

Notice of meeting and agenda

Governance, Risk and Best Value Committee

10.00 am Tuesday, 7th July, 2020

Virtual Meeting - via Microsoft Teams

This is a public meeting and members of the public are welcome to watch the live webcast on the Council's website.

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 Any items under "Private Business" will not be published, although the decisions will be recorded in the minute.

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1. Order of Business

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

2. Declaration of Interests

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

3. Deputations

- 3.1 If any.

4. Minutes

- 4.1 Minute of the Governance, Risk and Best Value Committee of 9 June 2020 – submitted for approval as a correct record 7 - 12

5. Outstanding Actions

- 5.1 Outstanding Actions – 7 July 2020 13 - 38

6. Upcoming Reports August 2020

- 6.1 Upcoming Reports August 2020 39 - 40

7. Business Bulletin

- 7.1 Governance, Risk and Best Value Committee Business Bulletin - 7 July 2020 41 - 46

8. Reports

- 8.1 Edinburgh Leisure Accounts 47 - 80
(As per Outstanding Action 11 - The full accounts were scheduled to be presented to Committee at its March meeting. This meeting was cancelled due to Covid-19. June Peebles will be in

attendance to answer any questions)

| | | |
|------------|--|-----------|
| 8.2 | Internal Audit: Agile Auditing and Consultancy Support – Report by the Chief Internal Auditor | 81 - 92 |
| 8.3 | Internal Audit: Final Internal Audit reports supporting the 2019/20 Annual Opinion – Report by the Chief Internal Auditor | 93 - 214 |
| 8.4 | Changing the Internal Audit Annual Plan – Report by the Chief Executive | 215 - 218 |
| 8.5 | Arm's Length External Organisations - Scope of Review 2020 – Report by the Chief Executive | 219 - 224 |
| 8.6 | Decisions Taken Under Delegated Power and Operational Decision Making - Covid-19 - referral from the Policy and Sustainability Committee | 225 - 242 |

9 Motions

9.1 Motion by Councillor Doggart – Pandemic Planning

“Committee:

1. Requests a report from the Executive Director of Resources in two cycles in respect of City of Edinburgh Council’s preparations for a pandemic affecting the city;
2. Requests the report contains, but is not limited to:
 - a) Lessons learned from the Council’s participation in Exercise Silver Swan in 2016;
 - b) Lessons learned from, and communication with, other Edinburgh based authorities’ participation in Exercise Iris in 2016;
3. Requests the report indicates how the two exercises were reflected in the Council’s risk management programme;
4. Requests the report highlights how the lessons learned were implemented in the initial stages of response to Covid-19;
5. Requests the report indicates those areas where additional

planning is required to deal with a subsequent outbreak of Covid-19, or the discovery of an alternative virus.”

Laurence Rockey

Head of Strategy and Communications

Committee Members

Councillor Joanna Mowat (Convener), Councillor Eleanor Bird, Councillor Jim Campbell, Councillor Maureen Child, Councillor Phil Doggart, Councillor Claire Miller, Councillor Rob Munn, Councillor Gordon Munro, Councillor Susan Rae, Councillor Neil Ross and Councillor Norman Work

Information about the Governance, Risk and Best Value Committee

The Governance, Risk and Best Value Committee consists of 11 Councillors and is appointed by the City of Edinburgh Council. The meeting will be held by Microsoft Teams and will be webcast live for viewing by members of the public

Further information

If you have any questions about the agenda or meeting arrangements, please contact Martin Scott / Rachel Gentleman, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4237 / 0131 529 4107, email martin.scott@edinburgh.gov.uk / rachel.gentleman@edinburgh.gov.uk.

The agenda, minutes and public reports for this meeting and all the main Council committees can be viewed online by going to <https://democracy.edinburgh.gov.uk>

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

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Minutes

Governance, Risk and Best Value Committee

10.00am, Tuesday 9 June 2020

Present

Councillors Mowat (Convener), Bird, Jim Campbell, Child, Doggart, Miller, Munn, Munro, Rae, Neil Ross (substituting for Councillor Gloyer) and Work (item 4 onwards).

1. Minutes

Decision

To approve the minute of the Governance, Risk and Best Value Committee of 18 February 2020 as a correct record.

2. Outstanding Actions

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

Decision

1) To agree to close the following actions:

Action 3 - Expansion of Early Learning and Childcare from 600 – 1140 hours by 2020. Audit Scotland Report and Risks

Action 5 – Welfare Reform Annual Report

Action 8 – Outstanding Actions – Procedure for Oversight of Annual Assurance Statements

Action 11(1) - City of Edinburgh Council – Sheltered Housing

Action 12(2) – Historic and Outstanding Internal Audits – Health and Social Care

Action 13 – Corporate Leadership Team Risk Register

Action 16 – Annual Assurance Schedule - Communities and Families

Action 19 – Revenue Monitoring 2019/20 - Month Eight Position

Action 20 – Capital Monitoring 2019/20- Month Eight Position

Action 21 – Accounts Commission: Local Government in Scotland – Financial Overview 2018/19

- 2) To agree to provide a briefing note on the up-to-date position on Action 2 on the revised set of governance principles between the Governance Risk and Best Value Committee and the EIJB Audit and Risk Committee.
- 3) To agree that if there was a response from the Secretary of State in relation to Action 5 it would be shared in the Business Bulletin.
- 4) To otherwise note the outstanding actions.

(Reference – Outstanding Actions 9 June 2020, submitted.)

3. Work Programme

- 1) Noted.
- 2) To agree to preface the work programme with the interim remit and role of the Governance, Risk and Best Value Committee, as agreed by the Policy and Sustainability Committee of 28 May 2020.

(Reference – Governance, Risk and Best Value Committee Work Programme 9 June 2020, submitted.)

4. Internal Audit: Covid-19 Response

An update was provided on Internal Audit's (IA) proposed response to Covid-19 and the impact of these changes on delivery of the 2019/20 IA annual plans and opinions for the City of Edinburgh Council (the Council), and other arm's length external organisations (ALEOs).

Decision

- 1) To review and approve the Internal Audit Covid-19 response in relation to delivery of the Council's 2019/20 Internal Audit (IA); annual plan and opinion; and open IA findings.
- 2) To review and approve the IA's proposed approach to provide assurance on new processes established and changes to existing service delivery processes in response to Covid-19.
- 3) To note that the Covid-19 response and proposed approach to provision of assurance on new and amended processes was aligned with Public Sector Internal Audit Standards (PSIAS); Institute of Internal Audit (IIA) Covid-19 guidance; and recent guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Internal Audit Standards Advisory Board (IASAB) in relation to conformance with the PSIAS during the Covid-19 pandemic.
- 4) To note that the update on the Council's response to Covid-19 coming to the next meeting of the Governance, Risk and Best Value Committee in July would incorporate an updated risk register including management actions taken over the past three months.

- 5) To agree to circulate the explanatory note on the process for making urgent and non-urgent changes to the Internal Audit Plan, which would allow members to discuss and consider whether this was required to be added to the committee agenda.
- 6) To agree that any overall red rated reports as outlined Appendix 1 of the report would be brought back to committee for scrutiny.
- 7) To agree than any green and amber rated reports as outlined in Appendix 1 of the report would be circulated to members, which would allow members to flag an item for the committee agenda if detailed scrutiny was required.

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

5. Draft Annual Governance Statement

The draft Annual Governance Statement was presented to committee for scrutiny before it was to be finalised and signed by the Chief Executive and Leader of the Council.

Decision

- 1) To agree that the draft Annual Governance Statement was scrutinised by the committee prior to its signing and incorporation into the Council's unaudited financial statements that would be presented to Council for approval on 30 June 2020.
- 2) To authorise the Chief Executive to make any minor changes to the statement considered necessary prior to submission of the financial statements for audit.
- 3) To agree to discuss with Strategy and Communications how the committee could support effective communication of the Council's policies.
- 4) To agree to provide further detail on the process around resolving issues with community councillors.
- 5) To agree to include further information on the issues raised in relation to Council ALEOs and specifically the assurance statement relating to Marketing Edinburgh in the update scheduled to be reported to committee in July.
- 6) To agree the following textual changes:
 - adjust paragraph 1.1 of the Annual Governance Statement to take the second sentence beginning with, "This governance statement provides assurance..." before the first sentence beginning with, "The Covid-19 emergency has meant..."
 - To correct the typo at paragraph 1.21 to read "Development Management Sub-Committee".
 - To remove the second "that" from paragraph 1.27.

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

6. Whistleblowing Annual Report

The fifth full year of operation of the Council's whistleblowing service for the period 1 January – 31 December 2019 was set out.

Decision

- 1) To note the report.
- 2) To agree that the details of all major investigations shared with GRBV would also be referred to the Committee Convener responsible for the relevant service for their information and scrutiny.

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

7. Whistleblowing Update

A high-level overview was provided of the operation of the Council's whistleblowing service for the quarters 1 October – 31 December 2019 and 1 January – 31 March 2020.

Decision

To note whistleblowing activity for two quarters 1 October – 31 December 2019 and 1 January – 31 March 2020, due to the cancellation of Governance, Risk and Best Value Committee on 24 March 2020

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

8. Whistleblowing Monitoring Update

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

An overview was provided of the disclosures received and investigation outcome reports completed during the two quarters 1 October to 31 December 2019 and 1 January to 31 March 2020.

Decision

To approve the recommendations in the report as set out in the Confidential Schedule signed by the Convener relative to this minute.

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

by virtue of paragraph(s) 1, 12, 15 of Part 1 of Schedule 7A
of the Local Government(Scotland) Act 1973.

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Outstanding Actions

Governance, Risk and Best Value Committee

7 July 2020

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|----|------------|--|---|---|--|------------------------|--|
| 1 | 01/08/2017 | Governance, Risk and Best Value Work Programme – 1 August 2017 | To note an investigation report on retention of case records would be reported to the appropriate committee and a timescale for this would be provided as soon as possible. | Executive Director for Communities and Families | <p>March 2020</p> <p>December 2019</p> <p>November 2019</p> <p>August 2019</p> <p>April 2019</p> | | <p>June 2020 Update:</p> <p>Recommendation 1.2 of the Internal Audit Update Report: 1 November 2019 to 10 February 2020 on the agenda for the March meeting of the Committee had recommended this outstanding action for closure.</p> <p>The meeting was cancelled due to the Covid-19 situation.</p> |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|----|------|--------------|--------|--------------|--------------------------|------------------------|--|
| | | | | | | | <p><u>November 2019</u></p> <p>An update was circulated on 6 November 2019.</p> <p><u>October 2019</u></p> <p>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 approach being applied to this review in October to confirm that it is appropriately designed to ensure that any merged</p> |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|----|------|--------------|--------|--------------|--------------------------|------------------------|---|
| | | | | | | | <p>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><u>May 2019</u></p> <p>Strategy and Comms are preparing a paper which will include the outcomes of the audit findings – this</p> |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
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| | | | | | | | <p>will be reported to the Corporate Policy and Strategy Committee and referred thereafter to GRBV.</p> <p><u>Update</u></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 provide an update once the Chief Internal Auditor's investigation is concluded.</p> |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
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| | | | | | | | The final audit report would be referred from the Policy and Sustainability Committee to GRBV. |
| 2 | 26/09/2017 | 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 | To accept the high-level principles subject to further information on how elected members could best engage with the process. | Chief Internal Auditor | December 2020 May 2020 September 2019 January 2019 November 2017 | | <u>July 2020</u> A briefing note by the Chief Internal Auditor was circulated to members separately. <u>September 2019</u> A briefing note by the Chief Internal Auditor was circulated to members separately. |
| 3 | 28/08/18 | Committee Reporting | To request a report by the end of 2019 to monitor the impact of | Chief Executive | September 2020 | | <u>June 2020 Update</u> - Due to the Covid- |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|----|----------|--|--|-----------------|---|------------------------|--|
| | | | the steps taken to improve the process. | | February 2020 December 2019 | | 19 emergency the roll out of Modern Gov phase two has been delayed. Work is being carried out on whether the project can be progressed further while on lockdown |
| 4 | 13.08.19 | Annual Update on Council Transport Arms-Length Companies | 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 | July 2020 February 2020 November 2019 | | <u>July 2020</u> Report on agenda for this meeting - 07.07.20 <u>March 2020 Update</u> An update was due to be provided on the business bulletin for this meeting. The March meeting was cancelled due to Covid-19. |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|----|----------|---|---|-----------------------------|---|------------------------|--|
| | | | | | | | <p><u>December 2019 Update</u> Report will be on the agenda for the Policy and Sustainability Committee on 25 February 2020.</p> |
| 5 | 13.08.19 | Marketing Edinburgh Annual Update | To agree that details would be provided about the amount of income generated by Film Edinburgh for the Council. | Executive Director of Place | <p>October / November 2020</p> <p>February 2020</p> <p>January 2020</p> | | <p><u>June 2020: Update</u> More detailed report due at Policy & Sustainability in October 2020. Then onto the next available GRBV.</p> <p><u>March 2020: Update</u> The report was scheduled to come to the March meeting. This meeting was cancelled due to the Covid-19</p> |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
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| | | | | | | | <p>outbreak.</p> <p>February 2020: Update</p> <p>A report on filming in Edinburgh will be considered by Policy & Sustainability Committee on 25 February 2020. This includes details of the income recovered by the Council. This report will also be shared with Governance Risk and Best Value.</p> |
| 6 | 17.09.19 | Work Programme – Management of Sheltered Housing | 1) To request a report on the management of sheltered housing under Items for Scrutiny. | Chief Officer, Edinburgh Health and Social Care Partnership | October 2019 | | <p>1. CLOSED.</p> <p>1. Report submitted to Committee on 29 October 2019. New</p> |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
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| | | Work Programme – Member/Officer Protocol | 2) To add the review of the Member/Officer Protocol to the workplan with timescales for submission and to agree that a workshop for members would be held prior to submission to the Committee. | Chief Executive | September 2020 January 2020 | | <p>action opened (see 17 below)</p> <p><u>July 2020</u></p> <p>Scottish Government are consulting on changes to the Code of Conduct and it is suggested that changes to the protocol await this piece of work</p> <p><u>June 2020 Update</u></p> <p>Consideration of the member/officer protocol is awaiting the finalisation of the revised Code of Conduct from the Scottish Government that will impact on the content of the</p> |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
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| | | | | | | | <p>Protocol.</p> <p>Timescales to be confirmed.</p> <p><u>December 2019</u></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> |
| 7 | 29.10.19 | Quarterly Status Update – Digital Services Programme | <p>1) To note the quarterly update.</p> <p>2) To request that a further report be brought back to Committee in six months on the Customer Digital Enablement programme once</p> | Executive Director of Resources | September 2020 | | <p><u>June 2020 Update</u></p> <p>It was agreed by members and officials in the run up to working remotely as a result of Covid-19 that the Digital Report would be pushed</p> |

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|----|----------|---|--|----------------------|--------------------------|------------------------|---|
| | | | the new CRM had bedded in focussing on the benefits realisation and evaluation of the project. | | | | <p>out to quarter 3 to focus on critical service decisions which required to be made at Committee.</p> <p>As this report on CDE will be part of the next Digital update it will be included in the Q3 report. The positive news is that the closure report is now finalised and phase 1 of the programme completed, so all work has been done and the verbal update will be discussed at Committee at Q3.</p> |
| 8 | 29.10.19 | City of Edinburgh Council – Sheltered | 1) To note the report and the work ongoing to | Chief Officer, EHSCP | October 2020 | March 2020 | 1) Closed on 9 June 2020 |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|----|------|-------------------------|--|--------------|--------------------------|------------------------|---|
| | | Housing | <p>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 communication with residents with a request that the report is thereafter</p> | | | | <p><u>June 2020 Update</u> Sheltered Housing is now on the annual cycle for the EIJB for October 2020.</p> |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
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| | | | referred to this Committee for its consideration. | | | | |
| 9 | 03.12.19 | Annual Assurance Schedule - Place Directorate | <p>1) To request a report back setting out what 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</p> | Executive Director of Place | August 2020 March 2020 | | <p>June 2020: Update This report will come to Committee in due course.</p> |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|----|----------|--|--|---|--------------------------------------|------------------------|--|
| | | | Responsible Officers for major and local projects. | | | | |
| 10 | 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 assist staff decision making on evacuation procedures. | Chief Officer, Edinburgh Health and Social Care Partnership | August 2020 March 2020 | | |
| 11 | 14.01.20 | Council Companies - Edinburgh Leisure Annual Report 2018/19 | To agree that the full accounts should be submitted to Committee and that the Convener would liaise with the Convener of the Culture and Communities Committee regarding the reporting timeline. | Executive Director for Communities and Families | July 2020 March 2020 | | <p><u>July 2020</u></p> <p>Accounts are on the agenda for this meeting – 07.07.20.</p> <p><u>June 2020 Update</u></p> <p>The full accounts were scheduled to</p> |

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|----|----------|--|--|--|---|------------------------|---|
| | | | | | | | be presented to Committee at its March meeting. This meeting was cancelled due to Covid-19. |
| 12 | 14.01.20 | Place Directorate – Internal Audit Action Update - referral from the Transport and Environment Committee | That a note would be circulated providing an update on implementation dates. | Executive Director of Place | July 2020 June 2020 February 2020 | | Recommended for Closure Briefing note was circulated on 1 July 2020. |
| 13 | 18.02.20 | Accounts Commission: Local Government in Scotland – Financial Overview 2018/19 | 1) To agree to circulate a briefing note on the transfer of moneys from the NHS to the Council, and the recent SPICe briefing on Local Government Finance. | Executive Director of Resources Committee | March 2020 | June 2020 | 1) Recommend for closure Briefing note on this has been circulated to Committee in June 2020. |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|----|----------|--|---|-----------------|--------------------------|------------------------|--|
| | | | 2) To note Committee's request that the report should be considered at the next meeting of the IJB Audit and Assurance Committee. | Services. | March 2020 | March 2020 | 2) Recommended for closure Local Government in Scotland – Financial Overview 2018/19 was on the agenda for the IJB Audit and Assurance Committee on 11.03.20 |
| 14 | 18.02.20 | Internal Audit: Proposed Changes to the 2019/20 Internal Audit Annual Plan | To request that the process for approval of urgent and routine (non-urgent) changes to the Internal Audit annual plan be resubmitted for consideration at the next meeting of committee to ensure compliance with the Committee Terms of Reference. | Chief Executive | March 2020 | | <u>July 2020</u> Report on agenda for this meeting - 07.07.20 <u>June 2020 Update</u> An update was scheduled to be presented to Committee at its March meeting. This meeting was |

