

# Notice of meeting and agenda

## Governance, Risk and Best Value Committee

**10.00 am Tuesday, 14th January, 2020**

Dean of Guild Court Room - City Chambers

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

The law allows the Council to consider some issues in private. Any items under “Private Business” will not be published, although the decisions will be recorded in the minute.

### Contacts

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## **1. Order of Business**

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

## **2. Declaration of Interests**

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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 3 December 2019 - submitted for approval as a correct record 7 - 14

## **5. Outstanding Actions**

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- 5.1 Outstanding Actions - 14 January 2020 15 - 36

## **6. Work Programme**

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- 6.1 Governance, Risk and Best Value Work Committee Work Programme - 14 January 2020 37 - 46

## **7. Business Bulletin**

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- 7.1 Governance, Risk and Best Value Committee Business Bulletin - 14 January 2020 47 - 50

## **8. Reports**

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- 8.1 Edinburgh International Conference Centre Annual Update – referral from the Housing, Homelessness and Fair Work Committee 51 - 102

<b>8.2</b>	2018/19 Annual Audit Report and External Audit Review of Internal Financial Controls – progress update – Joint report by the Chief Executive and the Executive Director of Resources	103 - 108
<b>8.3</b>	Revenue Monitoring 2019/20 – Half Year Report - referral from the Finance and Resources Committee	109 - 126
<b>8.4</b>	Half Year Capital Monitoring 2019/20 Position - referral from the Finance and Resources Committee	127 - 138
<b>8.5</b>	Annual Assurance Schedule - Communities and Families – Report by the Executive Director for Communities and Families	139 - 178
<b>8.6</b>	Council Companies - Edinburgh Leisure Annual Report 2018/19 – Report by the Executive Director for Communities and Families	179 - 184
<b>8.7</b>	Place Directorate – Internal Audit Action Update - referral from the Transport and Environment Committee	185 - 210

## **9. Motions**

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**9.1** None.

## **Laurence Rockey**

Head of Strategy and Communications

## **Committee Members**

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Councillor Joanna Mowat (Convener), Councillor Eleanor Bird, Councillor Jim Campbell, Councillor Maureen Child, Councillor Phil Doggart, Councillor Gillian Gloyer, Councillor Melanie Main, Councillor Rob Munn, Councillor Gordon Munro, Councillor Alex Staniforth and Councillor Norman Work

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

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The Governance, Risk and Best Value Committee consists of 11 Councillors and is appointed by the City of Edinburgh Council. The Governance, Risk and Best Value Committee usually meets in the Dean of Guild Court Room in the City Chambers on the

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 , Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4240 / 0131 529 4237, email [lesley.birrell@edinburgh.gov.uk](mailto:lesley.birrell@edinburgh.gov.uk) / [martin.scott@edinburgh.gov.uk](mailto:martin.scott@edinburgh.gov.uk).

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

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

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# Minutes

## Governance, Risk and Best Value Committee

10.00am, Tuesday, 3 December 2019

### Present

Councillors Mowat (Convener), Bird, Jim Campbell, Cameron (substituting for Councillor Munro), Child, Doggart, Gloyer, Main, Munn, Staniforth and Work.

### 1. Minute

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#### Decision

To approve the minute of the Governance, Risk and Best Value Committee of 29 October 2019 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 5** - Roads Services Improvement Plan

**Action 6** – Garden Waste Bin Collection Project: What Worked Well and Lessons Learned – referral from the Transport and Environment Committee

**Action 9** – Change Portfolio

**Action 14 (1)** - Work Programme – Management of Sheltered Housing

- 2) To otherwise note the outstanding actions

(Reference – Outstanding Actions 3 December 2019, submitted.)

### 3. Work Programme

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#### Decision

To note the Work Programme.

(Reference – Governance, Risk and Best Value Committee Work Programme 3 December 2019, submitted.)

## 4. Business Bulletin

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### Decision

To note the Business Bulletin.

(Reference – Governance, Risk and Best Value Committee Business Bulletin 3 December 2019, submitted.)

## 5. Edinburgh International Conference Centre Annual Update - referral from the Housing, Homelessness and Fair Work Committee

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The Housing, Homelessness and Fair Work Committee had referred an update report from Edinburgh International Conference Centre (EICC) on their performance in the financial year 2018/19 to the Governance, Risk and Best Value Committee for information.

### Decision

- 1) To note that the EICC Chief Executive was unable to attend this meeting due to prior commitments.
- 2) To continue consideration of the report to the next meeting of the Committee on 14 January 2020.

(References – Housing, Homelessness and Fair Work Committee, 31 October 2019 (item 13); report by the Chief Executive, submitted)

## 6. Capital Theatres Company Performance Report 2018/19 – referral from the Culture and Communities Committee

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The Culture and Communities Committee had referred the Capital Theatres annual performance report for 2018/19 as a requirement of the Services Funding Agreement process adopted in 2013/14 to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

### Decision

- 1) To note the report.
- 2) To record the Committee's thanks and appreciation to Duncan Hendry for his contribution and commitment to the overall positive success of Capital Theatres during his tenure as Chief Executive of the company and to wish him well for the future and his forthcoming retirement.

### Declaration of Interests

Councillor Main declared a non-financial interest in the above item as a Board Member of Capital Theatres.



(References – Culture and Communities Committee, 12 November 2019 (item 12); report by the Chief Executive, submitted)

## **7. Internal Audit Update Report: 1 April to 31 October 2019**

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Details were provided of Internal Audit (IA) reviews completed as at 31 October 2019, progress with the 2018/19 IA plan and current IA priorities.

### **Decision**

- 1) To note the outcomes of completed audits.
- 2) To note progress with the delivery of the 2019/20 Internal Audit plan and the carried forward 2018/19 audits.
- 3) To note key Internal Audit priorities and ongoing areas of focus.

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

## **8. Internal Audit: Overdue Findings and Late Management Responses as at 22 October 2019**

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The current overdue findings arising from Internal Audit (IA) reports and late management responses to draft IA reports were considered.

A total of 101 open IA findings remained to be addressed across the Council as at 22 October 2019. This included the remaining 3 of the 26 historic Council findings and excluded open and overdue Internal Audit findings for the Edinburgh Integration Joint Board and the Lothian Pension Fund.

### **Decision**

- 1) To note the status of the overdue Internal Audit findings as at 22 October 2019.
- 2) To note progress with delivery of the 2019/20 Internal Audit plan.
- 3) To note delays with finalising the final Transfer of the Management Development Funds Grant audit report for submission to the Scottish Government and agreeing the scope of the terms of reference the planned review of Unsupported Technology (Shadow IT).
- 4) To agree that, where the status of outstanding actions had been marked as “implemented” and not validated as closed by Internal Audit, these would be highlighted in future reports.
- 5) To request that Executive Directors and senior managers ensure as part of staff exit interviews from the Council, to note any remaining outstanding audit actions to ensure effective succession planning and continuity of Senior Responsible Officer responsibility.
- 6) To note that validation audits would be built in to future internal audit plans as an additional measure to ensure that actions were continuing to be addressed.

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

## 9. Capacity to Deliver the 2019/20 Internal Audit Annual Plan

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Details were provided of the estimated shortfall in Internal Audit's capacity to deliver the 2019/20 annual plan by 31 March 2020 as at 1 October 2019.

It was estimated that there was a shortfall of 239 audit days between the period 1 October 2019 to 31 March 2020 (which was the equivalent of approximately 2.7 FTE and/or delivery of 10 audits) that would impact Internal Audit's ability to fully deliver the 2019/20 plan by 31 March 2020.

### Decision

- 1) To note the estimated shortfall in Internal Audit's capacity to deliver the 2019/20 annual plan by 31 March 2020 as at 1 October 2019.
- 2) To note the supporting rationale for the shortfall.
- 3) To note that following review of the annual plan, it was Internal Audit's opinion that reduction in the content of the plan would impact their ability to provide sufficient assurance across the 2019/20 financial year, resulting in a qualified Internal Audit annual opinion for 2019/20.
- 4) To note the solution agreed with the Executive Director of Resources to enable delivery of the plan by 31 March 2020.

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

## 10. The Role of the Head of Internal Audit and Leading Internal Audit in the Public Sector

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Committee were presented with the outcomes of a comparison performed between the Chartered Institute of Public Finance and Accountancy (CIPFA) April 2019 Statement titled the Role of the Head of Internal Audit (HIA) in Public Service Organisations, and the good practice examples highlighted in their associated publication titled Leading Internal Audit in the Public Sector: Putting Principles into Practice, with the Council's current Internal Audit arrangements.

### Decision

- 1) To note that the Corporate Leadership Team had agreed that a Council wide accountability and assurance framework (which was one of the key recommendations included in the CIPFA statement) would be implemented by 31 March 2022.
- 2) To direct Internal Audit to report on the extent of the Council's alignment with CIPFA Statement recommendations in the annual Internal Audit opinion.

- 3) To direct Internal Audit to request consideration of alignment with CIPFA Statement recommendations in the Internal Audit external quality assessments performed every five years as required by the Public Sector Internal Audit Standards (PSIAS).

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

## 11. Historic and Outstanding Internal Audits – Health and Social Care

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Details were provided of affirmative actions that were underway to address historic and overdue internal audit risk findings affecting health and social care services in Edinburgh.

### Decision

- 1) To note the recent Internal Audit related activities across the Edinburgh Health and Social Partnership.
- 2) To note the status update for all historic and overdue Council Internal Audit items (aged six months or more) for health and social care services.
- 3) To agree that an update be provided in the Business Bulletin for the next meeting of this Committee on new management actions on overdue internal audit items and whether they were on track to achieve their implementation dates.
- 4) To agree that an update be provided in the Business Bulletin for the next meeting of this Committee setting out when the information on the relationship between the Edinburgh Integration Joint Board (IJB) and the Council would be coming forward.
- 5) To circulate the briefing note on the relationships between the IJB, NHS Lothian and the Council previously prepared by the Democracy, Governance & Resilience Senior Manager to members; the briefing note to be expanded to include:
  - clarification of the scrutiny process for projects instructed by the Integration Joint Board but delivered by the Council and its officers.
  - confirmation of where the key controls sat in relation to the delivery of the health and social care services delegated from the Integration Joint Board.

(Reference – report by the Chief Officer, Edinburgh Health and Social Care Partnership Submitted.)

## 12. Change Portfolio

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An update was provided on delivery and risk of the Council Portfolio of change. Since the last update to Committee in June 2019, the Change Board had continued to meet

monthly to monitor the overall shape and size of the portfolio, manage resource allocation, track project delivery and ensure that benefits were delivered.

### **Decision**

To note the update.

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

## **13. Corporate Leadership Team Risk Register**

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An update was provided on the Council's top risks and the key controls in place to mitigate them as at 6 November 2019. These risks and the associated controls had previously been scrutinised and challenged by the Corporate Leadership Team and were presented to Members for oversight and review.

### **Decision**

- 1) To note the Corporate Leadership Team Risk Update and the assurance provided by the risk management framework, controls and mitigations in operation.
- 2) To agree the Convener would write to the Convener of Policy and Sustainability Committee requesting information on what is set out in that Committee's work plan to fulfil its duties in terms of scrutiny of those services delegated to the Integration Joint Board including scrutiny of internal controls, performance, quality and compliance with the law.

(References – Governance, Risk and Best Value Committee, 13 August 2019 (item 8); report by the Chief Executive, submitted.)

## **14. Annual Assurance Schedule - Place Directorate**

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The Place Directorate Annual Assurance Schedule was submitted for scrutiny. Details were also provided of progress in developing an action plan to respond to areas where controls required to be enhanced and/or where these needed to be revised.

### **Decision**

- 1) To note the Annual Assurance Schedule for the Place Directorate.
- 2) To note that an action plan would be developed in response to areas where controls were required to be enhanced and/or revised.
- 3) To request a report back setting out what operational governance was in place to ensure that projects were delivered.

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

## 15. Edinburgh's Christmas - Motion by Councillor Mowat - Referral from the Policy and Sustainability Committee

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The Policy and Sustainability Committee had referred a report responding to a motion by Councillor Mowat on Edinburgh's Christmas to the Governance, Risk and Best Value Committee for consideration.

### Decision

- 1) To note the decision by the Policy and Sustainability Committee instructing the Chief Executive to report to the February meeting of that Committee.
- 2) To request that the following additional issues be addressed within the Chief Executive's report:
  - What measures or procedures were in place to ensure officers were made aware of issues or projects that were politically sensitive and how consultation should be undertaken within the terms of the Scheme of Delegation
  - Information on any issues associated with accommodating the layout of the Christmas market within the design scheme for the National Galleries.

(References – Policy and Sustainability Committee, 26 November 2019; report by the Chief Executive, submitted.)

## 16. Whistleblowing Update

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A high-level overview of the operation of the Council's whistleblowing service for the period 1 July to 30 September 2019 was provided.

### Decision

To note the report.

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

## 17. Whistleblowing Monitoring Report

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

A detailed overview of disclosures received and investigation outcome reports completed during the period 1 July to 30 September 2019 was provided.

### Decision

To note the report.

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

## **18. Whistleblowing Investigation Report**

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

Information was provided on issues raised relating to a care home in Edinburgh.

### **Decision**

- 1) To note the report that the report had also been considered by the Edinburgh Integration Joint Board's Clinical Care and Governance Committee.
- 2) To request a Business Bulletin update to this Committee at the appropriate time on the protocols and safeguards in place to assist staff decision making on evacuation procedures.

(References – report by the Chief Officer, Edinburgh Health and Social Care Partnership, submitted)

# Outstanding Actions

## Governance, Risk and Best Value Committee

14 January 2020

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	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 timescale for this would be provided as soon as possible.	Executive Director for Communities and Families	March 2020 <del>December 2019</del> November 2019 August 2019 April 2019		<b><u>November 2019</u></b>  An update was circulated on 6 November 2019.  <b><u>October 2019</u></b>  A team has now been established to review the historic population of files to identify any that could potentially have been merged with incorrect file retention dates applied. Internal Audit will review the scope and

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Agenda Item 5.1

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>approach being applied to this review in October to confirm that it is appropriately designed to ensure that any merged files are identified and reviewed.</p> <p>A final report detailing the outcomes of this work together with Internal Audit recommendations in relation to the review process applied to files prior to their destruction will be presented to the Governance Risk and Best Value Committee in December 2019.</p> <p><b><u>May 2019</u></b></p>



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>Strategy and Comms are preparing a paper which will include the outcomes of the audit findings – this will be reported to the Corporate Policy and Strategy Committee and referred thereafter to GRBV.</p> <p><b><u>Update</u></b></p> <p>The internal auditor’s investigation is still ongoing therefore it may take a few months before an update is provided.</p> <p>The Executive Director for Communities and Families will</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>provide an update once the Chief Internal Auditor's investigation is concluded.</p> <p>The final audit report would be referred from the Policy and Sustainability Committee to GRBV.</p>
2	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	<p>May 2020</p> <p><del>September 2019</del></p> <p><del>January 2019</del></p> <p><del>November 2017</del></p>		<p><b><u>September 2019</u></b></p> <p>Please note that a briefing note by the Chief Internal Auditor has been circulated to members separately.</p>
3	31/07/18	<a href="#">Expansion of Early Learning and Childcare</a>	To ask the Chief Executive to submit a	Chief Executive	March 2020		<b><u>December 2019</u></b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		<a href="#">from 600 – 1140 hours by 2020. Audit Scotland Report and Risks</a>	report to the Edinburgh Partnership on workforce planning.	Executive Director for Communities and Families	<del>December 2019</del> <del>October 2019</del> <del>June 2019</del>		<p>An update was provided to members on 12.12.19.</p> <p>To note a report is due to be submitted to Education, Children and Families Committee in March 2020</p> <p><b><u>September 2019</u></b></p> <p>The Edinburgh Partnership will consider this report on 18 September 2019, in order to allow it to be considered by the Education, Children and Families Committee on 8 October 2019.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p><b><u>May 2019</u></b></p> <p>The report was submitted to the Education, Children and Families Committee in <a href="#">March 2019</a> and it will be submitted to the Edinburgh Partnership in October 2019.</p> <p><b><u>October 2018</u></b></p> <p>A report is scheduled to go to the Education, Children and Families Committee in March 2019 and will be reported to the Edinburgh Partnership thereafter.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
4	28/08/18	<a href="#">Committee Reporting</a>	To request a report by the end of 2019 to monitor the impact of the steps taken to improve the process.	Chief Executive	February 2020 <del>December 2019</del>		Report scheduled for GRBV Committee on 18 Feb 2020
5	04.06.19	<a href="#">Welfare Reform Annual Report</a>	To agree that the Convener would write to the Convener of the Corporate Policy and Strategy Committee recommending that he write to the UK Government requesting assistance to mitigate the impact of welfare reform, and that details, including any responses, would be provided in the Committee's Business Bulletin.	Convener	December 2019 <del>August 2019</del>		<b><u>December 2019 Update</u></b> - Convener has written to the Convener of the Policy and Sustainability Committee. Details including any responses will be provided in the Committee's Business Bulletin at a future meeting.
6	04.06.19	<a href="#">Accounts Commission – Local Government in</a>	1) To request a briefing note clarifying the	Chief	August 2019		<b>1) Closed - Update provided in</b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		<a href="#">Scotland: Challenges and Performance 2019 – referral from the Finance and Resources Committee</a>	<p>data in Exhibit 4 of the report on the percentage of young people in poverty.</p> <p>2) To agree that the Convener would write to the Convener of the Finance and Resources Committee to recommend that he write to the Scottish Government conveying the Committee's concerns at the lack of government funding, and that details, including any responses, would be provided in the Committee's Business Bulletin.</p>	Executive  Convener	December 2019		<p>the Business Bulletin for Committee on 12 September 2019.</p> <p><b>December 2019 Update</b> - Convener has written to the Convener of the Finance and Resources Committee. Details including any responses will be included in the Committee's Business Bulletin at a future meeting.</p>
7	13.08.19	<a href="#">Internal Audit Annual</a>	To request that the	Chief	December		<b>Place Directorate</b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		<a href="#">Opinion for the year ended 31 March 2019</a>	Chief Executive, Executive Directors and Chief Officer of the Edinburgh Health and Social Care Partnership, supported by the Chief Internal Auditor, report to the relevant Executive Committee at the earliest opportunity and the subsequent GRBV Committee setting out clear plans to ensure the closure of all historic and overdue internal audit management actions to enable an improvement to the overall Internal Audit Opinion for 2019/20 and to refer all audits with a red finding to the next meeting of the appropriate Executive Committee for their consideration and	Executive Executive Directors Chief Officer, EHSCP Chief Internal Auditor	2019		<p><b>Update - December 2019:</b></p> <p>An update was considered at the Transport and Environment Committee on 5 December and will be referred to Planning, Policy &amp; Sustainability to consider the outstanding / over actions which relate to their Committee. This report is on GRBV agenda for 14 January 2020</p> <p><b>Resources Update:</b></p> <p>Resources Directorate – Internal Audit Action Update was</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			that action plans would be reported back to GRBV.				<p>considered at GRBV on 29 October 2019.</p> <p><b>Resources Update</b> A report on items pertaining to the Resources Directorate has been submitted for the October meeting of Finance &amp; Resources Committee and is to be referred to the following meeting of this Committee.</p> <p><b>EHSCP Update:</b> Report went to GRBV on 3 December on historic actions.</p>



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
8	13.08.19	<a href="#">Annual Update on Council Transport Arms-Length Companies</a>	To agree that the report to Policy and Sustainability Committee later this year would provide additional clarity regarding the reporting arrangements for ALEOs to the Council and governance schematics and this should be referred back to GRBV Committee.	Chief Executive	February 2020. <del>November 2019</del>		<b><u>December 2019 Update</u></b> Report will be on the agenda for the Policy and Sustainability Committee on 25 February 2020.
9	13.08.19	<a href="#">Marketing Edinburgh Annual Update</a>	To agree that details would be provided about the amount of income generated by Film Edinburgh for the Council.	Executive Director of Place	February 2020 <del>January 2020</del>		<b>Update January 2020:</b> A briefing note on the income generated for the Council by filming in Edinburgh is currently being prepared and will be circulated to

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							Committee in February 2020.
10	17.09.19	<a href="#">Outstanding Actions – Procedure for Oversight of Annual Assurance Statements</a>	To request that an update be provided in the Committee's Business Bulletin on the procedure for Committee oversight of the annual assurance statements.	Chief Executive	January 2020 <del>December 2019</del>		<b>Update January 2020:</b>  Democracy, Governance & Resilience Senior Manager will provide a verbal update at the meeting.
11	17.09.19	<a href="#">Work Programme – Management of Sheltered Housing</a>  <a href="#">Work Programme – Member/Officer Protocol</a>	1) To request a report on the management of sheltered housing under Items for Scrutiny.  2) To add the review of the Member/Officer Protocol to the workplan with	Chief Officer, Edinburgh Health and Social Care Partnership  Chief Executive	October 2019  April 2020 <del>January 2020</del>		<b>1. CLOSED.</b>  1. Report submitted to Committee on 29 October 2019. New action opened (see 17 below)  2. Action added to the Work Programme.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			timescales for submission and to agree that a workshop for members would be held prior to submission to the Committee.				<p><b><u>December 2019</u></b></p> <p>Workshop with members held on 29 October 2019. A joint workshop will be arranged with officers and members early 2020 (following the General Election).</p>
12	17.09.19	<a href="#">City of Edinburgh Council – 2018/19 Annual Audit Report to the Council and the Controller of Audit</a>	<p>1) To request that an update report be submitted in January 2020 on progress with the action plan.</p> <p>2) To agree that the Convener would write to the Convener of the</p>	<p>Chief Executive &amp; Executive Director of Resources</p> <p>Convener</p>	January 2020		<p><b><u>Resources Update</u></b></p> <p>A report is on the agenda for the January meeting of Committee.</p> <p><b>2) Recommended for closure</b></p> <p><b><u>December 2019 Update</u></b> - Convener</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			Policy and Sustainability Committee to request details of the Committee's planned scrutiny activities and when reports were expected.				has written to the Convener of the Policy and Sustainability Committee on this issue.
13	29.10.19	<a href="#">Quarterly Status Update – Digital Services Programme</a>	<ol style="list-style-type: none"> <li>1) To note the quarterly update.</li> <li>2) To request that a further report be brought back to Committee in six months on the Customer Digital Enablement programme once the new CRM had bedded in focussing on the benefits realisation and evaluation of the</li> </ol>	Executive Director of Resources	April 2020		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			project.				
14	29.10.19	<a href="#">City of Edinburgh Council – Sheltered Housing</a>	<p>1) To note the report and the work ongoing to maintain and improve services for residents of sheltered housing and strengthen resident involvement.</p> <p>2) To request that a further update be presented to the Integration Joint Board, as the parent reporting body for the Health and Social Care Partnership, in one year focussing specifically on key improvements to address social isolation and</p>	Chief Officer, EHSCP	October 2020		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			communication with residents with a request that the report is thereafter referred to this Committee for its consideration.				
15	03.12.19	<a href="#">Internal Audit Update Report: 1 April to 31 October 2019</a>	Chief Internal Auditor to provide Committee Members with information on the status of the management actions against the implementation dates set out in the IA report on the Transfer of Management Development Funds Grant.	Chief Internal Auditor			<b>Recommended for closure</b>  Information sent on 9 December 2019
16	03.12.19	<a href="#">Historic and Outstanding Internal Audits – Health and Social Care</a>	1) To ask for an update in the Business Bulletin for the next	Chief Officer, Edinburgh Health and Social Care	January 2020		<b>1) Update January 2020:</b>  <b>Update provided</b>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>meeting on new management actions on overdue internal audit items and whether they were on track to achieve their implementation dates.</p> <p>2) To circulate the briefing note on the relationships between the IJB, NHS Lothian and the Council previously prepared by the Democracy, Governance &amp; Resilience Senior Manager to members; the briefing note to be expanded to</p>	<p>Partnership</p> <p>Chief Executive</p>			<p><b>on Business Bulletin of 14 January 2020</b></p> <p><b>January 2020:</b></p> <p>Governance Relationship between the Council and the EIJB report circulated on 08.01.20</p> <p>Democracy, Governance &amp; Resilience Senior Manager will provide a verbal update at the</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			<p>include:</p> <ul style="list-style-type: none"> <li>• Clarification of the scrutiny process for projects instructed by the IJB but delivered by the Council and its officers</li> <li>• Confirmation of where the key controls sit in relation to the delivery of the health and social services delegated from the IJB.</li> </ul> <p>3) To agree that an update be provided in the Business Bulletin for the next meeting of this Committee setting out when the</p>	Chief Executive			meeting.



No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			information on the relationship between the IJB and the Council will be coming forward.				
17	03.12.19	<a href="#">Corporate Leadership Team Risk Register</a>	Convener to write to the Convener of Policy and Sustainability Committee requesting information on what is set out in that Committee's work plan to fulfil its duties in terms of scrutiny of those services delegated to the Integration Joint Board including scrutiny of internal controls, performance, quality and compliance with the law.	Convener			<p><b>Recommended for closure</b></p> <p><b>January 2020</b></p> <p>Convener wrote to the Convener of Policy and Sustainability on 4 December 2019.</p>
18	03.12.19	<a href="#">Annual Assurance Schedule - Place</a>	1) To request a report back setting out what	Executive Director of	March 2020		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		<a href="#">Directorate</a>	<p>operational governance is in place to ensure that projects are delivered.</p> <p>2) Information to be provided to all Elected Members on the new city wide and locality team structures together with contact details of designated Senior Responsible Officers for major and local projects.</p>	<p>Place</p> <p>Executive Director of Place</p>	March 2020		
19	03.12.19	Whistleblowing Investigation Report – Report by the Chief Officer, Edinburgh Health and Social Care Partnership – B agenda	To request a Business Bulletin update to this Committee at the appropriate time on the protocols and safeguards in place to	Chief Officer, Edinburgh Health and Social Care Partnership	March 2020		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			assist staff decision making on evacuation procedures.				

