Planning and Building control service have impacted in the ability to deliver a number of projects.
- 3.10 The net slippage on gross expenditure represents a 9.38% variance against the revised budget which has increased compared to a 1.09% variance in the 2016/17 outturn position. The centralised capital monitoring team will continue



to work with service areas to tackle 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 2017/18, the Council was required to draw down advances from the Loans Fund of £14.516m. This position is subject to the external audit process which will be completed in September 2018.

### **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 £14.968m receipts income was generated from asset sales in 2017/18 compared to a budget of £25.468m. This deficit reflects receipts which are now expected to settle later than originally expected and that assets may now be transferred to the HRA rather than sold. Members should however note that the transfer of the sites to the HRA generates a debt transfer and as such reduces the overall capital financing requirement of the General Fund.
- 3.15 No sites were transferred to the HRA during 2017/18 and agreement on transfer dates, conditions and values on sites approved by Finance and Resources Committees are being progressed.

### **Housing Revenue Account (HRA)**

- 3.16 As can be seen in Appendix 4, the HRA outturn position reports gross expenditure of £72.816m compared to projected expenditure of £69.070m at month nine and budget of £78.004m.
- 3.17 Capital receipts and grant income of £37.738m were received, which is £2.726m in excess of the budget of £35.012m (£39.751m forecast at month nine).
- 3.18 The HRA required a prudential borrowing advance from the Loans Fund of £35.078m.
- 3.19 The slippage position was mainly in the house building programme caused by delays in securing statutory consents.
- 3.20 Explanations for significant slippage and accelerations in year are included in Appendix 5. Where applicable, variances on individual projects have been categorised and summarised to provide further analysis of the net slippage position

### **Revised Capital Investment Programme 2018-2023**

- 3.21 The Capital Investment Programme (CIP) approved by Council in February 2018 was based on an interim budget which included net slippage and acceleration at month nine.

- 3.22 The remainder of slippage and acceleration since the month nine position has been carried forward in the capital programme. The revised CIP for 2018-2023, including actual net slippage from 2017/18 is shown in Appendix 6.
- 3.23 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.
- 3.24 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 2018-2023 update**

- 3.25 Council approved the five-year capital programme for the period 2018-2023 in February 2018. At a general level, the ability to commit additional investment over and above that included in the current programme remains difficult due to:
- Uncertainty over future 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;
- 3.26 The Revenue Budget Framework approved by Council in February 2018 included revenue provision to support the following capital investment:
- Infrastructure - £56m
  - Local Development Plan - £35m
  - City Region Deal - £21m, and
  - Asset Management Works - £48.90m.
- 3.27 As part of the 2018-2023 CIP, Executive Directors identified their respective top priorities, highlighting unfunded pressures totalling around £450m and officer recommendations for the use of the resources identified in 3.24 above were approved by Council in February 2018.
- 3.28 In May 2018, the Scottish Government confirmed additional awards to the Council for Management Development Funding for 2018-2019 and a multi-year funding package for the delivery of the Expansion of Early Learning and Childcare in Scotland – Action Plan and have been included in the revised CIP.
- 3.29 The Management Development Funding specific grant for 2018-2019 has increased by £13.319m to £41.269m.
- 3.30 The Expansion of Early Learning and Childcare in Scotland – Action Plan included capital funding for the City of Edinburgh Council of £39.480m over 4 years.

- 3.31 Figures for lending to Edinburgh Living LLP from 2019-20 onwards are based on the pipeline of development and will be subject to annual approval from Finance and Resources Committee and Council. The figures shown are therefore indicative.
- 3.32 Further work has identified that the Communal Bin upgrade project does not fully meet capital expenditure criteria. The project has been removed from the CIP but will still be delivered within the revenue service utilising resources from the Capital Fund which had previously been approved to support the CIP.
- 3.33 The level of General Capital Grant funding in 2018/19 at £49.405m is a reduction from the 2017/18 level of £53.696m.
- 3.34 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 2019/20 to 2022/23 based on a prudent estimate of the possible Scotland-wide funding.
- 3.35 The Finance Settlement on 14 December 2017 confirmed that a deferred £10.264m allocation from 2016/17 will now be paid in 2019/20.
- 3.36 Current indications suggest that the next Scottish Government Finance Settlement will be announced in December 2018.
- 3.37 Any confirmed changes in grant funding will be considered by Members, taking cognisance of capital priorities as part of the 2019/20 budget framework process.

## **4. Measures of success**

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- 4.1 Completion of capital projects as budgeted for in the revised 2018/19 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**

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- 5.1 The final General Fund outturn shows that in 2017/18, the Council required an advance from the Loans Fund of £14.516m which funded capital investment of £145.462m after receipt of capital income and grants of £130.946m. This level of borrowing was £5.392m less than budgeted.
- 5.2 The final HRA capital outturn shows that in 2017/18, the HRA required prudential borrowing of £35.078m which funded capital investment of £72.816m after receipt of capital income and grants of £37.738m. This level of borrowing was £7.914m less than budgeted.

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

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- 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**

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

## **8. Sustainability impact**

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- 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**

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

## 10. Background reading/external references

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- 10.1 [Capital Investment Programme 2018-19 - 2022-23](#) City of Edinburgh Council, 22 February 2018
- 10.2 [Capital Monitoring 2017-18 - Month Nine Position](#) Finance and Resources Committee, 23 January 2018

### **Stephen S. Moir**

Executive Director of Resources

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## 11. Appendices

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- Appendix 1 – Capital Monitoring 2017/18 – Final Position – General Fund
- Appendix 2 – Slippage and Acceleration on General Fund Capital Projects 2017/18
- Appendix 3 – Capital Receipts Schedule 2017/18
- Appendix 4– Capital Monitoring 2017/18 – Final Position – HRA
- Appendix 5 – Slippage and Acceleration on HRA Capital Projects 2017/18
- Appendix 6 - Revised Capital Investment Programme 2018-2023

## Capital Monitoring 2017/18

## General Fund Summary

## Outturn Position - Unaudited

| Expenditure                        | Revised Budget at Period 9 | Adjustments    | Revised Budget | Outturn 2017/18 | Variance        |               |
|------------------------------------|----------------------------|----------------|----------------|-----------------|-----------------|---------------|
|                                    | £000                       |                | £000           | £000            | £000            | %             |
| Communities and Families           | 41,831                     | 1,070          | 42,901         | 35,989          | (6,912)         | -16.11%       |
| Edinburgh IJB                      | 367                        | 333            | 700            | 496             | (204)           | -29.14%       |
| Place                              | 98,163                     | 2,028          | 100,191        | 91,737          | (8,454)         | -8.44%        |
| Resources - Asset Management Works | 10,843                     | 28             | 10,871         | 10,990          | 119             | 1.09%         |
| Resources - Other                  | 15,738                     | (9,878)        | 5,860          | 3,503           | (2,357)         | -40.22%       |
| Safer and Stronger Communities     | 1,125                      | (1,125)        | -              | -               | -               | 0.00%         |
| Trams                              | -                          | -              | -              | 2,383           | 2,383           | n/a           |
| Council Wide Projects              | -                          | -              | -              | 364             | 364             | n/a           |
| <b>Total Gross Expenditure</b>     | <b>168,067</b>             | <b>(7,544)</b> | <b>160,523</b> | <b>145,462</b>  | <b>(15,061)</b> | <b>-9.38%</b> |

## Income

|  |                |               |                |                |                 |                |
|--|----------------|---------------|----------------|----------------|-----------------|----------------|
| <i>Capital Receipts</i>                            |                |               |                |                |                 |                |
| General Services                                   | 18,844         | 3,711         | 22,555         | 12,664         | (9,891)         | -43.85%        |
| Ringfenced Asset Sales                             | 3,699          | (2,676)       | 1,023          | 1,023          | -               | 0.00%          |
| Asset Sales to reduce Corporate borrowing          | 1,890          | -             | 1,890          | 1,281          | (609)           | -32.22%        |
| <i>Total Capital Receipts from Asset Sales</i>     | <b>24,433</b>  | <b>1,035</b>  | <b>25,468</b>  | <b>14,968</b>  | <b>(10,500)</b> | <b>-41.23%</b> |
| Less additional receipt income to capital fund     | (5,559)        | 809           | (4,750)        | (4,755)        | (5)             | 0.11%          |
| <i>Available Capital Receipts from Asset Sales</i> |                |               |                |                |                 |                |
| Developer and other Contributions                  | 8,756          | 6,539         | 15,295         | 18,491         | 3,196           | 20.90%         |
| Capital Grants Unapplied Account drawdown          | 9              | -             | 9              | 9              | -               | 0.00%          |
| <i>Total Capital Receipts</i>                      | <b>27,639</b>  | <b>8,383</b>  | <b>36,022</b>  | <b>28,713</b>  | <b>(7,309)</b>  | <b>-20.29%</b> |
| <i>Grants</i>                                      |                |               |                |                |                 |                |
| Scottish Government General Capital Grant          | 53,708         | -             | 53,708         | 53,696         | (12)            | -0.02%         |
| Management Development Funding                     | 29,115         | 11,578        | 40,693         | 40,693         | -               | 0.00%          |
| Early Years and Childcare - Expansion              | 2,504          | -             | 2,504          | 2,584          | 80              | 3.19%          |
| Other Specific Government Grants                   | 6,702          | 986           | 7,688          | 5,260          | (2,428)         | -31.58%        |
| <i>Total Grants</i>                                | <b>92,029</b>  | <b>12,564</b> | <b>104,593</b> | <b>102,233</b> | <b>(2,360)</b>  | <b>-2.26%</b>  |
| <b>Total Income</b>                                | <b>119,668</b> | <b>20,947</b> | <b>140,615</b> | <b>130,946</b> | <b>(9,669)</b>  | <b>-6.88%</b>  |

|  |               |                 |               |               |                |                |
|--|---------------|-----------------|---------------|---------------|----------------|----------------|
| <b>Balance to be funded through Loans Fund Advance</b> | <b>48,399</b> | <b>(28,491)</b> | <b>19,908</b> | <b>14,516</b> | <b>(5,392)</b> | <b>-27.08%</b> |
|--|---------------|-----------------|---------------|---------------|----------------|----------------|

**CAPITAL MONITORING 2017/18 - Outturn**  
**Slippage and Acceleration on General Fund Projects**

Slippage on projects is shown as a negative value, while acceleration, overspends and reprofiles to future years are shown as positive values.

**Key to variance category**

| <i>Type</i>                            | <i>Explanation</i>  |
|--|---|
| 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.   |
| 5. Projected Underspend on a project   | Projects where the final outturn is expected to be below budget.  |
| 6. Budget reprofiled into future years | Budget reprofiled to future years post period 9   |

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<br>£000 | Period 9<br>£000 | Movement<br>between<br>periods<br>£000 | Explanations for Significant Slippage / Acceleration   | Variance<br>Category |
|---|-----------------|------------------|--|--|----------------------|
| <b><u>Communities and Families</u></b>            |                 |                  |  |  |                      |
| Early years 2020                                  | -3,127          | -2,669           | -458                                   | Programme has slipped due to working to reach agreement from Scottish Government re total available funding to meet extended nursery hours | 3                    |
| Duncan Place                                      | 900             | 0                | 900                                    | Acceleration of project  | 4                    |
| New Craigmillar High School                       | -573            | 0                | -573                                   | Delays due to availability of total funding for the project  | 3                    |
| Hunter Hall Cycle Hub And Pitch                   | -48             | -1,017           | 969                                    | Programme has slipped due to a review of the scope of the project with consideration to the Jack Kane centre                               | 6                    |
| New Meadowbank Sport Centre                       | 124             | -1,539           | 1,663                                  | The project budget was realigned to reflect the changes in the scope and delivery of the project   | 6                    |
| Open Libraries Solutions                          | 0               | -340             | 340                                    | Budget reprofiled to 2018/19 relating to delays in recruitment of the project manager  | 6                    |
| George IV Bridge Library - Enhancement Works      | 0               | -365             | 365                                    | Budget reprofiled to 2018/19. Project on hold awaiting further funding   | 6                    |
| New Queensferry HS                                | 606             | 205              | 401                                    | External fees for HUB -funding decision made after year end  | 4                    |
| St John's PS                                      | -2,256          | 1,429            | -3,685                                 | The acceleration anticipated at month 9 was delayed due to adverse weather condition   | 1                    |
| St Crispin's New Wave 3 school                    | -932            | 0                | -932                                   | Slippage due to delay in the start of the project  | 2                    |
| Portobello Demolition                             | 37              | 0                | 37                                     |  | 4                    |
| New Primary schools                               | -331            | 0                | -331                                   | Delays in start of new primary schools   | 2                    |
| Rising School Rolls                               | -858            | 1,146            | -2,004                                 | The acceleration anticipated at month 9 was delayed due to adverse weather condition   | 4                    |
| Net (slippage) / acceleration on various projects | -454            | 31               | -485                                   |  | 2                    |
| <b>Total Communities and Families</b>             | <b>-6,912</b>   | <b>-3,119</b>    | <b>-3,793</b>                          |  |                      |

|   | Outturn<br>£000 | Period 9<br>£000 | Movement<br>between<br>periods<br>£000 | Explanations for Significant Slippage / Acceleration   | Variance<br>Category |
|---|-----------------|------------------|--|--|----------------------|
| <b><u>Edinburgh Integrated Joint Board</u></b>    |                 |                  |  |  |                      |
| New Care Home                                     | -532            | 0                | -532                                   | Increased funding from the settlement of ring fenced receipt from the sale of Ravensglass Hostel, net of cost of sales.  | 1                    |
| Net (slippage) / acceleration on various projects | 328             | 125              | 203                                    |  | 4                    |
| <b>Total Edinburgh Integrated Joint Board</b>     | <b>-204</b>     | <b>125</b>       | <b>-329</b>                            |  |                      |
| <b><u>Place</u></b>                               |                 |                  |  |  |                      |
| Water of Leith Phase 2                            | 0               | -4,500           | 4,500                                  | Projected underspend on delivery of the project. Proposals for the allocation of this underspend were approved as part of the 2018/19 budget process and the budget realigned. | 6                    |
| Water of Leith Phase 1                            | 56              | -319             | 375                                    | The profile of retention and compensation settlements payable is uncertain   | 6                    |
| Link to Edinburgh Royal Infirmary                 | -975            | 0                | -975                                   | Excess of provision made for contractor claim following settlement   | 3                    |
| Roads Asset Management plan                       | -1,533          | -1,633           | 100                                    | Delay due to significant adverse weather conditions in last 3 months of the year   | 1                    |
| Bankhead Depot                                    | -2,983          | 0                | -2,983                                 | Delays due to securing planning consent  | 2                    |
| Seafield Waste Transfer Depot                     | -777            | 0                | -777                                   | Delays resulting from the changes in the scope and delivery of the project   | 2                    |
| Old City Observatory                              | -832            | 0                | -832                                   | Delays in project delivery as a result of contractor performance   | 2                    |
| Cycle Projects                                    | -734            | 0                | -734                                   | Delays in project delivery as a result of internal staff shortages for project management and design.  | 2                    |
| Broomhouse Community Hub                          | -726            | 0                | -726                                   | Delays in Broomhouse Community Centre Ltd signing construction contract preventing the drawing down of grant   | 2                    |
| Cammo   | -658            | 0                | -658                                   | Service did not plan any eligible works for this ringfenced budget   | 2                    |
| Burnshot Bridge                                   | -352            | 0                | -352                                   | Underspend on demolition phase of the original bridge. This residual budget will be used for the reconstruction phase.   | 2                    |
| Salvesen Steps                                    | -532            | 0                | -532                                   | Delays as result of agreement on final designs and funding package.  | 2                    |
| Waterfront Green Space                            | -230            | 0                | -230                                   | The service department are uncertain as to the scope and nature of the project   | 2                    |
| Mortonhall Memorialisation                        | -174            | 0                | -174                                   | Delay in payment of 2nd instalment for Memorial statue   | 3                    |
| Niddrieburn Park                                  | -107            | 0                | -107                                   | Delays due to lack of external funding. Project scope has been revised.  | 2                    |
| Street Lighting                                   | 60              | -218             | 278                                    | Projection amended October 2017  | 6                    |
| Street Lighting - LED                             | -108            | -945             | 837                                    | Revised Forecast from Project Management team due to re-profiling of works   | 6                    |
| Saughton Park - HLF                               | 1,289           | 0                | 1,289                                  | Acceleration of project in advance of receipt of external funding from HLF   | 3                    |
| Traffic Signals Renewal                           | 86              | -650             | 736                                    | Delay in 4 schemes, resulting in delay in being delivered until early 2018   | 6                    |
| Leith Improvement Programme - Core                | 0               | -1,443           | 1,443                                  | Realignment to fit with the tram project   | 6                    |
| Road Safety and Active Travel                     | 0               | -1,561           | 1,561                                  | Delays in project delivery as a result of internal staff shortages and reprioritisation of projects.   | 6                    |
| St Andrew Square Bus Station                      | 0               | -201             | 201                                    | Delays to the tender process and appointment expected to extend to next financial year   | 6                    |
| Bus Priority Schemes/Bus Shelters                 | 73              | -474             | 547                                    | Installation works of bus shelters to be delivered over financial years, with full payment not being made until works are complete.  | 6                    |



|  | Outturn<br>£000                    | Period 9<br>£000 | Movement<br>between<br>periods<br>£000 | Explanations for Significant Slippage / Acceleration   | Variance<br>Category |
|--|------------------------------------|------------------|--|--|----------------------|
| Localities   | -381                               | -498             | 117                                    | Consideration of competing demands   | 6                    |
| Net (slippage) / acceleration on various projects    | 1,084                              | -161             | 1,245                                  |  | 6                    |
| <b>Total Place</b>                                   | <b>-8,454</b>                      | <b>-12,603</b>   | <b>4,149</b>                           |  |                      |
| <b>Resources - Asset Management Works</b>            |                                    |                  |  |  |                      |
| Slippage across the Asset Management Works programme | 119                                | -537             | 656                                    |  | 2                    |
| <b>Total Resources - Asset Management Works</b>      | <b>119</b>                         | <b>-537</b>      | <b>656</b>                             |  |                      |
| <b>Resources - Other</b>                             |                                    |                  |  |  |                      |
| ICT  | -3,386                             | -10,830          | 7,444                                  | Delays in implementation of ICT transformation change projects   | 6                    |
| 249 High Street - reconfiguration                    | 1,162                              | 0                | 1,162                                  | Acceleration of project delivery in advance of ringfenced capital receipt  | 4                    |
| Net (slippage) / acceleration on various projects    | -133                               | -147             | 14                                     |  | 6                    |
| <b>Total Resources - Other</b>                       | <b>-2,357</b>                      | <b>-10,977</b>   | <b>8,620</b>                           |  |                      |
| <b>Safer and Stronger Communities</b>                |                                    |                  |  |  |                      |
| CCTV City Wide                                       | 0                                  | -1,125           | 1,125                                  | Project delayed due to review of project scope   | 6                    |
| <b>Total Safer and Stronger Communities</b>          | <b>0</b>                           | <b>-1,125</b>    | <b>1,125</b>                           |  |                      |
| <b>Tram</b>  |                                    |                  |  |  |                      |
| Tram Phase 1 - Airport to York Place                 | 1,603                              | 0                | 1,603                                  | Further provision for potential costs due to contractors or suppliers from   | 3                    |
| Developers Contributions - Future Phases             | 780                                | 0                | 780                                    | Recognition of the unbudgeted receipt and investment of developers contributions to future phases                              | 3                    |
| <b>Total Tram Projects</b>                           | <b>2,383</b>                       | <b>0</b>         | <b>2,383</b>                           |  |                      |
| <b>Council Wide / Corporate Projects</b>             |                                    |                  |  |  |                      |
| Demolition of Former Leith Depot                     | 362                                | 0                | 362                                    | The project costs will be met from the appropriate service budgets when the decision on the use of the site is confirmed       | 4                    |
| Net (slippage) / acceleration on various projects    | 2                                  | 178              | -176                                   |  | 4                    |
| General Slippage across the programme (2.5%)         | 0                                  | 0                | 0                                      | This is now reflected more accurately against individual projects rather than a general assumption across the whole programme. | 1                    |
| <b>Total Council Wide / Corporate Projects</b>       | <b>364</b>                         | <b>178</b>       | <b>186</b>                             |  |                      |
| <b>Total for all Services</b>                        | <b>-15,061</b>                     | <b>-28,058</b>   | <b>12,997</b>                          |  |                      |
| <b>Summary of Variance Category</b>                  |                                    |                  |  |  |                      |
| 1  | Slippage due to unforeseen delays  | -4,321           | -204                                   | -4,117   |                      |
| 2  | Slippage due to optimistic budget  | -9,529           | -506                                   | -9,023   |                      |
| 3  | Slippage due to timing of payments | -1,177           | -2,669                                 | 1,492  |                      |
| 4  | Acceleration on a project          | 2,539            | 1,654                                  | 885  |                      |
| 5  | Projected final underspend         | 0                | 0                                      | 0  |                      |

**Variance  
Category**

|   | <b>Outturn<br/>£000</b> | <b>Period 9<br/>£000</b> | <b>Movement<br/>between<br/>periods<br/>£000</b> | <b>Explanations for Significant Slippage / Acceleration</b> |
|---|-------------------------|--------------------------|--|---|
| 6 | -2,573                  | -26,333                  | 23,760   |   |
|   | <u>-15,061</u>          | <u>-28,058</u>           | <u>12,997</u>                                    |   |

**CAPITAL MONITORING 2017/18 - Outturn**  
 General Fund - Land and Property Asset Sales

| Asset Sales                         | £000s | £000s                     |
|-------------------------------------|-------|---------------------------|
| 199/1 St John Road                  | 41    |                           |
| Broomhouse Road South               | 35    |                           |
| 44 - 50 Torphicen St - overage      | 362   |                           |
| 3 Royal Garden Terrace              | 195   |                           |
| 50 Brandon Terrace                  | 80    |                           |
| 79 Portobello High Street           | 69    |                           |
| 7 - 13 Niddrie Mains Road           | 500   |                           |
| The Wisp, land                      | 100   |                           |
| King Stables Road                   | 8,755 |                           |
| Lothian Chambers, lease grassum     | 2,811 |                           |
| 48 - 52 Seaview Crescent            | 650   |                           |
| South Gyle, overage                 | 87    |                           |
| 432 Lanark Road                     | 617   |                           |
| Various minor land transactions     | 121   |                           |
| Various equipment sales             | 406   |                           |
| Various vehicle sales               | 139   |                           |
|                                     | <hr/> |                           |
| Total Land and Property Asset Sales |       | <hr/> <u>14,968</u> <hr/> |

Note: the above figures are net of cost of sales

**CAPITAL MONITORING 2017/18**  
**Housing Revenue Account Summary**  
**Outturn Position - Unaudited**

|                         | Revised<br>Budget<br>£000 | Outturn<br>£000 | Variance |       |
|-------------------------|---------------------------|-----------------|----------|-------|
|                         |                           |                 | £000     | %     |
| Gross Expenditure       | 78,004                    | 72,816          | -5,188   | -6.7% |
| Total Gross Expenditure | 78,004                    | 72,816          | -5,188   | -6.7% |

| <b>Income</b>                      |         |         |        |        |
|------------------------------------|---------|---------|--------|--------|
| Capital Receipts                   | -11,400 | -6,984  | 4,416  | -38.7% |
| Developers and Other Contributions | -16,537 | -25,704 | -9,167 | 55.4%  |
| Specific Capital Grant             | -7,075  | -5,050  | 2,025  | -28.6% |
| Total Income                       | -35,012 | -37,738 | -2,726 | 7.8%   |

| <b>Loans Fund Advances</b> |        |        |        |        |
|----------------------------|--------|--------|--------|--------|
| Loans Fund Advances        | 42,992 | 35,078 | -7,914 | -18.4% |
| Total                      | 42,992 | 35,078 | -7,914 | -18.4% |

**CAPITAL MONITORING 2017/18 - Outturn**  
**Slippage and Acceleration on Housing Revenue Account (HRA) Projects**

Slippage on projects is shown as a negative value, while acceleration or overspends are shown as positive values.

**Key to variance category**

| <i>Type</i>                           | <i>Explanation</i>  |
|---------------------------------------|---|
| 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.

|                                       | <b>Outturn<br/>£000</b> | <b>Period 9<br/>£000</b> | <b>Movement<br/>between<br/>periods<br/>£000</b> | <b>Explanations for Significant Slippage / Acceleration</b>  | <b>Variance<br/>Category</b> |
|---------------------------------------|-------------------------|--------------------------|--|--|------------------------------|
| <b><u>Housing Revenue Account</u></b> |                         |                          |  |  |                              |
| Housing Investment on Existing Homes  | 1,366                   | -1,689                   | 3,055  | The programme was projected to under spend in 2017/18. Other improvement schemes were accelerated, most notably to empty homes to bring them promptly back into use. £0.6m in the revised budget was earmarked for a mixed tenure pilot. It was based on the original scope of upgrading three blocks in Dumbryden area. The scope of the pilot has since been expanded to include whole block re-design, place making in the wider area and one pilot area in each locality. This expanded scope has resulted in longer lead in time to contractor appointment and delaying the associated project spend. | 1                            |
| Neighbourhood Improvement Programme   | -963                    | -800                     | -163   | The Neighbourhood Improvement Programme was projected to under spend by £0.8m. However, all identified projects will be delivered in line with the priorities agreed with local teams and neighbourhood governance.  | 2                            |
| Regeneration Programme                | -611                    | -1,000                   | 389  | The underspend in the Regeneration Programme was due to extensive engagement of owners and legal process for buybacks taking longer than initially projected and recent identification of asbestos at St Stephen's Court, which delays the project and spend.  | 1                            |
| Service Transformation                | -1,415                  | -1,415                   | 0  | The Broadband Pilot, which forms part of the service transformation programme and aims to provide high speed broadband to around 1,200 homes in North Edinburgh, has been delayed. Tenders received from contractors failed to meet the project specifications and alternative delivery models are being explored.   | 1                            |

|   | <b>Outturn<br/>£000</b> | <b>Period 9<br/>£000</b> | <b>Movement<br/>between<br/>periods<br/>£000</b> | <b>Explanations for Significant Slippage / Acceleration</b>  | <b>Variance<br/>Category</b> |
|---|-------------------------|--------------------------|--|--|------------------------------|
| House Building Programme                          | -4,105                  | -5,067                   | 962  | The annual expenditure on the House Building Programme is projected to under spent by £4.1m which was primarily due to delays in securing statutory consents for construction work at North Sighthill, small sites and Greendykes. Greendykes was also subject to a value engineering exercise due to high tender price. | 1                            |
| Net (slippage) / acceleration on various projects | 540                     | 1,037                    | -497   |  | 4                            |
| <b>Total Housing Revenue Account</b>              | <b>-5,188</b>           | <b>-8,934</b>            | <b>3,746</b>                                     |  |                              |

#### Summary of Variance Category

|   |                                    |               |               |              |
|---|------------------------------------|---------------|---------------|--------------|
| 1 | Slippage due to unforeseen delays  | -4,765        | -9,171        | 4,406        |
| 2 | Slippage due to optimistic budget  | -963          | -800          | -163         |
| 3 | Slippage due to timing of payments | 0             | 0             | 0            |
| 4 | Acceleration on a project          | 540           | 1,037         | -497         |
|   |                                    | <b>-5,188</b> | <b>-8,934</b> | <b>3,746</b> |

**REVISED  
CAPITAL INVESTMENT  
PROGRAMME 2018-2023**  
(Incorporating slippage from 2017/18)

**REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023****SUMMARY OF EXPENDITURE AND RESOURCES - GENERAL SERVICES**

| 2018-2023  | Revised Budget  | Revised Indicative Budget |                 |                 |                 | Total<br>£000    |
|--|-----------------|---------------------------|-----------------|-----------------|-----------------|------------------|
|  | 2018/19<br>£000 | 2019/20<br>£000           | 2020/21<br>£000 | 2021/22<br>£000 | 2022/23<br>£000 |                  |
| <b>Expenditure</b>   | <b>246,282</b>  | <b>225,746</b>            | <b>219,944</b>  | <b>147,923</b>  | <b>170,279</b>  | <b>1,010,174</b> |
| <b>Resources</b>   |                 |                           |                 |                 |                 |                  |
| <b>Capital receipts</b>                                    |                 |                           |                 |                 |                 |                  |
| General asset sales  | 11,715          | 6,318                     | 3,000           | 3,000           | 3,000           | 27,033           |
| Less additional receipt income transferred to capital fund | (809)           | 0                         | 0               | 0               | 0               | (809)            |
| Ring-fenced asset sales                                    | 6,395           | 10,000                    | 0               | 0               | 0               | 16,395           |
| Capital Fund drawdown                                      | 14,782          | 2,811                     | 0               | 0               | 0               | 17,593           |
| Developers and other contributions                         | 2,319           | 585                       | 0               | 0               | 0               | 2,904            |
| Capital Grants Unapplied account                           | 3,451           | 0                         | 0               | 0               | 0               | 3,451            |
| Total receipts   | 37,853          | 19,714                    | 3,000           | 3,000           | 3,000           | 66,567           |
| <b>Capital Grants</b>                                      |                 |                           |                 |                 |                 |                  |
| <b>Government Grants</b>                                   |                 |                           |                 |                 |                 |                  |
| General Capital Grant                                      | 49,405          | 48,264                    | 38,000          | 38,000          | 38,000          | 211,669          |
| Specific Capital Grants                                    | 55,125          | 14,500                    | 10,000          | 0               | 0               | 79,625           |
| Total Grants   | 104,530         | 62,764                    | 48,000          | 38,000          | 38,000          | 291,294          |
| <b>Loans Fund Advances</b>                                 |                 |                           |                 |                 |                 |                  |
| Support brought forward                                    | 5,392           | 0                         | 0               | 0               | 0               | 5,392            |
| Prudential framework                                       |                 |                           |                 |                 |                 |                  |
| - Through council tax                                      | 7,000           | 56,000                    | 84,000          | 8,000           | 5,900           | 160,900          |
| - Lending  | 45,078          | 25,160                    | 57,542          | 73,665          | 117,879         | 319,324          |
| - Departmentally supported                                 | 31,400          | 58,915                    | 61,400          | 0               | 0               | 151,715          |
| Total Loans Fund Advances                                  | 88,870          | 140,075                   | 202,942         | 81,665          | 123,779         | 637,331          |
| Over / (under)-programming                                 | 15,029          | 3,193                     | (33,998)        | 25,258          | 5,500           | 14,982           |
| <b>Total Resources</b>                                     | <b>246,282</b>  | <b>225,746</b>            | <b>219,944</b>  | <b>147,923</b>  | <b>170,279</b>  | <b>1,010,174</b> |

Grant funding from 2019/20 onwards are based on prudent estimates.



**REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023**

| <b><u>SUMMARY OF EXPENDITURE</u></b>  | Revised<br>Budget<br>2018/19<br><br>£000 | Indicative                           |                                      |                                      |                                      | <b>Total<br/>Budget<br/>2018-2023<br/>£000</b> |
|---------------------------------------|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
|                                       |  | Revised<br>Budget<br>2019/20<br>£000 | Revised<br>Budget<br>2020/21<br>£000 | Revised<br>Budget<br>2021/22<br>£000 | Revised<br>Budget<br>2022/23<br>£000 |  |
| <b>General Services</b>               |  |                                      |                                      |                                      |                                      |  |
| Communities and Families              | 54,597                                   | 53,550                               | 31,167                               | 14,207                               | 165                                  | <b>153,686</b>                                 |
| Edinburgh Integration Joint Board     | 2,727                                    | 1,528                                | 5,000                                | 5,000                                | -                                    | <b>14,255</b>                                  |
| Place                                 | 110,084                                  | 98,368                               | 96,235                               | 29,535                               | 31,785                               | <b>366,007</b>                                 |
| Resources - Other                     | 16,221                                   | -                                    | -                                    | -                                    | -                                    | <b>16,221</b>                                  |
| Resources - Asset Management<br>Works |  |                                      |                                      |                                      |                                      |  |
| - Communities and Families            | 14,972                                   | 16,652                               | 1,766                                | 1,025                                | 1,000                                | <b>35,415</b>                                  |
| - Edinburgh Integration Joint Board   | 511                                      | 96                                   | -                                    | -                                    | -                                    | <b>607</b>                                     |
| - Place                               | 1,269                                    | 668                                  | -                                    | -                                    | -                                    | <b>1,937</b>                                   |
| - Resources - Corporate Property      | 823                                      | 396                                  | -                                    | -                                    | -                                    | <b>1,219</b>                                   |
| - Not yet allocated to services       | -  | 12,188                               | 28,234                               | 24,491                               | 19,450                               | <b>84,363</b>                                  |
| Lending                               | 45,078                                   | 25,618                               | 57,542                               | 73,665                               | 117,879                              | <b>319,782</b>                                 |
| Local Development Plan - unallocated  |  | 16,682                               |                                      |                                      |                                      | <b>16,682</b>                                  |
| <b>Total General Services</b>         | <b>246,282</b>                           | <b>225,746</b>                       | <b>219,944</b>                       | <b>147,923</b>                       | <b>170,279</b>                       | <b>1,010,174</b>                               |

**REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023**

| <b><u>COMMUNITIES AND FAMILIES</u></b>           | <b>Revised Budget 2018/19</b> | <b>Revised Budget 2019-20</b> | <b>Revised Budget 2020-21</b> | <b>Revised Budget 2021-22</b> | <b>Revised Budget 2022-23</b> | <b>Total Budget 2018-2023</b> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | £000                          | £000                          | £000                          | £000                          | £000                          | £000                          |
| <b><i>Early years Learning and Childcare</i></b> |                               |                               |                               |                               |                               |                               |
| Longstone PS nursery                             | 4                             | 0                             | 0                             | 0                             | 0                             | 4                             |
| Granton early years Centre                       | 383                           | 0                             | 0                             | 0                             | 0                             | 383                           |
| Davidson's Mains PS nursery                      | 209                           | 0                             | 0                             | 0                             | 0                             | 209                           |
| Corstorphine PS nursery                          | 37                            | 0                             | 0                             | 0                             | 0                             | 37                            |
| Ferryhill PS Nursery                             | 282                           | 0                             | 0                             | 0                             | 0                             | 282                           |
| Tynecastle PS Nursery                            | 191                           | 0                             | 0                             | 0                             | 0                             | 191                           |
| Blackhall Nursery                                | 15                            | 0                             | 0                             | 0                             | 0                             | 15                            |
| Early years unallocated                          | 16,392                        | 14,500                        | 10,000                        | 0                             | 0                             | 40,892                        |
| <b><i>Early years total</i></b>                  | <b>17,513</b>                 | <b>14,500</b>                 | <b>10,000</b>                 | <b>0</b>                      | <b>0</b>                      | <b>42,013</b>                 |
| <b><i>Primary schools</i></b>                    |                               |                               |                               |                               |                               |                               |
| Upgrade kitchens - free school meals initiative  | 44                            | 0                             | 0                             | 0                             | 0                             | 44                            |
| Cramond PS FSM Kitchen                           | 25                            | 0                             | 0                             | 0                             | 0                             | 25                            |
| East Craigs PS FSM Kitchen                       | 21                            | 0                             | 0                             | 0                             | 0                             | 21                            |
| Sciennes PS FSM Kitchen                          | 28                            | 0                             | 0                             | 0                             | 0                             | 28                            |
| Towerbank PS FSM Kitchen                         | 11                            | 0                             | 0                             | 0                             | 0                             | 11                            |
| Waterfront PS                                    | 19                            | 0                             | 0                             | 0                             | 0                             | 19                            |
| Victoria PS Replacement                          | 607                           | 5,775                         | 2,382                         | 0                             | 0                             | 8,764                         |
| Broomhill PS                                     | 0                             | 4,375                         | 1,848                         | 0                             | 0                             | 6,223                         |
| New South Edinburgh Primary                      | 1,670                         | 8,613                         | 2,410                         | 1,542                         | 0                             | 14,235                        |
| <b><i>Primary schools total</i></b>              | <b>2,425</b>                  | <b>18,763</b>                 | <b>6,640</b>                  | <b>1,542</b>                  | <b>0</b>                      | <b>29,370</b>                 |
| <b><i>Secondary schools</i></b>                  |                               |                               |                               |                               |                               |                               |
| Liberton high school replacement gym             | 70                            | 0                             | 0                             | 0                             | 0                             | 70                            |
| Replacement Queensferry High School              | 4,348                         | 3,000                         | 0                             | 0                             | 0                             | 7,348                         |
| New Craigmillar High School                      | 573                           | 0                             | 0                             | 0                             | 0                             | 573                           |
| <b><i>Secondary schools total</i></b>            | <b>4,991</b>                  | <b>3,000</b>                  | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>7,991</b>                  |

**REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023**

| <b><u>COMMUNITIES AND FAMILIES</u></b>        | <b>Revised Budget 2018/19</b> | <b>Revised Budget 2019-20</b> | <b>Revised Budget 2020-21</b> | <b>Revised Budget 2021-22</b> | <b>Revised Budget 2022-23</b> | <b>Total Budget 2018-2023</b> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | £000                          | £000                          | £000                          | £000                          | £000                          | £000                          |
| <b>Community centres</b>                      |                               |                               |                               |                               |                               |                               |
| Duncan Place                                  | 326                           | 0                             | 0                             | 0                             | 0                             | 326                           |
| <b>Community centres total</b>                | <b>326</b>                    | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>326</b>                    |
| <b>Children's services</b>                    |                               |                               |                               |                               |                               |                               |
| Heather Vale YPC                              | 13                            | 0                             | 0                             | 0                             | 0                             | 13                            |
| Oxgangs New YPC                               | 655                           | 0                             | 0                             | 0                             | 0                             | 655                           |
| <b>Children's services total</b>              | <b>668</b>                    | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>668</b>                    |
| <b>Other projects</b>                         |                               |                               |                               |                               |                               |                               |
| Gaelic PS Playground                          | 25                            | 0                             | 0                             | 0                             | 0                             | 25                            |
| Kirkliston primary school - development works | 73                            | 0                             | 0                             | 0                             | 0                             | 73                            |
| <b>Other projects total</b>                   | <b>98</b>                     | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>98</b>                     |
| <b>Rising School Rolls</b>                    |                               |                               |                               |                               |                               |                               |
| Rising school rolls general                   | 17                            | 1,206                         | 0                             | 0                             | 0                             | 1,223                         |
| Roseburn PS RSR4                              | 50                            | 0                             | 0                             | 0                             | 0                             | 50                            |
| Liberton PS RSR5                              | 91                            | 0                             | 0                             | 0                             | 0                             | 91                            |
| Corstorphine HS RSR5                          | 45                            | 0                             | 0                             | 0                             | 0                             | 45                            |
| Queensferry PS RSR6                           | 1,384                         | 0                             | 0                             | 0                             | 0                             | 1,384                         |
| Trinity PS RSR6                               | 839                           | 0                             | 0                             | 0                             | 0                             | 839                           |
| Davidson's Mains PS RSR 6                     | 31                            | 0                             | 0                             | 0                             | 0                             | 31                            |
| Stockbridge PS RSR6                           | 827                           | 0                             | 0                             | 0                             | 0                             | 827                           |
| St Margaret's PS Extn RSR6                    | 487                           | 0                             | 0                             | 0                             | 0                             | 487                           |
| Currie PS RSR6                                | 1,087                         | 0                             | 0                             | 0                             | 0                             | 1,087                         |
| Granton PS RSR6                               | 689                           | 0                             | 0                             | 0                             | 0                             | 689                           |
| Boroughmuir High School - Additional Places   | 100                           | 2,200                         | 1,862                         | 0                             | 0                             | 4,162                         |
| Rising School Rolls Phs 5 Gen                 | 2,227                         | 0                             | 0                             | 0                             | 0                             | 2,227                         |
| <b>Rising School Rolls Total</b>              | <b>7,874</b>                  | <b>3,406</b>                  | <b>1,862</b>                  | <b>0</b>                      | <b>0</b>                      | <b>13,142</b>                 |
| <b>Wave three school projects</b>             |                               |                               |                               |                               |                               |                               |
| Boroughmuir High School replacement           | 1,238                         | 0                             | 0                             | 0                             | 0                             | 1,238                         |

**REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023**

| <b><u>COMMUNITIES AND FAMILIES</u></b>         | <b>Revised Budget 2018/19</b> | <b>Revised Budget 2019-20</b> | <b>Revised Budget 2020-21</b> | <b>Revised Budget 2021-22</b> | <b>Revised Budget 2022-23</b> | <b>Total Budget 2018-2023</b> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | £000                          | £000                          | £000                          | £000                          | £000                          | £000                          |
| James Gillespies campus                        | 5                             | 0                             | 0                             | 0                             | 0                             | 5                             |
| Portobello High School replacement             | 125                           | 0                             | 0                             | 0                             | 0                             | 125                           |
| St Crispin's Special School replacement        | 1,039                         | 11,017                        | 0                             | 0                             | 0                             | 12,056                        |
| St John's Primary new wave 3 School            | 6,546                         | 171                           | 0                             | 0                             | 0                             | 6,717                         |
| New park former Portobello HS                  | 998                           | 0                             | 0                             | 0                             | 0                             | 998                           |
| Wave three inflation contingency               | 2,913                         | 0                             | 0                             | 0                             | 0                             | 2,913                         |
| <b>Wave three school projects total</b>        | <b>12,864</b>                 | <b>11,188</b>                 | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>24,052</b>                 |
| <b>Wave four school projects</b>               |                               |                               |                               |                               |                               |                               |
| Wave 4 Replacement High School                 | 0                             | 0                             | 12,500                        | 12,500                        | 0                             | 25,000                        |
| <b>Wave four school projects total</b>         | <b>0</b>                      | <b>0</b>                      | <b>12,500</b>                 | <b>12,500</b>                 | <b>0</b>                      | <b>25,000</b>                 |
| <b>Libraries</b>                               |                               |                               |                               |                               |                               |                               |
| Open Plus Library Self Service Kiosks          | 350                           | 0                             | 0                             | 0                             | 0                             | 350                           |
| Peoples Network                                | 40                            | 0                             | 0                             | 0                             | 0                             | 40                            |
| Self service terminals                         | 16                            | 0                             | 0                             | 0                             | 0                             | 16                            |
| Drum Brae Library                              | 6                             | 0                             | 0                             | 0                             | 0                             | 6                             |
| George IV Bridge Library-enhancement works     | 365                           | 0                             | 0                             | 0                             | 0                             | 365                           |
| <b>Libraries projects total</b>                | <b>777</b>                    | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>777</b>                    |
| <b>Sports</b>                                  |                               |                               |                               |                               |                               |                               |
| 3G pitch Mally Park                            | (20)                          | 0                             | 0                             | 0                             | 0                             | (20)                          |
| Queensferry Recreation project                 | 3                             | 0                             | 0                             | 0                             | 0                             | 3                             |
| Craiglockhart Tennis Centre                    | 285                           |                               |                               |                               |                               | 285                           |
| Edinburgh Leisure New Meadowbank Sports Centre | 215                           | 165                           | 165                           | 165                           | 165                           | 875                           |
| Hunter Hall cycle hub and pitch                | 4,395                         | 2,528                         | 0                             | 0                             | 0                             | 6,923                         |
|  | 1,065                         | 0                             | 0                             | 0                             | 0                             | 1,065                         |
| <b>Sports projects total</b>                   | <b>5,943</b>                  | <b>2,693</b>                  | <b>165</b>                    | <b>165</b>                    | <b>165</b>                    | <b>9,131</b>                  |

**REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023**

| <b><u>COMMUNITIES AND FAMILIES</u></b>                | <b>Revised Budget 2018/19</b> | <b>Revised Budget 2019-20</b> | <b>Revised Budget 2020-21</b> | <b>Revised Budget 2021-22</b> | <b>Revised Budget 2022-23</b> | <b>Total Budget 2018-2023</b> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | £000                          | £000                          | £000                          | £000                          | £000                          | £000                          |
| <b><i>Safer and Stronger Communities</i></b>          |                               |                               |                               |                               |                               |                               |
| CCTV Capital  | 1,125                         | 0                             | 0                             | 0                             | 0                             | 1,125                         |
| <b><i>Safer and Stronger Communities Projects</i></b> | <b>1,125</b>                  | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>1,125</b>                  |
| Cost of Asset Sales                                   | (7)                           | 0                             | 0                             | 0                             | 0                             | (7)                           |
| <b><i>Total Communities and Families</i></b>          | <b>54,597</b>                 | <b>53,550</b>                 | <b>31,167</b>                 | <b>14,207</b>                 | <b>165</b>                    | <b>153,686</b>                |

**REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023**

| <b><u>EDINBURGH<br/>INTEGRATION JOINT<br/>BOARD</u></b>   | <b>Revised<br/>Budget<br/>2018/19</b> | <b>Revised<br/>Budget<br/>2019-20</b> | <b>Revised<br/>Budget<br/>2020-21</b> | <b>Revised<br/>Budget<br/>2021-22</b> | <b>Revised<br/>Budget<br/>2022-23</b> | <b>Total<br/>Budget<br/>2018-2023</b> |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|   | £000                                  | £000                                  | £000                                  | £000                                  | £000                                  | £000                                  |
| <b><i>Care homes</i></b>                                  |                                       |                                       |                                       |                                       |                                       |                                       |
| New care home   | 2,812                                 | 1,528                                 | 5,000                                 | 5,000                                 | 0                                     | 14,340                                |
| <b><i>Care homes total</i></b>                            | <b>2,812</b>                          | <b>1,528</b>                          | <b>5,000</b>                          | <b>5,000</b>                          | <b>0</b>                              | <b>14,340</b>                         |
| <b><i>Other projects</i></b>                              |                                       |                                       |                                       |                                       |                                       |                                       |
| Oxgangs day centre  | 10                                    | 0                                     | 0                                     | 0                                     | 0                                     | 10                                    |
| Developer Contributions                                   | 5                                     |                                       |                                       |                                       |                                       | 5                                     |
| <b><i>Other projects total</i></b>                        | <b>15</b>                             | <b>0</b>                              | <b>0</b>                              | <b>0</b>                              | <b>0</b>                              | <b>15</b>                             |
| Cost of Asset Sales                                       | (100)                                 | 0                                     | 0                                     | 0                                     | 0                                     | (100)                                 |
| <b><i>Total Edinburgh<br/>Integration Joint Board</i></b> | <b>2,727</b>                          | <b>1,528</b>                          | <b>5,000</b>                          | <b>5,000</b>                          | <b>0</b>                              | <b>14,255</b>                         |

**REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023**

| <u>PLACE</u>                                    | Revised Budget 2018-19 | Revised Budget 2019-20 | Revised Budget 2020-21 | Revised Budget 2021-22 | Revised Budget 2022-23 | Total Budget 2018-2023 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | £000                   | £000                   | £000                   | £000                   | £000                   | £000                   |
| <b>Environment</b>                              |                        |                        |                        |                        |                        |                        |
| <u>Waste services</u>                           |                        |                        |                        |                        |                        |                        |
| Zero Waste: Millerhill - Capital contribution   | 0                      | 28,000                 | 0                      | 0                      | 0                      | 28,000                 |
| <b>Waste Total</b>                              | <b>0</b>               | <b>28,000</b>          | <b>0</b>               | <b>0</b>               | <b>0</b>               | <b>28,000</b>          |
| <u>Parks and green spaces</u>                   |                        |                        |                        |                        |                        |                        |
| HLF - Saughton Park                             | (917)                  | 0                      | 0                      | 0                      | 0                      | (917)                  |
| Cammo Settlement                                | 658                    | 0                      | 0                      | 0                      | 0                      | 658                    |
| Waterfront Green Space                          | 230                    | 0                      | 0                      | 0                      | 0                      | 230                    |
| Salvesen Steps                                  | 532                    | 0                      | 0                      | 0                      | 0                      | 532                    |
| Fair A Far Weir                                 | 35                     | 0                      | 0                      | 0                      | 0                      | 35                     |
| Parks including Replacement Play Park Equipment | 99                     | 182                    | 200                    | 200                    | 200                    | 881                    |
| <b>Parks Total</b>                              | <b>637</b>             | <b>182</b>             | <b>200</b>             | <b>200</b>             | <b>200</b>             | <b>1,419</b>           |
| <u>Depot Review</u>                             |                        |                        |                        |                        |                        |                        |
| Bankhead depot                                  | 3,847                  | 10,600                 | 0                      | 0                      | 0                      | 14,447                 |
| Bankhead ERS depot                              | 153                    | 0                      | 0                      | 0                      | 0                      | 153                    |
| Russell road depot                              | 0                      | 1,963                  | 0                      | 0                      | 0                      | 1,963                  |
| Seafeld depot - Ph 1                            | 7                      | 0                      | 0                      | 0                      | 0                      | 7                      |
| Seafeld depot - Ph 2                            | 1,403                  | 763                    | 0                      | 0                      | 0                      | 2,166                  |
|   | <b>5,410</b>           | <b>13,326</b>          | <b>0</b>               | <b>0</b>               | <b>0</b>               | <b>18,736</b>          |
| <u>Fleet</u>                                    |                        |                        |                        |                        |                        |                        |
| Vehicle Purchase                                | 1,072                  | 0                      | 0                      | 0                      | 0                      | 1,072                  |
|   | <b>1,072</b>           | <b>0</b>               | <b>0</b>               | <b>0</b>               | <b>0</b>               | <b>1,072</b>           |
| <u>Cemeteries &amp; Crematorium</u>             |                        |                        |                        |                        |                        |                        |
| Mortonhall Memorialisation                      | 149                    | 0                      | 0                      | 0                      | 0                      | 149                    |
| <b>Cemeteries and Crematorium Total</b>         | <b>149</b>             | <b>0</b>               | <b>0</b>               | <b>0</b>               | <b>0</b>               | <b>149</b>             |
| <b>Environment Total</b>                        | <b>7,268</b>           | <b>41,508</b>          | <b>200</b>             | <b>200</b>             | <b>200</b>             | <b>49,376</b>          |
| <b>Housing and Regeneration</b>                 |                        |                        |                        |                        |                        |                        |
| Stair Lighting                                  | 202                    | 0                      | 0                      | 0                      | 0                      | 202                    |
| Travelling People's site                        | 14                     | 0                      | 0                      | 0                      | 0                      | 14                     |
| Home owners adaptation grants                   | 1,086                  | 1,000                  | 1,000                  | 1,000                  | 1,000                  | 5,086                  |
| Broomhouse Community Hub                        | 727                    | 0                      | 0                      | 0                      | 0                      | 727                    |
| Development Funding Grant                       | 41,269                 | 0                      | 0                      | 0                      | 0                      | 41,269                 |
| <b>Housing and Regeneration Total</b>           | <b>43,298</b>          | <b>1,000</b>           | <b>1,000</b>           | <b>1,000</b>           | <b>1,000</b>           | <b>47,298</b>          |

**REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023**

| <u>PLACE</u>                                    | <b>Revised Budget 2018-19</b> | <b>Revised Budget 2019-20</b> | <b>Revised Budget 2020-21</b> | <b>Revised Budget 2021-22</b> | <b>Revised Budget 2022-23</b> | <b>Total Budget 2018-2023</b> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | £000                          | £000                          | £000                          | £000                          | £000                          | <b>£000</b>                   |
| <b>Transport and Planning</b>                   |                               |                               |                               |                               |                               |                               |
| <i>Roads, Structures &amp; Flood Prevention</i> |                               |                               |                               |                               |                               |                               |
| North Bridge Major Refurbishment                | 12,532                        | 3,572                         | 5,300                         | 0                             | 0                             | 21,404                        |
| Burnshot Bridge                                 | 1,042                         | 1,397                         | 0                             | 0                             | 0                             | 2,439                         |
| Water of Leith - phase 1                        | 263                           | 0                             | 0                             | 0                             | 0                             | 263                           |
| Water of Leith - phase 2                        | 2,897                         | 0                             | 0                             | 0                             | 0                             | 2,897                         |
| Bridge strengthening                            | 1,520                         | 873                           | 0                             | 0                             | 0                             | 2,393                         |
|   | <b>18,254</b>                 | <b>5,842</b>                  | <b>5,300</b>                  | <b>0</b>                      | <b>0</b>                      | <b>29,396</b>                 |
| <i>Roads Asset Management Plan</i>              |                               |                               |                               |                               |                               |                               |
| Bus Stop Investment                             | 357                           | 0                             | 0                             | 0                             | 0                             | 357                           |
| Right first time carriageway and foot           | 382                           | 0                             | 0                             | 0                             | 0                             | 382                           |
| LDP Roads Obligations (exc WETA)                | 500                           | 1,000                         | 1,000                         | 2,000                         | 2,000                         | 6,500                         |
| West Edinburgh Transport Appraisal (WETA)       | 0                             | 0                             | 4,000                         | 5,000                         | 7,000                         | 16,000                        |
| Capital Gullies                                 | 180                           | 0                             | 0                             | 0                             | 0                             | 180                           |
| Roads, Pavements and Public Realm               | 0                             | 1,500                         | 1,500                         | 1,500                         | 1,750                         | 6,250                         |
| Carriageway / footway works [block]             | 12,649                        | 20,488                        | 12,085                        | 13,585                        | 13,585                        | 72,392                        |
|   | <b>14,068</b>                 | <b>22,988</b>                 | <b>18,585</b>                 | <b>22,085</b>                 | <b>24,335</b>                 | <b>102,061</b>                |
| <i>Street Lighting &amp; Traffic Signals</i>    |                               |                               |                               |                               |                               |                               |
| Traffic signals (renewal)                       | 993                           | 0                             | 0                             | 0                             | 0                             | 993                           |
| Street lighting                                 | 1,876                         | 2,031                         | 1,500                         | 1,500                         | 1,500                         | 8,407                         |
| Street lighting - City wide LED replacement     | 5,500                         | 17,589                        | 0                             | 0                             | 0                             | 23,089                        |
|   | <b>8,369</b>                  | <b>19,620</b>                 | <b>1,500</b>                  | <b>1,500</b>                  | <b>1,500</b>                  | <b>32,489</b>                 |
| <i>Roads &amp; Network</i>                      |                               |                               |                               |                               |                               |                               |
| UTMC and parking guidance                       | 221                           | 0                             | 0                             | 0                             | 0                             | 221                           |
| St Andrew Square public realm                   | 437                           | 0                             | 0                             | 0                             | 0                             | 437                           |
| Link to Royal Infirmary (NBR Bridge)            | 804                           | 0                             | 0                             | 0                             | 0                             | 804                           |
| Public Realm Grassmarket                        | 0                             | 1,000                         | 1,000                         | 1,000                         | 1,000                         | 4,000                         |
|   | <b>1,462</b>                  | <b>1,000</b>                  | <b>1,000</b>                  | <b>1,000</b>                  | <b>1,000</b>                  | <b>5,462</b>                  |
| <i>Policy &amp; planning</i>                    |                               |                               |                               |                               |                               |                               |
| Road safety                                     | 766                           | 0                             | 0                             | 0                             | 0                             | 766                           |
| 20mph speed limiting [block]                    | 559                           | 0                             | 0                             | 0                             | 0                             | 559                           |
| Walking projects [block]                        | 663                           | 0                             | 0                             | 0                             | 0                             | 663                           |
| A71 Dalmahoy Junction Upgrade                   | 384                           | 0                             | 0                             | 0                             | 0                             | 384                           |
| Frederick Street - Hanover Street               | 59                            | 0                             | 0                             | 0                             | 0                             | 59                            |
| Tram Development                                | 200                           | 0                             | 0                             | 0                             | 0                             | 200                           |
| Edinburgh Gateway Tram Stop                     | 5                             | 0                             | 0                             | 0                             | 0                             | 5                             |



**REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023**

| <u>PLACE</u>                                    | Revised Budget 2018-19 | Revised Budget 2019-20 | Revised Budget 2020-21 | Revised Budget 2021-22 | Revised Budget 2022-23 | Total Budget 2018-2023 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
|   | £000                   | £000                   | £000                   | £000                   | £000                   | £000                   |
| Cycle projects [block]                          | 1,800                  | 0                      | 0                      | 0                      | 0                      | 1,800                  |
| St Andrew Square bus station                    | 176                    | 0                      | 0                      | 0                      | 0                      | 176                    |
| Bus priority schemes / bus shelters             | 751                    | 0                      | 0                      | 0                      | 0                      | 751                    |
| Bustracker- RTI extension                       | 69                     | 0                      | 0                      | 0                      | 0                      | 69                     |
| P-R Improvements                                | 30                     | 0                      | 0                      | 0                      | 0                      | 30                     |
| Bus Lane Camera Enforcement                     | 200                    | 0                      | 0                      | 0                      | 0                      | 200                    |
| Developer Contributions                         | 539                    | 0                      | 0                      | 0                      | 0                      | 539                    |
| B924 pedestrian crossing                        | 5                      | 0                      | 0                      | 0                      | 0                      | 5                      |
| Road safety, cycling and public transport       | 0                      | 1,750                  | 1,750                  | 1,750                  | 1,750                  | 7,000                  |
|   | <b>6,206</b>           | <b>1,750</b>           | <b>1,750</b>           | <b>1,750</b>           | <b>1,750</b>           | <b>13,206</b>          |
| <i>Transport - City Centre</i>                  |                        |                        |                        |                        |                        |                        |
| Rose Street - public realm                      | 489                    | 0                      | 0                      | 0                      | 0                      | 489                    |
| Leith Walk Constitution Street                  | 50                     | 160                    | 0                      | 0                      | 0                      | 210                    |
|   | <b>539</b>             | <b>160</b>             | <b>0</b>               | <b>0</b>               | <b>0</b>               | <b>699</b>             |
| <i>Localities Projects</i>                      |                        |                        |                        |                        |                        |                        |
| South East Locality                             | 598                    | 0                      | 0                      | 0                      | 0                      | 598                    |
| North East Locality                             | 956                    | 0                      | 0                      | 0                      | 0                      | 956                    |
| North West Locality                             | 639                    | 0                      | 0                      | 0                      | 0                      | 639                    |
| South West Locality                             | 317                    | 0                      | 0                      | 0                      | 0                      | 317                    |
|   | <b>2,510</b>           | <b>0</b>               | <b>0</b>               | <b>0</b>               | <b>0</b>               | <b>2,510</b>           |
| <i>Transport Other</i>                          |                        |                        |                        |                        |                        |                        |
| Tram Lifecycle Replacement                      | 0                      | 1,000                  | 1,000                  | 1,000                  | 1,000                  | 4,000                  |
| <b>Transport and other infrastructure total</b> | <b>51,408</b>          | <b>52,360</b>          | <b>29,135</b>          | <b>27,335</b>          | <b>29,585</b>          | <b>189,823</b>         |
| <b>Museums and Arts</b>                         |                        |                        |                        |                        |                        |                        |
| Calton Hill redevelopment                       | 1,264                  | 0                      | 0                      | 0                      | 0                      | 1,264                  |
| Kings Theatre Contribution                      | 5,500                  | 500                    | 1,000                  | 1,000                  | 1,000                  | 9,000                  |
| Leith Theatre                                   | 500                    | 500                    | 0                      | 0                      | 0                      | 1,000                  |
| IMPACT  | 500                    | 2,500                  | 2,000                  | 0                      | 0                      | 5,000                  |
| Usher Hall - PA System                          | 25                     | 0                      | 0                      | 0                      | 0                      | 25                     |
| Custom House Acquisition                        | 50                     | 0                      | 0                      | 0                      | 0                      | 50                     |
| Scott Monument                                  | 69                     | 0                      | 0                      | 0                      | 0                      | 69                     |
| Museum of Edinburgh                             | 10                     | 0                      | 0                      | 0                      | 0                      | 10                     |
| City Arts Centre Café - Kitchen                 | 25                     | 0                      | 0                      | 0                      | 0                      | 25                     |
| City Arts Centre - Fifth Floor                  | 8                      | 0                      | 0                      | 0                      | 0                      | 8                      |
| City Arts Centre - Frontage                     | 70                     | 0                      | 0                      | 0                      | 0                      | 70                     |
| Contingency                                     | 1                      | 0                      | 0                      | 0                      | 0                      | 1                      |
| <b>Museums and Arts Total</b>                   | <b>8,022</b>           | <b>3,500</b>           | <b>3,000</b>           | <b>1,000</b>           | <b>1,000</b>           | <b>16,522</b>          |

**REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023**

| <b>PLACE</b>  | <b>Revised Budget 2018-19</b> | <b>Revised Budget 2019-20</b> | <b>Revised Budget 2020-21</b> | <b>Revised Budget 2021-22</b> | <b>Revised Budget 2022-23</b> | <b>Total Budget 2018-2023</b> |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|   | £000                          | £000                          | £000                          | £000                          | £000                          | <b>£000</b>                   |
| <b>Strategic support</b>                              |                               |                               |                               |                               |                               |                               |
| City dressing programme<br>Castlebrae Business Centre | 156                           | 0                             | 0                             | 0                             | 0                             | 156                           |
| Refurbishment   | (93)                          |                               |                               |                               |                               | (93)                          |
| The Causey Project                                    | 25                            |                               |                               |                               |                               | 25                            |
| St James GAM - Public Realm                           | 0                             | 0                             | 61,400                        | 0                             | 0                             | 61,400                        |
| Picardy Place   | 0                             |                               | 1,500                         |                               |                               | 1,500                         |
| CWSS - Promenade                                      | 0                             | 0                             | 0                             | 0                             | 0                             | 0                             |
| <b>Strategic support total</b>                        | <b>88</b>                     | <b>0</b>                      | <b>62,900</b>                 | <b>0</b>                      | <b>0</b>                      | <b>62,988</b>                 |
| Place - contingency                                   | 0                             | 0                             | 0                             | 0                             | 0                             | 0                             |
| <b>Total Place</b>                                    | <b>110,084</b>                | <b>98,368</b>                 | <b>96,235</b>                 | <b>29,535</b>                 | <b>31,785</b>                 | <b>366,007</b>                |

**REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023**

| <b>RESOURCES - OTHER</b>                                     | <b>Revised Budget 2018/19</b> | <b>Revised Budget 2019-20</b> | <b>Revised Budget 2020-21</b> | <b>Revised Budget 2021-22</b> | <b>Revised Budget 2022-23</b> | <b>Total Budget 2018-2023</b> |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|  | £000                          | £000                          | £000                          | £000                          | £000                          | £000                          |
| <b>ICT Function</b>  |                               |                               |                               |                               |                               |                               |
| ICT Contract   | 14,216                        | 0                             | 0                             | 0                             | 0                             | 14,216                        |
| <b>ICT function Total</b>                                    | <b>14,216</b>                 | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>14,216</b>                 |
| <b>Property and Facilities Management</b><br>249 High Street |                               |                               |                               |                               |                               |                               |
| Reconfiguration  | 338                           | 0                             | 0                             | 0                             | 0                             | 338                           |
| Leith Walk Community Hub                                     | 1,407                         | 0                             | 0                             | 0                             | 0                             | 1,407                         |
| <b>PFM Total</b>   | <b>1,745</b>                  | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>1,745</b>                  |
| <b>General</b>   |                               |                               |                               |                               |                               |                               |
| Print Unit Equipment   | 17                            |                               |                               |                               |                               | 17                            |
| Wi-fi Vouchers Programme                                     | 243                           | 0                             | 0                             | 0                             | 0                             | 243                           |
| <b>Resources General Total</b>                               | <b>260</b>                    | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>260</b>                    |
| <b>Total Resources - Other</b>                               | <b>16,221</b>                 | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>0</b>                      | <b>16,221</b>                 |

| <b>LENDING</b>           | <b>Revised Budget 2018/19</b> | <b>Revised Budget 2019-20</b> | <b>Revised Budget 2020-21</b> | <b>Revised Budget 2021-22</b> | <b>Revised Budget 2022-23</b> | <b>Total Budget 2018-2023</b> |
|--------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                          | £000                          | £000                          | £000                          | £000                          | £000                          | £000                          |
| National Housing Trust 3 | 32,208                        | 4,718                         | 4,042                         | 0                             | 0                             | 40,968                        |
| Edinburgh Living LLP     | 12,870                        | 20,900                        | 53,500                        | 73,665                        | 117,879                       | 278,814                       |
| <b>Total Lending</b>     | <b>45,078</b>                 | <b>25,618</b>                 | <b>57,542</b>                 | <b>73,665</b>                 | <b>117,879</b>                | <b>319,782</b>                |

**REVISED CAPITAL INVESTMENT PROGRAMME 2018-2023**

| <b>RESOURCES - ASSET MANAGEMENT WORKS</b>          | <b>Revised Budget 2018-19</b> | <b>Indicative Budget 2019-20</b> | <b>Indicative Budget 2020-21</b> | <b>Indicative Budget 2021-22</b> | <b>Indicative Budget 2022-23</b> | <b>Total Budget 2018-2023</b> |
|--|-------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-------------------------------|
|  | £000                          | £000                             | £000                             | £000                             | £000                             | £000                          |
| <b>Communities and Families</b>                    |                               |                                  |                                  |                                  |                                  |                               |
| Boilers  | 487                           | 58                               | 0                                | 0                                | 0                                | 545                           |
| Doors & Windows                                    | 619                           | 1,480                            | 10                               | 0                                | 0                                | 2,109                         |
| Fabric Enhancement                                 | 7,331                         | 10,541                           | 691                              | 25                               | 0                                | 18,588                        |
| Fabric upgrade                                     | 365                           | 900                              | 35                               | 0                                | 0                                | 1,300                         |
| Fire Safety  | 1,025                         | 927                              | 610                              | 600                              | 600                              | 3,762                         |
| M&E Upgrade  | 3,374                         | 1,705                            | 20                               | 0                                | 0                                | 5,099                         |
| Roof & Rainwater                                   | 528                           | 152                              | 0                                | 0                                | 0                                | 680                           |
| Stonework  | 246                           | 189                              | 0                                | 0                                | 0                                | 435                           |
| Water Quality                                      | 997                           | 700                              | 400                              | 400                              | 400                              | 2,897                         |
| <b>Total for Communities and Families</b>          | <b>14,972</b>                 | <b>16,652</b>                    | <b>1,766</b>                     | <b>1,025</b>                     | <b>1,000</b>                     | <b>35,415</b>                 |
| <b>Edinburgh Integration Joint Board</b>           |                               |                                  |                                  |                                  |                                  |                               |
| Fabric Enhancement                                 | 29                            | 0                                | 0                                | 0                                | 0                                | 29                            |
| Fire Safety  | 25                            | 36                               | 0                                | 0                                | 0                                | 61                            |
| Boilers  | 457                           | 60                               | 0                                | 0                                | 0                                | 517                           |
| <b>Total for Edinburgh Integration Joint Board</b> | <b>511</b>                    | <b>96</b>                        | <b>0</b>                         | <b>0</b>                         | <b>0</b>                         | <b>607</b>                    |
| <b>Place</b>                                       |                               |                                  |                                  |                                  |                                  |                               |
| Boilers  | 445                           | 365                              | 0                                | 0                                | 0                                | 810                           |
| Fire Safety  | 277                           | 182                              | 0                                | 0                                | 0                                | 459                           |
| M&E Upgrade  | 128                           | 0                                | 0                                | 0                                | 0                                | 128                           |
| Fabric Enhancement                                 | 334                           | 116                              | 0                                | 0                                | 0                                | 450                           |
| Roof & Rainwater                                   | 10                            | 3                                | 0                                | 0                                | 0                                | 13                            |
| Water Quality Improv                               | 75                            | 2                                | 0                                | 0                                | 0                                | 77                            |
| <b>Total for Place</b>                             | <b>1,269</b>                  | <b>668</b>                       | <b>0</b>                         | <b>0</b>                         | <b>0</b>                         | <b>1,937</b>                  |
| <b>Resources - Corporate Property</b>              |                               |                                  |                                  |                                  |                                  |                               |
| Boilers  | 375                           | 18                               | 0                                | 0                                | 0                                | 393                           |
| Fire upgrade                                       | 93                            | 96                               | 0                                | 0                                | 0                                | 189                           |
| Fabric Enhancement                                 | 7                             |                                  | 0                                | 0                                | 0                                | 7                             |
| M&E Upgrade  | 347                           | 282                              | 0                                | 0                                | 0                                | 629                           |
| Windows & Doors                                    | 1                             |                                  | 0                                | 0                                | 0                                | 1                             |
| <b>Total for Resources - Corp. Property</b>        | <b>823</b>                    | <b>396</b>                       | <b>0</b>                         | <b>0</b>                         | <b>0</b>                         | <b>1,219</b>                  |
| <b>Funding not yet allocated to projects</b>       | <b>0</b>                      | <b>12,188</b>                    | <b>28,234</b>                    | <b>24,491</b>                    | <b>19,450</b>                    | <b>84,363</b>                 |
| <b>Total Asset Management Works</b>                | <b>17,575</b>                 | <b>30,000</b>                    | <b>30,000</b>                    | <b>25,516</b>                    | <b>20,450</b>                    | <b>123,541</b>                |

# Governance, Risk and Best Value Committee

10.00am, Tuesday 28 August 2018

## Capital Monitoring 2018/19 – Month Three Position – referral from the Finance and Resources Committee

|                     |     |
|---------------------|-----|
| Item number         | 7.4 |
| Report number       |     |
| Wards               | All |
| Council Commitments |     |

### Executive summary

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On 16 August 2018 the Finance and Resources Committee considered a report which outlined the overall position of the Council's capital budget at the three-month position (based on month two data) and the projected outturn for the year. The report has been referred to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

# Terms of Referral

## Capital Monitoring 2018/19 – Month Three Position – referral from the Finance and Resources Committee

### Terms of referral

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- 1.1 The month three position showed that the Council was projected to require loans fund advances of £92.210m and would be in receipt of grants and capital income amounting to £128.434m. Together this would fund projected capital investment of £220.664m. Loans fund advances were projected to be lower than the revised budget as a result of an anticipation of general slippage in the programme.
- 1.2 The Housing Revenue Account (HRA) capital investment programme was projecting to require loans fund advances of £20.742m and would be in receipt of grants and capital income amounting to £60.192m. Together this would fund projected capital investment of £80.934m. Loans fund advances were projected to be £1.672m lower than the revised budget as a result of changes to timescales for new homes developed through the Council's housebuilding programme being purchased by Edinburgh Living LLP.
- 1.3 The Finance and Resources Committee agreed:
  - 1.3.1 To note the projected capital outturn position on the General Fund and Housing Revenue Account (HRA) at month three.
  - 1.3.2 To note the prudential indicators at month three.
  - 1.3.3 To note that the Head of Finance was closely monitoring the capital receipts position.
  - 1.3.4 To refer the report to the Governance, Risk and Best Value Committee as part of its workplan.
  - 1.3.5 To agree that clarification would be sought on how the early years programme would be managed and reported back to Committee.

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### For Decision/Action

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- 2.1 The Governance, Risk and Best Value Committee is asked to consider this report as part of its workplan.

## Background reading / external references

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Finance and Resources Committee 16 August 2018.

### **Laurence Rockey**

Head of Strategy and Insight

Contact: Stuart Johnston, Committee Services

E-mail: [stuart.johnston@edinburgh.gov.uk](mailto:stuart.johnston@edinburgh.gov.uk) | Tel: 0131 529 7035

## Links

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### **Appendices**

Appendix 1 - report by the Executive Director of Resources

# Finance and Resources Committee

10.00am, Thursday 16 August 2018

## Capital Monitoring 2018/19 – Month Three Position

Item number

Report number

Executive/routine

Wards

Council Commitments

### Executive Summary

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The month three position shows that the Council is projected to require loans fund advances of £92.210m and will be in receipt of grants and capital income amounting to £128.434m. Together this will fund projected capital investment of £220.664m. Loans fund advances are projected to be lower than the revised budget as a result of an anticipation of general slippage in the programme.

The HRA capital investment programme is projecting to require loans fund advances of £20.742m and will be in receipt of grants and capital income amounting to £60.192m. Together this will fund projected capital investment of £80.934m. Loans fund advances are projected to be £1.672m lower than the revised budget as a result of changes to timescales for new homes developed through the Council's housebuilding programme being purchased by Edinburgh Living LLP.



## Capital Monitoring 2018/19 – Month Three Position

### 1. Recommendations

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- 1.1 Members of the Finance and Resources Committee are requested to:
  - 1.1.1 Note the projected capital outturn position on the General Fund and HRA at month three;
  - 1.1.2 Note the prudential indicators at month three;
  - 1.1.3 Note that the Head of Finance is closely monitoring the capital receipts position, and
  - 1.1.4 Refer the report to the Governance, Risk and Best Value Committee as part of its work-plan.

### 2. Background

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- 2.1 This report sets out the overall position of the Council's capital budget at the three-month position (based on month two data) and the projected outturn for the year.

### 3. Main report

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#### Existing Capital Plans

- 3.1 The month three budget position is based on the revised 2018-2023 Capital Investment Programme (CIP) incorporating slippage / acceleration from 2017/18. The detailed Capital Investment Programme can be seen in Appendix 5 of the Capital Monitoring 2017/18 – 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 General Fund of £220.644m funded by grants and other capital income of £128.434m and loans fund advances of £92.210m.
- 3.3 In May 2018, the Scottish Government confirmed the additional awards to the Council for Management Development Funding for 2018-2019 and a multi-year funding package for the delivery of the Expansion of Early Learning and Childcare in Scotland – Action Plan which have been included in the revised CIP.
- 3.4 The Management Development Funding for 2018-2019 has increased by £13.319m to £41.269m.

- 3.5 The Expansion of Early Learning and Childcare in Scotland – Action Plan included capital funding of £39.480m. The grant allocations are profiled over 4 years, 2017/18 £2.58m, 2018/19 £12.40m, 2019/20 £14.50m and 2020/21 £10m and have been included in the revised CIP accordingly.
- 3.6 The Executive Director of Communities and Families reported his plans for the delivery of the expansion plan to the Education, Children and Families Committee on 14 August 2018. Appendix 2 of the report advised the Committee of the intended detailed capital investment plan. At this early stage, capital expenditure of £0.955m is anticipated for 2018/19 resulting in slippage against budget of £14.025m which is reflected in Appendix 1. There is also an assumption that the grant funding will also be carried forward.
- 3.7 Members should note that in any given year, variance against budget will occur due to delays or unforeseen circumstances out with 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 5% of the revised budget, amounting to £11.613m 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**

- 3.8 Projected capital receipts from the sale of surplus assets, including those ringfenced for specific projects, are anticipated to be achieved at the budgeted level of £18.11m.
- 3.9 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.

#### **Prudential Indicators**

- 3.10 The Prudential Indicator monitoring at month three is shown in Appendix 2.

#### **Housing Revenue Account (HRA)**

- 3.11 The Housing Revenue Account is not forecasting any slippage in gross expenditure at month three.
- 3.12 As reported to Finance and Resources on 12 June 2018, the HRA will receive capital receipts from Edinburgh Living LLP for the sale of completed homes of £15.18m in 2018/19, which exceeds the revised budget by £1.672m. This represents a change of profile of the pipeline of delivery and the total receipts achieved across the programme remain the same.
- 3.13 The full HRA capital investment budget position is shown in Appendix 3. At month three, the forecast is gross expenditure of £80.934m, capital receipts and grant income of £60.192m and loans fund advances of £20.742m.

## **4. Measures of success**

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- 4.1 Completion of capital projects as budgeted for in the revised 2018/19 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**

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- 5.1 The projected 2018/19 general fund outturn outlines loans fund advances of £92.210m. The overall loan charges associated with this over a 20-year period would be a principal amount of £92.210m, interest of £60.040m, resulting in a total cost of £152.250m 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 £2.370m, followed by an annual cost of £7.494m for 20 years.
- 5.2 The projected 2018/19 HRA outturn outlines loans fund advances of £20.742m. The overall loans charges associated with this over a 20-year period would be a principal amount of £20.742m, interest of £13.505m, resulting in a total cost of £34.247m based on a loans fund rate of 5.1%. The loan charges will be interest only in the first year, at a cost of £0.547m followed by an annual cost of £1.685m for 20 years.
- 5.3 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.
- 5.4 The loan charge costs outlined above will be met from this year's general fund and HRA revenue budgets for loan charges.

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

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- 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.

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

## 7. Equalities impact

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

## 8. Sustainability impact

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- 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

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

## 10. Background reading/external references

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- 10.1 [Capital investment programme 2018-19 - 2022-23](#) – City of Edinburgh Council, 22 February 2018
- 10.2 [City deal new housing delivery partnership acquisition of homes 2018/19](#) - Finance and Resources Committee, 12 June 2018
- 10.3 [Expansion of Early Learning and Childcare from 600 – 1140 hours by 2020. Current progress and next steps, report to Education, Children and Families Committee](#)

### **Stephen S. Moir**

Executive Director of Resources

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## 11. Appendices

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Appendix 1 - Capital Monitoring 2018/19 – General Fund

Appendix 2 - Prudential Indicators 2018/19

Appendix 3 - Capital Monitoring 2018/19 – HRA

## Capital Monitoring 2018/19

## General Fund Summary

## Period 3

| Expenditure                        | Approved Budget<br>£000 | Adjusts<br>£000 | Revised Budget<br>£000 | Actual to Date<br>£000 | Projected Outturn<br>£000 | Projected Variance<br>£000 | Projected Variance<br>% |
|------------------------------------|-------------------------|-----------------|------------------------|------------------------|---------------------------|----------------------------|-------------------------|
| Communities and Families           | 34,378                  | 20,219          | 54,597                 | 8,862                  | 40,572                    | (14,025)                   | -25.69%                 |
| Edinburgh IJB                      | 2,069                   | 658             | 2,727                  | 50                     | 2,727                     | 0                          | 0.00%                   |
| Place                              | 99,640                  | 10,444          | 110,084                | 18,019                 | 110,084                   | 0                          | 0.00%                   |
| Resources - Asset Management Works | 18,537                  | (962)           | 17,575                 | 1,236                  | 17,575                    | 0                          | 0.00%                   |
| Resources - Other                  | 10,830                  | 5,391           | 16,221                 | 321                    | 16,221                    | 0                          | 0.00%                   |
| Lending                            | 32,208                  | 12,870          | 45,078                 | 0                      | 45,078                    | 0                          | 0.00%                   |
| General slippage in programme 5%   |                         |                 |                        |                        | (11,613)                  | (11,613)                   | n/a                     |
| Council Wide Projects              |                         |                 | 0                      |                        | 0                         | 0                          | 0.00%                   |
| <b>Total Gross Expenditure</b>     | <b>197,662</b>          | <b>48,620</b>   | <b>246,282</b>         | <b>28,488</b>          | <b>220,644</b>            | <b>(25,638)</b>            | <b>-10.41%</b>          |

## Income

|  |                |               |                |               |                |                 |                |
|--|----------------|---------------|----------------|---------------|----------------|-----------------|----------------|
| <i>Capital Receipts</i>                        |                |               |                |               |                |                 |                |
| General Services                               | 11,630         | 85            | 11,715         | 40            | 11,715         | 0               | 0.00%          |
| Ringfenced Asset Sales                         | 4,895          | 1,500         | 6,395          | 101           | 6,395          | 0               | 0.00%          |
| <i>Total Capital Receipts from Asset Sales</i> | <i>16,525</i>  | <i>1,585</i>  | <i>18,110</i>  | <i>141</i>    | <i>18,110</i>  | <i>0</i>        | <i>0.00%</i>   |
| Less additional receipt income to capital fund | (809)          | 0             | (809)          | 0             | (809)          | 0               | 0.00%          |
| Drawdown from Capital Fund                     | 15,439         | (657)         | 14,782         | 0             | 14,782         | 0               | 0.00%          |
| Developer and other Contributions              | 40             | 2,279         | 2,319          | 1,394         | 2,319          | 0               | 0.00%          |
| Capital Grants Unapplied Account drawdown      | 2,504          | 0             | 3,451          | 0             | 1,902          | (1,549)         | -44.89%        |
| <i>Total Capital Receipts</i>                  | <i>33,699</i>  | <i>3,207</i>  | <i>37,853</i>  | <i>1,535</i>  | <i>36,304</i>  | <i>(1,549)</i>  | <i>-4.09%</i>  |
| <i>Grants</i>                                  |                |               |                |               |                |                 |                |
| Scottish Government General Capital Grant      | 49,405         | 0             | 49,405         | 12,351        | 49,405         | 0               | 0.00%          |
| Cycling, Walking and Safer Streets             | 691            | 0             | 691            | 0             | 691            | 0               | 0.00%          |
| Management Development Funding                 | 27,950         | 13,319        | 41,269         | 0             | 41,269         | 0               | 0.00%          |
| Early Years and Childcare - Expansion          | 0              | 12,400        | 12,400         | 0             | 12,400         | 0               | 0.00%          |
| Other Specific Government Grants               | 0              | 765           | 765            | 676           | 765            | 0               | 0.00%          |
| Less Early Years Grant Carried Forward         | 0              | 0             | 0              |               | (12,400)       | (12,400)        | n/a            |
| <i>Total Grants</i>                            | <i>78,046</i>  | <i>26,484</i> | <i>104,530</i> | <i>13,027</i> | <i>92,130</i>  | <i>(12,400)</i> | <i>-11.86%</i> |
| <b>Total Income</b>                            | <b>111,745</b> | <b>29,691</b> | <b>142,383</b> | <b>14,562</b> | <b>128,434</b> | <b>(13,949)</b> | <b>-9.80%</b>  |

|  |               |               |                |  |               |                 |                |
|--|---------------|---------------|----------------|--|---------------|-----------------|----------------|
| <b>Balance to be funded through Loans Fund Advance</b> | <b>85,917</b> | <b>18,929</b> | <b>103,899</b> |  | <b>92,210</b> | <b>(11,689)</b> | <b>-11.25%</b> |
|--|---------------|---------------|----------------|--|---------------|-----------------|----------------|

Appendix 2

**PRUDENTIAL INDICATORS 2017/18 - Period 3**

**Indicator 1 - Estimate of Capital Expenditure**

|   | 2017/18 | 2018/19  | 2018/19  | 2019/20  | 2019/20  | 2020/21  | 2020/21  | 2021/22  | 2021/22  | 2022/23  | 2022/23  |
|---|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|   | Actual  | Estimate | Forecast | Estimate | Forecast | Estimate | Forecast | Estimate | Forecast | Estimate | Forecast |
|   | £000    | £000     | £000     | £000     | £000     | £000     | £000     | £000     | £000     | £000     | £000     |
| Council Wide / Corporate Projects                     | 364     | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Unallocated funding - LDP priorities                  | 0       | 0        | 0        | 16,682   | 16,682   | 0        | 0        | 0        | 0        | 0        | 0        |
| Lending   | 6,470   | 45,078   | 45,078   | 25,618   | 25,618   | 57,542   | 57,542   | 73,665   | 73,665   | 117,879  | 117,879  |
| Communities and Families                              | 35,989  | 54,597   | 40,572   | 53,550   | 67,575   | 31,167   | 31,167   | 14,207   | 14,207   | 165      | 165      |
| Edinburgh Integration Joint Board                     | 496     | 2,727    | 2,727    | 1,528    | 1,528    | 5,000    | 5,000    | 5,000    | 5,000    | 0        | 0        |
| Place   | 85,267  | 110,084  | 110,084  | 98,368   | 98,368   | 96,235   | 96,235   | 29,535   | 29,535   | 31,785   | 31,785   |
| Resources   | 3,503   | 16,221   | 16,221   | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| Resources - Asset Management Works                    | 10,990  | 17,575   | 17,575   | 30,000   | 30,000   | 30,000   | 30,000   | 25,516   | 25,516   | 20,450   | 20,450   |
| Trams   | 2,383   | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        |
| General slippage / acceleration across programme (5%) | 0       | 0        | (11,613) | 0        | (376)    | 0        | 991      | 0        | 3,601    | 0        | (1,118)  |
| Total General Services                                | 145,462 | 246,282  | 220,644  | 225,746  | 239,395  | 219,944  | 220,935  | 147,923  | 151,524  | 170,279  | 169,161  |
| Housing Revenue Account                               | 72,816  | 80,934   | 80,934   | 165,278  | 165,278  | 144,967  | 144,967  | 150,617  | 150,617  | 167,179  | 167,179  |
| Total   | 218,278 | 327,216  | 301,578  | 391,024  | 404,673  | 364,911  | 365,902  | 298,540  | 302,141  | 337,458  | 336,340  |

The 'estimate' figures relate to those reported as part of the revised Capital Investment Programmes reported elsewhere on this agenda incorporating the final slippage and realignment after the outturn for 2017/18 . Differences between these and the 'forecast' figures relate to slippage or acceleration in the programmes for the General Fund and HRA detailed in Appendices 1 and 3.

The 'Lending' figures relate to lending by the Council to National Housing Trust (NHT) bodies and Edinburgh LLP. The LLP figures are based on a pipeline of development and will be subject to annual approval from Finance and Resources Committee and Council. The figures shown are indicative.

**Indicator 2 - Ratio of Financing Costs to Net Revenue Stream**

|                         | 2017/18 | 2018/19  | 2018/19  | 2019/20  | 2020/21  | 2021/22  | 2022/23  |
|-------------------------|---------|----------|----------|----------|----------|----------|----------|
|                         | Actual  | Estimate | Forecast | Estimate | Estimate | Estimate | Estimate |
|                         | %       | %        | %        | %        | %        | %        | %        |
| General Services        | 11.63   | 11.38    | 11.44    | 11.65    | 11.68    | N/A      | N/A      |
| Housing Revenue Account | 37.88   | 39.64    | 38.69    | 41.76    | 42.28    | 45.28    | 47.53    |

Figures for 2019/20 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 2022/23. HRA figures are based on the current business plan.

Appendix 2

**Indicator 3 - Capital Financing Requirement**

|   | 2017/18          | 2018/19          | 2018/19          | 2019/20          | 2019/20          | 2020/21          | 2020/21          | 2021/22          | 2021/22          | 2022/23          | 2022/23          |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|   | Actual           | Estimate         | Forecast         | Estimate         | Forecast         | Estimate         | Forecast         | Estimate         | Forecast         | Estimate         | Forecast         |
|   | £000             | £000             | £000             | £000             | £000             | £000             | £000             | £000             | £000             | £000             | £000             |
| General Services (including finance leases) | 1,128,518        | 1,123,368        | 1,111,679        | 1,217,813        | 1,205,824        | 1,259,886        | 1,248,889        | 1,215,639        | 1,208,243        | 1,148,746        | 1,140,232        |
| Edinburgh Living LLP                        | 0                | 12,870           | 12,870           | 33,614           | 33,614           | 86,647           | 86,647           | 159,189          | 159,189          | 275,105          | 275,105          |
| NHT LLPs                                    | 66,725           | 98,933           | 98,933           | 103,651          | 103,651          | 107,693          | 107,693          | 107,693          | 107,693          | 107,693          | 107,693          |
| Housing Revenue Account                     | 380,621          | 377,505          | 375,833          | 431,583          | 431,583          | 460,266          | 460,266          | 482,172          | 482,173          | 483,252          | 483,252          |
| <b>Total</b>                                | <b>1,575,864</b> | <b>1,612,676</b> | <b>1,599,315</b> | <b>1,786,661</b> | <b>1,774,672</b> | <b>1,914,492</b> | <b>1,903,495</b> | <b>1,964,693</b> | <b>1,957,298</b> | <b>2,014,796</b> | <b>2,006,282</b> |

Forecasts include the capital financing requirement relating to PPP assets and advances to NHT and Edinburgh Living LLPs

**Indicator 4 - Authorised Limit for External Debt**

|                     | 2018/19      | 2019/20      | 2020/21      | 2021/22      | 2022/23      |
|---------------------|--------------|--------------|--------------|--------------|--------------|
|                     | £m           | £m           | £m           | £m           | £m           |
| Borrowing           | 1,955        | 1,999        | 2,054        | 2,014        | 1,961        |
| Credit Arrangements | 196          | 229          | 220          | 210          | 201          |
| <b>Total</b>        | <b>2,151</b> | <b>2,228</b> | <b>2,274</b> | <b>2,224</b> | <b>2,162</b> |

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

**Indicator 5 - Operational Boundary for External Debt**

|                             | 2018/19      | 2019/20      | 2020/21      | 2021/22      | 2022/23      |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
|                             | £m           | £m           | £m           | £m           | £m           |
| Borrowing                   | 1,475        | 1,599        | 1,744        | 1,804        | 1,861        |
| Other Long-Term Liabilities | 196          | 229          | 220          | 210          | 201          |
| <b>Total</b>                | <b>1,671</b> | <b>1,828</b> | <b>1,964</b> | <b>2,014</b> | <b>2,062</b> |

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



Appendix 2

**Indicator 6 - Loans Charges Associated with net Capital Investment expenditure plans**

|  | <b>2018/19</b>  | <b>2019/20</b>  | <b>2020/21</b>  | <b>2021/22</b>  | <b>2022/23</b>  |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | <b>Forecast</b> | <b>Forecast</b> | <b>Forecast</b> | <b>Forecast</b> | <b>Forecast</b> |
|  | <b>£000</b>     | <b>£000</b>     | <b>£000</b>     | <b>£000</b>     | <b>£000</b>     |
| Loans Fund Pooled Interest Rate 5.1017%                                |                 |                 |                 |                 |                 |
| General Fund Services (excluding Lending)                              |                 |                 |                 |                 |                 |
| Loans Fund Advances in year  | 47,798          | 116,684         | 112,393         | 36,859          | 10,282          |
| Year 1 - interest only   | 1,220           | 2,979           | 2,869           | 941             | 262             |
| Year 2 - principal and interest  | 3,878           | 9,457           | 9,119           | 2,991           | 834             |
| Housing Revenue Account (HRA)  |                 |                 |                 |                 |                 |
| Loans Fund Advances in year (excluding borrowing for LLP programme **) | 9,048           | 51,829          | 41,454          | 49,893          | 73,693          |
| Year 1 - interest only   | 233             | 1,336           | 1,058           | 1,274           | 4,285           |
| Year 2 - Core Programme - principal and interest                       | 736             | 1,404           | 1,355           | 1,826           | 2,754           |
| Year 2 - House Building Programme - principal and interest             | 0               | 2,286           | 1,625           | 2,236           | 3,216           |

The cost of servicing capital advances shown in this Indicator excludes those attributable to the advances to NHT and Edinburgh Livings LLPs as these are fully recoverable from those bodies.

## Appendix 3

**CAPITAL MONITORING 2018/19****Housing Revenue Account Summary****Period 3**

|                                | Revised Budget<br>£000 | Actual to Date<br>£000 | Projected Outturn<br>£000 | Projected Variance |             |
|--------------------------------|------------------------|------------------------|---------------------------|--------------------|-------------|
|                                |                        |                        |                           | £000               | %           |
| Core Programme                 | 39,408                 | 4,087                  | 39,408                    | 0                  | 0.0%        |
| House Building                 | 41,526                 | 7,335                  | 41,526                    | 0                  | 0.0%        |
| <b>Total Gross Expenditure</b> | <b>80,934</b>          | <b>11,422</b>          | <b>80,934</b>             | <b>0</b>           | <b>0.0%</b> |

| <b>Income</b>                      |                 |              |                 |                |             |
|------------------------------------|-----------------|--------------|-----------------|----------------|-------------|
| Capital Receipts                   | (19,431)        | (632)        | (21,103)        | (1,672)        | 8.6%        |
| Developers and Other Contributions | (27,740)        | (24)         | (27,740)        | 0              | 0.0%        |
| Specific Capital Grant             | (11,349)        | (225)        | (11,349)        | 0              | 0.0%        |
| <b>Total Income</b>                | <b>(58,520)</b> | <b>(881)</b> | <b>(60,192)</b> | <b>(1,672)</b> | <b>2.9%</b> |

| <b>Loans Fund Advances</b> |               |  |               |                |              |
|----------------------------|---------------|--|---------------|----------------|--------------|
| Loans Fund Advances        | 22,414        |  | 20,742        | (1,672)        | -7.5%        |
| <b>Total</b>               | <b>22,414</b> |  | <b>20,742</b> | <b>(1,672)</b> | <b>-7.5%</b> |

# Governance, Risk and Best Value Committee

10.00am, Tuesday 28 August 2018

## Treasury Management – Annual Report 2017/18 - referral from the City of Edinburgh Council

|               |     |
|---------------|-----|
| Item number   | 7.5 |
| Report number |     |
| Wards         | All |

### Executive summary

The City of Edinburgh Council on 23 August 2018 considered a report on Treasury Management activity in 2017/18. The report is referred to the Governance, Risk and Best Value Committee for scrutiny.