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|----|----------|---|--|-----------------------------|--------------------------|------------------------|---|
| | | | | | | | cancelled due to the Covid-19 situation. |
| 15 | 18.02.20 | Annual Assurance Schedule - Chief Executive | To agree that details would be provided on item 3.2 of the assurance statement in relation to the service area's controls to effectively manage off-payroll workers/contractors, including what the issues were and how they were followed up. | Chief Executive | August 2020 | | |
| 16 | 18.02.20 | The EDI Group - update report | To request that the forthcoming 2019 Annual Accounts report include detail of the reasons for the reduced revenue for the Market Street Hotel. | Executive Director of Place | March 2020 | | June 2020: Update This will be incorporated in the 2019 annual accounts report. |
| 17 | 09.06.20 | Outstanding Actions | 1) To agree to provide a briefing | Chief Internal Auditor | | | <u>1) Recommended for Closure</u> |

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|----|----------|---|---|---------------------------------|--------------------------|------------------------|--|
| | | | <p>note on the up-to-date position on Action 2 on the revised set of governance principles between the Governance Risk and Best Value Committee and the EIJB Audit and Risk Committee.</p> <p>2) To agree that if there was a response from the Secretary of State in relation to Action 5 it would be shared in the Business Bulletin.</p> | Executive Director of Resources | | | <p>Briefing note sent 16.06.20</p> <p><u>2) Recommended for Closure</u></p> <p>Response included in business bulletin for this committee (07.07.20)</p> |
| 18 | 09.06.20 | Work Programme – Upcoming Reports During Interim Period | To agree to preface the work programme with the interim remit and | Committee Services | July 2020 | July 2020 | <u>Recommended for Closure</u> – the work programme has |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
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| | | | role of the Governance, Risk and Best Value Committee, as agreed by the Policy and Sustainability Committee of 28 May 2020. | | | | been updated with the interim remit/role as agreed at the P&S Committee of 28 May 2020 |
| 19 | 09.06.20 | Internal Audit: Covid-19 Response | <p>1) To note that the update on the Council's response to Covid-19 coming to the next meeting of the Governance, Risk and Best Value Committee in July would incorporate an updated risk register including management actions taken over the past three months.</p> <p>2) To agree to</p> | Chief Internal Auditor | August 2020 | | 1) A separate report will be brought to the August committee on the updated risk to allow the risks to first be considered by CLT and P&S in July. |

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|----|------|--------------|--|------------------------|--------------------------|------------------------|--|
| | | | <p>circulate the explanatory note on the process for making urgent and non-urgent changes to the Internal Audit Plan, which would allow members to discuss and consider whether this was required to be added to the committee agenda.</p> | Chief Executive | | | |
| | | | <p>3) To agree that any overall red rated reports as outlined Appendix 1 of the report would be brought back to committee for scrutiny.</p> | Chief Internal Auditor | | | <p><u>3) Recommended for Closure</u></p> <p>Reports sent 16.06.20</p> |
| | | | <p>4) To agree that any green and amber</p> | | | | <p><u>4) Recommended</u></p> |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|----|----------|---|---|-----------------|--------------------------|------------------------|---|
| | | | rated reports as outlined in Appendix 1 of the report would be circulated to members, which would allow members to flag an item for the committee agenda if detailed scrutiny was required. | | | | <u>for Closure</u> Reports sent 16.06.20 |
| 20 | 09.06.20 | Draft Annual Governance Statement | <p>1) To agree to discuss with Strategy and Communications how the committee could support effective communication of the Council's policies.</p> <p>2) To agree to provide further</p> | Chief Executive | | | <u>Update July 2020</u> Report is on agenda for this meeting (07.07.20) |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|----|------|--------------|---|--------------|--------------------------|------------------------|----------|
| | | | <p>detail on the process around resolving issues with community councillors.</p> <p>3) To agree to include further information on the issues raised in relation to Council ALEOs and specifically the assurance statement relating to Marketing Edinburgh in the update scheduled to be reported to committee in July.</p> <p>4) To agree the following textual changes:</p> <ul style="list-style-type: none"> • adjust paragraph | | | | |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|----|------|--------------|---|--------------|--------------------------|------------------------|----------|
| | | | <p>1.1 of the Annual Governance Statement to take the second sentence beginning with, "This governance statement provides assurance ..." before the first sentence beginning with, "The Covid-19 emergency has meant..."</p> <ul style="list-style-type: none"> To correct the typo at paragraph | | | | |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|----|----------|--|---|-----------------|--------------------------|------------------------|---|
| | | | <p>1.21 to read “Development Management Sub-Committee”</p> <ul style="list-style-type: none"> To remove the second “that” from paragraph 1.27. | | | | |
| 21 | 09.06.20 | Whistleblowing Annual Report | Further to the workshop it is also recommended that the details of all major investigations shared with GRBV will also be referred to the Committee Convener responsible for the relevant service for their information and scrutiny. | Chief Executive | | | <p>Recommend for closure</p> <p>Executive Committee Conveners emailed on 25.06.20 informing them Committee approved a recommendation from the Chief Executive that</p> |

| No | Date | Report Title | Action | Action Owner | Expected completion date | Actual completion date | Comments |
|----|----------|---|---|-----------------|--------------------------|------------------------|--|
| | | | | | | | details of whistleblowing investigations categorised as 'major' by Safecall be referred to the Committee Convener(s) for the relevant service area for their information and scrutiny. |
| 22 | 09.06.20 | Whistleblowing Monitoring Report – B Agenda | 1) To agree to bring back the outcome of the final review on the Gas Safety investigation as soon as practicable. 2) To agree to follow up on the care home investigation. | Chief Executive | December 2020 | | |

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Interim Role of the Governance, Risk and Best Value Committee – June - August

It was agreed at the Leadership Advisory Panel of 23 April 2020 that committee reinstatement would take place on a phased basis with the Policy and Sustainability Committee reinstated in May, Governance, Risk and Best Value Committee in June and a review of the political management arrangements in August. As a result, the second phase included three Governance, Risk and Best Value Committee meetings, as agreed at the Policy and Sustainability Committee of 28 May 2020. The objectives for these three meetings were proposed as follows:

- To increase scrutiny and gain assurance in relation to the Covid-19 emergency response.
- To consider external and internal audit assurance outcomes.
- To scrutinise the governance arrangements of the Council.

Delegated functions

Power was delegated to the Governance, Risk and Best Value Committee to exercise the following functions:

- To monitor the effectiveness of the Council's audit and inspection, risk management and governance arrangements and of the control environment of the Council and associated anti-fraud and anti-corruption arrangements, including:
- To monitor delivery of the annual audit plan and reviewing all Council audit and inspection work against the plan.
- To receive and consider summaries of internal and external audit reports which relate to any issue falling within the remit of this committee.
- To monitor internal controls, corporate risk management, whistleblowing and key operational governance areas.
- To scrutinise the procedures and processes implemented in response to the Covid19 emergency.
- To report, as required, on any matter within the committee's remit to Council.
- Scrutiny on a specific issue should follow a committee or officer decision.

GRBV Upcoming Reports

Appendix 1

| Report Title | Type | Flexible/Not Flexible |
|---------------------------------------|----------|-----------------------|
| August 2020 | | |
| Annual Assurance Schedule | Scrutiny | Flexible |
| Internal Audit Annual Opinion 2019/20 | Scrutiny | Flexible |


Business Bulletin

Governance, Risk and Best Value Committee

10.00am, Tuesday, 7 July 2020

Teams Meeting

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 Neil Ross Councillor Claire Miller Councillor Rob Munn Councillor Gordon Munro Councillor Susan Rae Councillor Norman Work</p> | <p>Lesley Birrell Committee Officer 0131 529 4240</p> <p>Martin Scott Assistant Committee Officer 0131 529 4237</p> |

| Recent news | Background |
|---|---|
| <p>Welfare Reform Annual Report</p> <p>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. <i>Response letter attached as Appendix 1.</i></p> | <p>Outstanding action item number 5 from GRBV 9 June 2020</p> |

Forthcoming activities:

| | |
|--|--|
| | |
|--|--|



Department
for Work &
Pensions

Ministerial
Correspondence 0207 340 4000
Caxton House
Tothill Street www.gov.uk
LONDON
SW1H 9DA
ministers@dwp.gov.uk

Mr Adam McVey
Leader of Edinburgh City Council
City Chambers
High Street
Edinburgh
EH1 1YJ

Our ref: MC2020/07275

18 MAR 2020

Dear Adam,

Thank you for your letter of 10 February to the Secretary of State about the rollout of Universal Credit and how it affects your budget. I am replying as the Minister with responsibility for this policy area.

The New Burdens Doctrine places a requirement on Government Departments to review the cost implications of new policies on local government with a view to refining future levels of funding and allocations thereof. The Department continues to apply this approach, specifically through the Housing Benefit cost model refresh work, which involves a number of local authorities supporting work to help the Department better understand operational costs.

When this Department reviewed the Universal Credit New Burdens cost information submitted by local authorities last year, it was clear that it needed to review the allocation methodology as there was a need to improve the alignment between the level of new burdens funding paid and the costs incurred by local authorities. The new methodology is based on the estimated volume of Housing Benefit cases transferring from Housing Benefit to Universal Credit. This aligns more closely with the costs incurred by local authorities and aligns with the methodology used to determine Housing Benefit Administration Subsidy Universal Credit reductions.

The Department has introduced improvements to data sharing processes between the Universal Credit Full Service and local authorities, particularly in relation to closing Housing Benefit claims and providing Universal Credit claim information for Local Council Tax Reduction Scheme purposes. This includes:

- Improving the way Housing Benefit stop notifications are triggered so that where a Housing Benefit interest is set in the Department's Customer Information System, the Housing Benefit stop will automatically be sent to the local authorities;
- the Department's Customer Information System interest flag automation ensures only valid notifications are issued to local authorities;
- refining the Universal Credit claim to gather questions for Local Council Tax Reduction to ensure data is shared only when required.

The Department also recently announced that, from 1 April this year it is making changes to the MGP1LA process when a local authority receives a Housing Benefit stop notice. A local authority will only have to return a MGP1LA to the Universal Credit service centre when there is something to tell us. This should dramatically reduce the time and effort local authorities spend on this activity.

Local Council Tax Reduction policy for your local authority is owned by Scottish Government. Universal Credit shares claim and payment data, as well as all relevant changes of circumstances with local authorities to support the claims. This was agreed with the Ministry for Housing, Communities, and Local Government (MHCLG) and the Devolved Administrations in the early days of live service.

This results in a higher volume of change of circumstance notifications being issued to local authorities than they received for legacy benefits due to the nature of Universal Credit assessment periods. The Scottish Government prescribes how the scheme operates in Scotland and provides funding for the scheme and the Department for Work and Pensions (DWP) would not cover these under new burdens.

Housing Benefit Administration Subsidy is a contribution towards the costs incurred by local authorities for delivering Housing Benefit and Local Council Tax Reduction, the quantum is not determined by demand. When introduced in 1983 it covered 100 per cent of the cost of delivery.

In 1989/90 the level of funding reduced to 60 per cent with a corresponding adjustment being made to the Revenue Support Grant paid by MHCLG. Yearly efficiency reductions of 5 per cent that the DWP has applied have been passed onto local authorities through its own settlement efficiencies.

Funding for administering Local Council Tax Reduction is devolved to the Scottish Government. Edinburgh council will receive around an 18 per cent reduction in their Housing Benefit Administration Subsidy grant from 2020/21 compared to 2017/18 (prior to full implementation of Universal Credit live service), this is against a forecast reduction (for 2020/21) of 28 per cent.

The long-term plan is to move to a work-led allocation model when Housing Benefit caseload volumes stabilise after Universal Credit migration has

completed. The Department is also looking at the next stage of the Housing Benefit cost model refresh work to inform the 2021/22 position.

The Government has ended the benefit freeze and from April Local Housing Allowance rates (LHA) will be updated by Consumer Prices Index alongside wider benefit updating. The increase will mean the majority of people in receipt of housing support in the Private Rented Sector will see their housing support increase on average by around £10 per month.

LHA rates are not intended to meet rents in all areas, but to help people on benefits and low incomes with the cost of renting accommodation. It has never been the case that housing support would always seek to cover the full cost of the rent in all circumstances. Housing support claimants have to make the same decisions about where to live as people not in receipt of benefit.

Since April 2017 Discretionary Housing Payments (DHPs) have been devolved to Scotland. The Scottish Government is responsible for informing Scottish local authorities of their individual allocations and establishing its own DHP scheme.

The Department does recognise the challenges for local authorities in the transition to Universal Credit, some of which it can support and improve on such as data sharing. Others are linked to policy and other government departments schemes that should consider how best to operate in the face of how Universal Credit is different to legacy benefits.

The overall funding provided to Edinburgh is consistent with the national levels and takes account of changes to methodologies. In considering your overall funding position, you should consider including Local Council Tax Reduction, New Burdens and specific funding streams such as Verify Earnings and Pensions across a consistent period.

I hope this information provides more clarification of volumes, policy and methodology changes that have impacted your authority and local authorities more generally.

Kind regards,

Will Quince MP

Minister for Welfare Delivery

Edinburgh Leisure

(a company limited by guarantee)

Report and financial statements

31 March 2019

Registered number SC 179259

Charity number SC 027450

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Strategic report

As a charity Edinburgh Leisure is on a mission to help local people lead more active, healthy lives. It's a responsibility we take extremely seriously and it guides us in everything we do. Edinburgh Leisure does not have shareholders to pay dividends to, meaning every penny we make goes back into enhancing the venues, the equipment and the services we are trusted to provide. In each of the last five years Edinburgh Leisure's accounts have shown an underlying surplus. Those surpluses have been borne out of fantastic achievements by teams all across the organisation, but it is what has been done with those surpluses that really motivates us.

Over the last few years financial pressures have come from a variety of sources and against a background of continued economic uncertainty, one possible reaction to those pressures was to scale back operations. To entrench. But as a charity, we have a responsibility to those we serve; a responsibility to provide a service that people want to use and that meets the needs and demands of the citizens of Edinburgh.

Significant investments in 2018/19

Throughout 2018/19 we continued our strategy of investing in our venues, in our equipment and in our systems. We continued to be guided by our charitable purpose by directing our surpluses to improving the experience of our users. To make our venues and services the best they can be.

There are many low cost gyms in Edinburgh, with two major new additions during 2018, and they occupy a vital place in the market and an entry point to fitness for a great many people. However, for those people who prefer or need a different level of equipment or a different level of support and guidance, Edinburgh Leisure offers a higher value proposition. To maintain that value proposition, it is vital that we continue to differentiate our offering. During the first half of 2018/19 we replaced the equipment in our gyms at Ainslie Park and Gracemount Leisure Centre(s) with brand new state of the art equipment, allowing us to also refresh the gyms at three other centres, such that by summer 2018 all fourteen of our gyms had been refreshed within three years.

During the last year we invested in the iconic Edinburgh International Climbing Arena (EICA) with a reconfigured soft play area, a new café and a major infrastructure investment to connect the centre to the main sewer line, a move which will save many tens of thousands of pounds per year which can be directed to improving our charitable deliverables across the organisation. At Craiglockhart Tennis Centre, with support from Tennis Scotland, **sportscotland** and the City of Edinburgh Council another major infrastructure investment was completed with the replacement of five outdoor American clay courts by six new synthetic all weather "clay" courts, allowing greater access to the game in our unpredictable Scottish climate.

During the year we also completed the refurbishment of Dalry Swim Centre, a venue which opened in the last years of the 19th century. The programme of works was significant and with a total cost in excess of £1.5m, financial contributions from the City of Edinburgh Council were vital in refreshing and maintaining this superb gem of a building for future generations.

Schools

In September 2016, we began a programme to transfer the operation of high school sports facilities outside of curricular and extra-curricular hours from the City of Edinburgh Council to Edinburgh Leisure. The phased transfer continued during 2018/19 with seven additional secondary schools bringing Edinburgh Leisure's schools portfolio to twenty one and leaving only two schools still to transfer. Edinburgh Leisure's work on the schools is conducted on a partnership basis with all transactions ringfenced and reported separately to the City of Edinburgh Council. All net income from that element of our operations is remitted to the Council as we play another key role in contributing to greater levels of physical activity across the city.

Our approach to budgeting

Before reviewing the results for the year, it's worth framing that performance in the context of the budgeting process that we implemented a few years ago. Departmental and venue managers set their own budgets and in so doing they have ownership for their financial performance. Each year, our Commercial Director and other members of the Strategic Leadership Team walk through the budgets with each manager in order to make sure they are reasonable. This process has nurtured an environment where managers are engaged to beat their departmental budgets whilst as a company we strive to implement changes which will yield improvements across the organisation.

Net income for the year

From the process noted above the budget for 2018/19 was set at £300,000 deficit although our recent history as a company of beating budget meant that we had reasonable expectations of delivering something around a break-even outturn. The results for the year are shown on page 14. The deficit on unrestricted funds was £1,465,000 before actuarial losses. This however included non-cash accounting costs arising from the difference between the revenue account pension charge when calculated under FRS102 and the actual employer cash contributions made to the pension fund during the year. The £1,465,000 figure shown on page 14 also included expenditure on Dalry Swim Centre, £745,000 of which had been designated in reserves at March 2018. When adjusting for the above, the underlying surplus on a basis comparable to the budget was £149,000 as shown in the table below. In addition, a transfer of £255,000 from restricted to unrestricted funds was also made in the year, £250,000 of which represents the release of grant funding received in the year for a capital project which was completed.