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# Work Programme

## Governance, Risk and Best Value Committee – 3 December 2019

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholder	Progress updates	Expected date
Page 37	Internal Audit: Overdue Recommendations and Late Management Responses	Quarterly report	Paper outlines previous issues with follow up of internal audit recommendations, and an overview of the revised process within internal audit to follow up recommendations, including the role of CLG and the Committee	Internal Audit	Chief Internal Auditor	Council Wide	Quarterly	March 2020 June 2020 September 2020 December 2020
	2 Internal Audit Quarterly Activity Report	Quarterly report	Review of quarterly IA activity with focus on high and medium risk findings to allow committee to challenge and request to see further detail on findings or to question relevant officers about findings	Internal Audit	Chief Internal Auditor	Council Wide	Quarterly	March 2020 June 2020 September 2020 December 2020

Agenda Item 6.1

3	IA Annual Report for the Year	Annual report	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	August 2020
4	IA Audit Plan for the year	Annual report	Presentation of Risk Based Internal Audit Plan for approval by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	March 2020
5	Accounts Commission	Annual report	Local Government in Scotland: Financial Overview	External Audit	Executive Director of Resources	Council Wide	Annually	March 2020
6	Accounts Commission	Annual report	Local Government in Scotland: Performance and Challenges	External Audit	Executive Director of Resources	Council Wide	Annually	June 2020
7	Annual Audit Plan	Scott Moncrieff	Annual audit plan	External Audit	Executive Director of Resources	Council Wide	Annually	March 2020
8	Annual ISA 260 Audit Report	Scott Moncrieff	Annual Audit Report	External Audit	Executive Director of Resources	Council Wide	Annually	September 2020
9	External Audit Review of Internal Financial Controls	Scott Moncrieff	Interim audit report on Council wide internal financial control framework	External Audit	Executive Director of Resources	Council Wide	Annually	September 2020

10	IT Audit Report	Scott Moncrieff	Scope agreed during annual external audit planning cycle	External Audit	Executive Director of Resources	Council Wide	Annually	October 2019, as part of the quarterly Status of the ICT Programme Update
11	Internal Audit Charter	Annual Report	Annual Audit Charter	Internal Audit	Executive Director of Resources	Council Wide	Annually	March 2020
<b>Section B – Scrutiny Items</b>								
12	Change Portfolio		To ensure major projects undertaken by the Council were being adequately project managed	Major Project	Chief Executive	All	Six-monthly	June 2020 December 2020
13	Welfare Reform	Review	Update reports to be referred annually by Corporate Policy and Strategy Committee	Scrutiny	Executive Director of Resources	Council Wide	Annual	June 2020
14	Review of CLT Risk Scrutiny	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Chief Executive	Council Wide	Quarterly	March 2020 June 2020 September 2020 December 2020
15	Whistleblowing Quarterly Report		Quarterly Report	Scrutiny	Chief Executive	Internal	Quarterly	March 2020 June 2020 September 2020 December 2020
16	Workforce Control	Staff	Annual report	Scrutiny	Executive Director of Resources	Council Wide	Annual	June 2020

17	Committee Decisions	Democracy	Annual report	Scrutiny	Chief Executive	Governance, Risk and Best Value Committee	Annual	December 2020 Re-examine after improved information tracking.
18	Monitoring of Council Policies	Democracy	Annual report	Scrutiny	Chief Executive	Council Wide	Annual	Spring 2020
19	Revenue Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	March 2020 June 2020 September 2020 January 2021
20	Capital Monitoring	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	March 2020 June 2020 September 2020 January 2021
21	Revenue Outturn	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	August 2020
22	Capital Outturn and Receipts	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	August 2020
23	Treasury – Strategy report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	March 2020
24	Treasury – Annual report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	September 2020
25	Treasury – Mid-term report	Review	Progress reports	Scrutiny	Executive Director of Resources	Council Wide	Annual	January 2020



26	Quarterly Status Update - Digital Service Programme	Review	Progress Reports	Scrutiny	Executive Director of Resources	Council Wide	Quarterly	February 2020
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27	Annual Assurance Schedules	Review	Progress Report	Scrutiny	All Directorates	Council	Annual	January 2020 (Communities and Families)  February 2020 (Chief Executive)  August 2020 (EIJB)  October 2020 (Resources)  December 2020 (Place)
28	Review of the Member/Officer Protocol	Review	Including timescales for submission	Scrutiny	Chief Executive	Council Wide	Flexible	April 2020
29	Management of Sheltered Housing	Review	Further report requested focusing on social isolation and communication with residents.	Scrutiny	Chief Officer, Edinburgh Health and Social Care Partnership	EHSCP	Flexible	October 2020

30	Update on Scottish Public Services Ombudsman and Scottish Information Commissioner Findings – B Item	Review	Update report on SPSO and SIC findings.	Scrutiny	Chief Executive	Council	Flexible	February 2020
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Section C – Council Companies								
31	Capital Theatres	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	December 2020
32	Edinburgh Leisure	Review	Progress Report	Scrutiny	Executive Director for Communities and Families	Council Wide	Annual	January 2020
33	Capital City Partnership	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	May 2020
34	Transport for Edinburgh	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	August 2020
35	Lothian Buses	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	August 2020
36	Edinburgh Trams	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	August 2020
37	Edinburgh International Conference Centre	Review	Progress Report	Scrutiny	Executive Director of Resources	Council Wide	Annual	December 2020
38	Marketing Edinburgh	Review	Progress Report	Scrutiny	Chief Executive	Council Wide	Annual	August 2020

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# GRBV Upcoming Reports

# Appendix 1

Report Title	Type	Flexible/Not Flexible
<b>18 February 2020</b>		
Update on SPSO and SIC Findings	Scrutiny	Flexible
Annual Assurance Schedule – Chief Executive	Scrutiny	Flexible
Committee Reporting – Chief Executive	Scrutiny	Flexible
Quarterly Status Update - Digital Service Programme	Scrutiny	Flexible
<b>March 2020</b>		
Internal Audit Findings and Late Management Responses	Scrutiny	Flexible
Internal Audit Quarterly Activity	Scrutiny	Flexible
Internal Audit Plan for the 2020/21 Year	Scrutiny	Flexible
Annual Audit Plan	Scrutiny	Flexible

<b>Report Title</b>	<b>Type</b>	<b>Flexible/Not Flexible</b>
Internal Audit Charter	Scrutiny	Flexible
CLT Risk Register	Scrutiny	Flexible
Treasury Strategy – referral from Finance & Resources Committee	Scrutiny	Flexible
Whistleblowing Quarterly Reports	Scrutiny	Flexible
Whistleblowing Quarterly Report (B Agenda)	Scrutiny	Flexible
Place Governance and major projects	Scrutiny	Flexible
Accounts Commission: Local Government in Scotland Financial Overview	Scrutiny	Flexible
Revenue Monitoring 2019/20 – Period 7/8 – referral from Finance & Resources Committee	Scrutiny	Flexible
Capital Monitoring 2019/20 – Period 7/8 – referral from Finance & Resources Committee	Scrutiny	Flexible


# Business Bulletin

## **Governance, Risk and Best Value Committee**

**10.00am, Tuesday, 14 January 2020**

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

# Governance, Risk and Best Value Committee

Convener:	Members:	Contact:
<p>Councillor Joanna Mowat</p> 	<p>Councillor Eleanor Bird            Councillor Jim Campbell            Councillor Maureen Child            Councillor Phil Doggart            Councillor Gillian Gloyer            Councillor Melanie Main            Councillor Rob Munn            Councillor Gordon Munro            Councillor Alex Staniforth            Councillor Norman Work</p>	<p><a href="#">Lesley Birrell</a>            Committee Officer            0131 529 4240</p> <p><a href="#">Martin Scott</a>            Assistant Committee Officer            0131 529 4237</p>

Recent news	Background
<p><b>Historic and Outstanding Internal Audits – Health and Social Care</b></p> <p>GRBV requested an update for the business bulletin on new management actions on overdue internal audit items and whether they were on track to achieve their implementation dates.</p> <p>To achieve the Edinburgh Health and Social Care Partnership’s (the Partnership’s) vision, a robust infrastructure needs to be put in place and ICT is a fundamental element of this. The Partnership are starting to scope out what their ICT provision currently is, and what the ambitions are for ICT in the future. This information will be used to develop an ICT strategy and roadmap, recognising to achieve the Partnership’s ICT strategy will most likely done in stages. Part of the strategy will cover ICT security, access and training (including data sharing) and will be developed with partner organisations.</p> <p>Due to the complexity of developing an ICT strategy that is fit for the organisation, acknowledging the complexity of a fit-for-purpose set of systems across the Partnership, it is likely to take a year to develop, therefore it is proposed that the revised date is December 2020.</p>	



Please note the associated findings and management actions relate to Edinburgh Integration Joint Board (EIJB) audits and will be reported within the Integration Joint Board (IJB) structure.

**Forthcoming activities:**

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## Governance, Risk and Best Value Committee

10.00am, Tuesday, 14 January 2020

### Edinburgh International Conference Centre Annual Update – referral from the Housing, Homelessness and Fair Work Committee

Item number  
Executive/routine  
Wards  
Council Commitments

#### 1. For Decision/Action

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- 1.1 The Housing, Homelessness and Fair Work Committee has referred the attached report to the Governance, Risk and Best Value Committee for information.

**Laurence Rockey**

Head of Strategy and Communications

Contact: Sarah Stirling, Committee Services

E-mail: [sarah.stirling@edinburgh.gov.uk](mailto:sarah.stirling@edinburgh.gov.uk) | Tel: 0131 529 3009

# Referral Report

## Edinburgh International Conference Centre Annual Update

### 2. Terms of Referral

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- 2.1 The Housing, Homelessness and Fair Work Committee on 31 October 2019 considered an update from the Edinburgh International Conference Centre (EICC) on their performance in the financial year 2018.
- 2.2 The Housing, Homelessness and Fair Work Committee agreed:
  - 2.2.1 To note the annual performance update provided by EICC as detailed in Appendix 1.
  - 2.2.2 To note the EICC Statement of Accounts for 2018 as reported to CEC Holdings Ltd and the Auditor's Report for EICC as detailed in Appendices 2 and 3 respectively.
  - 2.2.3 To agree that a draft Service Level Agreement (SLA) be prepared and reported in two committee cycles.
  - 2.2.4 To include in the SLA that audit actions be responded to within the recommended timescales of the auditor.
  - 2.2.5 To request that officers ask the Board for details of how they plan to reduce their carbon footprint.
  - 2.2.6 To refer this report to Governance, Risk and Best Value Committee for information.

### 3. Background Reading/ External References

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Minute of the Housing, Homelessness and Fair Work Committee 31 October 2019.

### 4. Appendices

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Appendix 1 - report by the Executive Director of Place

# Housing, Homelessness and Fair Work Committee

10.00am, Thursday 31 October 2019

## Edinburgh International Conference Centre Annual Update

Executive/routine	
Wards	All
Council Commitments	

### 1. Recommendations

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- 1.1 The Housing, Homelessness and Fair Work Committee is asked to:
  - 1.1.1 note the annual performance update provided by Edinburgh International Conference Centre (EICC) as detailed in Appendix 1;
  - 1.1.2 note the EICC Statement of Accounts for 2018 as reported to CEC Holdings Ltd and the Auditor's Report for EICC as detailed in Appendices 2 and 3 respectively;
  - 1.1.3 agree that a draft Service Level Agreement (SLA) be prepared and reported in two committee cycles; and
  - 1.1.4 refer this report to Governance Risk and Best Value Committee for information.

#### Paul Lawrence

Executive Director of Place

Contact: David Cooper, Service Manager

E-mail: [david.cooper@edinburgh.gov.uk](mailto:david.cooper@edinburgh.gov.uk) | Tel: 0131 529 6233

## Edinburgh International Conference Centre Annual Update

### 2. Executive Summary

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- 2.1 This report provides an update from EICC on their performance in financial year 2018.

### 3. Background

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- 3.1 On 13 December 2012 the Council approved arrangements for the governance of arms-length companies. The responsibility for overseeing the performance of EICC lies with the Housing, Homelessness and Fair Work Committee.
- 3.2 The principal remit of EICC, as detailed in the Shareholders' Agreement with the City of Edinburgh Council, is to:
- 3.2.1 procure the successful and continued operation of the Centre as a venue for conferences, exhibitions, trade shows, annual general meetings, cultural and sporting events, award ceremonies and other such events in a global market place with international and national customers so as to maximise the economic benefit to the City of Edinburgh;
  - 3.2.2 insure, maintain and upgrade the Centre from time to time as necessary to carry on its business; and
  - 3.2.3 operate on a prudent commercial basis in accordance with the Business Plan.
- 3.3 The building itself ("the Conference Centre") is a conference centre that opened on Morrison Street in 1995 as a joint undertaking between Edinburgh District Council and Lothian and Edinburgh Enterprise. It is now owned by the City of Edinburgh Council.
- 3.4 A £30m expansion of the Conference Centre completed in 2013, enabling it to accommodate conferences of up to 2,000 delegates.
- 3.5 The Conference Centre is operated EICC, a wholly-owned subsidiary of CEC Holdings Limited. EICC occupies the Conference Centre on a peppercorn rent and loan stock of £61.6 million is due to the Council and CEC Holdings. This represents money and assets paid into the company since its inception for example the cost of the centre and the extension. It is, however, worth noting that there is no call being made on this at the current time. Since 2014, EICC has been charged by the

Council with being financially self-sufficient. In 2017, EICC Ltd generated a record operating profit of £1.14m.

- 3.6 On [7 June 2018](#), the Housing and Economy Committee agreed the following motion calling for a report into the capital expenditure requirements of the EICC moving forward.
- 3.7 On 24 January 2019 a report was provided on 'B Agenda' in response to this motion, setting out the capital expenditure requirements and the various work-streams that were being explored in order to avoid the need for grant funding. Three areas of work were identified; Governance and Financial Treatment; Business Development; and Property Development.
- 3.8 On 10 October 2019 the Finance and Resources Committee considered a report on 'B Agenda' which set out an opportunity that has been identified as a result of the ongoing work set out above. The recommendations in the report were agreed and Council officers are now preparing a full business case which will be reported back to Finance and Resources prior to being reported to Full Council for a final decision.

#### **4. Main report**

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- 4.1 Appendix 1 provides a summary of EICC's activities in financial year 2018 (1 January 2018 to 31 December 2018).
- 4.2 The paper summarises:
  - 4.2.1 the company's Key Performance Indicators (KPI's) set against previous years' performance;
  - 4.2.2 the key business developments achieved in the year;
  - 4.2.3 the company's corporate and social responsibility, activity and its environmental focus; and
  - 4.2.4 the challenges the EICC is facing and its focus and key objectives moving forward.
- 4.3 Appendix 2 sets out the financial position of the company for 2018. The performance is positive and shows improvement on previous years. The headline figures are £1,360,125 of gross profit and £756,135 after tax. This performance taken alongside the awards and accreditations that have been achieved, show the company to have had a successful year.
- 4.4 Appendix 3 provides the Auditor's report for the 2018 year. The conclusions are positive and find that the accounts have been prepared in accordance with the relevant legislation and standards.
- 4.5 The challenges that the EICC faces are known to the Council and were reported to Committee on 21 January 2019. Work is underway to identify and develop potential solutions and a first report identifying a possible solution has been taken to the Finance and Resources Committee. A further report will be provided later this year

once a full business case has been prepared. Thereafter the matter will be reported to Full Council where the final decision on this opportunity will be taken.

- 4.6 This performance update should be referred to Governance Risk and Best Value Committee, in line with the Council's governance arrangements for arm's length companies.
- 4.7 It should also be noted that in accordance with Council policy on Arms-Length External Organisations (ALEOs) that an SLA needs to be agreed between the Council and the EICC. This work will commence shortly and a draft version will be brought to Committee early next year for consideration.

## **5. Next Steps**

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- 5.1 A report along with a draft SLA will be provided to Committee in early 2020.
- 5.2 The next annual update on EICC's performance will be in August 2020.

## **6. Financial impact**

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- 6.1 There are no financial impacts for the Council arising from this report.

## **7. Stakeholder/Community Impact**

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- 7.1 There are no stakeholder or community impacts arising from this report.

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

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- 8.1 None.

## **9. Appendices**

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- 9.1 Appendix 1 - EICC Annual Review Paper.
- 9.2 Appendix 2 - EICC Statement of Accounts 2018.
- 9.3 Appendix 3 - Auditor's Report to EICC 2018.



## Appendix 1 - EICC PERFORMANCE REVIEW 2018

### Introduction

The purpose of this paper is to update and inform readers on the performance of the Edinburgh International Conference Centre during the year to 31 December 2018 and to highlight some of the successes and achievements realised by the Company in the period under review.

### EICC Remit and Vision Statement

#### *Remit:*

To procure the successful and continued operation of the Centre as a venue for conferences, exhibitions, trade shows, annual general meetings, award ceremonies and other such events in a global marketplace with international and national customers so as to maximise the economic benefit to the City of Edinburgh

#### *Vision:*

To create an environment which inspires ideas that change the world

### Key Performance Indicators

		2016	2017	2018
Delegate Day Numbers		234,302	275,517	300,452
Economic Impact		£51.6m	£56.7m	£58.1m
Number of Events		173	184	198
Occupancy		53.5%	54.9%	60.4%

### Key Business Developments

- Increased levels of Day Delegate Rate business.
- Increase in number of international and national association events.
- Expansion of conference business into new industry sectors.

- Increased occupancy levels within the Conference Centre.
- Increase in scope and diversity of events held.
- Increase in value of bookings held for future years.
- Increase in levels of economic impact that are generated.
- Increase in profile of EICC.
- Increased operating efficiencies and effectiveness.

### Awards

- Hospitality Assured Awards: Winner - Excellence in Leadership.
- National Venue Awards: Winner - Best conference centre over 1,000 delegates.
- National Venue Awards: Silver - Most versatile venue.
- E Awards: Winner - Best Scottish venue & events team.
- E Awards: Winner - Sustainable event excellence award.
- Institute of Director's Scotland Awards: Winner – Director of the year public sector SME category.
- SEAL (Sustainability, Environmental Achievement & Leadership) Awards: Winner - Leadership in and Commitment to Sustainable Practices.
- VIBES (Vision in Business for the Environment of Scotland) Awards: Winner - Environmental management award.

### Accreditations

- Revised ISO 9001:2015 Quality Management System.
- Revised ISO 14001:2015 Environmental Management Standard.
- Hospitality Assured - Premier status.
- Green Tourism Business Scheme - Gold standard.
- Accessible Edinburgh Festival – Best venue status.
- Autism Friendly – recognition as an autism accredited venue.
- Keep Safe Scotland – recognition as a disabled access venue.

### Environmental Focus

- Focus on reducing carbon footprint.
- Programme of emissions reduction.

- Use of Building Management System – to minimise use of heating and lighting.
- Reduction in amount of waste sent to landfill.
- Food waste turned into energy.
- Focus on securing food and other products from local sources.
- Planting of trees with Borders Forest Trust.
- Lease of electric car to reduce use of taxis.
- Working with Zero Waste Scotland.

### Corporate Social Responsibility

- Edinburgh Live, formerly known as Innovation Nation lectures.
- Work experience opportunities.
- Student open day with over 400 students in attendance.
- Foodbank collections which fed 1,000 families in December/January.
- Over 50 Charity volunteer days per year provided by team members.
- Retiral home Christmas day out.
- Litter picking activities.

### Key Partnerships

- EICC sub-contractors - Leith's, Mitie, Croma Vigilant.
- EICC specialist services – Freer Consultancy, Westcom Networks.
- Napier University - MSc in Business Events Management.
- Pleasance Theatre Trust - Pleasance at the EICC.

### Key Challenges Facing EICC

- Difficulty in funding its capital expenditure requirements
- Limited access to subvention funding
- Significant levels of business lost due to clients being unable to secure hotel accommodation for delegates

### EICC Future Focus

- To ensure the financial stability of the EICC
- To continue to generate the highest levels of customer service

- To maintain the EICC as a modern up to date venue with cutting edge technology
- To ensure that the Company has a dynamic structure which enables the development of all team members
- To continue to improve the overall EICC product offering

#### EICC Future Objectives

- To position Edinburgh in the top tier of the UK conference league
- To help raise the profile of Edinburgh as a major international business tourism destination
- To generate increased levels of economic impact for Edinburgh
- To develop new products/gain entry to new markets to increase revenue generation
- To operate the EICC without the need for financial support from CEC
- To create a hub of business excellence within the event, catering and hotel sectors
- To expand the globally recognised EICC brand

**Appendix 2 – Statement of Accounts 2018**

**EDINBURGH INTERNATIONAL CONFERENCE CENTRE LIMITED**

**ANNUAL REPORT AND ACCOUNTS FOR THE YEAR TO 31 DECEMBER 2018**

**COMPANY NUMBER SC131773**

## **GENERAL INFORMATION**

### **Company number**

SC131773

### **Present Company Directors**

L.M. Cameron  
M.C. Dallas  
L.M. Florence  
G.A. Gordon  
J.Mc.H. McFarlane  
S. Smith

### **Company Secretary**

Pinsent Masons Secretarial Limited  
1 Park Row  
Leeds  
LS1 5AB

### **Registered Office**

Edinburgh International Conference Centre Limited  
150 Morrison Street  
Edinburgh  
EH3 8EB

### **Auditor**

Scott-Moncrieff  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

### **Bankers**

Bank of Scotland plc  
3 Earl Grey Street  
Edinburgh  
EH3 9BN

### **Solicitors**

Pinsent Masons LLP  
Princes Exchange  
1 Earl Grey Street  
Edinburgh  
EH3 9AQ

## **STRATEGIC REPORT**

### **Principal activities**

The principal activities of the Company during the year were in respect of the operation of an international conference centre.

### **Results and review of the business**

The results for the year are shown on the statement of profit or loss and other comprehensive income on page 9.

The profit from continuing operations before tax for the year amounted to £760,180 (2017 – £579,328). The Company has, after taxation adjustments, a total comprehensive profit for the year of £760,180 (2017 – 577,757). The Directors do not recommend payment of a dividend for the year ended 31 December 2018.

It is pleasing to report that 2018 was another very successful year for the Edinburgh International Conference Centre, which saw its operating and financial performance improve for the fourth successive year. This was achieved against a continuing backdrop of: restricted client budgets; increased competition from a growing number of conference centres; aggressive price competition from venues across the globe; and a number of local problems including the difficulties encountered trying to secure sufficient hotel room allocations for clients.

In the course of 2018 the Sales Team secured the highest value of business contracted in the year - for the year, since the Company commenced its operations in 1995. This was largely achieved as a result of the sales team continuing to build on the initiatives and activities that they had successfully introduced in the preceding three to four years.

These included: increasing the number of sales visits undertaken in the year; increasing the number of booking agents used; increasing the Conference Centre's visibility on a number of social media platforms; increasing the scope, scale and diversity of events held at the EICC; and being more flexible in the terms and conditions offered to clients.

During the year the sales team continued to adopt a much more focussed approach to securing bookings. This saw: the association sales team laying down a solid platform for future years by reaching the desired revenue position, at the end of 2018, for each of the 4 succeeding years; whilst the corporate sales team worked assiduously to ensure that target for the current year was achieved through securing increased volumes of short lead business.

This was achieved through a combination of: the adoption of improved research activities; using a wider range of selling techniques; incentivising booking agents; continuing to promote Day Delegate Rate business; and adopting a more innovative and creative approach in engaging with clients and prospective clients.

The cumulative effect of the sales team's activities had a significant impact on the Company's revenues for the year which amounted to £8.763m. This was an increase of £0.844, on the previous year's figure of £7.919m, which is equivalent to an increase of 10.66%. These revenues generated a gross profit of £1.360m in 2018 compared to a gross profit of £1.137m for the previous year, which represents an increase of 19.61%.

It should be noted that in 2018 the EICC recorded its highest levels of gross profit for the months of January, February, July, August, October and November since it commenced trading. It is also worth noting that 2017 saw the Company record an operating surplus for the month of August for the first time ever and that this was surpassed in the current year.

The Conference Centre held 198 events in 2018, which was an increase of 14 on the 184 events that were held in the previous year. These events varied enormously in their size, duration, diversity and profitability. 5 of the association events that were held in 2018 recorded an event gross profit of over £200,000 each and the top 10 conference and meeting events by value generated £2.044m in cumulative event gross profit during the year.

Day Delegate Rate business continued to perform strongly during the year under review. Whilst Day Delegate Rate business was previously regarded as low value and unprofitable 60 events of this type were held at the EICC during 2018. The top 10 Day Delegate Rate events by value generated £656k in cumulative event gross profit during the year.

Occupancy levels for the year increased to 60.41% and the Company experienced year on year growth in respect of the number of booking enquiries received, the level of bookings contracted for future years and the room rental charges, charges for additional services and catering commission derived from the Company's operations.

Expenditure in respect of cost of sales and administration expenses totalled £7,931m in 2018, which was an increase of £610,000 on the previous year's expenditure which had amounted to £7,321m. Although this represented an increase of 8.33% compared to the expenditure levels recorded during 2017 it was well within budget for the year as a result of the continuing stringent focus on cost controls and operating efficiencies.

The operating profit generated by the activities of the Conference Centre, which is the Company's internal measure of performance, was well ahead of target for the year. This measure of performance is based on the operating profit generated before adjustments in respect of depreciation and the recognition of capital grant income. 2018 saw the Company generate its highest ever levels of revenue, gross profits, operating profit and economic impact.

During the year 96,851 delegates attended events at the Conference Centre which was a rise of 2,371 on the previous year. The number of delegate days generated by these delegates amounted to 300,452 in 2018 compared to 275,517 in 2017. This increase in delegate numbers was due to an increase in the number of events held and to a change in the mix of business compared to the previous year.

The delegates who attended events at the EICC during the year generated an economic impact of £58.1m in 2018 compared to £56.7m in 2017. The economic impact that is produced as a result of the EICC's activities helps to create and sustain employment within Edinburgh and further afield.

The Company continues to align its operations with the business excellence model and it is accredited to a number of quality standards. These standards cover systems management, human resources and environmental practices and the EICC continues to achieve very positive results from assessments in respect of its re-accreditation to these standards.

The EICC's business operations have continued to develop in the first half of 2019. The existing level of bookings for 2019, the high volume of enquiries that are being received and the increase in the number of short lead bookings that are being secured is encouraging and the EICC's business outlook for the current year and the longer term remains very positive.

### Key performance indicators

The Company's performance with regard to its key financial and other performance indicators during the year was as follows:-

	2018 £'000	2017 £'000	% Change
Turnover	8,763	7,919	10.66%
Cost of sales and administration expenses	7,931	7,321	(8.33)%
Customer delight	89%	90%	(1.11)%
Economic impact	58,118	56,723	2.46%

### Risks and uncertainties

In common with many other businesses the Company is exposed to a range of risks. The principal risks and uncertainties facing the Company are associated with market forces and the behaviour of competition as well as the risks associated with catastrophic events.

The Directors recognise that the Company has lost business, and will lose business in the future, as a result of Brexit and the uncertainty surrounding its implementation. However, they believe that such losses will be compensated for by securing increased levels of business from the UK, America and the Far East.

### Future developments

The Directors intend to maintain the objectives and aims of the Company, which have resulted in many notable achievements and successes to date.



Director  
31 July 2019  
**DIRECTORS' REPORT**

The Directors have pleasure in submitting their annual report and financial statements, in respect of Edinburgh International Conference Centre Limited (the Company), for the year ended 31 December 2018.

## **Directors**

The Directors who served during the period were as follows:

G. Barrie (Chair)	resigned 28 March 2018
L.M. Cameron	
K.R. Campbell (Chair)	appointed 30 May 2018
K.R. Campbell (Chair)	resigned 14 February 2019
M.C. Dallas	
L.M. Florence	
G.A. Gordon (Chair)	appointed 27 March 2019
J.Mc.H. McFarlane	
S. Smith	

None of the Directors had any interest in the shares of the company during the period.

## **Going concern**

In line with the FRC guidance on Going Concern issued in November 2009, the directors have undertaken an exercise to review the appropriateness of the continued use of the Going Concern basis.

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to interest rate, credit and liquidity risk are described in note 22 to the financial statements.

The Company's ultimate parent entity, the City of Edinburgh Council, has committed to providing continued funding, sufficient to meet all liabilities as and when they fall due.

After making suitable enquiries, the Directors have a reasonable expectation that the Company has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis of accounting in preparing the annual financial statements, as described in note 2 to the financial statements.

## **Directors' responsibilities for the Financial Statements**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the company financial statements in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS's, as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Disclosure of information to the auditor**

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company auditor is unaware and each Director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **Auditor**

A resolution to re-appoint Scott-Moncrieff as the Company's auditor will be put to the forthcoming Annual General Meeting.

#### **By Order of the Board**

Pinsent Masons Secretarial Limited  
31 July 2019

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDINBURGH INTERNATIONAL CONFERENCE CENTRE LTD**

### **Opinion**

We have audited the financial statements of Edinburgh International Conference Centre Limited (the 'company') for the year ended 31 December 2018 which comprises the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Material uncertainty related to going concern**

We draw attention to the Directors Report and note 2 in the financial statements, which indicate that Edinburgh International Conference Centre Ltd is reliant on the continued support of the City of Edinburgh Council to continue as a going concern. As stated in note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Councils website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nick Bennett, *Senior Statutory Auditor*  
For and on behalf of  
Scott-Moncrieff, Statutory Auditor  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

Date:

**STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
For the year ended 31 December 2018**

	Notes	2018	2017
		£	£
Revenue	3	8,763,365	7,918,852
Cost of sales		<u>(7,403,240)</u>	<u>(6,781,993)</u>
<b>Gross profit</b>		1,360,125	1,136,859
Other income	4	21,819	77,467
Development expenses		(21,819)	(50,970)
Administration expenses		<u>(528,096)</u>	<u>(538,970)</u>
		<u>(528,096)</u>	<u>(512,473)</u>
<b>Operating profit from continuing operations</b>	6	832,029	624,386
Finance revenue	8	21,289	8,164
Gain on sale of fixed asset		-	-
Finance costs	9	<u>(93,138)</u>	<u>(53,222)</u>
<b>Profit from continuing operations before tax</b>		760,180	579,328
Tax (charge)/credit	10	<u>(4,045)</u>	<u>(1,571)</u>
<b>Total comprehensive profit for the year</b>		<u>756,135</u>	<u>577,757</u>

The accompanying notes form part of the financial statements

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2018**

	Share Capital £	Other Reserves £	Retained Earnings £	Shareholder's Funds £
At 31 December 2016	63	60,670,347	(54,807,803)	5,862,607
Total comprehensive profit for period	-	-	577,757	577,757
Increase in loan stock	-	<u>300,458</u>	-	<u>300,458</u>
At 31 December 2017	63	60,970,805	(54,230,046)	6,740,822
Total comprehensive profit for period	-	-	756,135	756,135
Increase in loan stock	-	<u>595,438</u>	-	<u>595,438</u>
At 31 December 2018	<u>63</u>	<u>61,566,243</u>	<u>(53,473,911)</u>	<u>8,092,395</u>

The accompanying notes form part of the financial statements

**STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2018**

	Notes	£	2018 £	2017 £
<b>Non-current assets</b>				
Property, plant and equipment	11		6,597,860	6,819,847
<b>Current assets</b>				
Trade and other receivables	12	3,407,272		2,430,247
Cash and cash equivalents	13	<u>4,751,620</u>		<u>3,980,822</u>
			<u>8,158,892</u>	<u>6,411,069</u>
<b>Total assets</b>			<u>14,756,752</u>	<u>13,230,916</u>
<b>Current liabilities</b>				
Trade and other payables	14	2,274,364		1,781,135
Capital grants	17	281,811		459,807
Deferred revenue	17	<u>1,943,969</u>		<u>1,911,512</u>
			4,500,144	4,152,454
<b>Non-current liabilities</b>				
Financial liabilities	15	217,380		124,242
Capital grants	17	1,520,876		1,802,687
Deferred revenue	17	<u>425,957</u>		<u>410,711</u>
			2,164,213	2,337,640
<b>Capital &amp; reserves</b>				
Issued share capital	18	63		63
Other reserves	19	61,566,243		60,970,805
Accumulated losses		<u>(53,473,911)</u>		<u>(54,230,046)</u>
			<u>8,092,395</u>	<u>6,740,822</u>
<b>Total equity &amp; liabilities</b>			<u>14,756,752</u>	<u>13,230,916</u>

The financial statements were authorised for issue by the Board of Directors on 31 July 2019 and were signed on its behalf, on that date, by:

Councillor George Gordon  
 Director:

Councillor Stephanie Smith  
 Director:

The accompanying notes form part of the financial statements

Company Number SC131773

**CASHFLOW STATEMENT**  
**For the year ended 31 December 2018**

	£	2018 £	2017 £
<b>Operating activities</b>			
Profit before tax	760,180		579,328
Finance revenue	(21,289)		(8,164)
Finance costs	<u>93,138</u>		<u>53,222</u>
<b>Operating profit for the year</b>	832,029		624,386
Net finance revenues	21,289		8,164
Depreciation on property, plant and equipment	817,425		784,078
Capital grants released	(459,807)		(466,732)
(Increase)/decrease in trade and other receivables	(977,025)		(533,253)
(Decrease)/increase in trade and other payables	493,229		(182,584)
Increase/(decrease) in deferred income	<u>47,703</u>		<u>241,366</u>
<b>Cash generated from operations</b>	774,843		475,425
Tax on continuing operations	<u>(4,045)</u>		<u>(1,571)</u>
<b>Cash flow from operating activities</b>		770,798	473,854
<b>Investing activities</b>			
Proceeds from sale of property, plant and equipment	-		-
Payments to acquire property, plant and equipment	<u>(595,438)</u>		<u>(482,438)</u>
<b>Cash flow from investing activities</b>		(595,438)	(482,438)
<b>Financing activities</b>			
Receipt of loan stock	<u>595,438</u>		<u>300,458</u>
<b>Cash flow from financing activities</b>		<u>595,438</u>	<u>300,458</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		770,798	291,874
Cash and cash equivalents at 1 January 2018		<u>3,980,822</u>	<u>3,688,948</u>
<b>Cash and cash equivalents at 31 December 2018</b>		<u>4,751,620</u>	<u>3,980,822</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 1. Authorisation of financial statements and statement of compliance with IFRS's

The financial statements of Edinburgh International Conference Centre Limited for the year ended 31 December 2018 were approved by the Board of Directors on 31 July 2019 and signed on its behalf by the Directors noted on the Statement of Financial Position. Edinburgh International Conference Centre Limited is a company incorporated and domiciled in Scotland. The principal activities of the Company are described in Note 3 and information regarding its ultimate parent company is presented in Note 21.