# Terms of Referral

## Treasury Management – Annual Report 2017/18

### Terms of referral

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- 1.1 The City of Edinburgh Council on 23 August 2018 considered a report on Treasury Management activity in 2017/18.
- 1.2 The City of Edinburgh Council agreed:
  - 1) To approve the Treasury Management Annual Report 2017/18.
  - 2) To refer the report by the Executive Director of Resources to the Governance, Risk and Best Value Committee for scrutiny.

### For Decision/Action

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

### Background reading / external references

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The City of Edinburgh Council 23 August 2018

Finance and Resources Committee 16 August 2018

#### **Laurence Rockey**

Head of Strategy and Insight

Contact: Louise Williamson, Assistant Committee Clerk

E-mail: [louise.p.williamson@edinburgh.gov.uk](mailto:louise.p.williamson@edinburgh.gov.uk) | Tel: 0131 529 4264

### Links

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**Appendices**      Appendix 1 – report by the Executive Director of Resources

# The City of Edinburgh Council

10.00am, Thursday 23 August 2018

## Treasury Management: Annual Report 2017/18

Item number

Report number

Wards

All

Council Commitments

### [Executive summary](#)

---

On 16 August 2018 the Finance and Resources Committee considered a report which provided an update on Treasury Management activity in 2017/18. The report has been referred to the City of Edinburgh Council for approval of the Treasury Management Annual Report for 2017/18.

# Terms of Referral

## Treasury Management: Annual Report 2017/18

### Terms of referral

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- 1.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management must be submitted to the Council after the end of each financial year. A separate mid-term report will also be produced during the financial year.
- 1.2 The key points in the report are that:
- For the fourth year in a row, the Council's capital repayments were greater than its new capital expenditure funded by borrowing, so the Council's need to borrow reduced by £29.0m during the year;
  - £53m of PWLB and £1m of market debt naturally matured during the year and was not replaced, reducing overall borrowing costs to the Council;
  - the Council continued its successful medium-term strategy of funding capital expenditure from a reduction in temporary investments and at the end of the financial year the Council's external borrowing was £139m under its Capital Financing Requirement;
  - the Council had not borrowed PWLB or market debt since December 2012; and
  - the average interest rate on the Cash Fund for the year was 0.38%, which continued to outperform the benchmark, which was 0.22% for the year.

The Finance and Resources Committee agreed:

1.4.1 To note the Annual Report on Treasury Management for 2017/18.

1.4.2 To refer the report to Council for approval and subsequent referral by Council to the Governance, Risk and Best Value Committee for their scrutiny.

### For Decision/Action

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- 2.1 The City of Edinburgh Council is asked to approve the Treasury Management for 2017/18 and refer it to the Governance, Risk and Best Value Committee for their scrutiny.

## Background reading / external references

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Finance and Resources Committee 16 August 2018.

### **Laurence Rockey**

Head of Strategy and Insight

Contact: Stuart Johnston, Committee Services

E-mail: [stuart.johnston@edinburgh.gov.uk](mailto:stuart.johnston@edinburgh.gov.uk) | Tel: 0131 529 7035

## Links

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### **Appendices**

Appendix 1 - report by the Executive Director of Resources

# Finance and Resources Committee

10.00am, Thursday, 16 August 2018

## Treasury Management: Annual Report 2017/18

Item number

Report number

Executive/routine

Wards

Council Commitments

### Executive Summary

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The purpose of this report is to give an update on Treasury Management activity in 2017/18.

The Strategy approved in March 2017 stated there would be no borrowing completed during the financial year and capital expenditure would be funded temporarily from investments. This overall approach was implemented and generated significant short-term savings in Loans Charges for the Council and forms part of a successful and sustainable long-term borrowing strategy.

The investment return for 2017/18 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.



## Treasury Management: Annual Report 2017/18

### 1. Recommendations

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- 1.1 It is recommended that the Committee:
- 1.1.1 Notes the Annual Report on Treasury Management for 2017/18; and
  - 1.1.2 Refers the report to Council for approval and subsequent referral by Council to the Governance, Risk and Best Value Committee for their scrutiny.

### 2. Background

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- 2.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, an Annual Report on Treasury Management must be submitted to the Council after the end of each financial year. A separate mid-term report will also be produced during the financial year.

### 3. Main report

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#### 3.1 Key Points

- 3.1.1 The key points in this report are that:
- For the fourth year in a row, the Council's capital repayments were greater than its new capital expenditure funded by borrowing, so the Council's need to borrow reduced by £29.0m during the year;
  - £53m of PWLB and £1m of market debt naturally matured during the year and was not replaced, reducing overall borrowing costs to the Council;
  - the Council continued its successful medium-term strategy of funding capital expenditure from a reduction in temporary investments and at the end of the financial year the Council's external borrowing was £139m under its Capital Financing Requirement;
  - the Council has not borrowed PWLB or market debt since December 2012; and
  - the average interest rate on the Cash Fund for the year was 0.38%, which continued to outperform the benchmark, which was 0.22% for the year.

## 3.2 Prudential Indicators

### (a) Prudential Indicator 1 - Estimate of Capital Expenditure

This gives a breakdown of the actual capital expenditure incurred during 2017/18.

|   | 2016/17<br>Actual<br>£'000 | 2017/18<br>Original<br>£'000 | 2017/18<br>Revised<br>£'000 | 2017/18<br>Actual<br>£'000 |
|---|----------------------------|------------------------------|-----------------------------|----------------------------|
| <b>General Services</b>                           |                            |                              |                             |                            |
| Chief Executive                                   | 1,184                      | 1,125                        | 0                           | 0                          |
| City Strategy and Economy                         | 838                        | 0                            | 0                           | 0                          |
| Communities and Families                          | 41,816                     | 27,278                       | 36,118                      | 35,989                     |
| Edinburgh Integrated Joint Board                  | 4,527                      | 108                          | 302                         | 496                        |
| Place   | 90,704                     | 125,659                      | 86,071                      | 91,737                     |
| Resources   | 0                          | 0                            | 15,470                      | 3,503                      |
| Resources - Asset Management Works                | 18,908                     | 11,132                       | 10,885                      | 10,990                     |
| Recommended Expenditure Priorities                | 0                          | 4,202                        | 0                           | 0                          |
| Unallocated                                       | 0                          | 2,278                        | 0                           | 0                          |
| General Slippage across programme                 | 0                          | 0                            | -3,834                      | 0                          |
| Trams   | 0                          | 0                            | 0                           | 2,383                      |
| Council Wide Projects                             | 0                          | 0                            | 0                           | 364                        |
| <b>Total General Services Capital Expenditure</b> | <b>157,977</b>             | <b>171,782</b>               | <b>145,012</b>              | <b>145,462</b>             |
| Housing Revenue Account                           | 43,627                     | 79,459                       | 79,459                      | 72,816                     |
| <b>Total</b>                                      | <b>201,604</b>             | <b>251,241</b>               | <b>224,471</b>              | <b>218,278</b>             |

**Table 1 – Capital Expenditure 2017/18**

The capital programme is re-phased annually once the unaudited out-turn of the previous year is known. The original estimates above reflect the budget position as reported in the Treasury Strategy in March 2017, with the revised figures representing the projected position reported to the Finance and Resources Committee in September 2017 following the re-phasing of the programme.

The following table shows how the £218.3m of capital expenditure incurred in 2017/18 was funded:

|                        | Gen Services<br>£'000 | HRA<br>£'000 | CEC Total<br>£'000 | Police<br>£'000 | Fire<br>£'000 | Total<br>£'000 |
|------------------------|-----------------------|--------------|--------------------|-----------------|---------------|----------------|
| Net Cap Adv (01/04/17) | 1,034,448             | 363,833      | 1,398,281          | 14,198          | 1,043         | 1,413,522      |
| Gross Cap Ex           | 145,462               | 72,816       | 218,278            | 0               | 0             | 218,278        |
| Cap Income             | 130,946               | 37,738       | 168,684            | 0               | 0             | 168,684        |
| Net Cap Ex             | 14,516                | 35,078       | 49,594             | 0               | 0             | 49,594         |
| Capital Repaid         | -57,810               | -18,290      | -76,100            | -1,758          | -724          | -78,582        |
| Net Cap Adv (01/04/18) | 991,154               | 380,621      | 1,371,775          | 12,440          | 319           | 1,384,534      |

**Table 2 – Source of Funding for Capital Expenditure 2017/18**

The CEC Total column shows expenditure of £218.3m being partly funded by capital grants and capital receipts, leaving £49.6m to be funded by borrowing. However, the Council repaid principal of £76.1m for previous capital advances, giving a net reduction in the need to borrow of £26.5m. In addition, previous capital advances of £2.5m were repaid on behalf of the former Police and Fire joint boards, giving a total reduction in the need to borrow of £29.0m.

**(b) Indicator 2 - Ratio of Financing Costs to Net Revenue Stream**

This gives an indication of the cost of the Council's debt relative to its income.

|                         | 2016/17<br>Actual<br>% | 2017/18<br>Estimate<br>% | 2017/18<br>Revised<br>% | 2017/18<br>Actual<br>% |
|-------------------------|------------------------|--------------------------|-------------------------|------------------------|
| General Services        | 11.63                  | 11.78                    | 11.72                   | 11.63                  |
| Housing Revenue Account | 35.21                  | 37.61                    | 36.33                   | 37.88                  |

**Table 3 – Ratio of Financing Costs to Net Revenue Stream**

**(c) Indicator 3 - Capital Financing Requirement (CFR)**

This shows the Council underlying need to borrow / take on other forms of Capital funding.

|   | 2016/17<br>Actual<br>£'000 | 2017/18<br>Original<br>£'000 | 2017/18<br>Revised<br>£'000 | 2017/18<br>Actual<br>£'000 |
|---|----------------------------|------------------------------|-----------------------------|----------------------------|
| General Services (incl. finance leases) | 1,250,818                  | 1,272,527                    | 1,222,218                   | 1,195,243                  |
| Housing Revenue Account                 | 364,934                    | 398,199                      | 391,106                     | 380,621                    |
| <b>Total</b>                            | <b>1,615,752</b>           | <b>1,670,726</b>             | <b>1,613,324</b>            | <b>1,575,864</b>           |

**Table 4 – Capital Financing Requirement**

The reduction in the out-turn is mainly due to the reduction in General Services underlying need to borrow as for the fourth year in a row, repayments for previous capital advances were greater than new capital advances.

In preparing Tables 4 and 5, all finance lease liabilities have been included for both current and prior year figures as required by the new Borrowing

Regulations in Scotland, rather than other long-term liabilities as defined by CIPFA's Prudential Code.

|                                   | <b>2016/17</b>   | <b>2017/18</b>   |
|-----------------------------------|------------------|------------------|
|                                   | <b>Actual</b>    | <b>Actual</b>    |
|                                   | <b>£'000</b>     | <b>£'000</b>     |
| General Services Capital Advances | 1,034,931        | 991,154          |
| HRA Capital Advances              | 364,934          | 380,621          |
| <b>Total CEC Borrowing CFR</b>    | <b>1,399,865</b> | <b>1,371,775</b> |
| Other Finance Lease Liabilities   | 215,887          | 204,089          |
| <b>Total CEC Debt CFR</b>         | <b>1,615,752</b> | <b>1,575,864</b> |

**Table 5 – Split of Capital Financing Requirement**

3.2.2 The Council operated within both the Authorised Limit and the Operational Boundary at all times during the year and there were no breaches of the Council's Treasury Management Policy.

### 3.3 Borrowing Overview

3.3.1 The Council's treasury advisors, Arlingclose, have provided the following economic commentary for the year:

*"2017-18 was characterised by the push-pull from expectations of tapering of Quantitative Easing (QE) and the potential for increased policy rates in the US and Europe and from geopolitical tensions, which also had an impact. The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in calendar 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.*

*The inflationary impact of rising import prices, a consequence of the fall in sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June and by the lack of clarity on Brexit, the UK and the EU only reaching an agreement in March 2018 on a transition which will now be span Q2 2019 to Q4 2020. The Withdrawal Treaty is yet to be ratified by the UK parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.*

*Economic activity in the Eurozone gained momentum and although the European Central Bank removed reference to an 'easing bias' in its market communications and had yet to confirm its QE intention when asset purchases end in September*

2018, the central bank appeared some way off normalising interest rates. The US economy grew steadily and, with its policy objectives of price stability and maximising employment remaining on track, the Federal Reserve Open Market Committee (FOMC) increased interest rates in December 2017 by 0.25% and again in March, raising the policy rate target range to 1.50% - 1.75%. The Fed is expected to deliver two more increases in 2018 and a further two in 2019. However, the imposition of tariffs on a broadening range of goods initiated by the US, which has led to retaliation by China, could escalate into a deep-rooted trade war having broader economic consequences including inflation rising rapidly, warranting more interest rate hikes.

Gilt yields displayed significant volatility over the twelve-month period with the change in sentiment in the Bank of England’s outlook for interest rates. The yield on the 5-year gilts which had fallen to 0.35% in mid-June rose to 1.65% by the end of March. 10-year gilt yields also rose from their lows of 0.93% in June to 1.65% by mid-February before falling back to 1.35% at year-end. 20-year gilt yields followed an even more erratic path with lows of 1.62% in June, and highs of 2.03% in February, only to plummet back down to 1.70% by the end of the financial year.”

3.3.2 Figure 1 below shows the comparison of UK and US gilt yields. This shows that the significant divergence which arose in the latter part of 2016 increased further during 2017/18. The US economy has continued to recover with the Federal Reserve increasing its interest rate on three occasions during the 2017/18 financial year leading to a further de-coupling of UK and US short term interest rates.

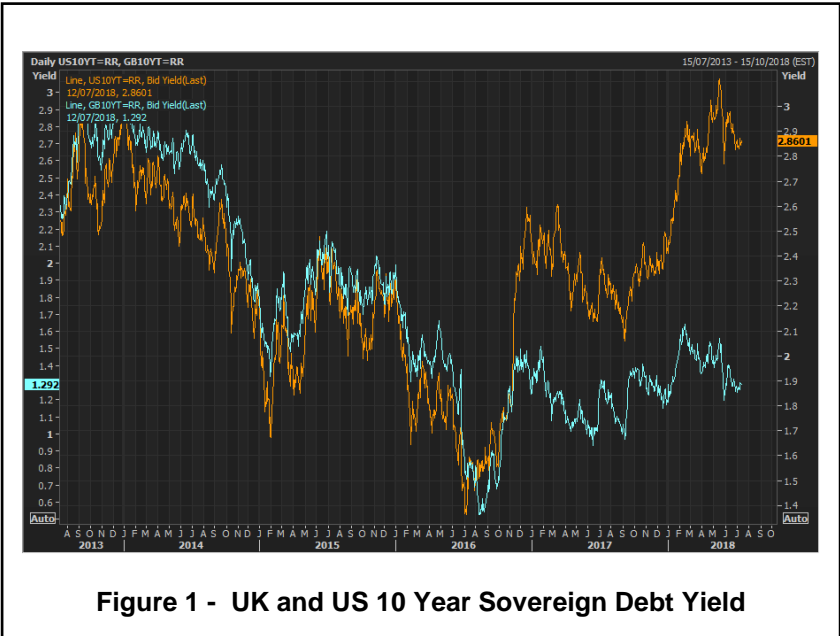
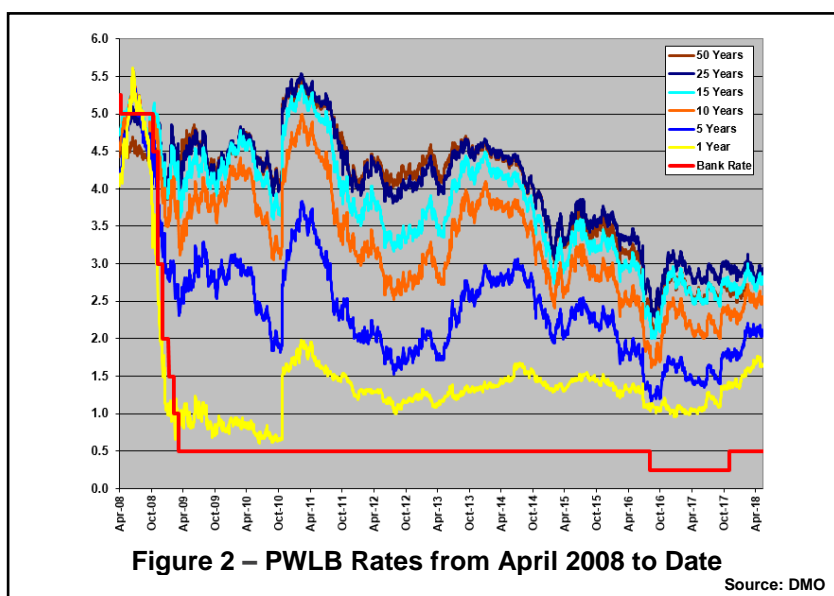


Figure 1 - UK and US 10 Year Sovereign Debt Yield

3.3.3 Figure 2 shows PWLB borrowing rates since 2008. This clearly shows an increase, particularly in the short dates, towards the financial year end. This was due partly to a rise in bond yields globally, and partly to market sentiment pointing towards a rise in UK Bank Rate in May, although the rise didn’t materialise.



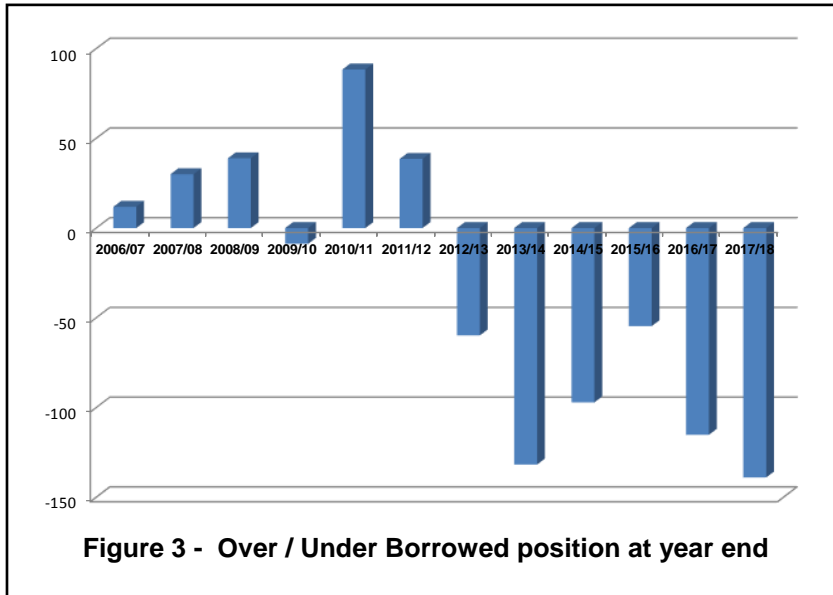
3.3.4 The strategy for 2017/18 approved in March 2017 was to continue to fund capital expenditure in the short term by reducing the level of temporary investments. Other than a small amount of interest free loans taken in 2015 there has been no borrowing completed since December 2012. However, as detailed in Table 2, the total underlying need to borrow fell by £29.0m during the year. Table 6 below summarises the outstanding debt portfolio during the year.

| Type of Loan      | Balance          | Borrowing      | Borrowing | Balance          |
|-------------------|------------------|----------------|-----------|------------------|
|                   | 01.04.2017       | Raised         | Repaid    | 31.03.2018       |
|                   | £m               | £m             | £m        | £m               |
| PWLB - fixed      | 1,022.166        | 0.000          | -53.052   | 969.114          |
| PWLB - variable   | 0.000            | 0.000          | 0.000     | 0.000            |
| Salix Finance Ltd | 1.835            | 0.000          | -0.303    | 1.532            |
| Market            | 275.900          | 0.000          | -1.000    | 274.900          |
|                   | <u>1,299.901</u> | 0              | -54.355   | 1,245.545        |
| Capital Advances  | <u>1,415.106</u> |                |           | <u>1,384.534</u> |
| Under-borrowed    | <u>115.205</u>   | Under-borrowed |           | <u>138.989</u>   |

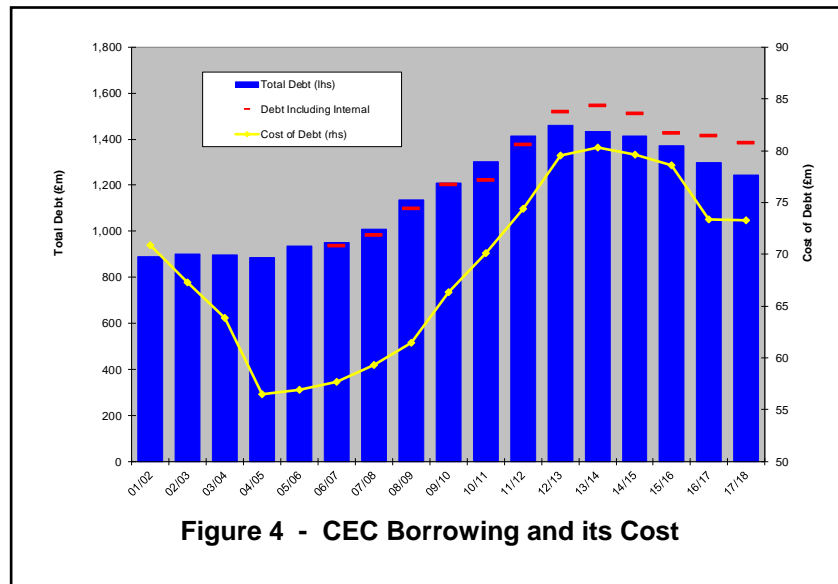
**Table 6 – Outstanding Debt Portfolio 2017/18**

3.3.5 £53.052m of PWLB and £1m of Market debt naturally matured during the year, and this was not replaced. The Council’s borrowing therefore fell by £54.355m over the year.

3.3.6 The net capital advances fell by £29.0m. The Council’s under-borrowed position increased from £115m to £139m. Figure 3 below shows how much the Council has been over or under borrowed at financial year end since 2006/07.



3.3.7 2017/18 was the fourth year in a row that the repayment of previous capital advances were greater than new capital advances funding by borrowing, reducing the Council’s underlying need to borrow. This, and the under-borrowing strategy to not replace maturing debt, has meant that over the last four years the Council’s external debt has fallen by £192m. Figure 4 below shows the Council’s total borrowing and cost of the borrowing.

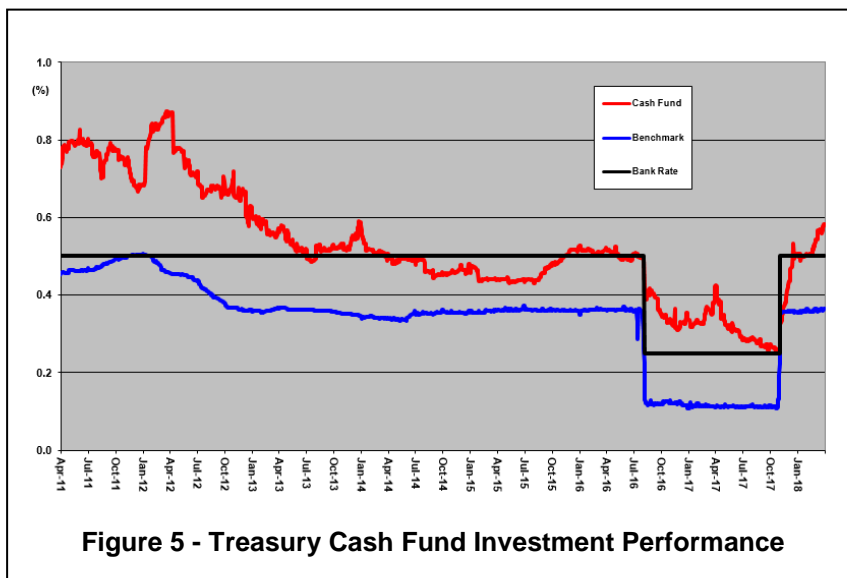


3.3.8 The total interest cost in servicing the Council’s debt remained at £73m.

### 3.4 Investment Out-turn 2017/18

3.4.1 The Council's money is invested via the Treasury Cash Fund. The Cash Fund encompasses a number of organisations, including Lothian Pension Fund. Interest is accrued on a monthly basis and performance is evaluated against a benchmark, which is 7-day LIBID.

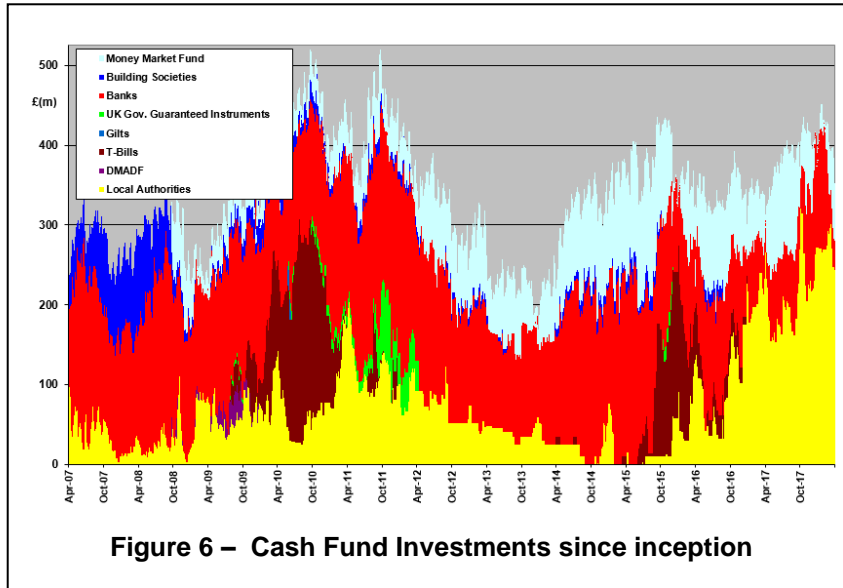
3.4.2 Figure 5 below shows the investment performance since April 2011.



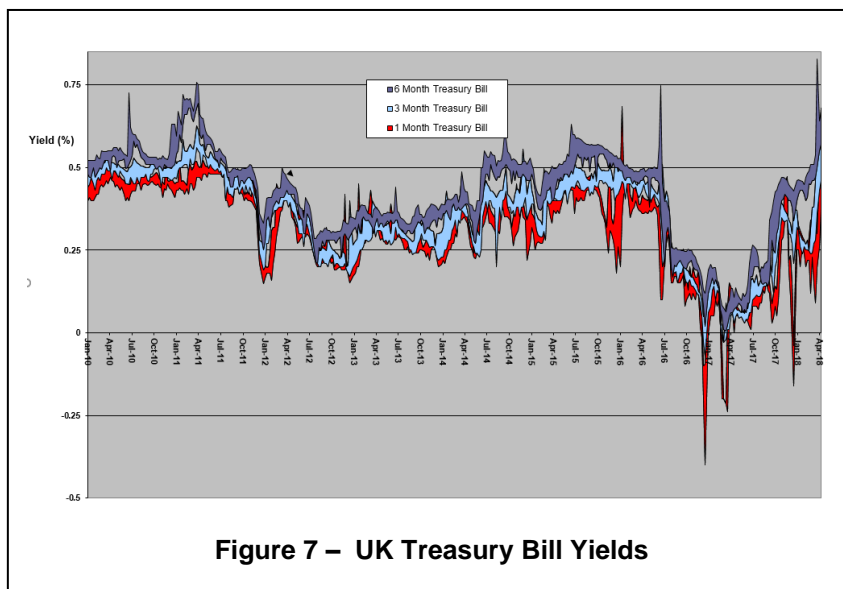
3.4.3 The average interest rate on the Fund for the year was 0.38%, which continued to outperform the benchmark which was 0.22% for the year. The Fund generated income of just under £950k for the financial year to CEC.

3.4.4 The emphasis remained on security during the financial year with the return of the principal sum being the main concern. With the Strategy being around the security of the investments, Cash Fund money invested with banking institutions was held on instant access call and a large percentage of the fund was held with other Local Authorities on short term fixed deposits. Figure 6 below shows the distribution of the Cash Fund investments since April 2007





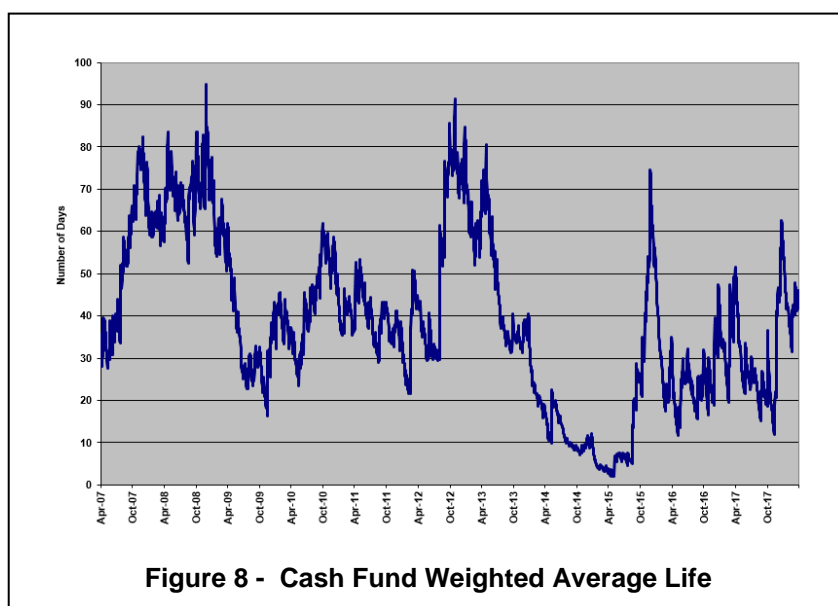
3.4.5 As can be seen in Figure 7 the rates on offer on Treasury Bills increased towards the end of the financial year as at that time there was an increased possibility of a rise in UK Bank Rate, however, rates being achieved with Local Authority deposits were more attractive than Treasury Bills. At the end of the financial year the Council had £244m on deposit with other Local Authorities. Some additional commentary on local authorities as an asset class was included in the 2018/19 Annual Treasury Strategy.



3.4.6 The Bank of England’s Monetary Policy Committee (MPC) increased Bank Rate by 0.25% in November 2017. It was significant in that it was the first-rate hike in ten

years, although in essence the MPC reversed its August 2016 cut following the EU referendum result. The February Inflation Report indicated the MPC was keen to return inflation to the 2% target over a more conventional (18-24 month) horizon with 'gradual' and 'limited' policy tightening.

3.4.7 As the Cash Fund's Investment Strategy is based around the security of the investments the weighted average life (WAL) is fairly short at 45 days, as can be seen in Figure 8. This also means the fund can react quickly to any change in UK Bank Rate. The WAL of only 11 days on the day of the MPC meeting in November meant the fund was perfectly placed to take advantage of the rise in UK Bank Rate. Thereafter the cash fund used the inter-authority market to lengthen the portfolio duration again.



### 3.5 Significant Post End of Year Events

3.5.1 The 2018/19 Treasury Strategy Report showed that the Council's underlying need to borrow was projected to increase by £427m between 2018/19 and 2022/23. Over the same period £258m of the Council's debt naturally matures, giving a total borrowing requirement of £685m over the five years. In line with the strategy approved the intention is to address this requirement (subject to appropriate rates being available) by:

- Funding the 2018/19 requirement by continuing to use cash deposits;
- Borrowing for each tranche of LLP housing subject to business cases meeting the set criteria;
- Reviewing options of locking out interest rates in advance of expenditure; and
- Seeking to mitigate risk on other major projects as the requirement becomes more certain.

### 3.6 Conclusions

- 3.6.1 The Strategy set in March 2017 regarding borrowing was fully implemented.
- 3.6.2 The investment return for 2017/18 continued to show out-performance against the Fund's benchmark, although low in absolute terms, while maintaining the security of the investments.
- 3.6.3 Significant work is being undertaken to implement the approved 2018/19 borrowing strategy, particularly in relation to mitigating the Council's future interest rate risk.

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

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

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

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- 5.1 The Council continues to manage its debt portfolio so as to minimise the medium-term cost of funding its capital projects.
- 5.2 The Treasury Cash Fund has generated significant additional income for the Council.

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

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- 6.1 The Council complies with the relevant CIPFA code of practice whilst undertaking Treasury Management activities. The significant financial risks associated with Treasury Management activities have been successfully managed during 2017/18.

#### **7. Equalities impact**

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

#### **8. Sustainability impact**

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

## 9. Consultation and engagement

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9.1 None

## 10. Background reading/external references

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10.1 None

### **Stephen S. Moir**

Executive Director of Resources

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## 11. Appendices

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Appendix 1 - Debt portfolio

## Appendix 1: Debt outstanding

| PWLB<br>PROFILE | START<br>DATE | MATURITY<br>DATE | PRINCIPAL<br>OUTSTANDING<br>£ | INTEREST<br>RATE<br>% | ANNUAL<br>INTEREST<br>£ |
|-----------------|---------------|------------------|-------------------------------|-----------------------|-------------------------|
| M               | 23/04/2009    | 23/04/2018       | 15,000,000.00                 | 3.24                  | 486,000.00              |
| M               | 17/09/1992    | 15/05/2018       | 8,496,500.00                  | 9.75                  | 828,408.75              |
| M               | 09/06/2009    | 09/06/2018       | 5,000,000.00                  | 3.75                  | 187,500.00              |
| M               | 17/09/1993    | 15/11/2018       | 5,000,000.00                  | 7.875                 | 393,750.00              |
| M               | 23/03/1994    | 15/11/2018       | 5,000,000.00                  | 8                     | 400,000.00              |
| M               | 14/03/1994    | 11/03/2019       | 2,997,451.21                  | 7.625                 | 228,555.65              |
| M               | 18/10/1993    | 25/03/2019       | 5,000,000.00                  | 7.875                 | 393,750.00              |
| M               | 30/03/2009    | 30/03/2019       | 5,000,000.00                  | 3.46                  | 173,000.00              |
| M               | 21/04/2009    | 21/04/2019       | 10,000,000.00                 | 3.4                   | 340,000.00              |
| M               | 23/04/2009    | 23/04/2019       | 5,000,000.00                  | 3.38                  | 169,000.00              |
| A               | 12/11/2008    | 12/11/2019       | 1,076,445.62                  | 3.96                  | 57,745.68               |
| M               | 23/03/1994    | 15/11/2019       | 5,000,000.00                  | 8                     | 400,000.00              |
| M               | 07/12/1994    | 15/11/2019       | 10,000,000.00                 | 8.625                 | 862,500.00              |
| A               | 01/12/2008    | 01/12/2019       | 1,062,994.17                  | 3.65                  | 52,619.92               |
| M               | 01/12/2009    | 01/12/2019       | 5,000,000.00                  | 3.77                  | 188,500.00              |
| M               | 14/12/2009    | 14/12/2019       | 10,000,000.00                 | 3.91                  | 391,000.00              |
| M               | 15/02/1995    | 25/03/2020       | 5,000,000.00                  | 8.625                 | 431,250.00              |
| M               | 21/04/2009    | 21/04/2020       | 10,000,000.00                 | 3.54                  | 354,000.00              |
| M               | 12/05/2009    | 12/05/2020       | 10,000,000.00                 | 3.96                  | 396,000.00              |
| M               | 21/10/1994    | 15/05/2020       | 5,000,000.00                  | 8.625                 | 431,250.00              |
| M               | 07/12/1994    | 15/05/2020       | 5,000,000.00                  | 8.625                 | 431,250.00              |
| M               | 21/11/2011    | 21/05/2020       | 15,000,000.00                 | 2.94                  | 441,000.00              |
| M               | 16/08/1995    | 03/08/2020       | 2,997,451.21                  | 8.375                 | 251,036.54              |
| M               | 09/12/1994    | 15/11/2020       | 5,000,000.00                  | 8.625                 | 431,250.00              |
| A               | 10/05/2010    | 10/05/2021       | 1,777,198.88                  | 3.09                  | 65,921.74               |
| M               | 21/10/1994    | 15/05/2021       | 10,000,000.00                 | 8.625                 | 862,500.00              |
| M               | 10/03/1995    | 15/05/2021       | 11,900,000.00                 | 8.75                  | 1,041,250.00            |
| M               | 12/06/1995    | 15/05/2021       | 10,000,000.00                 | 8                     | 800,000.00              |
| M               | 02/06/2010    | 02/06/2021       | 5,000,000.00                  | 3.89                  | 194,500.00              |
| M               | 16/08/1994    | 03/08/2021       | 2,997,451.21                  | 8.5                   | 254,783.35              |
| M               | 28/04/1994    | 25/09/2021       | 5,000,000.00                  | 8.125                 | 406,250.00              |
| M               | 23/04/2009    | 23/04/2022       | 5,000,000.00                  | 3.76                  | 188,000.00              |
| M               | 12/06/1995    | 15/05/2022       | 10,200,000.00                 | 8                     | 816,000.00              |
| M               | 14/06/2010    | 14/06/2022       | 10,000,000.00                 | 3.95                  | 395,000.00              |
| M               | 31/03/1995    | 25/09/2022       | 6,206,000.00                  | 8.625                 | 535,267.50              |
| M               | 16/02/1995    | 03/02/2023       | 2,997,451.21                  | 8.625                 | 258,530.17              |
| M               | 24/04/1995    | 25/03/2023       | 10,000,000.00                 | 8.5                   | 850,000.00              |
| M               | 05/12/1995    | 15/05/2023       | 5,200,000.00                  | 8                     | 416,000.00              |
| M               | 20/09/1993    | 14/09/2023       | 2,997,451.21                  | 7.875                 | 236,049.28              |
| M               | 20/09/1993    | 14/09/2023       | 584,502.98                    | 7.875                 | 46,029.61               |
| M               | 08/05/1996    | 25/09/2023       | 10,000,000.00                 | 8.375                 | 837,500.00              |
| M               | 13/10/2009    | 13/10/2023       | 5,000,000.00                  | 3.87                  | 193,500.00              |
| PWLB            | START         | MATURITY         | PRINCIPAL                     | INTEREST              | ANNUAL                  |

| PROFILE        | DATE         | DATE            | OUTSTANDING<br>£   | RATE<br>%       | INTEREST<br>£   |
|----------------|--------------|-----------------|--------------------|-----------------|-----------------|
| M              | 05/12/1995   | 15/11/2023      | 10,000,000.00      | 8               | 800,000.00      |
| M              | 10/05/2010   | 10/05/2024      | 10,000,000.00      | 4.32            | 432,000.00      |
| M              | 28/09/1995   | 28/09/2024      | 2,895,506.10       | 8.25            | 238,879.25      |
| M              | 14/05/2012   | 14/11/2024      | 10,000,000.00      | 3.36            | 336,000.00      |
| A              | 14/12/2009   | 14/12/2024      | 5,343,622.56       | 3.66            | 213,708.47      |
| M              | 17/10/1996   | 25/03/2025      | 10,000,000.00      | 7.875           | 787,500.00      |
| M              | 10/05/2010   | 10/05/2025      | 5,000,000.00       | 4.37            | 218,500.00      |
| M              | 16/11/2012   | 16/05/2025      | 20,000,000.00      | 2.88            | 576,000.00      |
| M              | 13/02/1997   | 18/05/2025      | 10,000,000.00      | 7.375           | 737,500.00      |
| M              | 20/02/1997   | 15/11/2025      | 20,000,000.00      | 7.375           | 1,475,000.00    |
| A              | 01/12/2009   | 01/12/2025      | 8,574,733.44       | 3.64            | 336,986.91      |
| M              | 21/12/1995   | 21/12/2025      | 2,397,960.97       | 7.875           | 188,839.43      |
| M              | 21/05/1997   | 15/05/2026      | 10,000,000.00      | 7.125           | 712,500.00      |
| M              | 28/05/1997   | 15/05/2026      | 10,000,000.00      | 7.25            | 725,000.00      |
| M              | 29/08/1997   | 15/11/2026      | 5,000,000.00       | 7               | 350,000.00      |
| M              | 24/06/1997   | 15/11/2026      | 5,328,077.00       | 7.125           | 379,625.49      |
| M              | 07/08/1997   | 15/11/2026      | 15,000,000.00      | 6.875           | 1,031,250.00    |
| M              | 13/10/1997   | 25/03/2027      | 10,000,000.00      | 6.375           | 637,500.00      |
| M              | 22/10/1997   | 25/03/2027      | 5,000,000.00       | 6.5             | 325,000.00      |
| M              | 13/11/1997   | 15/05/2027      | 3,649,966.00       | 6.5             | 237,247.79      |
| M              | 17/11/1997   | 15/05/2027      | 5,000,000.00       | 6.5             | 325,000.00      |
| M              | 13/12/2012   | 13/06/2027      | 20,000,000.00      | 3.18            | 636,000.00      |
| M              | 12/03/1998   | 15/11/2027      | 8,677,693.00       | 5.875           | 509,814.46      |
| M              | 06/09/2010   | 06/09/2028      | 10,000,000.00      | 3.85            | 385,000.00      |
| M              | 14/07/2011   | 14/07/2029      | 10,000,000.00      | 4.9             | 490,000.00      |
| E              | 14/07/1950   | 03/03/2030      | 3,033.31           | 3               | 96.69           |
| M              | 14/07/2011   | 14/07/2030      | 10,000,000.00      | 4.93            | 493,000.00      |
| E              | 15/06/1951   | 15/05/2031      | 3,163.83           | 3               | 100.19          |
| M              | 06/09/2010   | 06/09/2031      | 20,000,000.00      | 3.95            | 790,000.00      |
| M              | 15/12/2011   | 15/06/2032      | 10,000,000.00      | 3.98            | 398,000.00      |
| M              | 15/09/2011   | 15/09/2036      | 10,000,000.00      | 4.47            | 447,000.00      |
| M              | 22/09/2011   | 22/09/2036      | 10,000,000.00      | 4.49            | 449,000.00      |
| M              | 10/12/2007   | 10/12/2037      | 10,000,000.00      | 4.49            | 449,000.00      |
| M              | 08/09/2011   | 08/09/2038      | 10,000,000.00      | 4.67            | 467,000.00      |
| M              | 15/09/2011   | 15/09/2039      | 10,000,000.00      | 4.52            | 452,000.00      |
| M              | 06/10/2011   | 06/10/2043      | 20,000,000.00      | 4.35            | 870,000.00      |
| M              | 09/08/2011   | 09/02/2046      | 20,000,000.00      | 4.8             | 960,000.00      |
| M              | 23/01/2006   | 23/07/2046      | 10,000,000.00      | 3.7             | 370,000.00      |
| M              | 23/01/2006   | 23/07/2046      | 10,000,000.00      | 3.7             | 370,000.00      |
| M              | 19/05/2006   | 19/11/2046      | 10,000,000.00      | 4.25            | 425,000.00      |
| M              | 07/01/2008   | 07/01/2048      | 5,000,000.00       | 4.4             | 220,000.00      |
| M              | 27/01/2006   | 27/07/2051      | 1,250,000.00       | 3.7             | 46,250.00       |
| M              | 16/01/2007   | 16/07/2052      | 40,000,000.00      | 4.25            | 1,700,000.00    |
| <b>PWLB</b>    | <b>START</b> | <b>MATURITY</b> | <b>PRINCIPAL</b>   | <b>INTEREST</b> | <b>ANNUAL</b>   |
| <b>PROFILE</b> | <b>DATE</b>  | <b>DATE</b>     | <b>OUTSTANDING</b> | <b>RATE</b>     | <b>INTEREST</b> |

|   |            |            | £              | %    | £            |
|---|------------|------------|----------------|------|--------------|
| M | 30/01/2007 | 30/07/2052 | 10,000,000.00  | 4.35 | 435,000.00   |
| M | 13/02/2007 | 13/08/2052 | 20,000,000.00  | 4.35 | 870,000.00   |
| M | 20/02/2007 | 20/08/2052 | 70,000,000.00  | 4.35 | 3,045,000.00 |
| M | 22/02/2007 | 22/08/2052 | 50,000,000.00  | 4.35 | 2,175,000.00 |
| M | 08/03/2007 | 08/09/2052 | 5,000,000.00   | 4.25 | 212,500.00   |
| M | 30/05/2007 | 30/11/2052 | 10,000,000.00  | 4.6  | 460,000.00   |
| M | 11/06/2007 | 11/12/2052 | 15,000,000.00  | 4.7  | 705,000.00   |
| M | 12/06/2007 | 12/12/2052 | 25,000,000.00  | 4.75 | 1,187,500.00 |
| M | 05/07/2007 | 05/01/2053 | 12,000,000.00  | 4.8  | 576,000.00   |
| M | 25/07/2007 | 25/01/2053 | 5,000,000.00   | 4.65 | 232,500.00   |
| M | 10/08/2007 | 10/02/2053 | 5,000,000.00   | 4.55 | 227,500.00   |
| M | 24/08/2007 | 24/02/2053 | 7,500,000.00   | 4.5  | 337,500.00   |
| M | 13/09/2007 | 13/03/2053 | 5,000,000.00   | 4.5  | 225,000.00   |
| M | 12/10/2007 | 12/04/2053 | 5,000,000.00   | 4.6  | 230,000.00   |
| M | 05/11/2007 | 05/05/2057 | 5,000,000.00   | 4.6  | 230,000.00   |
| M | 15/08/2008 | 15/02/2058 | 5,000,000.00   | 4.39 | 219,500.00   |
| M | 02/12/2011 | 02/12/2061 | 5,000,000.00   | 3.98 | 199,000.00   |
|   |            |            | 969,114,653.91 |      |              |

**NON LOBO**

| PROFILE | START DATE | MATURITY DATE | PRINCIPAL OUTSTANDING<br>£ | INTEREST RATE<br>% | ANNUAL INTEREST<br>£ |
|---------|------------|---------------|----------------------------|--------------------|----------------------|
| M       | 30/06/2005 | 30/06/2065    | 5,000,000.00               | 4.4                | 220,000.00           |
| M       | 07/07/2005 | 07/07/2065    | 5,000,000.00               | 4.4                | 220,000.00           |
| M       | 21/12/2005 | 21/12/2065    | 5,000,000.00               | 4.99               | 249,500.00           |
| M       | 28/12/2005 | 24/12/2065    | 12,500,000.00              | 4.99               | 623,750.00           |
| M       | 14/03/2006 | 15/03/2066    | 15,000,000.00              | 5                  | 750,000.00           |
| M       | 18/08/2006 | 18/08/2066    | 10,000,000.00              | 5.25               | 525,000.00           |
| M       | 01/02/2008 | 01/02/2078    | 10,000,000.00              | 3.95               | 395,000.00           |
|         |            |               | 62,500,000.00              |                    | 2,983,250.00         |

| LOBO PROFILE | START DATE | MATURITY DATE | PRINCIPAL OUTSTANDING<br>£ | INTEREST RATE<br>% | ANNUAL INTEREST<br>£ |
|--------------|------------|---------------|----------------------------|--------------------|----------------------|
| M            | 12/11/1998 | 13/11/2028    | 3,000,000.00               | 4.75               | 142,500.00           |
| M            | 15/12/2003 | 15/12/2053    | 10,000,000.00              | 5.25               | 525,000.00           |
| M            | 18/02/2004 | 18/02/2054    | 10,000,000.00              | 4.54               | 454,000.00           |
| M            | 28/04/2005 | 28/04/2055    | 12,900,000.00              | 4.75               | 612,750.00           |
| M            | 25/02/2011 | 25/02/2060    | 15,000,000.00              | 7.34               | 586,806.99           |
| M            | 25/02/2011 | 25/02/2060    | 10,000,000.00              | 7.34               | 391,204.66           |
| M            | 26/02/2010 | 26/02/2060    | 5,000,000.00               | 7.31               | 191,151.09           |
| M            | 26/02/2010 | 26/02/2060    | 10,000,000.00              | 7.31               | 382,302.20           |
| M            | 01/07/2005 | 01/07/2065    | 10,000,000.00              | 3.86               | 386,000.00           |
| M            | 24/08/2005 | 24/08/2065    | 5,000,000.00               | 4.4                | 220,000.00           |
| M            | 07/09/2005 | 07/09/2065    | 10,000,000.00              | 4.99               | 499,000.00           |
| M            | 13/09/2005 | 14/09/2065    | 5,000,000.00               | 3.95               | 197,500.00           |
| M            | 03/10/2005 | 05/10/2065    | 5,000,000.00               | 4.375              | 218,750.00           |
| M            | 23/12/2005 | 23/12/2065    | 10,000,000.00              | 4.75               | 475,000.00           |
| M            | 06/03/2006 | 04/03/2066    | 5,000,000.00               | 4.625              | 231,250.00           |
| M            | 17/03/2006 | 17/03/2066    | 10,000,000.00              | 5.25               | 525,000.00           |
| M            | 03/04/2006 | 01/04/2066    | 10,000,000.00              | 4.875              | 487,500.00           |
| M            | 03/04/2006 | 01/04/2066    | 10,000,000.00              | 4.875              | 487,500.00           |
| M            | 03/04/2006 | 01/04/2066    | 10,000,000.00              | 4.875              | 487,500.00           |
| M            | 07/04/2006 | 07/04/2066    | 10,000,000.00              | 4.75               | 475,000.00           |
| M            | 05/06/2006 | 07/06/2066    | 20,000,000.00              | 5.25               | 1,050,000.00         |
| M            | 05/06/2006 | 07/06/2066    | 16,500,000.00              | 5.25               | 866,250.00           |
|              |            |               | 212,400,000.00             |                    | 9,891,964.94         |



**SALIX**

| FIXED/<br>VAR | START<br>DATE | MATURITY<br>DATE | PRINCIPAL<br>OUTSTANDING<br>£ | INTEREST<br>RATE<br>% | ANNUAL<br>INTEREST<br>£ |
|---------------|---------------|------------------|-------------------------------|-----------------------|-------------------------|
| F             | 07/01/2015    | 01/09/2021       | 276,349.99                    | 0                     | 0.00                    |
| F             | 31/03/2015    | 01/04/2023       | 991,593.57                    | 0                     | 0.00                    |
| F             | 22/09/2015    | 01/10/2023       | 263,759.64                    | 0                     | 0.00                    |
|               |               |                  | 1,531,703.20                  |                       | 0.00                    |

# Governance, Risk and Best Value Committee

10.00am, Tuesday 28 August 2018

## External audit review of internal financial controls, 2017/18

|                     |           |
|---------------------|-----------|
| Item number         | 7.6       |
| Report number       |           |
| Executive/routine   | Executive |
| Wards               | n/a       |
| Council Commitments | n/a       |

### Executive Summary

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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 2017/18 review, concluding that, while opportunities for further improvement exist and that there is a need, in some cases, to embed previous recommendations, the controls assessed are considered to be well-designed.