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | £'000 | £'000 |
| Reported Deficit on Unrestricted Funds | (1,465) | (738) |
| Interest cost in relation to pension liability | 93 | 308 |
| Pension service costs | 776 | 907 |
| Transfer from designated funds | 745 | - |
| Underlying surplus before transfer from restricted funds | <u>149</u> | <u>477</u> |
| Transfer from restricted funds | <u>255</u> | <u>10</u> |
| Underlying Surplus | <u><u>404</u></u> | <u><u>487</u></u> |

The underlying surplus of £149,000 before transfer from restricted funds compares very favourably to the £300,000 deficit budget, however the Board recognise that cumulative net underspends, much of it due to unbudgeted external support for projects, does not detract from the challenges experienced in income, which missed budget by £170,000 (0.8%). This acts as a constant reminder of the need to evolve our offering against the background of ever increasing competition and changing consumer tastes.

Pension reserve

The actuarial loss on The Lothian Pension Fund of £713,000 (2018: gain of £9,530,000), which is included in the result for the year, does not impact Edinburgh Leisure's underlying activities, nor does the accounting deficit of £4,651,000 (2018: £3,069,000).

It is important to note that this large deficit and consequent volatile gains or losses arise only from the accounting treatment of the pension assets and liabilities and do not, in themselves, impact on the company's contributions to the plan. The annual FRS102 valuation is based on a calculation of future net liabilities by applying bond yields to the plan assets, thereby calculating conservatively low asset values and hence high deficit levels. The fund is actually invested across a number of asset classes typically resulting in greater returns over the long term, reducing the liability to manageable levels. The actuarial evaluation which takes place every three years calculates the company contributions required to meet the likely liabilities when they arise, and the company continues to invest these recommended contribution rates into the pension scheme. For information, the latest triennial evaluation based on year end March 2017 recommended company contributions of 23.2% from 1st April 2019 and the current year's budget has been built on that basis. That triennial evaluation projected Edinburgh Leisure's plan assets to be £68,983,000, 109% of the projected liabilities of £63,111,000, a long-term funding position which the Board consider to be appropriate.

Reserves policy

Total funds at March 2019 were £610,000 (2018: £209,000), of which £2,757,000 was restricted (2018: 433,000). Unrestricted negative reserves of £2,147,000 (2018: £224,000) include a negative reserve of £4,651,000 in respect of the pension deficit (2018: £3,069,000). £504,000 has been designated for use in lifecycle and other maintenance works as per Note 13 with the balance of unrestricted reserves being £2,000,000 which is not a free reserve as it is backed up by long term assets rather than exclusively cash reserves.

It is the intention of the Board to accumulate a reserve fund to allow the company some protection against future adverse events. The long-term strategy of the Board is to improve the sustainability of the business by reducing the reliance on the annual management fee, recognising the financial challenges experienced by our largest external funder, the City of Edinburgh Council. As such the operating performance of the business over recent years has generated funds which have been utilised in the investment of fixed assets which are net income generating. It is the opinion of the Board that, all other things being equal, this strategy will move net current assets in a positive direction over the long term. Over the most recent five years, one can see from the table below that net current liabilities at March 2019 improved by £668,000 from March 2014 and in the same timeframe the net book value of our tangible fixed assets has strengthened by £1.4m, with the quality of assets allowing us a greater ability to drive year on year operational performance improvements.

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------------------------------|---------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Unrestricted current assets | 1,349 | 2,039 | 1,576 | 1,667 | 1,688 | 958 |
| Current liabilities | (3,334) | (3,848) | (4,127) | (3,488) | (3,574) | (3,611) |
| Net unrestricted current liabilities | (1,985) | (1,809) | (2,551) | (1,821) | (1,886) | (2,653) |
| Unrestricted tangible fixed assets | 5,322 | 4,924 | 5,329 | 4,844 | 4,199 | 3,902 |

The liquidity of the business is positive throughout the year due to the timing of cash flows, reducing as we approach each financial year end. Recent history has shown that significant adverse events can impact the business to a value of up to £500,000, particularly during the winter months. The reserves policy agreed by the Board is therefore to maintain free cash balances in excess of £500,000 throughout the year, with the ability to utilise those cash balances towards the end of March as the risk of significant adverse conditions diminishes. This minimum cash holding was met for the year to March 2019 with a year-end cash balance of £1,649,000, much of which is being held in order to deliver on the projects represented within restricted funds. The reserves policy is reviewed by the Board annually.

Employees

The company regularly provides all employees and, where represented, trade unions (via the Joint Negotiations & Consultative Committee) with information on the company's performance. We are committed to ensuring that our employment policies and practices are fair, transparent and free from discrimination. We recruit using competency-based selection processes to ensure that employment decisions are based on a person's ability to do the job. Edinburgh Leisure's vision is to inspire Edinburgh to be a more active and healthy city and we include our staff in this vision. We offer a series of wellbeing initiatives, including individual consultations, throughout the year to encourage and support our employees to be active and healthy. Our commitment to the wellbeing of our employees was recognised through the maintenance of our Gold Healthy Working Lives award from NHS Health Scotland.

Key performance indicators

In reviewing the performance of the business, the Directors consider the actual performance against target and history for various metrics including those identified below. Regular performance updates are communicated to the Board, the City of Edinburgh Council and published on the Edinburgh Leisure website (<https://www.edinburghleisure.co.uk/freedom-of-information/published-information>).

| | Actual | Target | Actual |
|--|--------|--------|--------|
| | 2019 | 2019 | 2018 |
| Income from operating activities (£000's) | 21,028 | 21,198 | 21,546 |
| Expenditure on operating activities (£000's) * | 28,795 | 29,413 | 29,156 |
| Fundraising | 1,027 | 991 | 786 |
| Customer visit numbers (000's) | 4,338 | 4,290 | 4,472 |
| Customer experience index | 8.75 | 8.75 | 8.70 |
| Customer accidents per hundred thousand visits | 8.11 | n/a | 8.28 |
| Staff absence levels | 3.45 % | 4.00 % | 3.60 % |

* excluding expenditure which had been designated as part of prior year reserves

Principal risks and uncertainties

Management fee income: During the year to March 2019 the City of Edinburgh Council paid £7.9m (2018: £8.1m) in management fee to Edinburgh Leisure for the delivery of core services. The management fee for the year to March 2020 has been set at the same level with further reductions possible for 2020/21 and beyond as the Council is required to make significant improvements to its budget position. Edinburgh Leisure is engaging in regular dialogue with the Council regarding the potential impact of these future reductions.

Political: The fact that physical activity is a key enabler to improving health and social outcomes is well documented, as is the immense pressure experienced within the National Health Service and Health & Social Care Services at a local and national level. Over recent years the political landscape has been ever changing. The deadline of 29 March 2019 for the UK's departure from the EU came and went, but with the most recent deadline set for 31 October 2019 the political focus nationally is likely to remain on Brexit rather than a significant shift in public health policy. In the meantime, we continue to work with our partners at the Council to develop their preventative agenda. The Directors remain focused on improving the core sustainability of the Edinburgh Leisure business model and if subsequent political changes result in greater focus on physical activity and the transformational health benefits it delivers, our organisation will be well placed to respond.

Economic: With household investment in physical activity tending to be viewed as discretionary, any macro-economic shifts could have an impact on our income position. Edinburgh Leisure is positioned as an affordable, professional, good quality choice for customers across our service offerings such as fitness, aquatics, golf and sports coaching. As such the Directors believe the company is well placed within the current economic climate.

People attraction and retention: The Directors review salary increases annually to balance the need to control wage costs with the need to retain and attract quality staff in the Edinburgh job market. The business continues to invest in developing a great 'employee experience' and in learning and development opportunities for staff. Whilst the positive working environment and career development remains a strong incentive for quality people to work for Edinburgh Leisure, we cannot be complacent with regards to our rewards package.

Competition: We continue to operate in a very competitive city and sophisticated market, particularly in respect of our fitness offerings, but also in other activities such as golf and sports coaching. By investing in our facilities, developing our products and constantly tracking competitor activity and our own usage, membership and income metrics, we remain equipped to adjust our products and services to continue our success.

Thanks to our partners

As an independent charity we rely on external funding to deliver on many of our activity and health projects. Our Active Communities Programme harnesses the power of physical activity and sport to tackle inequality and combat the effects of inactivity. Each year we provide support to around 10,000 people in need who face the greatest barriers to getting active, including those affected by health conditions, disabilities, inequalities and poverty – encouraging, supporting and empowering them to get active to improve and protect their health and wellbeing.

This work relies on support from donors, fundraisers, companies, trusts, grant funders and volunteers. During the year our Ageing Well programme received the Queens Award for Voluntary Service, the highest award given to local volunteer

groups across the UK to recognise outstanding work done in their own communities. This award reflects the tremendous contribution of our Ageing Well volunteers in supporting older people to be more active and healthy. We are grateful to all our supporters in 2018/19, including the following partners:

| | | | | |
|---|--|--------------------------|-----------------------------|-------------------------------------|
| Baillie Gifford & Co | Barratt Homes East Scotland | Cole AD | Co-op Local Community Fund | EAE |
| Edinburgh Wellbeing Public Social Partnership | Edinburgh Health and Social Care Partnership | ESPC | EVOC | Glasgow 2018 European Championships |
| Littlehouse Media | Lothian Region Swimming Committee | Macmillan Cancer Support | NHS Lothian | NHS Lothian Health Improvement Fund |
| Paths for All | SASA East District | Scottish Swimming | SPEEDO | sportscotland |
| Souter Charitable Trust | State Street Foundation | Sustrans | Tennis Scotland | The City of Edinburgh Council |
| The Lane Agency | The Life Changes Trust | The W M Mann Foundation | Young Scot Create 2018 Fund | |

Plans for future periods

As we progress through 2019/20 with a break-even budget we will continue to invest to improve the user experience. Easy access entry systems, now in place at Drumbrae and Dalry will be rolled out in additional venues in order to speed up access for our customers. New online dynamic timetables were introduced in Spring 2019, allowing users to find and book activities far more easily than before. At the time of writing we are augmenting the single lift at the EICA with the installation of two new lifts, facilitating access to the array of activities on offer throughout that five storey building. New boilers, combined heat and power units, filtration systems and a host of other mechanical and electrical work will ensure our venues continue to provide the type of environments that support the activity needs of our users.

Leith Victoria Swim Centre first opened on 30th June in 1899. With funding from our strategic partner, the City of Edinburgh Council, the swimming pool 'side' of the venue will be refurbished later in 2019. Whilst the gym, cycle studio and the large fitness studio remain open, significant work will be undertaken on both the external and internal fabric of the building. We will also replace much of the ageing mechanical and electrical installations, ensuring this classical piece of Edinburgh's history will be preserved for many more decades.

We began this Strategic Review by noting that Edinburgh Leisure, as a charity, does not have shareholders to pay dividends to. That our focus is on providing venues, equipment, services and, importantly, skilled and committed employees, service providers and volunteers to enable people to be active and healthy and to remain active and healthy. We are immensely proud of our successes over the years and by striving to build on that success with ever greater investments in facilities across Edinburgh, we pay our dividend to the people of Scotland's capital.



Kevin J Johnston FCMA
Company Secretary

17 June 2019

Directors' report

The Directors of the company are pleased to present their annual report and the audited financial statements for the year ended 31 March 2019.

Reference and administration information

The Directors who currently hold office are as follows:

| | | |
|--------------------------|---|---|
| Directors | D. Milne (Chair) Councillor G. Bruce Councillor D. Dixon Councillor H. Osler Councillor A. Staniforth Councillor D. Wilson J. Davies S. Haldane C. McMillan J. Moran Dr C. Mumford J. Taylor C. Parker C. Hall L. Panglea | (appointed 14 May 2018) (appointed 27 August 2018) (appointed 16 November 2018) |
| Chief Executive | J. Peebles | |
| Secretary | K. Johnston | |
| Registered office | Vantage Point 3 Cultins Road Edinburgh EH11 4DF | |
| Auditor | BDO LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD | |
| Solicitors | Harper Macleod LLP 65 Haymarket Terrace Edinburgh EH12 5HD | |
| Bankers | Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB | Barclays Quay 2, Fountainbridge Edinburgh EH3 9QG |
| Charity number | SC027450 | |
| Company number | SC179259 | |

Edinburgh Leisure's purpose

At Edinburgh Leisure, we are passionate about the positive impact physical activity has on people's physical, mental and social wellbeing. Which is why as a charity we are on a mission to inspire everyone in Edinburgh to be active.

Physical inactivity remains one of Scotland's major public health risks, with a significant proportion of Scottish adults (35%) and young people (67%) failing to meet the minimum physical activity guidelines (Scottish Health Survey 2017). Sedentary lifestyles increase the risk of developing multiple health conditions and one in six deaths are caused by inactivity. In Scotland, inactivity is costing the NHS around £77 million each year, and this is expected to rise ('Costing the burden of ill health related to physical inactivity for Scotland', British Heart Foundation, 2015). However, it is preventable, and Edinburgh Leisure has a vital role to play in getting more people in the city active.

Structure, Governance and Management

Charitable status

Edinburgh Leisure is a company limited by guarantee, governed by its memorandum and articles of association, and does not have a share capital. Each member has undertaken to contribute an amount not exceeding one pound towards any deficit arising in the event of the company being wound up. The company has charitable status under Section 505 of the Income and Corporation Taxes Act 1988 and the Scottish Charity Number is SC 027450.

Directors

Edinburgh Leisure's Board comprises a maximum of fifteen Directors. Seven are co-opted from business, the leisure industry, and the professions. One is nominated from ClubSportEdinburgh, one is a nominated employee representative and five are nominated elected members of the City of Edinburgh Council. There is also one Director specifically appointed to represent users. The seven co-opted members and the one user representative are appointed for a period of three years.

The following Directors served during the year:

| | |
|--------------------------|------------------------------|
| D. Milne | |
| Councillor G. Bruce | |
| Councillor D. Dixon | |
| Councillor H. Osler | |
| Councillor A. Staniforth | |
| Councillor D. Wilson | |
| K. Goodlad | (resigned 25 June 2018) |
| D. McKenzie | (resigned 14 August 2018) |
| S. Haldane | |
| J. Davies | |
| C. McMillan | |
| J. Moran | |
| Dr C. Mumford | |
| J. Taylor | |
| C. Parker | (appointed 14 May 2018) |
| C. Hall | (appointed 27 August 2018) |
| L. Panglea | (appointed 16 November 2018) |

Policies and procedures for induction and training of Directors

An induction process is in place for new Directors. This covers the strategic and operational issues affecting the company. Processes are in place to provide feedback to Directors on their contributions and to identify on-going training needs. Actions are taken as required.

Pay and remuneration of the charity's key management personnel

At least every three years, an external consultant is engaged to benchmark salaries against other leisure trusts, similar sized organisations in Edinburgh and UK wide charities, their findings and recommendations then being presented to Edinburgh Leisure's Remuneration Committee. To aid their determination, the Remuneration Committee have available the pay recommendations for the rest of the company and may choose to mirror the wider company award, although flexibility exists to implement differing pay awards if deemed necessary. The Remuneration Committee present their recommendations for discussion to the Board with key management not permitted to be present for these discussions.

Organisation Structure

The Board of Directors meets every two months with Directors and senior management present. Decisions are taken to set the overall strategy for the business as well as to monitor its activities. Senior management are charged with the task of implementing these decisions.

Objectives and activities

Principal activity

The principal activity of the company is the provision of recreation and leisure facilities on behalf of The City of Edinburgh Council in accordance with the following charitable objectives to:

- Provide or assist in the provision of facilities for recreation or other leisure time occupation in the interests of social welfare for the general public and in particular in connection with the local authority area of The City of Edinburgh as defined in the Local Government etc. (Scotland) Act 1994 with the object of improving the conditions of life for the Community;
- Provide facilities for persons who by reason of their youth, infirmity or disability, poverty or social and economic circumstances may need special facilities; and
- Promote good health among the Community through health education directed to the part which healthy eating and standards of nutrition together with exercise play in the maintenance of good health.

Disclosure of information to the Auditors

So far as each Director is aware, there is no relevant audit information of which the auditors are unaware. Each Director has taken the appropriate steps as a Director to make themselves aware of such information and to establish that the auditors are aware of it.

Approved by the Board of Directors and signed on its behalf by:



David Milne
Chairman

17 June 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors report and the financial statements in accordance with applicable law and regulations.

Company law and Charity law requires the Directors to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law and charity 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 charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND DIRECTORS OF EDINBURGH LEISURE

Opinion

We have audited the financial statements of Edinburgh Leisure ("the Charitable Company") for the year ended 31 March 2019 which comprise the statement of financial activities, the balance sheet, cash flow 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 31 March 2019 and of incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006, as amended in 2010.

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 Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other 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 opinion.

Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The other information comprises the Strategic Report and the Directors' Report. The Directors are responsible for the other information.

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 Directors' Report, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, 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, which are included in 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 Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005 requires us to report to you if, in our opinion;

- proper and 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 Statement of Directors' responsibilities, the Directors (who are also the Directors of the charitable company for the purposes of company law) 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 determines 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 Charitable 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 Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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 at the Financial Reporting Council's ("FRC's") website at:

<https://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 Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the Charitable Company's Directors, as a body, in accordance with the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the Charitable Company's members and Directors 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 Charitable Company, the Charitable Company's members as a body and the Charitable Company's Directors as a body, for our audit work, for this report, or for the opinions we have formed.