### 2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

#### Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Company for the year ended 31 December 2018 and applied in accordance with the Companies Act 2006.

The accounting policies which follow set out those policies which apply, in preparing the financial statements for the year ended 31 December 2018. The Company has used the "cost of sales" method of presenting income and expenditure and the Company's financial statements are presented in Sterling.

#### New accounting standards adopted during the year

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2018 and have been adopted by the company:

- Financial instruments (IFRS 9)
- Presentation of financial statements (Amendments to IAS 1)
- Financial instruments: recognition and measurement (Amendments to IAS 39)
- Revenue from contracts with customers (IFRS 15)

The above amendments are not considered to have materially impacted the financial statements of the company.

#### New standards and interpretations issued not applied

The International Accounting Standards Board and IFRIC have issued the following standards and interpretations, which may have an impact on the company, with an effective date for financial years beginning on or after the dates disclosed below and therefore after the date of these financial statements:

<i>International Accounting Standards and Interpretations</i>		<i>Effective for annual periods beginning on or after</i>
IFRS 16	Leases	1 January 2019
Amendments to IAS 12	Income taxes: treatment of tax consequences of dividends and other distributions	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

Amendments to IFRS 3 *	Definition of a business	1 January 2020
Amendments to IAS 1/IAS 8 *	Definition of material	1 January 2020

\* not yet adopted for use in the European Union

The directors have reviewed the requirements of the new standards and interpretations listed above and are satisfied that they are not expected to have a material impact on the company's financial statements in the period of initial application.

The exception to this is IFRS 16, 'Leases' which will make it mandatory for entities with operating leases to record a liability for the payment under the lease and record a right of use of the asset. This does not apply to leases of one year or less which do not contain a purchase option and leases of low value assets. This will affect EICC's financial statements as the Company will be required to recognise its liabilities and assets in respects of all applicable operating leases.

### **Going concern**

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continuing support of the Company's ultimate parent undertaking, The City of Edinburgh Council. It is the directors' opinion that the financial statements should be prepared on a going concern basis.

### **Judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the end of the reporting period and the amounts reported for revenues and expenses during the year. Uncertainty about these assumptions and estimates could, however, result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The areas impacted by such judgements and estimation uncertainties, within these accounts, relate primarily to the depreciation policy used, assumptions used in undertaking impairment reviews and the basis of determining whether or not to capitalise equipment purchases in respect of fixed assets and the recoverability of items contained within trade and other receivables.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows: Infrastructural works - 20 years; Leasehold Land and Buildings - 10 to 50 years; Office Equipment and Furniture - 3 to 10 years.

Management use judgement in arriving at the Company's depreciation policy by taking account of the residual value of the assets concerned and their useful economic life. The Company expects that items of property, plant and equipment will be used for their entire life and as a result it is expected that these items will have no residual value. An assets useful economic life is based on past experience and general expectations.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the statement of comprehensive income in the period of derecognition.

The capitalisation of infrastructural works and assets under construction is based on management's judgement of when a projects future economic benefit can be determined. Initial project development costs in respect of feasibility studies,

design team fees and pre construction activities are expensed via the statement of comprehensive income. However, once a project's feasibility has been determined and a future benefit is expected to arise from it the costs of that project are capitalised.

### **Foreign currency translation**

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

### **Capital grants**

Grants in respect of capital expenditure are credited to deferred income and are released to income in equal amounts over the expected useful lives of the relevant assets by equal annual instalments.

### **Leasing and hire purchase commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the statement of financial position and are depreciated over the shorter of the lease term and the asset's useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the statement of financial position.

The interest elements of the rental obligations are charged in the statement of comprehensive income over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

The lease of the Conference Centre was treated as a finance lease until 8 December 1999 when the option to enter into a new lease was exercised. From this date the assets have been depreciated over their useful lives, rather than the period of the lease, as the substance of the transaction is effectively that of financing. The leaseholders hold no rights to impose restrictions on or reclaim the title of the Conference Centre.

Rentals payable under operating leases are charged in the statement of comprehensive income on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

### **Trade and other receivables**

Trade receivables which generally have 30 day terms are recognised and carried at their original invoiced value, less an allowance for impairment of doubtful debt. An allowance for doubtful debt is estimated by management, taking into account future cashflows, based on past experience and an assessment of the current economic climate in which the company operates.

### **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

### **Trade and other payables**

Trade and other payables are recognised at fair value and subsequently held at amortised cost.

### **Loans**

Loans are initially recognised at fair value and then held at amortised cost using the effective interest rate method of calculation. The effective interest rate charge for the year is included in finance costs in the statement of comprehensive income.

### **Taxation**

The charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on the tax rates and laws enacted or substantially enacted at the reporting date.

The Company does not recognise amounts which may be recoverable under group relief until the tax computations for the companies in the tax group have been agreed.

### Revenue recognition

EICC contracts with a range of customers to provide meeting and conference facilities for the events that they wish to hold. Under the terms of these contracts the Company usually receives a number of stage payments from clients prior to and post their event taking place. The Company however does not finish performing its obligations until the end point of the contract and that is when revenue is recognised.

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance and that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, excluding VAT.

### Pensions

The Company operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

## 3. Revenue

Revenue recognised in the statement of comprehensive income is analysed as follows:

	2018 £	2017 £
Revenue recognised from contracts with customers	8,720,830	7,894,787
Rendering of other services	<u>42,535</u>	<u>24,065</u>
	<u>8,763,365</u>	<u>7,918,852</u>

## 4. Other Income

Other income recognised in the statement of comprehensive income is analysed as follows:

	2018 £	2017 £
Reimbursement of development expenditure	<u>21,819</u>	<u>77,467</u>

## 5. Segment information

For management purposes the Company operates as a single business unit.

All revenues are derived from external customers who are based in the United Kingdom. No single customer accounted for 10 per cent or more of the Company's revenues.

## 6. Operating loss

This is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of fixed assets	817,425	784,078
Auditor's remuneration - audit services	10,250	8,000
Auditor's remuneration – taxation services	1,600	1,600
Operating lease rentals – land and buildings	153,678	153,678
Operating lease rentals - plant and equipment	11,709	9,896
Other income	(21,819)	(77,467)
Capital grants released	<u>(459,807)</u>	<u>(466,732)</u>

## 7. Staff costs and directors' emoluments

### (a) Staff costs

	2018 £	2017 £
Salaries	2,289,985	2,172,248
Social security costs	196,590	194,486
Pension costs	<u>124,759</u>	<u>113,550</u>
	<u>2,611,334</u>	<u>2,480,284</u>

The monthly average number of staff employed during the year was:

	2018	2017
Sales and Marketing	11	12
Operations	41	38
Administration	7	7

### (b) Directors' emoluments

	2018 £	2017 £
Directors' remuneration	296,855	289,100
Directors' pension	<u>28,402</u>	<u>27,677</u>

	<u>325,257</u>	<u>316,777</u>
<b>7. Staff costs and directors' emoluments (cont.)</b>		

The remuneration of the highest paid director included:

	2018 £	2017 £
Directors' remuneration	171,980	167,136
Directors' pension	<u>16,461</u>	<u>16,001</u>
	<u>188,441</u>	<u>183,137</u>

**8. Finance revenue**

	2018 £	2017 £
Interest receivable on bank deposits	<u>21,289</u>	<u>8,164</u>

**9. Finance costs**

	2018 £	2017 £
Effective interest on loan stock	<u>(93,138)</u>	<u>(53,222)</u>

**10. Tax charge**

	2018 £	2017 £
UK Corporation Tax	<u>4,045</u>	<u>1,571</u>

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 19.25% (2017: 19.25%). A number of factors affect the tax charge, and these are shown/reconciled below:

	2018 £	2017 £
Profit from continuing operations before tax	<u>760,180</u>	<u>579,328</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	144,434	111,501
Expenses not deductible for tax purposes	6,432	7,621
Fixed asset differences	87,417	91,761
Adjust deferred tax to average rate	(24,656)	(24,432)
Deferred tax not recognised	<u>(209,582)</u>	<u>(184,880)</u>
Tax charge for the period	<u>4,045</u>	<u>1,571</u>

As at 31 December 2018 there was an unrecognised deferred tax asset amounting to £(1,561,373) (2017: £1,764,697) of which £331,984 (2017: £410,561) was in respect of accelerated capital allowances and other timing differences and £1,229,389 (2017: £1,354,136) was in respect of trading losses. The directors have elected not to recognise a deferred tax asset due to uncertainty surrounding future profitability from which any reversal of timing differences could be deducted.

No other factors that may affect future tax charges have been identified.

## 11. Property, plant and equipment

	Infrastructure Works £	Long Leasehold Buildings £	Office Equipment & Furniture £	Total £
<b>Cost or valuation</b>				
At 1 January 2018	6,669,993	35,264,791	5,546,395	47,481,179
Additions	-	-	595,438	595,438
Disposals	-	-	-	-
At 31 December 2018	<u>6,669,993</u>	<u>35,264,791</u>	<u>6,141,833</u>	<u>48,076,617</u>
<b>Depreciation and impairment</b>				
At 1 January 2018	6,202,838	29,999,292	4,459,202	40,661,332
Charge for the period	280,029	194,993	342,403	817,425
Released on disposal	-	-	-	-
At 31 December 2018	<u>6,482,867</u>	<u>30,194,285</u>	<u>4,801,605</u>	<u>41,478,757</u>
<b>Net book value</b>				
At 31 December 2017	<u>467,155</u>	<u>5,265,499</u>	<u>1,087,193</u>	<u>6,819,847</u>
At 31 December 2018	<u>187,126</u>	<u>5,070,506</u>	<u>1,340,228</u>	<u>6,597,860</u>
<b>Cost or valuation</b>				
At 1 January 2017	6,669,993	35,264,791	5,063,957	46,998,741
Additions	-	-	482,438	482,438
Disposals	-	-	-	-
At 31 December 2017	<u>6,669,993</u>	<u>35,264,791</u>	<u>5,546,395</u>	<u>47,481,179</u>
<b>Depreciation and impairment</b>				
At 1 January 2017	5,913,706	29,800,931	4,162,617	39,877,254
Charge for the period	289,132	198,361	296,585	784,078
Released on disposal	-	-	-	-
At 31 December 2017	<u>6,202,838</u>	<u>29,999,292</u>	<u>4,459,202</u>	<u>40,661,332</u>
<b>Net book value</b>				
At 31 December 2016	<u>756,287</u>	<u>5,463,860</u>	<u>901,340</u>	<u>7,121,487</u>
At 31 December 2017	<u>467,155</u>	<u>5,265,499</u>	<u>1,087,193</u>	<u>6,819,847</u>

Long leasehold buildings consist of freehold buildings constructed on land that is leased to the company until 2117.

**12. Trade and other receivables**

	2018 £	2017 £
Trade receivables	1,815,500	1,365,307
Amount owed by CEC Holdings Limited and the City of Edinburgh Council	1,421,149	803,892
Other receivables	1	1
Prepayments	<u>170,622</u>	<u>261,047</u>
	<u>3,407,272</u>	<u>2,430,247</u>

Trade receivables are non-interest bearing and are generally on 30 days' terms. As at 31 December 2018 no trade receivables were determined to be impaired (31 December 2017: nil).

At 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Total £	Neither past due nor impaired £	Past due but not impaired		
			< 30 days £	30-60 days £	> 90 days £
At 31 December 2017	1,365,307	1,184,471	101,452	30,021	49,363
At 31 December 2018	1,815,500	1,533,716	183,110	45,571	53,103

The credit rating of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings, where available, historical information in respect of repeat business and payment history with regard to current business.

**13. Cash and cash equivalents**

	2018 £	2017 £
Cash at bank and in hand	<u>4,751,620</u>	<u>3,980,822</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £4,751,620 (31 December 2017: £3,980,822).

**14. Trade and other payables**

	2018 £	2017 £
Trade payables	1,152,125	723,654
Value Added Tax	142,304	92,188
Other taxes and social security costs	56,139	47,704
Other payables	428,780	538,049
Accruals	<u>495,016</u>	<u>379,540</u>
	<u>2,274,364</u>	<u>1,781,135</u>



Trade payables are non-interest bearing and are normally settled on 30-60 days' terms. Other payables are non-interest bearing.

## 15. Financial liabilities

### Loans and borrowings

	2018 £	2017 £
Loan stock - Non-current	<u>217,380</u>	<u>124,242</u>

The company has issued convertible and non-convertible loan stock to the City of Edinburgh Council and CEC Holdings Limited, as shown below. These loan stocks, which amount to a face value of £61,566,243 (31 December 2017: £60,970,805) either bear no interest or the interest on them has been waived by the stockholder.

The loans have been recognised at fair value by discounting the future cash flows using market interest rates. Loan stocks are then held at amortised cost by applying an effective interest rate, to increase the loan stock to its face value over the term of the loan stock's issue. These loans have been received from the parent company and the Company relies on these loans as an ongoing source of funding.

The fair value of loan stock has been estimated using effective interest rates which have been applied to the various loan stocks as follows:

Loan Stock	Effective Interest Rate %	Loan Stock £	Amortised cost at 31 December 2018 £	Aggregate Interest £
Convertible Unsecured Loan Stock 2117	15	45,297,609	44	43
Non-Convertible Unsecured Loan Stock 2117	13	7,229,264	40	39
Non-Convertible Unsecured Loan Stock 2022	75	1,339,365	142,806	142,805
Non-Convertible Unsecured Loan Stock 2023	75	868,000	52,885	52,884
Non-Convertible Unsecured Loan Stock 2024	70	546,000	19,009	19,009
Non-Convertible Unsecured Loan Stock 2025	75	123,000	2,447	2,447
Non-Convertible Unsecured Loan Stock 2034	75	154,299	20	20
Non-Convertible Unsecured Loan Stock 2035	75	799,000	59	58
Non-Convertible Unsecured Loan Stock 2036	75	709,141	30	29
Non-Convertible Unsecured Loan Stock 2037	75	461,069	11	11
Non-Convertible Unsecured Loan Stock 2038	75	1,278,074	18	17
Non-Convertible Unsecured Loan Stock 2039	75	841,099	7	6
Non-Convertible Unsecured Loan Stock 2040	75	718,922	3	6
Non-Convertible Unsecured Loan Stock 2041	75	123,525	0	0
Non-Convertible Unsecured Loan Stock 2042	75	482,438	1	1
Non-Convertible Unsecured Loan Stock 2043	75	<u>595,438</u>	<u>0</u>	<u>0</u>

	<u>61,566,243</u>	<u>217,380</u>	<u>217,375</u>
<b>15. Financial liabilities (cont.)</b>			
The face value of loan stock issued by the company is as follows:			
		2018	2017
		£	£
Convertible unsecured loan stock		45,297,609	45,297,609
Non-convertible unsecured loan stock		<u>16,268,634</u>	<u>15,673,196</u>
		<u>61,566,243</u>	<u>60,970,805</u>
Non-convertible unsecured loan stock			
Issued to The City of Edinburgh Council and CEC Holding Ltd		4,675,316	4,675,316
Due to be issued to The City of Edinburgh Council and CEC Holdings Ltd		<u>11,593,318</u>	<u>10,997,880</u>
		<u>16,268,634</u>	<u>15,673,196</u>

The convertible unsecured loan stock, which is all held by CEC Holdings Ltd, bears no interest and is repayable on 31 March 2117 at par. CEC Holdings Ltd have the right to convert loan stock into fully paid preferred ordinary shares at the rate of one preferred ordinary share per £1 nominal of loan stock.

A further £7,882,135 of non-convertible unsecured loan stock 2117 (31 December 2017: £7,286,697) has been issued or is due to be issued to the City of Edinburgh Council and is repayable at par.

CEC Holdings Ltd hold £8,386,499 (31 December 2017: £8,386,499) of the remaining issued or due to be issued non-convertible unsecured loan stock. This non-convertible unsecured loan stock bears no interest and is repayable within 25 years of issue.

## 16. Obligations under leases and hire purchase contracts

### Operating lease agreements

The Company has entered into commercial leases on land and buildings and certain items of office equipment. These leases have a duration of between 5 and 14 years. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2018	2017
	£	£
Land and buildings		
Expiring:		
Not later than one year	153,678	153,678
Later than one year and not later than five years	614,712	614,712
Later than five years	<u>768,390</u>	<u>922,068</u>
	<u>1,536,780</u>	<u>1,690,458</u>
Other		
Expiring:		
Not later than one year	13,522	9,896
Later than one year and not later than five years	<u>5,740</u>	<u>9,896</u>

	<u>19,262</u>	<u>19,792</u>
<b>17. Deferred revenue and capital grants</b>		
	2018	2017
	£	£
Deferred revenue	2,369,926	2,322,223
Capital grants	<u>1,802,687</u>	<u>2,262,494</u>
	<u>4,172,613</u>	<u>4,584,717</u>

Deferred revenue relates to the advance deposits received in respect of events which are due to take place after the year end.

	2018	2017
	£	£
At 1 January	2,322,223	2,080,857
Deferred during the year	1,959,215	2,025,232
Released to the income statement	<u>(1,911,512)</u>	<u>(1,783,866)</u>
At 31 December	<u>2,369,926</u>	<u>2,322,223</u>

Deferred revenue is analysed as follows:

	2018	2017
	£	£
Current obligations	1,943,969	1,911,512
Non-current obligations	<u>425,957</u>	<u>410,711</u>
	<u>2,369,926</u>	<u>2,322,223</u>

Capital grants have been received in respect of building construction and roadworks as follows:

	2018	2017
	£	£
At 1 January	2,262,494	2,729,226
Receivable during the year	-	-
Released to the income statement	<u>(459,807)</u>	<u>(466,732)</u>
At 31 December	<u>1,802,687</u>	<u>2,262,494</u>

Capital grants are analysed as follows:

	2018	2017
	£	£
Current obligations	281,811	459,807
Non-current obligations	<u>1,520,876</u>	<u>1,802,687</u>
	<u>1,802,687</u>	<u>2,262,494</u>

## 18. Share capital

	2018 No.	2017 No.	2018 £	2017 £
Allotted, called up and fully paid:				
Preferred Ordinary shares	40	40	40	40
Ordinary shares	2	2	2	2
RBL Ordinary shares	10	10	10	10
Preference shares	10	10	10	10
Special share	1	1	<u>1</u>	<u>1</u>
			<u>63</u>	<u>63</u>

The 10 preference shares, 2 ordinary shares and 40 preferred ordinary shares were all issued to The City of Edinburgh Council and subsequently gifted to CEC Holdings Ltd (wholly owned subsidiary of the Council) in 1996. The special share was issued to Scottish Enterprise Edinburgh and Lothian Ltd on 18 December 1996. The City of Edinburgh Council is the ultimate holding organisation of the Company.

The special share has a nominal value of £1. The share can only be transferred to a body nominated by Scottish Enterprise Edinburgh and Lothian Ltd and approved by the City of Edinburgh Council. The special shareholder is entitled to receive notice of general meetings, and to attend and speak at such meetings but has no other rights. Specifically, the special shareholder has no right to vote at such a meeting. The special shareholder is however entitled to receive a copy of each resolution passed at a general meeting, to receive any resolution proposed as a written resolution and each circular sent by the Company to holders of any class of shares in the Company.

The special shareholder ranks after all other members of the Company in respect of distribution of capital on the winding up of the Company. The special share confers no right to participate in the profits of the Company.

The Articles of Association entitle the holder of the special share to appoint one person as a Director of the Company. This right is effected by a notice in writing either being lodged at the Company's registered office or delivered to a meeting of the directors.

The preference shares carry no voting rights, but have the right to a fixed cumulative preferential dividend at the rate of 6% (net of associated tax credit) per annum, on the amount paid up, to be paid annually on 31 December each year.

The RBL ordinary shares, which were issued on 29 November 1995, carry no voting rights and are entitled to a dividend of £0.01 for every full amount of £100 worth of assets paid. This is payable after payment of the fixed dividend to holders of the preference shares.

The ordinary and preferred ordinary shares carry one vote per share and participate in profits available for dividend pro rata.

In the event of a capital distribution the shares rank in the following order:

£1 for each Preference Share; £1 for each Preferred Ordinary Share; £1 for each Ordinary Share; £1 for each RBL Ordinary Share; £1 for each Special Share. Thereafter pro rata.

## 19. Other reserves

Other reserves arise from the fair valuing of loan stock where the difference between the fair value and face value of the loan has been recognised as a capital contribution where the loan has been issued at below market rate from a parent company.

	£
At 1 January 2018	60,970,805
Net movement on recognition of loans	<u>595,438</u>
At 31 December 2018	<u>61,566,243</u>

## 20. Pension commitments

The Company operates a defined contribution scheme for its employees. The assets of this scheme are held separately from those of the Company in an independently administered fund.

The total amount paid to the scheme during the year totals £124,759 (31 December 2017: £113,550).

The unpaid contributions outstanding at the year end, included in other creditors, amount to £3,238 (31 December 2017: £3,521).

## 21. Related party transactions

The transactions that have been entered into with related parties, which have a significant influence over the Company, for the financial year, are as follows:

	Net funding received £
The City of Edinburgh Council	
2018	-
2017	-
CEC Holdings Limited	
2018	-
2017	-

Loans received from or made to related parties, which have a significant influence over the Company, are as follows:

	Owed by related parties £	Owed to related parties £
The City of Edinburgh Council		
2018	343,271	7,882,135
2017	321,452	7,286,697
CEC Holdings Limited		
2018	1,077,878	53,684,108

2017

482,440

53,684,108

**21. Related party transactions (cont.)**

The Company's immediate parent undertaking is CEC Holdings Limited. It has included the Company in its group financial statements. The ultimate parent undertaking is The City of Edinburgh Council. Copies of the accounts of both companies are available from the Head of Finance, The City of Edinburgh Council, Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG.

**22. Financial instruments and risk management**

The company has the following categories of financial instruments at the balance sheet date:

	2018 £	2017 £
Financial assets		
Loans and receivables:		
Trade and other receivables	3,236,650	2,169,200
Cash and cash equivalents	<u>4,751,620</u>	<u>3,980,822</u>
	<u>7,988,270</u>	<u>6,150,022</u>
	2018 £	2017 £
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade and other payables	2,075,921	1,639,672
Loan stock	<u>217,380</u>	<u>124,242</u>
	<u>2,293,301</u>	<u>1,763,914</u>

**Capital management and risk management objectives**

The company aims to manage its overall capital structure to ensure it continues to operate as a going concern. The company's capital structure represents the equity attributable to the shareholders of the company together with cash equivalents.

The Board is charged with the overall responsibility of establishing and monitoring the company's risk management policies and processes in order to identify, analyse and monitor the risks that are faced by the company. The company does not enter into or trade financial instruments for speculative purposes.

The main risks that the company is exposed to through its financial instruments are market risk, credit risk and liquidity risk. These are managed as follows:

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income. The company monitors this risk but it is very unlikely to affect the company's overall liquidity. The company's debt is primarily non-interest bearing.

## **22. Financial instruments and risk management (cont.)**

### **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company. It arises from exposure to customers and amounts owed by group undertakings.

The maximum exposure to credit risk to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk is reviewed regularly by the directors and monitored by actively assessing the rating quality and liquidity of counterparties as follows:

- Only banks and institutions with an acceptable credit rating are utilised;
- All customers are rated for credit worthiness, where practical, taking into account their size, market position and financial standing;

Over 85% of the company's gross profits are derived from room hire fees which are paid in advance and from catering commission which is paid by the catering concessionaire.

### **Liquidity risk**

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages that risk as follows:

- Preparing forward looking cash flow analysis; and
- Managing cash generated by its operations and retaining surplus cash in readily accessible bank deposit accounts.

### **Fair values**

The directors consider that the carrying values of all the company's financial assets and liabilities approximate to their fair values at the balance sheet date.

A large blue circle is the central focus, containing text. It is surrounded by three 3D pie charts: one in the top left (dark blue, red, light blue), one in the top right (green, dark blue, light blue), and one in the bottom left (dark blue, red). Dotted lines connect the top-left and bottom-left charts to the central circle.

**Edinburgh International  
Conference Centre Limited**

**Audit management report  
for the year ended 31  
December 2018**



**Scott-Moncrieff**  
business advisers and accountants



# **Edinburgh International Conference Centre Limited**

## **Audit management report for the year ended 31 December 2018**

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# 1 Purpose of this report

International Standards on Auditing (UK) 260, "Communication with those charged with governance" and 265 "Communicating deficiencies in internal control to those charged with governance and management" require Scott-Moncrieff to report the significant findings from our audit to you.

Our procedures are carried out solely for the purpose of our audit so that we can form and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK). Our audit does not necessarily disclose every weakness and for this reason the matters referred to may not be the only shortcomings which exist.

We take this opportunity to remind you that:

- This report has been prepared for the sole use of the Board of Edinburgh International Conference Centre Limited;
- It must not be disclosed to any third party without our written consent; and
- No responsibility is assumed by us to any other person who may choose to rely on it for his or her own purposes.

The report has been discussed and agreed with the Finance Director.

We would like to thank the Finance Director and his colleagues for their kind co-operation and assistance during our audit.

## 2 Audit Conclusion

In our opinion the financial statements give a true and fair view and have been prepared in accordance with applicable law including the International Financial Reporting Standards as adopted by the European Union (IFRSs).

Other than as described in our audit report, we confirm that our audit testing did not identify any material issues affecting the company's ability to continue as a going concern. The letter of comfort received from City of Edinburgh Council (the Council) confirms that the Council will continue to provide financial support to EICC Limited, directly or via CEC Holdings, until at least December 2020. We are therefore satisfied with the disclosure in the financial statements.

We did not identify any subsequent events which require amendments or disclosures to be made to the financial statements.

### Auditor Independence

International Standard on Auditing (UK) 260, "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence. In addition to the audit of the financial statements, Scott-Moncrieff provides corporation tax services to the company. All tax services are provided by an independent tax partner and staff who have no involvement in the audit of the financial statements.

We can confirm that we have complied with the Financial Reporting Council's Ethical Standard for Auditors. In our professional judgement the audit process has been independent and our objectivity has not been compromised.

# 3 Audit risk areas identified at the planning stage

## Identified audit risk areas

As noted in our audit planning letter submitted to the board of directors we identified the audit risk areas, noted in the table below, as significant matters. We considered these matters in detail during our audit fieldwork.

Audit risk areas	Audit findings
<p><b>Risk 1 – Management override of controls</b></p> <p>In any organisation, there is a risk that management and directors have the ability to process transactions or make adjustments to the financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements. We treat this as a presumed risk area in accordance with International Standard on Auditing (UK) 240: "The auditor's responsibilities relating to fraud in an audit of financial statements."</p> <p>Whilst we do not suspect any incidences of management override, we will review the accounting records for significant transactions that are outside the normal course of business and obtain evidence to ensure that these are valid and accounted for correctly.</p>	<p>We have not identified any indications of management override in the year. We have reviewed EICC Limited's accounting records and obtained evidence that transactions outside the normal course of business were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.</p> <p><b>Conclusion:</b> We have gained satisfactory assurance in respect of the mitigation of this risk.</p>
<p><b>Risk 2 – Revenue recognition</b></p> <p>Under International Standard on Auditing (UK) 240, "The auditor's responsibilities relating to fraud in an audit of financial statements" there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the company could adopt accounting policies or recognise sales in such a way as to lead to a material misstatement in the reported revenue position.</p> <p>Whilst we do not suspect any incidences of fraud or error, we will evaluate each type of revenue transaction and document our conclusions.</p>	<p>We evaluated each material revenue stream, considered the company's revenue recognition policy and carried out testing to ensure this is appropriate and has been applied.</p> <p><b>Conclusion:</b> We have gained satisfactory assurance in respect of the completeness and occurrence of revenue transactions in the year.</p>
<p><b>Risk 3 – Going Concern</b></p> <p>EICC Ltd reported a surplus position for the year to 31 December 2017 and forecasts a further surplus for the year to 31 December 2018. However the entity has a history of reporting losses and is heavily dependent on the continued support of the City of Edinburgh Council.</p> <p>We will consider the company's ability to continue to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are expected to be approved. In doing so we will consider whether the company can continue to rely on the Council's support.</p>	<p>We have obtained evidence which provides adequate assurance regarding the Council's intention to continue to support the company its ability to do so. We have also reviewed the going concern disclosures within financial statements to ensure these are adequate.</p> <p><b>Conclusion:</b> We have gained satisfactory assurance in respect of the mitigation of this risk, however we have deemed it appropriate to highlight the ongoing material uncertainty related to going concern in our audit report.</p>

# Qualitative aspects of accounting practices and financial reporting

During the course of an audit, we consider the qualitative aspect of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our observations are as follows:-

Qualitative aspect considered	Audit conclusion
<p><b>The appropriateness of the accounting policies used.</b></p>	<p>We have reviewed the significant accounting policies, which are disclosed in the financial statements, and we consider these to be appropriate to the company.</p>
<p><b>The timing of the transactions and the year in which they are recorded.</b></p>	<p>We did not identify any significant transactions where we had concerns over the timing or the year in which they were recognised.</p>
<p><b>The appropriateness of the accounting estimates and judgements used.</b></p>	<p>We are satisfied with the appropriateness of accounting estimates or judgements used in the preparation of the financial statements.</p>
<p><b>The potential effect on the financial statements of any uncertainties including significant risks and disclosures such as pending litigation that is required to be disclosed in the financial statements.</b></p>	<p>We did not identify any uncertainties including any significant risk or required disclosures that should be included in the financial statements.</p>
<p><b>The extent to which the financial statements have been affected by unusual transactions during the year and the extent that these transactions are separately disclosed in the financial statements.</b></p>	<p>We did not identify any unusual transactions in the year from our testing.</p>
<p><b>Apparent misstatements in the Strategic Report, the Directors' Report or material inconsistencies with the financial statements.</b></p>	<p>There has been no misstatement or material inconsistency with the financial statements included in the Strategic Report or the Directors' Report.</p>
<p><b>Any significant financial statement disclosures to bring to your attention.</b></p>	<p>There are no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.</p>
<p><b>Disagreement over any accounting treatment or financial statement disclosure.</b></p>	<p>There was no disagreement during the course of the audit with regards to any accounting treatment or disclosure.</p>

Qualitative aspect considered	Audit conclusion
<b>Difficulties encountered in the audit.</b>	Our audit field work commenced in April 2019. We found that the finance team were not fully ready for the audit team on site and there were delays obtaining key supporting evidence. This put pressure on the audit team and led to a delay in finalising the audit work.