## External audit review of internal financial controls, 2017/18

### 1. Recommendations

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- 1.1 Members of the Governance, Risk and Best Value Committee are requested to note:
  - 1.1.1 the findings of the 2017/18 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 2019.

### 2. Background

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- 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

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- 3.1 The majority of the fieldwork and financial systems testing was undertaken between March and June 2018. The key areas examined are set out on pages 3 and 4 of the report. Members will note that some elements of the audit work are, at the time of writing, on-going and any resulting recommendations in these areas will be reported to members in due course.
- 3.2 For those systems falling within the scope of testing, Scott-Moncrieff's conclusion is that these controls form part of a key control framework that is well-designed, with no significant deficiencies in their design, implementation or operation.

- 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 to the evidencing of independent review, enhancement of existing access controls and maintenance of comprehensive procedural documentation. There is, however, also a need to embed effectively previous audit recommendations and this will be a focus of particular attention and monitored alongside the complementary action plan developed in respect of relevant internal audit actions.
- 3.4 A progress update will be provided to the Committee in January 2019, by which time it is anticipated that the majority of recommendations will have been fully implemented.
- 3.5 Members of the Committee will be aware of other on-going, complementary work focused upon further strengthening aspects of the Council's internal 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**

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- 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**

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- 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**

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

## **7. Equalities impact**

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

## **8. Sustainability impact**

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

## **9. Consultation and engagement**

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

## **10. Background reading/external references**

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- 10.1 None

**Stephen S. Moir**  
**Executive Director of Resources**

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## **11. Appendices**

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Appendix 1 – City of Edinburgh Council Review of Internal Controls, 2017/18



**Scott-Moncrieff**  
business advisers and accountants

# City of Edinburgh Council

Review of internal financial controls  
For the year ended 31 March 2018

**August 2018**

# Contents

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- Summary of findings..... 3
- Action plan..... 7

1

# Introduction



# Introduction

1. This report concludes our 2017/18 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) (ISAs (UK)). To comply with the requirements of the ISAs (UK) we consider the Council's key accounting systems and internal financial controls and determine whether these are designed and operate in such a way as to prevent material misstatements in the financial statements.
3. Our approach includes documenting the processes and key internal financial controls within the Council's key financial systems and performing walkthrough testing to confirm our understanding of those systems. 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.

## Reporting to those charged with governance

4. Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls.
5. ISAs (UK) require us to report promptly any material weaknesses in the design or operation of internal financial controls which have come to our attention.
6. 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.
7. 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.
8. 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 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.

9. As required under the Code of Audit Practice, this report will be published on Audit Scotland's website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Feedback

10. 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>
11. 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

12. We are pleased to report that our audit work did not identify any significant deficiencies in the design, implementation or operation 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).
13. As part of our audit we have considered progress made by the Council in implementing the recommendations raised in our 2016/17 report; "Review of the Council's internal financial controls". Of the seven recommendations made, we found that four have implemented, two have been partially implemented and one has yet to be implemented.

## Key financial systems

14. Through the course of our audit we identify what we consider to be the Council's key financial systems. For each key financial system our approach includes documenting the processes and key internal financial controls and performing walkthrough testing to confirm our understanding.
15. The table below provides an overview of the key financial systems which we have, or will, consider during the course of our 2017/18 audit of the financial statements. For those systems for which our audit work is now complete, further details of our findings and recommendations are included in section 3 (Action plan).

| Key financial area                       | Audit work completed | Audit conclusion <sup>1</sup>  |
|--|----------------------|--|
| <b>Council tax</b>                       | ✓                    | We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls.  |
| <b>Cash receipting and banking</b>       | ✓                    | We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls.  |
| <b>Financial ledger</b>                  | <b>In progress</b>   | Work on this key financial area will be completed in August 2018.  |
| <b>Housing rents</b>                     | <b>In progress</b>   | Work on this key financial area will be completed in August 2018.  |
| <b>Members remuneration and expenses</b> | <b>In progress</b>   | Work on this key financial area will be completed in August 2018.  |
| <b>Non domestic rates</b>                | ✓                    | We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls.  |
| <b>Payroll</b>                           | ✓                    | We identified 1 area with scope for improvement; <ul style="list-style-type: none"> <li>• Starter file reviews (spot checks)</li> </ul> <p style="text-align: right;"><i>Action plan point 1</i></p> |

<sup>1</sup> Our conclusions over the adequacy of the design, implementation and operation of key financial controls are based on the understanding that the system of wider complementary controls in place throughout the Council are well designed and operating effectively. We have not assessed the adequacy of these controls.

| Key financial area  | Audit work completed | Audit conclusion <sup>1</sup>   |
|---------------------|----------------------|---|
| PPE                 | ✓                    | <p>We identified 2 areas with scope for improvement as follows;</p> <ul style="list-style-type: none"> <li>• Procedures</li> <li>• Access rights to the fixed asset register</li> </ul> <p><i>Action plan point 2</i></p>                               |
| Revenue expenditure | ✓                    | <p>We identified 3 areas with scope for improvement as follows;</p> <ul style="list-style-type: none"> <li>• Scheme of delegation</li> <li>• Review of manual inputs</li> <li>• Review of variance reports</li> </ul> <p><i>Action plan point 3</i></p> |
| Sundry Income       | In progress          | Work on this key financial area will be completed in August 2018.   |
| Treasury management | ✓                    | We did not identify any significant deficiencies in the design, implementation or operation of internal financial controls.   |

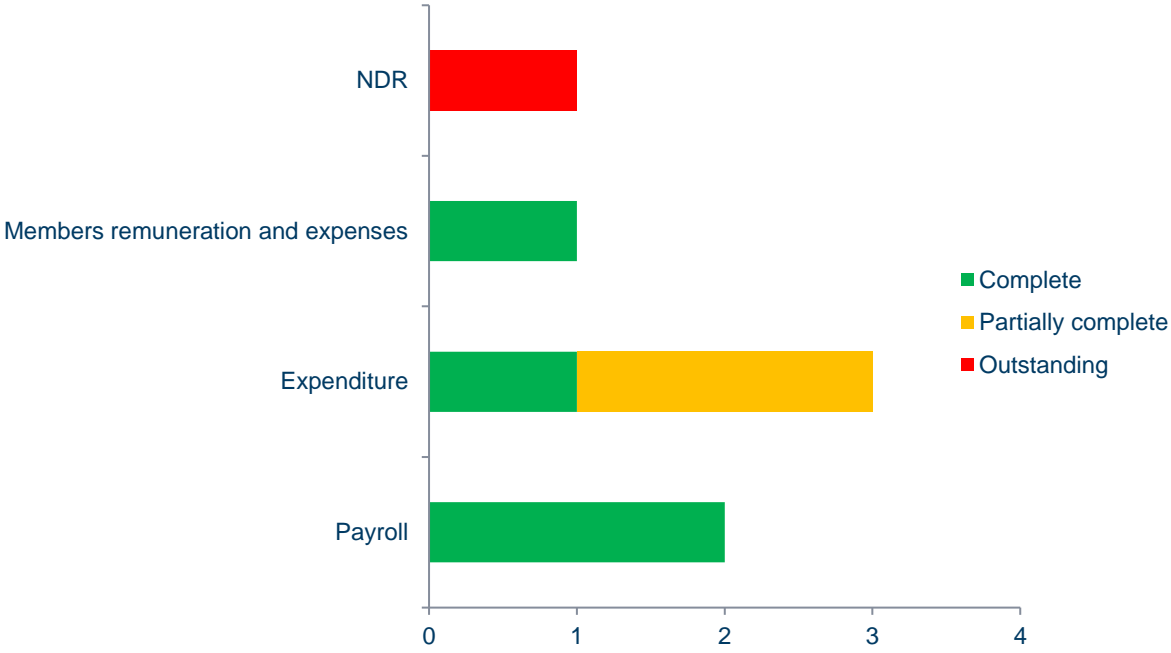
### Follow up of prior year audit recommendations

16. Exhibit 1 illustrates the status of the Council's progress in implementing the recommendations we raised in our 2016/17 report "Review of internal financial controls". It should be noted that the agreed deadline for the implementation of each recommendation has now passed.
17. We have confirmed completion of the remaining four recommendations. Though our follow up work we noted that in some cases, despite actions being deemed to be complete by management, we were unable to obtain sufficient evidence to conclude that they have been implemented. Further details are given in section 3 (Action Plan).
18. We perform our follow up work after the target implementation dates to allow us to determine whether the recommendations have not only been implemented but continue to be applied. Through our review we found that this is not always the case and that some staff were unaware whether a recommendation had been implemented or not.
19. In order for the Council to derive the most added value from the audit recommendations, these should be communicated, implemented and sustained within the service area/s.

*Action plan point 4*

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**Exhibit 1: Status of implementation of prior year audit recommendations**



**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 aligned to the structure/terminology used by internal audit.

The rating structure is summarised as follows:

| Finding rating  | Assessment rationale   |
|-----------------|--|
| <b>Critical</b> | A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul> |
| <b>High</b>     | A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>                                   |
| <b>Medium</b>   | A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| <b>Low</b>      | A finding that could have a: <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance ; or</li> <li>• <b>Minor</b> monetary or financial statement impact; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>  |
| <b>Advisory</b> | <ul style="list-style-type: none"> <li>• A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</li> </ul>  |

## 2017/18 findings

During our 2017/18 review of internal financial controls we identified a total of seven areas in which improvements could be made. Details of the issues identified, the associated risk to the Council and our audit recommendation are given below.

### 1. Payroll

During our review we performed controls testing over the starters and leavers process. Through this work we identified the following issues;

- In 8 out of 30 new starters tested there was no new starter form completed (new starters tested included supply, fixed term and permanent employees);
- In 11 out of 30 leavers tested the leaver form had not been appropriately approved;
- In one instance the incorrect start date had been entered to the system and this resulted in the employee being overpaid by 3 months.

Weaknesses in internal controls over the payroll system may lead to the overpayment of staff and increase the risk of fraud.

These findings will be taken into account when designing and performing our substantive audit testing over the payroll costs in the draft financial statements.

| Rating | Issue & Recommendation  | Management Comments   |
|--------|---|---|
| Medium | <p><b>1.1 Starter file reviews</b></p> <p>Following internal audit recommendations on the new starters' process, management committed to performing spot checks on new starter files.</p> <p>During our interim review carried out between March and April 2018, we were unable to evidence that this control was operational. Further testing was carried out in August 2018 which confirmed that these checks are now being performed on a monthly basis.</p> <p>There is a risk that errors in the creation of a new starter file are not being identified and acted upon accordingly.</p> <p>Spot checks on new starter files should continue to be performed and documented.</p> | <p>Post payroll running we can evidence that new start onboarding files are sample-checked against iTrent to ensure data quality is maintained. Errors are logged, feedback is given and additional training/advice carried out as a result of findings. A pre-payroll running check was also introduced on specific input that generates payment to employees to reduce error rates that contributed to manual payments or overpayments.</p> <p>Different processes exist for supply and probationer starters. These employees can start in various ways and as such they may not have a nominated candidate form from source.</p> <p>Since the audit in March/April 2018, we have improved system processes and also our internal checks are stricter.</p> <p><b>Responsible Officer:</b> People Support Manager</p> <p><b>Completion Date:</b> Completed</p> |



## 2. PPE

| Rating   | Issue & Recommendation  | Management Comments  |
|--|---|--|
| <p style="text-align: center;"><b>Medium</b></p> | <p><b>2.1 Procedures</b></p> <p>During our review we noted that there were no documented procedures in place over the following;</p> <ul style="list-style-type: none"> <li>• Processing of additions and disposals;</li> <li>• Posting of year end capital journals;</li> <li>• Preparing and posting monthly depreciation charges;</li> <li>• Revaluations;</li> <li>• Review of capitalised refurbishment costs</li> </ul> <p>There is a risk that procedures followed for each of these processes are not in line with requirements or fit for purpose.</p> <p>In particular we noted through discussion with a number of teams within the Council that the procedures followed for the processing and recording of disposals are inconsistent in a number of cases. There is therefore the additional risk that the Council is unaware of assets which have been disposed of in the year. This could lead to inaccurate year end validation returns and potential overstatement of property, plant and equipment within the annual accounts.</p> <p>The Council should ensure that procedures are documented for areas noted above. Sufficient oversight should also be put in place to ensure that these are consistently applied by all staff.</p> | <p>Formal procedure notes in each of the areas identified will be produced as part of a wider refresh of all relevant documentation. These notes will be developed in consultation with the services affected, with training provided where required, and their on-going applicability regularly reviewed.</p> <p><b>Responsible Officer:</b> Senior Accountant, Capital and Major Projects Team, Finance</p> <p><b>Completion Date:</b> February 2019</p> |
| <p style="text-align: center;"><b>Medium</b></p> | <p><b>2.2 Access rights to fixed asset register</b></p> <p>Fixed Asset Registers (FARs) are stored on the Council network; however the FARs and/or folders in which they are saved are not password protected. There is a risk that FARs are exposed to potentially unauthorised and/or inappropriate manipulation of asset data.</p> <p>We recommend that FARs are password protected to mitigate the risk of unauthorised and/or inappropriate manipulation of data.</p>  | <p>The majority of registers (by value) are already password-protected but those that are not will have these applied going forward.</p> <p><b>Responsible Officer:</b> Senior Accountant, Capital and Major Projects Team, Finance</p> <p><b>Completion Date:</b> September 2018</p>  |

### 3. Revenue expenditure

During our audit we documented the following systems (in the context of purchasing for the Council):

- Oracle – General operating expenditure
- Swift (H&SC) and (FSC) - 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 | <p><b>3.1 Scheme of delegation</b></p> <p>Through our review we noted that there is no formal scheme of delegation in place for the authorisation of payment requests made to the Swift (H&amp;SC) system.</p> <p>There is a risk that suppliers are added to the system who are not authorised for payment.</p> <p>A scheme of delegation or similar should be put in place that allows finance to be able to confirm the identity of the social worker and payment values which they are able to authorise.</p> | <p>The Social Care Finance (SCF) team rejects payment requests which are not authorised.</p> <p>A list of recognised approvers/values will be confirmed with sector teams (Customer to progress).</p> <p>The Business Support Team will maintain changes to the list (leavers and movers) and the SCF team (Customer) will support a yearly review.</p> <p><b>Responsible Officer:</b> SCF Team Manager</p> <p><b>Completion Date:</b> October 2018</p> |
| Medium | <p><b>3.2 Review of manual inputs</b></p> <p>There is no secondary review performed over client service and payment details that are manually entered into the Swift (H&amp;SC) system.</p> <p>There is a risk that there is an error in the client commitment details entered onto Swift and that this leads to an inaccurate or invalid payment being made.</p> <p>Periodic spot checks should be performed over all manually input data and prices.</p>  | <p>Business Support staff process the invoices and another Business Support staff member will validate before completing.</p> <p><b>A sample checking regime will be implemented by the SCF team to give further assurance.</b></p> <p><b>Responsible Officer:</b> SCF Team Manager</p> <p><b>Completion Date:</b> October 2018</p>   |
| Medium | <p><b>3.3 Review of variance reports</b></p> <p>Invoices entered into Swift (H&amp;SC) for payment are reconciled with the</p>  | <p>Liaison with the service takes place prior to release of payment - where there has</p>   |

### 3. Revenue expenditure

|  |  |   |
|--|--|---|
|  | <p>commitment details held in the system for each client and a variance report is produced. Following investigation of variances the reason for amendments are entered into the system.</p> <p>No secondary review of variance reports is performed and therefore there is an increased risk of inappropriate or unauthorised payments being made.</p> | <p>been no appropriate verification, the invoice is rejected from the payment run until this is resolved. These payments remain on a suspended file until corrected and released by the Payments Team.</p> <p>Secondary review of the variance report was previously ceased but will be re-started via the Business Support team.</p> <p><b>Responsible Officer:</b> SCF Team Manager</p> <p><b>Completion Date:</b> October 2018</p> |
|--|--|---|

### 4. Implementation of audit recommendations

| Rating        | Issue & Recommendation   | Management Comments   |
|---------------|--|---|
| <b>Medium</b> | <p>In order for our audit outputs to be of most benefit to the Council it is essential that audit recommendations agreed with management are implemented in accordance with set timescales. It is equally important that the implementation of the recommendations is sustained throughout the organisation and that all members of staff affected by any change in processes are made aware of the changes.</p> <p>Throughout our follow up of audit recommendations we have identified that in some cases actions are not continuing to be implemented or communicated with staff.</p> <p>There is an opportunity for the Council to derive greater added value from the audit process through more robust implementation of actions.</p> <p>The Council should ensure that audit recommendations are implemented and continue to be applied throughout the service area/s to which they relate.</p> | <p>The importance of implementing, effectively embedding and sustaining all control improvements resulting from internal and external audit reviews is acknowledged.</p> <p>Given related recommendations with regard to internal audit actions, opportunities will be considered to consolidate monitoring of each set of actions through the recently-introduced "Team Central" system.</p> <p><b>Responsible Officer:</b> Head of Finance</p> <p><b>Completion Date:</b> December 2018</p> |

## Follow up of prior year recommendations

Of the seven recommendations raised through our 2016/17 review of internal financial controls we note that four have now been implemented, two partially implemented and one has not yet been implemented. Details are given below.

| Payroll         |   |  |
|-----------------|---|--|
| Initial rating  | Issue & Recommendation  | Management Comments  |
| <b>Medium</b>   | <p><b>Payroll procedures</b></p> <p>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.</p> <p>We also noted that where procedures are in place, these are not subject to regular review and approval.</p> <p>There is a risk that key payroll processes and controls are not being implemented correctly or effectively.</p> <p>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.</p> | <p>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.</p> <p>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.</p> <p><b>Responsible Officer:</b> Payroll Specialist, Customer</p> <p><b>Completion Date:</b> January 2018</p> |
| Current status  | Audit update  | Management response  |
| <b>Complete</b> | <p>At the time of interim audit during March/April 2018 and through review of the arrangements in place and discussions with key management, we noted that there had been no additional procedural documents produced to date. We have since revisited this recommendation and confirmed centralised procedures are now in place.</p>   | <p>A <b>range of documents</b> have been produced and catalogued as part of ongoing process improvements including standard operating procedures developed as part of the Business World project. This work continues in the Payroll team in <b>relation to ensuring we have the right knowledge transfer documentation for learning purposes for the new HR model.</b></p>  |

| Payroll        |   |   |
|----------------|---|---|
| Initial rating | Issue & Recommendation  | Management Comments   |
| Medium         | <p><b>System access</b></p> <p>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.</p> <p>This was also identified by the Council's previous external auditors, Audit Scotland.</p> <p><i>"We identified a number of system users during our controls review where their system access rights did not appear appropriate for their roles."</i></p> <p>There is a risk that inappropriate transactions may be processed.</p> <p>The Council should ensure user access to the payroll system is reviewed on a regular basis.</p> | <p>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.</p> <p><b>Responsible Officer:</b> Payroll Specialist, Customer</p> <p><b>Completion Date:</b> October 2017</p> |
| Current status | Audit update  | Management response   |
| Complete       | <p>This recommendation has now been implemented. We have confirmed that access reviews are performed by the payroll manager every quarter.</p>  | N/A   |

## Revenue expenditure

| Initial rating     | Issue & Recommendation   | Management Comments  |
|--------------------|--|--|
| Medium             | <p><b>Procedures</b></p> <p>During our review we noted the following in respect of procedures:</p> <ul style="list-style-type: none"> <li>• CFATS Telford – No procedures are in place for the processing of work orders and certificates.</li> <li>• 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.</li> <li>• 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.</li> </ul> <p>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.</p> <p>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.</p> | <p>Documented procedures for the processing of work orders and certificates in CFATS Telford are being developed.</p> <p>Once complete these will be reviewed annually.</p> <p><b>Responsible Officer:</b> Business Support Manager, Customer</p> <p><b>Completion Date:</b> December 2017</p> <p>Tranman procedures for the ordering and receipting of goods and services have now been updated and will be reviewed annually.</p> <p><b>Responsible Officer:</b> Fleet and Workshops Manager, Place</p> <p><b>Completion Date:</b> Ongoing</p> <p>SWIFT – Procedures for processing payments in Allpay have been updated.</p> <p>SWIFT development team will update online procedures accordingly</p> <p><b>Responsible Officer:</b> Customer Manager – Transactions Assessment and Finance, Customer</p> <p><b>Completion Date:</b> December 2017</p> |
| Current status     | Audit update   | Management Comments  |
| Partially complete | <p>We have confirmed that policies and procedures for both CFATS Telford and Swift have been updated.</p> <p>On discussion with staff regarding the Tranman system we were informed that 2009 was the date of the last amendment made to the procedures, not the last review as previously reported. We were however unable to evidence subsequent review of the procedures in place. There remains a risk that these procedures are not fit for purpose.</p>  | <p>While the relevant procedures have been regularly reviewed to ensure their on-going appropriateness, this check has not been formally documented. Evidence of this annual review will therefore be maintained going forward.</p> <p><b>Responsible Officer:</b> Contracts Manager, Fleet and Workshops</p> <p><b>Completion Date:</b> October 2018</p>  |

| Revenue expenditure |  |   |
|---------------------|--|---|
| Initial rating      | Issue & Recommendation   | Management Comments   |
| Medium              | <p><b>Documentation</b></p> <p>During review of both the Oracle and the CFATS Telford systems we were unable to evidence that the following key controls were in operation:</p> <ul style="list-style-type: none"> <li>• Oracle – Review of the daily amendments report which details all amendments made including addition of new suppliers.</li> <li>• CFATS Telford – Reconciliation of work performed and work requested prior to payment being processed.</li> </ul> <p>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.</p> <p>The Council should ensure evidence is retained for all key controls in operation.</p> | <p>CFATS - Controls will be documented as part of the development of the procedural documentation referenced above.</p> <p><b>Responsible Officer:</b> Business Support Manager, Customer</p> <p><b>Completion Date:</b> December 2017</p> <p>Oracle</p> <p><b>Responsible Officer:</b> Chief Procurement Officer, Finance</p> <p><b>Completion Date:</b> December 2017</p>   |
| Current status      | Audit update   | Management comments   |
| Partially complete  | <p>Through our audit work we were unable to confirm that these controls are in operation. Documentary evidence of these controls is still not kept with regard to either system.</p>   | <p><b>CFATS</b></p> <p>The procedures manual noted above sets out the key steps in the authorisation process. Work is evidenced as approved for payment by the relevant service manager and supporting evidence retained by Finance staff to attest to the appropriateness of payments made.</p> <p><b>Responsible Officer:</b> Transport Infrastructure Service Manager</p> <p><b>Completion Date:</b> Completed</p> <p><b>Oracle</b></p> <p>Since the original audit was undertaken, a number of further control improvements have been introduced within the Oracle system. These controls enforce strict segregation of duties across the vendor set-up and amendment process and, alongside three-way matching, are considered to mitigate the original risk being</p> |

| Revenue expenditure |  |   |
|---------------------|--|---|
| Initial rating      | Issue & Recommendation   | Management Comments   |
|                     |  | <p>highlighted.</p> <p>This said, in order to strengthen these controls further, evidence of the independent random check will be maintained within a password-protected file going forward.</p> <p><b>Responsible Officer:</b> Commercial Operations Team Manager, Finance</p> <p><b>Completion Date (for additional action):</b> September 2018</p>   |
| Initial rating      | Issue & Recommendation   | Management Comments   |
| Medium              | <p><b>System access</b></p> <p>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.</p> <p>In addition there are no controls in place to identify and remove leavers from the system on a timely basis.</p> <p>The Council should ensure user access is reviewed on a regular basis.</p> | <p>A log has now been established for new user and access level change requests.</p> <p>An audit of current users is being undertaken to ensure appropriate user access levels and to identify and remove leavers.</p> <p>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.</p> <p><b>Responsible Officer:</b> Business Support Manager, Customer</p> <p><b>Completion Date:</b> December 2017</p> |
| Current status      | Audit update   | Management comments   |
| Complete            | <p>A monitoring spreadsheet is now maintained which logs amendments made to system access. System access amendments all go through the system administrator.</p>   | N/A   |



## Non domestic rates

| Initial rating     | Issue & Recommendation   | Management Comments   |
|--------------------|--|---|
| <b>Low</b>         | <p><b>Reliefs/exemptions – spot checks</b></p> <p>The Quality Assurance team performs spot checks on the reliefs/exemptions.</p> <p>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.</p> <p>We recommend that the Council make arrangements for the spot checks to resume in 2017/18.</p> | <p>Spot checks are underway and will be concluded by November 2017. Activities are being scheduled within the business as usual plans for future years.</p> <p><b>Responsible Officer:</b> Rating Manager</p> <p><b>Completion Date:</b> November 2017</p>  |
| Current status     | Audit update   | Management comments   |
| <b>Outstanding</b> | <p>One planned spot check took place in June 2017 however the cycle was not able to be completed due to lack of available staff resources.</p> <p>It is important that this recommendation continues to operate following initial implementation.</p> <p>The Council plan to implement cross departmental training in 2018/19 to increase the level of resource available, and spot checks will be resumed again in 2018/19.</p>       | <p>Spot checks scheduled by Quality Assurance Team October 2018. Additional 25% sample for Mandatory Charitable Relief completed August 2018.</p> <p>Resource pressures prevented scheduled spot checking however as an interim measure random control checks were undertaken by the Fraud and Visiting Team for Reliefs and Exemptions during 2017/18. This ensured that reliefs were reviewed during this period.</p> <p><b>Responsible Officer:</b> Rating Manager</p> <p><b>Completion Date:</b> October 2018</p> |

## Members remuneration and expenses

| Initial rating | Issue & Recommendation  | Management Comments   |
|----------------|---|---|
| Medium         | <p><b>Guidance</b></p> <p>Guidance on members' remuneration and expenses has not been updated since March 2012 and makes reference to legislation that is out of date.</p> <p>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.</p> | <p>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.</p> <p><b>Responsible Officer:</b> Transaction Team Manager: People Support, Customer</p> <p><b>Completion Date:</b> October 2017</p> |
| Current status | Audit update  | Management comments   |
| Complete       | <p>Guidance has now been reviewed, updated and saved to the council's intranet.</p>   | N/A   |



**Scott-Moncrieff**  
business advisers and accountants

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 28 August 2018

## Corporate Leadership Team Risk Update

|                     |     |
|---------------------|-----|
| Item number         | 7.7 |
| Report number       |     |
| Executive/routine   |     |
| Wards               | All |
| Council Commitments |     |

### Executive summary

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The Council's risk management framework seeks to ensure that risks to and within the Council are effectively managed, reviewed and updated through quarterly Risk and Assurance Committees held at both Directorate and Corporate Leadership Team (CLT) levels.

The information presented in this report reflects the Council's top risks and the key controls in place to mitigate them as at 3 August 2018. These risks and the associated controls have been scrutinised and challenged by the CLT and are presented to the GRBV Committee for oversight and review.

## Corporate Leadership Team Risk Update

### 1. Recommendations

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- 1.1 Members of the Governance, Risk and Best Value Committee are asked to:
  - 1.1.1 review and scrutinise the CLT Risk Update and be assured by the risk management framework, controls and mitigations in operation; and
  - 1.1.2 request, where appropriate, further updates from relevant officers to discuss the key risks and mitigating actions identified.

### 2. Background

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- 2.1 The Governance, Risk and Best Value (GRBV) Committee is responsible for monitoring the effectiveness of the Council's risk management arrangements.
- 2.2 The Council has an Enterprise Risk Management Policy and Risk Management Operational Procedures in place which describe why, when and how risk management should take place. The Policy and associated Risk Appetite Statement have recently been reviewed and approved by the Corporate Policy and Strategy Committee.
- 2.3 The purpose of this report is to provide an update to the Committee on the key risks currently facing the Council and the work being undertaken to reduce the level of risk within the Council.
- 2.4 Some risk and associated mitigation measures lie outside the control of the Council. The Council's risk management framework seeks to reduce the Council's exposure to risk where practicable and proportionate, recognising that some mitigation measures may be the responsibility of third parties.
- 2.5 The CLT Risk Update was last presented to the GRBV Committee on 8 May 2018.

### 3. Main report

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- 3.1 During the last quarter, risks have been reviewed at Risk Management Groups, Service Management Teams, and Risk and Assurance Committees within each Directorate. The top risks have been escalated to the CLT Risk and Assurance Committee for oversight, scrutiny and confirmation of scoring, in accordance with the Council's risk management framework.

- 3.2 The information in this report and presented in the appendices reflects the Council's top risks and the key controls in place to mitigate them, as at 3 August 2018.
- 3.3 Two new risks have been added to the CLT Risk Register since the last CLT Risk Update. These are 'Building Standards' and 'Operational risks identified through the audit process'. The Council's current top risks are considered to be 'Health and Social Care', 'ICT capability', and 'Homelessness'. Several risks have been rescored since the last report to GRBV.
- 3.4 Due to the way the risks are scored, a number appear in the 'red zone'. It should be noted that it may not always be practicable or proportionate to undertake mitigation measures which reduce the scoring to a level that risks move out of the 'red zone'.
- 3.5 Improvements to the risk management framework, based upon good practice in the public and private sector, are being constantly reviewed and considered for implementation as part of a continuous improvement approach. These enhancements are designed to refine and enhance several areas of the risk management framework and will be documented in the next update of the Policy and Procedure documents.
- 3.6 The updated Enterprise Risk Management Policy was approved by the Corporate Policy and Strategy Committee on 7 August 2018. The Policy sets out the importance of risk management to the Council, how it is carried out at a high level, and defines the roles and responsibilities of everyone across the Council to ensure we identify and manage risks effectively.
- 3.7 The Council won the Operational Award at the 2018 Alarm Risk Awards in June, for collaboratively developing and implementing a self-assurance framework which is used to manage operational risks within the Communities and Families Directorate.
- 3.8 Internal Audit has presented its annual opinion for the year ended 31 March 2018, based upon 27 completed audits and the status of open internal audit findings as at 31 March 2018. In addition to the work being carried out by Directorates as required by the amendment at GRBV on 31 July 2018, work is at an early scoping stage to identify opportunities to build on the self-assurance framework and develop it into a Council-wide tool to further strengthen the internal control environment and enable services to identify and manage operational risk even more robustly. The opportunity this creates is also being considered by the Executive Directors, as a part of the requirement to produce plans for the improvement of the controls environment within their respective Directorates.
- 3.9 The Corporate Risk Team is currently undertaking work to implement the risk management software and to harmonise and streamline the escalation and reporting of risk across the Council to make this more dynamic, and this is

intended to be fully deployed for the reporting of the CLT Risk Register to GRBV on 27 November 2018.

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

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- 4.1 Effective risk management aims to ensure that key risks to the Council are identified, managed, and communicated appropriately and that suitable controls are put in place to mitigate risks to acceptable levels.

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

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- 5.1 There is no direct financial impact arising from this report.
- 5.2 Control measures to mitigate risk may have an associated cost which is to be funded from existing budgets in the first instance.

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

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- 6.1 Effective risk management aims to improve performance against objectives by contributing to more efficient use of resources, reduction in management time spent dealing with sudden shock events and more focus internally on doing the right things properly.
- 6.2 By its very nature risk management cannot guarantee to protect against every possible negative consequence. Even with a perfectly-functioning risk management framework, events considered significant or untoward with a low likelihood may still occur, resulting in significant negative consequences.

#### **7. Equalities impact**

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

#### **8. Sustainability impact**

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

#### **9. Consultation and engagement**

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- 9.1 As part of the Council's risk management framework the information in the appendices has been discussed, challenged and agreed by the CLT.

## 10. Background reading/external references

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- 10.1 [Corporate Leadership Team Risk Update: report to GRBV 8 May 2018](#)
- 10.2 [City of Edinburgh Council's Policy Register](#)
- 10.3 [Internal Audit Opinion and Annual Report for the Year Ended 31 March 2018](#)
- 10.4 [Enterprise Risk Management Policy](#)

### **Stephen S. Moir**

Executive Director of Resources

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## 11. Appendices

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Appendix 1 – CLT Top Risks with Key Controls and Further Actions as at 3 August 2018

Appendix 2 – CLT Top Risks Heatmap

Appendix 3 – Guidance for assessing impact and likelihood of risks



## Appendix 1 - CLT Top Risks with Key Controls and Further Actions as at 3 August 2018

|   | Risk description   | I | L | Key Controls   | I | L | Key Further Actions   |
|---|--|---|---|--|---|---|---|
| 1 | <b>Health and Social Care</b><br>Increased demand for services and associated demographic changes results in significant financial pressures which, when compounded by historic funding arrangements and traditional service models, creates a significant risk that the Council fails to implement and/or deliver appropriate health and social care arrangements, as required by the Edinburgh Integration Joint Board (EIJB). The potential impact of failure to manage this risk effectively could include direct harm to people, safeguarding breaches, inappropriate or insufficient care packages being offered and significant reputational damage to the Council with additional impact on funding of other Council budgets.  | 5 | 4 | <ul style="list-style-type: none"> <li>Scrutiny of health and social care performance, delivery and risk management by Governance, Risk and Best Value Committee (GRBV) and Corporate Policy and Strategy Committee (CP&amp;S)</li> <li>Access to external experts for capacity and capability and knowledge sharing</li> <li>Partnership working with service areas and IJB (IJB Procurement Board)</li> <li>The Council's Chief Internal Auditor is also the Chief Internal Auditor for the IJB thereby ensuring auditing of key risks</li> <li>Strengthened Health and Social Care Partnership and Edinburgh IJB senior management team, with an experienced Chief Officer and Head of Operations (Social Work Professional) and substantive Chief Financial Officer all approved.</li> <li>The IJB maintains and reviews its risk register</li> <li>Health and Social Care Improvement Plan in place</li> </ul>  | 5 | 4 | <ul style="list-style-type: none"> <li>Implementation of Health and Social Care Improvement Plan and programme.</li> <li>Work in progress to refresh the Edinburgh Health and Social Care Partnership risk register</li> <li>Review of governance for the Partnership and IJB being led by the Chief Officer.</li> </ul>  |
| 3 | <b>ICT capability</b><br>Despite increased scrutiny, and robust performance and contract management arrangements within the Council, there is a risk that the level of ICT service provided to the Council is below that required for the Council to deliver its services effectively, efficiently, safely or in line with planned revenue savings initially budgeted. This risk includes reliability and availability of hardware systems and software, as well as maintaining accreditations required to deliver Council services.   | 5 | 5 | <ul style="list-style-type: none"> <li>Re-set of CGI/CEC contract agreed and approved by both the Finance and Resources Committee and CGI Board.</li> <li>Internal audit of CGI contract management completed, no high findings identified.</li> <li>Standardised quarterly scrutiny of CGI performance by GRBV.</li> <li>Device refresh project now in delivery to replace hardware across the Council's ICT estate over the next 12 months.</li> <li>Cyber and Information Security Group established, chaired by the Executive Director of Resources, to deliver against the Scottish Government's Public-Sector Action Plan on Cyber Resilience</li> </ul>   | 4 | 4 | <ul style="list-style-type: none"> <li>CEC and CGI finalising a revised performance dashboard and key performance indicators for more rigorous performance management.</li> <li>Revised governance and penalties regime being finalised as part of the re-set arrangements.</li> <li>Public sector Cybersecurity Action Plan status update to Deputy First Minister being finalised.</li> <li>Review of CEC IT capabilities and operating model being undertaken by the Head of Customer Services and IT.</li> </ul>  |
| 9 | <b>Homelessness</b><br>Due to planned welfare changes, the introduction of Universal Credit, changes to the benefit payment process, and a buoyant private rented market, greater demands will be placed on homelessness services across the city. Move-on, permanent accommodation for homeless people is not sufficient to meet this demand and there is insufficient capacity in temporary accommodation, leading to more people rough-sleeping or in sub-standard conditions, and to breaches in the Council's statutory duties.   | 5 | 5 | <ul style="list-style-type: none"> <li>Homelessness Task Force established and meeting monthly.</li> <li>Progress reporting and oversight via the Housing and Economy Committee each cycle</li> <li>Communications and training to staff around Universal Credit by the Department of Work and Pensions (DWP)</li> <li>Welfare Reform Update report presented to Corporate Policy and Strategy Committee quarterly</li> <li>Welfare Reform Working Group (including Elected Members) meets regularly</li> <li>Welfare Reform Core Group (Council Officers) meets regularly</li> </ul>  | 4 | 4 | <ul style="list-style-type: none"> <li>Discussion with Scottish Government to access funding from National Task Force</li> <li>Implementation of the plan to be set by the Homelessness Task Force</li> <li>Extend private sector leasing scheme into 2019</li> </ul>   |
| 2 | <b>Capital asset management</b><br>Due to the age of a number of properties across the Council's operational estate, there is risk that properties are not of a sufficiently safe and sustainable standard for their continued use, potentially resulting in structural failures and/or negative health and safety consequences for staff, service users or members of the public. Associated with this, the Asset Management Strategy requires that decisions are made to dispose of properties in a planned manner. The risk associated with the implementation of the strategy is that disposal decisions are not made in a timely manner, which results in additional costs pressures for both the capital and revenue budgets and consequently demographic pressures cannot be responded adequately to by the property portfolio, particularly for education and health and social care services. | 5 | 5 | <ul style="list-style-type: none"> <li>Committee approved Asset Management Strategy and Asset Management Works budget in place.</li> <li>Progress against the Asset Management Strategy reported regularly to Finance and Resources Committee. Asset registers in place with prioritised budget spend on those deemed of greatest risk to public safety</li> <li>General Inspections carried out annually as part of rolling condition surveys</li> <li>Corporate Health and Safety Policy</li> <li>Asbestos, Fire Safety and Water Safety Policies</li> <li>Initial Condition Survey of all premises completed</li> <li>Public and employers' liability insurance policies</li> <li>Significant additional funding committed to property repair through budget process</li> <li>Commissioned first year of programme of upgrade works, focussing on areas of greatest need</li> <li>Statutory compliance testing</li> <li>Work in progress to deliver first phase of asset management work at 22 schools over summer holidays 2018</li> <li>Fire Safety, Asbestos and Water Safety Standing Groups chaired by Head of Property and Facilities Management meets regularly</li> </ul> | 4 | 3 | <ul style="list-style-type: none"> <li>Scoping of works for financial year 2019/2020.</li> <li>Further activities as approved at Finance and Resources (F&amp;R) Committee on 27 March 2018. Work has started on implementing these actions over the summer period. <ul style="list-style-type: none"> <li>Programme of ceiling inspections</li> <li>Programme of high level inspections</li> <li>Introduction of Planned Preventative Maintenance regime</li> <li>Programme of fire door inspections</li> <li>Condition management works at potential Wave 4 schools.</li> </ul> </li> <li>Reactive repairs and maintenance delivery being sustained at the same time as addressing major investment/improvement programme.</li> <li>Refresh of Asset Management Strategy assumptions being undertaken to report to the Finance and Resources Committee on 27 September 2018.</li> </ul> |
| 4 | <b>Change</b><br>Key deliverables, benefits and timescales for achieving change across the Council may not be achieved in line with business expectations, requirements, budgets and resources. This may result in adverse impacts on service delivery, the Council's finances and reputation, the anticipated need for further savings to deliver balanced budgets may create additional material pressure on our infrastructure, capital and revenue funding and the execution of the Council's business plan, with the associated adverse reputational impact.  | 5 | 5 | <ul style="list-style-type: none"> <li>Council Change Strategy being refined and aligned to the Business Plan</li> <li>Improved programme and project governance being applied through the CLT Change Board and new Business Case gateways process</li> <li>Plans for the key projects in terms of scoping and resources being reviewed</li> <li>Key transformation programmes supported by Programme / Project Management expertise</li> <li>Effective Long-Term Financial Planning in place, aligned to the Council's Business Plan and Performance Framework</li> <li>Provision for demographic change built into long term financial planning assumptions</li> </ul>   | 4 | 3 | <ul style="list-style-type: none"> <li>Development of Council Change Strategy and enhanced portfolio governance and business case approvals</li> <li>Clear and robust programme/project plans</li> <li>Greater focus on delivery assurance and benefits realisation</li> <li>Refreshed Directorate Business Plans to be produced</li> <li>Council Performance Dashboard and Local Government Benchmarking Results for 2017/18 considered by the</li> </ul>  |