Martin Gill (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Edinburgh, UK

Date 19 June 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of financial activities (incorporating an income and expenditure account and statement of recognised gains and losses)

For the year ended 31 March 2019

| | Note | Unrestricted Fund £'000 | Restricted Fund £'000 | Total 2019 £'000 | Total 2018 £'000 |
|---|------|-------------------------------|-----------------------------|------------------------|------------------------|
| Income | | | | | |
| Investment income | 6 | 11 | - | 11 | 12 |
| <i>Income from charitable activities</i> | | | | | |
| Provision of leisure facilities | | 21,028 | 2,064 | 23,092 | 22,954 |
| Contract with City of Edinburgh Council | | 7,905 | 3,522 | 11,427 | 8,180 |
| Total income | 2 | 28,944 | 5,586 | 34,530 | 31,146 |
| Expenditure | | | | | |
| Charitable activities | | | | | |
| Provision of leisure facilities | 3 | 29,540 | 3,007 | 32,547 | 30,614 |
| Interest cost in relation to pension liability | 19 | 93 | - | 93 | 308 |
| Pension service costs | 19 | 776 | - | 776 | 907 |
| Total expenditure | | 30,409 | 3,007 | 33,416 | 31,829 |
| Net movement in funds for the year before other recognised gains and losses | | (1,465) | 2,579 | 1,114 | (683) |
| Other recognised gains and losses | | | | | |
| Actuarial (loss)/gain on Lothian Pension Fund | 19 | (713) | - | (713) | 9,530 |
| Net movement in funds (after actuarial loss on pension scheme) | | (2,178) | 2,579 | 401 | 8,847 |
| Transfers between funds | 14 | 255 | (255) | - | - |
| Net movement in funds | | (1,923) | 2,324 | 401 | 8,847 |
| Fund balances brought forward at 1 April 2018 | | (224) | 433 | 209 | (8,638) |
| Fund balances carried forward at 31 March 2019 | | (2,147) | 2,757 | 610 | 209 |

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

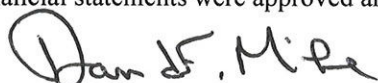
Balance Sheet

Company Number: SC179259
At 31 March 2019

| | Note | 2019 £'000 | 2019 £'000 | 2018 £'000 | 2018 £'000 |
|---|------|---------------|----------------|---------------|----------------|
| Fixed assets | | | | | |
| Tangible assets | 7 | | 5,412 | | 5,024 |
| Investments | 8 | | - | | - |
| | | | <u>5,412</u> | | <u>5,024</u> |
| Current assets | | | | | |
| Stocks | 9 | 134 | | 116 | |
| Debtors | 10 | 2,233 | | 990 | |
| Cash in hand | | 1,649 | | 1,266 | |
| | | <u>4,016</u> | | <u>2,372</u> | |
| Current liabilities | | | | | |
| Creditors: amounts falling due in one year | 11 | (3,334) | | (3,848) | |
| Net current assets/(liabilities) | | | <u>682</u> | | <u>(1,476)</u> |
| Total assets less current liabilities | | | <u>6,094</u> | | <u>3,548</u> |
| Long term liabilities | | | | | |
| Creditors : amounts falling due in more than one year | 12 | | (833) | | (270) |
| Net assets excluding pension deficit | | | <u>5,261</u> | | <u>3,278</u> |
| Pension deficit | 19 | | (4,651) | | (3,069) |
| Net assets including pension deficit | | | <u>610</u> | | <u>209</u> |
| Funds | | | | | |
| Unrestricted funds | | 2,000 | | 2,100 | |
| Designated reserves | 13 | 504 | | 745 | |
| Pension reserve | 19 | (4,651) | | (3,069) | |
| | | | <u>(2,147)</u> | | <u>(224)</u> |
| Restricted funds | 14 | | 2,757 | | 433 |
| Total funds | | | <u>610</u> | | <u>209</u> |

The notes at pages 17 to 32 form part of these accounts.

The financial statements were approved and authorised for issue by the Board on 17 June 2019 and signed on its behalf by:



David Milne
Chairman

Cash flow statement
for the year ended 31 March 2019

| | 2019 | 2018 |
|--|----------------|--------------|
| | £'000 | £'000 |
| Net expenditure for the reporting period | 1,114 | (683) |
| Adjustments for: | | |
| Depreciation charges | 1,229 | 1,117 |
| Pension adjustment | 776 | 907 |
| Interest paid | 96 | 314 |
| Interest received | (11) | (12) |
| Increase in stock | (18) | - |
| Increase in debtors | (1,243) | (117) |
| Decrease in creditors | (624) | (296) |
| Loss on disposal of fixed assets | 139 | 17 |
| Net cash provided by operating activities | 1,458 | 1,247 |
| Cash flows from investing activities | | |
| Interest received | 11 | 12 |
| Purchase of PPE | (1,086) | (721) |
| Finance lease interest paid | (3) | (6) |
| Proceeds from sale of fixed assets | 17 | 19 |
| Net cash used in investing activities | (1,061) | (696) |
| Cash flows from financing activities | | |
| Repayment of finance leases | (48) | (78) |
| New loans entered into | 145 | - |
| Repayment of loans | (111) | (72) |
| Net cash used in financing activities | (14) | (150) |
| Change in cash and equivalents in the reporting period | 383 | 401 |
| Cash and cash equivalent at the beginning of the reporting period | 1,266 | 865 |
| Cash and cash equivalent at the end of reporting period | 1,649 | 1,266 |

Notes to the financial statements

(forming part of the financial statements)

1 Accounting policies

Edinburgh Leisure is a private company, limited by guarantee, incorporated in Scotland under the Companies Act. The address of the registered office is on page 7. Edinburgh Leisure constitutes a public benefit entity as defined by FRS102. The financial statements have been prepared in accordance with FRS102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of the financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires the Charity to exercise judgement in applying the entity accounting policies (see Note 1m).

1a Basis of accounting

The financial statements have been prepared under the historical cost basis of accounting and in accordance with applicable accounting standards. The financial statements are set out so as to comply with the Statement of Recommended Practice: Accounting and Reporting by Charities approved by the Accounting Standards Board in 2015, the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006.

The company's functional and presentational currency is GBP. Figures are presented rounded to the nearest £1,000.

The financial statements have been prepared on a going concern basis. Edinburgh Leisure has a contract to manage leisure facilities on behalf of the City of Edinburgh Council; although the contract is on-going, the financial terms relating to the contract are settled annually in conjunction with the Council's budgeting process. A six month notice period applies to the contract. In the opinion of the Directors there is no risk that funding will be withdrawn in the foreseeable future and as such the financial statements are prepared on a going concern basis.

These financial statements present information about the company as an individual undertaking, and not about its group, by virtue of s402 of the Companies Act 2006.

1b Funds

Funds are classified as either restricted funds or unrestricted funds, defined as follows:

Restricted funds are funds subject to specific trusts, which may be declared by the donor or with their authority. Some are restricted income funds expendable at the discretion of the Board in furtherance of a particular activity, such as funds raised for particular client groups or activities. Others are capital funds where the assets are required to be invested for long term use.

Unrestricted funds are expendable at the discretion of the Board in furtherance of the objectives of Edinburgh Leisure. If part of the unrestricted funds is earmarked at the discretion of the Board for a particular project it is designated as a separate fund. This designation has an administrative purpose only and does not legally restrict the Board's discretion to apply the fund.

1c Income

Activities for generating income are accounted for on an accruals basis.

Income from the City of Edinburgh Council is accounted for on an accruals basis and is agreed in advance based on the level of service provided.

Investment Income is accounted for on an accruals basis.

Capital Grants received are accounted for on an accruals basis. If a functional fixed asset is acquired in full or in part from the proceeds of a grant it is included in the balance sheet at its full acquisition cost, with the relevant grant being recognised as income and held in restricted funds. Depreciation is then allocated to this fund over the useful life of the related asset.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1d Expenditure

All expenditure is accounted for on an accruals basis. Governance costs are included in the costs of providing service and relate to the expenditure on the Directors including meetings, if any, and for the company's obligation for audit as a charity. Support costs are included within the costs of providing service in note 3.

1e Leased assets: lessee

Operating lease rentals are charged to the income and expenditure account on a straight line basis over the period of the lease.

Assets held under finance leases are capitalised in the balance sheet and depreciated over their useful lives. The interest element of leasing payments is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding.

1f Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward for future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

1g Stocks

Stocks of materials and consumables are stated at the lower of cost and net realisable value in the ordinary course of operating.

1h Tangible fixed assets

Assets are held at cost. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life, generally as follows:

| | |
|-----------------------------|---|
| Freehold land and buildings | up to 50 years |
| Leasehold improvements | 5 years – 25 years |
| Plant and equipment | 3 to 25 years |
| Motor vehicles | 4 years |
| Furniture and fittings | 5 years |
| Computer equipment | 3 to 5 years |
| Finance Leases | over the term of the lease, if shorter than useful life |

The assets are reviewed annually for impairment. Assets purchased during the year with a value of £1,000 or more are reviewed for capitalisation.

1i Taxation

As a charity, the group is exempt from income tax by virtue of Section 505(1) Income and Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

1j Pensions

Edinburgh Leisure is a member of the Lothian Pension Fund, a Local Government Pension Scheme, which provides benefits based on final salary for periods before 1st April 2015 and career average salary after that date. The scheme closed to new entrants as at 1st April 2008.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date out of which the obligations are to be settled. The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate'). The fair value of plan assets is measured in accordance with the FRS102 fair value hierarchy and includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Activities. These amounts together with the return on plan assets are disclosed as 'Actuarial gain/(loss) on Lothian Pension Fund'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of Financial Activities as 'Interest cost in relation to pension liability'.

All new employees, and those employees not currently members of the Lothian Pension Fund, are able to participate in a defined contribution scheme. Under this scheme, employees can choose how much they contribute to the scheme. Edinburgh Leisure matches the employees' contributions, up to a maximum of 8%. Allocation of the expense in relation to the defined contribution scheme between restricted and unrestricted funds is done on an employee by employee basis where it will be classed as restricted if the employee is employed in relation to a restricted project. Otherwise it will be classed as an unrestricted expense.

1k Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

11 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans with related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activities.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1m Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing the financial statements the Directors have made the following judgements:

- Determining whether there are indicators of impairment of the charity's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Determining whether the assumptions set by the Directors over the defined benefit pension scheme are reasonable.

Other key sources of estimation uncertainty:

- Tangible fixed assets (see Note 7). Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing assets lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Defined benefit pension scheme (see Note 19). The actuary values the pension scheme in line with assumptions set by the Directors. The actual performance is unlikely to be in line with the actuarial valuation as a result of the valuation being based upon assumptions on future unpredictable events such as return on assets and mortality rates.

Notes to the financial statements *(continued)*

2 Income

Income from investments was £11,000 (2018: £12,000), of which the entire balance was unrestricted for both periods.

Income from the provision of leisure facilities was £23,092,000 (2018: £22,954,000), of which £21,028,000 (2018: £21,546,000) was unrestricted and £2,064,000 (2018: £1,408,000) was restricted.

Income from the contract with City of Edinburgh Council was £11,427,000 (2018: £8,180,000), of which £7,905,000 (2018: £8,075,000) was unrestricted and £3,522,000 (2018: £105,000) was restricted.

3 Costs of providing service

| | Unrestricted Fund £'000 | Restricted Fund £'000 | Total 2019 £'000 | Total 2018 £'000 |
|---------------------------------------|-------------------------------|-----------------------------|------------------------|------------------------|
| Wages and salaries | 14,432 | 1,015 | 15,447 | 15,377 |
| Social security costs | 1,102 | 66 | 1,168 | 1,166 |
| Employer pension contributions | 1,124 | 60 | 1,184 | 1,135 |
| Payments to self-employed coaches | 1,077 | 48 | 1,125 | 1,073 |
| Property costs | 4,832 | 1,356 | 6,188 | 4,375 |
| Supplies and services | 5,378 | 461 | 5,839 | 5,976 |
| Rental charges under operating leases | 196 | - | 196 | 344 |
| Depreciation | 1,228 | 1 | 1,229 | 1,118 |
| Finance lease costs | 3 | - | 3 | 6 |
| Governance costs | 29 | - | 29 | 27 |
| Gain on disposal of fixed assets | 139 | - | 139 | 17 |
| | 29,540 | 3,007 | 32,547 | 30,614 |

The costs of providing services during 2018 were comprised of £29,156,000 in relation to unrestricted funds and £1,458,000 in relation to restricted funds.

4 Governance costs

| | 2019 £'000 | 2018 £'000 |
|--|---------------|---------------|
| Audit fees | 20 | 20 |
| Non-audit fees | 2 | 2 |
| Directors and Officers Indemnity Insurance | 7 | 5 |
| | 29 | 27 |

Notes to the financial statements *(continued)*

5 Staff numbers and costs

The remuneration and associated costs of the company were:

| | 2019 | 2018 |
|-----------------------|---------------|---------------|
| | £'000 | £'000 |
| Wages and salaries | 15,447 | 15,377 |
| Social security costs | 1,168 | 1,166 |
| Pension costs | 1,184 | 1,135 |
| Pension adjustment | 776 | 907 |
| | 18,575 | 18,585 |
| | 18,575 | 18,585 |

There were no redundancy costs included within staff costs (2018: £107,000). Costs for any redundancies are recognised when the liability is confirmed and communicated to the relevant parties creating a constructive obligation. There were no balances outstanding this year, or last year, as at the Balance Sheet date.

Employees receiving salaries, plus benefits in kind, of more than £60,000 were in the following bands:

| | 2019 | 2018 |
|--------------------|--------|--------|
| | Number | Number |
| £90,000 - £100,000 | 1 | 1 |
| £60,000 - £70,000 | 3 | 2 |

The total contributions to defined benefit pension schemes for the staff within the above bands is £33,339 (2018: £29,293) and to defined contribution pension schemes is £5,975 (2018: £391).

No member of the Board received remuneration from Edinburgh Leisure other than Directors indemnity insurance and travel expenses claimed by one Board member of £1,891 (2018: £1,957).

The average monthly full-time equivalent number of employees of the company during the year was:

| | 2019 | 2018 |
|----------------------------|------------|------------|
| | Number | Number |
| Dry facilities | 188 | 205 |
| Wet centres | 369 | 328 |
| Golf courses | 32 | 43 |
| Administration and support | 130 | 129 |
| | 719 | 705 |
| | 719 | 705 |

Notes to the financial statements *(continued)*

5 Staff numbers and costs *(continued)*

The average monthly headcount number of employees of the company during the year was:

| | 2019 | 2018 |
|----------------------------|------------|------------|
| | Number | Number |
| Dry facilities | 294 | 316 |
| Wet centres | 498 | 485 |
| Golf courses | 35 | 47 |
| Administration and support | 145 | 142 |
| | 972 | 990 |

6 Investment income

| | 2019 | 2018 |
|-------------------------|-----------|-----------|
| | £'000 | £'000 |
| Bank and other interest | 11 | 12 |
| | 11 | 12 |

7 Tangible fixed assets

| | Freehold Buildings | Leasehold Impmt's | Plant & Equipt. | Motor Vehicles | Furniture & fittings | Computer Equipment | Finance Leases | Total |
|-------------------------|-----------------------|----------------------|--------------------|-------------------|-------------------------|-----------------------|-------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| <i>Cost</i> | | | | | | | | |
| At beginning of year | 539 | 6,277 | 3,434 | 197 | 429 | 1,014 | 660 | 12,550 |
| Additions | - | 1,017 | 640 | 41 | 12 | 63 | - | 1,773 |
| Disposals | - | (1,073) | (391) | - | (53) | (140) | (127) | (1,784) |
| At end of year | 539 | 6,221 | 3,683 | 238 | 388 | 937 | 533 | 12,539 |
| <i>Depreciation</i> | | | | | | | | |
| At beginning of year | 176 | 3,941 | 1,766 | 162 | 299 | 615 | 567 | 7,526 |
| Charge | 11 | 468 | 524 | 14 | 28 | 138 | 46 | 1,229 |
| Disposals | - | (918) | (391) | - | (53) | (139) | (127) | (1,628) |
| At end of year | 187 | 3,491 | 1,899 | 176 | 274 | 614 | 486 | 7,127 |
| <i>Net book value</i> | | | | | | | | |
| At 31 March 2019 | 352 | 2,730 | 1,784 | 62 | 114 | 323 | 47 | 5,412 |
| At 31 March 2018 | 363 | 2,336 | 1,668 | 35 | 130 | 399 | 93 | 5,024 |

The net book value of assets held under finance leases was £636,000 (2018: £93,000).

Notes to the financial statements (continued)

8 Fixed asset investments

| | 2019 | 2018 |
|--------------------------------------|-------|-------|
| | £'000 | £'000 |
| Investment in subsidiary undertaking | - | - |

The company owns 100% of the ordinary share capital of Edinburgh Leisure Two Limited, a company registered in Scotland. The registered office is; Vantage Point, 3 Cultins Road, Edinburgh, EH11 4DF. The value of the investment is at cost which is £2 (2018: £2). This company did not trade in the year.

9 Stocks

| | 2019 | 2018 |
|--------|-------|-------|
| | £'000 | £'000 |
| Stocks | 134 | 116 |

The total of stock recognised as an expense in the year is £1,204,000 (2018: £1,283,000).

10 Debtors

| | 2019 | 2018 |
|--------------------------------|-------|-------|
| | £'000 | £'000 |
| Trade debtors | 435 | 445 |
| City of Edinburgh Council | 1,408 | 71 |
| Other Debtors | 75 | 202 |
| Prepayments and accrued income | 315 | 272 |
| | 2,233 | 990 |

Notes to the financial statements (continued)

11 Creditors: amounts falling due within one year

| | 2019 | 2018 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Trade creditors | 117 | 500 |
| Pension creditor – City of Edinburgh Council | 99 | 95 |
| Due to City of Edinburgh Council | 154 | 883 |
| Social security costs and other taxes | 658 | 349 |
| Other creditors and accruals | 2,062 | 1,869 |
| Finance leases | 181 | 48 |
| Other loans | 63 | 104 |
| | 3,334 | 3,848 |
| | 3,334 | 3,848 |

Included in finance leases above is £153,000 (2018: nil) due to the City of Edinburgh Council.

Included in other creditors and accruals above are amounts of deferred income as follows:

| | 2019 | 2018 |
|-------------------------------|------------|------------|
| | £'000 | £'000 |
| Balance at start of year | 505 | 1,081 |
| Transfers out | (505) | (1,081) |
| Transfers in | 627 | 505 |
| Balance at end of year | 627 | 505 |
| | 627 | 505 |

Income is deferred where it is received in advance of the service delivery.

12 Creditors: amounts falling due after more than one year

| | 2019 | 2018 |
|------------------------------|------------|------------|
| | £'000 | £'000 |
| Finance leases | 552 | 46 |
| Other creditors and accruals | 45 | 63 |
| Other loans | 236 | 161 |
| | 833 | 270 |
| | 833 | 270 |

Included in finance leases above is £534,000 (2018: nil) due to the City of Edinburgh Council.