## Fraud and irregularity

Responsibility for preventing and detecting fraud and other irregularities lies with the directors of the company. We are not required to search specifically for such matters and our audit should not be relied upon to disclose them. However, we planned and conducted our audit so as to give a reasonable expectation of detecting any material misstatements in the financial statements resulting from improprieties or breach of regulations.

We are pleased to report that we did not identify any issues of concern in relation to fraud and irregularity.

## Legality

We planned and performed our audit recognising that non-compliance with statute or regulations may materially affect the financial statements.

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

# 5 Accounting systems and controls

During the course of our audit of the financial statements, we examined the principal internal controls which the directors have established to enable them to ensure, as far as possible, the accuracy and reliability of the company's accounting records and to safeguard the company's assets.

It should be noted that our audit was planned and performed in order to allow us to provide an opinion on the financial statements and it should not be relied upon to reveal all errors and weaknesses that may exist.

The significant weaknesses noted from our work are detailed in the action plan below.

## Action plan – audit recommendations

We identified a number of observations which we consider require management action. Recommendations to address the observations are detailed in the action plan below, together with management responses.

Grade	Definition	No of audit observations	
		Current year	Prior year
5	Very high risk exposure - Major concerns requiring immediate attention	-	-
4	High risk exposure - Absence / failure of significant key controls	-	-
3	Moderate risk exposure - Not all key control procedures are working effectively	4	1
2	Limited risk exposure - Minor control procedures are not in place / not working effectively	1	-
1	Efficiency / housekeeping point	-	-

## Action plan

1	Related parties - EICC Registers of Interest
<b>Observation</b>	<p>Conflicts of interests are typically disclosed by Board members at Board meetings, with a standing agenda item dedicated to "Declaration of Interests". However our review identified that there are no formal registers of interests held for the EICC's executive directors or key management.</p> <p>Whilst Registers of interests of Councillors who are members of the EICC board are recorded directly by the City of Edinburgh Council (CEC) and disclosed on the Council's website, it is the responsibility of the Council to ensure that these Registers of Interests (ROI) are kept accurate and up to date. An independent ROI relevant to EICC for Councillors is not maintained.</p>
<b>Risk and recommendation</b>	<p>There is a risk that, as related parties are not formally documented for key members of the Board or management at EICC, transactions with those related parties are not identified. This may result in inaccurate disclosure of both related parties and related party transactions within the financial</p>

statements.

Formal Registers of Interests should be prepared for all key members of the EICC management team, ensuring that conflicts of interests are fully identified and disclosed at the year end.

**Grade 3**

**Management response**

Responsible officer

**2**

### Related parties - identifying related party transactions

**Observation**

Our review identified that reliance is placed on board members disclosing material transactions with related parties at the beginning of board meetings, prior to the company entering into the transaction or arrangement. However there is no further review of transactions with related parties identified in their declarations at the year end.

**Risk and recommendation**

There is a risk that related party transactions which have not been disclosed by members at board meetings are not identified by the EICC, potentially resulting in inaccurate disclosure of related party transactions within the annual accounts.

A formal review of transactions should be performed by the Finance team at the year end to identify any related party transactions which have not been disclosed by members.

**Grade 3**

**Management response**

Responsible officer

**3**

### Governance arrangements

**Observation**

EICC is governed by a Board of Directors and the Board is responsible for the overall strategic direction and fulfilment of the legislative duties of the organisation. We have noted that the scale of operations of EICC has been expanding in recent years but the governance structure has remained the same with the Board supported by the senior leadership team.

**Risk and recommendation**

There is a risk that the Board is not adequately supported by appropriate governance structure and there is insufficient capacity within the current governance structure for appropriate scrutiny and challenge.

We recommend EICC reviews the current governance structure and considers whether supporting committees (e.g. audit committee) would offer benefits to the Board.

**Grade 3**

**Management response**

Responsible officer

**4**

### Authorisation of Journals

**Observation**

Manual journals are prepared by the Finance Manager and reviewed and authorised by the Finance Director. However our review identified that this authorisation is informal and is not formally documented. As such, we have



	<p>been unable to evidence that journals have been appropriately reviewed and authorised prior to posting.</p>
<b>Risk and recommendation</b>	<p>There is a risk that inaccurate and/or fraudulent journals are posted to the ledger as secondary review and authorisation of manual journals cannot be evidenced and may not be performed.</p> <p>EICC should ensure that authorisation of manual journals is formally documented to provide a clear audit trail of staff members preparing and authorising journals.</p> <p><b>Grade 3</b></p>
<b>Management response</b>	Responsible officer

<b>5</b>	<b>Control Account Reconciliations</b>
<b>Observation</b>	Reconciliations for the control accounts are performed monthly by the Finance Team. However our review identified that this is an informal check and as such, not formally recorded.
<b>Risk and recommendation</b>	<p>There is a risk that control account reconciliations are not performed and/or reviewed in a timely manner, resulting in failure to identify potential errors and resultant misstatement of the financial statements.</p> <p>EICC should ensure that control accounts reconciliations are reviewed by a secondary member of staff and that both the preparation and review of reconciliations are formally documented, providing a clear audit trail.</p> <p><b>Grade 2</b></p>
<b>Management response</b>	Responsible officer

## Follow up on prior year action plan

1	VAT not included in creditors at year end
<b>Observation</b>	It was noted during the testing of creditors that invoices that are received but not authorised pre-year end are posted to accruals and not creditors, and the VAT on these is not included within creditors.
<b>Risk and recommendation</b>	<p>As the VAT is not being recognised until after the tax point, being the date of the invoice, there is a risk that the VAT returns and the financial statements are misstated.</p> <p>If VAT submissions are incorrect, EICC could potentially be liable to fines or penalties.</p> <p><b>Grade 3</b></p>
<b>Prior year management response</b>	<b>Responsible officer:</b> Les Florence
<b>Audit observation in current year</b>	<p>We note that at the year end the VAT on unauthorised invoices was not included as a creditor. From discussion with the Finance Director our understanding is that the finance team consider this to be low risk. EICC Limited recovers VAT and therefore would expect any VAT on unauthorised invoices to be recoverable therefore the inclusion of VAT would not have an impact on the Statement of Profit or Loss and Other Comprehensive Income. This issue has resulted in a trivial error in 2018 and as such, this has not been disclosed. The adjustment is not material and has no impact on the reported profit figure.</p> <p><b>Point outstanding</b></p>
<b>Management response</b>	

## 6 Future developments

As part of our service to you and to help you keep up to date with the latest accounting, audit and tax developments relative to your organisation, we publish regular e-bulletins. We would encourage you to sign up to receive information on topics and events which are of interest to you via our website:

<http://www.scott-moncrieff.com/news/e-bulletin-signup>.

# Appendix 1 – Your audit team

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# Governance, Risk and Best Value Committee

10.00am, Tuesday, 14 January 2020

## 2018/19 Annual Audit Report and External Audit Review of Internal Financial Controls – progress update

Executive/routine Wards Council Commitments	Executive All
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### 1. Recommendations

- 1.1 Members of the Governance, Risk and Best Value Committee are asked to:
- 1.1.1 note the progress made to date in addressing the management actions contained within the Annual Audit Report and review of the Council’s internal control framework; and
  - 1.1.2 note that a further update on longer-term actions will be provided to the Committee’s meeting in June 2020.

**Andrew Kerr**

Chief Executive

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**Stephen S. Moir**

Executive Director of Resources

Contact: Hugh Dunn, Head of Finance  
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 Tel: 0131 469 3150

## 2018/19 Annual Audit Report and External Audit Review of Internal Financial Controls – progress update

### 2. Executive Summary

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- 2.1 This report appraises members of progress in taking forward the agreed management actions contained within the Council's Annual Audit Report and review of the internal financial control framework.

### 3. Background

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- 3.1 On 17 September 2019, members of the Governance, Risk and Best Value Committee considered the Council's 2018/19 Annual Audit Report. While the report identified several areas of good practice, as in previous years a series of management actions was identified, against which officers provided corresponding responses and associated timescales for implementation. While some of the recommendations are explicitly linked to the 2019/20 Final Accounts process, a number fall due for implementation before that time.
- 3.2 In acknowledging its role in underpinning the figures disclosed within the 2018/19 Annual Accounts, the Committee's meeting also considered the outcome of the external auditor's review of the Council's framework of internal financial controls. In concluding that the framework was well-designed, one new medium-risk recommendation was nonetheless made, along with a need to embed some previous recommendations. As with the recommendations in the main Audit Report, while some of these are specifically linked to the Final Accounts process, three fall to be implemented before that time.

### 4. Main report

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#### Annual Audit Report, 2018/19 – new management actions

- 4.1 A total of eight new recommendations were included in the 2018/19 Annual Audit Report. Of these, five are due for implementation in full, or in part, by December 2019, with progress as follows:
- (i) **Revised Committee management system** (originally planned for implementation in January 2020) - the implementation of phase two of Modern Government has been delayed due to the General Election. Work



will commence in January, with the second phase of the system now expected to be deployed by April 2020.

- (ii) **Member/officer protocol** (review of current arrangements, originally planned for implementation in January 2020) – the Council has taken a collaborative approach in amending the member/officer protocol and has undertaken a number of workshops with councillors and officers. A joint workshop will be held in January 2020 and the protocol will be submitted to Committee thereafter. The intention is to consider the protocol at the Governance, Risk and Best Value and Policy and Sustainability Committees before being presented to Council. At this stage, completion is anticipated in April 2020.
- (iii) **Implementation of Internal Audit recommendations** (on-going action) – as reported to the Governance, Risk and Best Value Committee on 3 December 2019, steady progress is being made in addressing historic overdue findings, with all high-rated findings now closed. The overall number of overdue actions decreased from 47 in August 2019 to 42 in October, with evidence to support closure of ten of these actions being reviewed by Internal Audit.
- (iv) **CGI contract management** (implementation of outstanding recommendations from security audit, due by December 2019) – as of the time of writing, following the submission of significant additional details intended to support closure of the audit actions, the outcome of discussions between the external auditor and CGI is awaited.
- (v) **Service performance – Environmental Services** (implementation of first two improvement-related recommendations, due by October 2019) - strategic investment in key infrastructure for the Waste and Cleansing service is already starting to yield benefits. The new Waste and Cleansing depots and Waste Transfer Stations at Seafield (in the east of the city) and Bankhead (in the west) are allowing the service to operate more efficiently and to improve performance. As of November 2019, kerbside waste collection complaints are consistently being maintained at their lowest levels for several years. The service commencement of the new Energy from Waste (EfW) facility at Millerhill, in partnership with Midlothian Council, is also delivering financial savings and has significantly reduced the amount of Edinburgh’s waste that is sent to landfill.

4.2 Preparatory work on the remaining recommendations is underway and a further update will be provided in the June 2020 report to this Committee.

#### **Previous years’ recommendations – follow-up**

4.3 A number of recommendations from previous years’ audit reports remained outstanding as of September 2019. Subsequent progress for the actions concerned with due dates of, or around, December 2019 is as follows:

- (i) **Financial sustainability – Health and Social Care** - the Partnership's management team has started a series of workshops to develop a proposed savings and recovery programme for 2020 and beyond. This, in turn, will be presented to the board at development sessions scheduled between November 2019 and January 2020 with the final proposed programme being presented to the Board in February 2020. A balanced position is expected for 2019/20.
- (ii) **Performance reporting – Edinburgh Partnership** - the Edinburgh Partnership considered the final outcome report on the Community Plan 2015/18 in December 2018.

#### **Review of internal financial controls, 2018/19**

4.4 As noted above, in concluding that the Council's internal control framework operated satisfactorily, one new recommendation and a number of outstanding previous recommendations were identified within the external auditor's report. Progress against those for which corresponding actions by, or around, December 2019 were identified is as follows:

- (i) **Sundry income – policies and procedures** – in line with the original recommendation, a user note has been sent to all PPSL (accounts receivable) users. Subsequent clarification of the recommendation has, however, highlighted a need for improved guidance on the steps to be considered by service areas in raising invoices, including those in respect of grant claims. Following this clarification, work is continuing to address this recommendation in full.
- (ii) **Payroll starter file review** - the on-boarding team lead has finalised report development from the CRM system which outputs all new starters to the Council within a specified period. This report is then independently checked and verified by the payroll team lead (who has no access to the same CRM data) against payroll output reports for specified periods. The payroll team lead reports any anomalies to the Employee Lifecycle Lead for investigation. The new process is currently in test and is scheduled to go live from January 2020.

## **5. Next Steps**

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5.1 A further update on those medium-term recommendations contained within the respective reports will be reported to the Governance, Risk and Best Value Committee in June 2020. An assessment of the extent to which those actions noted above have, where applicable, been effectively embedded will also be undertaken at this time.

## **6. Financial impact**

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6.1 There is no direct impact arising from the report's contents but a robust system of internal financial control promotes the economic, efficient and effective use of resources and contributes positively to the securing of best value.

## **7. Stakeholder/Community Impact**

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7.1 There is no direct impact arising from the report's contents.

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

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8.1 [Internal Audit: Overdue findings and late management responses as at 22 October 2019](#), Governance, Risk and Best Value Committee, 3 December 2019

8.2 [External audit review of internal financial controls, 2018/19](#), Governance, Risk and Best Value Committee, 17 September 2019

8.3 [City of Edinburgh Council – 2018/19 Annual Audit Report to the Council and the Controller of Audit](#), Governance, Risk and Best Value Committee, 17 September 2019

## **9. Appendices**

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None

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# Governance, Risk and Best Value Committee

10.00am, Tuesday, 14 January 2020

## Revenue Monitoring 2019/20 – Half Year Report – referral from the Finance and Resources Committee

Executive/routine	
Wards	All
Council Commitments	

### 1. For Decision/Action

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- 1.1 The Finance and Resources Committee has referred a report on the Revenue Monitoring 2019/20 Half Year Position to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

**Laurence Rockey**

Head of Strategy and Communications

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# Referral Report

## Revenue Monitoring 2019/20 – Half Year Report

### 2. Terms of Referral

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- 2.1 On 6 December 2019, the Finance and Resources Committee considered a report setting out the projected overall six-month position for the Council's 2019/20 revenue expenditure budget based on analysis of actual expenditure and income to the end of August 2019. Information was also submitted providing an analysis of underlying pressures and progress in realising savings associated with both approved and mitigating budget measures.
- 2.2 The Finance and Resources Committee agreed:
- 2.2.1 To note that, following the identification of a number of further mitigating measures across both Directorate and non-Directorate budgets, a balanced overall position was now being forecast for 2019/20.
  - 2.2.2 To note that Executive Directors and the Chief Officer of the Edinburgh Integration Joint Board (EIJB) were required to monitor robustly and control proactively expenditure pressures for the remainder of the year.
  - 2.2.3 To approve, subject to confirmation of the overall outturn and onward ratification by Council, the drawdown of up to £1.5m from the welfare reform allocated reserve.
  - 2.2.4 To note the balanced projected position on the Housing Revenue Account (HRA) after making planned contributions towards housing investment.
  - 2.2.5 To refer the report to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

### 3. Background Reading/ External References

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Minute of the Finance and Resources Committee of 6 December 2019

### 4. Appendices

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Appendix 1 – report by the Executive Director of Resources

# Finance and Resources Committee

10.00am, Friday, 6 December 2019

## Revenue Monitoring 2019/20 – half-year report

Executive/routine Wards Council Commitments	Executive
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### 1. Recommendations

- 1.1 Members of the Finance and Resources Committee are recommended to:
- 1.1.1 note that, following the identification of a number of further mitigating measures across both Directorates and non-Directorate budgets, a balanced overall position is now being forecast for 2019/20;
  - 1.1.2 note that Executive Directors and the Chief Officer of the Edinburgh Integration Joint Board (EIJB) are required to monitor robustly and control proactively expenditure pressures for the remainder of the year;
  - 1.1.3 approve, subject to confirmation of the overall outturn and onward ratification by Council, the drawdown of up to £1.5m from the welfare reform allocated reserve;
  - 1.1.4 note the balanced projected position on the Housing Revenue Account (HRA) after making planned contributions towards housing investment; and
  - 1.1.5 refer this report to the Governance, Risk and Best Value Committee as part of its work programme.

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

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## Revenue Monitoring 2019/20 – half-year report

### 2. Executive Summary

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- 2.1 The report sets out the projected Council-wide revenue budget position for the year based on analysis of period six data, building on both the earlier period three forecast and the subsequent progress update considered by the Committee on 10 October. It outlines on-going activity being undertaken by Executive Directors and the Chief Officer of the Edinburgh Integration Joint Board (EIJB) to identify and implement savings measures and manage pressures sufficient to achieve a balanced year-end position in 2019/20 and, in due course, to re-establish the stability of the budget framework.
- 2.2 The updated position continues the trend of improvement apparent since the first quarter's report was considered by the Committee on 15 August 2019, with the subsequent identification of a number of further mitigating measures in both Directorates and non-Directorate budgets now allowing a balanced overall position to be forecast. This position is, however, heavily reliant upon significant one-off, non-Directorate specific savings and additional savings and/or income already assumed in the budget framework for future years. As a result, the wider need for Directorate expenditure to be contained within approved levels remains critical.

### 3. Background

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- 3.1 On 15 August 2019, members of the Committee considered the first detailed in-year Council-wide revenue monitoring report, based on analysis of period three data. Whilst outlining progress in the implementation of the service-specific savings approved as part of the 2019/20 revenue budget, given both (i) delivery shortfalls apparent in recent years and (ii) underlying pressures across a number of demand-led areas, the report highlighted the potential, without the identification of further mitigating measures, of a risk-adjusted overspend of some £11.4m, against which Council subsequently ratified use of a £6m contribution from the Council Priorities Fund, reducing the projected overspend to £5.4m.
- 3.2 In view of the seriousness of this position, a further interim update was provided as part of the *Change Strategy 2019/23* report considered by the Committee on 10 October. The report noted that the service-specific position remained essentially unchanged but with additional assumed one-off savings resulting from the ending of the Carbon Reduction Commitment (CRC) energy efficiency scheme and receipt of



a payment through the Business Rates Incentivisation Scheme (BRIS) for 2017/18. These savings, together totalling £0.9m, reduced the overall projected overspend to £4.5m. In considering that report, however, members noted that a more detailed update would be provided to the Committee's following meeting on 6 December.

## 4. Main report

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4.1 Executive Directors and the Chief Officer of the EIJB, along with their management teams, are continuing to work towards delivery of the four main objectives initially set out in the report to the Finance and Resources Committee on 7 March, namely:

- (i) Development of robust implementation plans for the specific savings actions totalling £29.2m which were approved for delivery in 2019/20;
- (ii) Development of detailed and specific proposals to address the £9.5m efficiency savings target which was also approved as part of the 2019/20 budget;
- (iii) Identification of mitigating actions to address residual pressures across the Communities and Families, Place and Resources Directorates; and
- (iv) Agreement, through the EIJB, of specific plans to address its estimated budget gap in 2019/20.

4.2 Addressing each of the above areas in full is necessary to enable the Council to plan, with reasonable confidence, to maintain expenditure within approved levels in 2019/20. In acknowledging that there is a degree of delivery risk for each aspect, however, elected members, the Chief Executive and Executive Directors, including the Chief Officer of the EIJB, will continue to have to make difficult choices in both this and subsequent years to secure financial sustainability.

### **Development of savings implementation plans – specific savings**

4.3 Progress in developing implementation plans for all specific savings approved for delivery in 2019/20 is regularly reviewed by the Corporate Leadership Team (CLT) Change Board. To facilitate delivery of the more challenging approved savings measures, members will be aware of Council's previous ratification of a non-recurring £1m contribution to supplement existing project management capacity. A progress update with regard to recruitment, associated costs and key milestones and deliverables for each of the workstreams supported by these additional resources is provided in Appendix 1.

4.4 Review of the corresponding implementation plans and resulting financial impacts for these savings continues to show positive progress, with 92% of savings by value currently assessed, on the basis of confirmed or planned actions, as green or amber as set out in Appendix 2. Within this total, an additional net £3.2m of savings are now rated as green relative to the earlier period three assessment, with a corresponding reduction in overall delivery risk over the remainder of the year. Given the comparatively late stage of the financial year, however, maximising delivery against the 11% of savings currently assessed as amber and mitigating, as

fully as is practicable, those assessed as red is likely to be vital in achieving a balanced position by the year-end.

### **Efficiencies-related savings**

- 4.5 The update to the Committee's meeting on 15 August 2019 set out the measures by which it was planned to meet the approved in-year efficiencies target of £9.5m. The current status of these savings is summarised in Appendix 3. Based on this assessment and the equivalent assessment for the Workforce Management and Change Management savings included in Appendix 2, a total of £3.493m of Council-wide savings (most materially those in respect of lean business process review, intelligent automation and income generation) are assessed to be at significant risk of non-delivery and thus reflected accordingly in the overall outturn projection, with other potential shortfalls incorporated, as appropriate, in service projected outturns. In addition to the immediate issue of identifying relevant mitigating measures in the current year, establishing an achievable level of savings or additional income in these areas in future years will be crucial to the longer-term integrity of the budget framework.

### **Residual pressures**

- 4.6 Reporting during 2018/19 consistently highlighted the need to address residual Directorate pressures on a sustainable basis through the identification and implementation of appropriate mitigating actions. This requirement has become more pressing given the increasingly challenging nature of the incremental savings requiring to be delivered to maintain overall financial balance.
- 4.7 Based on detailed analysis of the 2018/19 Directorate outturns, the report to the Committee's meeting on 15 August 2019 set out gross pressures across Communities and Families, Place and Resources totalling £19.6m. Some £19.0m of corresponding mitigating actions were identified, progress against which continues to be actively tracked. The Directorate-specific projections outlined later in this report reflect an assumption that 89% of these measures are on track for delivery, with the attendant detail shown in Appendix 4. As with the Directorate-specific measures above, while it is encouraging that an additional £3.1m of these actions are now assessed as green, the prompt taking of appropriate remedial action in respect of those assessed as amber or red will be crucial both in achieving a balanced overall outturn for 2019/20 and establishing solid foundations for the delivery of subsequent years' savings.

### **Directorate-specific forecasts**

- 4.8 Given the increasing risks inherent in maintaining expenditure within budgeted levels, earlier in-year reports for 2019/20 have been underpinned by additional scrutiny and adoption of a particular risk management focus, with a corresponding risk contingency captured at Council level. This approach also reflected the comparatively early stage of the year of those reports and the consequent need, in some cases, for additional details of implementation plans to become available. In light of the availability of further months' data and corresponding reduced opportunity to implement mitigating actions in the remainder of the year, however, a

Directorate-specific position, consistent with relevant responsibilities as set out within the Financial Regulations, has been adopted in this half-year report.

### **Communities and Families – projected overspend of £4.450m**

- 4.9 The Executive Director of Communities and Families is projecting net budget pressures of £4.45m for 2019/20 as a result of increasing costs in several demand-led areas of service provision. To date, projected unfunded gross budget pressures of £9.85m have been assessed. The main service areas affected continue to be temporary accommodation, home-to-school transport, rising school rolls, community access to schools and the delivery of approved operational efficiencies. Corresponding management action of £5.4m, offsetting a significant element of the pressure, has now been identified, leaving a net residual budget pressure of £4.45m.
- 4.10 While 96% of the Directorate's approved savings are assessed to be on track for delivery, the Executive Director of Communities and Families is fully committed to making all efforts to identify mitigations to reduce the residual pressures and to identify and implement management actions required to address these. This will include 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.

### **Place – projected overspend of £5.615m**

- 4.11 As of period six, the Executive Director of Place is projecting the potential for a year-end overspend of up to £5.615m. This forecast reflects a combination of:
- (i) brought-forward (and as-yet unmitigated) underlying pressures within, in particular, the Transport, Parks and Waste and Cleansing functions;
  - (ii) anticipated delays, or shortfalls, in delivery against a number of the service-specific measures approved as part of the budget motion (as shown in Appendix 2);
  - (iii) extended temporary cessation of elements of environmental testing; and
  - (iv) a need to identify specific plans to address elements of the Directorate's in-year efficiency target of £2.8m (Appendix 3).
- 4.12 The Place Senior Management and Divisional Management Teams are continuing work to address the financial challenge faced by the Directorate. Of £19.9m of savings requiring to be delivered in the year, almost 90% are now assessed as either green or amber. A budget management strategy, underpinned by a robust mid-year review, has also been formulated, with a series of additional measures instructed by the Executive Director to reduce the level of overspend further.

### **Resources – projected overspend of £0.670m**

- 4.13 As outlined in a separate, more detailed report elsewhere on today's agenda, the Resources Directorate is currently projecting a year-end budget pressure of £0.670m for 2019/20. The Directorate will continue to progress identification of

savings measures to offset this budget pressure, including a recruitment freeze in non-frontline teams and a ban on the use of agency workers, with a view to containing outturn expenditure within approved levels. Attainment of this position remains subject to ongoing action to deliver all approved savings, together with active management of risks and pressures.

#### **Chief Executive's Service – projected balanced position**

- 4.14 As of period six, the Chief Executive's Service continues to report a projected balanced position for the year.

#### **Edinburgh Integration Joint Board – projected balanced position**

- 4.15 The month three report considered by the Finance and Resources Committee on 15 August advised members of a remaining £7.15m 2019/20 funding gap for the EIJB, with discussions on the use of reserves and other mitigating measures between the partners continuing. This gap, in turn, assumed full delivery in 2019/20 of the Partnership's approved savings programme of £11.941m. The report also reasserted that management of the EIJB budget in 2019/20 and future years be based fully on the arrangements set out within the Integration Scheme i.e. that expenditure would be maintained within the levels of funding delegated to it by the Council and NHS Lothian.
- 4.16 A progress update was considered by the EIJB on 22 October. This report set out the potential for a balanced overall position for the year to be achieved, with the favourable movement since the earlier report attributable to a combination of:
- an updated assessment of the NHS Lothian financial position;
  - additional savings delivered through the savings and recovery programme;
  - use of existing EIJB reserves; and
  - one-off savings resulting from longer-than-anticipated roll-out of a number of initiatives, including community support investment and Carers' Act implementation.
- 4.17 As with the Council's own directly-provided services, attainment of this position is subject to a number of assumptions, including savings delivery and management of demand-led pressures. These assumptions will therefore continue to be closely monitored over the remainder of the year.
- 4.18 It is acknowledged that such use of one-off measures does not form the basis of longer-term financial sustainability and the Chief Officer, supported by the management team and other key stakeholders, has therefore initiated work on future years' financial planning.
- 4.19 Whilst projections indicate that the EIJB can reach an overall break-even position in 2019/20, the EIJB has not yet agreed payments to the Council to accompany the directions which have been received for delivery of functions delegated by the EIJB; discussions in this area are on-going. The EIJB Chief Finance Officer has reported a gap of £9.7m on payments to accompany the direction which has been issued to

the Council. Funding to address this gap has been identified however the EIJB has approved a recommendation by the Chief Officer that a decision on payments to the Council and NHS Lothian be taken in the context of any changes to financial forecasts, with recommendations on payments to be reported to the EIJB later in the financial year.