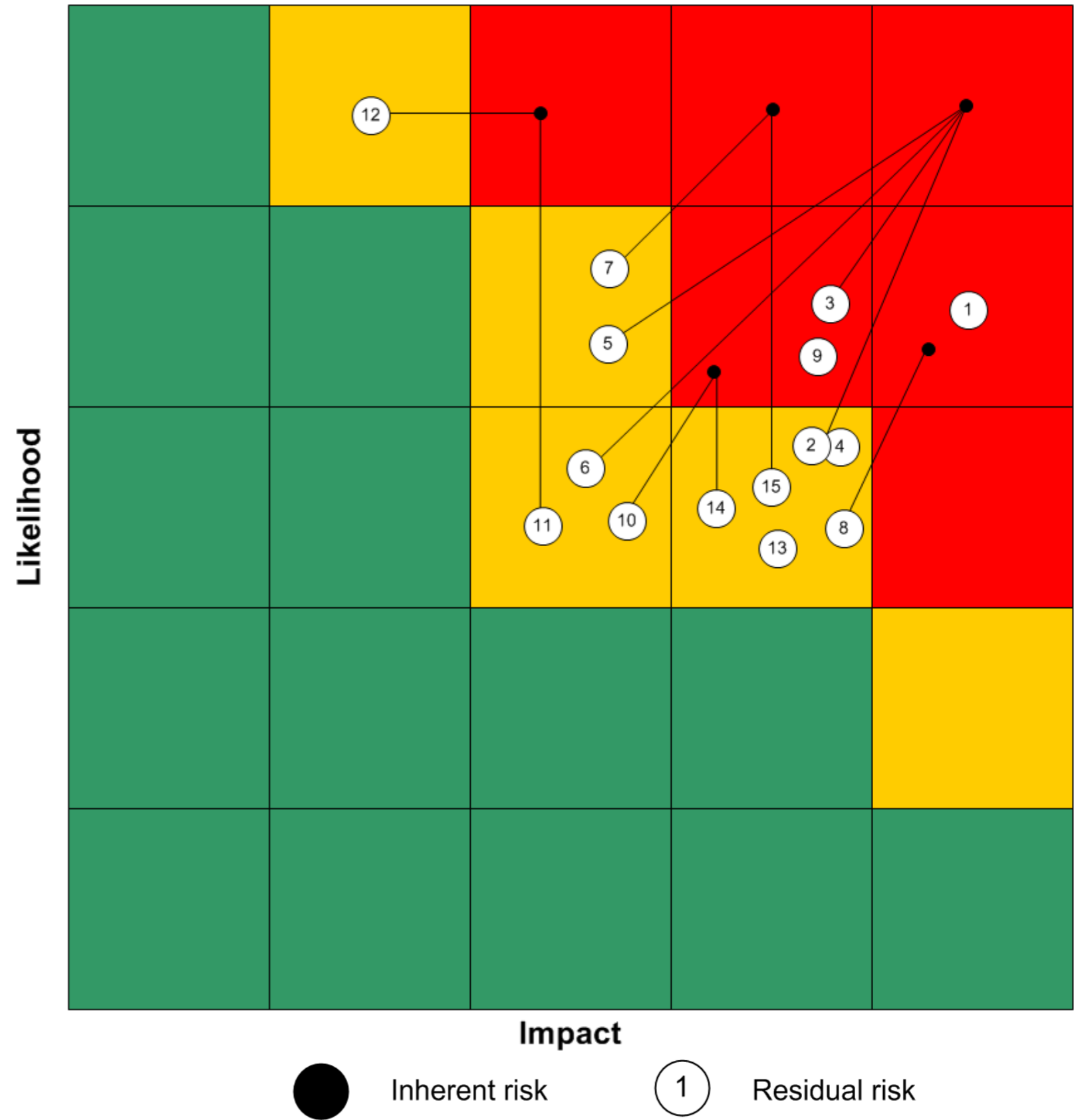
|    |  |   |   |   |   |   |  |
|----|--|---|---|---|---|---|--|
|    |  |   |   | <ul style="list-style-type: none"> <li>Regular review of financial challenges and assumptions with Members Budget Core Group and Finance and Resources Committee</li> <li>Monthly Performance Dashboard reporting to Directorates</li> <li>Savings and implementation plans are monitored and reviewed, monthly budget reporting</li> <li>GRBV scrutinises Council Finance and Performance outcomes, assumptions and delivery.</li> <li>Council review of progress against Business Plan Political Commitments</li> </ul>   |   |   | <ul style="list-style-type: none"> <li>Corporate Policy and Strategy Committee in August (and referred to Council).</li> <li>Annual External Audit of Council's Accounts and financial planning assumptions to be reported.</li> </ul>   |
| 13 | <b>Housebuilding programme</b><br>Due to capacity within the house-building industry, the availability of suitable land, uncertainties around planning assumptions used in financial models (demographics, demand, economics etc) there are risks to the delivery of the Council's housebuilding programme, including subsequent knock-on impacts in relation to Council income and reputation.                                | 4 | 3 | <ul style="list-style-type: none"> <li>Short, medium and long-term planning through the Housing Revenue Account (HRA) planning process involving input from appropriate functions including Finance, Legal and Risk</li> <li>Risk management workshops undertaken with the HRA, the Granton project, 'Edinburgh Homes'/Scottish Futures Trust to identify key risks to delivery. Risks being managed by appropriate teams</li> <li>City Region Deal Executive Board meets regularly</li> <li>Housing stock investment strategy</li> </ul>   | 4 | 3 | <ul style="list-style-type: none"> <li>The current plan of work is considered appropriate to address the risk. Any further actions will be considered where appropriate.</li> </ul>  |
| 8  | <b>Health and Safety (H&amp;S)</b><br>There is a risk of non-compliance with the Council's legislative requirements and associated suite of health and safety policies and/or failure to comply with procedures or applicable legislation which could lead to an incident resulting in harm to staff, service users or members of the public, liability claims, regulatory breaches, fines and associated reputational damage. | 5 | 4 | <ul style="list-style-type: none"> <li>Progress on Corporate H&amp;S Strategic Plan is reported annually to CLT and Finance and Resources Committee.</li> <li>Rolling H&amp;S audit programme identifies areas for improvement.</li> <li>H&amp;S performance is measured and reported to CLT Risk and Assurance Committee quarterly, Council H&amp;S Group and Service-level H&amp;S Groups</li> <li>H&amp;S risks and issues reported to CLT on a weekly basis, H&amp;S is a standing CLT agenda item</li> <li>Corporate H&amp;S Training programme available across the whole organisation and completion figures are reported quarterly to CLT Risk and Assurance Committee quarterly, Council H&amp;S Group and Service-level H&amp;S Groups</li> <li>H&amp;S is part of the Council's Induction Programme</li> <li>Council's Health and Safety Policy – refresh completed and approved by Corporate Policy and Strategy Committee.</li> <li>Asbestos Policy</li> <li>Fire Safety Policy</li> <li>Water Safety Policy</li> <li>3-year Corporate H&amp;S Strategy approved by the Corporate Policy and Strategy Committee.</li> <li>IOSH Leading Safely courses delivered to the Council's Wider Leadership Team</li> <li>Content improvements made to the Council's intranet in respect of Health and Safety issues.</li> </ul> | 4 | 3 | <ul style="list-style-type: none"> <li>Greater uptake and attendance at H&amp;S training sessions, with high levels of attendance at IOSH Managing Safely, positively role-modelled by CLT.</li> <li>Implementation of phase 1 of the new Facilities Management (Janitorial) Service – commences in August 2018.</li> <li>Directorates developing local Health &amp; Safety Plans to target specific areas for improvement, as identified by H&amp;S dashboard and H&amp;S audit reports.</li> </ul>   |
| 14 | <b>Building Standards verification</b><br>If the Council's response to the Scottish Government intervention on the Building Standards Service is ineffective the Council may lose its verification ability leading to significant income and reputational damage.  | 4 | 4 | <ul style="list-style-type: none"> <li>Scrutiny by GRBV including report by Internal Audit presented 8 May 2018</li> <li>Teams are working alongside Scottish Government personnel to work to ensure appropriate delivery of service provision</li> <li>Closing out IA actions using new IA system (TeamMate) to ensure improved visibility and accountability</li> </ul>   | 4 | 3 | <ul style="list-style-type: none"> <li>The current plan of work is considered appropriate to address the current risk. The risk will be regularly reviewed and any further actions will be considered where appropriate.</li> </ul>  |
| 15 | <b>Operational risks identified through the Internal Audit process</b><br>There is a risk around the failure to close out agreed actions following internal audits. This influences Internal Audit's opinion on the effectiveness of the Council's control environment.  | 4 | 5 | <ul style="list-style-type: none"> <li>Services and Directorates consider risks to their areas (including from historic actions) and escalate through Risk and Assurance Committees in each Directorate.</li> <li>Internal Audit report regularly to CLT, Risk and Assurance Committees and GRBV</li> <li>Improved visibility through use of new IA system TeamMate</li> </ul>  | 4 | 3 | <ul style="list-style-type: none"> <li>Consider opportunity to build on the self-assurance framework in place in Communities and Families</li> <li>Executive Directors producing plans in response to GRBV amendment passed on 31 July 2018</li> </ul>   |
| 5  | <b>Major incident</b><br>A sudden high impact event causes harm to people and damages infrastructure, systems or buildings. Buildings, staff and/or systems are non-operational for a time, resulting in a reduced ability to deliver services. Failure to deliver an appropriate level of service in the event of a sudden operational requirement may lead to harm to people and reputational damage to the Council.         | 5 | 5 | <ul style="list-style-type: none"> <li>Council Business Continuity and Emergency Plans are in place</li> <li>All Chief Officers have been briefed about the Council's Incident Management response arrangements and on-call responsibilities</li> <li>Information Technology Disaster Recovery (IT DR) arrangements in place</li> <li>Effective and regular liaison and partnership working between the Council and other responder organisations at a local and national level including contingency planning for major events</li> <li>Externally contracted services include DR and business continuity provisions</li> <li>Lessons learned from key events including winter weather</li> <li>New governance arrangements in place in the event of Op UNICORN</li> </ul>   | 3 | 4 | <ul style="list-style-type: none"> <li>Council participation in multi-agency scenario testing of emergency plans.</li> <li>Rolling programme of IT disaster recovery tests.</li> </ul>   |
| 7  | <b>Customer experience and expectations</b><br>Customer dissatisfaction around delivery of citizen facing services (e.g. waste management, roads, etc.) may lead to an increase in complaints with consequential financial pressures and reputational damage.  | 4 | 5 | <ul style="list-style-type: none"> <li>Waste Services Improvement Plan in place and being progressed</li> <li>Roads Service Improvement Plan in place and has been approved by the T&amp;E Committee and will now be delivered</li> <li>Customer Transformation Programme being delivered in partnership with front-line services</li> <li>Customer Skills Training being deployed across all Customer Contact Centre staff</li> <li>Improved social media skills and capability being jointly delivered by Communications and Customer</li> <li>Channel Shift and Process Automation aspects of the Customer Transformation Programme are being delivered to improve accessibility and responsiveness of services</li> <li>Corporate Policy and Strategy Committee to receive regular reports and updates on Customer Transformation and Customer Contact Centre improvements and service delivery.</li> </ul>   | 3 | 4 | <ul style="list-style-type: none"> <li>Improvements to Council Complaints and Feedback Policy and handling arrangements, with improved KPIs being reported for 2017/18.</li> <li>Citizens Panel to provide feedback on customer experience and service improvements</li> <li>Enhancements to Council social media responses to issues and proactive campaigns, such as during the Edinburgh Festivals.</li> <li>The Council Complaints Policy has been refreshed and submitted to the Corporate Policy and Strategy Committee for approval.</li> </ul> |

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|----|--|---|---|--|---|---|--|
|    |  |   |   |  |   |   |  |
| 12 | <p><b>Workforce Capacity and Capability</b></p> <p>The risk is that the Council is unable to recruit, retain, develop, engage and reward its employees effectively, including those in specialist roles to enable service delivery in a sustainable and affordable manner. There is a risk that the Council does not have adequate arrangements in place for the support and monitoring of Armed Forces reservists within the workforce</p>                        | 3 | 5 | <ul style="list-style-type: none"> <li>• Council People Strategy provides strategic priorities for workforce management and development.</li> <li>• People Plans developed for each Directorate of the Council.</li> <li>• Deployment of effective learning and development, including staff induction and new line manager induction sessions.</li> <li>• Commitment to Living Wage</li> <li>• Use of a new candidate portal to simplify the recruitment process</li> <li>• Support for the Armed Forces Reservists Project</li> <li>• Employee Survey undertaken. Work is in progress to analyse the responses and subsequently determine future actions required</li> </ul>   | 2 | 5 | <ul style="list-style-type: none"> <li>• Implementation of new recruitment campaign for teaching staff.</li> <li>• Further development and review of HR policies and procedures to ensure these are agile, enabling and support recruitment and retention.</li> <li>• Improvements to recruitment process and deployment of new-starter portal to provide earlier access to relevant information for new appointees.</li> <li>• Finalisation of leadership development approach for the Council.</li> <li>• HR operating model review to enable greater focus on professional support provided to cross cutting workforce thematic issues, such as recruitment and retention.</li> </ul>   |
| 6  | <p><b>Information Governance</b></p> <p>A major loss of data from the Council's control could result in fines, claims, loss of public trust and reputational damage. This includes both physical records (papers, files, folders etc) and data lost as a result of cyberattacks. This risk takes into account new requirements under the new General Data Protection Regulation.</p>   | 5 | 5 | <ul style="list-style-type: none"> <li>• Information Security policy</li> <li>• Suite of information governance policies and procedures</li> <li>• Laptop and media encryption</li> <li>• Service automation controls in place</li> <li>• IT Security Managed Service procured with requirements to adopt CSEG (Communications Electronics Security Group – now part of the National Cyber Security Centre) and ISO (international standards) best practice approaches and improve the security defences, monitoring and awareness of the security threat landscape</li> <li>• Leavers process includes removal of access to IT applications</li> <li>• Cybersecurity campaigns</li> <li>• Internal Audit testing of phishing.</li> <li>• Cyber and Information Security Group established, chaired by the Executive Director of Resources, to deliver against the Scottish Government's Public-Sector Cyber Resilience Action Plan on Cyber Resilience</li> </ul> | 3 | 3 | <ul style="list-style-type: none"> <li>• CEC and CGI finalising a revised performance dashboard and key performance indicators for more rigorous performance management to support ICT information governance requirements, including security issues.</li> <li>• Monthly MI demonstrating any threats.</li> <li>• Implementation of SharePoint technology as part of the device/hardware 12-month refresh project to improve security and storage arrangements across the ICT estate.</li> <li>• Review of Public Sector Cyber Action Plan commitments and delivery, with a status update to Deputy First Minister being finalised.</li> <li>• GDPR readiness audit completed and being reported to CLT.</li> <li>• GDPR implementation tracking being by the Information Governance Unit.</li> </ul> |
| 10 | <p><b>Major Programme and Project Delivery and Assurance</b></p> <p>The Council is unable to ensure the effective management and successful delivery, on time and budget, of major programmes and projects. This risk also outlines the need for the Council to prioritise and deploy project delivery resource effectively, according to business needs, ensuring that benefits are realised and learning is shared effectively across all delivery activity.</p> | 4 | 4 | <ul style="list-style-type: none"> <li>• Delivery of major programmes and projects to be given oversight via the relevant Executive Committees and the Governance, Risk and Best Value Committee.</li> <li>• CLT Change Board provides monthly portfolio management and oversight for all programmes and projects.</li> <li>• All significant change to have an approved business case detailing resources and skills required to deliver</li> <li>• Appointment of Strategic Change and Delivery Manager within Strategy &amp; Insight</li> <li>• Work in progress to implement the Internal Audit recommendations relating to Change Management.</li> </ul>  | 3 | 3 | <ul style="list-style-type: none"> <li>• Implementation of recommendations from change management reform audit report agreed at Committee and reported to GRBV.</li> <li>• Improved focus on Council's Change Portfolio and Status Reporting via CLT Change Board each month now operational.</li> </ul>   |
| 11 | <p><b>Tram extension project</b></p> <p>There are risks to the delivery of the proposed tram extension project, including reputational risks to the Council. Although the Council has not yet committed to this project it is now considered appropriate to report it as a risk.</p>   | 3 | 5 | <ul style="list-style-type: none"> <li>• Governance arrangements in place as appropriate to the current status of the project</li> <li>• Tram Project Board (including external subject matter expert) established and meets regularly</li> <li>• External project management and engineering expertise engaged</li> <li>• Work progressing in accordance with the Project Execution Plan</li> <li>• Project risk register reviewed and reported to Project Board on a regular basis</li> <li>• Quantitative Risk Analysis undertaken by external project management consultancy</li> <li>• Final Business Case to include updated modelling (carried out externally)</li> <li>• Council due to consider Final Business Case ahead of a vote in late 2018</li> <li>• Lessons learned from the Edinburgh Tram Inquiry to be considered at all appropriate opportunities</li> <li>• Public consultation undertaken</li> </ul>  | 3 | 3 | <ul style="list-style-type: none"> <li>• The current plan of work is considered appropriate to address the current risk. The risk will be regularly reviewed and any further actions will be considered where appropriate.</li> </ul>  |



## Appendix 2 – CLT Top Risks Heatmap as at 3 August 2018

- 1 Health and Social Care
- 2 Capital asset management
- 3 ICT capabilities
- 4 Change
- 5 Major incident
- 6 Information Governance
- 7 Customer experience and expectations
- 8 Health and Safety
- 9 Homelessness
- 10 Major Programme and Project Delivery and Assurance
- 11 Tram extension project
- 12 Workforce Capacity and Capability
- 13 Housebuilding programme
- 14 Building Standards verification
- 15 Operational risks identified through the Internal Audit process



## Appendix 3 - Guidance for assessing impact and likelihood of risk

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

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

|                   |                         |                   |              |                 |              |                |
|-------------------|-------------------------|-------------------|--------------|-----------------|--------------|----------------|
| <b>Likelihood</b> | <b>5 Almost Certain</b> | Low               | Medium       | High            | High         | High           |
|                   | <b>4 Likely</b>         | Low               | Low          | Medium          | High         | High           |
|                   | <b>3 Possible</b>       | Low               | Low          | Medium          | Medium       | High           |
|                   | <b>2 Unlikely</b>       | Low               | Low          | Low             | Low          | Medium         |
|                   | <b>1 Rare</b>           | Low               | Low          | Low             | Low          | Low            |
|                   |                         | <b>1</b>          | <b>2</b>     | <b>3</b>        | <b>4</b>     | <b>5</b>       |
|                   |                         | <b>Negligible</b> | <b>Minor</b> | <b>Moderate</b> | <b>Major</b> | <b>Extreme</b> |
|                   |                         | <b>Impact</b>     |              |                 |              |                |

# Governance, Risk and Best Value Committee

10.00am, Tuesday 28 August 2018

## Internal Audit: Capacity to deliver the 2018/19 Internal Audit plan

|                     |     |
|---------------------|-----|
| Item number         | 7.8 |
| Report number       |     |
| Executive/routine   |     |
| Wards               |     |
| Council Commitments |     |

### Executive Summary

---

This paper addresses the Governance, Risk, and Best Value (GRBV) Committee's request to confirm the capacity of Internal Audit (IA) to deliver the 2018/19 IA plan by 31 March 2019.

As at 6 August 2018, it is currently estimated that there is a shortfall of 239 days (or approximately 3 FTE). The currently estimated shortfall is attributable to delays in achieving full team capacity (notice periods etc); additional follow-up work associated with the 30 historic IA findings reopened in June 2018; and the time invested in preparing, launching, and delivering training on the new TeamCentral system. These activities have also fully utilised the contingency of 70 days that was included in the plan. Whilst there is a currently estimated shortfall in IA capacity, it is not proposed to rebase the plan. IA capacity and delivery of the plan will be closely monitored with a further progress update provided to GRBV by December 2018.

## Internal Audit: Capacity to deliver the 2018/19 Internal Audit plan

### 1. Recommendations

---

- 1.1 The Committee is requested to note that:
  - 1.1.1 There is a current estimated shortfall in IA capacity of approximately 239 days (3 FTE) to deliver the full 2018/19 IA plan by 31 March 2019;
  - 1.1.2 The contingency included in the plan has been fully utilised;
  - 1.1.3 A further update on IA capacity to deliver the plan will be provided by December 2018.

### 2. Background

---

- 2.1 Internal Audit is required to deliver an annual plan of work, which is scoped using a risk-based assessment of Council activities. Additional reviews are added to the plan where considered necessary, to address any emerging risks and issues identified during the year.
- 2.2 GRBV approved the draft 2018/19 IA plan in March 2018. It was noted that the plan may need to be reviewed during the year to deal with any changes in resource availability or areas of risk that are identified which require a reactive focus.
- 2.3 The 2018/19 internal audit plan includes a total of 43 audits to be delivered requiring a total of 1,345 audit days. The plan assumed that the IA team would be at full capacity by June 2018.
- 2.4 Following discussion at Committee in July, GRBV requested a paper to confirm IA's capacity to deliver the 2018/19 plan.

### 3. Main report

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- 3.1 IA has now successfully recruited to all vacant roles, including the additional capacity that was approved by the Executive Director of Resources. Varying notice periods for the external appointees have resulted in phased start dates between August and October 2018. The IA team will be fully resourced by the start of October 2018.

- 3.2 As Committee is aware, a total of 30 historic High and Medium rated IA findings were reopened across Services in June 2018. The management and follow-up time required to confirm that these have now been effectively addressed was not reflected in the capacity assumptions supporting the 2018/19 plan.
- 3.3 Time has also been invested in configuring, testing and piloting the TeamCentral system that was launched in July to automate the follow-up process. Further time has also been invested in developing and delivering training that focuses on the importance of balancing service delivery with risk and controls. This training will continue to be delivered throughout August and September. Whilst this has taken up some short term capacity, it will be significantly more efficient over the medium and longer term so is worth the current time investment.
- 3.4 The contingency time of 70 days included within the plan has been fully utilised to support the activities noted above, which are expected to alleviate some capacity demands later in the year.
- 3.5 PwC have supported delivery of the IA plan with additional resource provided at no cost during August 2018. With Council IA management oversight and support, this will result in delivery of 3 audits, and has created capacity within the IA team to focus on follow-up work.
- 3.6 In terms of progress, one 2018/19 audit has been completed to date. Good progress is also being made with finalising the 5 2017/18 reviews carried over into 2018/19.
- 3.7 As at 6 August 2018, a further 1,295 days of IA activity is currently estimated to be required to deliver the full 2018/19 plan by 31 March 2019. This is in comparison to an estimated 1,056 available days from the IA team, leaving a shortfall of approximately 239 days (or approximately 3 FTE).
- 3.8 Whilst there is a current shortfall in IA capacity, this will be operationally managed by the Chief Internal Auditor and Head of Legal and Risk, to assess if the shortfall can be managed operationally to enable delivery of the plan. It is therefore not currently proposed to rebase the plan. IA capacity will be closely monitored, with a further update provided to GRBV by December 2018.

## **4. Measures of success**

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- 4.1 Delivery of the full 2018/19 IA plan by 31 March 2019.

## **5. Financial impact**

---

- 5.1 There are no immediate financial impacts arising from this report.



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

---

- 6.1 Failure to deliver the IA plan could impact on the ability to provide the annual IA opinion for 2018/19 as required by the Public Sector Internal Audit Standards requirements.

## **7. Equalities impact**

---

- 7.1 Not applicable.

## **8. Sustainability impact**

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- 8.1 Not applicable.

## **9. Consultation and engagement**

---

- 9.1 Not applicable.

## **10. Background reading/external references**

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- 10.1 None.

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## **11. Appendices**

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None.

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 28 August 2018

## Internal Audit: Proposed process for approving changes to the Internal Audit plan

|                     |     |
|---------------------|-----|
| Item number         | 7.9 |
| Report number       |     |
| Executive/routine   |     |
| Wards               |     |
| Council Commitments |     |

### Executive Summary

---

Public Sector Internal Audit Standards (PSIAS) set out the requirements for Internal Audit (IA) to deliver an annual plan of work (the plan) that focuses on the Council's most significant risks; and for the Chief Internal Auditor (CIA) to review and adjust the plan, where required, in response to both the changing risk profile and organisational changes.

Additionally, PSIAS also require that IA activity must be independent, with freedom from any conditions that threaten the ability of IA to deliver their responsibilities in an unbiased manner.

Consequently, it is important to ensure that there is a clearly established and defined process for consideration and approval of changes to the plan.

This report sets out the proposed process for considering and approving (or rejecting) both routine and urgent IA plan change requests.

## Internal Audit: Proposed process for approving changes to the Internal Audit annual plan

### 1. Recommendations

---

- 1.1 Committee is recommended to:
  - 1.1.1 Approve the proposed process for considering and approving (or rejecting) routine and urgent requests for changes to the annual Internal Audit plan.
  - 1.1.2 Note that this process will be included as an appendix to the Internal Audit Charter approved by the Committee in March 2018.

### 2. Background

---

- 2.1 Public Sector Internal Audit Standards (PSIAS) require IA to deliver an annual plan, that focuses on the organisations most significant risks, and is scoped using a risk-based assessment of Council activities.
- 2.2 PSIAS also specify that the Chief Internal Auditor (CIA) must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.
- 2.3 Additionally, PSIAS also require that IA activity must be independent, with freedom from any conditions that threaten the ability of IA to deliver their responsibilities in an unbiased manner.
- 2.4 Consequently, it is important to ensure that there is a clearly established and defined process for approval of changes to the annual plan, to ensure that it continues to focus on the Council's most significant risks; is not unduly influenced by management; and that IA independence is maintained.
- 2.5 A routine (non-urgent) request for a change to the IA plan is defined as a change related to new and emerging risks that have not yet crystallised, enabling sufficient time for the change to be considered within standard Corporate Leadership Team (CLT) and Governance, Risk, and Best Value (GRBV) reporting cycles.
- 2.6 An urgent request for a change to the IA plan is defined as a change related to new and emerging risks that have crystallised and require urgent IA focus to confirm the effectiveness of the established control environment.

### 3. Main report

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#### **Proposed process for routine (non-urgent) changes to the annual Internal Audit plan**

- 3.1 Changes to the IA plan can be proposed by IA based on the Council's changing risk profile, or requested by management.
- 3.2 All changes proposed by IA will be clearly documented, with the rationale for the change and the associated risks clearly articulated.
- 3.3 All requests from management for routine changes to the IA plan will be provided to the Council's Chief Internal Auditor (CIA), with the rationale for the change and the associated risks clearly articulated.
- 3.4 The CIA will consider the request based on the significance of the associated risks, and make a proposal to either accept or reject the change.
- 3.5 Where there is insufficient capacity to incorporate the requested change, the CIA will also consider which existing audit included in the plan should be replaced (if the change is approved) and reflect this in the proposal.
- 3.6 The proposal will be discussed with the Corporate Leadership Team (CLT) and discussed and approved by the Governance, Risk, and Best Value Committee (GRBV), with the final decision to accept or reject the proposed change made by the GRBV.

#### **Proposed process for urgent changes to the annual Internal Audit plan**

- 3.7 The process as outlined in section 3.1 to 3.4 above will be applied.
- 3.8 The CIA's proposal will then be discussed with the relevant Executive Directors affected by the proposed change; the Chief Executive; and the Convenor and Vice-Convenor of the GRBV.
- 3.9 The final decision to accept or reject the proposed change will be made by the Chief Executive Officer or relevant Executive Director (in line with the Council's urgent decisions process) in consultation with the Convenor and Vice-Convenor of the GRBV, and the Chief Internal Auditor.
- 3.10 Details of the proposal and the final decision will then be reported retrospectively to both the CLT and GRBV.

### 4. Measures of success

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- 4.1 A clear audit trail supporting the rationale for all proposed plan changes and the final decision made.
- 4.2 The integrity of the plan (ensuring it remains appropriate risk based) and IA independence will be effectively maintained.

## **5. Financial impact**

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5.1 No direct financial impact.

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

---

6.1 Ongoing conformance with PSIAS requirements.

## **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**

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10.1 [Public Sector Internal Audit Standards](#)

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## **11. Appendices**

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None.

# Governance, Risk and Best Value Committee

10.00am, Tuesday 28 August 2018

## Internal Audit: Review of General Data Protection Regulation (GDPR) Readiness Programme

Item number 7.10

Report number

Executive/routine

Wards

Council Commitments

### Executive Summary

---

The purpose of this paper is to present the outcomes of the Internal Audit (IA) review of the Council's GDPR Readiness Programme to the Committee.

This specialist review was included in the 2017/18 Internal Audit plan and was performed by PwC as part of the existing Internal Audit co-source arrangement.

Whilst the review confirmed that the Programme was appropriately designed to identify key GDPR readiness risks and control gaps across the Council and identified a number of areas of good practice; it also noted the risks associated with Information Governance Unit (IGU) resourcing levels which could limit the necessary capacity to complete Programme activities and provide ongoing assurance of the Council's progress towards full GDPR compliance.

## Internal Audit: Review of General Data Protection Regulation (GDPR) Readiness Programme

### 1. Recommendations

---

- 1.1 The Committee is recommended to note:
  - 1.1.1 the outcomes of the GDPR Readiness Programme internal audit review;
  - 1.1.2 the Council wide potential GDPR risks associated with Information Governance Unit (IGU) resourcing levels; and
  - 1.1.3 that the Corporate Leadership Team will review the adequacy of IGU resource allocation as part of the change strategy and financial planning arrangements, scheduled for September 2018.

### 2. Background

---

#### **GDPR Readiness Programme**

- 2.1 The GDPR came into effect on 25 May 2018 and the Information Commissioner's Office (ICO) has stated that it expects organisations to have established plans detailing the actions they need to implement to achieve compliance with the new regulations, with focus on addressing known legacy issues.
- 2.2 To meet this expectation, the Council's Information Governance Unit (IGU), within the Strategy and Insight Division, developed a risk based GDPR readiness programme (the Programme), with the objective of assessing the extent of GDPR readiness across the Council.
- 2.3 A total of 12 GDPR 'high risk' and 18 'medium risk' Service Areas were identified by the Programme.
- 2.4 GDPR readiness across these Service Areas was assessed by completion of questionnaires and "Survey Interviews". This approach was designed to assess the gap between existing data protection processes and controls in comparison to those required by the GDPR; the appropriateness of data protection responsibilities; and compliance with the Council's information governance policies.
- 2.5 Following completion of these interviews, Service Area action plans were created by the IGU detailing actions required to address the gaps identified and associated risks. Actions were recorded and are to be implemented by individual Service Areas, with implementation progress monitored by IGU.

- 2.6 Service Area action plans were then consolidated into Council wide Programme outcomes detailing the Council's current levels of compliance with GDPR; the gaps to be addressed; and identifying a number of corporate GDPR risks.
- 2.7 These outcomes were shared with Service Areas; Risk and Assurance Committees; Divisional Management Teams; the Council's Corporate Leadership Team (9 May 2018) and will be shared with appropriate Executive Committees.

### **Scope of the IA Review**

- 2.8 This specialist review was performed by PwC under the terms of the current Internal Audit Co Source agreement.
- 2.9 The scope of the review assessed the adequacy of the design of Programme, considering whether it was appropriately designed to identify key GDPR readiness risks across the Council, and ensure that appropriate action plans were developed to support the move towards GDPR compliance.
- 2.10 The benchmarking used to support this assessment were comparison to the 12 GDPR preparation steps published by the Information Commissioner's Office (ICO); the guidance issued by the European s.29 Working Party Group; and good practice adopted by other organisations.
- 2.11 This audit was performed in conjunction with the Programme, with our work performed between March and May 2018. IA selected a sample of 4 'high risk' and 1 'medium risk' Service Areas as the basis for our assessment on the design of the Programme in addition to review of relevant Programme and operational information governance documents.

## **3. Main report**

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- 3.1 Our review confirmed the Programme was appropriately designed to identify key GDPR readiness risks and control gaps across the Council, with high risk Service areas prioritised and significant focus on awareness and training which will help support the move towards GDPR compliance. Additionally, a number of areas of good practice were identified
- 3.2 Whilst the Programme has been appropriately designed, we noted that Programme delivery has been impacted by resourcing challenges. This presents a risk to the Council in relation to the capacity to complete the Programme; specialist (second line) oversight of completion of Service Area GDPR actions; supporting and providing oversight of resolution of relevant corporate risks with GDPR impacts (for example third party contracts and shadow IT); providing an ongoing view of the Council's progress towards full GDPR compliance; and capacity to support ongoing and increasing volumes of operational IGU activity generated as a result of the new regulations. This risk is reflected in the High rated finding included in the draft report.
- 3.3 We also identified the need for enhanced IGU scrutiny of Data Privacy Impact Assessments (DPIAs) prepared by Service Areas to confirm that data held in systems



is aligned with GDPR data minimisation principles. This risk is reflected in the Medium rated finding included in the draft report.

- 3.4 At their meeting on 1 August 2018, the Corporate Leadership Team decided to consider that IGU resourcing requirements would be considered as part of the change strategy and financial planning process in September 2018. Consequently, a date of 31 October 2018 has been allocated to the high rated finding included in the report.

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

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- 4.1 Appropriate management actions have been agreed and will be implemented to address the GDPR risks identified.

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

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- 5.1 Not applicable.

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

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- 6.1 A high rated finding has been raised reflecting the GDPR risks associated with IGU resourcing challenges.

#### **7. Equalities impact**

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- 7.1 Not applicable.

#### **8. Sustainability impact**

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- 8.1 Not applicable.

#### **9. Consultation and engagement**

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- 9.1 The Corporate Leadership Team (CLT), the Head of Strategy and Insight; Democracy, Governance and Resilience Senior Manager; the Records and Information Compliance Manager have been consulted and engaged.

#### **10. Background reading/external references**

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- 10.1 None.

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# 11. Appendices

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Appendix 1: Internal Audit Report - Review of the General Data Protection Regulations Readiness Programme

# ***The City of Edinburgh Council***

## **Internal Audit**

Review of the General Data Protection Regulations Readiness Programme

Final Report

8 August 2018

# Contents

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This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2017/18 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2017. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

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

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

# 1. Background and Scope

## Background

After four years of political negotiations and lobbying, the EU agreed the final wording of the General Data Protection Regulation (“GDPR”) in December 2015. The new regulation introduced changes from the previous Act (the Data Protection Act 1998) but also related legislation. Those changes included increased financial sanctions for non-compliance, and this impacts every entity that stores or processes the personal data of EU citizens, both within and outside of the EU.

The GDPR came into effect on 25th May 2018 and it is expected that organisations will have established plans detailing the actions they need to implement to achieve compliance with the new regulations, with focus on addressing known legacy issues.

The adoption of the GDPR presents numerous challenges. The key issues to be aware of include:

- demonstrating compliance with the new rules (or the “Accountability Principle”). Under this principle, the assumption that organisations are compliant with the law has been removed. The burden of proof to demonstrate compliance with the law is now the responsibility of the organisation. For example, one of the documents required to demonstrate compliance is the Record of Processing, required by Articles 5(2) and 30 of the GDPR;
- changed approach for public authorities regarding consent and consent management; and
- changes to Subject Access Requests (SARs) timescales and mandatory reporting of certain breaches.

The City of Edinburgh Council’s (The Council’s) Information Governance Unit (IGU), within Strategy and Insight, has developed a risk based GDPR readiness programme, with the objective of assessing the extent of GDPR readiness across the Council.

The IGU assessed GDPR readiness by conducting questionnaires and “Survey Interviews” across the Service Areas. This approach was designed to assess the gap between existing data protection processes and controls against those required by the GDPR. In addition, the interviews also assessed the appropriateness of data protection responsibilities and compliance with the Council’s information governance policies.

Following the completion of these interviews, Service Area action plans were created by the IGU team to address the gaps identified and associated risks. Actions were recorded and are to be implemented by individual Service Areas, with implementation monitored by IGU with appropriate reporting.

Programme outcomes will be shared with Service Areas, Risk Committees, Senior Management Teams, the Council’s Corporate Leadership Team, and relevant scrutiny committees. This will ensure high levels of awareness regarding significant gaps identified and the extent of work required to achieve GDPR compliance.

## Scope

The scope of the audit assessed the adequacy of the Council’s GDPR readiness programme in comparison to the 12 steps for GDPR preparation published by the UK Information Commissioner’s Office. It assessed whether the programme was appropriately designed to identify key GDPR readiness risks across the Council; ensure that appropriate action plans were developed to support the move towards GDPR compliance and address the following Corporate Leadership Team (CLT) risk:

- **Information Governance** - A loss of data from the Council's control could result in fines, claims, loss of public trust and reputational damage. This risk takes into account the new requirements arising from the New General Data Protection Regulation due to take effect in May 2018.

This assessment was made against good practice adopted by other organisations; the guidance issued by the European s.29 Working Party Group; and the UK Information Commissioners Office (ICO).

This specialist review was performed by PwC under the terms of the existing Internal Audit Co Source agreement.

This audit was undertaken alongside the GDPR readiness programme, with work performed between March and May 2018, enabling the IA team to jointly attend relevant meetings scheduled by the IGU team.

### Limitations of Scope

Work performed by the IA team did not include the following areas in scope:

- Our review was limited to the design of the GDPR readiness Programme and did not cover control effectiveness. Consequently, no detailed testing or deep dives into specific Service Areas was performed to confirm the accuracy of IGU gap analysis assessments;
- Interviews and meetings with Service Areas were limited to those Service Areas assessed as high risk, or where further information is required to clarify maturity;
- Only those processes and policies within the control of the Council were included in scope. No work was performed to assess the extent of third party supplier compliance with GDPR requirements; and
- This work does not guarantee that the organisation will be fully compliant with GDPR requirements.

*For the full terms of reference see [Appendix 2](#).*

### Approach

During the review planning process, the following documents were requested and reviewed:

1. GDPR Project Plan
2. Project Status Reports to the CLT (Corporate Leadership Team)
3. Records Retention Guidance
4. Data Sharing Agreement Template
5. Full Privacy Notice (in draft form).

The approach applied by the IGU was to hold 'gap analysis' meetings with Service Areas. These meetings were prioritised on the basis of GDPR risk assessments where Service Areas were assessed as either 'high', 'medium' or 'low' risk. The risk rating was based of the volume and quality of personal data they were likely to process. Service Areas assessed as 'low risk' did not handle personal data.

This resulted in a total of 12 'high risk' and 18 'medium risk' Service Area gap analysis meetings for IGU to complete. IA decided to prioritise high risk areas as these were the main areas of concern for the project and selected the following sample of 4 'high risk' and 1 'medium risk' Service Areas:

1. Community Safety (High Risk)
2. Access to Housing (High Risk)
3. Special Schools (High Risk)
4. HR (High Risk)
5. ICT Programmes (Medium Risk)

The gap analysis meetings were conducted as a series of interview questions by the IGU team and it was agreed that the IA team would attend the meetings noted above so that proceedings could be observed. The aim of the IGU team's questions was to understand the risks associated with departments' data processing activities in relation to the GDPR.

Following completion of the interviews, two key documents were produced by the IGU:

- A Service Area Record of Processing (which feeds the Council wide Record of Processing); and
- A report detailing any identified risks in the Service Area's systems or processes. Each risk was assigned a RAG-status (high, medium, and low) and an action plan was developed alongside the department to mitigate the identified risks.

Following attendance at these meetings, the IGU provided IA with the subsequent gap analysis reports developed for these Service Areas, and the accompanying Record of Processing for review.

Additional meetings were held with the readiness programme and a further documentation requested. This included information on Breach reporting; volumes of Subject Access Requests (SARs); the Data Protection Impact Assessments (DPIA) process; and the latest CLT updates.

Collectively this additional selection was examined and further questions were compiled and addressed in a meeting with the IGU.

## 2. Executive summary

### Total number of findings

|              |          |
|--------------|----------|
| Critical     | -        |
| High         | 1        |
| Medium       | 1        |
| Low          | -        |
| Advisory     | -        |
| <b>Total</b> | <b>2</b> |

### Summary of findings

The Council's approach to GDPR readiness was appropriately designed to identify key GDPR readiness risks and control gaps across the organisation. High risk Service areas have been prioritised and there has been significant focus on awareness and training throughout the programme, which will help ensure appropriate action plans are developed and implemented to support the move towards GDPR compliance.

Whilst the GDPR readiness gap analysis was completed by the end of April (as noted in the update provided to the Corporate Leadership Team on 9 May), we observed that the programme had fallen behind the original planned timelines of end of March, which would have ensured resolution of any significant (High rated) control gaps identified in high risk Service Areas two months in advance of GDPR regulations becoming effective on 25 May 2018.

A total of 70 High priority GDPR findings were identified by IGU by the end of April, enabling Service Areas to implement mitigating actions by 25 May. IGU has not obtained formal confirmation from Service Areas that all actions were fully addressed prior to 25 May.

As a result of these delays timeframes for the completion of other work streams within the programme, including addressing medium and low risk issues and the completion of the Data Protection Impact Assessment (DPIA) process, have been extended.

Delays in completion of the Programme are directly attributable to resourcing challenges within the Information Governance Unit (IGU). This presents a risk to the Council in relation to the capacity to complete the Programme; specialist (second line) oversight of completion of Service Area GDPR actions; supporting and providing oversight of resolution of relevant corporate risks with GDPR impacts (for example third party contracts and shadow IT); providing an ongoing view of the Council's progress towards full GDPR compliance; and capacity to support ongoing and increasing volumes of operational IGU activity generated as a result of the new regulations.

While Service Areas work through the improvement actions identified by the Gap Analysis, and respond to risks identified through other Programme workstreams (for example third party; contract; and shadow IT risks), there is a risk that the ICO may conclude the Council cannot demonstrate that it has fully complied with its statutory responsibilities.



Additionally, we noted that Data Privacy Impact Assessments (DPIAs) are based on information provided to the IGU by Service Areas, and there is a need for the IGU to improve the level of scrutiny and assurance over the information provided in relation to data held in system fields to ensure compliance with GDPR data minimisation principles and individual rights.

The Programme also confirmed that DPIAs have not yet been completed for all systems used across the Council, notably for historic legacy and shadow IT systems (systems that are not hosted and supported by the Council). The need to complete DPIAs for these systems has been reflected in service area GDPR action plans.

Consequently, two findings (one High and one Medium) have been raised.

### **Good practice**

During the course of our work, IA identified the following of areas of good practice:

- The ICO has made a number of remarks in relation to data privacy and the public sector with regards to the coverage of training within organisations. The GDPR readiness programme has taken a proactive stance on the issue, hosting a significant number of privacy workshops (entitled Cake and Compliance) with records of attendance. In addition to the workshops, high quality training material (the “teach yourself GDPR” booklet) has been developed with accessible, clear messages. A GDPR-specific e-learning module was in development during the course of our review, and has now been launched. Information Governance training modules are mandatory for all new joiners and the project is proactive in monitoring employee completion with detail included in project updates to CLT. An internal survey was launched in February to assess levels of awareness around GDPR across Council services. Of the 567 responses received, 80% of respondents confirmed knowledge and awareness of GDPR.
- The Programme also completed a review of existing data and records management policies and procedures; provided guidance and templates (for example privacy notice templates) to support Service Areas with their readiness activities; and reviewed and revised existing Breach procedures and reporting.
- The Council has appointed a Data Protection Officer (DPO) at a level that reports to the CLT, which is the highest level of corporate governance within the Council. The level of this appointment would therefore seem to be appropriate given the nature of the role.
- The project identified GDPR “champions” within Service Areas. This helps to embed a privacy aware culture; enforces the ‘tone from the top’ as well as personal responsibility for compliance amongst employees; and provides advocacy and support to the project team. This will be essential in ensuring business as usual activities are successfully performed. During the gap analysis interviews, it was also noted that many of the employees engaging in the interviews were knowledgeable and forthcoming around the activities required to move towards GDPR compliance. This, in part, demonstrates the success of the previously mentioned awareness campaign as well as demonstrating a culture that is sensitive to the issues surrounding data protection.
- The DPIA (Data Protection Impact Assessment) form and procedure has been designed to help embed the Privacy by Design & Default principles published by the ICO. The IGU plan to utilise this procedure on all recorded high risk processes, to help highlight any gaps and allow Service Areas to take suitable remedial action. Use of DPIAs in this way is a step further than the legislation requires, with the GDPR requiring a DPIA for new processes only. As a result, this action will help highlight further risk across the Council’s processing activities.

# 3. Detailed findings

## 1. Programme Progress and Information Governance Capacity

### Findings

The Information Governance Unit (IGU) is currently reliant on temporary employees (one secondment, one fixed term contract), and does not have sufficient resources to support completion of the GDPR readiness programme in addition to ongoing operational activities. Volumes of operational activities have already increased and are likely to increase further as a result of the enhanced GDPR requirements.

It is acknowledged that management is aware of IGU resourcing risks, and that these have been escalated to the Corporate Leadership Team in the Data Protection Reform Paper presented on 9 May 2018.

#### GDPR Readiness Programme

The original plan set out by the IGU team was to have all high risk Service Area actions identified from the gap analysis by the end of March, providing sufficient time for Service Areas to address all High rated findings by May 25<sup>th</sup>. The March timeframe objective was not achieved due to the following key factors:

- Whilst the IGU highlighted their additional resourcing requirements early in the Programme planning process, there were significant recruitment delays. As a result, other work streams of the project were delayed by up to two months. This has had a subsequent impact on completion of the GDPR gap analysis;
- The timescales initially proposed for the gap analysis (influenced by the recruitment challenges) were not sufficient to conduct a scoping exercise of this magnitude;
- As a result of these factors, the recommendations following the gap analysis process have taken longer to produce than initially scoped by the IGU. Whilst there was ongoing engagement and communication with Service Areas, 2 out of 4 of the Service Areas included in our sample did not receive final reports detailing their high risk GDPR actions until April. Consequently, the time allocated for Service Area implementation of actions required to remediate against the High risks highlighted by the scoping exercise was substantially reduced;
- An impact of the delay to the gap analysis work was that the validation process, to monitor how services responded to improvement actions, could not commence in earnest until May, which was later than was initially planned.