Notes to the financial statements (continued)

12 Creditors: amounts falling due after more than one year (continued)

The maturity of obligations under finance leases is as follows:

| | 2019 | 2018 |
|--------------------------|-------|-------|
| | £'000 | £'000 |
| Within one year | 181 | 48 |
| Within one to two years | 168 | 28 |
| Within two to five years | 384 | 18 |
| | 733 | 94 |
| | 733 | 94 |

The obligations under finance leases are secured over the assets to which they relate.

13 Designated reserve

| | Total |
|----------------------------------|------------|
| | £'000 |
| Balance as at 1 April 2018 | 745 |
| Income | - |
| Expenditure | (745) |
| Transfer from Unrestricted Funds | 504 |
| Balance at 31 March 2019 | 504 |
| | 504 |

The designated reserve has been created in order to ringfence funding towards lifecycle and capital maintenance activity expected to take place before 31 March 2020.

Notes to the financial statements (continued)

14 Restricted funds

| | Maintenance | Other | EICA | Schools | Total |
|----------------------------------|--------------|------------|-----------|----------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance as at 1 April 2018 | - | 332 | 100 | 1 | 433 |
| Income | 3,522 | 955 | - | 1,109 | 5,586 |
| Expenditure | (1,262) | (636) | - | (1,109) | (3,007) |
| Transfer from Unrestricted Funds | - | 5 | - | - | 5 |
| Transfer to Unrestricted Funds | - | (250) | (10) | - | (260) |
| Balance at 31 March 2019 | 2,260 | 406 | 90 | 1 | 2,757 |

The *Maintenance* reserve represents money paid from the City of Edinburgh Council to Edinburgh Leisure specifically for the purpose of carrying out capital upgrading and lifecycle works.

The *Other* reserve represents a number of funds received from external organisations for specific purposes and also transfers from unrestricted funds, restricted for future spend in respect of replacement of the playing surfaces of the tennis courts at Craighlockhart Tennis Centre, as part of the funding agreement entered into for them. The transfer of £250,000 from restricted to unrestricted funds represents the release of grant funding we received in the year for a capital project which is now complete.

The *EICA* reserve represents grant funding received from Scottish Enterprise – Edinburgh and Lothians (SEEL) for the installation of a new climbing wall at the Edinburgh International Climbing Arena. A transfer is made to partially offset the depreciation charge on the full cost of the relevant asset.

The company has taken over the operation of substantially all of the secondary school sporting estate of City of Edinburgh Council (CEC) outside of curricular and extra-curricular school hours. All income and expenditure is restricted with any surpluses being returned to CEC and any deficits being refunded by CEC.

A requirement exists to ring fence any surplus made from the operation of Queensferry High Recreation Centre. Any deficits are funded by Edinburgh Leisure from unrestricted reserves. To date the facility has generated a net deficit of £130,000 (2018: £141,000).

Sufficient resources are held to enable each fund to be applied in accordance with any restrictions.

Notes to the financial statements (continued)

15 Analysis of net assets between funds

| | Unrestricted Fund £'000 | Restricted Fund £'000 | Total 2019 £'000 | Total 2018 £'000 |
|---|-------------------------------|-----------------------------|------------------------|------------------------|
| Fund balances at 31 March 2019 are represented by: | | | | |
| Tangible fixed assets | 5,322 | 90 | 5,412 | 5,024 |
| Current assets | 1,349 | 2,667 | 4,016 | 2,372 |
| Current liabilities | (3,334) | - | (3,334) | (3,848) |
| Long term liabilities | (833) | - | (833) | (270) |
| Pension deficit | (4,651) | - | (4,651) | (3,069) |
| Total net assets | (2,147) | 2,757 | 610 | 209 |

In the year ended March 2018, £100,000 of tangible fixed assets and £333,000 of current assets were restricted with all other amounts being unrestricted.

16 Financial instruments

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Financial assets | | |
| Financial assets that are debt instruments measured at amortised cost | 3,567 | 1,984 |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | 2,882 | 3,264 |

Financial assets that are debt instruments measured at amortised cost include trade debtors, cash in hand, amounts due from City of Edinburgh Council and other debtors.

Financial liabilities measured at amortised cost include trade creditors, amounts due to City of Edinburgh Council, accruals, finance lease creditor, other loans and other creditors.

Notes to the financial statements (continued)

17 Commitments

Total commitments under non-cancellable operating leases are as follows:

| | 2019 | 2018 |
|---|--------------|--------------|
| | Total | Total |
| | £'000 | £'000 |
| No later than 1 year | 211 | 356 |
| Later than 1 year and no later than 5 years | 76 | 211 |
| Total | 287 | 567 |

The company had no capital commitments at either 31 March 2019 or 31 March 2018.

18 Contingent liabilities

During the year Edinburgh Leisure received a grant from Tennis Scotland for £150,000 by way of contribution towards the build of new tennis courts at Craiglockhart Tennis Centre. Edinburgh Leisure are required to repay this loan, should the courts not be maintained adequately or cease to be operated as such, in the following 21 years from the date of the grant.

19 Pension scheme

Certain employees of the company are members of Lothian Pension Fund. In the financial year to 31 March 2019 the employer contribution rate was 20.8%. The most recent actuarial valuation (31 March 2019) showed that the market value of Edinburgh Leisure's notional share of the scheme's assets was £75,382,000 and that the actuarial value for these assets represents 94% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The fund is valued every three years by a professionally qualified independent actuary using the projected unit method, the rates of contribution payable being determined by the Directors on the advice of the actuaries. In the intervening years the actuaries review the progress of the scheme and prepare an interim valuation for the purposes of reporting under FRS102, section 28: Employee Benefits. The value of the fund at 31 March 2019 was as follows:

Actuarial valuation

| | 2019 | 2018 |
|---------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Present value of funded liabilities | (80,024) | (71,836) |
| Present value of unfunded liabilities | (9) | (9) |
| Fair value of employer assets | 75,382 | 68,776 |
| Net liability | (4,651) | (3,069) |

Notes to the financial statements (continued)

19 Pension Scheme (continued)

Movement in present value of defined obligation

| | 2019 | 2018 |
|--------------------------|---------------|---------------|
| | £'000 | £'000 |
| At start of year | 71,845 | 80,909 |
| Current service cost | 1,732 | 1,817 |
| Past service cost | - | 19 |
| Interest cost | 1,950 | 2,114 |
| Contribution by members | 280 | 292 |
| Actuarial losses/(gains) | 5,360 | (12,070) |
| Benefits paid | (1,133) | (1,235) |
| Unfunded benefits paid | (1) | (1) |
| At end of year | 80,033 | 71,845 |

Movement in fair value of employer assets

| | 2019 | 2018 |
|---|---------------|---------------|
| | £'000 | £'000 |
| At start of year | 68,776 | 69,525 |
| Interest income on plan assets | 1,857 | 1,806 |
| Contributions by members | 280 | 292 |
| Contributions by the employer | 955 | 928 |
| Contributions in respect of unfunded benefits | 1 | 1 |
| Return on assets excluding amounts included in net interest | 4,647 | (2,540) |
| Benefits paid | (1,133) | (1,235) |
| Unfunded benefits paid | (1) | (1) |
| At end of year | 75,382 | 68,776 |

Notes to the financial statements (continued)

19 Pension Scheme (continued)

(Expense) / income recognised in the statement of financial activities

| | 2019 | 2018 |
|---|----------------|--------------|
| | £'000 | £'000 |
| Current service cost | (1,732) | (1,817) |
| Past service cost | - | (19) |
| Interest cost | (93) | (308) |
| Actuarial (loss)/gain on Lothian Pension Fund | (713) | 9,530 |
| At end of year | (2,538) | 7,386 |

The total amount recognised in the statement of financial activities in respect of actuarial gains and losses is a loss of £713,000 (2018: £9,530,000 gain), calculated as follows:

| | 2019 | 2018 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Actuarial (loss)/gain on movement in present value of defined benefit obligation | (5,360) | 12,070 |
| Actuarial gain/(loss) on movement in fair value of employer assets | 4,647 | (2,540) |
| Actuarial (loss)/gain on Lothian Pension Fund during year | (713) | 9,530 |

Fair value of employer assets and return on those assets

| | Value | Value |
|----------------------------------|---------------|---------------|
| | 2019 | 2018 |
| | £'000 | £'000 |
| Equities | 55,782 | 51,583 |
| Bonds | 9,046 | 7,565 |
| Property | 5,277 | 4,814 |
| Cash | 5,277 | 4,814 |
| Company's share of scheme assets | 75,382 | 68,776 |

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the Plan's investment portfolio.

Notes to the financial statements (continued)

19 Pension Scheme (continued)

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

| | 2019 | 2018 |
|---------------------------------|------|------|
| | % | % |
| Inflation/pension increase rate | 2.4% | 2.3% |
| Salary increase rate | 4.1% | 4.0% |
| Discount rate | 2.5% | 2.7% |

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date as based on standard actuarial marketing tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

| | Males | Females |
|--------------------|-------|---------|
| Current pensioners | 21.7 | 24.3 |
| Future pensioners | 24.7 | 27.5 |

History of the Plan

The history of the plan for the current and prior periods is as follows:

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------|----------|----------|----------|----------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present value of defined benefit obligation | (80,033) | (71,845) | (80,909) | (59,215) | (64,011) |
| Fair value of employer assets | 75,382 | 68,776 | 69,525 | 56,682 | 53,920 |
| Deficit | (4,651) | (3,069) | (11,384) | (2,533) | (10,091) |

The charity expects to contribute approximately £1,067,000 to its defined benefit scheme in the next financial year.

On 1st April 2008 Edinburgh Leisure closed its defined benefit scheme to new members. All new employees, and those employees not currently members of the Lothian Pension Fund, are able to participate in a defined contribution scheme. Under this scheme, employees can choose how much they contribute to the scheme. Edinburgh Leisure matches the employees' contributions, up to a maximum of 8%.

20 Related Party

Edinburgh Leisure is contracted to provide recreation and leisure by the City of Edinburgh Council ("CEC"). In the year to 31 March 2019 CEC made a payment of £7,905,000 (2018: £8,075,000) to the company and leased the facilities occupied by the company for a peppercorn rent. CEC also made a payment of £3,522,000 (2018: £105,000), restricted for capital upgrade works. At 31 March 2019 CEC owed the company £1,408,000 (2018: £71,000) and the company owed CEC £940,000 (2018: £978,000) (including amounts due to the Lothian Pension Fund) in relation to normal trading activities. During the year, CEC loaned to the company, £687,000 on an interest free basis, for the installation of tennis courts at Craiglockhart and a new sewage pipe at the EICA. At 31 March 2019, the full £687,000 remains due to the City of Edinburgh Council.

Key management personnel include all directors and a number of senior staff who together have responsibility for planning, directing and controlling the activities of the company. The total compensation paid for key management for services provided to the company in the year was £370,000 (2018: £365,000).

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Governance, Risk and Best Value Committee

10am, Tuesday 7 July 2020

Internal Audit: Agile Auditing and Consultancy Support

Item number

Executive/routine

Wards

Council Commitments

1. Recommendations

It is recommended that the Committee:

- 1.1 notes the agile auditing and consultancy approaches used by Internal Audit (IA) to provide assurance and support across the Council, in addition to established IA methodology.
- 1.2 notes that both approaches are aligned with Public Sector Internal Audit Standards (PSIAS); Institute of Internal Audit (IIA) Covid-19 guidance; and recent guidance provided by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Internal Audit Standards Advisory Board (IASAB) in relation to conformance with the PSIAS during the Covid-19 pandemic; and,
- 1.3 notes the Chief Internal Auditor's professional opinion that adoption of the agile auditing methodology and provision of consultancy support will not impact upon, or result in, impairment of IA independence and objectivity.

Lesley Newdall

Chief Internal Auditor

Legal and Risk Division, Resources Directorate

E-mail: lesley.newdall@edinburgh.gov.uk | Tel: 0131 469 3216

Internal Audit: Agile Auditing and Consultancy Support

2. Executive Summary

- 2.1 The purpose of this paper is to update the Committee on Internal Audit's (IA) agile auditing methodology and approach to provision of consultancy support across the Council.
- 2.2 Given the ongoing impacts of Covid-19 it is important that IA provides both ongoing guidance and support, and proportionate independent assurance on the Council's most significant risks, with focus on the design of new and amended service delivery processes implemented in response to Covid-19, enabling management to confirm that risks are being appropriately managed in line with expectations.
- 2.3 Further details on the proposed assurance approach to be applied by IA is included at section 4 below.
- 2.4 It is IA's opinion that the design of its agile assurance methodology and consultancy support processes are fully aligned with both established PSIAS requirements and subsequent guidance published to ensure PSIAS conformance during the coronavirus pandemic, and that they will not impact upon, or result in, impairment of IA independence and objectivity.

3. Background

Agile Auditing

- 3.1 Agile auditing is a recognised IA approach that enables provision of real time as opposed to retrospective assurance, and is especially useful where an organisation is planning significant change, as assurance can be provided on the design of new processes and systems prior to or soon after their implementation
- 3.2 The Institute of Internal Auditors (IIA) recognises that an agile approach provides an alternative to more rigid, sequential, and retrospectively focused IA methodologies, with audit coverage more regularly assessed and prioritised based on risk and the needs of organisations.
- 3.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) noted the importance of developing IA methodologies to 'support auditing at the speed of risk'.

in their April 2019 statement titled 'the Role of the Head of Internal Audit in Public Service Organisations'. The December 2019 paper presented to the Committee that compared the Council's IA approach with CIPFA good practice examples highlighted that IA had already implemented an agile auditing approach to provide ongoing assurance on significant Council projects.

- 3.4 The UK Public Sector Internal Audit Standards Advisory Board (IASAB) paper titled Conformance with the Public Sector Internal Audit Standards (PSIAS) during the coronavirus pandemic, published with the support of CIPFA and the IIA, also notes that IA can protect organisational value by 'providing real-time advice and insight in the development of new systems and controls. For example, where the organisation has to implement a new and urgent government policy'.

PSIAS Consulting Services

- 3.5 The PSIAS defines IA as 'a department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations' (page 5); and consultancy work as 'advisory and related client service activities, the nature and scope of which are agreed with the client, and are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility' (page 35).

- 3.6 The PSIAS also notes that:

3.6.1 the chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the annual plan (Para 2010.C1 at page 23);

3.6.2 Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes (Para 2120.C2 at page 26); and

3.6.3 Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes (Para 2130.C1 at page 27).

PSIAS Control design and operating effectiveness assessment requirements

- 3.7 The PSIAS also states that IA must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems.
- 3.8 This essentially involves an initial assessment of the design of process and system controls, and then (if effectively designed) an assessment of their ongoing effectiveness across a specified time period.

PSIAS IA independence and objectivity requirements

- 3.9 The PSIAS notes that IA must be independent and internal auditors must be objective in performing their work (section 1100 page 16). Independence is interpreted as freedom from conditions that threaten the ability IA to carry out internal audit responsibilities in an unbiased manner, whilst objectivity is defined as having an impartial, unbiased attitude and avoiding any conflicts of interest (para 1120 page 18).
- 3.10 Any threats or impairments to independence or objectivity (which includes but is not limited to personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations, such as funding) must be disclosed to appropriate parties with the nature of disclosure dependent on the impairment (para 1130.C2 page 18).

4. Main report

Agile assurance on new and amended Covid-19 processes

- 4.1 The IA Covid-19 response paper presented to the Committee in June 2020 highlighted the importance of providing adequate and proportionate IA assurance on the new and emerging risks associated with new and amended Covid-19 service delivery processes implemented by the Council.
- 4.2 The paper proposed that the Covid-19 assurance approach should focus on the design of these processes, and not their operating effectiveness, to confirm that process objectives are being achieved in line with appropriate and acceptable risk tolerances, using a fully PSIAS compliant agile methodology approach.
- 4.3 The rationale for focus on agile Covid-19 process design (and not effectiveness) reflects the relatively recent implementation of these processes, and the capacity of the teams managing these processes to support audits in addition to their ongoing service delivery responsibilities.
- 4.4 It is likely that the effectiveness of these processes will be assessed in future. This requirement will be further considered as part of the risk assessment to be performed to support the 2020/21 IA annual plan that will be presented to the Committee in September 2020 for review and approval.
- 4.5 The Covid-19 process design agile assurance process will involve:
- 4.5.1 use of a short form IA terms of reference document that outlines the scope of the audit;
 - 4.5.2 discussion with management to confirm that an appropriate risk tolerance has been defined that considers the objectives of the process; resource constraints (for example, funding and workforce capacity); implementation urgency; and priorities;

- 4.5.3 raising only significant (High rated or red) findings where the design of the process exposes the Council to significant risks in excess of agreed risk tolerances that could jeopardise process objectives, outcomes, and delivery timeframes;
- 4.5.4 immediate resolution of findings raised by management with ongoing support and guidance provided and immediate validation performed IA, with no requirement for subsequent follow-up.
- 4.5.5 issuing a short form IA report that outlines the scope of the audit, work performed, with details of any IA findings raised and addressed by management.

4.6 Examples of these documents based on a mock example of the care home sustainability process designed using available Convention of Scottish Local Authorities (COSLA) guidance are included at Appendices 1 and 2.

IA consultancy support

- 4.7 IA has provided consultancy support on the design of the following three new Covid-19 processes:
- small business grants;
 - supplier relief;
 - and the care home sustainability payment process.

For each process, IA recommendations on the proposed design of process controls were provided, with management making the final decision on the design of each process implemented, ensuring that IA independence was not impaired. Additionally, any planned reviews of these processes will be performed by IA team members who were not involved in providing design consultancy support.

PSIAS compliance

- 4.8 It is IA's opinion that the design of the agile assurance methodology and consultancy support processes are fully aligned with PSIAS requirements and subsequent guidance published to ensure PSIAS conformance during the coronavirus pandemic, and that they will not impact upon or result in impairment of IA independence and objectivity.
- 4.9 Additionally, to ensure full conformance with PSIAS, details of the Covid-19 design assurance audits and consultancy work undertaken will be included in the 2020/21 IA annual plan, and their outcomes included in the 2020/21 IA annual opinion.