### **Non-Directorate budgets**

- 4.20 While emphasising the tightness of the budget framework given the incorporation, within the approved 2019/20 budget, of significant savings in loans charges, the period three-based update considered by the Committee on 15 August intimated the availability, primarily on a one-off basis, of £3.5m of savings in corporate budgets, comprising a combination of savings against inflationary and pay-related provisions (£1.5m), loans charges (£1m) and additional Council Tax income (£1m). These savings were subsequently supplemented, following confirmation of the 2018/19 revenue outturn, by a £6m contribution from the Council Priorities Fund, the result of which was to commit fully the funds within it.
- 4.21 The interim update considered as part of the Change Strategy report on 10 October then intimated the availability in the current year of additional income of £0.9m from a combination of the CRC- and BRIS-related savings noted in Paragraph 3.2, reducing the overall projected overspend to £4.5m.
- 4.22 Consideration of any additional available non service-specific savings has continued since the Committee's last meeting. Discussions on available flexibilities with regard to loans fund advance rescheduling remain on-going, with the outcome anticipated to be reported to the Committee's meeting on 23 January 2020.
- 4.23 A further report on the Committee's agenda apprises members of the successful completion of recent Inverse LOBO loans restructuring. Conclusion of this transaction, in addition to delivering part-year reductions in interest costs, allows for the in-year "unwinding" of the related Equal Interest Rate calculation, together delivering total savings of £2.4m in 2019/20. Given the underlying composition of the Loans Fund, one third of this benefit accrues to the Housing Revenue Account, with the balance available to the General Fund, providing a further in-year loans charge saving of £1.6m.
- 4.24 Members will also be aware of the Council's established practice of earmarking any in-year underspend in respect of the Council Tax Reduction Scheme (CTRS) to address future years' welfare reform-related pressures. In view of on-going unmitigated pressures affecting the Temporary Accommodation service, it is proposed that, subject to the overall 2019/20 outturn and ratification by Council, £1.5m of 2018/19's previously-earmarked underspend be drawn down in 2019/20. Current-year spend projections will continue to be kept under review and all those eligible for support encouraged to take this up.

### **Overall projected position for 2019/20**

- 4.25 Taking into account the various changes set out in the preceding sections of this report, a balanced overall position is now forecast as set out in Appendix 5. While this is clearly to be welcomed, attainment of this position is subject to on-going

management of directorate pressures and risks for the remainder of the year. In this regard, a further update will be provided as part of the period eight-based report anticipated to be considered by the Committee on 23 January 2020. The implications of a £14.2m service overspend in 2019/20 for future years will, however, need to be considered as part of the 2020/23 budget process.

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

- 4.26 As of month six, the HRA is on track to generate the overall budgeted contribution to planned investment in existing and new homes. This assumes a series of ambitious savings and performance improvements required under the umbrella of the Housing Services Improvement Plan will be achieved in the second half of the year. To facilitate appropriate officer and member scrutiny, a Housing Services Improvement Plan Board has been set up in addition to the regular reporting to Housing Homelessness and Fair Work Committee.

## **5. Next Steps**

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- 5.1 As noted above, it is planned to provide a further in-year update to the Committee on 23 January 2020.

## **6. Financial impact**

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- 6.1 The report acutely emphasises the importance of proactive management of pressures and delivery of approved savings.

## **7. Stakeholder/Community Impact**

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- 7.1 There is no direct relevance to the report's contents. In considering measures to secure the Council's wider financial sustainability, however, members may wish to consider both activities' respective contributions to the key outcomes of the Change Strategy and public engagement feedback on the Council's relative priorities.

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

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- 8.1 [Finance Update](#), Edinburgh Integration Joint Board, 22 October 2019
- 8.2 [Council Change Strategy: Planning for Change and Delivering Services 2019-23](#), Finance and Resources Committee, 10 October 2019
- 8.3 [Capital Budget Strategy 2020-2030](#), Finance and Resources Committee, 10 October 2019
- 8.4 [Revenue monitoring 2019/20 – period three report](#), Finance and Resources Committee, 15 August 2019
- 8.5 [Revenue Budget Framework 2019/24 – progress update](#), Finance and Resources Committee, 23 May 2019
- 8.6 [Revenue Budget Framework 2019/23 – Progress Update](#), Finance and Resources Committee, 7 March 2019
- 8.7 [Coalition Budget Motion](#), City of Edinburgh Council, 21 February 2019
- 8.8 [Feedback on the Change Strategy and Budget Proposals, 2018 and 2019](#), The City of Edinburgh Council, 21 February 2019
- 8.9 [Council Change Strategy: Planning for Change and Delivering Services 2019-2023](#), Finance and Resources Committee, 1 February 2019
- 8.10 [Council Change Strategy – Risks and Reserves 2019-2023](#), Finance and Resources Committee, 1 February 2019

## **9. Appendices**

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Appendix 1 – Additional programme management support progress update

Appendix 2 - 2019/20 approved savings – current Finance RAG assessment

Appendix 3 – Efficiencies workstream, 2019/20 – current Finance RAG assessment

Appendix 4 – Pressure-mitigating measures, 2019/20 – current Finance RAG assessment

Appendix 5 – 2019/20 Revenue Budget – Projected Expenditure Analysis

# Project management additional investment - update Appendix 1

Project	FTE Allocated	FTE Recruited	Business Case Opportunity	Next Milestone
Your Total Reward	3 FTE	1 PM and 1 Analyst in place	<p>“Your Total Reward” will review current Local Government Employee pay, T&amp;Cs and benefits. The project will meet our commitment to consolidate the Living Wage into base pay by 2021 and will seek to progress positively base pay and financial wellbeing for our lowest-paid employees. The project will also restore the pay differential for Grades 1, 2 and 3. The change proposals will remove complexity around pay/T&amp;Cs and drive a better organisational culture by introducing a simplified reward framework that promotes the right behaviours and supports effective service design/delivery. If approved in totality, the proposals will further reduce our gender pay gap by 1%, improve our Employee Value Proposition and align our pay and benefit T&amp;Cs to the wider market.</p>	<p>Initial senior stakeholder meetings have commenced with service area-specific data.</p> <p>Planning for wider consultation has commenced.</p>
Operational Efficiencies Programme	1 FTE	1 FTE in place	<p>The half-year revenue monitoring report sets out the range of measures by which it was planned to meet the approved in-year efficiencies of target of £9.5m, progress against which is shown in Appendix 3 of this report. Work is continuing to identify further potential opportunities, including consideration of Lean and Automation as noted below.</p>	<p>Regular Reporting to CLT in place. To date £2.8m has been secured towards the £9.5m target in 2019/20</p> <p>Opportunities for future years’ savings to be developed and considered as appropriate as part of the 2020-2023 budget development process.</p>
Lean and Automation	9 FTE	Team of four internal staff have been recruited, all with Lean experience within CEC	<p>This workstream forms part of the Efficiencies Programme</p> <p>Across the Lean and automation workstreams, a pipeline of potential opportunities to a total annual value of £1.6m has been developed and work is continuing to develop and verify savings linked to those projects to be taken forward.</p>	<p>The board in place with Heads of Service is now meeting fortnightly to confirm opportunities and agree savings.</p> <p>9 FTE consists of 4 x Lean Experts (all recruited internally); 2 x digital analysts to develop online forms; 2 x new intelligent automation officers and 1 x business change officer to ensure changes delivered are sustainable.</p>
Depots and Yards	2FTE	<p>1 FTE funded until August 2019</p> <p>Additional PM started in July</p>	<p>The Business Case approved in March 2019 outlined an opportunity for £0.500m savings in 2020/21.</p> <p>Business Case on Cultural Storage including records options appraisal was approved by the Finance and Resources Committee on 10 October 2019. This is an enabler to the Depot Strategy and Cultural Venue Review.</p>	<p>Detailed Design of Bankhead Depot as new North West Sector</p> <p>Depots and Yards Business Case anticipated to be considered by Change Board in December 2019</p>

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# Project management additional investment – update (contd.)

Project	FTE Allocated	FTE Recruited	Business Case Opportunity	Next Milestone
Asset Management : Service Design	3 FTE	1 FTE in place Offers issued for the remaining 2 FTE	The Business Case approved in March 2019 outlined an opportunity for £0.250m in 2019/20, with a total target of £2.45m through to 2021/22.  A progress Report was provided to the Finance and Resources Committee on 15 August 2019.	To date £0.089m has been secured towards the £0.250m target in 2019/20  Report on Gracemount approved at CLT on 4 September 2019. Update report anticipated to be considered by Change Board in December 2019
Fleet Review	1 FTE	1 FTE in place, funded until October 2019	The Business Case approved in March 2019 identified a target to deliver £1.5m of savings over three years including £0.5m in 2019/20.  Full Business Case reviewed by Change Board on 18 September 2019, agreed to change control the savings target to £0.5m over three years.	At month six, £0.3m is forecast to be delivered against the £0.5m approved savings target for 2019/20.  Business Case now approved and project moving into delivery phase.
Joint Waste Procurement	1 FTE	To be recruited	This project is seeking to secure savings of £0.65m over two financial years including £0.325m in 2019/20.  Additional Project Support has recently been approved to provide a dedicated focus on work with internal services and neighbouring authorities to undertake a number of key tasks including finalising specification requirements for new joint contracts; and working with CPS to progress these contracts through to procurement.	Project Support recruitment underway.
Roundabout and Verge Advertising	1 FTE	To be recruited	£0.300m savings target is not currently going to be achieved due to difficulties in contractual negotiations with the preferred bidder.  Additional Project Support has recently been approved to develop option appraisal which will consider: negotiation with second-placed bidder on the existing specification; new specification and re-advertise; and delivery of an in-house option through the appointment of a dedicated Commercial Officer.	Project Support recruitment underway.

Service	Saving title	Total £000	Green £000	Amber £000	Red £000	Change to RAG since Period 3 position
Communities and Families	Police funding	522	522	0	0	
Communities and Families	Efficiencies in the delivery of accommodated children's services	510	405	0	105	£0.105m Amber to Red
Communities and Families	Edinburgh Leisure (Year 1 - Pay uplift)	350	350	0	0	
Communities and Families	Enabling Educational Efficiencies – Third Party Grants (2018/19 additional spend)	250	250	0	0	
Communities and Families	Library service - reduce book fund	200	200	0	0	
Communities and Families	Support for Learning Management	200	200	0	0	
Communities and Families	Invest in Revenue Collection Officers	175	175	0	0	
Communities and Families	NHS commissioned services	100	100	0	0	
Communities and Families	ASN adaptations to mainstream schools	100	100	0	0	
Communities and Families	Carers' Act Funding	75	75	0	0	
Communities and Families	Heritage language	42	42	0	0	
Communities and Families	Invest to reduce temporary accommodation voids rates	90	0	90	0	
Communities and Families	Adoption of Scottish Government Framework for electricity and gas	30	0	30	0	
Chief Executive's Services	Reduce capacity in Strategy and Communications	200	200	0	0	
Chief Executive's Services	Funding the Edinburgh Partnership and Third Sector Interface	40	40	0	0	
Council-wide	Loans charges	5,000	5,000	0	0	
Council-wide	Council Tax	3,000	3,000	0	0	
Council-wide	EDI	1,047	1,047	0	0	
Council-wide	Discretionary income	176	176	0	0	
Council-wide	Contract Optimisation	100	100	0	0	
Council-wide	Workforce Modernisation and Change Management	500	0	0	500	
Place	Economic Development	1,200	1,200	0	0	£1.200m Amber to Green
Place	Discretionary income	824	618	206	0	
Place	Parking - increase charges by average of 4.5% per annum over four years	800	600	200	0	£0.200m Amber to Green
Place	Commercialism and Income Maximisation - Statutory Consents	825	730	95	0	£0.156m Amber to Green
Place	Capitalisation of Road Maintenance Budget	500	500	0	0	
Place	Tourism and Marketing Reform	300	300	0	0	
Place	Improved Approach to Street and Environmental Enforcement	750	250	350	150	£0.250m Amber to Green
Place	Roads (2018/19 additional spend)	250	250	0	0	
Place	Fleet Review	500	300	200	0	£0.200m Amber to Green
Place	Commercialism and Income Maximisation - Culture	150	150	0	0	
Place	Localities Phase Two	300	100	100	100	£0.100m Amber to Green
Place	Commercialism and Income Maximisation - Pre-planning Applications	100	100	0	0	
Place	Cultural grants	52	52	0	0	
Place	Re-provision of public conveniences	250	40	210	0	
Place	Commercialism and Income Maximisation - Parks and Greenspaces	150	20	65	65	
Place	Area-Based Regeneration	250	125	125	0	£0.125m Red/Amber to Green
Place	Parking Action Plan Phase 2	369	100	100	169	£0.100m to Green
Place	Commercialism and Income Maximisation - Full Cost Recovery	200	100	100	0	
Place	Joint Procurement of Waste Contracts	325	0	162	163	
Place	Transport Reform	500	0	500	0	
Place	New Ways of Working - Public Safety and Business Continuity	130	85	45	0	£0.085m Amber to Green
Place	Clean and Green (2018/19 additional spend)	250	0	250	0	£0.250m Green to Amber

Service	Saving title	Total £000	Green £000	Amber £000	Red £000	Change to RAG since Period 3 position
Resources	ICT Partnership – Contract Optimisation	1,200	1,200	0	0	
Resources	Business support services review	1,000	1,000	0	0	
Resources	Property Maintenance Programme (2018/19 additional spend)	850	850	0	0	
Resources	Property and FM: Management and Investment Estate Savings	515	515	0	0	
Resources	Increasing Income from Castle Terrace Car Park	500	500	0	0	
Resources	ICT Solutions Organisational Review	450	450	0	0	
Resources	Corporate Learning and Development – Budget Reduction	250	250	0	0	
Resources	Emergency Service Provision for Edinburgh Shared Repairs Service	218	218	0	0	
Resources	Reduction in Executive Director of Resources budget	126	126	0	0	
Resources	Monitoring Officer (MO) – Budget Reduction	107	76	31	0	
Resources	Asset Management Strategy and Service Reprovisioning	250	89	0	161	
Resources	Additional advertising income	470	70	0	400	£0.400m Amber to Red
Resources	ICT/CGI Partnership Arrangements	50	50	0	0	
Resources	Print and Mail Strategy	90	15	75	0	
Resources	Investment portfolio rationalisation	415	0	0	415	£0.415m Amber to Red
Resources	Non Domestic Rates Appeals	800	800	0	0	£0.800m Amber to Green
Resources	Upfront Payments	200	0	200	0	
	<b>All approved Directorate-specific savings</b>	<b>29,173</b>	<b>23,811</b>	<b>3,134</b>	<b>2,228</b>	
			81.6%	10.7%	7.6%	

Service	Title	Total £000	Green £000	Amber £000	Red £000	Change to RAG since Period 3 position
Communities and Families	Workforce Control	350	350	0	0	
Communities and Families	Management Savings	640	240	0	400	£0.400m Amber to Red
Communities and Families	Workforce Control	700	0	200	500	£0.500m Amber to Red
Chief Executive's Service	Workforce Control	46	46	0	0	
Council-wide	Council Priorities Fund	786	786	0	0	
Council-wide	Operational Efficiencies - Reduction in Senior Management	500	257	243	0	£0.058m Amber to Green
Council-wide	Operational Efficiencies - Procurement	100	100	0	0	£0.100m Amber to Green
Council-wide	Operational Efficiencies - Lean Business Processes	1,250	0	350	900	
Council-wide	Operational Efficiencies - Intelligent Automation	500	0	300	200	
Council-wide	Operational Efficiencies - Income Generation	1,000	0	0	1,000	
Place	Place Development - Efficiencies	730	250	480	0	£0.230m Red to Amber
Place	Reduction in Discretionary Expenditure	650	180	335	135	£0.100m to Amber
Place	Workforce Control - Reduction in Agency and Overtime	900	0	450	450	
Place	Place Management - Efficiencies	530	112	282	136	£0.112m Amber/Red to Green
Resources	Customer and Digital Services - Efficiencies	656	294	362	0	£0.167m Red to Amber
Resources	Workforce Control	162	162	0	0	
	<b>All efficiencies</b>	<b>9,500</b>	<b>2,777</b>	<b>3,002</b>	<b>3,721</b>	
			29.2%	31.6%	39.2%	

2019/20 Pressure-mitigating savings - RAG assessment as of period six

Service	Saving title	Total £000	Green £000	Amber £000	Red £000	Change to RAG since Period 3 position
Communities and Families	Early Years	750	750	0	0	
Communities and Families	Home to School Transport	700	700	0	0	£0.300m Amber to Green
Communities and Families	Homelessness - Additional Housing Benefit	600	600	0	0	
Communities and Families	Community Access to Schools	600	250	0	350	£0.350m Amber to Red
Communities and Families	Additional Income (C&F)	120	120	0	0	
Communities and Families	Homelessness - Reduction in use of Bed and Breakfast	1,000	0	0	1,000	
Council-wide	Corporate budgets	3,000	3,000	0	0	
Council-wide	Demography	2,000	2,000	0	0	
Council-wide	SG Pensions	500	500	0	0	
Place	Millerhill Operations (Place)	1,800	1,800	0	0	
Place	Reduction in Budget Pressures (Place)	1,000	1,000	0	0	£0.750m Amber to Green
Place	Transport Review	1,200	870	150	180	£0.170m Amber to Green
Place	Realise Full Year Impact of Previously Approved Savings (Place)	1,200	700	350	150	£0.150m Green to Red - Advertising and Transport
Place	Service Containment of Increment Costs (Place)	1,200	700	500	0	£0.400m Red to Green
Place	Planning Appeals	300	300	0	0	
Place	Localities and Communities Investment Funding	130	130	0	0	
Place	Contract Efficiencies (Place)	600	400	100	100	£0.400m Amber/Red to Green
Place	Operational Efficiencies - Senior Management Review (Place)	100	0	50	50	
Place	Implement Service Reforms (Place)	200	0	100	100	
Place	Value for Money Audits (Place)	300	0	150	150	
Place	Pentland Hills Operations (Place)	100	50	50		£0.050m Amber/Red to Green
Resources	Re-Profile of Expenditure	500	500	0	0	
Resources	Rates Appeals	1,134	1,134	0	0	£1.1m Amber to Green
<b>All pressure-mitigating savings</b>		<b>19,034</b>	<b>15,504</b>	<b>1,450</b>	<b>2,080</b>	
			81.5%	7.6%	10.9%	

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	Revised Budget	Period Budget	Period Actual	Period Variance	Projected Outturn	Outturn Variance	Percentage Variance
	£000	£000	£000	£000	£000	£000	
<b>Service areas</b>							
Chief Executive's Service	8,963	4,482	4,411	(71)	8,963	0	0.0
Communities and Families	418,972	209,500	212,200	2,700	423,422	4,450	1.1
Health and Social Care	217,835	117,994	120,621	2,627	217,835	0	0.0
Place	44,938	22,469	27,252	4,783	50,553	5,615	12.5
Resources	163,330	96,232	85,763	(10,469)	164,000	670	0.4
Lothian Valuation Joint Board	3,678	1,839	1,839	0	3,678	0	0.0
Council-wide savings (Lean, Intelligent Automation, Income Generation and Senior Management)	(3,850)	(1,604)	(262)	1,342	(357)	3,493	(90.7)
<b>Service areas total</b>	<b>853,867</b>	<b>450,911</b>	<b>451,824</b>	<b>913</b>	<b>868,095</b>	<b>14,228</b>	<b>1.7</b>
<b>Non-service specific areas</b>							
Loan Charges	110,785				108,230	(2,555)	(2.3)
Other non-service specific costs less sums to be disaggregated:	22,929				21,429	(1,500)	(6.5)
- Apprenticeship Levy	1,857	929	951	22	1,857	0	0.0
- Carbon Tax/Climate Change Levy	967				467	(500)	(51.7)
- Discretionary Rates	500				500	0	0.0
Council Tax Reduction Scheme	26,319	n/a	n/a	n/a	26,319	0	0.0
Staff early release costs	2,500	n/a	n/a	n/a	2,500	0	0.0
Net Cost of Benefits	(127)	n/a	n/a	n/a	(127)	0	0.0
Interest and investment income	(11,145)	0	0	0	(11,145)	0	0.0
Business Rates Incentivisation Scheme, 2017/18 - payment received	0	0	0	0	(387)	(387)	n/a
<b>Non-service specific areas total</b>	<b>154,585</b>	<b>929</b>	<b>951</b>	<b>22</b>	<b>149,643</b>	<b>(4,942)</b>	<b>(3.2)</b>
<b>Movements in reserves</b>							
Capital Fund	1,178	1,178	0	(1,178)	1,178	0	0.0
Net contribution to / (from) earmarked funds	6,296	6,296	0	(6,296)	(1,990)	(8,286)	(131.6)
<b>Movements in reserves total</b>	<b>7,474</b>	<b>7,474</b>	<b>0</b>	<b>(7,474)</b>	<b>(812)</b>	<b>(8,286)</b>	<b>(110.9)</b>
<b>Sources of funding</b>							
General Revenue Funding	(356,927)	(178,464)	(178,464)	0	(356,927)	0	0.0
Non-Domestic Rates	(365,250)	(182,625)	(182,625)	0	(365,250)	0	0.0
Council Tax	(293,748)	(146,874)	(146,874)	0	(294,748)	(1,000)	(0.3)
<b>Sources of funding total</b>	<b>(1,015,925)</b>	<b>(507,963)</b>	<b>(507,963)</b>	<b>0</b>	<b>(1,016,925)</b>	<b>(1,000)</b>	<b>(0.1)</b>
<b>In-year (surplus) / deficit</b>	<b>0</b>	<b>(48,649)</b>	<b>(55,188)</b>	<b>(6,539)</b>	<b>0</b>	<b>0</b>	<b>0.0</b>

# Governance, Risk and Best Value Committee

10.00am, Tuesday, 14 January 2020

## Half Year Capital Monitoring 2019/20 Position – referral from the Finance and Resources Committee

Executive/routine  
Wards All  
Council Commitments

### 1. For Decision/Action

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- 1.1 The Finance and Resources Committee has referred a report on the Half Year Capital Monitoring 2019/20 Position to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

**Laurence Rockey**

Head of Strategy and Communications

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# Referral Report

## Half Year Capital Monitoring 2019/20 Position

### 2. Terms of Referral

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- 2.1 On 6 December 2019, the Finance and Resources Committee considered a report setting out the overall position of the Council's capital budget at the half year position (based on month five data) and the projected outturn for the year.
- 2.2 The Finance and Resources Committee agreed:
  - 2.2.1 To note the projected capital outturn position for the General Fund and Housing Revenue Account (HRA) at month six.
  - 2.2.2 To note the Council's prudential indicators at month six.
  - 2.2.3 To note that updated forecasts would be provided at month eight.
  - 2.2.4 To refer the report to the Governance, Risk and Best Value Committee for consideration as part of its work programme.

### 3. Background Reading/ External References

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Minute of the Finance and Resources Committee of 6 December 2019

### 4. Appendices

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Appendix 1 – report by the Executive Director of Resources



## Finance and Resources Committee

10am, Friday, 6 December 2019

### Half Year Capital Monitoring 2019/20 Position

Executive/routine Wards Council Commitments	Executive All
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#### 1. Recommendations

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- 1.1 To note the projected capital outturn position for the General Fund and Housing Revenue Account (HRA) at month six;
- 1.2 To note the Council's prudential indicators at month six;
- 1.3 To note that updated forecasts will be provided at month eight; and
- 1.4 To refer the report to the Governance, Risk and Best Value Committee as part of its workplan.

**Stephen S. Moir**

Executive Director of Resources

Contact: Liam MacDonald, Senior Accountant,

Finance Division, Resources Directorate

E-mail: [Liam.MacDonald@edinburgh.gov.uk](mailto:Liam.MacDonald@edinburgh.gov.uk) | Tel: 0131 469 3174

## Half Year Capital Monitoring 2019/20 Position

### 2. Executive Summary

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- 2.1 The report provides capital expenditure and income forecasts for 2019/20, providing explanations for any variances.
- 2.2 At month six, slippage of £28.681m is forecast against the general fund capital expenditure budget of £281.274m. Capital income is forecast to be £157.263m, due to carry forward of £5.062m on Early Years 1,140 hours programme, resulting in a net requirement of £95.330m in loans fund advances.
- 2.3 At month six, the Housing Revenue Account (HRA) is reporting capital expenditure slippage of £6.893m which is offset by slippage of £6.971m in capital receipts due to delays in completion of new homes at North Sighthill and Craigmillar which is also reflected in the Place - Lending figures.

### 3. Background

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- 3.1 The Council set its capital investment programme for the period 2019-24 at its budget meeting of 21 February 2019. This budget has subsequently been revised to reflect slippage from 2018/19 and up-to-date project cashflows, as reported to this committee on 15 August 2019.
- 3.2 This report sets out forecast capital expenditure and income for the current financial year at month six and compares this with the revised capital budget.
- 3.3 The Capital Budget Strategy 2020-2030 was reported to Finance and Resources Committee on 10 October 2019.

### 4. Main report

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#### General Fund

- 4.1 At month six, general fund expenditure is projected to be £252.593m, compared with a budget of £281.274m, resulting in projected slippage of £28.681m. Grants and other capital income are forecast to be £157.263m, due to carry forward of £5.062m on Early Years 1,140 hours programme with the remaining expenditure being funded by loans fund advances of £95.330m. A detailed position is provided in Appendix 1.

- 4.2 Within Communities and Families, slippage includes;
- Early Years 1,140 hours programme of £5.062m which will be matched by corresponding carry forward of the Scottish Government grant, however, the Council is still on target to deliver additional hours before the statutory deadline;
  - Castlebrae of £1.883m in order to align expenditure to the final contract programme now that the project is on-site and work commencing;
  - Boroughmuir High School Extension of £1.764m due extension of delivery programme agreed with the school to meet operational requirements; and
  - Rising schools rolls of £1.761m to reflect updated expenditure forecasting for a variety of projects reflecting capacity constraints.
- 4.3 Within the Place Directorate, slippage includes;
- Energy Efficiency Street Lighting Project where there is slippage of £1.715m due to delays in contractor delivery of columns and lanterns;
  - North Bridge where there is slippage of £1.435m due to delays in temporary works scaffolding design and erection and the condition of the concrete deck, necessitating redesign;
  - Local Development Plan Roads Obligations where there is slippage of £1.400m. Work is being undertaken to develop a PMO schedule to deliver this project in-line with the Finance and Resources Committee approval.
  - Leith Theatre where there is slippage of £0.648m due to delays caused by relocation of an electrical substation; and
  - Dunard Centre where there is slippage of £0.500m due to uncertainty caused by the judicial review.
- 4.4 The forecast includes estimated costs for the Tram to Newhaven project which are based on the Final Business Case approved by Council on 14 March 2019 and the updated position following completion of Early Contractor Involvement stage of the project. The budget has been realigned to reflect the revised expenditure profile agreed following Early Contractor Involvement and remains within the time and budget parameters agreed by Council.
- 4.5 Within the Place - Lending figures, there is slippage in National Housing Trust payments where the Shrubhill payment of £4.723m which was due in February 2020 is forecast to slip into April/May 2020. There is also slippage on Edinburgh Living Mid-Market Rent (MMR) on-lending of £6.971m due to delays in completion of new homes at North Sighthill and Pennywell. The Council will delay borrowing to match the revised expenditure profiles.
- 4.6 There is a general slippage bias of 2.5% applied across the programme included in the figures provided in Appendix 1, resulting in additional slippage of £4.036m. This is in recognition of the fact that variances against budgets are likely to occur due to

delays or unforeseen circumstances out with the Council's control. The Directorates have provided forecasts against project budgets and the general provision will be kept under review throughout the year and forecasts will be amended as appropriate.

- 4.7 Additional detail of the slippage and acceleration on capital projects is included in Appendix 2. This is split across five broad categories; however, it is worth noting that a project could exhibit an element of all the categories, but the overriding reason has been considered when applying a variance category.
- 4.8 Income from capital grants and capital receipts includes carry forward of £5.062m for the Early Years 1,140 hours programme. Members should be aware that the value and timing of capital receipts can be impacted by several factors including abnormal costs arising from survey results and offers contingent on planning approvals. Any revisions to the receipts programme will be reported within future capital monitoring reports.

### **HRA**

- 4.9 The HRA capital investment budget is £108.954 million for 2019/20, a 35% increase on the previous year and is the largest annual capital investment programme in Council homes. At period six, it is forecasting a slippage of £6.893m (6.3%) on the approved annual expenditure budget. There is corresponding slippage in capital receipts of £6.971m from Edinburgh Living MMR as clarified in 4.5, resulting in a net acceleration across the HRA of £0.078m. A detailed position is provided in Appendix 3.
- 4.10 This year's core capital programme includes installation of new heating systems, improved insulation and new windows and doors to enable homes to meet the Energy Efficiency Standard for Social Housing (ESSH); making them easier and cheaper to heat for tenants with 75% of homes expected to meet ESSH by the end of the year. The reported slippage on the core housing improvement programme is due to contractor capacity; including the loss of a major kitchens and bathroom contractor who went into administration at the end of the last financial year. To mitigate this risk in future, a new Housing Capital Framework is currently being procured and expected to be in place from April 2020. This will increase the number of lots and contractors who can be drawn upon to deliver the five-year capital programme.
- 4.11 The 2019/20 Council new build programme budget of £73.323m represents a 72% increase on the previous year's budget and is the largest Council annual new build programme to date. There are currently around 1,000 homes under construction, 2,000 homes in design development and/or procurement; including major strategic sites at Fountainbridge, Powderhall, Meadowbank and Granton. Around 400 new homes are expected to complete by the end of 2019/20. The house building programme is projecting slippage of £2.301m (3%) in gross expenditure in month six. There have been some delays in handover of homes from contractors with damages applied in accordance with contractual agreements. A significant

proportion of this year's budget will be used to purchase land from the General Fund for housing development through the HRA.

### **Prudential Indicators**

- 4.12 The above forecasts are reflected in the Council's prudential indicators, which are set out in Appendix 4.

## **5. Next Steps**

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- 5.1 Finance staff will continue work with project and programme managers to monitor capital budgets. A further capital monitoring report will be provided to the Finance and Resources Committee at month eight.

## **6. Financial impact**

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- 6.1 The projected 2019/20 general fund outturn outlines loans fund advances of £95.330m. The overall loan charges associated with this over a 30-year period would be a principal amount of £95.330m, interest and expenses of £86.058m, resulting in a total cost of £181.388m based on a loans fund interest rate of 4.6%. The average annual cost would be £6.046m for 30 years.
- 6.2 The projected 2019/20 HRA outturn outlines loans fund advances of £52.618m. The overall loans charges associated with this over a 30-year period would be a principal amount of £52.618m, interest of £47.500m, resulting in a total cost of £100.118m based on a loans fund rate of 4.6%. The average annual cost would be £3.337m for 30 years.
- 6.3 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.
- 6.4 The loan charge costs outlined above will be met from the general fund and HRA revenue budgets for loan charges.