#### IGU Operational Responsibilities

The IGU confirmed that they perform a number of operational activities, including processing Subject Access Requests (SARs); data protection breach investigations; assessment of DPIAs and information sharing agreements; and other general enquiries. We noted that there has been a significant increase across these areas since the start of the calendar year, with this expected to intensify following the 25<sup>th</sup> May. Going forward, the IGU workload will include supporting and monitoring Service Area implementation of high; medium; and low rated control gaps identified from the Gap Analysis interviews and other scoped activity such as Data Protection Impact Assessments (DPIAs).

Based on comparative figures for January to April 2017 and January to April 2018, we noted the following:

- Data Protection breach volumes - have more than trebled, rising from 17 to 60. This increase in breaches is particularly challenging from both the perspective of the Council's processes as well as the increased pressure of a 3-day turnaround required by the GDPR;
- Data Protection Impact Assessments and Data Protection requests for personal data from other agencies (e.g. Police Scotland and HMRC) have increased from 27 to 55 and 303 to 486 respectively; and
- Volumes of Subject Access Requests have increased from 111 to 152.

Whilst the Information Rights Team within IGU manages the SARs process to ensure that a compliant approach is consistently applied, increased volumes of SARs will also impact Service Areas who are asked to locate and provide all relevant information; and express any concerns they may have about disclosure. The time taken to complete SARs varies for all teams involved, depending on the complexity of the request.

| Business Implication   | Finding Rating  |
|--|---|
| <ul style="list-style-type: none"> <li>• While Service Areas have confirmed that improvement actions are being addressed, this cannot be confirmed until the Programme validation process is complete;</li> <li>• Whilst there was already an expectation that outstanding medium and low risk actions would remain, the timelines for the completion of these actions may now be significantly extended to accommodate the remediation of the higher risk activities;</li> <li>• Any further increases in breaches or subject access requests may mean the Council is not able to respond to them with the appropriate rigour or within the appropriate timeframes noted in the GDPR;</li> <li>• Other work streams that require significant work, such as the Data Protection Impact Assessment (DPIA) schedules, may not be completed in the proposed timeframes. This may lead to additional re-planning and dependent activities being further delayed putting the Council in an indefensible position with the regulator; and</li> <li>• Insufficient capacity to manage ongoing operational activities including the ability to respond to SARs with the required one month time frame, or an inability to investigate breaches and appropriately report these to the ICO.</li> </ul> | <div data-bbox="1203 741 1431 853" style="background-color: red; color: white; padding: 10px; width: 100px; margin: 0 auto;">High</div> |

| Action plans   |   |
|--|---|
| Recommendation   | Responsible Officer                                 |
| <ol style="list-style-type: none"> <li>1. IGU resourcing should be reviewed to ensure that it remains adequate to support completion of the GDPR readiness programme and support completion of ongoing operational activities, taking into account anticipated increases in volumes.</li> <li>2. The GDPR readiness programme and delivery timeframes should be reviewed and rebased to assess additional risks created as a result of project delays, as well as activities to mitigate against these risks.</li> </ol> | Laurence Rockey,<br>Head of Strategy and<br>Insight |
| Agreed Management Action   | Estimated Implementation Date                       |

|  |   |
|--|---|
| <p>1. a) The project resource available to the IGU has been reviewed and augmented. The secondment has ended, but the fixed-term contract has been extended to December 2019;</p> <p>b) Operational activities will be subject to review and a report made to CLT on longer term resource impacts for the IGU and service areas in meeting statutory requirements; and</p> <p>2. The GDPR Action Plan will be revised to reflect outstanding work, taking into account revised project resource (see above). The GDPR Project will continue to be monitored and any associated risks resulting from operational pressures will be reported through the Council's Change Board.</p> | <p>1. a) Complete</p> <p>1. b) 30 September 2018</p> <p>2. 31 August 2018</p> |
|--|---|

## 2. Field Level Documentation to support evidencing compliance with data protection principles (including data minimisation)

### Findings

Data protection principles (which include the new GDPR data minimisation principles) require organisations to ensure that they only collect, process, and retain personal data required for their specific purposes; that they have sufficient personal data to properly fulfil those purposes; and that data held is periodically reviewed with anything not required deleted.


A good practice approach that ensures organisations have a complete record of all personal data held is to create and maintain a record of all data entered into the fields within all systems used, that could be linked with the GDPR record of processing. This approach can help to provide assurance in relation to compliance with data protection principles and individual rights.

It is noted that the GDPR Readiness programme did not include plans to create and maintain a record of data held at field level within systems, however details of data at field level is included in Data Protection Impact Assessments (DPIAs) completed by Service Areas for all new systems and system changes.

DPIAs are completed by Service Areas and include a narrative response to questions on the data held in system fields. This is not subject to independent review or validation by Information Governance (IGU).

Additionally, there is currently a backlog of DPIAs to be completed by Service Areas and approved by the Board for both historic legacy and shadow IT systems (systems that are not supported by the Council). Consequently, existing DPIAs do not provide a comprehensive and complete record of personal data at field level held across the Council, and the Programme has been unable to confirm full compliance with data minimisation requirements.

It is acknowledged that the requirement to complete DPIAs for legacy and shadow IT systems is included in relevant Service Area GDPR action plans.

| Business Implication  | Finding Rating   |
|---|--|
| <ul style="list-style-type: none"> <li>Personal data at field level provided by Service Areas for inclusion in DPIAs may be incomplete or inaccurate; and</li> <li>Inability to confirm compliance with data protection (including GDPR Data Minimisation) principles until all outstanding DPIAs have been completed.</li> </ul> |  <p><b>Medium</b></p> |

| <b>Action plans</b>  |  |
|--|--|
| <b>Recommendation</b>  | <b>Responsible Officer</b>   |
| <ol style="list-style-type: none"> <li>1. IGU should request additional information form Service Areas to support DPIA submissions (for example system screen shots) enable effective scrutiny;</li> <li>2. Where there is a lack of clarity in the content of DPIAs in relation to data held at field level and the process to be applied to support data minimisation, IGU should perform a review of the system in conjunction with the Service Area and make appropriate recommendations to change the content of the DPIA; and</li> <li>3. Management should consider recording details of information held at field level within systems on the Information Asset Register to provide a comprehensive view.</li> </ol> | Laurence Rockey, Head of Strategy and Insight  |
| <b>Agreed Management Action</b>  | <b>Estimated Implementation Date</b>   |
| <ol style="list-style-type: none"> <li>1. DPIA guidance will be revised to encourage the provision of evidence, when appropriate, as part of the DPIA submission, including field level descriptions;</li> <li>2. The IGU is currently developing a risk-based methodology to ensure DPIA actions are implemented, and that processing is compliant with data protection principles, including data minimisation; and</li> <li>3. As part of the continued development of the Council's Information Asset Register, options will be considered around field level descriptions and a report presented to the Council's Senior Information Risk Owner.</li> </ol>   | <ol style="list-style-type: none"> <li>1. 31 October 2018</li> <li>2. 31 December 2018</li> <li>3. 31 December 2018</li> </ol> |

# Appendix 1 - Basis of our classifications

| Finding rating  | Assessment rationale  |
|-----------------|---|
| <b>Critical</b> | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul> |
| <b>High</b>     | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>                                   |
| <b>Medium</b>   | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>   |
| <b>Low</b>      | <p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>   |
| <b>Advisory</b> | <p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>  |

# Appendix 2 – Terms of Reference

## Resources

### Terms of Reference – Internal Audit of General Data Protection Regulations readiness

To: City of Edinburgh Council Corporate Leadership Team  
Laurence Rockey, Head of Strategy and Insight

From: Lesley Newdall, Chief Internal Auditor

Date: 7<sup>th</sup> February 2018

This review is being undertaken as part of the 2017/18 internal audit plan approved by the Governance, Risk & Best Value Committee.

#### Background

After four years of political negotiations and lobbying, the EU agreed the final wording of the General Data Protection Regulation (“GDPR”) in December 2015. The new regulation will introduce widespread changes to current law (which is primarily the Data Protection Act 1998 but also related legislation); will greatly increase financial sanctions for non-compliance; and will impact every entity that stores or processes the personal data of EU citizens, both within and outside of the EU.

Organisations have until the 25th May 2018 to implement all the necessary changes to systems and operations to meet the new compliance requirements.

The adoption of the GDPR will present numerous challenges. The key issues to be aware of include:

- demonstrating compliance with the new rules;
- procedures surrounding consent and consent management; and
- changes to SARs and disclosing breaches.

The City of Edinburgh Council’s (The Council’s) Information Governance Unit (IGU) within Strategy and Insight has developed a risk based GDPR readiness programme that will assess the extent of GDPR readiness across the Council.

The main objective of the Council’s GDPR readiness programme is to identify gaps between current Service Area data protection arrangements and the new GDPR requirements, and the extent of compliance with changes to current legislation following the enactment of the draft Data Protection Bill.

The programme is also designed to assess appropriateness of all data protection responsibilities (including the new elements set out under GDPR) and compliance with current Council information governance policies.

Work has already commenced with survey work across Service Areas to identify gaps scheduled to conclude by 31<sup>st</sup> March. This will result in development of implementation plans to address the gaps identified, with actions implemented by Service Areas on an ongoing basis.



Programme outcomes will be shared with Service Areas; Risk Committees; Senior Management Teams; the Council's Corporate Leadership Team and relevant scrutiny committees to ensure that they are fully aware of any significant gaps identified and the extent of the work required to ensure ongoing GDPR compliance.

### Scope

The objective of this audit is to assess the Council's approach towards GDPR readiness against good practice adopted by other organisations, and the guidance issued by the European s.29 Working Party Group and the UK Information Commissioners Office (ICO), identifying any gaps in the current approach that will need to be addressed to support the move towards GDPR compliance and address the following Corporate Leadership Team (CLT) risk:

- **Information Governance** - A loss of data from the Council's control could result in fines, claims, loss of public trust and reputational damage. This risk considers the new requirements arising from the New General Data Protection Regulation due to take effect in May 2018.

The scope of the audit will assess the adequacy and effectiveness of the Council's GDPR readiness programme to confirm whether it has been appropriately designed to identify key GDPR readiness risks and existing control gaps across the Council, and ensure that appropriate action plans are developed and implemented to support the move towards GDPR compliance.

This specialist review will be performed by PwC under the terms of the existing Internal Audit Co Source agreement.

This audit will be undertaken alongside the GDPR readiness programme, with work performed between March and May 2018, enabling PwC to jointly attend relevant meetings scheduled by the IGU team.

### Limitations of Scope

Work performed by PwC will not include the following areas in scope:

- Only those processes and policies within the control of the Council are included in scope;
- No work will be performed to assess the extent of third party supplier compliance with GDPR requirements;
- We will not be conducting any third party assurance work, and we will not be performing any detailed end to end testing with respect to the effectiveness of controls in place;
- Interviews and meetings with Service Areas will be limited to those Service Areas assessed as high risk, or where we require further information to clarify maturity;
- The documentation or evidence reviews will be conducted at a desktop project plan level only, and will not involve deep-dive findings into specific service areas; and
- Our work cannot guarantee that the organisation will be fully compliant GDPR requirements as the legislation and supporting guidance has not yet been finalised.

### Approach

Our review will be completed using the following approach:

1. We will undertake a detailed review of the Council's GDPR readiness programme plan, governance framework and resourcing model for delivery to identify any gaps in the plan against general good practice;
2. We will discuss with the GDPR readiness project management team how the Council has addressed the specific cultural and structural considerations in moving towards a position of GDPR compliance;



3. We will undertake a review of a subset of key documents that have been produced IGU to date; and
4. Follow-up of previously raised Internal Audit recommendations where these are aligned with our scope.

We will consider whether and how effectively the Council's GDPR readiness programme addresses each of the sub-processes and focus areas listed below:

| Sub-process  | Focus Area   |
|--|--|
| Vision & Strategy  | <p>We will:</p> <ul style="list-style-type: none"> <li>• Review the organisation’s GDPR readiness programme against the 12 points stated by the ICO to confirm that the following areas are assessed as a minimum: <ul style="list-style-type: none"> <li>○ Data Protection Governance, assignment of necessary Roles and Responsibilities, and Target Operating Model implementation;</li> <li>○ Data Protection policies and procedures;</li> <li>○ Privacy Impact Assessment procedures;</li> <li>○ Information Risk Management policies and procedures</li> <li>○ Personal data discovery and data repository creation to support necessary data processing on a lawful basis;</li> <li>○ Personal data governance enhancements, and retention compliance procedures;</li> <li>○ Training enhancement, &amp; ongoing corporate awareness strategy;</li> <li>○ Consent and privacy notification enhancements, plus data subjects rights compliance;</li> <li>○ Security of Personal Data (including transfer of sensitive personal data to partnerships and third parties) plus mandatory breach identification and notification procedures;</li> <li>○ Subject Access Request procedure enhancements; and</li> <li>○ Third party supplier management (due diligence and ongoing assurance) procedures, and contractual enhancements.</li> <li>○ Adequacy and effectiveness of system access rights where systems hold personal sensitive data.</li> </ul> </li> <li>• Determine how the Council has assessed whether it is a data controller (or where applicable joint /common) or a data processor for all personal data processing activity, specifically taking into account the corporate binding and structure; and</li> <li>• Determine whether the GDPR readiness programme includes completion of an effective end to end data protection and GDPR controls assessment, to understand the level of implementation activity required to achieve GDPR compliance</li> </ul> |
| Awareness  | <p>We will:</p> <ul style="list-style-type: none"> <li>• Conduct a high-level review the progress of any GDPR communication and awareness plans that have been developed, which are intended to inform all employees of the impact of the GDPR on their individual roles and responsibilities</li> </ul>   |
| Data Protection Governance, and assignment of necessary Roles and Responsibilities | <p>We will:</p> <ul style="list-style-type: none"> <li>• Consider if a clear &amp; defined Data Protection governance structure is in place;</li> <li>• Confirm whether the organisation’s Data Protection programme is sponsored by executive or board level management;</li> <li>• Confirm that accountability for Data Protection compliance has been assigned to an appropriate individual with relevant skills and experience within Service Areas;</li> <li>• Confirm that responsibility for day to day, data protection operational compliance been assigned to an appropriate individual; and</li> <li>• Confirm whether clear reporting lines for the Data Protection Officer have been defined.</li> </ul>  |

|   |   |
|---|---|
| Data Protection policies and procedures             | <p>We will:</p> <ul style="list-style-type: none"> <li>• Discuss whether up to date data protection, information security, information governance, data protection impact assessments and information classification and handling policies &amp; procedures are in place; and if existing procedures are updated</li> <li>• Confirm that the GDPR readiness programme will assess existence and adequacy of procedures are in place to ensure policy provisions are incorporated into Service Area processes;</li> <li>• Confirm that the organisation has policies and procedures for data protection by design and by default; and</li> <li>• Confirm that the GDPR readiness programme includes an independent assessment to identify technical and organisational controls required to achieve compliance.</li> </ul> |
| Information Risk Management policies and procedures | <p>We will:</p> <ul style="list-style-type: none"> <li>• Understand the approach to information risk management documentation and implementation, including assessing the risk to data subjects of their data being compromised;</li> <li>• Review the extent to which the organisation has formally assessed its risk appetite in relation to GDPR compliance;</li> <li>• Confirm the inclusion of data protection compliance (and GDPR readiness) in the organisation's corporate risk register; and</li> <li>• Confirm that departmental data protection and/or information security risk registers are maintained.</li> </ul>   |
| Data Discovery                                      | <p>We will:</p> <ul style="list-style-type: none"> <li>• Understand the extent to which the organisation has a complete understanding, and documented inventory, of the personal data processed, and associated processing purposes, in order to comply with Article 30 of the GDPR.</li> </ul>   |

### Internal Audit Team

| Name           | Role                   | Contact Details                 |
|----------------|------------------------|---------------------------------|
| Lesley Newdall | Chief Internal Auditor | lesley.newdall@edinburgh.gov.uk |
| Iain McMichael | Senior Auditor         | iain.g.mcmichael@pwc.com        |
| Dash Peruvamba | Auditor                | adarsh.s.peruvamba@pwc.com      |

### Key Contacts

| Name            | Role           | Contact Details                  |
|-----------------|----------------|----------------------------------|
| Laurence Rockey | Review Sponsor | lawrence.rockey@edinburgh.gov.uk |
| Kevin Wilbraham | Key Contact    | kevin.wilbraham@edinburgh.gov.uk |
| Henry Sullivan  | Key Contact    | henry.sullivan@edinburgh.gov.uk  |

|                    |             |                                     |
|--------------------|-------------|-------------------------------------|
| Sarah Hughes-Jones | Key Contact | sarah.hughes-jones@edinburgh.gov.uk |
|--------------------|-------------|-------------------------------------|

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## Timetable

|   |                 |
|---|-----------------|
| Fieldwork Start   | 29 January 2018 |
| Fieldwork Completed*  | 02 April 2018   |
| Draft report to Auditee*  | 9 April 2018    |
| Response from Auditee*  | 16 April 2018   |
| Final Report to Auditee*  | 23 April 2018   |
| Final report available for presentation to the Governance, Risk and Best Value Committee* | June 2018       |

\* Agreed timescales are subject to the following assumptions:

- All relevant documentation, including source data, reports and procedures, will be made available to us promptly on request.
- Staff and management will make reasonable time available for interviews and will respond promptly to follow-up questions or requests for documentation.
- The subset of stakeholders selected for follow-up discussions will be available to conduct these discussion week commencing 29<sup>h</sup> January 2018.
- As stated in the scoping section, the timelines for meetings will be fluid and dependent on key staff availability.

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 28 August 2018

## Internal Audit Opinion and Annual Report for the Year Ended 31 March 2018 – referral from the Corporate Policy and Strategy Committee

|               |      |
|---------------|------|
| Item number   | 7.11 |
| Report number |      |
| Wards         | All  |

### Executive summary

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The Corporate Policy and Strategy on 7 August 2018 considered a report on the Internal Audit's annual opinion for the City of Edinburgh Council for the year ended 31 March 2018, prepared in line with the Public Sector Internal Audit Standards requirements which had been referred to them by the Governance, Risk and Best Value Committee.

The decision of the Committee has been referred to the Governance, Risk and Best Value Committee for information as requested.

# Terms of Referral

## Internal Audit Opinion and Annual Report for the Year Ended 31 March 2018

### Terms of referral

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- 1.1 On 31 July 2018, the Governance, Risk and Best Value Committee considered a report on the Internal Audit's annual opinion for the City of Edinburgh Council for the year ended 31 March 2018.
- 1.2 The Governance, Risk and Best Value Committee agreed to note with concern the 'red' high level finding on the Audit Opinion and referred the report to the Corporate Policy and Strategy Committee for their consideration.
- 1.3 On 7 August 2018, the Corporate Policy and Strategy Committee considered the report by the Executive Director of Resources and agreed:
  - 1.3.1 To note the report by the Executive Director of Resources.
  - 1.3.2 To ask for an update report on directorate actions to strengthen controls, including timescales for implementation.

### For Decision/Action

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- 2.1 The Governance, Risk and Best Value Committee is asked to note the decisions of the Corporate Policy and Strategy Committee.

### Background reading / external references

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[Webcast of Governance, Risk and Best Value Committee – 31 July 2018](#)

[Webcast of Corporate Policy and Strategy Committee – 7 August 2018](#)

[Internal Audit Opinion and Annual Report for the Year Ended 31 March 2018](#)

### Laurence Rockey

Head of Strategy and Insight

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# Governance, Risk and Best Value Committee

10.00am, Tuesday, 28 August 2018

## Planning and Building Standards Improvement Plans - referral from the Planning Committee

Item number 7.12

Report number

Executive/routine

Wards

Council Commitments

### Executive Summary

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On the 22 August 2018 the Planning Committee considered a report on the progress made on the Planning and Building Standards Improvement Plans. The report has been referred to the Governance, Risk and Best Value Committee for its information.



# Terms of Referral

## Planning and Building Standards Improvement Plans – referral from the Planning Committee

### Terms of Referral

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- 1.1 At its meeting on the 30 May 2018 the Planning Committee considered a report by the Executive Director of Place on Planning and Building Standards Service Improvement Plans for 2018/19 and the Review of Customer Service Charter. Action Plans had been prepared for both Planning and Building Standards Improvement and the Customer Service Charter was updated.
- 1.2 The Planning Committee approved the Planning Services Improvement Action Plan and the changes to the Charter. The Committee also noted the Building Standards Improvement Plan and that a further report would be prepared on broader three year improvement plans for Planning and Building Standards.
- 1.3 The Scottish Government required, as a condition of the Council's appointment as Local Authority Verifier of Building Standards in the City of Edinburgh Council's area, that the Council prepared an improvement plan and submitted it to Government. This was done on 31 May 2018 with the submission of the Building Standards Improvement Plan 2018-2021.
- 1.4 The improvement objectives set out in the Plan were structured around improvement themes established by the Scottish Government. The topics covered were strategy, governance and oversight, risk, customer and compliance that were reported the Planning Committee in May 2018.
- 1.5 The Planning Committee agreed:
  - 1.5.1 To note the Building Standards Service Improvement Plan 2018/21.
  - 1.5.2 To note that a further report would be brought to Committee on the Planning Improvement Plan.
  - 1.5.3 To refer the report to the Governance, Risk and Best Value Committee for information.

## For Decision/Action

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

## Background reading/external references

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Planning Committee, 22 August 2018

### **Laurence Rockey**

Head of Strategy and Insight

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## Appendices

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Appendix 1 – Planning and Building Standards Improvement Plans – report by the Executive Director of Place

2.00pm, Wednesday, 22 August 2018

## Planning and Building Standards Improvement Plans

|                     |   |
|---------------------|---|
| Item number         |   |
| Report number       |   |
| Executive/routine   |   |
| Wards               | All   |
| Council Commitments | <a href="#">1</a> , <a href="#">4</a> , <a href="#">10-15</a> |

### Executive Summary

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The purpose of this report is to present the progress made on the Planning and Building Standards Improvement Plans.

## Planning and Building Standards Improvement Plans

### 1. Recommendations

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- 1.1 It is recommended that the Committee:
  - 1.1.1 Notes the Building Standards Service Improvement Plan 2018/21;
  - 1.1.2 Notes that a further report will be reported to Committee on the Planning Improvement Plan;
  - 1.1.3 Refers this report to the Governance Risk and Best Value Committee for information.

### 2. Background

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- 2.1 At its meeting on 30 May 2018 Committee considered a report by the Executive Director of Place on Planning and Building Standards Service Improvement Action Plans for 2018/19 and Review of Customer Service Charter. Action plans had been prepared for both Planning and Building Standards Improvement and the Customer Service Charter updated. That report provides a context for the changes being made in Planning and Building Standards.
- 2.2 Committee approved the Planning Service Improvement Action Plan and the changes to the Charter. It also noted the Building Standards Improvement Action Plan and that a further report would be prepared on broader three year improvement plans for both Planning and Building Standards.
- 2.3 The Scottish Government required, as a condition of the Council's appointment as Local Authority Verifier of Building Standards in this Council's area, that the Council prepare an improvement plan and submit it to Government. This was done on 31 May 18 with the submission of the Building Standards Improvement Plan 2018-2021 (Appendix One). This Plan builds on the Building Standards Service Improvement Action Plan that was presented to Committee on 29 May 18.
- 2.4 The improvement objectives set out in it are structured around improvement themes established by the Scottish Government. It covers the topics of strategy, governance and oversight, risk, customer and compliance that were reported to Planning Committee in May.
- 2.5 Quarterly updates are being provided to Scottish Government on progress with the plan. These updates provide a commentary on the quarterly submission to Scottish

Government on statistics on performance. The July report is contained in Appendix Two.

- 2.6 Building Standards has been subject to an internal audit. This was reported to the Governance, Risk and Best Value Committee on 8 May 2018. That Committee noted that a copy of the audit report would be shared with Scottish Government. This was done in May. It asked that an internal briefing be held with the Improvement Team to updated members on the current position. That is being arranged for September. The Committee asked that training on Building Standards be provided for members of the Planning Committee. That training was held on 21 June 2018. It also asked that a reporting framework to Planning Committee be set up. It has been agreed by Planning Committee that reports or business bulletins to update it on progress will be provided to each of it at each of its meetings, throughout the year. The GRBV Committee also noted a further update would be provided to it in August. It is recommended this report is referred to the GRBV Committee to fulfil that requirement and to ensure that both Committees have sight of the same information.
- 2.7 Work is underway on an equivalent Planning Improvement Plan for 2018-2021 and this will be presented to Committee at a future meeting.
- 2.8 In advance of work being completed on the Planning Improvement Plan, the actions set out in the report to Committee of 29 May are being progressed.

### 3. Main report

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#### **Building Standards**

- 3.1 The Building Standards Improvement Plan was submitted to Scottish Government on 31 May 18. In preparing it, the service worked closely with both the Building Standards Improvement Team and Scottish Government to ensure that it reflected the areas for improvement that had been identified. Accordingly, the improvement objectives set out in the plan are structured around the following headings.
  - Leadership and Management
  - Culture of Continuous Improvement;
  - Performance; and
  - Customer
- 3.2 The Plan sets out an overarching vision for the service. It states that:

*Within the next three years, our aspiration is for the service to be one of the top performing Building Standards Verifiers in Scotland. We will Build on a reputation as a great organisation to do business with and to work for.*
- 3.3 This overarching vision, therefore sets out the ambition for performance of the service as well as how the service should be seen by customers and as a place to work.
- 3.4 Accompanying this vision are sections on:

- *Where we are now*, which sets out the current context for the service;
  - *Strategy for improvement*, which includes the one and three year vision;
  - *Improvement Approach*, which sets out the tools and techniques to be used as well as governance and oversight arrangements; and,
  - *Measures of Success*, which explains how success will be measured.
- 3.5 The objectives set out in the Strategy for Improvement section are split into objectives for this year (2018/19) and for the two following years. Detail is provided on the objectives for this year and it is anticipated that as these are delivered, objectives for the following two years will be developed further.
- 3.6 The Improvement Approach section shows out how continuous improvement will be achieved through a cyclical process, of planning, doing, checking and acting. It explains the governance arrangements including those for the Building Standards Improvement Plan Board and how the project will be reported.
- 3.7 The Building Standards Improvement Plan 2018-19 Update on Progress – July 18 report is included in Appendix Two. This shows progress made so far on the improvement plan. Generally, actions have either been delivered or are on target to be delivered within the timescales set in the action plan.
- 3.8 The activates completed or underway include:
- A people plan put place focussing on recruitment, managing attendance, performance and team manager’s development;
  - The appointment of a programme manager to ensure the delivery of the improvement plan;
  - New ways of working for site inspection and plan reporting during the summer period. These changes are designed to reduce the backlog that has built up for some surveyors. Lessons learned will be used to inform permanent changes to the way that applications and site inspections are progressed;
  - Investment in a new IT system which is being developed at present and will be delivered for December 2018; and
  - Continued engagement with Customer.

### **Planning**

- 3.9 The Planning Service Improvement Plan is being developed at present. It will reflect the approach taken with the Building Standards Improvement Plan, through structuring objectives thematically over a three year period and will set out governance arrangements. As set out in the Training and Awareness Raising Programme report to this Committee, a workshop will be held on Improvements to Planning Practice. This will enable members to input into the Planning Service Improvement Plan before it is finalised.
- 3.10 This Plan will be reported to Committee on 12 December 18.

- 3.11 In advance of work being completed on the Planning Improvement Plan, the actions set out in the report to Committee of 29 May are being progressed.

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

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- 4.1 A Planning and Building Standards Service which embeds a culture of continuous improvement and makes service improvements to allow best value to be realised and high standards of customer care.

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

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- 5.1 The costs associated with implementing most of the proposed improvements will be met from the Planning and Building Standards Service budget for 2018/19.
- 5.2 Once the costs are clarified and the implications for service areas are known, these will be picked up within the regular budget monitoring activities for Place.

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

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- 6.1 There are no risks to the Council associated with this report. Service improvements that lead to increased performance will reduce the risk of the Council being placed in remedial measures by the Scottish Government.

#### **7. Equalities impact**

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- 7.1 The Service Improvement Actions Plans and Customer Service Charter will benefit all customers of the Planning and Building Standards Service and improve the wellbeing of staff. However, they will not have a significant impact on equality, the economy or the environment and therefore an Integrated Impact Assessment has not been carried out.

#### **8. Sustainability impact**

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- 8.1 The impacts 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 as follows:
- 8.1.1 The proposals in this report will reduce carbon emissions because an efficient digital Planning and Building Standards service will reduce the need to travel and use paper;
  - 8.1.2 The need to build resilience to climate change impacts is not relevant to the proposals in this report because they focus on improving performance and customer service; and
  - 8.1.3 The proposals in this report will help achieve a sustainable Edinburgh because they will improve the well-being of staff, enhance

## 9. Consultation and engagement

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- 9.1 The Service Improvement Action Plans already include actions recommended by the Customer Forum in June 2017. A further meeting of the Forum was held in June this year. This supported the need for further improvements in the Planning and Building Standards Service.

## 10. Background reading/external references

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- 10.1 [Planning and Building Standards Service Improvement Action Plans for 2018/19 and Review of Customer Service Charter](#)

### **Paul Lawrence**

Executive Director of Place

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## 11. Appendices

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- 11.1 Appendix 1 – The Building Standards Improvement Plan – 2018-21
- 11.2 Appendix 2 – The Building Standards Improvement Plan – Update on Progress July 2018





**Building Standards Improvement  
Plan  
2018-2021**

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## Version Control Information

| Version | Date approved | Comments                             | Date for next review |
|---------|---------------|--------------------------------------|----------------------|
| V1.0    | 7 May 18      | Draft document created               |                      |
| V2.0    | 31 May 18     | Document finalised and issued to BSD | 31 July 18           |

# 1 Introduction

## **Vision**

Within the next three years, our aspiration is for the service to be one of the top performing Building Standards verifiers in Scotland. We will build a reputation as a great organisation to do business with and to work for.

This Improvement Plan sets out how we will achieve our vision for the service over the next three years. It sets out where we are now, our strategy for getting there, improvement approach and measures of success:

## **Where we are now**

We set out our current state and the changes that we need to take into consideration in shaping our future service.



## **Strategy for improvement**

This section sets out our overall strategy for the next three years, including our one year and three year objectives. It shows how these relate to wider Council objectives and priorities. It includes our one-year action plan.



## **Improvement Approach**

This section sets out how we manage the process of continuous improvement including tools and techniques and governance arrangements.



## **Measures of Success**

This section explains how we will measure our success in relation to delivering our overall objectives.



## 2 Where we are now

The building standards system is based upon the application of the building regulations which set out minimum standards of design and construction. They protect the health, safety, welfare and convenience of people in and around buildings, and for the conservation of energy, and sustainable development.

### **City Growth**

The City is experiencing an unprecedented period of growth with significant current and planned development across strategic areas of growth in West Edinburgh, the City Centre, South East and Waterfront.

Edinburgh's population expected to grow by over 100,000 over the next 19 years (a projected 24% increase between 2015 and 2037). To support this growth in population, a wide range of new buildings will be needed, including new workplaces, education buildings for schools, nurseries and universities, a range of leisure and commercial buildings as well as large numbers of new housing. In relation to housing, the Council is committed to a programme which will deliver least 10,000 social and affordable homes over the next 5 years, with a plan to build 20,000 by 2027. It is essential that the building standards service can support this growth.

### **Scottish Government Audit**

As a result of Ministerial concern about the performance of the service, the Scottish Government's Building Standards Division (BSD) visited the service in February 2017. It made recommendations which resulted in a one year appointment as local authority verifier of building warrants in this council's area from May 2017 to April 2018. Part of this recommendation was the development on an improvement plan.

In November 2017, the BSD carried out an audit of the service which examined progress made on the improvement plan since the last visit. This results of the audit were finalised and reported to the Council in March 2018. The audit found that insufficient progress had been made on service improvements. The report made a series of recommendations which included:

- To review and implement processes to meet the Scottish Government's Operating Framework requirements and to mitigate fraud risk;
- To review and implement processes to meet legislative requirements;
- To continue to implement processes to meet requirements in relation to performance;
- To identify and programme actions to improve customer satisfaction results;
- To identify and programme actions for service improvements ;
- To identify and programme a review of procedural documentation and put version control in place; and,
- To review strategies for business planning and resourcing.

### **Appointment as Local Authority Verifier**

Following this, in April 2018 The Minister for Local Government and Housing appointed the Council as Building Standards Verifier for the geographical area of the Council for a period of one year (up to 30 April 2019). This appointment was

conditional on the Council setting out how it will address the audit report and providing quarterly reports on actions, outcomes and performance. This improvement plan is a key component of this quarterly reporting. In addition, the Council, in conjunction with Scottish Government has appointed an improvement team to assist with the delivery of this improvement plan.

### **Internal Audit**

In the run up to the Scottish Government's November 2017 Audit, the Council's independent Internal Audit Team were appointed to conduct an audit on the service. They made similar findings to the Scottish Government. Internal Audit's reported these to the Council's Governance, Risk and Best Value Committee in May 2018. The internal audit findings were consistent with those of the BSD.

### **Service not meeting our expectation or customer expectations**

Our service has not been meeting the expectations of our customers. Our analysis shows that there is a lot of concern about our performance and the time it takes us to progress building warrants and completion certificates. Our objective is to turn the service around so that it fully meets the expectations of our customers.

Our current performance is below the expectations of Scottish Government which sets key performance indicators of:

- 95% of first reports on building warrants shall be issued within 20 working days of an application being made and;
- 90% of warrants shall be granted within 10 days of receipt of satisfactory information.

For quarter 4 of 2017/18 our performance was 71% in relation to the 20 day target and 56% in relation to the 10 day target.

The national customer survey found that many people were not satisfied with the service. Our score was 5.6/10 for the question on overall satisfaction levels.

### **Employees**

Employees recognise that they are key to the delivery of the improvement plan. Their involvement in its implementation is essential to its success.

### 3 Strategy for Improvement

#### Vision

Within the next three years, our aspiration is for the service to be one of the top performing Building Standards verifiers in Scotland. We will build a reputation as a great organisation to do business with and to work for.

Our strategy for improvement is based upon the four themes identified by the Scottish Government as areas for improvement. These are: leadership and management; strategic planning and continuous improvement; response times for building warrants; and, customer experience.

Our ambition is for the service to be fully able to support City growth by delivering a high performing service which fully meets the needs of all our customers.

We will improve our performance significantly in relation to both quality and timescale, reframe our relationship with our customers and ensure that employees are fully engaged and motivated in driving forward the changes needed.

Beyond the three year vision, our ambition is for the service to continue to improve so that our performance and reputation move to the top over a five year period.

This section sets out our one and three year objectives, Council business plan and commitments. The more detailed action plan which accompanies this is contained in Appendix One. It covers key actions this year and sets out our priorities and timescales for this year.

#### The Council Business Plan

The Council's Business Plan 2017 - 2022 sets out that it is committed to improving our services and our amenities in ways that meet the needs of our citizens and communities. This improvement plan has been designed to be aligned to the aims, outcomes and commitments of the Council's Business Plan.

The strategic aims of the left hand column in the table below are accompanied by 20 outcomes in on the right hand columns. An efficient building standards service will:

- assist economic growth;
- support the housing programme;
- help ensure our built environment is protected and enhanced;
- ensure value for money while meeting the needs of our citizens; and,
- deliver excellent customer service.

|                 |                                  |  |  |  |  |
|-----------------|----------------------------------|--|--|--|--|
| City<br>Council | <b>A Vibrant City</b>            | Citizens lead healthy and active lives with improved wellbeing   | Every citizen and community can participate in the cultural life of our city                         | Our places and localities make Edinburgh a great and unique place to visit and study                         | Our economy thrives with excellent and equal opportunities for business, employment and innovation |
|                 | <b>A City of Opportunity</b>     | Everyone, regardless of wealth and background can fulfil their potential and benefit from the city's success                           | All children and young people have the best start in life and are able to reach their full potential | Citizens are socially connected and able to participate and develop throughout their lifetime                | Everyone has access to suitable housing, facilities and amenities                                  |
|                 | <b>A Resilient City</b>          | Communities are safe, strong and able to cope with change  | Our built and natural environment is protected and enhanced  | Edinburgh is a low carbon, connected city with transport and infrastructure that is fit for the future       | Edinburgh is clean, attractive and well looked after   |
|                 | <b>A Forward Looking Council</b> | We deliver value for money services through optimising our use of resources and building on the capabilities of our talented workforce | We provide services that are focused on prevention and early intervention                            | We plan our services to ensure we can continue to meet the needs of citizens and communities into the future | Our organisation is flexible and adaptable and embraces change                                     |
|                 | <b>An Empowering Council</b>     | A leading Council in community engagement and empowerment, giving citizens confidence to make decisions and act on issues              | We place our customers at the heart of all that we do, we are responsive, accessible and fair to all | We work with our partners and communities to deliver services locally  | We are an open, honest, inclusive and transparent organisation                                     |

### Council Commitments

The improvement plan will support the following [Council Commitments](#) which are relevant to Building Standards:

- 1 Deliver a programme to build at least 10,000 social and affordable homes over the next 5 years, with a plan to build 20,000 by 2027
- 4 Direct development to growth corridors as the best way to accommodate the extra housing needed for Edinburgh's growth and allowing the city to manage and protect green belt
- 10 Prioritise the use of brownfield sites and work with public sector and private landowners to develop and for affordable housing
- 28 Create a first-class education estate – building two new secondary schools and 10 new primaries by 2021. Ensure safe standards are met by rigorous inspections of new and existing school buildings
- 41 Review the application process and increase the budget for housing adaptations with a view to supporting more disabled tenants and owners to remain in their own homes. Help older and disabled homeowners to move to more suitable housing should they wish to do so.

## One and Three Year Strategic Objectives

We have divided our objectives into one and 3 year periods as follows:

| Improvement Themes   | By April 2019  | By 2021   |
|--|--|---|
| <p><b>Improve Leadership And Management:</b></p> <p><b>Leadership</b></p> <p><b>Management</b></p> | <p>We will value our employees as the people who know what works, what needs to be improved and who have the ability to suggest, implement and sustain improvements.</p> <p><b>We will prioritise our improvements for leadership to achieve the following this year:</b></p> <ul style="list-style-type: none"> <li>• A shared vision for Building Standards Services.</li> <li>• People Plan that enables and motivates managers and employees to meet the needs of Building Standards Services and the Council within the context of a growing city.</li> <li>• A Framework for Governance that includes approving resources to deliver improvements, and that is overseen by the Council's Corporate Leadership Team and has the support of elected representatives</li> <li>• A Communication plan for informing and consulting with employees and key stakeholders every step of the way.</li> <li>• Embedding a leadership culture that supports management to deliver the service improvements</li> </ul> <p><b>We will prioritise our improvements in management to achieve the following this year:</b></p> <ul style="list-style-type: none"> <li>• Ensure all managers are clear about service priorities and are accountable for their delivery.</li> <li>• Embed agreed ways of working to ensure better consistency for our customers and employees and ensure that decisions are made efficiently and proportionate to the level of risk</li> <li>• Ensure management information is used to improve performance.</li> <li>• Ensure that employees are empowered to realise their maximum potential and that they are enabled to have the autonomy to do so.</li> <li>• Ensure vacant posts are filled and employees are recruited / resource put in place to deliver the improvement programme</li> </ul> | <p>We will continue to empower and invest in our employees to ensure they are fully engaged and involved in the process of continuous improvement. We will transform our service to put embed a culture of risk management that ensure the failures of the past are not repeated.</p> |



| Improvement Themes   | By April 2019   | By 2021   |
|--|---|---|
| <p><b>Improve Strategic Planning and create a culture of continuous Improvement:</b></p> | <p>We will ensure full compliance with the Scottish Government's Operating Framework for Building Standards Verifiers which sets out how the Council must operate the service.</p> <p>We will prioritise our plans this year to achieve the following:</p> <ul style="list-style-type: none"> <li>• Provide a structured approach to project management and delivery of the Action Plan (Appendix 1).</li> <li>• Prepare business cases for the board for improvement projects that are specific, measurable, achievable, realistic and time bound.</li> <li>• A process for monitoring and reporting the effectiveness of this Improvement Plan and general performance, including the development of a "dashboard"</li> <li>• Form a cross service employee group that champions the continuous improvement model of planning, doing, checking and acting.</li> </ul> | <p>Have the business intelligence tools in place to ensure the evidence is available to ensure continued improvement is sustained and developed.</p>  |
| <p><b>Improve response times to Building Warrant Applications:</b></p>                   | <p>Our aim is to improve turn-around times for the issuing of first reports on building warrant applications and improve the timescales for granting building warrants, meeting both national and Council targets for performance.</p> <p>We will prioritise our plans this year to:</p> <ul style="list-style-type: none"> <li>• Evaluate effectiveness of 'Virtual' team to improve performance.</li> <li>• Complete process review for site inspections</li> <li>• Evaluate effectiveness of the revised the Construction Compliance Notification Plan (CCNP) list to reduce the number of low risk site inspections currently undertaken.</li> <li>• Implement a new Quality Assurance Framework to meet BSD standards and further reduce variation in our processes and procedures</li> </ul>  | <p>Fully and consistently meet national performance targets for the processing of building warrant applications.</p> <p>Help our customers to get more applications right first time.</p> <p>Reduce the number of paper applications.</p> |

| Improvement Themes                         | By April 2019   | By 2021   |
|--|---|---|
| <p><b>Improve Customer Engagement:</b></p> | <p>We aim to transform our reputation with our customers by delivering a step change of improvement in the relationship between the service and our customers.</p> <p>We will prioritise our plans this year to:</p> <ul style="list-style-type: none"> <li>• Set up an stakeholder panel to advise the board on the improvement plan and its implementation.</li> <li>• improve customer engagement</li> <li>• use complaints and feedback to inform service improvements.</li> <li>• Improve our website</li> </ul> <p>We will identify and work with key stakeholders, other council service areas and employees to develop a 3year Customer Strategy.</p> | <p>Aim to have CSE accreditation.</p> <p>Deliver a customer experience that matches other leading organisations.</p> <p>Continue to invest in technology that ensures the service meets the rising expectations of customers.</p> |

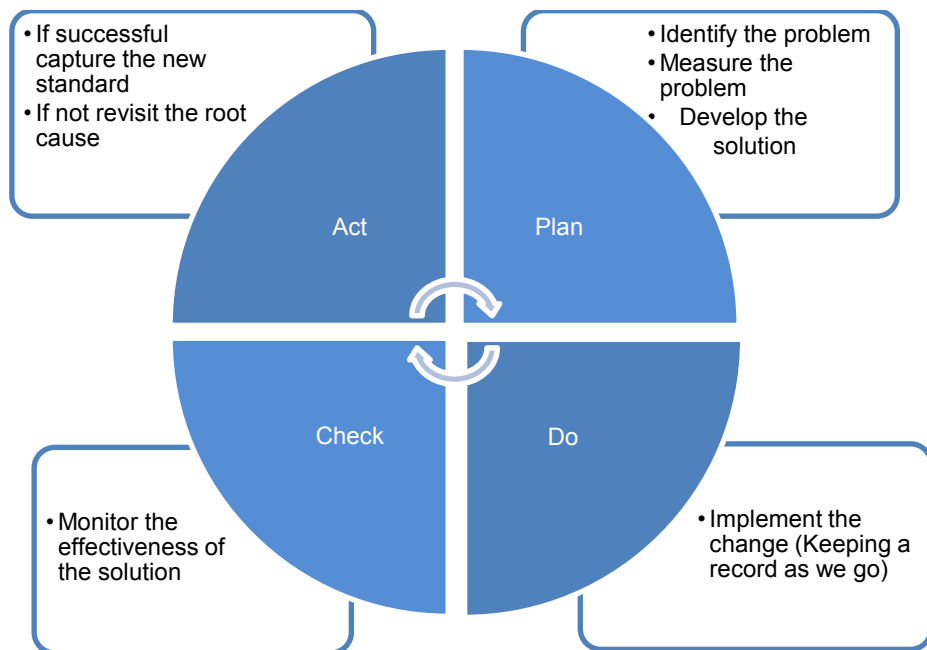
## 4 Improvement Approach

### Our Improvement Model

Our aim to deliver improvements that ensure the right service is delivered at the right place, at the right quality and in the right amount to meet our customer's needs.

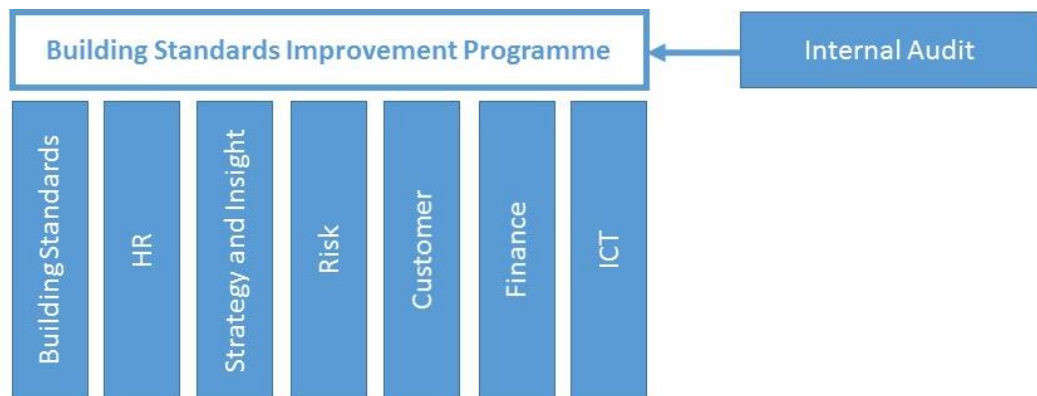
We will review and evaluate our business processes for efficiency, effectiveness and flexibility.

We will embed a culture that continuously strives to improve and follow a structured method for delivering continuous improvement. The diagram shows our improvement model.