5. Next Steps

- 5.1 The agile assurance process will be applied to the new and amended Covid-19 processes detailed in the IA Covid-19 response paper presented to Committee in

June 2020, and will be used (where appropriate) for future audits in addition to established IA methodology.

6. Financial impact

6.1 None

7. Stakeholder/Community Impact

7.1 Provision of timely independent assurance on the design of new and amended processes implemented by the Council in response to Covid-19 that is fully conformant with both existing PSIAS requirements and refreshed guidance for conformance with the PSIAS during the coronavirus pandemic

8. Background reading/external references

- 8.1 [The Role of the Head of Internal Audit and Leading Internal Audit in the Public Sector](#)
- 8.2 [Conformance with the PSIAS during the Coronavirus Pandemic](#)
- 8.3 [PSIAS](#)
- 8.4 [Internal Audit: Covid-19 response](#)

9. Appendices

- 9.1 Appendix 1 – Mock IA agile terms of reference
- 9.2 Appendix 2 – Mock IA agile audit report

Appendix 1

Health and Social Care

Terms of Reference:

Covid-19 – Care Home Sustainability Payments

To: Judith Proctor, Chief Officer, EIJB

From: Lesley Newdall, Chief Internal Auditor

Date: [insert date]

Cc: Moir Pringle, Chief Finance Officer, EIJB

Background

In response to Covid-19, the Scottish Government and the Convention of Scottish Local Authorities (COSLA) has agreed an approach to support the ongoing sustainability of the social care sector during the Covid-19 pandemic by ensuring that all reasonable additional Covid-19 care provider costs are met by the Scottish Government

The Scottish Government has provided an additional [£50M funding](#) to enable Health and Social Care Partnerships to make sustainability payments to social care service providers, with £4.056M of this allocated to the Edinburgh Health and Social Care Partnership.

COSLA has also developed a set of [principles](#) to support allocation of these funds by Scottish Local Authorities.

Scope

The objective of this review is to assess the design adequacy of key sustainability payment process controls established to ensure that supplier sustainability payments are made in line with COSLA guidance

The review will also consider whether the process controls adequately mitigate the following key risks in line with management's risk appetite:

- Financial risk – risk that demand for support exceeds the total value of available [funds](#).
- Fraud risk – receipt of fraudulent (overstated) or inaccurate claims (e.g. where funding support already requested from other available schemes).
- Resourcing risk – adequacy of appropriately skilled and experienced resources to process the volume of applications received
- Decision making – risk that incorrect decisions will be made on applications received
- Processing risk – risk that payments are not processed accurately.

Approach

The audit approach applied will involve:

1. Discussion with management to understand their appetite in relation to the risks noted above.

Commented [LN1]: Keep this section as short as possible.

Need to ensure that we clearly state the objective of the process – in this case the sustainability of the social care sector during the Covid-19 pandemic.

Need to ensure that we refer to relevant legislation / guidance. The Adaptation and Recovery Risk Management Plan should help you find this

Commented [LN2]: Only want you to consider the most significant risks here – we should be able to work these out through our own thought processes and also through discussion with management.

2. Perform a walkthrough of the end to end process to identify and understand the design of key process controls.
3. Assess whether the key controls are adequately designed to mitigate the key risks and are aligned with management's risk appetite.
4. Identify areas where the design of the controls require improvement.
5. Make proportionate control design recommendations for management to either risk accept or implement, and support management with their implementation.
6. Prepare a short form report detailing the outcomes of the review, including relevant control design recommendations and details of actions taken to improve the overall design of the process.

Internal Audit Team

| Name | Role | Contact Details |
|----------------|------------------------|---------------------------------|
| Lesley Newdall | Chief Internal Auditor | lesley.newdall@edinburgh.gov.uk |
| | | |
| | | |

Appendix 2 - Internal Audit Report – Health and Social Care Covid-19 – Care Home Sustainability Payments

Overall report rating



Background

In response to Covid-19, the Scottish Government and the Convention of Scottish Local Authorities (COSLA) has agreed an approach to support the ongoing sustainability of the social care sector during the Covid-19 pandemic by ensuring that all reasonable additional Covid-19 care provider costs are met by the Scottish Government

The Scottish Government has provided an additional [£50M funding](#) to enable Health and Social Care Partnerships to make sustainability payments to social care service providers, with £4.056M of this allocated to the Edinburgh Health and Social Care Partnership.

COSLA has also developed a set of [principles](#) to support allocation of these funds by Scottish Local Authorities.

Scope

The review assessed the design adequacy of key sustainability payment process controls established to ensure that supplier sustainability payments are made in line with COSLA guidance, and whether the process controls adequately mitigate the following key risks in line with management's risk appetite:

- Financial risk – risk that demand for support exceeds the total value of available funds
- Fraud risk – receipt of fraudulent (overstated) or inaccurate claims (e.g.
- Resourcing risk – adequacy of appropriately skilled and experienced employees to process the volume of applications received
- Decision making – risk that incorrect decisions will be made on applications received.
- Processing risk – risk that payments are not processed accurately

Approach

A process walkthrough was performed to identify and understand key process controls.

These controls were then assessed to determine whether they were adequately designed to mitigate the key process risks in line with management's risk appetite.

Where control improvement requirements were identified, proportionate recommendations were raised and discussed with management.

Opinion

Whilst some moderate control weaknesses were identified design of the care homes sustainability payment process, they provide reasonable assurance that risks are being managed in line with risk appetite, and that supplier sustainability payments will be processed in line with COSLA guidance.

Two Medium rated control design findings have been raised and addressed. Further detail is included at slides 2 and 3 below.

1. Care Home Sustainability - Grant Application Forms

Observations

Review of small business grant application forms established that:

1. Whilst the form includes a caveat confirming that the Council will take appropriate retrospective action where fraudulent or inaccurate grant claims have been identified following payment, it does not specify what action will be taken (for example, request for repayment of funds).
2. Application forms do not include the requirement for applicant attestations in relation to the completeness and accuracy of the application and supporting evidence.

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Risk



Financial risk / Fraud risk

The Council may be unable to recover funds where fraudulent or inaccurate claims have been identified following payment.

Recommendation

The content of the application form should be updated to include:

1. Details of the action that will be taken by the Council where fraudulent or inaccurate claims are identified after payment has been made.
2. The requirement for the applicant to attest to the completeness and accuracy of the content of the application and supporting evidence provided.

Management Comments

- Agreed – new forms will be updated to include this information, however this risk will be accepted in relation to applications that have already been processed or received.
- **Responsibility** : Chief Finance Officer
- **Status / Timeline:** Implemented

1. Care Home Sustainability - Grant Processing

Observations

Review of the spreadsheet process established to support review and payment of small business grants established that:

1. The spreadsheet currently does not record whether grant applications are being processed in line with key performance measures and Scottish Government expectations.
2. The spreadsheet currently does not record instances where an applicant discloses that they have applied for alternative funding is in progress, with no response yet received.
3. No controls have been established to maintain data integrity (for example, cell protection controls to ensure that the value of approved claims cannot be overwritten).
4. The spreadsheet is not designed to support simultaneous processing by multiple users.

Risk



Decision making and Processing risk

- Inability to track performance in line with key performance indicators and report to management and the Scottish Government.
- Alternative funding received after grant payment made.
- Unidentified errors in spreadsheet that flow through into the payment process.
- Inability to process applications simultaneously using same version of spreadsheet

Recommendation

The spreadsheet should be updated to :

1. Include dates relevant to the key stages of the process (for example, application received; application reviewed; grant payment authorized; grant payment processed; grant payment paid) to confirm whether the process has been completed in line with applicable KPIs and support preparation of management information.
2. Record instance where the applicant discloses that they have applied for alternative funding, and this should be considered in the decision making process.
3. Implement cell protection on the spreadsheet to ensure that data entered cannot be overwritten in error.
4. A shared excel workbook that supports changes by simultaneous users.

Management Comments

- Agreed – the spreadsheet process will be updated to include the points raised by Internal Audit.
- **Responsibility** : Chief Finance Officer
- **Status / Timeline**: Implemented

Appendix 1 – report rating definitions

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| | |
|---|--|
| Effective | Process controls have been adequately designed and provide assurance (if consistently applied) risks will be managed effectively in line with risk appetite, and the Council's objectives achieved. |
| Some improvement required | Whilst some control weaknesses were identified in the design of key process controls, they provide reasonable assurance that risks are being managed in line with risk appetite and that the Council's objectives should be achieved. |
| Significant improvement required | Significant weaknesses were identified the design of key process controls. Consequently, only limited assurance can be provided that risks are being managed in line with risk appetite and that the Council's objectives should be achieved. |
| Inadequate | The design of key process controls is inadequate, with a number of significant control weaknesses identified, resulting in substantial risk of operational failure and the strong likelihood that the Council's objectives will not be achieved. |

Governance, Risk and Best Value Committee

10am, Tuesday 7 July 2020

Internal Audit: Final Internal Audit reports supporting the 2019/20 Annual Opinion

Item number

Executive/routine

Wards

Council Commitments

1. Recommendations

It is recommended that the Committee:

- 1.1 reviews and scrutinises the final Internal Audit reports that are provided as appendices to this paper.

Lesley Newdall

Chief Internal Auditor

Legal and Risk Division, Resources Directorate

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Report

Internal Audit: Final Internal Audit reports supporting the 2019/20 Annual Opinion

2. Executive Summary

- 2.1 The purpose of this paper is to provide the Committee with copies of certain final Internal Audit (IA) reports as requested by the Committee, that will form part of the basis of the 2019/20 IA annual opinion for their review and scrutiny.

3. Background

- 3.1 At the June 2020 meeting, the Governance, Risk, and Best Value (GRBV) Committee requested that IA should provide copies of final IA reports that either have an overall red (Significant Improvement Required) outcome, or include any red (High) rated findings for review and scrutiny in advance of presenting the IA annual opinion in August 2020.

4. Main report

- 4.1 Final IA reports that that either have an overall red (Significant Improvement Required) outcome, or include any red (High) rated findings have been provided to GRBV Committee members as they are finalised.
- 4.2 Elected Members have reviewed these reports and the GRBV Convenor has provided details of the reports to be formally presented at the July 2020 Committee
- 4.3 The final reports requested to be presented are included as appendices to this report as detailed below.

5. Next Steps

- 5.1 IA will continue to provide reports that that either have an overall red (Significant Improvement Required) outcome, or include any red (High) rated findings as they are finalised.
- 5.2 The IA annual opinion will be presented to the GRBV Committee in August 2020.

6. Financial impact

6.1 None

7. Stakeholder/Community Impact

7.1 Effective review and scrutiny of IA assurance outcomes performed by the Committee with Directors and relevant Council officers.

8. Background reading/external references

8.1 None

9. Appendices

9.1 Appendix 1 – Findings only report – completion of driver licence checks

9.2 Appendix 2 – School admissions, appeals, and capacity planning

9.3 Appendix 3 – City Region deal funding process

9.4 Appendix 4 – CGI sub contract management

9.5 Appendix 5 – Retention of social work case records (looked after and accommodated children)

9.6 Appendix 6 – revenue budget setting and management

9.7 Appendix 7 – Digital Services – incident and problem management

9.8 Appendix 8 – Health and Social Care Localities

The City of Edinburgh Council

Internal Audit

Findings only report - Completion of Driver Licence Checks

25 November 2019

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| 2. Executive summary | 3 |
| 3. Detailed findings | 4 |
| Appendix 1: Basis of our classifications | 8 |

The [Internal Audit charter](#) approved by the Council's Governance, Risk and Best Value Committee in March 2019 notes that IA also reserves the right to raise findings on areas that have not been specifically included in the annual plan where significant or systemic control gaps are evident.

This internal audit findings only review is conducted for the City of Edinburgh Council under the auspices of the 2019/20 internal audit charter. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

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

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

1. Background and Scope

Background

Council wide Drivers Health and Safety Audit completed August 2018

Following the fatal Glasgow bin lorry crash in December 2014; the subsequent recommendations from the fatal accident inquiry in December 2015; and increased focus on driver and pedestrian health and safety, Internal Audit completed a council wide review of Drivers Health and Safety in August 2018.

The review assessed the adequacy of the Council's driving procedures; driving policy; supporting guidelines; and the design adequacy and operating effectiveness of key controls established to ensure ongoing compliance with applicable legislation, ensuring that all Council employees and agency staff are and remain legally and medically fit to drive.

The overall conclusion of the review was that significant enhancements were required to ensure that all Council and agency employees remain legally and medically fit to drive, and a total of 8 findings (3 High and 5 Medium) were raised.

The second High rated finding (Pre-employment and ongoing checks for Council Drivers) highlighted the need to ensure that driving eligibility (licence) checks are performed on new employees prior to issuing the formal offer of employment, whilst the third High rated finding recommended that management should decide whether 'grey fleet' drivers who drive their own vehicles for business purposes would be required to hold a driving permit, and (if so) ensure that their details are recorded and maintained on the drivers system operated by Fleet, with annual checks performed to confirm their ongoing eligibility to drive.

The Council has taken the decision that grey fleet drivers are now required to register for and maintain a valid Council driving permit and will be subject to ongoing annual licence checks following approval of the new 'Driving for the Council' policy by the Council's Finance and Resources committee in December 2018.

A Medium rated finding was also raised on management and use of driver permits and fuel FOB cards that included agreed management actions to ensure that leaver driving permits are cancelled and fuel FOB cards returned to prevent completion of ongoing licence checks on leavers' licences.

Current Process for Checking Employee Driving Licences

Completion of annual Driver and Vehicle Licencing Agency (DVLA) driving licence checks is a key control designed to ensure that the risks associated with Council drivers are monitored on an ongoing basis, and that employees do not drive on behalf of the Council when they are not legally eligible to drive. These checks are performed by an external third party (DAVIS) who was engaged in November 2017.

Employee authorisation for completion of driving licence checks is recorded by completing DVLA permission forms. The permission is valid for a three year period from the date of signature by the employee and specifically provides authority for the relevant supplier (currently DAVIS) to complete these checks.

Consequently, each time the Council changes the supplier engaged to perform licence checks, new permissions must be obtained from the full population of circa 4,500 Council drivers (including grey fleet drivers) to support ongoing completion of the checks. Fleet Services management has advised that the driving licence check contract is re procured every three years, and that re procurement of the contract is currently in progress.

DAVIS offers an electronic process to support submission of DVLA permission forms where employees register and complete their forms via a secure portal. Fleet management has advised that this process has been communicated to all Council drivers who have access to the Council network, however, circa 4,500 employees currently have no Council network access and manually completed permission forms are required to be submitted to Fleet Services from both vocational and grey fleet drivers included in this population for onward submission to DAVIS.

Once employee permission forms have been received, DAVIS performs the driving licence checks and provides the Council with details of the outcomes including details of any driving offences, points, and licence annotations. This information is then used by Fleet Services to assess the risks associated with each driver, with the objective of allocating drivers to appropriate driving roles based on the outcomes of the risk assessment, and implementing appropriate actions (for example additional training, reallocating the driver to different category of a vehicle and, in some cases, revocation of the Council driving permit).

Scope

The Internal Audit Charter that was approved by the Governance, Risk and Best Value Committee in March 2019 notes that Internal Audit reserves the right to raise findings on areas that have not been specifically included in the annual plan where significant or systemic control gaps are evident.

Reporting Date

This finding was identified from follow up work performed between 26 August and 2 September 2019.

2. Executive summary

Total number of findings: 1

Summary of findings raised

High

1. Completion of Driver Licence Checks

Opinion

Whilst significant progress is evident with implementation of the agreed management actions raised in the audit of Drivers Health and Safety completed in August 2018, this new finding highlights new risk exposure in relation to the Council's ability to confirm that circa 1,500 current Council drivers are legally eligible to drive as at 30 September 2019, following completion of driving licence checks, and an appropriate driving risk assessment.

The original audit review highlighted that Fleet Services had issued a total of 3,872 driving permits (excluding grey fleet drivers) as at 31 March 2018. As at 30 September 2019, the total volume of issued driving permits was 4,426 which includes grey fleet drivers (based on those submitting mileage claims). It is expected that there is also an additional population of occasional grey fleet drivers (for example in Learning and Teaching and Health and Social Care) who use their personal vehicle on Council business and do not submit mileage claims.

Of the 4,426 permits issued, 2,861 (65%) licence checks have been performed, and 1,565 (35%) drivers with permits have not completed valid licence check permission forms. Consequently, Internal Audit has assessed the risk associated with this new finding as High based on the volume of outstanding permission forms to be returned to Fleet Services, subsequent checks to be performed, and management's capacity to support the process.

The current position is further exacerbated by the requirement to re-procure the driving licence check contract every three years, as any change in supplier requires completion of new driving check permission forms by the full population of Council drivers, in addition to renewing existing permissions once every three years from date of signature in line with applicable DVLA requirements.

Additionally, the Council is currently unable to demonstrate compliance with the requirements of the new 'Driving for the Council' policy that was approved by the Finance and Resources Committee in December 2018.

If this issue is not addressed in a timely manner, the Council will continue to be exposed to a significant level of health and safety and reputational risks associated with Council vocational and grey fleet drivers who may not be legally eligible to drive, or who present a high risk to the Council based on penalties and other information recorded on their Driver and Vehicle Licencing Agency (DVLA) records.

3. Detailed findings

1. Completion of Driver Licence checks

High

During Internal Audit's review of management actions completed to support closure of the Medium rated finding on 'management and use of driver permits and fuel fob cards', we established that the Council's current list of drivers who hold an active fuel fob could not be accurately reconciled to the list of drivers provided to the current third party supplier (DAVIS) for completion of annual licence checks, and confirmed that there were 1,474 drivers with active fuel fobs whose details are not included in the list of drivers currently subject to ongoing licence checks.

This anomaly suggests that there is currently no complete and accurate list of all Council vocational and grey fleet drivers who should be subject to ongoing licence checks as per the frequency specified in the Council's Driving for the Council policy.