## **7. Stakeholder/Community Impact**

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- 7.1 Consultation on the capital budget was undertaken as part of the Council's budget setting process.
- 7.2 The stakeholder and community impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.

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

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- 8.1 [Capital Investment Programme 2019-20 to 2023-24](#), The City of Edinburgh Council, 21 February 2019
- 8.2 [Housing Revenue Account Budget Strategy 2019-24](#), The City of Edinburgh Council, 21 February 2019
- 8.3 [Coalition Budget Motion](#), The City of Edinburgh Council, 21 February 2019

- 8.4 [Edinburgh Tram – York Place to Newhaven Final Business Case](#), The City of Edinburgh Council, 14 March 2019
- 8.5 [Capital Monitoring 2019/20 – Month Three Position](#), Finance and Resources Committee, 15 August 2019
- 8.6 [Capital Budget Strategy 2020-30](#), Finance and Resources Committee, 10 October 2019

## **9. Appendices**

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Appendix 1 – Capital Monitoring 2019/20 – General Fund

Appendix 2 – Slippage and Acceleration on Projects

Appendix 3 – Capital Monitoring 2019/20 – HRA

Appendix 4 - Prudential Indicators 2019/20

## Appendix 1 Capital Monitoring 2019/20

## General Fund Summary

## Period 6

Expenditure	Approved Budget £000	Adjusts £000	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000	Projected Variance %
Communities and Families	116,193	-38,779	77,414	14,633	67,301	-10,113	-13.06%
Edinburgh IJB	239	-122	117	0	117	0	0.00%
Place	141,766	-35,116	106,650	26,772	100,646	-6,004	-5.63%
Place - Tram York Place to Newhaven	0	20,994	20,994	4,153	20,994	0	0.00%
Place - Lending	18,118	22,556	40,674	6,005	28,980	-11,694	-28.75%
Resources - Asset Management Works	31,498	-4,459	27,039	22,071	29,920	2,881	10.65%
Resources - Other	11,706	-3,320	8,386	233	8,671	285	3.40%
General slippage in programme 2.5% (excluding lending, TMDF and Tram)	0	0	0	0	-4,036	-4,036	n/a
<b>Total Gross Expenditure</b>	<b>319,520</b>	<b>-38,246</b>	<b>281,274</b>	<b>73,867</b>	<b>252,593</b>	<b>-28,681</b>	<b>-10.20%</b>
<b>Income</b>							
<i>Capital Receipts</i>							
General Asset Sales	6,318	127	6,445	2,593	6,445	0	0.00%
Ringfenced Asset Sales	10,000	0	10,000	0	10,000	0	0.00%
<i>Total Capital Receipts from Asset Sales</i>	<i>16,318</i>	<i>127</i>	<i>16,445</i>	<i>2,593</i>	<i>16,445</i>	<i>0</i>	<i>0.00%</i>
<i>Drawdown from Capital Fund</i>	<i>6,311</i>	<i>0</i>	<i>6,311</i>	<i>0</i>	<i>6,311</i>	<i>0</i>	<i>0.00%</i>
<i>Developer and Other Contributions</i>	<i>585</i>	<i>11,931</i>	<i>12,516</i>	<i>10,394</i>	<i>12,516</i>	<i>0</i>	<i>0.00%</i>
<i>Developers Contributions Transferred to Investments</i>	<i>0</i>	<i>0</i>	<i>-8,537</i>	<i>-5,854</i>	<i>-8,537</i>	<i>0</i>	<i>0.00%</i>
<b>Total Capital Receipts</b>	<b>23,214</b>	<b>12,058</b>	<b>26,735</b>	<b>7,133</b>	<b>26,735</b>	<b>0</b>	<b>0.00%</b>
<i>Grants</i>							
Scottish Government General Capital Grant	58,675	71	58,746	29,638	58,746	0	0.00%
Cycling, Walking and Safer Streets	834	59	893	0	893	0	0.00%
Transfer of Management of Development Funding (TMDF)	33,877	11,354	45,231	5,500	45,231	0	0.00%
Early Years and Childcare - Expansion	14,500	0	14,500	14,500	9,438	-5,062	-34.91%
Town Centre Fund	0	2,613	2,613	1,307	2,613	0	0.00%
Capital Grants Unapplied Account Drawdown	11,297	2,310	13,607	0	13,607	0	0.00%
<b>Total Grants</b>	<b>119,183</b>	<b>16,407</b>	<b>135,590</b>	<b>50,945</b>	<b>130,528</b>	<b>-5,062</b>	<b>-3.73%</b>
<b>Total Income</b>	<b>142,397</b>	<b>28,465</b>	<b>162,325</b>	<b>58,078</b>	<b>157,263</b>	<b>-5,062</b>	<b>-3.12%</b>
<b>Balance to be funded through Loans Fund Advance</b>	<b>177,123</b>	<b>-66,711</b>	<b>118,949</b>		<b>95,330</b>	<b>-23,619</b>	<b>-19.86%</b>

## Appendix 2 Capital Monitoring 2019/20

### General Fund Summary

#### Period 6

#### Slippage and Acceleration on Projects

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

#### Key to variance category

<b>Type</b>	<b>Explanation</b>
1. Slippage due to unforeseen delays	Slippage that has occurred due to unforeseen circumstances or delays that for the most part, are outwith 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.

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>Period 6 Explanations for Significant Slippage / Acceleration</b>	<b>Variance Category</b>
<b>Communities and Families</b>	<b>£000</b>	
Early Years 1,140	-5,062 Slippage will be matched by carry forward of Scottish Government Grant	1
Castlebrae New Wave Four School	-1,883 Delay in going on-site but forecast matches contract, now on-site and work commencing	2
Boroughmuir High School Extension	-1,764 Delivery date rescheduled with school's agreement	2
Rising School Rolls General	-1,761 Expenditure now aligned to delivery programme for several projects	2
Boroughmuir High School	-1,316 Original build complete - retention being held	3
Leith Victoria Primary School	1,042 Acceleration in year	4
Meadowbank Sports Centre	995 Timing difference on income and expenditure	4
St Crispin's School	313 Acceleration in year	4
Net (slippage) / acceleration on various projects	-677 Various movements over a number of projects	2
<b>Total Communities and Families</b>	<b><u>-10,113</u></b>	
<b>Place (including Lending)</b>		
Edinburgh Living Mid-Market Rent	-6,971 Delays in completion of new homes at North Sighthill and Craigmillar	3
National Housing Trust	-4,723 Shrubhill payment of £4.7m due in February 2020 slipped into April/May 2020	3
Energy Efficiency Street Lighting	-1,715 Delays in contractor delivery of columns and lanterns	3
North Bridge Major Refurbishment	-1,435 Delays in temporary works scaffolding design and erection and condition of concrete deck, necessitating redesign.	1
LDP Roads	-1,400 Developing a PMO schedule to deliver the project	2
Leith Theatre	-648 Delay caused by relocation of an electrical substation	2
Dunard Centre	-500 Due to uncertainty caused by the judicial review	1
Net (slippage) / acceleration on various projects	-306 Various movements over a number of projects	2
<b>Total Place</b>	<b><u>-17,698</u></b>	
<b>Resources - Asset Management Works</b>		
Acceleration across the Asset Management Works programme	2,881 Various movements over a number of projects	4
<b>Total Resources - Asset Management Works</b>	<b><u>2,881</u></b>	
<b>Resources - Other</b>		
Net (slippage) / acceleration on various projects	285 Various movements over a number of projects	4
<b>Total Resources - Other</b>	<b><u>285</u></b>	
<b>Council Wide / Corporate Projects</b>		
Net (slippage) / acceleration on various projects	-4,036 Various movements over a number of projects	2
<b>Total Council Wide / Corporate Projects</b>	<b><u>-4,036</u></b>	
<b>Total for all Services</b>	<b><u>-28,681</u></b>	
<b>Summary of Variance Category</b>	<b>Period 6</b>	
1 Slippage due to unforeseen delays	-6,997	
2 Slippage due to optimistic budget	-12,475	
3 Slippage due to timing of payments	-14,725	
4 Acceleration on a project	5,516	
5 Projected final underspend	0	
	<b><u>-28,681</u></b>	



## Appendix 3 Capital Monitoring 2019/20

### Housing Revenue Account

#### Period 6

<b>Expenditure</b>	<b>Revised Budget £000</b>	<b>Actual to Date £000</b>	<b>Projected Outturn £000</b>	<b>Projected Variance</b>	
				<b>£000</b>	<b>%</b>
Core Programme	35,631	12,216	31,039	-4,592	-12.9%
House Building	73,323	18,889	71,022	-2,301	-3.1%
<b>Total Gross Expenditure</b>	<b>108,954</b>	<b>31,105</b>	<b>102,061</b>	<b>-6,893</b>	<b>-6.3%</b>
<b>Income</b>	<b>Revised Budget £000</b>	<b>Actual to Date £000</b>	<b>Projected Outturn £000</b>	<b>Projected Variance</b>	
				<b>£000</b>	<b>%</b>
Capital Receipts	17,917	3,971	10,946	-6,971	-38.9%
Developers and Other Contributions	23,000	21	23,000	0	0.0%
Specific Capital Grant	8,526	756	8,526	0	0.0%
<b>Total Income</b>	<b>49,443</b>	<b>4,748</b>	<b>42,472</b>	<b>-6,971</b>	<b>-14.1%</b>
<b>Balance to be funded through Loans Fund Advance</b>	<b>59,511</b>	<b>59,589</b>	<b>78</b>	<b>0.1%</b>	

## Appendix 4 Capital Monitoring 2019/20

### Prudential Indicators 2019/20 - Period 6

Indicator 1 - Estimate of Capital Expenditure	2018/19	2019/20	2019/20	2020/21	2020/21	2021/22	2021/22	2022/23	2022/23	2023/24	2023/24
	Actual £000	Estimate £000	Forecast £000	Estimate £000	Forecast £000	Estimate £000	Forecast £000	Estimate £000	Forecast £000	Estimate £000	Forecast £000
Council Wide / Corporate Projects	26	0	0	0	0	0	0	0	0	0	0
Contingency - Meadowbank Stadium	0	0	0	0	0	0	0	0	0	7,000	7,000
Lending	23,152	40,674	28,980	80,154	91,848	55,104	55,104	76,692	76,692	22,266	22,266
Communities and Families	28,431	77,414	67,301	96,617	96,617	1,707	1,707	165	165	165	165
Edinburgh Integration Joint Board	138	117	117	5,000	5,000	5,000	5,000	0	0	0	0
Place	109,572	106,650	100,646	84,984	84,984	29,963	29,963	36,785	36,785	19,835	19,835
Resources	2,652	8,386	8,671	5,000	5,000	0	0	0	0	0	0
Resources - Asset Management Works	21,770	27,039	29,920	30,000	30,000	25,516	25,516	20,450	20,450	14,000	14,000
Trams	0	20,994	20,994	90,804	90,804	58,004	58,004	29,731	29,731	0	0
General slippage / acceleration across programme (5% 2.5% 19/20)	0	0	-4,036	0	-7,044	0	7,971	0	239	0	1,170
<b>Total General Services Expenditure</b>	<b>185,741</b>	<b>281,274</b>	<b>252,593</b>	<b>392,559</b>	<b>397,209</b>	<b>175,294</b>	<b>183,265</b>	<b>163,823</b>	<b>164,062</b>	<b>63,266</b>	<b>64,436</b>
<b>Housing Revenue Account Expenditure</b>	<b>108,954</b>	<b>102,061</b>	<b>142,251</b>	<b>142,251</b>	<b>142,251</b>	<b>177,531</b>	<b>171,392</b>	<b>171,392</b>	<b>171,392</b>	<b>273,984</b>	<b>273,984</b>
<b>Total Capital Expenditure</b>	<b>185,741</b>	<b>390,228</b>	<b>354,654</b>	<b>534,810</b>	<b>539,460</b>	<b>352,825</b>	<b>360,796</b>	<b>335,215</b>	<b>335,454</b>	<b>337,250</b>	<b>338,420</b>

The 'estimate' figures relate to those reported as part of the revised Capital Investment Programmes reported to Finance and Resources Committee on 16 August 2019 incorporating the final slippage and realignment after the outturn for 2018/19. 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, 2 and 3.

The 'Lending' figures relate to lending by the Council to National Housing Trust (NHT) bodies and Edinburgh Living LLPs. The Edinburgh Living LLPs 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	2018/19	2019/20	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Forecast	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%	%	%
General Services	11.38	10.58	10.44	10.72	10.44	10.39	n/a
Housing Revenue Account	39.98	41.64	42.08	44.64	46.96	49.41	50.89

Figures for 2020/21 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.

Indicator 3 - Capital Financing Requirement	2018/19	2019/20	2019/20	2020/21	2020/21	2021/22	2021/22	2022/23	2022/23	2023/24	2023/24
	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)	1,082,132	1,209,580	1,197,656	1,379,227	1,360,258	1,386,900	1,375,902	1,359,711	1,348,952	1,275,202	1,265,613
Edinburgh Living LLP	2,734	26,862	19,770	107,326	100,186	161,152	154,012	235,798	151,966	254,932	148,834
NHT LLPs	87,143	103,651	98,928	107,693	107,693	107,693	107,693	107,693	107,693	107,693	107,693
Housing Revenue Account	377,454	415,351	408,458	415,678	408,785	479,677	472,784	526,588	519,695	675,321	668,428
<b>Total Capital Financing Requirement</b>	<b>1,549,463</b>	<b>1,755,444</b>	<b>1,724,812</b>	<b>2,009,924</b>	<b>1,976,922</b>	<b>2,135,422</b>	<b>2,110,391</b>	<b>2,229,790</b>	<b>2,128,306</b>	<b>2,313,147</b>	<b>2,190,568</b>

2018/19 Actual reflects audit adjustment. Forecasts include the capital financing requirement relating to PPP assets and advances to NHT and Edinburgh Living LLPs

# Governance, Risk and Best Value

10am, Tuesday, 14 January 2020

## Annual Assurance Schedule – Communities and Families

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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- 1.1 To note the Community and Families directorate annual assurance schedule, submitted for scrutiny.

#### **Alistair Gaw**

Executive Director for Communities and Families

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## Annual Assurance Schedule – Communities and Families

### 2. Background

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- 2.1 Each year the City of Edinburgh Council requires that Executive Directors complete Certificates of Assurance that represent their view of the effectiveness and appropriateness of controls in their areas of responsibility. These Certificates support the Annual Governance Statement which is a component part of the authority's Statement of Accounts.
- 2.2 An Assurance Schedule, to help prompt Executive Directors and relevant Heads of Service to consider various aspects of their control environment, is circulated in advance of Certificates. The schedule will help highlight any areas of concern.
- 2.3 A review of the process was initiated in response to feedback received in relation to last year's exercise resulting in the implementation of a 'comply or explain' model. The format and design of documentation was also updated to reduce manual administration and implement auto-population of improvement actions. This is designed to help officers to use improvement actions to inform the corporate governance framework self-assessment exercise. The process will continue to be reviewed in line with feedback.
- 2.4 As at April 2019 the Communities and Families directorate employed:
- CF: FTE 7503 headcount: 9636
  - S&C: FTE 493 headcount:511
- 2.5 The annual Budget for Communities and Families:

	<b>C&amp;F excl</b>		<b>C&amp;F incl</b>
<b>2019/20 budget</b>	<b>SSC</b>	<b>SSC</b>	<b>SSC</b>
	£m	£m	£m
Employee budget	319.8	20.5	340.3
Non-staff expenditure budget	111.4	64.9	176.3

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Total expenditure budget	431.2	85.4	516.6
Income budget	-45.5	-52.0	-97.5
Net budget	<u>385.7</u>	<u>33.4</u>	<u>419.1</u>

### 3. Main report

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- 3.1 The Communities and Families schedule (appendix 1) was completed and returned to the Democracy, Governance and Resilience Service, after which a Certificate of Assurance was issued. This informed the drafting of the Annual Governance Statement, submitted to Council as part of the Unaudited Annual Accounts on 27 June 2019.
- 3.2 The Certificates of Assurance require Heads of Service and Executive Directors to confirm that:
  - 3.3 They have considered the effectiveness of controls in their service area/directorate, including controls in place to mitigate major risks to their service area/directorate's objectives.
  - 3.4 To the best of their knowledge, appropriate controls are in operation upon which they can place reasonable assurance and that there are no significant matters arising that should be raised specifically in the Annual Governance Statement (or otherwise); and
  - 3.5 They have identified actions that will be taken to continue improvement.
  - 3.6 The schedule is completed by the Head of Service/Executive Director or by a nominated senior manager.
  - 3.7 Before signing their Certificate of Assurance, the Head of Service/Executive Director should ensure that the schedule has been completed accurately.

### 4. Next Steps

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- 4.1 An improvement plan for Communities and Families is attached at appendix two. This includes actions in relation to identified internal control weaknesses. In each instance a responsible officer and a deadline for completion is included.
- 4.2 The process will continue to be reviewed in line with feedback to ensure that effective assurance is provided.

### 5. Financial impact

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- 5.1 The annual assurance process and production of the annual governance statement is contained within relevant service area budgets.

## **6. Stakeholder/Community Impact**

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- 6.1 The assurance schedule exercise acts as a prompt for service areas to think about good governance and the internal control environment. Action plans support improvements in areas where weaknesses have been identified.
- 6.2 Completed schedules are reviewed by the Democracy, Governance and Resilience Senior Manager and are provided to the Chief Internal Auditor for comment.
- 6.3 The Annual Assurance Schedule template was drafted using input from the Council's subject matter experts. This included contributions from Resilience, Internal Audit, Health and Safety, Governance, Legal Services, Financial Services and Human Resources.

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

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- 7.1 [City of Edinburgh Council – 27 June 2019 – Unaudited Annual Accounts](#)

## **8. Appendices**

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Appendix 1 – Communities and Families Annual Assurance Schedule

Appendix 2 – Communities and Families Action Plan

**Assurance Statement**

Ref	Statement	Response	If no, please explain	Actions to be taken
1	Internal Control Environment	Assessment of compliance	If not fully compliant, please explain	Improvement actions
1.1	I have internal controls and procedures in place throughout my directorate that are proportionate, robust, monitored and operate effectively.	Partially compliant	<p><b>Schools and Lifelong Learning (SLL)</b> have controls and procedures in place that are proportionate however our ability to fully monitor 23 secondary schools, 88 primary schools, 27 nurseries, 29 libraries, 38 community centres, plus central service teams to ensure controls are robust and operating effectively is limited by available resources and reducing available support from business partners across the Council. SLL operate an annual self-assurance framework which is essentially an annual self-attestation provided by all establishments, confirming the effectiveness of their operating controls, and is performed by completing a 'Survey Monkey' questionnaire, for which comprehensive guidance is provided and updated annually. The framework is aligned with the three lines of defence model and good practice applied in other industries. The framework was recently subject to an internal audit which highlighted weaknesses in the process due to the available support for the framework from second line business areas and partners. SLL establishments reported</p>	<p><b>Schools and Lifelong Learning (SLL)</b> Support is required from second line business partners, who own and manage policies and functions that oversee or specialise in compliance or the management of risk. Support is also required from first line Business Partners who provide services across the establishments.</p>

			<p>on the value of the framework, as completion of the annual questionnaire requires them to be more focused on operational risk and controls; regularly assess the effectiveness of their control environment; and implement new or enhance existing controls in response to new and emerging risks.</p>	
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			<p><b>Children's Services</b> Further work is in progress to develop scorecard and identify new KPI measures</p>	<p><b>Children's Services</b> Complete Scorecard activities, agree KPI's and data capture methods and circulate to interested parties</p>
1.2	<p>I have controls and procedures in place to manage the risks in delivering services through council companies, partners and third parties.</p>	<p>Partially compliant</p>	<p><b>SLL</b> Communities and Families contracts with third parties through a standard set of conditions. Grants to third parties are subject to the Council standard conditions of grant funding. All organisations are required to provide information about service delivery using standard contract or grant monitoring templates . All grant awards have an identified monitoring officer as do contracts however there continues to be a capacity issue to achieve full coverage. There is also an issue of providing ongoing training for these officers.</p> <p>Within Corporate Property the PPP contract management team is responsible for managing the services provided by the two PPP providers and the consequent associated risks.</p> <p>The Council Observer on the Board of Edinburgh Leisure and Service Manager for Lifelong Learning participate in Board meetings but don't vote or make any decisions. Involvement in these meetings allows</p>	<p><b>SLL</b> Ensure staff identified to manage grants and contracts have suitable training.</p>

			<p>the Council to be made aware of any risks and performance of the company. The observer has full access and awareness of company board documentation.</p>	
			<p><b>Children's Services</b> Some contracts do not have an identified service lead officer to monitor supplier alongside commissioning officer</p>	<p><b>Children's Services</b> Ensure that all contracts have a service area lead officer identified who is clear about role in monitoring supplier.</p>

1.3	My internal controls and procedures and their effectiveness are regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts.	Partially compliant	<b>Children's Services</b> Issues found within disability service, home to school transport controls	<b>Children's Services</b> Project team set up to redefine policy, guidance and controls
1.4	The monitoring process applied to funding/operating agreements has not identified any problems that could have an impact on Annual or Group Accounts.	Partially compliant	<b>Children's Services</b> Issues found within disability service, home to school transport controls	<b>Children's Services</b> Working team set up to redefine policy, guidance and controls
<b>2</b>	<b>Risk and Resilience</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
2.1	I have risk management arrangements in place to identify the key risks to my directorate (and the Council).			
2.2	I have effective controls and procedures in place to record and manage the risks identified above to a tolerable level or actions are put in place to mitigate and manage the risk.	Partially compliant	<b>Estate &amp; Operational Support</b> All School Estate Planning projects have detailed risk registers. However an overarching risk register requires to be delivered	<b>Estate and Operational Support</b> Develop School Estate Planning Risk Register by 30/6/2-19
2.3	The robustness and effectiveness of my risk management arrangements is regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts	Compliant		
2.4	There is appropriate escalation/communication to the directorate Risk Committee and CLT Risk Committee (as appropriate) of significant issues, risks and weaknesses in risk management.	Compliant		
2.5	I have arrangements in place to promote and support the Council's policies and procedures for staff to raise awareness of risk concerns, Council wrongdoing and officer's misconduct.	Partially compliant	<b>Operational Support</b> As 2.2. above	As 2.2. above

<p>2.6</p>	<p>My directorate has appropriate resilience arrangements in place and my directorate's business continuity plans and arrangements mitigate the business continuity risks facing our essential activities.</p>	<p>Partially compliant</p>	<p><b>SLL</b> work closely with our Resilience Business Partner, Kimberley Campbell, and the service area has an annual resilience workplan. Cheryl Buchanan is the Resilience Coordinator and Counterterrorism Coordinator. Resilience deputies are also in place. Building Incident Managers are in place for each staffed SLL establishment and Essential Resilience Training is provided and is included in the staff essential learning matrix.</p> <p>Business Continuity Plans are regularly reviewed as part of the Business Impact Analysis (BIA) Process.</p> <p>A Loss of Premises Plan is being worked on but this remains a business continuity risk.</p>	<p><b>SLL</b> Complete the loss of premises plan with resilience.</p>
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3	Workforce Control	Assessment of compliance	If not fully compliant, please explain	Improvement actions
3.1	I have arrangements in place to ensure workforce resources are managed properly, including compliance with payroll policies, overtime controls, absence management and performance e.g. home/remote working.	Partially compliant	<p><b>SLL</b> Controls are in place for this however changes in the HR structure has resulted in multiple payroll and budget issues for school's devolved budgets particularly around recruitment. Issues are being resolved when they are identified and there are regular meetings between school business managers and HR senior staff</p>	<p><b>SLL</b> HR continue to provide their staff with training and have offered training to new school administration staff with regard to Talentlink and the recruitment process.</p>
3.2	I have robust controls in place to manage off-payroll workers/contractors, including agency workers and consultants, ensuring approved framework contracts have been used and that those engaged are wholly compliant with the provisions of IR35 Council guidance and procedures.	Partially compliant	<p><b>SLL</b> Controls are in place for this. SLL work closely with Contracts and Procurement Services to ensure compliance where individual schools/establishments have engaged with consultants, however the aggregate spend between all C&amp;F establishments over a year means we must engage/contract differently going forward.</p>	<p><b>SLL</b> Continued work with Corporate Procurement Services to identify aggregate spend and contract requirements.</p>
3.3	I ensure that recruitment and selection is only undertaken by appropriately trained individuals and is fully compliant with Council policies and	Compliant		

	procedures, including vacancy approvals and controls.			
3.4	I have robust controls in place to manage new starts, movers and leavers, including induction and mandatory training, IT systems security (access and removal) and access to buildings and service users' homes.	Compliant		
3.5	I have robust controls in place to ensure that statutory workforce requirements are met.	Compliant		
3.6	I have arrangements in place to manage staff health and wellbeing; ensuring that sickness absence, referral to occupational health and stress risk assessments is managed in compliance with the Council's HR policies.	Compliant		
3.7	I ensure compliance with essential training requirements and support learning and development appropriately, including professional CPD requirements.	Partially compliant	<p><b>S&amp;SC</b></p> <p>Issues with consistency for essential training and learning and development within SSC has been identified within some areas, which prompted the need to review all roles to ensure they were robust and tailored to the need of the postholder and service area.</p>	<p><b>S&amp;SC</b></p> <p>Working alongside colleagues within Learning and Development, a review of essential training requirements and learning and development for each post within each service area in SSC will be undertaken. Our L&amp;D colleagues will update the Orb pages with a link to requirements for each post within the service. This will be used by managers as a tool for new staff and for reviews with existing staff.</p>

3.8	I have arrangements in place to support and manage staff performance e.g. regular 1:1/supervision meetings, performance/spotlight conversations.	Partially compliant	<b>SLL</b> Processes are in place for this and staff/managers are aware of their responsibilities.	<b>SLL</b> Work is ongoing to ensure the looking back/forward conversations and meetings between staff and managers are recorded in MyPeople as required.
3.9	I ensure compliance with the Council's HR policies and procedures across all of my service areas.	Partially compliant	<b>SLL</b> Controls are in place for this. Compliance with HR policies and procedures is included in the essential learning matrix for all staff groups. However with the number of staff and establishments in Schools and Lifelong Learning as detailed in Q1.1 it is not possible to validate full compliance.	
3.10	I regularly consult and engage with recognised trade unions.	Partially compliant	<b>S&amp;SC</b> A more robust schedule of JCC and DJCC meetings is needed	<b>S&amp;SC</b> Contact made with Unite and Unison to identify new representatives for SSC as some had left the Council. Meeting schedule proposed in line with C&F DJCC meeting dates to ensure they can feed into these meetings any concerns which require escalation.
<b>4</b>	<b>Council Companies</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
4.1	I have arrangements in place for the oversight and monitoring of the Council companies I am responsible for, that give me adequate assurance over their operation and delivery for the Council.	Compliant	There are no companies for which <b>SSC</b> has responsibility	

4.2	I have an appropriate Service Level Agreement, or other appropriate legal agreement, in place for each Arm's Length External Organisation that I am responsible for.	Compliant		
<b>5</b>	<b>Policy</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
5.1	I have arrangements in place to ensure all directorate staff are made aware of and fully understand the implications of all relevant existing and new council policies and procedures.	Compliant		
5.2	I have arrangements in place for the annual review of policies owned by my directorate, via the relevant executive committee, to ensure these comply with the Council's policy framework.	Partially compliant	<p><b>S&amp;SC</b>  Reviewing of service area policy and procedures are not as robust as they could be. An internal audit of CCTV identified the need to review P&amp;P, this is partially complete.</p>	<p><b>S&amp;SC</b>  An exercise has been undertaken to compile a list of all policy and procedures, authors, creation dates and review dates and a monitoring pathway put in place. Internal Audit actions are progressing as per deadlines. CCTV P&amp;P have been approved through the appropriate Committee and are being rolled out within the service area.</p>
<b>6</b>	<b>Governance and Compliance</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
6.1	I ensure directorate staff are aware of their responsibilities in relation to the Council's governance framework and that the authority, responsibility and accountability levels within my directorate are clearly defined, with proper officer designation delegated, recorded, monitored, revoked and reviewed regularly to ensure ongoing compliance with the Scheme of Delegation.	Compliant		
6.2	I ensure my directorate's activities are fully compliant with relevant Scottish, UK and EU legislation and regulations.	Compliant		