### Dependencies

The measures set out in this improvement plan are significant and complex. Delivery is dependent upon the expertise and insight provided across the Council. Therefore staff from HR, Strategy and Insight, Risk and Governance, Customer, Finance and ICT will work along with the service to support and ensure the delivery of the programme. Independent advice will be provided by the Council's Internal Audit Team.



## Programme Management Tools and Techniques

Our approach to programme management uses a range of tools and techniques to ensure that our objectives for the service are delivered. This section explains these.

### The process of project delivery

For each project within the overall programme we will follow these steps:

| Step               | What  | Outcome   |
|--------------------|---|---|
| <b>1 Request</b>   | An area of improvement work is identified   | Board agreement to proceed  |
| <b>2 Scoping</b>   | Clear goals and timeframe are established, the project team are identified and the required resources are arranged                  | In Scope Out of Scope defined<br>Draft Goals agreed<br>Project Team agreed<br>Resourcing and deadline confirmed<br>Board agreement to proceed |
| <b>3 Training</b>  | Tools and Techniques workshop<br>Coaching   | Project team are familiarised with project principles, approach<br>Roles and responsibilities defined   |
| <b>4 Planning</b>  | The project goal confirmed, approach, timetable and data requirements are agreed by the project team                                | Agreed goals/approach<br>Stakeholder consultation<br>Timetable of activity<br>Data collection plan  |
| <b>5 Re-design</b> | The project team meet regularly to identify opportunities, solutions, blockers and complete the required actions.                   | New Process mapped<br>New Process approved<br>Action Plan<br>Communication Plan<br>Employee Training  |
| <b>6 Implement</b> | Tasks on the action plan are completed by the project team members  | Follow action plans<br>Gather data<br>Monitor progress<br>Provide regular updates   |
| <b>7 Review</b>    | The project team meet regularly to ensure tasks in the action plan have been completed, raise issues, contribute to problem solving | Barriers to success removed<br>Data Analysed<br>Benefits Captured   |

### Project Management

The process will be project managed within a disciplined framework that includes guidance and best practice based on Prince 2 and Lean and Agile to successfully implement this improvement plan.

### Problem Solving Techniques

We will use a wide range of techniques throughout the process to define, analyse and problem solve including:

**SIPOC** (Supplier/Inputs/High Process/Output/Customer)

We use the SIPOC template in the initial analysis and goal setting stage to capture and agree the high-level process, identify key stake holders and understand data requirements.

### **Process Mapping**

We use process mapping for planning and re-designing:

- To capture the current state and to understand who does what, where decisions are made and to identify waste.
- as a way of building a shared understanding of new processes
- to identify work that does not meet our customer's needs and are not necessary.

### **Root Cause Analysis**

Two of the methods we use identifying the real cause of a problem:

- 5 why's - asking 'why', getting an answer, asking why again, until the root cause is identified
- Kipling Checklist (5 Ws 1 H)– who? what? when? where? why? And how?

### **Solve problems and generate ideas**

Using these outputs we will hold problem solving workshops with the employee team to find solutions and unlock the blockers .

The project manager together with the SRO and programme manager will set up task groups to take forward the specific actions arising from the problem solving workshops.

## Governance and Resources

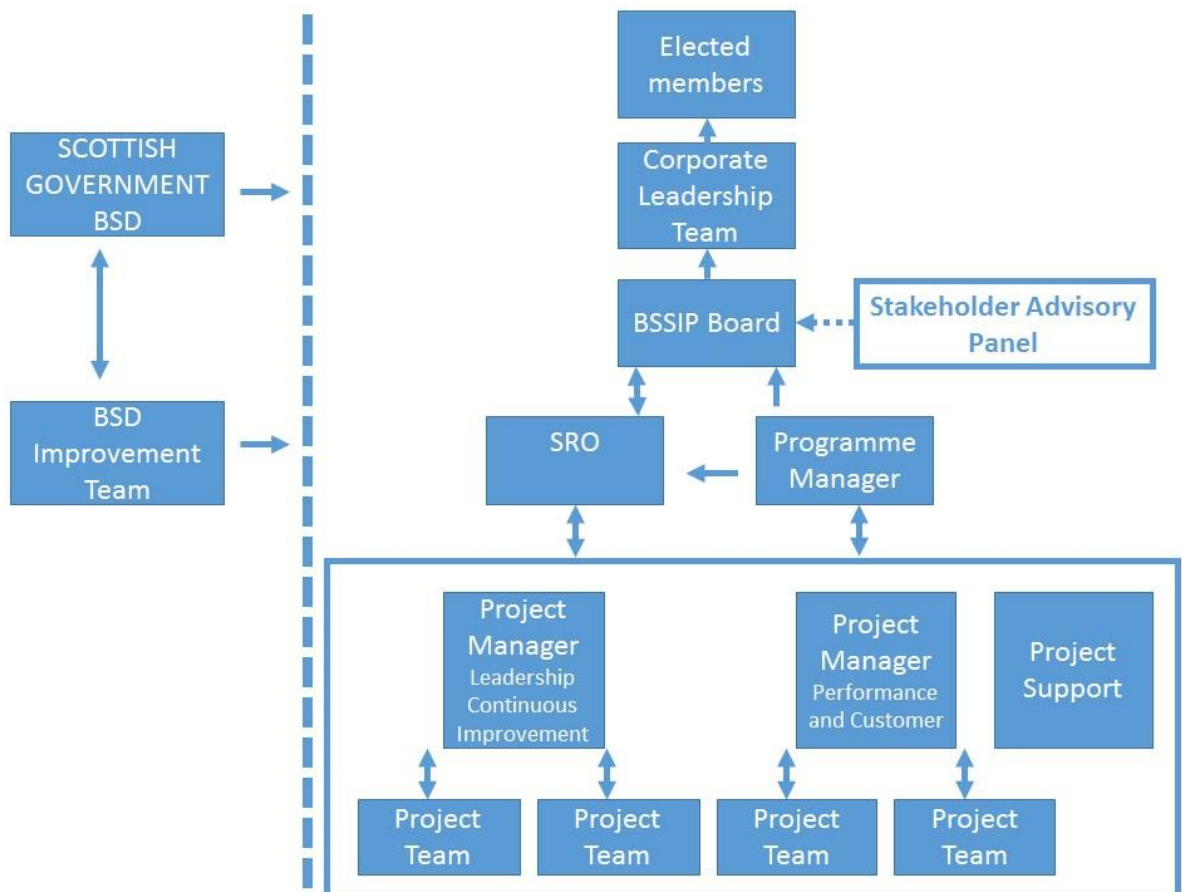
This section sets out how the Building Standards Improvement Plan for 2018/2021 will be managed and communicated to ensure accountability and transparency. It adopts a whole Council approach integrating the full range of services.

It outlines the roles and responsibilities of those involved and timescales for reporting and monitoring progress. It shows how the project will be communicated within the Council, to Scottish Government and to customers and the wider public.

We will review the governance arrangements to ensure that delivery objectives are met effectively, efficiently, and transparently. We will review the framework annually to reflect changes to our strategic priorities, operational alignment, legal obligations, and BSD best practice.

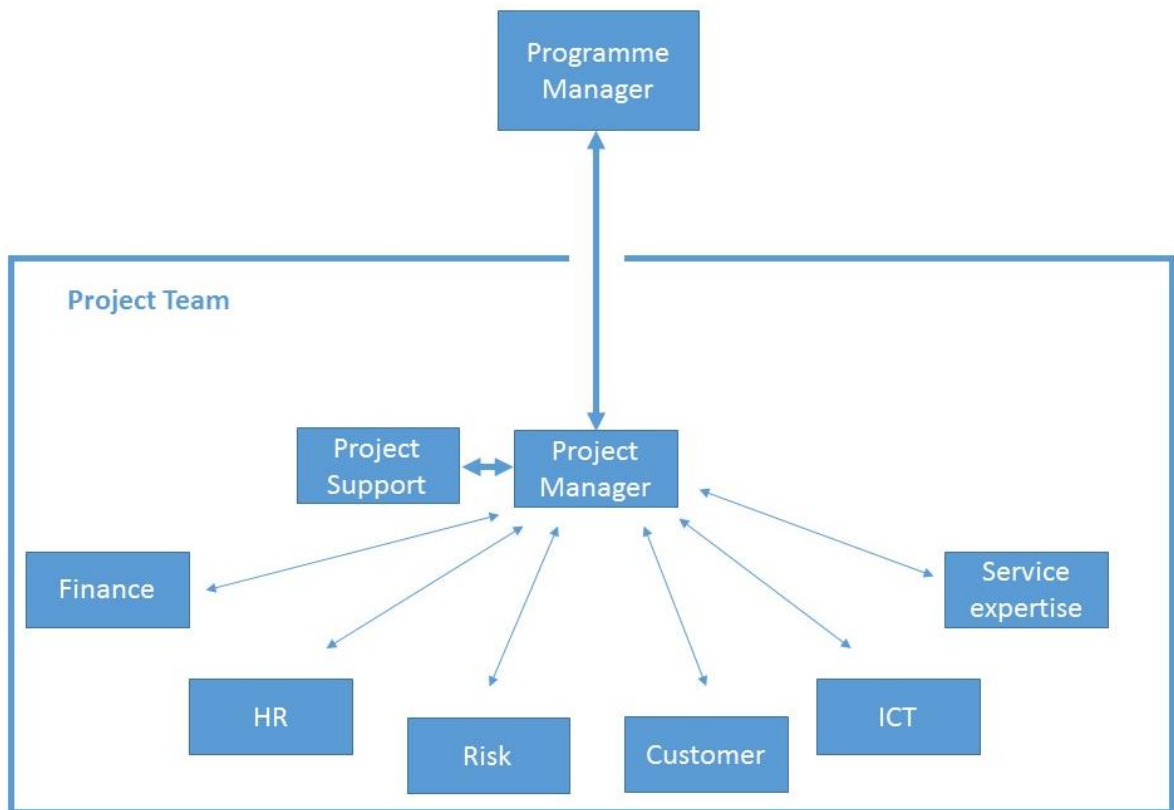
This framework has been designed to continually improve so that our stakeholders have confidence in our commitment to deliver the objectives outlined in Section 2 and the Building Standards Action Plan 2018/2019 presented in Section 8.

### Governance Structure



## Integrated Project Team Structure

Each project will require different skills, knowledge and experience which will be drawn from within the service and across the Council.



## Project Resources

The delivery of the improvement plan requires additional resources:

The Project Board has been formed and is chaired by the Head of Place Development. It includes Heads of Human Resources, Legal and Risk, Finance, Communications, Property and Facilities Management, Customer and ICT, and Internal Audit as well as a Programme Manager from Delivery and Change.

The Planning and Building Standards Service Managers have been restructured to create the Senior Responsible Officer post. This service manager will have responsibility for the programme and for the operation of the Building Standards service.

A programme manager has been appointed from outwith the Building Standards service and is working full time on the delivery of the Improvement Plan.

Two dedicated project managers will be appointed by end June 2018 from within the service to ensure that actions are delivered. These will be supported by project support.

Posts will be backfilled with additional employees brought in to ensure sufficient resource is in place for the day to day delivery of the service. These posts will be retained for the duration of the programme delivery.

## Roles and responsibilities

| Role   | Responsibility   |
|--|--|
| <p><b>Corporate Leadership Team</b></p> <ul style="list-style-type: none"> <li>• Chief Executive (Chair)</li> <li>• Executive Director of Place</li> <li>• Executive Director of Health and Social Care</li> <li>• Executive Director of Resources</li> <li>• Executive Director of Communities and Families</li> </ul>  | <p>Monthly status reports are considered by the Chief Executive and the Executive Director of Place</p> <p>The corporate leadership team will consider reports of the Building Standards Improvement Board and make decisions upon these.</p> <p>It will monitor corporate risk in relation to Building Standards</p> <p>The Heads of Human Resources, Legal and Risk, Head of Finance, and Communications attend CLT on an advisory basis and are members of the Programme Board.</p>   |
| <p><b>The Building Standards Services Improvement Board</b></p> <ul style="list-style-type: none"> <li>• Head of Place Development (Chair)</li> <li>• Head of Human Resources</li> <li>• Head of Legal and Risk</li> <li>• Head of Finance</li> <li>• Head of Communications</li> <li>• Head of Property &amp; Facilities Management</li> <li>• Head of Customer and ICT</li> <li>• Head of Internal Audit</li> <li>• Programme Manager – Delivery and Change</li> </ul> | <p>The Programme Board is directly accountable to the Corporate Leadership Team (chaired by the Chief Executive).</p> <p>The Programme Board remit is to oversee the activities and make decisions in order to:</p> <ul style="list-style-type: none"> <li>• make decisions that will apply across the Building Standards Service and identify what decisions are within local building standards responsibility</li> <li>• consider recommendations forwarded by the senior responsible officer</li> <li>• provide assurance to Scottish Government that the programme for improvement is on target to meet the agreed performance and operational frameworks</li> <li>• ensure the performance of the service is maintained and improved during the delivery of the improvement programme.</li> </ul> <p>To ensure independence, the Head of Internal Audit will provide advice but will not take part in board decisions.</p> |



| Role  | Responsibility   |
|---|--|
| <p><b>Senior Responsible Officer</b><br/>The lead responsibility for this programme lies with the Building Standards Service Manager.</p> | <p><b>SRO will be responsible for:</b></p> <ul style="list-style-type: none"> <li>• ensuring that elected members are kept fully appraised of progress and to highlight any key areas of concern which may impact on the work/reputation of CEC.</li> <li>• ensuring all CEC stakeholders work proactively in partnership and with agreed objectives, participating fully in the change process and in future service development;</li> <li>• overseeing the work of the Programme and project managers providing advice, guidance and direction as required;</li> <li>• addressing queries/concerns of senior stakeholders such as Chairmen/Chief Executives/board members</li> </ul> |

| <b>Role</b>  | <b>Responsibility</b>   |
|--|---|
| <p>Programme Manager<br/>Directed by the Building Standards Service Manager, the Programme will be supported by a dedicated programme manager.</p> | <p>The programme manager will be responsible to the programme board and will:</p> <ul style="list-style-type: none"> <li>• develop, maintain and update the programme work-plan, ensuring timescales are adhered to influence, enable and facilitate the work of project level activities and work-streams;</li> <li>• provide direction and guidance to local project leads as they develop specific project plans, and address any queries/concerns/issues as appropriate; and,</li> <li>• ensure the programme Board, Improvement Team, as well as other stakeholders, are provided with all relevant information with regards to the progressing the projects and overall programme of improvement.</li> </ul>  |
| <p><b>The Scottish Government Improvement Team</b></p>   | <p>The Scottish Government improvement team is responsible for providing advice and guidance to the Programme Board, SRO, Programme Manager and individual project leads on a range of issues as appropriate during the development and implementation of the improvement plan.</p>   |
| <p><b>Project Managers</b><br/>Four Project Managers have been identified to lead on each improvement theme.</p>                                   | <p>Project managers meet on a regular basis with the Programme manager. The purpose of these meetings is to:</p> <ul style="list-style-type: none"> <li>• determining and agreeing collective approaches, where appropriate, to the implementation of the changes required; ;</li> <li>• discuss progress to date – across all projects</li> <li>• highlight any key areas of concern / potential “showstoppers”;</li> <li>• share information and best practice;</li> <li>• promoting a culture of partnership working across CEC BS and the wider organisation;</li> <li>• provide assurance in conjunction with SRO to all stakeholders that the local operational requirements to enable the implementation of the required changes can take place are being addressed as per project plan timescales; and,</li> <li>• enable collective approaches/decisions to be agreed for priority issues and to ensure the project work plan consider the wider picture in relation to the overarching improvement plan.</li> </ul> |

| <b>Role</b>  | <b>Responsibility</b>   |
|--|---|
| <b>Stakeholder Advisory Panel</b><br>Includes customers who are significantly affected by the performance of the Building Standards Service. | This Panel will meet quarterly and advise the Board on the Building Standards Improvement Plan and its implementation, providing insight from a customer perspective. |

### Planned Communication and Engagement

| <b>WHO</b>                                 | <b>Communicating/Engagement</b>  | <b>Known Dates</b>   |
|--|--|--|
| <b>Scottish Government</b>                 | Status reports   | Monthly  |
| <b>BSD Improvement Team</b>                | Employee engagement  | Ongoing  |
| <b>BSS Improvement Programme Board</b>     | Board Meetings   | 23/05/2018<br>19/06/2018<br>19/07/2018<br>08/08/2018<br>06/09/2018<br>03/10/2018<br>08/11/2018<br>19/12/2018<br>10/01/2019<br>07/02/2019<br>06/03/2019 |
| <b>Planning Convener and Vice Convener</b> | Meetings   | Monthly  |
| <b>Corporate Leadership Team</b>           | Status Reports   | Monthly  |
| <b>Employees</b>                           | Fortnightly Engagement Sessions<br>Visual presentation of projects displayed in the office<br>Team meetings<br>Workshops | Ongoing  |
| <b>Direct Customers</b>                    | Web<br>Annual Customer Forum<br>Customer journey map<br>Stakeholder Panel  | Ongoing<br>June 2018<br>Series of regular meeting with Stakeholder Panel (quarterly)<br>Additional meetings with customer focus groups.                |

## Managing our Risk

Risk is addressed at each level of the Council: within individual council services, at directorate level and at the corporate leadership team. As such Building Standards risks are addressed by the Planning and Building Standards Leadership Team, at bi-monthly meetings of the Place Development service managers and head of service, at the Place Senior Management Team meeting and at the Corporate Leadership Team.

The process is for risks to be identified, for impacts and likelihood to be scored and multiplied together to give risk level. Key controls

are highlighted as well as further actions which are designed to reduce risk. Each overall risk has an owner and each action has an owner.

The specific risk of the Council losing Building Standards verification appointment is reported to Place Senior Management Team and the Corporate Leadership Team.

The following table sets out key risks associated with the delivery of the improvement plan:

|   | <b>Risk</b>  | <b>Level</b> | <b>Owner</b> | <b>Current controls</b>  | <b>Additional controls</b>   |
|---|--|--------------|--------------|--|--|
| 1 | Risk of losing appointment as local authority verifier of building warrant applications for this Council's geographic area - resulting in the closure of the service, possible redundancies, disruption to construction programmes, reputational damage. | Very High    | DG           | <ul style="list-style-type: none"> <li>Argyll and Bute supporting service (shared services).</li> <li>Use of overtime/agency staff/</li> <li>Process improvements ("Virtual" plan reporting team).</li> <li>KPIs monitored monthly by management team.</li> <li>Complaints monitored on a regular basis.</li> <li>Improvement Team appointed.</li> </ul> | The implementation and monitoring of this Building Standards Improvement Plan  |
| 2 | Risk of new case and document management systems not being implemented   | High         | JDI          | <ul style="list-style-type: none"> <li>Project board established which involves service, ICT and CGI representatives.</li> </ul>   | Potential for extend temporary recruitment arrangements to ensure workarounds remain in place if systems upgrade is not delivered on time. |

|   | <b>Risk</b>   | <b>Level</b> | <b>Owner</b>               | <b>Current controls</b>   | <b>Additional controls</b>   |
|---|---|--------------|----------------------------|---|--|
| 3 | High levels of stress within the team's due to lack of employee resources/ workload leading to employee absenteeism/ adverse effect on productivity/ service delivery | High         | DG                         | <ul style="list-style-type: none"> <li>Place Health &amp; Safety Forums</li> <li>Health &amp; Safety policy (Council wide)</li> <li>Health &amp; Safety training</li> <li>Regular "Team Talks"</li> <li>Redeploying resources</li> <li>One to one support for team members</li> <li>Temporary agency employees</li> </ul> | Developing new ways of working will over the long term, assist in reducing stress levels ensuring better allocation of workload and consistency of working.                    |
| 4 | The potential for employees to leave the service either through retirement or to other job. This is a significant risk given the age profile of the employee group.   | Medium       | DG                         | <ul style="list-style-type: none"> <li>Additional employees being brought in are being developed with training sessions and "on the job" training.</li> <li>Knowledge of existing employees is being passed on via in work training.</li> </ul>   | An action of the Improvement Plan is to develop a people plan. This will address issues of succession and job retention.   |
| 5 | Loss of key controls due of changes being made to the service which arise as a result of the improvement programme.   | Medium       | DG                         | <ul style="list-style-type: none"> <li>Current controls are in place for monitoring performance.</li> </ul>   |  |
| 6 | Employees are not sufficiently supported during the change process, leading to the changes not being fully delivered.   | High         | CW /<br>CN /<br>RG /<br>GW | <ul style="list-style-type: none"> <li>Staff briefings and emails to communicate change</li> </ul>  | A structured communications plan is put in place to explain the changes being made.<br>Employees are supported with workshops, training and evidence based approach to change. |

## Supporting our employees

We need to develop a culture whereby our employees are empowered and enabled to be the best they can be.

This will be underpinned with a comprehensive **People Plan** delivering across three strategic themes:

### 1) **Building an agile and flexible workforce**

- We attract talented people with the right skills and mindset
- We are the right size and shape
- We are flexible in how we work
- Our organisational design and what we deliver is aligned to our strategic commitments
- We are a diverse workforce
- We are an organisation that people want to join and stay with

### 2) **Developing our People's skills and strengths**

- We have the capability we need for today and tomorrow
- Our learning positively impacts performance and culture
- We maximise the potential of all, not just the few
- Our managers are confident to lead
- Our people are equipped to face new challenges

### 3) **Creating a great environment for delivery**

- Our people are empowered and show leadership
- Partnership is the norm within the Council and the City
- Our people have a voice and are listened to
- We have a strong focus on wellbeing
- Our people are clear on what is expected of them and how they are performing
- Our people feel engaged and valued

The nature of this work seeks to address both the shorter term challenges and opportunities but recognises that what is also needed is transformational and reforming in its nature.

We will consult with our employees in developing further and embedding our People Plan.

In relation to actions that will sit within and result from the People Plan – these are as follows:

**Actions within and resulting from people plan**

|  |  |
|--|--|
| <p><b>Building an agile and flexible workforce</b></p>     | <ul style="list-style-type: none"> <li>• Team design - we will ensure that the team are the right size and profile to deliver our commitments</li> <li>• Recruitment - We will build a recruitment plan to maximise our ability to attract talented people with the right skills and mindset to deliver the best service for our customers</li> <li>• Succession Plans – we will ensure that a detailed succession plan is developed for the team (which is reflective in the team’s development plans)</li> </ul>   |
| <p><b>Developing our people’s skills and strengths</b></p> | <ul style="list-style-type: none"> <li>• Performance management – we have an organisational wide performance management framework which we will ensure is embedded within the team – including 1:1 and team check in’s, Looking Forward Conversations and Looking Back Conversations</li> <li>• Development plans – we will ensure team members have a personal development plan which details their qualifications, professional membership and individual development goals</li> <li>• Team development – we will put in place quarterly sessions which will focus on team development – both the ‘what’ and the ‘how’ of delivery</li> <li>• Leadership roles – we will work with the leaders in the team to support them with their development ensuring they are equipped with the skills, knowledge and experience to meet our ambitions</li> </ul>  |
| <p><b>Creating a great environment for delivery</b></p>    | <ul style="list-style-type: none"> <li>• Vision and purpose – we will align individual and team delivery to meeting our vision for Building Standards Services.</li> <li>• We will use key insight to inform the ongoing cultural change needed (within the team but equally across the organisation) to ensure we have a team who are engaged and enables and we continue to develop a mindset of continuous improvement and</li> <li>• Looking Forward Conversations - all team members will have clear performance goals and measures agreed through Looking Forward Conversations</li> <li>• Looking Back Conversations – this will happen for all team members with agreement on a performance zone (the ‘what’ and the ‘how’ of delivery).</li> <li>• Reward - we will undertake a salary benchmarking exercise to ensure we are in line with market rates</li> <li>• Feedback and engagement – we will put in place quick and simple tools to enable real-time and regular feedback from team members, stakeholders and customers</li> <li>• We will explore ways to work more effectively with other Council services to challenge ways of working to seek improvements for our customers</li> </ul> |

## Serving our Customer

We will develop a customer strategy that puts our customers at the heart of everything we do and identifies the improvement that will transform our reputation. Our relationship with customers has to improve significantly. This means having a meaningful dialogue where customer insight helps drive service improvements.

We will involve our customers and employees in working towards a recognised gold standard framework such as Customer Service Excellence.

Some of our immediate actions will include:

- Consulting with our employees to understand the relationship between the service and it's customers
- Undertaking customer engagement workshops to better understand our customer's needs and journey
- Aligning Customer and Employee engagement to ensure a balanced approach to the customer strategy
- Analysing recent complaints and customer feedback
- Putting in place a formal process to ensure lessons learned are shared and mistakes are not repeated.

Our plan will include a customer analysis exercise to segment and define our current and potential customer groups that will provide us with insight for:

- Creating and communicating targeted messages
- Understanding best communication channels
- getting it right first time.



## **5 Measures of Success**

This sets out the key measures of success that our performance in relation to this improvement plan will be assessed against.

### **Compliance with Scottish Government Requirements**

The requirements of the Scottish Government's Operating Framework must be met fully and consistently.

The requirements of the Scottish Government's Performance Framework must be met fully and consistently.

We will develop a KPO that allows us to monitor and set targets to reduce rework.

### **Long term appointment as verifier of Building Standards**

By delivering the objectives of this improvement plan we will ensure the maximum period of appointment possible.

### **Improved Customer Satisfaction**

Improve our scores in relation the national customer survey, so that by year three score for the question on overall levels of satisfaction with the service is 8/10. Rising as follows: 6/10 for 2018/19, 7/10 for 2019/20 and 8/10 for 2020/21.

### **Improve Employee Satisfaction**

To address this, an employee satisfaction survey will be developed and conducted. The results will be used to track the progress of the employee satisfaction over time.



**Building Standards Improvement Plan 2018-2021  
Update on Progress – 31 July 18**

|          |   |           |
|----------|---|-----------|
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| <b>3</b> | <b>Summary of Activity – April to July 18</b> | <b>5</b>  |
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| <b>6</b> | <b>Risk</b>                                   | <b>21</b> |

Front cover image: New hotel on Market Street, Edinburgh, under construction

### Version Control Information

| Version | Date approved | Comments   | Date for next review                       |
|---------|---------------|--|--|
| V1.0    | 23 July 18    | Draft document created   |  |
| V1.1    | 30 July 18    | Draft issued for review  |  |
| V1.2    | 31 July 18    | Final version  | Mid October 18 for end October submission. |
| V.13    | 15 August 18  | Colours of risk amended to Red and Amber to make clearer status for Planning Committee | Mid October 18 for end October submission. |

# 1 Introduction

This is the first quarterly report on progress made on the Council's Building Standards Improvement Plan 2018-2021. It sets out the progress on actions and outcomes, and commentary on Performance Framework data returns.

The Building Standards Improvement Plan sets out objectives for this year (2018/19) and for the two years to 2021. These objectives are structured around the Improvement Plan's themes which are to:

- Improve Leadership and Management
- Improve Strategic Planning and create a culture of continuous Improvement
- Improve response times to Building Warrant Applications
- Improve Customer Engagement

A summary of activity that has taken place in relation to these themes is included in section 3 of this report.

To ensure that these objectives are delivered, an Action Plan has been put in place. This sets out the actions, who is responsible for them as well as timescales for delivery. The Action Plan is reported to the Council's Building Standards Improvement Plan Board each month. Section 4 of this report provides a detailed update on these actions and shows the progress that has been made.

The report also includes a commentary on progress on performance data returns. A review of the current risk plan will take place in August 2018.

This report will be followed by update reports for 31 October 18, 31 January 19 and 30 April 19.

## 2 Highlights – April to July 2018

Significant progress has been made on Improvements to the Building Standards Service since April. These include:

- The Building Standards Improvement Team began working with Council team April 2018 and has been providing insight and advice which is being acted upon. A coaching programme for team managers led by the improvement team members is being introduced.
- Building Standards Improvement Plan approved by Council and Scottish Government 1 June 18.
- Building Standards Improvement Plan Board established with senior managers responsible for HR, Communications, Finance, Legal and Risk, Customer and ICT and Programme Management. Monitoring and escalation of risks to Chief Executive and Executive Directors. Two full meetings of the Board have now been held on 19 June 18 and 19 July 18. Meetings are programmed monthly.
- Customer and stakeholder consultation meeting was held in June 2018.
- Action Plan to clear backlogs and improve processing performance agreed with Building Standards team in June 2018 and now implemented for a three month trial period. This project involved focus on plan-reporting for staff. The objective at the end of this is to establish improved methods of processing applications permanently.
- A site inspection team of surveyors has been put in place. This is using a risk based approach to assessment. It is freeing time for plan reporting and this is further helping to improve performance.
- Dedicated Building Standards Programme Manager has been appointed and will start with the Council on 1 August 18.
- The delivery of the upgrade of the case management and document management systems is underway and is on course for delivery by December 18. This is a major investment with associated software and hardware being upgraded.



### **3 Summary of Activity – April to July 18**

#### **Leadership and Management**

##### **People Plan**

A people plan has been drafted which is structured around the themes of Recruitment, Managing Attendance, Performance and Team Managers' Development

Five permanent assistant building standards surveyors have been recruited. Four started in July and one is due to start work for the service in August. Vacancies create a challenge of the service in part due to the specialised nature of the work. This means there is not an extensive pool of experienced candidates for new jobs. To overcome this, a recruitment campaign is being developed which uses social media to attract new staff to the service. Testimonials and photographs of staff at work will be used on Twitter, Facebook and other social media sites and links provided to a new micro-website. This is a new way of recruiting for the Council and it will help attract a greater pool of candidates as jobs emerge. The recruitment campaign will go live in August.

Managing attendance training has been provided to managers to help support them in ensuring that absence is managed.

Performance is a major focus for the service. Objectives have been more clearly set for managers and staff. One to ones and annual conversations will be structured around these objectives.

Team managers are being developed. The improvement team is providing mentoring and coaching. It has held a workshop in July and has a programme of weekly workshops with managers set out for August. Additional manager meetings have been put in place and support is being provided by the project support officer.

Existing employees are key to the success of the service. There is now a strong management focus on developing staff by providing opportunities. In addition to their surveying work staff are taking forward additional tasks such as developing the procedures and the quality assurance around these, preparing the communications plan and providing in service support to the IT upgrade that is underway.

##### **Building Standards Improvement Plan Board**

A Building Standards Improvement Plan Board has been put in place. Its purpose is to scrutinise the delivery of the service improvement plan, ensure resources are available and identify and remove obstacles to implementation of the plan and the operation of the service. It is made up of heads of service including those of Place Development, Human Resources, Legal and risk, Finance, Communications and Customer / ICT as well as a programme manager. The Board makes decisions on issues and risks arising as well as recommendations of the SRO.

#### **Strategic Planning and create a culture of continuous Improvement Governance arrangements**

To ensure the Building Standards Improvement Plan Board can work effectively, arrangements have been put in place for governance and reporting. These were agreed

at a meeting of the Chief Executive and the Scottish Government's Head of Building Standards in June 18.

### **Programme Manager Appointment**

Project Management has been provided in house with additional support from within the service. However it was recognised that project / programme management was an area of risk for the delivery of the improvement plan. Therefore, to augment the programme management approach within the service, a programme manager is in the process of being appointed and will start work on 1 August 18.

## **Improve response times to Building Warrant Applications**

### **Changing Processes**

Performance continues to be a major focus for the service.

Performance improved in the last two quarters of year 2017/18. This was largely a result of the new way of working for smaller applications where a team was put in place to progress these at plan reporting stage. It is known as the Virtual Team. It proved effective in dealing with around 60% of the Council's applications within target timescales. The remaining teams continued to be divided on an area basis with individual surveyors taking applications from receipt to completion on site. A review of the operations of the virtual team was carried out in June 18. It found that the team was very effective in progressing applications but was sensitive to being sufficiently resourced.

During spring 2018, new processes were developed in conjunction with staff across the service for reasonable inquiry / site inspection and construction compliance notification plans (CCNP).

The new approach to CCNP reduced the 32 different stages that a surveyor may request to see construction work, to a more streamlined system based on 6 application types. This makes it quicker to put the CCNP together, achieves greater consistency and ensures resources are better targeted to greater risk.

A site inspecting team of 4 surveyors was put in place on 16 July 18. This team is progressing completion certificates on all application types. Interim inspections are being carried out for a 3 month period taking a much more robust approach to risk. At the same time, the Virtual Team approach to plan reporting has been rolled out across the service. The efficiencies gained from these systems is allowing the backlog of applications that have built up for some surveyors to be reduced.

The effects of these new approaches are being assessed and at the end of the three month trial period the lessons learned will be used to inform permanent changes to the way that the service progresses applications and site inspections.

## **IT**

The Council has invested in a major upgrade of its computer systems with the commissioning of up-to-date versions of IT case management system (Uniform) and its document management system (Idox) as well as associated software systems and hardware. Work is well underway on this with user acceptance testing due to start in September. The project will be delivered by end December 18. To ensure this timescale, a project board has been established. This meets monthly to review progress and make decisions on issues and risks that have arisen.

## **Customer Engagement**

### **Customer**

Customer engagement has continued in 2018. In April the service provided training to the Edinburgh Chartered Architects Network on validation processes for Building Standards and Planning. In May, a focus group was organised for the Building Standards Improvement Team to enable discussion with customers on issues faced by them. In June, a Planning and Building Standards Customer Engagement event was held. Insight from this is being analysed at present. Themes of communications and response times to building warrants continue to be important to our customers however.

A customer strategy is being put in place with a project manager appointed and developing initial work on the strategy. The project initiation document for this will be reported to the Board in early September. This will provide strategic direction to the individual projects of the communications plan, the redevelopment of the website and the improvements to the work of the Council's Contact Centre.



## 4 Progress on actions

The following table details the progress made on actions:

| Objective  | Action  | Owner     | Timescale                 | Status            | Progress made   |
|--|---|-----------|---------------------------|-------------------|---|
| <b>Leadership and Management</b>   |   |           |                           |                   |   |
| We will prioritise our improvements for leadership to achieve the following this year:   |   |           |                           |                   |   |
| A shared vision for Building Standards Services.   |   |           |                           |                   | The vision for Building Standards Improvement is set out in the Building Standards Improvement Plan 2018-19.  |
| People Plan that enables and motivates managers and employees to meet the needs of Building Standards Services and the Council within the context of a growing city.                                 | To develop a Project Initiation Document (PID) to present to the Board by 3 October 18 and then implement thereafter. | DG / AmcA | 27 July 18 to 30 April 19 | Ahead of Schedule | A draft people plan has been prepared which is structured around themes of Recruitment; Managing Attendance; Performance; and, Team Managers' Development. It sets out activities and actions for the months ahead. |
| A Framework for Governance that includes approving resources to deliver improvements, and that is overseen by the Council's Corporate Leadership Team and has the support of elected representatives | Agree board members.  | MT        | 1 May 18 to 15 June 18    | Complete          | Board members agreed with board now in place and 2 monthly meetings held.   |
|  | Develop a framework for governance and improvement approach.  | DG / JD   | 1 May 18 to 15 June 18    | Complete          | Framework for governance of the project established (as set out in Improvement Plan).   |

| Objective  | Action  | Owner | Timescale                | Status            | Progress made  |
|--|---|-------|--------------------------|-------------------|--|
|  | Appoint project managers.   | DG    | 1 May 18 to 15 June 18   | Underway          | Project Management is being provided in house with additional support from within the service.<br><br>To augment the programme management approach within the service, a programme manager has been appointed and will start work on 1 August 18.  |
| A Communication plan for informing and consulting with employees and key stakeholders every step of the way. | Prepare interim communications plan for keeping staff up to date on improvement programme. Develop a PID for stakeholder consultation, communication and engagement and update improvement plan milestones to reflect that. | CF    | 15 June 18 to 19 July 18 | Ahead of Schedule | A communications plan has been developed that includes communications to staff, and stakeholders such as customers and councillors. A PID has been approved by the Board on 19 July 2018 to take this plan forward while ensuring it responds to emerging work on the Customer Strategy (see below). |
| Embedding a leadership culture that supports management to deliver the service improvements                  | Introduce staff to Improvement Team   |       | 6 Jul 18                 |                   | Staff all introduced to Improvement Team and Improvement Team working with staff across the service and in partner services.   |
|  | Improvement Team to deliver change and project manager workshops to project managers and team leaders.  | JD    | 6 Jul 18                 | Continuing        | Workshop session held with Team Managers in July. Improvement Team now delivering programme of workshops with Managers (1 per week) from 24 July 18 through August.  |

| Objective   | Action  | Owner   | Timescale                     | Status   | Progress made  |
|---|---|---------|-------------------------------|----------|--|
| We will prioritise our improvements in management to achieve the following this year:   |   |         |                               |          |  |
| Ensure all managers are clear about service priorities and are accountable for their delivery.  | Establish a programme of manager meetings for year ahead.   | DG      | By 29 June 18                 | Complete | These are now diarised - one per week.   |
|   | Set objectives for the year ahead which reflect improvement plan.   | DG      | By 29 June 18                 | Complete | Smart objectives were set around the themes of leadership and management, continuous improvement, performance and customer.  |
| Embed agreed ways of working to ensure better consistency for our customers and employees and ensure that decisions are made efficiently and proportionate to the level of risk | Embed agreed ways of working to quality assure and reduce variation in our processes with a PID to be presented to the Board on 19 July and the project implemented thereafter. | DH      | 18 June 18 to 14 September 18 | Underway | A PID has been agreed by the board. This will be implemented in August 18 with training provided to staff and a first phase of quality assurance checks taking place in September. A second phase will take place in December and report back to the Board on the way forward for February 19. |
| Ensure management information is used to improve performance.   | A PID is to be developed for presentation to the board by 14 September 18. It is to consider the human and systems aspects of performance.                                      | GW / JD | 23 July 18 to 16 November 18  | Underway | A project lead is in place. Management Information has been developed to allow performance on first reports and backlog to be better monitored. Training provided by HR partner on performance manager for staff.  |

| Objective   | Action  | Owner | Timescale       | Status   | Progress made  |
|---|---|-------|-----------------|----------|--|
| Ensure that employees are empowered to realise their maximum potential and that they are enabled to have the autonomy to do so. | Start regular one-to-ones with staff. Schedule regular team meetings. | DG    | By 15 June 18   | Complete | These actions form part of a wider change in approach to developing staff. Managers are now involving staff in tasks and activities beyond processing building warrants - for example by taking leading roles in delivery of quality assurance process, communication plan and recruitment campaign.   |
| Ensure vacant posts are filled and employees are recruited / resource put in place to deliver the improvement programme         | Ensure Vacant GR6 posts are filled.                                   | DG    | By 13 July 18   | Complete | Recruitment to GR6 posts has taken place. 4 new members of staff have started. 1 additional employee has been offered job.   |
|   | Recruit GR8 post and GR9 post   | DG    | By 5 October 18 | Underway | A recruitment campaign is being developed that will use social media and a micro website to attract suitable candidates. This is a radically new way of recruiting to the service. This will help attract a wide range of suitable candidates. Job adverts prepared and going through internal approvals process. GR8 recruitment to be internal first followed by external. |
|   | Appoint project manager and backfill posts as required.               | DG    | by 29 June 18   | Underway | Project Management is being provided in house with additional support from within the service.<br><br>To augment the programme management approach within the service, a programme manager has been appointed and will start work on 1 August 18.  |

| Objective  | Action  | Owner | Timescale     | Status   | Progress made  |
|--|---|-------|---------------|----------|--|
| <b>Create a culture of continuous improvement</b>  |   |       |               |          |  |
| <p>We will ensure full compliance with the Scottish Government's Operating Framework for Building Standards Verifiers which sets out how the Council must operate the service.</p> <p>We will prioritise our plans this year to achieve the following:</p> |   |       |               |          |  |
| Provide a structured approach to project management and delivery of the Action Plan  | Ensure plans for board, governance arrangements and reporting are approved by Board, Chief Executive and Scottish Government. | DG    | by 31 May 18  | Complete | The arrangements for governance and reporting are set out in the Building Standards Improvement Plan 2018-2021 and were agreed by board and approved at meeting with Chief Executive and Scottish Government of 1 July 18. |
|  | Present Governance pack to board.   | JD    | by 19 June 18 | Complete | A pack was presented to the Board which showed how future meetings would be reported. Subject to refinements, the approach was agreed.   |
| Prepare business cases for the board for improvement projects that are specific, measurable, achievable, realistic and time bound.   |   | DG    |               | Ongoing  | Project Initiation documents are being presented to the Board, with the first 3 of these presented and approved at the 19 July 18 Board meeting.   |

| <b>Objective</b>  | <b>Action</b> | <b>Owner</b> | <b>Timescale</b> | <b>Status</b> | <b>Progress made</b>  |
|---|---------------|--------------|------------------|---------------|---|
| A process for monitoring and reporting the effectiveness of this Improvement Plan and general performance, including the development of a “dashboard“   |               | DG           |                  | Complete      | The improvement plan is being reported to the Board at its monthly meetings. A dashboard has been created, which shows: performance in relation to applications received, 20 day target for 1st reports, 10 day turn around for revised plans, sickness, progress on improvement actions, and risk. This is augmented by more detailed information on these topics. |
| Form a cross service employee group that champions the continuous improvement model of planning, doing, checking and acting.  |               | DG           |                  | Not started.  | Action to be added to Improvement Action Plan.  |
| <b>Response times to Building Warrant Applications</b>  |               |              |                  |               |   |
| Our aim is to improve turn-around times for the issuing of first reports on building warrant applications and improve the timescales for granting building warrants, meeting both national and Council targets for performance.<br><br>We will prioritise our plans this year to: |               |              |                  |               |   |

| Objective   | Action  | Owner   | Timescale                    | Status   | Progress made  |
|---|---|---------|------------------------------|----------|--|
| Evaluate effectiveness of 'Virtual' team to improve performance.  | Review the effectiveness of the Virtual Team, its potential and impacts and prepare a PID for approval by the Board and implement thereafter.                     | GG / DG | 11 June 18 to 19 July 18     | Complete | The effectiveness of the Virtual Team was reviewed and it was confirmed that the plan reporting methods it uses are highly effective. It is noted that the team's success is sensitive to being adequately resourced. As a result of this insight and in conjunction with the project on site inspection (see below) a new plan reporting way of working is being trialed across the other teams. A PID was presented to the Board on 19 July to seek approval to monitor this trial and to return to the Board with proposals for how work should be progressed on a permanent basis. |
| Complete process review for site inspections  | Pilot site inspection team for sub £50K applications and multi-plot sites.  | RG      | 2 July 18 to 28 September 18 | Underway | A site inspection team of 4 surveyors has been put in place. This is progressing completion certificates for all cases and therefore goes beyond the scope of the action.  |
| Evaluate effectiveness of the revised Construction Compliance Notification Plan (CCNP) list to reduce the number of low risk site inspections currently undertaken. | Training to be provided on new approach and a trial period is to be held to check effectiveness and allow adjustments to be made.                                 | RG      | 2 July 18 to 28 September 18 | Underway | The new CCNP has been implemented and is now being evaluated. This is a simplified risk based approach.  |
| Implement a new Quality Assurance Framework to meet BSD standards and further reduce variation in our processes and procedures                                      | Prepare and present PID for Board approved on embedding agreed ways of working to achieve quality assurance and reduce variation in Building Standards Processes. | DH      | 18 June 18 to 19 July 18     | Complete | A PID was presented to the Board which was approved subject to developing an accompanying proposal for preemptive checks for subsequent Board approval. The quality assurance process will check the effectiveness of each of the documented procedures on a yearly basis with 25% of the procedures checked each quarter. Feedback and insight from this will drive training and updating of the procedures.  |

| Objective | Action  | Owner   | Timescale                       | Status      | Progress made  |
|-----------|---|---------|---------------------------------|-------------|--|
|           | Implement quality assurance processes thereafter with training for staff and roll out of working methods. | DH      | 13 August 18 to 14 September 18 | Not started | Training and first phase of quality assurance checks to be carried during August. As set out in PID, review to be carried out of effectiveness of approach and this is to be reported to Board in February 19.   |
|           | Deliver case management and document management systems   | KG / GW | 9 April 18 to 14 December 18    | Underway    | A separate project board has been established for this with the Council's ICT provider, Council ICT specialists and representatives of other services who will also be using the new software. This is a significant investment and requires the upgrade of associated software and hardware systems. The project remains on course for December completion with user acceptance testing diarised for September and first two weeks of October 18. |
|           | Deliver mobile devices to allow transition to paperless working   | GW / KG | 9 July 18 - 16 November 18      | Underway    | All surveying staff have been provided smart phones to enable better out of office working with access to emails and diaries etc. Building Standards in first phase of Council's programme for replacement computers. Testing of Microsoft Surface computer underway for site surveying team. Initial feedback is positive. This project is being taken forward in tandem with software update to ensure new computers work with new software.     |



| Objective  | Action   | Owner | Timescale                  | Status   | Progress made   |
|--|--|-------|----------------------------|----------|---|
| Customer Improvements  |  |       |                            |          |   |
| <p>We aim to transform our reputation with our customers by delivering a step change of improvement in the relationship between the service and our customers.</p> <p>We will prioritise our plans this year to:</p> |  |       |                            |          |   |
| Set up a stakeholder panel to advise the board on the improvement plan and its implementation.   | Identify panel members to represent customers. Put a Panel in place and agree its scope. |       | 16 July 18 to 10 August 18 | Underway | Initial names being gathered. Invites to be issued w/c 6 August 18                |
| Improve customer engagement  | This relates to the communications plan and the customer strategy.                       |       |                            | Ongoing  | The communications plan sets out engagement with customers.                       |
| Use complaints and feedback to inform service improvements.  | An action is to be developed around this objective.                                      |       |                            | Ongoing  | Complaints are being used to help inform changes and improvements to the service. |

| <b>Objective</b>  | <b>Action</b>  | <b>Owner</b> | <b>Timescale</b>               | <b>Status</b>     | <b>Progress made</b>  |
|---|--|--------------|--------------------------------|-------------------|---|
| Improve our website   | Identify names of web authors within service and provide training for them.  |              | 9 July 18 to 24 August 18      | Underway          | Web authors have been identified with training planned for August 18.   |
|   | Develop a PID for webpage overhaul and present this for Board approval.      |              | 27 August 18 to 5 October 18   | Not started       |   |
|   | Prepare a project plan for implementation thereafter                         |              | 8 October to 26 October 18     | Not started       |   |
| We will identify and work with key stakeholders, other council service areas and employees to develop a 3 year Customer Strategy. | Develop and present a PID on customer strategy for Board approval            |              | 6 August 18 to 6 September 18  | Ahead of schedule | PM appointed for this role. Initial work in developing the customer strategy underway with engagement with staff within service as well as other services within Council. |
|   | Update the action plan with milestones and implement the project thereafter. |              | 10 September 18 to 26 April 19 | Not started       |   |