Fleet management has advised that as at 30 September 2019, 1,565 employees were employed as either vocational or grey fleet drivers for the Council, who do not hold valid permission forms to support completion of ongoing licence checks as per policy requirements.

Management has advised that this attributable to:

- re procurement of the driving licence check contract every three years which involves obtaining new employee permission forms to support ongoing driving licence checks from the full population of Council drivers, in addition to the ongoing requirement for all drivers to provide a new permission form every three years (in line with DVLA requirements) from the date of signature.

Fleet management has advised that they are not adequately resourced to support the requirement to obtain permission forms from the full population of drivers within a short timeframe following a change in supplier, and whilst the DAVIS electronic permission submission process has made some difference, the remaining challenge is the unknown volume of drivers with no access to Council networks to submit the electronic form.

Additionally, there is no guarantee that new suppliers will provide an electronic permission submission process.

- the requirement to include circa 2,000 grey fleet drivers in the Fleet Services Tranman driver database and obtain permission for ongoing completion of licence checks for onward submission to DAVIS. Whilst Fleet management has confirmed the population of grey fleet drivers who are submitting expense claims, it is expected that there is an additional population of occasional grey fleet drivers (for example in Learning and Teaching and Health and Social Care) who use their personal vehicle on Council business and do not submit mileage claims that have not been identified and now required to be registered and have driving licence checks completed.

Risks

The potential risks associated with our findings are:

- Employees who are either vocational or grey fleet drivers who are not legally eligible to drive may currently be driving as part of their Council role.
- Health and safety and reputational risk in the event of a significant incident where the driver is not legally fit to drive.
- Inability to perform driver risk assessments and make appropriate adjustments based on the outcomes of licence checks.

1.1 Recommendation – Re Procurement of the Driving Licence Check Contract

It is recommended that:

1. Fleet Management engages with the Council's Corporate Procurement Team to determine whether it is necessary to re procure the driving licence check contract every three years, or whether the term of the contract could be extended given the associated resourcing implications for Fleet Services and the risks presented to the Council if new permission forms are not obtained from the full population of Council drivers in a timely manner following a change in supplier.
2. Procurement specifications should include the requirement for the new supplier to provide an electronic permission form submission process.
3. Fleet management should consider resourcing requirements and ensure that adequate resources (for example use of agency workers or employees in the redeployment pool) are allocated to support the process of obtaining new permission forms from the full population of Council drivers within one month of the change to the new supplier and providing them to the new supplier.
4. Fleet management should engage with the Council's Continuous Improvement team to determine whether the current process applied when engaging Council employees to obtain completed DVLA licence check permission forms can be improved.

1.1 Agreed Management Action - Re Procurement of the Driving Licence Check Contract

1. Fleet management will engage with Procurement as part of the current procurement exercise to agree future procurement options in relation to the driver licence check supplier.
2. Management will confirm whether the current procurement process includes this requirement and will ensure that it is also included in any future procurement exercises.
3. Resourcing requirements have already been discussed and agreed with the Head of Place Management and it has been agreed that additional resources will be secured to support ongoing employee engagement regarding the requirement to complete DVLA licence check permission forms and their subsequent processing.
4. Fleet management will engage with the Continuous Improvement team and request a review of the current process applied to request completed licence check permissions forms and determine whether the engagement process can be improved.

Owner: Scott Millar, Fleet and Workshops Manager

Contributors: Gareth Barwell, Head of Place Management; Alison Coburn, Operations Manager, Nicole Fraser, Executive Assistant, Graeme Hume, Stores and Scheduling Manager

Implementation Date:

1st June 2020

1.2 Recommendation – Establish an accurate population of Council drivers and complete licence checks

It is recommended that Fleet Management

1. Prepares and issues a Council wide e mail reminding all employees of the definition of grey fleet' drivers; when it is possible to use a personal vehicle for Council business; and the requirement to register with grey fleet and complete and return a DVLA driving licence check permission form.
2. Fleet services should engage with the Business Hub team within Strategy and Communications to determine what support can be provided to enable effective resolution of the current position and the nature of ongoing support required.
3. Performs a full reconciliation between the Council population of drivers with the DAVIS system listing; the list of drivers currently allocated fuel fobs; and the Fleet Services Tranman driving system.
4. Performs a data cleanse to ensure that all leaver details are removed from both the Fleet management and DAVIS licence management system, and that all new driver details (including grey fleet) are recorded.
5. Compiles an accurate list of all known current Council vocational; grey fleet; and agency drivers.
6. Identifies those drivers where licence checks remain valid.

7. Requests DAVIS to complete the remaining licence checks (where permission has been received) prioritising those that are significantly past their due date.

1.2 Agreed Management Action – Establish an accurate population of Council drivers and complete licence checks

1. An e mail will be prepared and issued by the Executive Director of Place. This will include an explanation of the requirement for Council vocational and grey fleet drivers to complete and return the DVLA driver licence check permissions forms to Fleet Services and include a date for completion. The e mail will also reinforce the escalation process to be applied where that driving permission forms are not received and will confirm that driver permits will be revoked where completed forms are not returned on time.
2. Fleet services will engage with the Business Hub team within Strategy and Communications and to determine what support can be provided to enable effective resolution of the current position and the nature of ongoing support required.
3. This action is already in progress as a number of leavers have now been removed from the Fleet Services Tranman driver database. Once all permission forms have been received, a full reconciliation will be performed. Subsequent reconciliations will then be performed monthly and will be moved to quarterly if no significant issues are experienced.
4. Reports are currently received monthly from the Business Hub (Strategy and Communications) and Per Temps for agency workers, but these include all leavers and do not specifically highlight those who are drivers. As part of our engagement with the Strategy and Communications Business Hub, we will determine whether leaver reports can be provided that include details of vocational and grey fleet drivers. If this is not possible, we will engage with Continuous Improvement to determine whether it is possible to design and implement an electronic process that compares the employee data in the leavers reports with the data retained in the Fleet Services Tranman driver database to identify those leavers who are drivers. If this is not possible, a manual comparison will continue to be performed and leavers who are drivers will be removed from the Tranman database and advised to Davis
5. and 6 - Once the data cleanse and reconciliation has been performed, the Council will have an accurate record of all known vocational, grey fleet, and agency drivers that details where checks have been performed and permits issued. The ongoing reconciliation to be performed at 2 above will ensure that this remains complete and accurate
7. E Davis will perform the licence checks as soon as permission forms are received by them. Davis also provides management information in relation to permissions that are due to expire. MI re permissions that are due to expire. Directorate

Owner: Scott Millar, Fleet and Workshops Manager

Contributors: Gareth Barwell, Head of Place Management; Alison Coburn, Operations Manager, Nicole Fraser, Executive Assistant, Graeme Hume, Stores and Scheduling Manager

Implementation Date:

1st November 2020

1.3 Recommendation – Driver permit revocation

Where completed driver permission forms have not been received within the specified timeframes to support completion of outstanding licence checks by DAVIS, Fleet management should:

1. Contact both employees and line managers with a reminder that driver permission forms are outstanding and a request that these are received within a specified timeframe.
2. Advise that where permission forms are not received on time, driving permits will be revoked and employees will be unable to drive on behalf of the Council.
3. Revoke permits where permission forms are not received on time, and

- Contact employees and line managers to advise where driving permits have been revoked and advise that the driver is no longer eligible to drive on behalf of the Council.

1.3 Agreed Management Action – Driver permit revocation

- A standard reminder e mail will be prepared by the Head of Place Development and issued to employees and their line managers where permission forms have not been received 10 days prior to their expiry.
- The e mail will highlight that driver permits will be revoked if they are not received by the required date, and employees and line managers will be made aware that they are no longer eligible to drive for the Council and 9for vocational and agency drivers) that they are no longer covered by Council insurance.
- and 4 Permits will be revoked where permission forms are not received on time and e mail confirmation provided to employees and line managers reminding them that they can no longer drive on behalf of the Council.

Owner: Scott Millar, Fleet and Workshops Manager

Contributors: Gareth Barwell, Head of Place Management; Alison Coburn, Operations Manager, Nicole Fraser, Executive Assistant, Graeme Hume, Stores and Scheduling Manager

Implementation Date:

4th May 2020

1.4 Recommendation – Risk management

The risks noted above in relation to the existing population of Council drivers whose legal eligibility to drive has not been confirmed in line with applicable Driving for the Council policy requirements and driver risk assessments performed should be recorded in relevant Directorate risk registers.

1.4 Agreed Management Action – Risk management

The risks detailed in this Internal Audit finding will be highlighted for inclusion in the Place Management Risk Register.

Owner: Scott Millar, Fleet and Workshops Manager

Contributors: Gareth Barwell, Head of Place Management; Alison Coburn, Operations Manager, Nicole Fraser, Executive Assistant

Implementation Date:

4th May 2020

Appendix 1: Basis of our classifications

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

Please see the [Internal Audit Charter](#) for full details of opinion ratings and classifications.

The City of Edinburgh Council

Internal Audit

School admissions, appeals, and capacity planning

Final Report

13 February 2020

CF1901

Overall report rating:

**Significant
improvement
required**

Significant and / or numerous control weaknesses were identified, in the design and / or effectiveness of the control environment and / or governance and risk management frameworks. Consequently, only limited assurance can be provided that risks are being managed and that the Council's objectives should be achieved.

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This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2019/20 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2019. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

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

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

1. Background and Scope

Background

Under the [Education \(Scotland\) Act 1980](#), the provision and delivery of education at a local level is the statutory responsibility of Local Authorities. Under Section 1 of the Act, it is the Council's duty to provide adequate and efficient school education for all school age children.

The current admissions policy for the City of Edinburgh Council (the Council) was approved by the Education, Children and Families Committee in March 2016. The Council delegates the responsibility for managing the provision of school places to Communities and Families; with day to day administration performed by the Customer Assessment and Finance Transactions Team. Head teachers are then responsible for all admissions after the start of term in August.

The [Education \(Lower Primary Class Sizes\) \(Scotland\) Regulations 1999](#) (as amended) sets out the legislative requirements for maximum class sizes for primaries 1-3. These requirements are included within the Council's admissions policy and used when considering placing requests.

Children and young people are admitted to schools in the areas where they stay; known as the catchment areas for the school. Each catchment area has both a Roman Catholic and non-denominational school at both primary and secondary level.

The Council aims to provide places for P1 and S1 pupils at their chosen catchment school by the end of February each year. If there are places available after catchment demand is met, placing requests for non-catchment pupils at P1, S1 will be allocated by the Customer Assessment and Finance Transactions Team. Non-annual placement requests for all years are managed by schools themselves and decisions made by headteachers.

A template letter which should be used to set out the grounds for refusing a request is available via the Orb, the Council's intranet. The letter must include the reasons for turning down the request; the child's place on the waiting list at that time; the allocated school; and the right of appeal against the decision. Head teachers are also responsible for maintaining waiting lists in line with the Council's procedures.

Placing request appeals

The Council may only refuse a placing request under one of the statutory grounds within Section 28(A) of the Education (Scotland) Act 1980. If a parent wishes to appeal a placing request decision, they must inform the Council no later than 28 days following receipt of a decision letter, although late appeals may be allowed at the discretion of the Appeal Committee.

The table below sets out the number of P1 and S1 appeals and outcomes for 2019/20:

| | <u>P1 APPEALS 2019</u> | <u>S1 APPEALS 2019</u> |
|-------------------------------------|-------------------------------|-------------------------------|
| Appeals heard by Appeal Committee | 108 | 126 |
| Appeals refused by Appeal Committee | 67 (62%) | 91 (72%) |
| Appeals granted by Appeal Committee | 41 (38%) | 35 (28%) |

Appeals are heard by an independent Placing in Schools Appeals Committee during May and June each year. The Customer Assessment and Finance Transaction Team are responsible for preparing the common case which includes written statements and evidence for each appeal, outlining the reason for the Council's decision in line with legislation.

Legal Services, supported by the Head Teacher of the School, represent the Council at the Appeal Committee. Committee Services perform the administrative process for the Appeals Committees including arranging committee meetings and distributing papers to Committee members and appellants.

Only one appeal can be made per child per year. If a parent/guardian is unsatisfied with the decision of the Committee, they can lodge a second stage appeal which will be heard by the Sheriff Court.

Non-annual appeals are still heard by the Placing in Schools Appeals Committee which receives a report from the Headteacher detailing the reason for their decision. The Headteacher represents the Council at the appeal. In 2019, there was one non-annual placing request appeal.

School Capacity Planning

It is the responsibility of the Council under the Education (Scotland) Act 1980 to effectively manage the school estate. This includes determining the maximum number of pupils who may be suitably accommodated in every room in a school ([under the Schools General \(Scotland\) Regulations 1975](#)), and the ongoing administration the placing request system in their area.

When calculating school capacity, the Council must take account of statutory regulations and national agreements relating to class size maximums; teacher – pupil ratios; sanitary facilities; health and safety; as well as physical school sizes; timetabling and teaching facilities for specialist subjects such as sports, music and science. For S1 planning, consideration is also given to historic information on pupil numbers, S5/S6 leaver rates, and types and level of subjects studied.

Capacity planning for P1 and S1 is informed by registrations as notified by the Customer Assessment and Finance Transactions Team. Schools submit a return which details current class structure for the school, which is reviewed by the Council's Devolved Finance and Resources Officer. Planning meetings are then held with all Council teams involved to discuss school capacity for the academic year ahead.

For both Primary and Secondary Schools, Head Teachers and Business Managers are responsible for allocating pupil numbers to classes, in line with the Council's Devolved School Management Framework which is available via the Orb, the Council's intranet.

Scope

The objective of this review was to assess the adequacy of design and operating effectiveness of the key controls established to manage the school's admission, appeals and capacity planning processes. This included processes undertaken prior to the beginning of term; and processes for maintaining school rolls during the year.

Our areas of audit focus as detailed in our terms of reference are included at Appendix 2.

Testing was performed across the period August 2018 to November 2019.

Limitations of Scope

This audit did not review the decisions made by the Placing Appeals Committees as these are independent committees and did not consider the process for managing second stage appeals heard by the Sheriff Court.

Reporting Date

Our audit work concluded on 22 November 2019 and our findings and opinion are based on the conclusion of our work as at that date.

2. Executive summary

Total number of findings: 5

| Summary of findings raised | |
|----------------------------|--|
| High | 1. Policies, procedures and guidance |
| High | 2. Operational processes – admissions and appeals |
| Medium | 3. Process documentation and delivery responsibilities |
| Medium | 4. Data access, security and retention |
| Medium | 5. Provision of training and support |

Opinion

Significant improvements required

Our review identified a number of significant and moderate weaknesses in both the design and operating effectiveness of key governance and operational controls supporting the school admissions, appeals, and capacity planning processes. Consequently, only limited assurance can be provided that the risks associated with these processes are being managed and that the Council's objective of delivering efficient and effective processes that are aligned with applicable legislation and regulations, statutory requirements and Council policies is being achieved.

We established that the Council policies, procedures and guidance published on both the Council's external website and intranet (the Orb) and standard forms and letters used by schools require to be reviewed, refreshed and updated to confirm that they are aligned with applicable legislative, regulatory requirements.

We also confirmed that the end to end holistic admissions, appeals and capacity planning processes delivered by a number of Council divisions have not been documented, and the roles, responsibilities and accountabilities of all teams involved in the process clearly defined and communicated, resulting in communication and engagement gaps that impact on effective delivery (for example, capacity planning and the home to school route measurement process that supports ranking in waiting lists).

Notably, admissions and appeals processes are not consistently applied across schools, and copies of written statements and evidence is not consistently provided to appellants ten days in advance of scheduled Appeal Committee dates in line with applicable legislative requirements.

The school registration and appeals processes involve obtaining and managing a significant volume of personal sensitive information in relation to pupils and their parents or guardians, and we noted some weaknesses in the established processes for securing storing and sharing this information.

We also noted that annual training on the registration, appeals and capacity planning processes is no longer available, and that this is likely to have an impact on the understanding of all teams and divisions involved in delivery, and may also be contributing to the inconsistencies in application of the processes highlighted in our review.

Consequently, 2 High and 3 Medium rated Internal Audit findings have been raised. Further information is included at Section 3.

While a number of high and medium rated issues were identified, it is acknowledged that all services involved demonstrate a willingness to work together to improve processes and services delivered.

3. Detailed findings

1. Policies, procedures and guidance

High

Review of policies, procedures and guidance published on the Council's website; school websites; and the intranet (the Orb) and standard forms and letter templates used by the public and schools to support the school admissions and appeals process established that these have not been reviewed and updated for some time and are not consistently used and applied by schools.

1. Policies, procedures and guidance published on the Council's website

Review of the Council's policies and procedures published on both the Council's external website and the Orb identified that:

- The [Admission to Mainstream Schools Policy](#) published on the Council website has not been reviewed since March 2016, and does not detail key topics such as exceptional circumstance categories or shared care arrangements. A lack of reference to exceptional circumstance the policy was also highlighted in a Sheriff Court Placing Appeal judgement in August 2019. Additionally, the Senior Responsible Officer for the policy is no longer employed by the Council. Management has advised that a review is currently underway.
- The [Placing in Schools guide](#) provides additional operational information for both the public and Council employees via the Council website. Schools advised, however, they were not aware that a revised version which included more detailed information on shared care arrangements, had been published on the website in October 2019. This has since been communicated via [the Schools Transactions Blog](#) on the Orb.
- The [Admissions Procedure](#) available on the Council's website is not dated and does not include any version controls. In addition, Annex 1 of the procedure details a timeline which includes a catchment place 'guarantee' by 28 February. This is contrary to the Admissions Policy and the Placing in Schools guide which refer to 'aims' rather than guarantees. Use of the term 'aims to' is advised against in [Council's style guide](#) as it undermines confidence.
- The Orb includes a link for '[Schools waiting list guidance](#)', however it was noted this is a 2009 committee report, which contains various sections with red text rather than a guidance document.
- Procedures have not been developed to ensure that the Council processes placing request appeals in line with appropriate legislation. Additionally, there are key person dependencies on a limited number of individuals for processing and managing appeals
- An information sheet on Placing in Schools Appeal Committee is provided to appellants following submission of an appeal, however this is not available to download from the council website and does not include a 'happy to translate' footer as provided on other information.