7	Information Governance	Assessment of compliance	If not fully compliant, please explain	Improvement actions
7.1	I ensure directorate staff are made aware of their responsibilities in relation to the proper management of Council information, including the need to adhere to relevant legislation, Council policies, procedures and guidance around: information governance; records management; data quality; data breaches and privacy impact assessments; information rights; information compliance; information security; and ICT acceptable use.	Partially compliant	<p><b>SLL</b></p> <p>Information Governance training is included within the essential learning matrices for staff. Guidance on the changes to information handling following the introduction of GDPR was cascaded to staff and followed up by briefings to staff groups including school business managers etc. A DPIA board has been established to control the use of IT systems and Apps in schools. Work is ongoing to ensure all staff have a solid understanding of their responsibilities.</p>	
7.2	I ensure data sharing arrangements with third parties are recorded, followed and regularly reviewed throughout all service areas in my directorate.	Partially compliant	<p><b>SLL</b></p> <p>As above</p>	
8	Health and Safety	Assessment of compliance	If not fully compliant, please explain	Improvement actions
8.1	Directorate staff are made aware of their responsibilities under relevant H&S policies and procedures and I have appropriate arrangements in place for the identification and provision of H&S training necessary for all job roles, including induction training.	Partially compliant	<p><b>SLL</b></p> <p>The guidance notes that accompanies the annual self-assurance questionnaire provides links to all the key health and safety policies and procedures so staff are aware of their general responsibilities however at an operational level we know from the H&amp;S audit reports and the thematic findings highlighted in the quarterly H&amp;S dashboard reports that there are areas of control weakness such as the quality of the risk assessments,</p>	<p><b>SLL</b></p> <p>Clarification of roles and responsibilities and the implementation of the Service Level Agreement for FM is helping to address areas of weakness but more work needs to be done.</p>

			completion of H&S training, and the recording of statutory inspections.	
8.2	I have the necessary arrangements in place to establish, implement and maintain procedures for ongoing hazard identification, risk assessment and the determination of necessary controls to ensure all H&S risks are adequately controlled.	Partially compliant	<b>SLL</b> There are appropriate processes in place to identify and manage risk. A suite of example risk assessments for schools was issued in Aug 2018 to assist schools with this process, although they are still required to make each risk assessment site specific.	<b>SLL</b> Within existing C&F resources it is difficult to robustly monitor all establishments and we require the help of business partners across the Council, as the second line of defence, to assist with this work.
8.3	I have competencies, processes and controls in place to ensure that all service areas in my directorate, and other areas of responsibility, operate in compliance with all applicable H&S laws and regulations.	Compliant		
8.4	I have a robust governance and reporting structure for H&S in my directorate.	Compliant		

9	Performance	Assessment of compliance	If not fully compliant, please explain	Improvement actions
9.1	I have arrangements in place for reporting to CLT, Committee and/or Council when performance monitoring identifies inadequate service delivery or poor value for money and ensure that improvement measures to address these issues are implemented and monitored.	Compliant		
9.2	I have appropriate arrangements in place throughout my directorate for recording, monitoring and managing customer service complaints and customer satisfaction.	Compliant		
10	Commercial and Contract Management	Assessment of compliance	If not fully compliant, please explain	Improvement actions
10.1		Partially compliant	<b>SLL</b> Controls are in place for this with individual SLL and CS establishments with devolved budgets comply with Contract Standing Orders. Issues arise where aggregate spend across schools exceeds compliance limits.	
	I ensure all goods, services and works are procured and managed in compliance with the Contract Standing Orders.	Partially compliant	<b>Children's Services</b> There are still a small number of services being procured that are not compliant or where retrospective waivers are being put in place.	<b>Children's Services</b> Commissioning Team to work with Procurement and Commercial Services to identify non-compliant spend and address issues with service area officers as appropriate
11	Change and Project Management	Assessment of compliance	If not fully compliant, please explain	Improvement actions

11.1	All projects and programmes have a clear business justification, as a minimum this should articulate outcomes and benefits; have appropriate governance in place to support delivery; effective controls in place to track delivery progress and to take corrective action if required; have a robust benefits management framework in place; and ensure that a formal closure process is undertaken.	Compliant		
<b>12</b>	<b>Financial Control</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
12.1	The operation of financial controls in my directorate is effective in ensuring the valid authorisation of financial transactions and maintenance of accurate accounting records.	Compliant		
12.2	I am confident that the arrangements in place to monitor expenditure/budget variances would identify control problems or variances that could have an effect on the Annual Accounts.	Compliant		
12.3	I have arrangements in place to ensure all material commitments and contingent liabilities (i.e. undertakings, past transactions or events resulting in future financial liabilities) are notified to the Chief Financial Officer.	Compliant		
12.4	I have arrangements in place to review and protect assets against theft, loss and unauthorised use; identify any significant losses; and, ensure the adequacy of insurance provision in covering the risk of loss across my directorate.	Compliant		

12.5	I have arrangements in place for identifying any weaknesses in my directorate's compliance with Council financial policies or statutory/regulatory requirements.	Partially compliant	<b>SLL</b> As detailed in 1.1, SLL operate an annual self-assurance framework in which SLL establishments self-attest to any problems or control weaknesses. As finance and internal audit are not currently undertaking financial audits as a second line of defence, SLL are limited by the resources available to them. However, training and guidance is provided to staff and the finance team support the devolved school budget process in schools, calling out any areas of concern so that immediate action can be taken to control financial risk.	The <b>SLL</b> quality improvement team are considering ways to include financial probity as part of their support and challenge in schools.
12.6	I have arrangements in place for identifying any internal control, risk management or asset valuation problems within my directorate's service areas that could affect the Annual Accounts.	Compliant		
<b>13</b>	<b>Group Accounts (Resources only)</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
13.1	I have arrangements in place for identifying and reviewing any developments during the year that should lead to additions, deletions or amendments to the companies included in the Group Accounts.	Compliant		
13.2	I have arrangements in place to identify and review any internal control, risk management or asset valuation problems with Council companies that could affect the Group Accounts.	Compliant		
<b>14</b>	<b>National Agency Inspection Reports</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
14.1	I have arrangements in place to identify any reports relating to my directorate and can confirm that there were no inspection reports that could impact	Compliant		

	on the signing of the Annual Governance Statement.			
14.2	I have arrangements in place that adequately monitor and report on the implementation of recommendations.	Compliant		
<b>15</b>	<b>Internal Audit, External Audit and Review Reports</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
15.1	I have arrangements in place to ensure that all recommendations from any internal audit, external audit or review report published during the year, that have highlighted high, medium or significant control deficiencies, have been (or are being) implemented and that this is monitored effectively.	Compliant		
<b>16</b>	<b>Progress</b>	<b>Assessment of compliance</b>	<b>If not fully compliant, please explain</b>	<b>Improvement actions</b>
16.1	All outstanding issues or recommendations arising from this exercise, commissioned reviews, committee reports and other initiatives in previous years have been addressed satisfactorily.	Compliant		

## Appendix 2 – Communities and Families Action Plans

### Action Plan for Partially Compliant - Assurance for the Annual Governance Statement (for the year end 31 March 2019)

#### Safer and Stronger Communities (SSC) - Updated 11.11.19

Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Internal Control Environment</b>				
<p>I ensure compliance with essential training requirements and support learning and development appropriately, including professional CPD requirements.</p>	<p>Jackie Irvine</p>	<p><i>Working alongside colleagues within Learning and Development, a review of essential training requirements and learning and development for each post within each service area in SSC will be undertaken. Our L&amp;D colleagues will update the Orb pages with a link to requirements for each post within the service. This will be used by managers as a tool for new staff and for reviews with existing staff.</i></p>	<p>The review of essential training requirements and learning and development for every SSC post was undertaken. The link to all the Essential Learning spreadsheets for Safer and Stronger Communities is <a href="#">Safer and Stronger Communities Essential Learning</a></p> <p>It is acknowledged that there will need to be amendments over time as services, staff and training needs change. SSC managers are aware of how this can be undertaken.</p> <p>Managers are aware that they are responsible for ensuring staff are trained in line with the requirements for their post. Induction packs include information and checklists for new starts' essential training, CPD requirements and appropriate learning and development. Line managers include within their looking forward conversations required training and learning and development for the upcoming year. Team meetings include discussions on training and learning and development and bespoke requirements for their team.</p>	<p>June 2019</p>

Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Internal Control Environment</b>				
<p>I regularly consult and engage with recognised trade unions.</p>	<p>Jackie Irvine</p>	<p><i>Contact made with Unite and Unison to identify new representatives for SSC as some had left the Council. Meeting schedule proposed in line with C&amp;F DJCC meeting dates to ensure they can feed into these meetings any concerns which require escalation.</i></p>	<p>Union Representatives were identified for SSC and in April 2019, the first SSC JCC meeting took place and a schedule is now in place for quarterly meetings. The meeting schedule was drafted in line with the Communities and Families DJCC to ensure progression is timeously.</p> <p>Union colleagues meet with the SSC Management Team and Chair or the SSC H&amp;S Working Group regarding Health and Safety quarterly.</p> <p>Any issues within SSC in relation to Health and Safety are fed in through the H&amp;S Working Group (which union colleagues attend) and escalated to the Communities and Families Health, Safety and Wellbeing Committee. If appropriate these are fed into the Council Health and Safety Group.</p> <p>A Terms of Reference (TOR) was developed in conjunction with the trade unions which outlined the purpose and schedule for the meetings. In respect of the agenda, it was agreed union members would raise issues with line managers in the first instance. If no satisfactory resolution, these would be escalated to the JCC meeting.</p>	<p>June 2019</p>



Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Internal Control Environment</b>				
<p>I have arrangements in place for the annual review of policies owned by my service area, via the relevant executive committee, to ensure these comply with the Council's policy framework.</p>	<p>Jackie Irvine</p>	<p><i>Reviewing of service area policy and procedures are not as robust as they could be.</i></p> <p><i>An internal audit of CCTV identified the need to review P&amp;P, this is partially complete.</i></p> <p>An exercise has been undertaken to compile a list of all policy and procedures, authors, creation dates and review dates and a monitoring pathway put in place. Internal Audit actions are progressing as per deadlines.</p>	<p>An audit of review dates for all Safer and Stronger Communities (SSC) Policies and Procedures commenced in summer 2019. This resulted in a redesign of the way we monitor and manage our policies and procedures. Our business support team have worked with Senior Managers and work is underway to align all policies and procedures to ensure they are reviewed in accordance with their individual review period.</p> <p>Senior Managers have ensured groups that meet to monitor performance, develop policy, and review policy applications are fit for purpose and undertaking tasks assigned. A new process is in place to ensure authors are given timely reminders of upcoming review dates and sign to say whether P&amp;Ps are still 'live' or 'current'.</p> <p>Communication is sent out to authors (copying in Service and Senior Managers) in advance of the review date with a link to the template</p> <p>CCTV P&amp;P have been approved through the appropriate Committee and are being rolled out within the service area. All Internal Audit actions for CCTV are now completed and closed.</p>	<p>October 2019</p>

## Action Plan for Partially Compliant - Assurance for the Annual Governance Statement (for the year end 31 March 2019)

### Estate and Operational Control - Updated 22.11.19

Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Risk and Resilience</b>				
<p>I have effective controls and procedures in place to record and manage the risks identified above to a tolerable level or actions are put in place to mitigate and manage the risk.</p> <p>I have arrangements in place to promote and support the Council's policies and procedures for staff to raise awareness of risk concerns, Council wrongdoing and officer's misconduct.</p>	Crawford McGhie	Complete the risk register.	I can confirm in relation to the partially compliant items at 2.2 and 2.5 that the Learning Estate Planning team risk register has been completed, the improvement actions have therefore been carried out and we are now fully compliant.	November 2019

## Action Plan for Partially Compliant - Assurance for the Annual Governance Statement (for the year end 31 March 2019)

### Schools, Lifelong Learning and Children's Services

Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Internal Control Environment</b>				
<p>I have internal controls and procedures in place throughout my directorate that are proportionate, robust, monitored and operate effectively.</p> <p>Page 163</p>	Andy Gray	<p><b>Schools and Lifelong Learning (SLL)</b> Support is required from second line business partners, who own and manage policies and functions that oversee or specialise in compliance or the management of risk. Support is also required from first line Business Partners who provide services across the establishments.</p>	<p>Both service areas work on a continuous basis with Business Partners across the authority with regards to the management of risk (robustness of the internal control environment).</p> <p>Two Operations Managers (Risk) and (Resources) were appointed in May 2019 to support the management of risk in Children's Services/Schools and Lifelong Learning</p> <p>This year meetings have taken place with all Business Partners relating to the Self-Assurance Questionnaire. Andy Gray (Head of Schools and Lifelong Learning) and Michelle McMillan (Operations Manager) have asked that colleagues update questions and validation information in the context of any changes to the risk profile of the Council and service to ensure colleagues have the advice and support they need to manage risk. An example of this is that the 2019/20 questionnaire has additional sections on fire</p>	Ongoing

	Bernadette Oxley	<p><b>Children's Services</b> Complete Scorecard activities agree KPI's and data capture methods and circulate to interested parties</p>	<p>safety and playground management. We continue to develop the questionnaire and guidance in a dynamic way annually to ensure we are managing risk through an appropriate supportive control environment.</p> <p>Strategy and Insight are currently developing Head of Service score cards. Children's Services will be part of this direction when reporting is in place for services ensuring a Council wide approach</p>	
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Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Internal Control Environment</b>				
I have controls and procedures in place to manage the risks in delivering services through council companies, partners and third parties.	Andy Gray  Bernadette Oxley	<b>SLL</b> Ensure staff identified to manage grants and contracts have suitable training  <b>Children's Services</b> Ensure that all contracts have a service area lead officer identified who is clear about role in monitoring supplier.	Robust approaches to contracts and grant management are being put in place for example through Corporate Procurement where colleagues across the Council are responsible for monitoring. Specific training needs can be undertaken as required.  Contracts – we have an interim arrangement in place utilising professional staff. However we need more employee specialist resource to ensure we are monitoring contracts. We have presented a business case and hope to have a contract monitoring officer in place. That person will ensure all those who are monitoring contracts are trained and will keep an oversight of contract monitoring.  We are currently looking at essential activities across the service to focus on where assurance on resilience arrangements is required. Advice is required from the Resilience Unit to establish what resilience assurance we should seek to ensure we are part of a council wide approach, so for example we may end up using a contract resilience checklist.	Ongoing

Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Internal Control Environment</b>				
My internal controls and procedures and their effectiveness are regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts	Bernadette Oxley	<b>Children's Services</b> Issues found - home to school transport controls	1.3 and 1.4 Home to school transport a new assisted travel policy and guidelines was agreed at the E,C&F Committee on 21 May 2019 and has been implemented. All allocations for individual taxis are now discussed by the new travel allocation panel prior to approval. See: <a href="https://democracy.edinburgh.gov.uk/Data/Education,%20Children%20and%20Families%20Committee/20190521/Agenda/item_74_-_assisted_travel_policy_and_guidelines_-_home_to_school.pdf">https://democracy.edinburgh.gov.uk/Data/Education,%20Children%20and%20Families%20Committee/20190521/Agenda/item_74_-_assisted_travel_policy_and_guidelines_-_home_to_school.pdf</a>	Ongoing

Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Internal Control Environment</b>				
The monitoring process applied to funding/operating agreements has not identified any problems that could have an impact on Annual or Group Accounts.	Bernadette Oxley	<b>Children's Services</b> Issues found - home to school transport controls	<b>Children's Services</b> Working team set up to redefine policy, guidance and controls	Ongoing

Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Risk and Resilience</b>				
My directorate has appropriate resilience arrangements in place and my directorate's business continuity plans and arrangements mitigate the business continuity risks facing our essential activities.	Andy Gray	<b>SLL</b> work closely with our Resilience Business Partner, Kimberley Campbell, and the service area has an annual resilience workplan. Michelle McMillan is the Resilience Coordinator and Counterterrorism Coordinator. Resilience deputies are also in place. Building Incident Managers are in place for each staffed SLL establishment and Essential Resilience Training is provided and is included in the staff essential learning matrix.  Business Continuity Plans are regularly reviewed as part of the business continuity cycle.  A Loss of Premises template is being worked on but this remains a business continuity risk.	<b>SLL</b> Completed the loss of premises template with resilience.  The Children's Services/Schools and Lifelong learning template is due to roll out in January 2020. Engagement sessions are taking place with School Business managers through Business Manager forums.  It is anticipated that templates will be completed and tested by establishments by September 2020. The Resilience Unit and Michelle McMillan Operations Manager who has a responsibility for Resilience Coordination will support establishment colleagues in this.	Ongoing

			A "Buddy Map" used by schools which shows capacity for loss of premises incidents across the school estate is in situ to be used as required. This was updated and shared December 2019.	
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Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Workforce Control</b>				
I have arrangements in place to ensure workforce resources are managed properly, including compliance with payroll policies, overtime controls, absence management and performance e.g. home/remote working.	Andy Gray	<b>SLL</b> Controls are in place for this however changes in the HR structure has resulted in multiple payroll and budget issues for school's devolved budgets particularly around recruitment. Issues are being resolved when they are identified and there are regular meetings between school business managers and HR senior staff	<b>SLL</b> HR continue to provide their staff with training and have offered training to new school administration staff with regard to Talentlink and the recruitment process  HR training offered and taken up by colleagues on an ongoing basis.  SLL are creating a HR Forum for Business Managers which will meet early 2020. This forum will include school business managers as well as colleagues from the HR service. Engagement sessions have been held with Business Managers, and the service is finalising arrangements for quarterly meetings.	<b>Ongoing</b>



Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Workforce Control</b>				
<p>I have robust controls in place to manage off-payroll workers/contractors, including agency workers and consultants, ensuring approved framework contracts have been used and that those engaged are wholly compliant with the provisions of IR35 Council guidance and procedures</p>	<p>Andy Gray</p>	<p>SLL Controls are in place for this. SLL work closely with Contracts and Procurement Services to ensure compliance where individual schools/establishments have engaged with consultants, however the aggregate spend between all C&amp;F establishments over a year means we must engage/contract differently going forward.</p>	<p>SLL Continued work with Corporate Procurement Services to identify aggregate spend and contract requirements. Procurement facilitate a Procurement Forum that Establishment Managers and the Operations Managers for Schools and Lifelong learning attend on a regular basis. The focus of this meeting is to look at how procurement is managed in terms of risks and opportunities.</p> <p>Risk Matters is available for Procurement colleagues to send key directive messages on how procurement should be managed.</p> <p>The 2019/20 Self Assurance questionnaire has a new section on Procurement with validation information.</p> <p>Procurement colleagues have engaged with headteacher and business manager forums in terms of presenting how they can support and advising on procurement rules (for example waivers). A procurement forum operates quarterly and discusses all aspects of procurement management. Business Managers and Procurement colleagues attend this forum.</p>	<p><b>Ongoing</b></p>

Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Workforce Control</b>				
<p>I have arrangements in place to support and manage staff performance e.g. regular 1:1/supervision meetings, performance/spotlight conversations.</p> <p style="text-align: center;">Page 170</p>	Andy Gray	SLL Processes are in place for this and staff/managers are aware of their responsibilities.	<p>SLL Work is ongoing to ensure the looking back/forward conversations and meetings between staff and managers are recorded in MyPeople as required.</p> <p>Reminders have been sent from Heads of Service within Schools and Lifelong Learning / Children's Services with regards to the importance of recording meetings on MyPeople. Andy Gray has also relayed this message at headteacher/business manager forums.</p> <p>The service is seeking ways to improve for example through regular communication/reminders</p>	<b>Ongoing</b>

Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Workforce Control</b>				
I ensure compliance with the Council's HR policies and procedures across all of my service areas			<p>SLL Controls are in place for this. Compliance with HR policies and procedures is included in the essential learning matrix for all staff groups. However with the number of staff and establishments in Schools and Lifelong Learning as detailed in Q1.1 it is not possible to validate full compliance.</p>	Ongoing



Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Health and Safety</b>				
<p>Directorate staff are made aware of their responsibilities under relevant H&amp;S policies and procedures and I have appropriate arrangements in place for the identification and provision of H&amp;S training necessary for all job roles including induction training.</p>	<p>Andy Gray</p>	<p>SLL The guidance notes that accompanies the annual self-assurance questionnaire provides links to all the key health and safety policies and procedures so staff are aware of their general responsibilities however at an operational level we know from the H&amp;S audit reports and the thematic findings highlighted in the quarterly H&amp;S dashboard reports that there are areas of control weakness such as the quality of the risk assessments, completion of H&amp;S training, and the recording of statutory inspections.</p>	<p>SLL Clarification of roles and responsibilities and the implementation of the Service Level Agreement for FM is helping to address areas of weakness but more work needs to be done.</p> <p>A cleaning review is currently underway (lead by Corporate Facilities Management) to look at professionalising the service across the city, it is hoped that this will ensure higher levels of standard in terms of cleaning.</p> <p>Regular meetings take place between the service and Facilities Management where discussions on risks/issues and incidents take place. Fortnightly meetings between Schools and Lifelong Learning and Facilities Management are enabling these discussions.</p> <p>If areas of concern are raised with regards to service levels these are taken up directly with Corporate Facilities Management.</p> <p>The self-assurance questionnaire has a section on Facilities Management, this allows colleagues to call out areas where they may feel the service is not adequate, this would be shared with Facilities Management colleagues in terms of improvements required to service.</p>	<p>Ongoing</p>

Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Health and Safety</b>				
<p>I have the necessary arrangements in place to establish, implement and maintain procedures for ongoing hazard identification, risk assessment and the determination of necessary controls to ensure all H&amp;S risks are adequately controlled.</p>	Andy Gray	<p>SLL There are appropriate processes in place to identify and manage risk. A suite of example risk assessments for schools was issued in Aug 2018 to assist schools with this process, although they are still required to make each risk assessment site specific.</p>	<p>SLL Within existing C&amp;F resources it is difficult to robustly monitor all establishments and we require the help of business partners across the Council, as the second line of defence, to assist with this work</p> <p>Schools and Lifelong Learning and Children's Services have two Health and Safety Working Groups, one is for schools and the other is for non-schools (meetings are held every 8 weeks). The working groups are the "doing" groups, using the risk management proceed to identify and manage health and safety risks. Communities and Families has a Health, Safety and Wellbeing Committee that meets quarterly, this group approves work carried out within the working groups.</p> <p>This year it has been decided that a main focus for working groups is the development of SHE, the Councils incident management portal and risk assessment and strategies are being developed with Corporate Health and Safety to maintain robust arrangements, another area of focus is Risk Assessment ensuring colleagues know their roles and responsibilities and where guidance is.</p> <p>The self-assurance framework questionnaire includes the questions asked when Corporate</p>	Ongoing

Health and Safety undertake establishment audits, using this approach means colleagues in establishments are very clear on what they have to do to manage health and safety and provides an opportunity to "call out" areas where more support may be required.

Risk Matters the risk communication banner used to advise colleagues across the service on risk management is used to send all health and safety advice to establishments. When a Risk Matters is received there is a team talk about it to enable understanding, the Risk Matters also goes in a Risk Matters folder within the establishment and on the health and safety notice board if it is health and safety advice.

The Behaviours of Concern Group chaired by (S&LL Senior Manager - Quality and Curriculum) meets monthly to monitor and manage approaches. This group includes union representation. The annual self-assurance questionnaire now includes a section directing staff to key policies / guidance/ training in the management of pupil behaviour.

Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Commercial and Contract Management</b>				
<p>I ensure all goods, services and works are procured and managed in compliance with the Contract Standing Orders.</p> <p style="text-align: center;">Page 175</p>	Andy Gray	<p><b>SLL</b> Controls are in place for this with individual SLL and CS establishments with devolved budgets comply with Contract Standing Orders. Issues arise where aggregate spend across schools exceeds compliance limits.</p> <p><b>Children's Services</b> There are still a small number of services being procured that are not compliant or where retrospective waivers are being put in place.</p>	<p><b>Children's Services</b> Commissioning Team to work with Procurement and Commercial Services to identify non-compliant spend and address issues with service area officers as appropriate.</p> <p>10.1 non-compliant spend – the commissioning team are monitoring this.</p>	Ongoing

Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Commercial and Contract Management</b>				
<p>I have arrangements in place for identifying any weaknesses in my directorate's compliance with Council financial policies or statutory/regulatory requirements.</p> <p>Page 176</p>	Andy Gray	<p><b>SLL</b> As detailed in 1.1, SLL operate an annual self-assurance framework in which SLL establishments self-attest to any problems or control weaknesses. As finance and internal audit are not currently undertaking financial audits as a second line of defence, SLL are limited by the resources available to them. However, training and guidance is provided to staff and the finance team support the developed school budget process in schools, calling out any areas of concern so that immediate action can be taken to control financial risk.</p> <p>The SLL quality improvement team are considering ways to include financial probity as part of their support and challenge in schools.</p>	A thematic review by QIOs and officers is planned for January 2020 which will examine how schools manage various funding streams including DSM and PEF. This will involve visits to 5 schools and a survey to gather more information. Once complete, analysis will provide clear next steps which will include training, guidance and improved governance	Ongoing

Statement	Action Owner	Improvement Action	Actions Completed	Completion Date
<b>Financial Control</b>				
I have arrangements in place for identifying any weaknesses in my directorate's compliance with Council financial	Andy Gray	<p><b>SLL</b> As detailed in 1.1, SLL operate an annual self-assurance framework in which SLL establishments self-attest to any problems or control weaknesses. As finance and internal</p>	The SLL quality improvement team are considering ways to include financial probity as part of their support and challenge in schools	Ongoing



policies or statutory/regulatory requirements		audit are not currently undertaking financial audits as a second line of defence, SLL are limited by the resources available to them. However, training and guidance is provided to staff and the finance team support the devolved school budget process in schools, calling out any areas of concern so that immediate action can be taken to control financial risk		
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# Governance, Risk and Best Value Committee

10.00am, Tuesday, 14 January 2020

## Council Companies - Edinburgh Leisure Annual Report 2018/19

Executive/routine  
Wards  
Council Commitments

### 1. Recommendations

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- 1.1 The Governance, Risk and Best Value Committee is asked to:
  - 1.1.1 Note the performance of Edinburgh Leisure during 2018/19.
  - 1.1.2 Note that Edinburgh Leisure will report annually to Culture and Communities Committee but Committee may request ad hoc reports if required.

**Alistair Gaw**

Executive Director, Communities & Families

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## Council Companies – Edinburgh Leisure Annual Report 2018/19

### 2. Executive Summary

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- 2.1 This is the annual performance report of Edinburgh Leisure, prepared as a requirement of the Services and Funding Agreement.
- 2.2 Edinburgh Leisure's financial performance for 18/19 saw a surplus of £144,000; £444,000 ahead of the budgeted £300,000 deficit.

### 3. Background

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- 3.1 As part of the Services and Funding Agreement process between the City of Edinburgh Council and Edinburgh Leisure adopted in 2013/14, a report has been presented to this Committee (and its predecessors) on an annual basis.
- 3.2 In 2017/18 Edinburgh Leisure delivered a £474,000 surplus; £624,000 ahead of the budgeted £150,000 deficit.
- 3.3 Edinburgh Leisure's management fee from the Council was £8,075,000 in 2017/18 and £7,905,000 in 2018/19.

### 4. Main report

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- 4.1 The total number of customer visits to Edinburgh Leisure managed venues (excluding secondary schools) in 2018/19 was 4,338,000. This represented a 1.12% increase against the target of 4,290,000 for 18/19 and a 3% reduction from the 2017/18 figures.
- 4.2 Members will be aware of the closure of Meadowbank Sports Centre in December 2017 to facilitate its redevelopment and given that this is the flagship sport facility in Edinburgh, its closure is the core reason for the reduction in visits from the previous financial year.
- 4.3 The number of children and young people visits for 18/19 was 1,727,000 (against 1,743,000 in 2017/18) and older adult visits was 389,000 (against 365,200 in 17/18).

- 4.4 The recovery rate (income as a percentage of expenditure) for 18/19 was 73% compared to 74% in 17/18. The mean subsidy per user was £1.78 and mean income per user was £4.85.
- 4.5 The number of people involved in EL's Active Communities programmes saw a 20% increase from 17/18's figure of 7,984 up to 9,514 for 18/19.
- 4.6 External funding rose from £786,000 in 17/18 to £1,026,522 in 18/19, a 30% increase.
- 4.7 Edinburgh Leisure officers continue to work with the Council on several key strategic projects for the city. These include the redevelopment of Meadowbank Sports Centre, new 3G pitches at Hunter's Hall Park and the transfer of management of secondary school sports facilities to Edinburgh Leisure. All these projects are making good progress and Edinburgh Leisure colleagues provide valuable support to ensure they remain on schedule and objectives are met.
- 4.8 Over £2M was invested in EL managed venues throughout 18/19 and a summary of these projects are detailed below:
- 4.8.1 Dalry Swim Centre lifecycle project.
- 4.8.2 Craiglockhart Tennis Centre – six new synthetic all weather clay courts with floodlights. This project was supported by Tennis Scotland, **sportscotland** and the Council (via CEC's spend to save scheme).
- 4.8.3 Edinburgh International Climbing Arena – connection to the mains sewer (funded through CEC's spend to save scheme) and new soft play and café.
- 4.8.4 Ainslie Park and Gracemount Leisure Centres – new gym equipment.
- 4.9 EL's Active Communities Team continue to use the power of physical activity and sport to tackle inequalities and combat the effects of inactivity. The Team provides help and support to individuals, groups and communities who face the greatest barriers and are typically much less active, such as: women and girls; people living with health conditions; disabled people; older adults; minority ethnic groups and those from low income and disadvantaged backgrounds. In 2018/19 this support resulted in 9,514 people getting active. Key highlights for the year included:
- 129,534 customer visits to the Active Communities projects
  - 140 Active Communities classes delivered each week to inactive people; this includes 24 Get Active (low-level) classes delivered across 9 Edinburgh Leisure venues per week, supporting 189 previously inactive people continue their journey to getting active every week
  - 5,586 referrals from partners to support inactive people to be active; 3,116 of these from Health & Social Care professionals
  - 137 people (including staff, volunteers and service providers) attended Dementia Awareness training
  - 370 Active Communities volunteers giving people the support, they need, to be active

- 512 people on low incomes active weekly through the £10 monthly “Get Active” membership
- 221 community groups supported; helping 2,428 people be active through the Community Access Programme

4.10 In 2018/19 EL’s Healthy Active Minds project supported 808 people with a range of mental health conditions to become active and remain active.