## 5 Performance Data Returns

The following table sets out the commentary on the quarterly data returns that the Council provides to the Scottish Government.

| <b>KPO1 Targets - Minimise time taken to issue a first report or issue a building warrant or amendment to building warrant</b>  |                                |   |
|---|--------------------------------|---|
| 1.1   | <b>Quarter of year 2017/18</b> | <b>% of 1<sup>st</sup> reports and grants of warrant with no 1<sup>st</sup> report within 20 day target</b> |
|   | 1                              | 66%   |
|   | 2                              |   |
|   | 3                              |   |
|   | 4                              |   |
| <p>The Council is working towards achieving the target of 95%. The figure of 66% requires to be improved upon. As a result, new ways of working have been put in place for site inspection and plan reporting from July 2018 and will be trialed for a 3 month period. Initial indications are that these methods will help drive down backlogs of work and allow the 20 day target to be better met.</p> <p>The new ways of working result from a review of the “Virtual” plan reporting team. The team progresses smaller value (below £50,000) applications. The review identified that it is very effective in achieving target timescales. It was therefore decided to roll out this plan reporting approach more widely within the service. This is a major change to the way the service operates. As well as being more efficient it creates greater resilience as the progress of an individual application is much less dependent on a particular surveyor progressing it from beginning to end.</p> <p>This change accompanies a new approach to site inspection, whereby there is now a dedicated team of surveyors in place. This team is taking a risk based approach to assessment of compliance on site. Greater efficiency is achieved by this approach with less time spent on travelling from site to site as well as reduced disruption to plan assessment.</p> <p>The new approach to plan reporting and site inspection are being monitored closely to ensure that the benefits realised so far, continue to be achieved.</p> |                                |   |

|   |  |                                |  |   |     |   |  |   |  |   |  |
|---|--|--------------------------------|--|---|-----|---|--|---|--|---|--|
| 1.2   | <table border="0"> <tr> <td data-bbox="379 226 711 259"><b>Quarter of year 2017/18</b></td> <td data-bbox="831 226 1406 293"><b>% of building warrants and amendments issued within 10 days</b></td> </tr> <tr> <td data-bbox="379 293 400 327">1</td> <td data-bbox="831 293 903 327">58%</td> </tr> <tr> <td data-bbox="379 327 400 360">2</td> <td></td> </tr> <tr> <td data-bbox="379 360 400 394">3</td> <td></td> </tr> <tr> <td data-bbox="379 394 400 427">4</td> <td></td> </tr> </table> <p data-bbox="379 461 1350 696">The Council is working towards the target of 90% of building warrants and amendments issued within 10 days from receipt of all satisfactory information. The 58% figure above is above that for each quarter of last year. A focus for this coming year is to improve performance. The service change outlined in 1.1 above will help ensure that this performance in relation to turn around times once satisfactory information is received are improved.</p> | <b>Quarter of year 2017/18</b> | <b>% of building warrants and amendments issued within 10 days</b> | 1 | 58% | 2 |  | 3 |  | 4 |  |
| <b>Quarter of year 2017/18</b>  | <b>% of building warrants and amendments issued within 10 days</b>   |                                |  |   |     |   |  |   |  |   |  |
| 1   | 58%  |                                |  |   |     |   |  |   |  |   |  |
| 2   |  |                                |  |   |     |   |  |   |  |   |  |
| 3   |  |                                |  |   |     |   |  |   |  |   |  |
| 4   |  |                                |  |   |     |   |  |   |  |   |  |
| <b>KPO3 Targets – Commit to the Building Standards Customer Charter</b> |  |                                |  |   |     |   |  |   |  |   |  |
| 3.1   | The National Customer Charter is displayed prominently on the website. This document was updated in May 2018 to ensure it reflects current targets etc.  |                                |  |   |     |   |  |   |  |   |  |
| 3.2   | 95% of BSD requests for information on a BSD ‘Verifier Performance Reporting Service for Customers’ case responded to by verifier within 5 days.   |                                |  |   |     |   |  |   |  |   |  |
| <b>KPO4 Targets - Understand and respond to the customer experience</b> |  |                                |  |   |     |   |  |   |  |   |  |
| 4.1   | <p data-bbox="379 1167 1422 1301">The performance of the service has resulted in an overall satisfaction rating of 5.6 / 10. This was recorded via the national survey conducted by the Building Standards Division in Q3 2017/18. Customer satisfaction levels remain low with turn-around times and communications being a key concern of customers.</p> <p data-bbox="379 1335 1414 1503">As set out in Section 6, it is a priority to improve customer satisfaction with the service. This is expected to improve as a result of better turn-around times for processing building warrant applications and completion certificates. Measures such as surveys and engagement events are also being held throughout the course of the year.</p>  |                                |  |   |     |   |  |   |  |   |  |

| <b>KPO5 Targets - Maintain financial governance</b>                                  |  |                  |           |           |           |
|--|--|------------------|-----------|-----------|-----------|
| 5.1  |  |                  |           |           |           |
|  |  | <b>Quarter 1</b> | <b>Q2</b> | <b>Q3</b> | <b>Q4</b> |
|  | <b>Fee income</b>  | £973,462         |           |           |           |
|  | <b>Expenditure</b>   | £544,599         |           |           |           |
|  | Staffing costs:  | £501,031         |           |           |           |
|  | Non staff costs:   | £33,126          |           |           |           |
|  | Other investment:  | £53,508          |           |           |           |
|  | <p>Building standards verification fee income is to cover indicative verification service costs (staff costs plus 30%). The figures for expenditure plus 30% are currently below the income level. This is due to income having exceeded projected levels for the first quarter. This is being monitored closely.</p> <p>While overall, staff costs plus 30% are below the annual income, other non-staff costs includes sums for shared services whereby plans are assessed by partner local authorities. Expenditure on other investment will rise later this year due to the implementation of the new computer system.</p>   |                  |           |           |           |
| <b>KPO6 Targets - Commit to eBuilding Standards</b>                                  |  |                  |           |           |           |
|  | <p>Full details of the Building Standards Service in Edinburgh is available on the Council website at <a href="http://www.edinburgh.gov.uk/buildingstandards">www.edinburgh.gov.uk/buildingstandards</a></p> <p>This includes a link to the e.Building Standards website.</p>  |                  |           |           |           |
| 6.2  | <p>Plan checking of both building warrants and amendments are in excess of the 75% target and over 90% of cases are processed electronically for the period 2016/17.</p> <p>A comprehensive update of the case management and document management systems is underway and will be delivered for December 2018. This is a major investment involving the upgrade of associated software and hardware.</p> <p>Mobile technology is being piloted for on-site work including inspections with Microsoft Surface computers currently being trialled.</p> <p>A monitoring report is being arranged to provide the details required to show compliance with the CCNP requirements.</p> <p>Completion certificates are submitted online and processed electronically in many cases.</p> |                  |           |           |           |
| <b>KPO7 Targets - Commit to objectives outlined in the annual performance report</b> |  |                  |           |           |           |
| 7.1  | <p>The annual verification performance report for 2018-19 is on the Council website at:<br/> <a href="http://www.edinburgh.gov.uk/info/20212/property_planning_and_housing/587/building_standards_customer_service_charter">http://www.edinburgh.gov.uk/info/20212/property_planning_and_housing/587/building_standards_customer_service_charter</a></p>   |                  |           |           |           |
| 7.2  | <p>The annual verification performance report for 2019/19 includes performance data.</p>   |                  |           |           |           |

## 6 Risk

Levels of risk have not changed significantly since May 2018. However one additional risk has been identified. This is risk no 7 in relation to the resilience within partner services upon which Building Standards is dependent. Additional controls have been put in place following the 19 July 18 Board meeting to recruit to vacant posts. A review of the risk plan will take place in August with the Improvement team and the recommendations resulting from this review will be reported to the Board in September.

|   | Risk   | I | L | Level | Owner | Current controls   | Additional controls   |
|---|--|---|---|-------|-------|--|---|
| 1 | Risk of losing appointment as local authority verifier of building warrant applications for this Council's geographic area - resulting in the closure of the service, possible redundancies, disruption to construction programmes, reputational damage. | 5 | 5 | 25    | DG    | <ul style="list-style-type: none"> <li>· Argyll and Bute supporting service (shared services).</li> <li>· Use of overtime/agency staff/</li> <li>· Process improvements ("Virtual" plan reporting team).</li> <li>· KPIs monitored monthly by management team.</li> <li>· Complaints monitored on a regular basis.</li> <li>· Improvement Team appointed.</li> </ul> | The implementation and monitoring of this Building Standards Improvement Plan   |
| 2 | Risk of new case and document management systems not being implemented   | 5 | 4 | 20    | JDI   | <ul style="list-style-type: none"> <li>· Project board established which involves service, ICT and CGI representatives.</li> </ul>   | Potential to extend temporary recruitment arrangements to ensure workarounds remain in place if systems upgrade is not delivered on time.                   |
| 3 | High levels of stress within the team's due to lack of employee resources/ workload leading to employee absenteeism/ adverse effect on productivity/ service delivery  | 4 | 5 | 20    | DG    | <ul style="list-style-type: none"> <li>· Place Health &amp; Safety Forums</li> <li>· Health &amp; Safety policy (Council wide)</li> <li>· Health &amp; Safety training</li> <li>· Regular "Team Talks"</li> <li>· Redeploying resources</li> <li>· One to one support for team members</li> <li>· Temporary agency employees</li> </ul>                              | Developing new ways of working will over the long term, assist in reducing stress levels ensuring better allocation of workload and consistency of working. |

|   | <b>Risk</b>   | <b>I</b> | <b>L</b> | <b>Level</b> | <b>Owner</b>      | <b>Current controls</b>   | <b>Additional controls</b>   |
|---|---|----------|----------|--------------|-------------------|---|--|
| 4 | The potential for employees to leave the service either through retirement or to other job. This is a significant risk given the age profile of the employee group. | 5        | 3        | 15           | DG                | <ul style="list-style-type: none"> <li>Additional employees being brought in are being developed with training sessions and “on the job” training.</li> <li>Knowledge of existing employees is being passed on via in work training.</li> </ul> | An action of the Improvement Plan is to develop a people plan. This will address issues of succession and job retention.   |
| 5 | Loss of key controls due of changes being made to the service which arise as a result of the improvement programme.   | 4        | 3        | 12           | DG                | <ul style="list-style-type: none"> <li>Current controls are in place for monitoring performance.</li> </ul>   | Recruitment underway for vacant post in ICT.   |
| 6 | Employees are not sufficiently supported during the change process, leading to the changes not being fully delivered.   | 4        | 3        | 12           | CW / CN / RG / GW | <ul style="list-style-type: none"> <li>Staff briefings and emails to communicate change</li> </ul>  | A structured communications plan is put in place to explain the changes being made.<br>Employees are supported with workshops, training and evidence based approach to change. |
| 7 | Risk of losing key personnel in wider Council which service is dependent on. Issue most acute in ICT, and Transactions.   | 4        | 4        | 16           | DG                | Management within service areas aware of issues.  |  |





# Governance, Risk and Best Value Committee

10:00, Tuesday, 28 August 2018

## Improving the implementation of Council decision making

|                     |      |
|---------------------|------|
| Item number         | 7.13 |
| Report number       |      |
| Executive/routine   |      |
| Wards               |      |
| Council Commitments |      |

### Executive Summary

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This report provides a follow up to the October 2017 report on the dissemination of council policies and sets out a strategic approach to how the council can improve the implementation of council decisions and how we can provide better assurance that successful implementation is taking place.

The proposed approach recommended for approval has five strands of work recognising the importance and long-term nature of the issue.

## Improving the implementation of Council decision making

### 1. Recommendations

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- 1.1 That the Committee agrees the approach set out at 3.2 and agrees to a follow up report providing an update on the activity proposed in the report in early 2019.

### 2. Background

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- 2.1 The Governance, Risk and Best Value Committee (GRBV) had previously agreed a revised approach for the dissemination and implementation of committee decisions by directorates. It was agreed to introduce a spot-check on the dissemination of Council policies with a report going to GRBV in October 2017.
- 2.2 The 2017 report provided the fourth of these updates and included the results of a spot checking exercise that was undertaken in April 2017 which focussed on dissemination to Council officers of two Council policies by way of a questionnaire to randomly selected officers from two service areas.
- 2.3 This was emailed to officers by Senior Executive Officers using the Survey Monkey platform and utilised an expanded sample size. Questions were tailored to gain an understanding of officer's awareness of where to find policies. The expanded sample size of 240 for each survey was maintained, however, response rate was significantly lower than previously, with only 34 individuals responding to each survey. The selected policies were the Health and Safety Policy and the Managing Customer Contact in a Fair and Positive Way Policy.
- 2.4 At Committee it was agreed to provide a future report on more effective ways to monitor the dissemination and understanding of Council policies.

### 3. Main report

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- 3.1 Whilst the approach set out in 2.1 is helpful and provided meaningful feedback it is felt that a refreshed and broader approach is required if longer term improvement and cultural change is to be successful. This revised approach brings together process improvement, digital innovation, and cultural change with the aim of bringing longer term improvement to the successful implementation of council decision making. Within this, the report sets out some improvement activity that has already taken place, some that is in active development and proposals to pilot

new approaches, the culmination of which it is hoped will support a comprehensive approach to the implementation of council decisions.

3.2 The five proposed strands of work are to:

3.2.1 Review and evolve the Council's existing Policy Register to improve the foundations of council policy implementation;

3.2.2 Review the Council's current report template to better capture implementation actions and next steps for all council decisions;

3.2.3 Introduce a new committee management solution to modernise and digitalise the process and recording of Council decision making;

3.2.4 Further align the Council's Change Portfolio to ensure all major change is captured and monitored and successfully implemented; and

3.2.5 Pilot a new learning and insight approach to improve our understanding of the practical delivery of council decisions and how managers can most effectively support their implementation.

### **Review of the Council's Policy Register**

3.3 The council's policy register was established in April 2015 to ensure that all council policies were easily accessible, were created, revised and renewed in a consistent manner and to an agreed standard, and to reinforce the importance of the role of elected members in setting policy. The register is managed by Strategy and Insight and is updated as new council policies are introduced or existing policy amended.

3.4 It is proposed that Strategy and Insight undertake a health check of the register to both ensure that it is fully up to date and optimise the quality and accessibility of the information contained within the register.

3.5 This would also consider how the policy register would align with the introduction of a new committee management solution at 3.7. The conclusions would be brought back to Corporate Policy and Strategy Committee if any decision was required and as part of the follow up report to GRBV in early 2019 after consultation with members of GRBV as part of the process.

### **A review of the Council's Report Template**

3.6 The Council's report template is scheduled for review and consideration by Strategy and Insight in conjunction with elected members. It is recognised there is opportunity to improve the template, alongside broader support for officers in improving the quality of council reports, to improve council decision making. As part of this work there is an opportunity for the report template to clarify the implementation approach for council decisions ensuring elected members see greater clarity on next steps and ensuring the policy cycle is fully reflected from inception to conclusion. It is therefore proposed that the review of the template considers an overt implementation section to the template.

### **Introduction of a new Council decision making support management solution**

- 3.7 Strategy and Insight are currently working with ICT to implement a new Council decision making digital solution. The solution will digitalise the management of committee business and follow up decision making, help to make the process more efficient, more transparent, and easier to track progress against.
- 3.8 Procurement and market testing is currently underway with implementation currently scheduled for April 2019. Alongside the other elements of this approach it is intended that this will have a very significant impact in the tracking and follow up of council decisions. It is proposed that an update of this work is brought back in the follow up of this report in early 2019.

### **Further align the Council's Change Portfolio**

- 3.9 In February 2018, GRBV agreed a revised approach to the management of significant change across the council to ensure that all significant projects, both physical and broader change was captured and managed as part of a whole system approach. The first cycle of the new approach was presented to GRBV in May and included 52 different change projects across the council. This is a fundamental part of council implementation and it is proposed that as part of this broader approach to council implementation the alignment between the change portfolio and the policy register is considered to ensure alignment and join up. Any conclusions of this assessment would be again reported back to GRBV as part of the follow up report on this issue.

### **Pilot a new learning and insight approach to support council implementation**

- 3.10 Previous approaches to improve the dissemination of council decision making have centred around undertaking surveys to understand implementations and their implications. Building on this good work it is proposed we pilot a new approach to make the council's approach to following up on council decision making more holistic.
- 3.11 The proposal is that we would pilot an approach where researchers observed officers in a service working in their real-life environment. This approach would be to select a specific council policy, food waste implementation has been suggested as a good example, and to observe in setting the practical implementation of the policy and to then analyse that against the policy agreed by council. In the pilot phase this work would be undertaken by qualified researchers within Strategy and Insight but if shown to be successful could be adopted more broadly across the organisation, building a culture of self-assessment.
- 3.12 Based on the field work we would then work with Communication colleagues, Learning and Development within HR and most of all managers within the service to look at any activity required to ensure implementation aligned with the agreed policy. Practically, this could include additional training, work within teams and communications activity to ensure staff knew what was required of them and that we were working with them in a supportive way to ensure successful implementation.

- 3.13 This approach could also potentially improve council policy making by providing a feedback loop to committee on the practical challenge and consequences of any agreed policy which may result in council wishing to amend or potentially change decisions.
- 3.14 Clearly, resources are not available for this to be undertaken for all council policies but it is proposed that this is piloted with a single policy with the result brought back to GRBV for consideration and analysis before potentially widening out the methodology to further specific council policies. It is proposed that this work would be undertaken in the autumn of 2018 with the result brought back to Corporate Policy and Strategy Committee and GRBV in early 2019.

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

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- 4.1 To have more transparent and effective arrangements in place to improve the process involving the decision and the implementation of that decision.

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

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- 5.1 There are no financial impacts arising from this report.

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

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- 6.1 The proposals in the report seek to improve the governance arrangements supporting decisions and the subsequent implementation throughout the Council. An improved monitoring process and the expected benefits this would bring to culture and operational effectiveness should lead to more effective governance arrangements and reduce the risk of non-compliance with Council policy or statute.

#### **7. Equalities impact**

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- 7.1 There are no equality impacts arising from this report but an assessment will be necessary depending on the results of the work proposed.

#### **8. Sustainability impact**

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- 8.1 There are no sustainability impacts as a result of this report.

#### **9. Consultation and engagement**

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- 9.1 Engagement with elected members and officers would take place if the proposals are agreed.

## 10. Background reading/external references

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- 10.1 Governance, Risk and Best Value Committee 31 October 2017 – [Spot-checking on the Dissemination of Council Policies](#)

**Andrew Kerr**

**Chief Executive**

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## 11. Appendices

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None.

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 28 August 2018

## Committee Reporting

|                            |      |
|----------------------------|------|
| <b>Item number</b>         | 7.14 |
| <b>Report number</b>       |      |
| <b>Executive/routine</b>   |      |
| <b>Wards</b>               | N/A  |
| <b>Council Commitments</b> | -    |

### Executive Summary

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On 31 May 2018 the Council agreed a motion by Councillor Doggart exploring the number of reports presented to Council and all committees within the current Council term.

The following report provides the information requested by Council and outlines measures to improve committee reporting including the possible implementation of a committee management system.

## Committee Reporting

### 1. Recommendations

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- 1.1 To note the report and steps being taken to improve the overall committee reporting process.

### 2. Background

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- 2.1 On 31 May 2018 the Council agreed a motion by Councillor Doggart exploring the number of reports presented to Council and all committees within the current Council term.
- 2.2 There was also an outstanding Governance, Risk and Best Value Committee remit to outline possible improvements to committee reporting using technology.

### 3. Main report

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- 3.1 Councillor Doggart's motion asked for five elements to be covered in the report and the report is structured around these questions.

#### **Number of Reports due for Committee**

- 3.2 The number of reports scheduled for August to December 2018 is 227. It is expected that this will increase significantly as the agendas for committees late in the year are finalised.

#### **Number of reports presented to committee/Council on time**

- 3.3 The Local Government (Scotland) Act 1973 requires that committee papers are published three clear days before the meeting, not including the day of meeting or day of receipt. The legislation allows reports to be marked 'to follow' on the agenda or be ruled urgent but this should not be routine. The Council tries to avoid 'to follow' or urgent reports but there are times when it is necessary. There were 418 reports following the local government elections in 2017 and 543 in the first six months of 2018, totalling 961.

#### **Number of reports presented late, or not at all, to committee/Council**

- 3.4 Of these 961 reports, 19 were marked 'to follow' on the agenda, resulting in 98% of reports being published on time. This number though is inflated by three referral



reports which were on the agenda as potential items as they had not been referred at the time of publication.

| <b>Directorate</b>                            | <b>Number of to follow reports</b> |
|---|------------------------------------|
| Chief Executive (includes 3 referral reports) | 5                                  |
| Communities and Families                      | 2                                  |
| Health and Social Care Partnership            | 3                                  |
| Place   | 8                                  |
| Resources                                     | 1                                  |
| <b>Total</b>                                  | <b>19</b>                          |

### **The reasons for the late presenting of reports**

- 3.5 There is no trend in terms of any one directorate or committee being particularly responsible for late reports. Although the Place directorate has the most ‘to follow’ reports they are also responsible for producing the most reports.
- 3.6 The Council does not currently collect information on why a report is marked ‘to follow’ and there are not systems in place to produce significant statistical information on committee reporting. However, the common reason was reports not being finalised in time with the report being submitted to the committee at a later date due to confusion over reporting deadlines or resource pressures. Late reports are sometimes unavoidable due to changing circumstances but improvements can be made to the process to ensure this is not a common occurrence by reducing the manual elements of the process.

### **Steps the Council will take to ensure no further report deadlines are missed during the current Council**

- 3.7 As noted in June 2018 the number of reports the Council and its committees considers is high compared to other local authorities and has increased in recent years. Also despite the number of committees decreasing, as agreed in June 2017, the number of committee meetings has only experienced a minor reduction.
- 3.8 It is not possible to ensure no further report deadlines are missed and the legislation allows this flexibility due to it being, on occasion and in certain circumstances, necessary for Councils to make quick decisions. However, despite the high rate of 98% for meeting deadlines, this and in particular the planning of reports can be improved.
- 3.9 The committee report process has been in place since 2010 and although very effective in ensuring reports are submitted to committee, it is showing signs of strain. The process is very manual, resource intensive and does not produce a

focussed approach to reporting and can result in reports being delayed. A more efficient process would allow greater transparency and engagement with the community as well as reducing staff time on reporting and facilitating more joined up planning and oversight. To achieve this the following is being implemented:

- 3.9.1 Replacing executive committee key decision forward plans with work programme;
- 3.9.2 Reviewing the report template and guidance
- 3.9.3 Exploring new software to replace reporting processes.

### **Work Programmes**

- 3.10 On 28 June 2018 the Council agreed that executive committee key decision forward plans should be replaced by work programmes. This would mean a more comprehensive list of reports being outlined for future meetings. These work programmes are only a guide and are subject to change but once allied with a new report process will be able to provide greater transparency and an ability to manage their business more effectively.

### **Report template and guidance**

- 3.11 On 28 June 2018 the Council agreed that the Chief Executive should review the report template and guidance with an aim of reducing reports but maintaining sufficient financial, risk and statutory information whilst increasing the accessibility of the document. The Chief Executive will be consulting with elected members on a template before submitting a proposal to committee.

### **New Committee Management and Report Process**

- 3.12 The existing system is limited in that it provides no additional functionality beyond publishing capability and has no ability to integrate with a range of key business processes, e.g. webcasting, document management, elected member compliance, report tracking and Council Diary. The report search function is not fit for purpose and the Committee paper subscription service has been disabled as it is not compliant with data protection legislation. As stated previously report management is manually carried out, is inefficient and inhibits work planning.
- 3.13 In the time period since the current system was implemented, committee management software has been developed to a level where real efficiencies can be achieved.

3.13.1 **Report Workflow** - Moving from manual to automated report workflow allows the drafting and approvals process to be mapped, for bottlenecks to be identified. It ensures deadlines are clearly communicated to report authors, with deadline reminders by email and for the process to be monitored by directorates and Committee Services staff. A report management system provides a complete overview, inbuilt forward planning and the advanced identification of duplication or issues; resulting in operational efficiencies and improved transparency.

- 3.13.2 **Committee Management** - The Committee work programme functionality automates many of the Committee administrative duties and planning processes within the system, improving efficiency and effectiveness in completing tasks and eliminating delays, duplication of effort and cumbersome manual techniques. For example, documents and forms can be standardised, therefore, the entire process becomes faster and more precise.
- 3.13.3 **Meetings** - A unique profile can be created for each elected member and senior officer allowing papers to be pushed to Committee members based on their profile and privileges, taking into account private and custom circulations where required. This will automate the summons and paper circulation process and mean that papers won't need to be re-circulated when updated as notification is automated within the user application.
- 3.13.4 **Management Information** – Committee management systems allow statistical information to be easily produced. The information is linked to on-line forward plans, agenda items, minutes and decisions across meetings and Committees, accelerating the retrieval of accurate and relevant information to allow further actions to be taken.
- 3.13.5 **Efficient Workflows** - Manually-intensive steps can be automated, reducing risks related to errors and delays associated with the current manual systems. Reports are written through the software, providing version control and with email reminders for staff involved. Dissemination of Committee decisions and actions is automated through the system. This can be managed by directorates giving them greater control.
- 3.13.6 **Other efficiencies** – Other efficiencies such as integration with webcasting, automatic diary production, electronic entry for Register of Interests are common in committee management products.
- 3.14 The Council's requirements are currently being explored through a procurement exercise to identify the most appropriate product. It is hoped that the software can be identified and implemented by April 2019.

## 4. Measures of success

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- 4.1 Improved reports submitted to committee within required timescales.

## 5. Financial impact

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- 5.1 Committee Management System scoping costs have been contained within relevant service area budgets.
- 5.2 Due to the ongoing procurement process it is not yet possible to confirm capital or revenue costs.

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

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- 6.1 Measures proposed ensure that the Council's decision making is based on informative and thorough reporting that meets the Council's statutory duties whilst ensuring that the process is efficient and streamlined.

## 7. Equalities impact

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

## 8. Sustainability impact

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

## 9. Consultation and engagement

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- 9.1 Workstreams highlighted in this report will require input from elected members and individual service areas at design and implementation stage. A range of measures including email surveys and workshops will be scheduled as appropriate.

## 10. Background reading/external references

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- 10.1 [Committee Report Process – Report by the Chief Executive to GRBV Committee – 19/10/2015](#)
- 10.2 [Reports Presented to Council and Committees – Motion by Councillor Doggart – 31/05/18](#)

### **Andrew Kerr**

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## 11. Appendices

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Statistics presented to Council in June 2018

## Appendix

### Total Number of Reports

| Total number of reports | 2015     | 2016                                     | 2017                                     | 2018  |
|-------------------------|----------|--|--|---|
| Edinburgh               | 970      | 859                                      | 653                                      | 460 (543 with locality committees) (first six months) |
| Aberdeen                | 500- 650 | 607                                      | 442                                      | n/a   |
| Dundee                  | 500 -650 | 417                                      | 447                                      | n/a   |
| Glasgow                 | 682      | 596 (875) if area partnerships included) | 465 (777) if area partnerships included) | n/a   |

### Report Number by Committee

| Name of Committee                                       | 2016 (first 6 months) | 2016 (last 6 months) | 2017(first 6 months) | 2017 (last 6 months) | 2018 (first 6 months) |
|---|-----------------------|----------------------|----------------------|----------------------|-----------------------|
| City of Edinburgh Council                               | 37                    | 21                   | 51                   | 24                   | 38                    |
| Communities and Neighbourhoods Committee (pre May 2017) | 7                     | 10                   | 10                   |                      |                       |
| Corporate Policy and Strategy Committee                 | 40                    | 31                   | 56                   | 32                   | 31                    |
| Culture and Communities Committee (post May 2017)       |                       |                      |                      | 24                   | 38                    |
| Culture and Sport (pre May 2017)                        | 11                    | 29                   | 10                   |                      |                       |
| Economy Committee (pre May 2017)                        | 32                    | 15                   | 15                   |                      |                       |
| Education, Children and Families Committee              | 38                    | 30                   | 13                   | 42                   | 42                    |

|  |     |     |    |    |     |
|--|-----|-----|----|----|-----|
| Finance and Resources Committee                          | 140 | 116 | 68 | 91 | 103 |
| Governance, Risk and Best Value Committee                | 41  | 42  | 25 | 39 | 29  |
| Housing and Economy Committee (post May 2017)            | N/A | N/A | 31 | 31 | 35  |
| Health, Social Care and Housing Committee (pre May 2017) | 36  | 22  | 17 |    |     |
| Integration Joint Board                                  |     |     | 31 | 41 | 35  |
| Planning Committee                                       | 15  | 21  | 18 | 17 | 12  |
| Regulatory Committee                                     | 13  | 16  | 8  | 11 | 18  |
| Transport and Environment Committee                      | 57  | 39  | 44 | 46 | 42  |

# Governance, Risk and Best Value Committee

10.00am, Tuesday 28 August 2018

## Accounts Commission: Councils' use of arm's-length organisations

|                     |      |
|---------------------|------|
| Item number         | 7.15 |
| Report number       |      |
| Executive/routine   |      |
| Wards               | n/a  |
| Council Commitments | n/a  |

### Executive summary

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Following Audit Scotland's performance audit of Scottish councils' use of arms-length external organisations (ALEOs) between summer 2017 and spring 2018, the Accounts Commission published its [report](#) in May 2018.

The City of Edinburgh was one of nine sample councils chosen by Audit Scotland to give a cross-section of councils that make significant use of ALEOs in terms of their numbers or scale.

The report examines how councils use ALEOs, how they are overseen, what they are achieving and their future direction, building on the messages from their 2011 [report](#) Arm's-length external organisations (ALEOs): are you getting it right?

## Accounts Commission: Councils' use of arm's-length organisations

### 1. Recommendations

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- 1.1 Members of the Governance, Risk and Best Value Committee are asked to:
  - 1.1.1 note the contents of the report; and
  - 1.1.2 refer the report to the Corporate Policy & Strategy Committee for its consideration, in particular whether elected members should be on the boards of ALEOs.

### 2. Background

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- 2.1 ALEOs are used widely across local government in Scotland to provide a range of activities including: sport and leisure; cultural services; economic development and regeneration; property; and social care services.
- 2.2 Audit Scotland defines ALEOs as companies, trusts and other bodies that are separate from the local authority but are subject to local authority control or influence. Control or influence can be through the council having representation on the board of the organisation, and/or through the council being a main funder or shareholder of the organisation.
- 2.3 Their 2011 report aimed to promote and encourage good practice in the way ALEOs are set up, operate and deliver services and how councils maintain governance and accountability for finance and performance. It highlighted the risks and opportunities of using ALEOs and built on the principles set out in the [Following the Public Pound \(FtPP\) code](#), which sets out how councils should manage their relationships and be accountable for ALEOs and other external bodies they are involved with.
- 2.4 In March 2015 the Accounts Commission carried out follow-up work on its 2011 report which identified some improvements in councils' governance of ALEOs but that the standard of practice varied.
- 2.5 Since the Commission's 2011 report the Council has carried out two reviews of its companies with reports to Council on [13 December 2012](#) and [30 June 2016](#).
- 2.6 In 2016 Council approved a number of actions, including redefining roles and responsibilities, improving scrutiny at committee level and creating the



companies Governance Hub. These arrangements are now well established and it is in this context that the Council's use of ALEOs was examined by Audit Scotland.

### 3. Main report

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- 3.1 The Accounts Commission report comprises four distinct parts. Part 1 examines councils' use of ALEOs, including their spread, form, function, financial arrangements, legal forms and recent and ongoing changes in their use. EDI is one example used to illustrate evolving change at Exhibit 4.
- 3.2 This part also covers the reasons for councils' use of ALEOs, including taxation benefits; income/funding generation; commercial focus; stakeholder involvement; partnership working and the strengths of a dedicated board. It warns of business case assumptions changing over time, eg. The Barclay Review, and that stronger business cases can be made where benefits are clearly linked to improved outcomes for citizens and communities.
- 3.3 The auditors found few councils have guidelines or policy for making service delivery choices and emphasise the importance of councils being able to demonstrate that any policy position enables the securing of Best Value.
- 3.4 They also suggest councils could do more to involve local communities and businesses in their choice of options and that public opinion should also be a consideration.
- 3.5 Part 2 covers councils' oversight of ALEOs in applying the FtPP code; reasoning for council appointments to ALEO boards; alternatives to council representation to limit conflicts of interest (an Edinburgh example is referenced at 43. on page 23); appointments based on role requirements (Edinburgh's approach is mentioned at 48. on page 24); training and support to board members; systematic testing of Best Value; and the accountability of ALEOs.
- 3.6 Part 3 examines what ALEOs are achieving. Given the diversity of services provided and their individual circumstances, the auditors found it difficult to draw on clear patterns of performance that apply to all. As a result, they focussed on a sample covering sports and leisure (with Edinburgh Leisure referenced in 68. on page 30); social care and a small number of more commercial ALEOs (an Edinburgh example is referenced at 88. on page 34).
- 3.7 The narrative in this part is predominantly positive but also highlights the ongoing cost and workforce pressures for social care ALEOs and a need for councils to improve their measurement of the outcomes achieved by ALEOs.
- 3.8 Part 4 considers the future direction of ALEOs and acknowledges the value to councils of this model to sustain services and innovate. It highlights the key issues councils should be taking account of when considering the future of their ALEOs, including the involvement of communities, business, service users and the public; joint service provision between councils (Lothian Buses in referenced

in 99. on page 36 and highlighted as a case study on page 37); and the consideration of benefits and risks as ALEOs evolve.

### Relevance to Edinburgh

3.9 There are nine recommendations for councils on page 6 of the report. The table below illustrates how the Council currently complies with each recommendation and where improvement action is required:

| Report Recommendation |  | CEC Approach   |
|-----------------------|--|--|
| 1                     | Examine wider options that can bring similar benefits to ALEOs such as reorganising an existing service, sharing services with other councils, or involving the local community.           | <ul style="list-style-type: none"> <li>▪ Discuss at CLT and Governance Hub</li> </ul>  |
| 2                     | Demonstrate how ALEOs help the council meet its objectives and improve outcomes for their communities.   | <ul style="list-style-type: none"> <li>▪ Discuss at CLT and Governance Hub</li> </ul>  |
| 3                     | Set clear criteria for reviewing an ALEO, considering risks, performance and how it fits with council priorities.  | <ul style="list-style-type: none"> <li>▪ Performance and strategy reporting template agreed with ALEOs at Governance Hub.</li> <li>▪ Council oversight embedded in Committee Terms of Reference, with scrutiny of strategy and performance split between appropriate executive committee and GRBV.</li> </ul>                                |
| 4                     | Oversee the performance, financial position, and associated risks of ALEOs.  | <ul style="list-style-type: none"> <li>▪ Council senior officer observer at board meetings</li> <li>▪ Quarterly Governance Hub meetings</li> <li>▪ Executive Committee reporting</li> <li>▪ Governance, Risk &amp; Best Value Committee scrutiny</li> </ul>  |
| 5                     | Have clear reasons for appointing councillors and officers to ALEO boards, recognising the responsibilities and requirements of the role, and the risks of conflicts of interest.          | <ul style="list-style-type: none"> <li>▪ How the Council tackles this issue is outlined for consideration in this report</li> </ul>  |
| 6                     | Provide training, support and advice from both the perspective of the council and the ALEO. This should include legal responsibilities, scrutiny and oversight, and conflicts of interest. | <ul style="list-style-type: none"> <li>▪ Elected Members' Induction and Training Programme</li> <li>▪ Board member induction and training</li> <li>▪ Provision of issue specific and ad hoc professional advice from officers of the Council and the ALEO</li> </ul>   |
| 7                     | Have processes in place to manage any potential conflict of interest of elected members and officers involved in the operation of ALEOs.   | <ul style="list-style-type: none"> <li>▪ No officer representation on ALEO boards</li> <li>▪ Registration of interests with Council and ALEOs</li> <li>▪ Declaration of interests at committee and board meetings</li> <li>▪ Provision of issue specific and ad hoc professional advice from officers of the Council and the ALEO</li> </ul> |

|   |   |  |
|---|---|--|
|   |   | <ul style="list-style-type: none"> <li>▪ Code of conduct training for councillors detailing conflicts and how to avoid.</li> </ul>   |
| 8 | Take an active role in managing their relationship with ALEOs, including their compliance to service level agreements, contracts and other obligations. | <ul style="list-style-type: none"> <li>▪ Council observer role and responsibilities</li> <li>▪ Council Executive Director responsibilities for maintenance and monitoring of service level/shareholder agreements</li> <li>▪ Quarterly Governance Hub meetings</li> <li>▪ Executive Committee reporting</li> <li>▪ Governance, Risk &amp; Best Value Committee scrutiny</li> </ul> |
| 9 | Make information about ALEO funding and performance clear and publicly available.   | <ul style="list-style-type: none"> <li>▪ Annual report to executive committee</li> <li>▪ Governance, Risk &amp; Best Value Committee scrutiny</li> </ul>   |

### **Progressing the Report's Recommendation**

- 3.10 There are three recommendations (1,2 and 7) in the report that the Council requires further consideration. The first asks councils to consider any wider options that could be implemented that would benefit ALEOs such as shared services. The second recommendation is focussed on how the impact of ALEOs on the Council's objectives can be demonstrated. These recommendations will be considered at the Council's Leadership Team and the Governance Hub to explore possible improvements.
- 3.11 Recommendation seven highlights the ongoing debate about the advantages and disadvantages of elected members being board members. It outlines these considerations and asks Councils to consider other approaches to limit conflicts of interest.
- 3.12 This is not the first time the Council has considered this issue. In 2012, a review of Council companies was completed advocating that elected members should not sit on the boards of Council owned companies due to the potential for a conflict of interest to exist between their role as an elected member and their role as a director on the company's board. The Council rejected this recommendation and indicated they wished elected members to still have an active role on Council companies.
- 3.13 In June 2016, the Chief Executive reported to Council on outside bodies and in particular the liability risk to the Council and individual elected members of being members of unincorporated associations and again the issues of conflicts were discussed.

### **Advantages and Disadvantages**

- 3.14 Advantages of elected members as board directors or nominees
- 3.14.1 Builds a strong relationship between Council and ALEO;
- 3.14.2 Committee members and in particular conveners and vice-conveners can have in-depth knowledge of service in relevant ALEO;

- 3.14.3 Elected members gain greater knowledge through the ALEO to apply at Council;
- 3.14.4 ALEO can have an insight into the Council and the needs of the community.
- 3.15 Disadvantages of elected members as board directors or nominees
  - 3.15.1 Additional demands to diverse role;
  - 3.15.2 Elected members may lack the background and skills to perform the role;
  - 3.15.3 Risk of conflict of interest between the ALEO and the Council;
  - 3.15.4 Exposure to legal risks and personal liability as highlighted in the report in 2016.
- 3.16 There is a set of regulatory bodies, documentation and legislation that feeds into this matter. The Councillors' Code of Conduct allows elected members to sit on company boards or as trustees as long as the organisation was established by the Council to provide services to the Council and there is an agreement in place to do so. This exclusion from the Code only applies if an interest is declared and is not applicable to quasi-judicial decisions.
- 3.17 Where elected members sit on the boards of Council owned companies there is an inherent risk that they may put the needs of the local authority before that of the charity or company. Trustees have duties under the Charities and Trustee Investment (Scotland) Act 2005 to comply with, while directors of companies have director duties under the Companies Act 2006 to comply with. However, both pieces of legislation state that individuals should be acting in the best interests of the organisation at all times. It is not enough to act in the best interests of the Council in Council meetings and the best interests of the organisation at the Board meeting. Not complying with these requirements would leave the elected member open to censure and in severe circumstances disqualification. The Code of Conduct also applies a requirement to act in the best interests of the Council. These requirements do not cause any issues if the best interests of the Council and the organisation are the same, when these diverge there is a conflict of interest that is difficult to avoid.
- 3.18 Council companies and charities are arm's length and as such should not be under the direct control of the Council. An inquiry was carried out by The Office of the Scottish Charity Regulator (OSCR) into the Shetland Charitable Trust which was deemed to not have sufficient independence from Shetland Islands Council. This was resolved through a restructure of the governance arrangements in 2013. The lack of independent thought concerned the regulator who argued it could lead to charities not acting in their own best interest. OSCR is also concerned about sole members and instances where there are only elected members on boards or a majority of elected members on boards. OSCR does not go as far to endorse elected members on local authority owned charities but it has recognised that the Act allows it and that there is no evidence

that it can hinder the activities of the charity. OSCR does ask though that local authorities appoint elected members as trustees based on their skills and experience.

- 3.19 The Scottish Parliament Inquiry into ALEOs in 2016 looked specifically at the role of elected members as directors and did not find any issues, satisfying themselves that the Code of Conduct was being properly applied.
- 3.20 Elected member representation on outside bodies is complex due to the wide-ranging nature and status of the organisations. There is no one solution or single piece of advice on whether elected members should be on outside bodies or not. There are inherent conflicts of interest with all appointments and a judgement has to be made on whether the appointment would hinder the business of the Council or hinder the elected member in carrying out their role. The difficult position this can put elected members in should be considered.
- 3.21 If it is determined that elected members should not be on ALEO boards or act as trustees of ALEOs then a report would be required on how this could be practically implemented. This would include how the Council could provide effective oversight of ALEOs such as elected members being observers on boards and/or ALEO board appointments requiring Council approval.

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

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- 4.1 That agreed improvement actions are implemented and sustained.

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

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

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

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- 6.1 There will be a positive impact on all areas if the agreed improvement actions are implemented and sustained.

#### **7. Equalities impact**

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

#### **8. Sustainability impact**

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- 8.1 There are no sustainability implications arising from this report.

## 9. Consultation and engagement

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- 9.1 The Accounts Commission report has been shared with the Chief Executives of the Council's companies that comprise the Governance Hub, who were regularly updated on progress during the course of the performance audit.
- 9.2 This report and any resulting management actions will be shared and discussed with the company Chief Executives at the next scheduled meeting of the Governance Hub.

### **Andrew Kerr**

Chief Executive

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## 10. Background reading/external references

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[Audit Scotland - Arm's-length external organisations \(ALEOs\): are you getting it right? – June 2011](#)

[Following the Public Pound \(FtPP\) code](#)

[City of Edinburgh Council – Council Companies - 13 December 2012](#)

[City of Edinburgh Council – Council Companies - 30 June 2016](#)

## 11. Appendices

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- 1 – [Accounts Commission: Councils' use of arm's-length organisations – May 2018](#)

# Governance, Risk and Best Value Committee

10am, Tuesday 28 August 2018

## Whistleblowing update

|                     |      |
|---------------------|------|
| Item number         | 7.16 |
| Report number       |      |
| Executive/routine   |      |
| Wards               |      |
| Council Commitments |      |

### Executive summary

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This report provides a high level overview of the operation of the Council's whistleblowing service for the period 1 April to 30 June 2018.

## Whistleblowing update

### Recommendations

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- 1.1 To note the report.

### Background

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- 2.1 The Council's whistleblowing service, including a confidential reporting line, is contracted to an independent external organisation, currently Safecall Limited.
- 2.2 This report covers the period from 1 April to 30 June 2018.

### Main report

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#### Reports to Safecall

- 3.1 During the reporting period Safecall received thirteen new disclosures as follows:

| Category                                 | Number of disclosures |
|--|-----------------------|
| Major/significant qualifying disclosures | 0                     |
| Minor/operational qualifying disclosures | 11                    |
| Category to be determined                | 0                     |
| Non-qualifying disclosures               | 2                     |

- 3.2 Managing a noticeable increase in disclosures was the focus for officers this quarter.

#### Whistleblowing Review - Action Plan Progress



- 3.3 Officers continue to explore options for the monitoring and reporting of management actions that result from whistleblowing investigations, with the Monitoring Officer bringing forward a report on his recommendations in the Autumn.

## Measures of success

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- 4.1 Employees feel able to report suspected wrongdoing as early as possible in the knowledge that:
- 4.1.1 their concerns will be taken seriously and investigated appropriately;
  - 4.1.2 they will be protected from victimisation; and
  - 4.1.3 the provisions of the whistleblowing policy ensure all matters at the Council are fully transparent and officers are accountable.

## Financial impact

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- 5.1 The cost of the whistleblowing service for the three-month period 1 April to 30 June 2018 was £4,725 (exclusive of VAT).
- 5.2 No investigation costs were incurred this period.

## Risk, policy, compliance and governance impact

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- 6.1 The whistleblowing policy was developed and agreed to complement existing management reporting arrangements and to ensure employees have the right to raise concerns in the knowledge that they will be taken seriously, that matters will be investigated appropriately and confidentiality will be maintained.

## Equalities impact

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

## Sustainability impact

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- 8.1 There are no sustainability implications arising from this report.

## Consultation and engagement

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- 9.1 There was consultation with the trades unions to secure a local agreement in relation to the revised whistleblowing policy.

## **Background reading/external references**

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[Finance and Resources Committee 27 August 2015: item 7.13 - Review of Whistleblowing Arrangements](#)

[Finance and Resources Committee 27 March 2018: item 7.4 - Whistleblowing Policy](#)

### **Andrew Kerr**

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