## **5. Next Steps**

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- 5.1 The Council would like Edinburgh Leisure to inform the Council of the strategies in place to sustain the work of the Active Communities Team in the event of external funding being removed.
- 5.2 Edinburgh Leisure will be asked to provide quarterly reports to Culture and Communities committee with an agreed focus for each of these reports e.g. the first of these would be the report on Edinburgh Leisure’s contribution to the City’s Child Poverty plan.
- 5.3 Edinburgh Leisure should provide a specific report on the actions that it will take to address the operational deficits of some of the sports facilities it manages.
- 5.4 Edinburgh Leisure will be asked to work with Council officers to agree the action required to address the impact of financial pressures faced by the Council and resultant levels of service payment.
- 5.5 Council officers will work with Edinburgh Leisure to produce a Service Level Agreement (SLA) to be agreed and signed prior to the service payment award for 2020/21. The new SLA will capture the governance arrangements that will help the partnership to continue to deliver on the shared ambition of both organisations but also introduce a more specific set of performance measures that are aligned with CEC priorities on poverty, inequalities and early intervention. Edinburgh Leisure are also scheduled to report to Culture & Communities Committee on their work in relation to addressing child poverty which will help identify specific measures that CEC can introduce as part of any future SLA.

## **6. Financial impact**

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- 6.1 Council funding to Edinburgh Leisure in 2018/19 was £7,905,000.

## **7. Stakeholder/Community Impact**

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- 7.1 Edinburgh Leisure has worked with Council officers and a range of stakeholders and communities to develop projects and deliver programmes.

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

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- 8.1 [Edinburgh Leisure website](#)

# 9. Appendices

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# Governance, Risk and Best Value Committee

10.00am, Tuesday 14 January 2020

## Place Directorate – Internal Audit Action Update – referral from the Transport and Environment Committee

Executive/routine  
Wards  
Council Commitments

### 1. For Decision/Action

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- 1.1 The Transport and Environment Committee has referred a report on the Place Directorate Internal Audit to the Governance, Risk and Best Value Committee for consideration.

**Laurence Rockey**

Head of Strategy and Communications

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# Referral Report

## Place Directorate – Internal Audit Action Update

### 2. Terms of Referral

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- 2.1 An update was provided following Internal Audit's annual opinion for the City of Edinburgh Council for the financial year ended 31 March 2019 and the outcomes of Internal Audits completed at the end of the 2018/19 Internal Audit Plan which had either a Council-wide finding and were applicable to all Directorates or were specific to the Place Directorate.
- 2.2 The Transport and Environment Committee agreed:
  - 2.2.1 To note the 2018/19 Internal Audit opinion and the associated summary findings from the final audits undertaken in the plan relevant to the Place Directorate.
  - 2.2.2 To note the position in respect of the current open and overdue internal audit findings relating to the Place Directorate, particularly in respect of the actions which were within the responsibility of Transport and Environment Committee.
  - 2.2.3 To refer the report to Planning Committee and Policy and Sustainability to consider the outstanding/overdue actions which related to their Committee remit.
  - 2.2.4 To refer the report and any feedback from the Committee to the next available meeting of the Governance, Risk and Best Value Committee.

### 3. Background Reading/ External References

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- 3.1 [Webcast of the Transport and Environment Committee – 5 December 2019](#)

### 4. Appendices

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- 4.1 Appendix 1 – Report by the Executive Director of Place

# Transport and Environment Committee

10.00am, Thursday, 5 December 2019

## Place Directorate – Internal Audit Action Update

Executive/routine Wards Council Commitments	Executive All
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### 1. Recommendations

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- 1.1 It is recommended that the Committee:
  - 1.1.1 Note the 2018/19 Internal Audit opinion and the associated summary findings from the final audits undertaken in the plan relevant to the Place Directorate;
  - 1.1.2 Note the position in respect of the current open and overdue internal audit findings relating to the Place Directorate, particularly in respect of the actions which are within the responsibility of Transport and Environment Committee;
  - 1.1.3 Refer this report to Planning Committee and Policy and Sustainability to consider the outstanding/overdue actions which relate to their Committee remit; and
  - 1.1.4 Agrees to refer this report and any feedback from the Committee to the next available meeting of the Governance, Risk and Best Value Committee.

#### Paul Lawrence

Executive Director of Place

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## Place Directorate - Internal Audit Action Updates

### 2. Executive Summary

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- 2.1 This report follows Internal Audit's annual opinion for the City of Edinburgh Council for the financial year ended 31 March 2019 and the outcomes of Internal Audits completed at the end of the 2018/19 Internal Audit Plan which have either a Councilwide finding and are applicable to all Directorates or are specific to the Place Directorate.
- 2.2 No 'Critical' Internal Audit findings were raised during the course of 2018/19 and the total number of findings and High rated findings raised had decreased when compared to prior years. However, a number of significant weaknesses in the Council's overall control environment were identified by Internal Audit.
- 2.3 It was the Chief Internal Auditor's independent and professional opinion that the Council's established control environment; governance and risk management arrangements had not adapted or evolved sufficiently to support effective management of the changing risk environment and the Council's most significant risks, putting achievement of the Council's objectives at risk.
- 2.4 Consequently, Internal Audit reported a 'red' rated opinion, with an assessment towards the middle of this category, reflecting that significant enhancements are required to the Council's established control environment; governance; and risk management arrangements to ensure that the Council's most significant risks are effectively mitigated and managed. This outcome remained unchanged when compared to the Internal Audit opinion presented for the 2017/18 financial year.
- 2.5 The completion of the 2018/19 Internal Audit plan brought with it a number of reports which identified management actions for the Place Directorate to address.

### 3. Background

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- 3.1 The objective of Internal Audit (IA) is to provide high quality independent audit assurance over the control environment established to manage the Council's most significant risks, and their overall governance and risk management arrangements in accordance with Public Sector Internal Audit Standards (PSIAS) requirements.

- 3.2 It is the responsibility of the Council's Chief Internal Auditor to provide an independent and objective annual opinion on the adequacy and effectiveness of the Council's control environment and governance and risk management frameworks in line with PSIAS requirements. The opinion is provided to the Governance, Risk, and Best Value Committee and should be used to inform the Council's Annual Governance Statement. The IA Opinion for 2018/19 was considered by Governance, Risk and Best Value Committee on [13 August 2019](#).
- 3.3 Where control weaknesses are identified, Internal Audit findings are raised, and management agree actions and timescales by which they will address the gaps identified.
- 3.4 It is the responsibility of management to address and rectify the weaknesses identified via timely implementation of these agreed management actions.
- 3.5 The IA definition of an overdue finding is any finding where all agreed management actions have not been implemented by the final date agreed by management and recorded in Internal Audit reports. Management actions are kept under review on a regular basis and revised timescales can be identified as the actions are being implemented. If the revised implementation date is after the original date agreed by management, these will show as overdue.
- 3.6 IA is not the only source of assurance provided to the Council as there are a number of additional assurance sources including: external audit, regulators and inspectorates, that the Committee should equally consider when forming their view on the design and effectiveness of the Council's control environment, governance and risk management arrangements.
- 3.7 On 13 August 2019, Governance, Risk and Best Value Committee requested that a summary of outstanding overdue IA actions should be reported to the relevant Executive Committee.

## 4. Main report

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### Internal Audit Opinion 2018/19

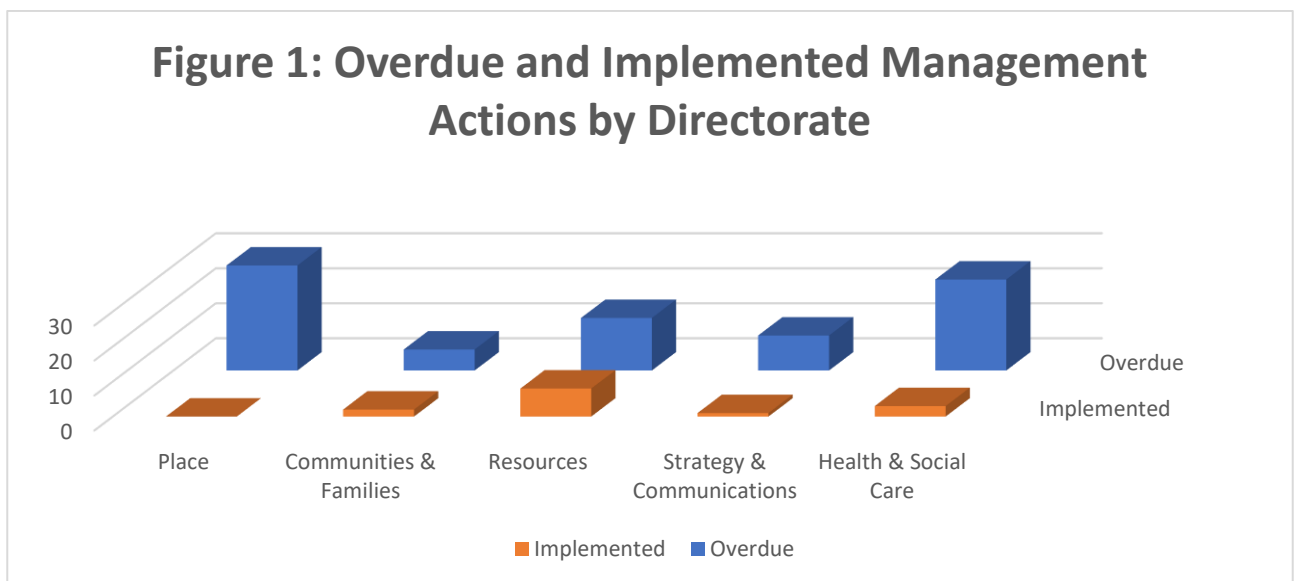
- 4.1 IA considered that significant enhancements were required to the Council's control environment, governance and risk management arrangements to ensure that the Council's most significant risks were effectively mitigated and managed and raised an overall 'red' rated opinion, with an assessment towards the middle of this category. This opinion aligned with the outcome reported for the 2017/18 financial year and was subject to the inherent limitations of internal audit (covering both the control environment and the assurance provided over controls).
- 4.2 No 'Critical' IA findings were raised for 2018/19 and the total number of findings (including High rated findings) raised had decreased when compared to prior years, which highlighted some positive improvement. However, a number of new and significant weaknesses in the Council's control environment had been identified,

together with an increased trend in the percentage and ageing of overdue IA findings as at 31 March 2019 in comparison to prior years.

- 4.3 Consequently, whilst it was IA’s opinion that whilst some progress was evident, the Council’s established control environment; governance; and risk management frameworks had not yet adapted sufficiently to support effective management of the changing risk environment and the Council’s most significant risks, putting achievement of the Council’s objectives at risk.

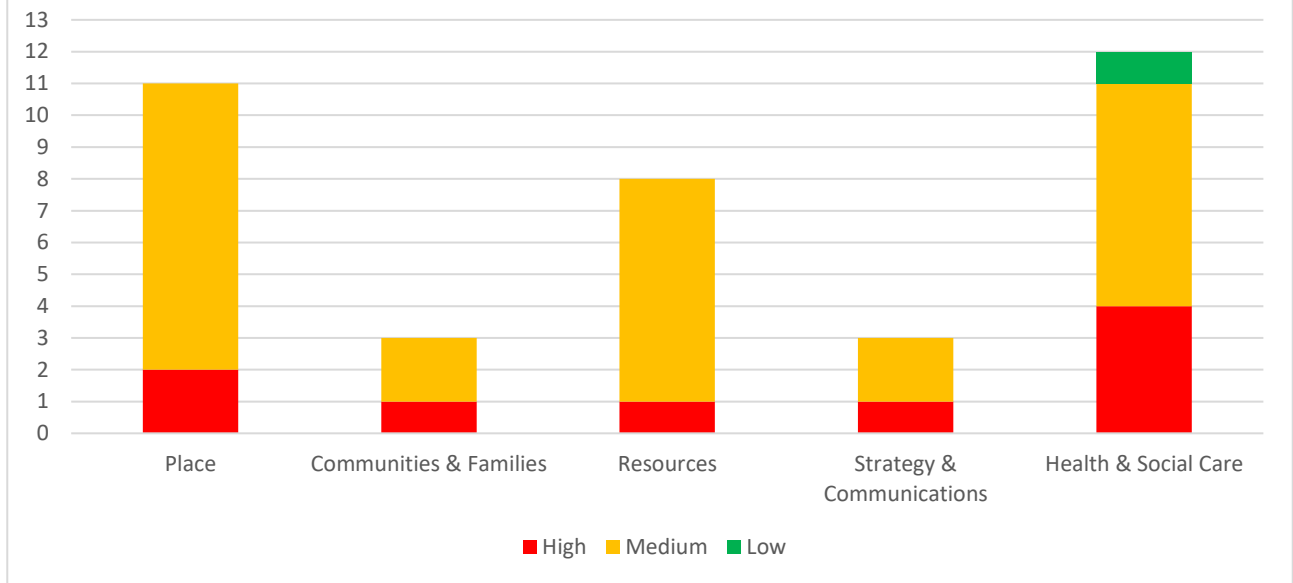
**Open and Overdue Internal Audit actions as at 23 September 2019**

- 4.4 At 23 September 2019 the Council had a total of 87 overdue management actions as outlined below in Figure 1. Of these, 73 were outstanding actions with 14 which had been passed to IA for review across the directorates/divisions.



- 4.5 Of these 87 management actions, nine are associated with High rated findings. Two of these are the responsibility of the Place directorate, as detailed in Figure 2 below:

**Figure 2 - management actions with more than one revised completion date since July 2018**



- 4.6 There are 12 IA's which have been carried out and which the Place Directorate has outstanding/overdue actions. Of these, there are 29 management actions which are being progressed but are not yet closed.
- 4.7 A summary of these actions is outlined in appendix 1. This update covers the actions as outstanding at 22 October 2019.
- 4.8 There have been five further actions added to the outstanding management actions for Place Directorate. Of these, three have been implemented and evidence is with IA for closure. Two further actions are currently being progressed and should be closed shortly.
- 4.9 In addition to these actions, which are deemed to be both open and overdue, there are a range of findings that are currently open but are not overdue. These continue to be tracked and managed by the Executive Director of Place and the Place Directorate Heads of Service.

## 5. Next Steps

- 5.1 The Place Directorate is actively managing the response to the internal audit findings and progress against these is reviewed at the Corporate Leadership Team on a monthly basis. The Executive Director of Place continues to review the IA actions relevant to the Place Directorate on a quarterly basis at Senior Management Team meetings. In addition, the Culture, Place Development and Place Management teams also review IA actions regularly (as appropriate) to ensure

regular review, identification of issues, timely completion, evidence and closure of IA actions. This remains a priority for all Divisions within the Directorate.

## **6. Stakeholder/Community Impact**

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- 6.1 As with all internal audit related findings, this report highlights that the Council is currently exposed to a level of risk that puts achievement of its objectives at risk and which could potentially impact services delivered and support provided to citizens, stakeholders, and community groups.

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

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- 7.1 None.

## **8. Appendices**

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- 8.1 Appendix 1 - Internal Audit Overdue Management Actions as at 22 October 2019.



## Appendix 1 – Place Internal Audit Overdue Management Actions as at 22 October 2019

### Glossary of terms

- Project – This is the name of the audit report.
- Owner – The Executive Director responsible for implementation of the action.
- Issue Type – This is the priority of the audit finding, categorised as Critical, High, Medium, Low and Advisory.
- Issue – This is the name of the finding.
- Status – This is the current status of the management action.
  - These are categorised as Pending (the action is open and there has been no progress towards implementation), Started (the action is open and work is ongoing to implement the management action), Implemented (the service area believe the action has been implemented and this is with Internal Audit for validation).
- Agreed Management action – This is the action agreed between Internal Audit and Management to address the finding.
- Estimated date – the original agreed implementation date.
- Revised date – the current revised date. **Red** formatting in the dates field indicates the last revised date is overdue.
- Number of revisions – the number of times the date has been revised post implementation of TeamCentral. **Amber** formatting in the dates field indicates the date has been revised more than once.
- Contributor – Officers involved in implementation of an agreed management action.

**Transport and Environment**

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
<p>Street Lighting and Traffic Signals</p> <p>Traffic Signals: UTC system access controls</p> <p>Page 194</p>	Medium	Implemented	<p>Access rights will be removed for staff leaving (or changing) roles with access rights for all users reviewed annually. An annual frequency is appropriate as users require access to the Council network in order to access the UTC. If leavers are removed from the Council network, they would need to download the UTC application onto a personal device to maintain access to the system.</p>	30/09/2019	N/A	<p>This action remains overdue. Management action is being taken to address this.</p>
<p>Street Lighting and Traffic Signals</p> <p>Street Lighting and Traffic Signals: Process and quality assurance documentation and training</p>	Low	Pending	<p>Street Lighting and Traffic Signals Operational Guides will be developed, implemented, and reviewed to ensure that processes align with current regulatory requirements. Operational Guides will be implemented within six months of implementation of the Roads Improvement Plan, or by 30 September 2019, whichever comes first.</p>	30/09/2019	30/07/2020	<p>A revised implementation date has been submitted as management have assessed that it was not possible to implement this action within the original timescale.</p>

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
<p>Trams to Newhaven</p> <p>Tram Project Governance</p>	Medium	Pending	<p>Recommendation agreed. The action note, and outstanding matters log will be reinstated as a standing agenda item. The Board will monitor progress of outstanding actions and matters and ensure that completion of follow-up action supporting decisions is completed.</p>	30/08/2019	29/11/2019	<p>A revised implementation date has been submitted as management have assessed that it was not possible to implement this action within the original timescale</p>
<p>Port Facility Security Plan</p> <p>Resilience and Risk Management</p> <p>Risk Register</p> <p>Page 195</p>	Low	Pending	<p>The most appropriate risk register to record and manage the specific risks associated with the operation of Hawes Pier will be identified; and the risks will be recorded; rated; and matched to the established controls.</p>	31/05/2019	30/11/2019	<p>Information has been shared with Internal Audit to close this action. Awaiting feedback.</p>
<p>Fleet Review</p> <p>Project management and governance framework – Stakeholder Engagement</p>	High	Pending	<p>An internal/external stakeholder engagement plan will be developed; approved by the project Board and applied throughout the project. Any key stakeholder engagement actions will also be reflected in the project plan.</p>	28/06/2019	31/12/2019	<p>A revised implementation date has been submitted as management have assessed that it was not possible to implement this action within the original timescale.</p>

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
Fleet Review Project Management and Governance Framework Procurement Strategy and Plan  Page 196	High	Pending	A procurement and strategy plan will be designed along with the procurement team; approved by the project Board and used to support the procurement process; The request for procurement will include requirements in relation to paperless processes and compatibility with existing fleet systems; and the contractual position with CGI regarding telematics will be confirmed prior to commencement of procurement.	30/07/2019	N/A	This action remains outstanding and urgent management action is being progressed to address this outstanding action.
Fleet Review Project management and governance framework	High	Started	Project board to be finalised and evidence submitted indicating terms of reference, meeting scheduling and meeting notes	29/03/2019	31/12/2019	A revised implementation date has been submitted as management have assessed that it was not possible to implement this action within the original timescale.

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
Fleet Review Project management and governance framework  Page 197	High	Started	Agreed. The guidance designed by Strategy and Insight will be applied to support the Fleet project management framework; Agreed – all documentation noted above will be prepared to support the project; Project documentation will be approved by the Project Board. Status reporting will be provided to Strategy and Insight for inclusion in the CLT Change Board pack; and agreed – actions will be documented; allocated; and monitored to confirm their completion.	28/06/2019	31/12/2019	A revised implementation date has been submitted as management have assessed that it was not possible to implement this action within the original timescale.
Waste and Cleansing Health & Safety  Significant incident / emergency procedure  Incident and Escalation Procedures	Medium	Started	Arrange workshop with Resilience to understand the requirements of significant incident and escalation procedures. Develop the procedure and arrange tool box talks with staff to cascade the procedure.	28/09/2018	N/A	This action remains outstanding and urgent management action is being progressed to address this outstanding action.

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
Waste and Cleansing Health & Safety  Operational health and safety roles and responsibilities - site and equipment checks	Medium	Started	1. and 2 - In conjunction with Property and Facilities Management, produce list of site and equipment checks to be carried out and agree responsibilities.	31/07/2018	31/10/2019	A revised implementation date has been submitted as management have assessed that it was not possible to implement this action within the original timescale.
Waste and Cleansing Health & Safety  Operational health and safety roles and responsibilities	Medium	Started	3. and 4 - Co-develop H&S Roles and Responsibilities for each site and provide to relevant Managers on site.	31/10/2018	31/10/2019	A revised implementation date has been submitted as management have assessed that it was not possible to implement this action within the original timescale.

Planning

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
<p>Implementation of the Building Standards Continuous Improvement Programme</p> <p>Document and resource management system</p>	High	<p>August: Overdue</p> <p>October: Implemented</p>	<p>ICT are working closely with the Council's IT provided, CGI, to deliver an up-to-date version of the document management and case management systems (Ilox and Uniform) and their associated software systems and will ensure that these are delivered in Quarter 2 2018/19.</p>	28/09/2018	30/09/2019	<p>Information has been provided by the service to Internal Audit to evidence that this action has been implemented.</p>

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
Page 200 Planning and S75 Developer Contributions Backlog of Legacy Developer Contributions	High	Pending	<p>Planning has worked with Finance to identify the status of legacy contributions identified in 2015. Planning accepts that the status of the remaining £2.3 million backlog needs to be identified, and any associated actions identified and recorded. Whilst an agreed implementation date of 30 September 2020 is noted below, priority will be given to completing these actions as quickly as possible.</p> <p>1. The audit recommendations detailed above will be implemented. Finance and planning will work together to determine the risk-based sample to be included in the review for the sample selected, Planning will determine whether or not the terms of the agreement have been fulfilled. Where agreements have been fulfilled, Finance will determine whether developer contributions have been received and applied, where agreements have not been fulfilled and the Council is holding</p>	31/01/2016	30/09/2020	<p>This action followed an internal audit undertaken in 2015. A follow up audit was carried out in 2018 and these issues were identified as still requiring action. As a result, the original action was reopened. The service has set a realistic target date for re-implementing this action however it remains under review to ensure that the action can be delivered in time.</p>



Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
Page 201			<p>developer funds, the management action specified at 2.3 below will be applied.</p> <p>2. An internal record will be maintained of agreements that have not been fulfilled to prevent services from drawing down contributions to support any development work. Developers will not be advised that agreements are void and no longer applicable, as (under legislation) only developers can seek to discharge the agreement; and</p> <p>3. and 4 where agreements have not been fulfilled and funds are held by the Council, the developer will be contacted (where they can be traced) to ascertain whether they would accept reimbursement of funds. Where this is the case, a value should be agreed between the Council and the developer that reflects interest and indexation (where applicable) and reimbursed.</p>			

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
Planning and S75 Developer Contributions End to end developer contribution processes, procedures, and training	High	Pending	<p>Planning has a continuous programme of officer training which has included legal agreements, developer contributions and the Action Programme. Planning have scheduled refresher training on contributions and invited officers from other services.</p> <p>1. All Internal Audit recommendations related to induction and refresher training will be implemented as detailed above. The training will include those employees from Planning; Finance and Legal Services who are involved in the developer contributions process; and 2. Training content will be reviewed at least annually and will be updated (when required) to reflect any legislative and process changes.</p>	30/09/2019	N/A	Training for staff delivered in September 2019, with mop up session in November 2019. Action completed in timescale.

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
Local Development Plan (LDP)  Financial Modelling	High	Started	Challenge of infrastructure proposals will be performed at the LDP Action Programme oversight group. Complete and agree Financial Model of 2018 LDP Action Programme Annual Report to CLT and Finance and Resources Committees; Prepare update to Financial Model in line with next LDP project plan.	31/03/2018	29/05/2020	This action has been delayed to take account of information required from Scottish Government.  A revised implementation date has been submitted.
Page 203 Local Development Plan  Governance arrangements over infrastructure appraisals	Medium	Started	Establish and agree appropriate roles, resources and the responsibilities for delivery the above matters as an early action in the project plan for LDP 2. Oversight will be provided by the Project Board to ensure that all individual appraisals performed across Service Areas have applied these recommendations. (sept 18)	31/03/2018	29/05/2020	This action has been delayed to take account of information required from Scottish Government.  A revised implementation date has been submitted.

**Policy and Sustainability**

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
Drivers Recording and addressing driving incidents	Medium	Pending	A monthly reconciliation between the incidents reported to Fleet Services and those recorded on SHE will be performed, with line managers advised re any gaps on the SHE system that need to be addressed;	01/04/2019	30/04/2019	This action remains outstanding and urgent management action is being progressed to address this outstanding action.
Drivers Recording and addressing driving incidents	Medium	Pending	Quarterly analysis of driving incidents will be performed and provided to Service Areas with a request that any recurring themes or root causes are incorporated into ongoing driver training;	01/02/2019	30/04/2019	This action remains outstanding and urgent management action is being progressed to address this outstanding action.

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
Drivers Recording and addressing driving incidents	Medium	Pending	Six monthly reporting will be provided to the Corporate Leadership Team (CLT) together with details of relevant actions taken.	01/10/2019		This action remains outstanding and urgent management action is being progressed to address this outstanding action.
<span data-bbox="91 730 136 916" style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 205</span> Drivers Driving Assessments and Training	Medium	Started	The decision will be approved by the CLT and the Corporate Policy and Strategy Committee; and the draft Driving policy and supporting procedures will be updated and implemented;	29/03/2019	10/06/2019	This action remains outstanding and urgent management action is being progressed to address this outstanding action.
Drivers Management and use of Driver Permits and fuel FOB cards	Medium	Started	On a driver's last working day, the line manager will recover the leavers driving permit and fuel FOB and return those to Fleet Services, driving permits will be cancelled and destroyed, with details removed from the system;	01/04/2019	31/12/2019	A revised implementation date has been submitted as management have assessed that it was not possible to implement this action within the original timescale.

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
Drivers Management and use of Driver Permits and fuel FOB cards	Medium	Started	Fleet Services will perform an exercise to remove all historic leavers from their database and advise the external third party who performs the annual licence checks to ensure that no subsequent checks are performed on former employees.	01/02/2019	31/12/2019	A revised implementation date has been submitted as management have assessed that it was not possible to implement this action within the original timescale.
Page 205 Drivers Ongoing compliance with driving hours regulations	Medium	Started	Fleet Services will reconcile its records of Council/agency drivers and their line managers with HR records on a quarterly basis to ensure that it is complete and accurate.	01/02/2019	31/10/2019	A revised implementation date has been submitted as management have assessed that it was not possible to implement this action within the original timescale.
Historic Unimplemented Findings ED1501 Issue 1 Resource risk with delivering the SEAP programme	Medium	Recommendation 1a Started	(i) The Communications Plan will be rolled out.	31/01/2016	31/12/2019	The original management action agreed on this has not been progressed in the manner envisaged. In implementing this action, consideration must be given the Council's overall approach to Sustainability. It is envisaged that

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
						evidence to explain the progress with this action will be submitted to Internal Audit in early December.
<p>Historic Unimplemented Findings</p> <p>ED1501 Issue 1 Resource risk with delivering the SEAP programme</p> <p>Paul Lawrence, Executive Director of Place and SRO</p>	Medium	<p>Recommendation 1b</p> <p>Started</p>	<p>(ii) A risk register will be developed as part of the reporting to Committee. Resourcing the Sustainable Energy Action Plan (SEAP) is still an ongoing concern. As the Council Transformation Programme progresses, it will be crucial to ensure existing resources are in place (as far as possible) to ensure delivery of the SEAP.</p>	30/04/2016	31/12/2019	<p>The original management action agreed on this has not been progressed in the manner envisaged. In implementing this action, consideration must be given the Council's overall approach to Sustainability. It is envisaged that evidence to explain the progress with this action will be submitted to Internal Audit in early December.</p>

**Cross-Committee (Cross-Directorate)**

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
<p>Resilience and Business Continuity</p> <p>Resilience responsibilities</p> <p>Page 208</p>	<p>High</p>	<p>Started</p>	<p>Operational resilience responsibilities for completion and ongoing maintenance of Directorate and Service Area Business Impact Assessments; Resilience plans; and coordination of resilience tests in conjunction with the Resilience team will be clearly defined and allocated. The total number of employees with operational resilience responsibilities will be determined with reference to the volume of business impact assessments and resilience plans that require to be completed and maintained to support recovery of critical services.</p>	<p>20/12/2018</p>	<p>11/12/2020</p>	<p>This action relates to an audit of the Council's approach to Resilience. Following discussion between colleagues in the Resilience and Internal Audit team, a revised implementation date has been agreed.</p> <p>Implementation of this action relies on services working closely with the Council's Resilience team.</p>



Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
<p>Resilience and Business Continuity</p> <p>Objectives for operational resilience responsibilities</p> <p>Page 209</p>	High	Started	<p>Corporate; management; and team member objectives for operational resilience responsibilities (for example completion of Service Area Business Impact Assessments; Resilience Plans; and coordination of Resilience tests) will be established, with ongoing oversight performed by Directors and Heads of Service to confirm that these are being effectively delivered to support the resilience responses included in both the Directorate and Council's annual governance statements.</p>	31/07/2019	N/A	<p>Implementation of this action relies on services working closely with the Council's Resilience team.</p> <p>This action remains outstanding but is being urgently progressed.</p>

Audit/Issue	Issue Type	August Status/ Status Update	Agreed Management Action	Original Implementation Date	Revised Implementation Date	Notes
<p>Resilience and Business Continuity</p> <p>Completion and adequacy of service area business impact assessments and resilience arrangements respect of third party providers</p>	High	Started	<p>Assurance should be obtained annually for statutory and critical services from third party service providers that their resilience plans remain adequate and effective; and have been tested to confirm that the recovery time objectives for systems and recovery time and point objectives for technology systems agreed with the Council were achieved. Where this assurance cannot be provided, this should be recorded in Service Area and Directorate risk registers.</p>	28/06/2019	30/06/2020	<p>This action relates to an audit of the Council's approach to Resilience. Following discussion between colleagues in the Resilience and Internal Audit team, a revised implementation date has been agreed.</p> <p>Implementation of this action relies on services working closely with the Council's Resilience team.</p>