2. Guidance published on individual school websites

Review of school websites and school handbooks for six schools identified inconsistencies and out of date guidance in relation to school admissions and privacy information:

- All three primary schools did not have up to date school handbooks published on their websites. All Head Teachers acknowledged that their websites required review. In contrast, all secondary schools had published their 2019/20 handbooks.
- One school website included an expired link for school placing pages on the Council website. Current links were found for all other schools.

- Only two school websites included a direct link to the City of Edinburgh's Council's [privacy notice](#). Two school websites referred to the Data Protection Act (1998) but not the General Data Protection Regulations (GDPR).

3. Operational forms used by schools

Review of operational forms used by schools for admissions and placing requests identified the following:

- The 'Pupil Admission Form' filled in for primary one registration does not include a 'happy to translate' footer in line with other school admission forms on the Orb.
- The P1-S6 'Request for a School Place' form includes a statement 'how the City of Edinburgh will use and share your information' but does not reference GDPR.
- One secondary school uses non-standard forms for other stage applications, which are available on the school website. These forms include sections for course subjects and level of study not included in the Council's standard admissions form. Another secondary school's website includes a link to a 2009 version of a Children and Families 'Application for a place at a secondary school', which also includes sections for course subject information. None of these forms included privacy statements. Additionally, non-standard forms did not include a 'happy to translate' footer.
- Incorrect forms were accepted by schools. Five instances were noted where the P1 admission form had been completed for other stage applications.

4. Standard letter templates used by schools

Review of letters issued by schools for admissions, placing requests and appeals established that:

- One secondary school used non-standard catchment / non-catchment waiting list letter templates. It was noted that while the letter referenced the appeals process, timescales for appeal and the address for the Council's appeals mailbox were not included in the letter.
- All three primary schools visited did not use the standard refusal template letter as they advised, they did not interpret an addition to the waiting list as a refusal.
- All the schools visited advised they were not aware that they should include frequently asked questions information with refusal letters.
- Non-catchment request granted letters were not in use at any schools visited. Schools notified parents/guardians of successful placing requests either via email, phone or during enrolment meetings.
- As a result of granted letters not being issued by primary schools, schools could not evidence that parents / guardians had agreed to the terms of the placement; namely no sibling guarantee, no entitlement to the associated catchment secondary school, and no provision of home to school transport arrangements and costs.

Risks

The potential risks associated with our findings are:

- Policies and procedures may not be accurately aligned with applicable legislative, regulatory and statutory requirements and current good practice.
- Parents may not receive consistent, clear and up to date guidance and information for the admissions and appeals processes.
- Parents may not be aware of their right to appeal placing request refusals.
- Failure to comply with established admissions processes may impact appeal decisions.

1.1 Recommendations: Review of Operational Policies and Guidance

- a) The Admissions to Mainstream Schools Policy should be reviewed and updated to:
- confirm that it is aligned with current legislation, regulations, and statutory requirements; and
 - reflect current practice and include greater clarity in relation to complex elements of the process such as shared care and determining exceptional circumstances when assessing priority for out of catchment placements.

An appropriate owner (a current Council officer) should be established for the Mainstream Schools Policy who will be responsible for ensuring that the policy is and regularly reviewed and updated in line with applicable legislative, regulatory, and statutory requirements and communicated across schools and relevant Council divisions

- b) All procedural documents; including the Admissions procedure, the Placing in Schools Guide and Schools Waiting List guidance should be reviewed to ensure they reflect current Council policy and processes. Amalgamation of existing procedures into one document should be considered (where possible) to prevent overlap and ensure consistency. Appropriate version controls should also be applied to all documents, including scheduled review dates and ownership.
- c) Appeals procedures should be developed that detail the end to end process to be applied across all Council divisions when dealing with Placing Request Appeals and should include (but not be limited to) clear roles and responsibilities for teams involved.
- d) Procedures and supporting information sheets for all areas such as appeals should be available for the public to download from the Council's website.
- e) Links to policy and associated procedures should be clearly accessible on the School Places landing page on the Council website. Updated guidance and procedures published to the Orb or Council website should be communicated and circulated to all schools with a cover email highlighting the changes included.

1.1a) Agreed Management Action – Review of Admissions Policy

Following review, the policy will be presented to the Education, Children and Families committee for review and approval.

The Executive Director of Communities & Families will be the policy owner, with the Senior Education Officer responsible for operational review and oversight.

Owner: Alistair Gaw, Executive Director for Communities & Families

Contributors: Andy Gray, Head of Schools & Lifelong Learning; Arran Finlay, Senior Education Officer. Claire Thompson, Schools Business Development Manager; Michelle McMillan, Operations Manager.

Implementation Date:

30 April 2020

1.1b) Agreed Management Action – Review of procedures

A working group led by the Communities and Families Senior Education Officer with representation from all service areas involved in school admissions, appeals and capacity planning, will be established to undertake a review of all procedural documents. This will include consideration of amalgamation of existing procedures where appropriate and implementation of a review schedule and version control.

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| <p>Owner: Alistair Gaw, Executive Director for Communities & Families</p> <p>Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Nick Smith, Head of Legal & Risk; Neil Jamieson, Customer – Senior Manager;</p> <p>Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager; Matthew Clarke, Senior Solicitor.</p> | <p>Implementation Date: 31 August 2020</p> |
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1.1c) Agreed Management Action – Placing Appeals Procedures

As part of the working group led by the Communities and Families Senior Education Officer, appeals procedures which detail end to end processes to be applied across all areas involved in placing requests will be established and this will include clear roles and responsibilities.

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| <p>Owner: Alistair Gaw, Executive Director for Communities & Families</p> <p>Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Nick Smith, Head of Legal & Risk; Neil Jamieson, Customer – Senior Manager;</p> <p>Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager; Matthew Clarke, Senior Solicitor.</p> | <p>Implementation Date: 31 August 2020</p> |
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1.1d) Agreed Management Action – Communicating guidance on website and Orb

Following review and completion of working group actions, all policies and procedures will be published on the Council's website and Orb, and communicated to all relevant officers, with changes highlighted.

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| <p>Owner: Alistair Gaw, Executive Director for Communities & Families</p> <p>Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Nick Smith, Head of Legal & Risk; Neil Jamieson, Customer – Senior Manager;</p> <p>Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager; Matthew Clarke, Senior Solicitor.</p> | <p>Implementation Date: 30 September 2020</p> |
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1.2 Recommendation: Review and update of school websites

All schools should be reminded to regularly review their website content to ensure that it remains accurate and up to date. This should include but not be limited to ensuring that:

- current academic year handbooks are published;
- links to relevant content on the Council website remain current;
- only standard approved Council forms are published; and
- all privacy notices published on School websites are directly linked to the Council's statement.

1.2 Agreed Management Action – Review and update of school websites

A communication will be issued to all schools to request a review of their school website to ensure:

- current academic year handbooks are published;
- links to relevant content on the Council website remain current;
- only standard approved Council forms are published; and
- all privacy notices published on School websites are directly linked to the Council's statement.

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| Owner: Alistair Gaw, Executive Director for Communities & Families Contributors: Andy Gray, Head of Schools & Lifelong Learning; Arran Finlay, Senior Education Officer; Claire Thompson, Schools Business Development Manager; Michelle McMillan, Operations Manager. | Implementation Date: 31 December 2020 |
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1.3 Recommendations: Review of Operational Forms and Standard Letters

- a) All application forms published on the Council website and Orb should be reviewed to ensure that they remain fit for purpose and include all necessary accessibility and privacy statements.
- b) Consideration should be given to designing and implementing an online application form that can be completed using drop down options in relation to the type of application, catchment areas, and year group information as appropriate.
- c) Management should consider whether the ‘request granted’ template letters should continue to be issued or whether an email to parents / guardians is considered an acceptable alternative option. Where e mails can be used, guidance should be provided to schools to ensure that the terms and limitations of the placement offer are included in the email.
- d) Schools should be reminded to comply with placing request processes as outlined on the Orb, this should include, but not be limited to:
 - issuing the standard ‘request refusal’ letter for all application refusals and ensuring all required paragraphs are outlined in the template letter and include a copy of the frequently asked questions document.
 - use of standard Council forms only. Where standard forms are not considered to meet the needs of the school, feedback should be provided to Schools and Life Long Learning management, for example, if an additional section for course subjects studied at secondary school is required.

1.3a) Agreed Management Action – Review of operational forms

The remit of the working group led by the Communities and Families Senior Education Officer, will include a review of all admissions forms published on the Council website and Orb to ensure that they remain fit for purpose and include all necessary accessibility and privacy statements.

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| Owner: Alistair Gaw, Executive Director for Communities & Families Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Neil Jamieson, Customer – Senior Manager; Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager. | Implementation Date: 31 December 2020 |
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1.3b) Agreed Management Action – Online application form

Development of a single online application form will be led by Customer Transactions Team as discussions already underway with internal automation team and Transactions have successfully introduced online applications in other areas of the business.

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| Owner: Alistair Gaw, Executive Director for Communities & Families Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Neil Jamieson, Customer – Senior Manager; Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager. | Implementation Date: 31 December 2020 |
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1.3c) Agreed Management Action – Issue of ‘request granted’ letters

The remit of the working group led by the Communities and Families Senior Education Officer, will include consideration of continued need for formal ‘request granted’ template letters or whether an email to parents / guardians is an acceptable alternative option.

Where emails are the preferred option, guidance will be provided to schools to ensure that the terms and limitations of the placement offer are included.

Owner: Alistair Gaw, Executive Director for Communities & Families

Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Neil Jamieson, Customer – Senior Manager; Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager.

Implementation Date:

31 December 2020

1.3d) Agreed Management Action – Issuing standard letters and forms

A communication will be issued by Schools and Life Long Learning management to all schools reminding them to comply with placing request processes as outlined on the Orb, including the requirement to:

- issue a standard 'request refusal' letter for all application refusals which includes all required paragraphs and is supported by a copy of the frequently asked questions document; and
- use standard Council forms only.

The communication will advise schools to provide feedback where standard forms are not considered to meet the needs of the school, for example, if an additional section for course subjects studied at secondary school is required.

Feedback from schools will be considered as part of the working group's review of operational forms.

Owner: Alistair Gaw, Executive Director for Communities & Families

Contributors: Andy Gray, Head of Schools & Lifelong Learning; Arran Finlay, Senior Education Officer; Claire Thompson, Schools Business Development Manager; Michelle McMillan, Operations Manager.

Implementation Date:

31 December 2020

2. Operational processes – admissions and appeals

High

Review of the school admissions; appeals and placing requests operational processes highlighted that key controls supporting the process are not consistently and effectively applied across schools. Specifically:

1. Review of Placing Requests

Officer review and prioritisation outcomes for 2019 P1 / S1 placing requests for oversubscribed schools were not documented prior to submission to the Committee on Pupil Student Support for independent review.

Action notes detailing Committee review decisions and outcomes were not produced, in contrast to the process applied in 2018.

Additionally, officers commented the remit of the Committee would benefit from review and updating to provided clarity on the roles and responsibilities of members and officers in the process.

2. Waiting List Management

Currently no centralised waiting lists are used to monitor and track pupil allocations and spare capacity in schools. Instead, various systems are used across schools, for example spreadsheets or paper files.

SEEMiS (the Council's education information management system) includes a module to record and manage school waiting lists, but this has been deactivated as it was not being used by schools.

Schools visited acknowledged benefits of maintaining centralised lists including:

- visibility of decisions where placing applications are submitted to multiple schools.
- access to parent / guardian contact information for children on the waiting list.

- visibility of capacity at other schools to assist parents with placing decisions where there are no places available on the catchment area.
- potential for parents / guardians to track waiting list positions, reducing the volume of enquiries submitted to schools.

3. Validating registration and enrolment applications

Sample testing highlighted that official proof of birth and address (two items confirming that the pupil's address is within the relevant catchment area) were not consistently obtained. Additionally, where two items confirming address were obtained, they did not consistently provide adequate and valid evidence of residence at the address and did not always match.

There is currently limited independent oversight performed to ensure that schools have obtained complete and accurate evidence of address to support school placements.

In 2018, the Transactions Team validated catchment addresses information to Council Tax records for all pupils automatically allocated to five fully subscribed secondary schools.

Management advised that limited address validation was performed in 2019 due to resourcing constraints. Additionally, there was no clear risk-based methodology applied to the validation process. Management has advised that plans to use automation to map online forms directly to Council Tax data are being considered for future.

4. Conflicts of Interest

The Council's Employee Code of Conduct requires employees to declare any known conflicts of interest with declarations documented, reviewed and signed by the Head of Division.

Currently, there are no established local processes in schools to ensure that conflicts associated with admissions and placements are identified and recorded.

Schools management has advised that teaching and support staff often have local connections, and that there is an expectation that potential conflicts would be declared and addressed.

5. Placing request appeals

Legislation in relation to placing appeals requires that appellants are provided with copies of written statements and evidence ten days in advance of scheduled Appeal Committee dates.

Review of a sample of 20 appeals established that (on average) the Council provided this information five days in advance of the Appeal Committee meeting.

Management has advised this is due to resource constraints and pressure given tight timeframes associated with the appeals process.

Risks

The potential risks associated with our findings are:

- Lack of evidence supporting school placing request decisions.
- Ineffective and inefficient management of school waiting lists and poor customer experience.
- Inappropriate enrolment of pupils who do not live in the catchment area.
- Inability to address any complaints or claims in relation to potential conflicts of interest.
- Non-compliance with appeals legislation.

2.1 Recommendation: Committee on Pupil Student Support remit, review and recording of outcomes

Officer review of the annual placing request list and the rationale supporting recommendations made to the Committee on Pupil Student Support should be documented.

Decisions and outcomes of the annual meeting of the Committee on Pupil Student Support should be documented, and a process implemented to ensure that the outcomes are addressed by the Council.

Consideration should be given to reviewing and updating the remit of the Committee. Committee members should be provided with training and support to enable them to fulfil their role in line with the agreed remit.

2.1a) Agreed Management Actions – Committee on Pupil Student Support recording of officer review

Communities and Families, Committee Services and Transactions will ensure the officer review of the annual placing request list and the rationale supporting recommendations made to the Committee on Pupil Student Support from 2020 onwards is formally documented.

Owner: Alistair Gaw, Executive Director for Communities & Families

Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Neil Jamieson, Customer – Senior Manager; Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager.

Implementation Date:

30 June 2020

2.1b) Agreed Management Actions – Committee on Pupil Student Support remit, review and recording of outcomes

Decisions and outcomes of the annual meeting of the Committee on Pupil Student Support will be documented, and a process implemented to ensure that the outcomes are addressed by the Council.

Consideration will be given to reviewing and updating the remit of the Committee.

Committee members will be provided with training and support to enable them to fulfil their role in line with the agreed remit.

Owner: Laurence Rockey, Head of Strategy & Communications

Contributors: Alistair Gaw, Executive Director of Resources; Andy Gray, Head of Schools & Lifelong Learning; Hayley Barnett, Corporate Governance Manager; Lesley Birrell, Committee Officer; Arran Finlay, Senior Education Officer.

Implementation Date:

30 June 2020

2.2 Recommendations: Waiting List Management

Management should consider developing an automated centralised waiting list that provides access to both schools and parents, enabling applications and enquiries to be streamlined, open and transparent.

If this is not considered feasible, management should implement a suitable alternative (for example use of the current SEEMiS module) or maintenance and regular publication of manual waiting lists to improve the transparency and effectiveness of the current process.

2.2 Agreed Management Action: Waiting List Management

The remit of the working group led by the Communities and Families Senior Education Officer, will include a review of waiting list management. The working group will consider the risks outlined in this report and should the creation of a centralised system not be feasible, alternative arrangements will be developed to improve customer experience, and the effectiveness and efficiency of waiting list management.

The review will consider if the new SEEMIS schools system currently under development will improve current processes.

Owner: Alistair Gaw, Executive Director for Communities & Families

Contributors: Andy Gray, Head of Schools & Lifelong Learning; Arran Finlay, Senior Education Officer; Claire Thompson, Schools Business Development Manager; Michelle McMillan, Operations Manager.

Implementation Date:
30 June 2021

2.3 Recommendations: Validation of registration and enrolment applications

- a) Schools should be reminded to confirm that adequate and valid evidence is provided to support all registrations and enrolments. This should include two matching proofs of address aligned with the address provided in the application.
- b) Schools business managers should undertake quality assurance checks of evidence obtained to ensure compliance with procedures and request additional evidence from parents where the evidence requested does not meet requirements.
- c) The Transactions Team should be requested to perform risk based annual checks (for example focusing on oversubscribed schools) to confirm the overall adequacy and effectiveness of the registration process. The outcomes of the review process should be recorded with feedback provided to Schools and Lifelong Learning that highlights any significant and systemic weaknesses.
- d) Outcomes of the Transactions Team review should be shared with schools with a request that findings identified from the review are addressed and processes updated to ensure that they do not recur in subsequent years.

2.3a) Agreed Management Action: Validation of registration and enrolment applications

A reminder will be sent to all schools to reinforce the requirement to confirm that adequate and valid evidence is provided to support all registrations and enrolments, including two matching proofs of address aligned with the address provided in the application.

Owner: Alistair Gaw, Executive Director for Communities & Families

Contributors: Andy Gray, Head of Schools & Lifelong Learning; Arran Finlay, Senior Education Officer; Claire Thompson, Schools Business Development Manager; Michelle McMillan, Operations Manager.

Implementation Date:
30 June 2020

2.3b) Agreed Management Action: Quality assurance checks in schools

Schools business managers will be instructed to undertake sample quality assurance checks of evidence obtained from parents to support applications to ensure compliance with procedures. This will include completion of checks prior to completion of enrolment processes. Checking of completion will form part of the Communities and Families Self-Assurance Framework from 2021 onwards.

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| <p>Owner: Alistair Gaw, Executive Director for Communities & Families</p> <p>Contributors: Andy Gray, Head of Schools & Lifelong Learning; Arran Finlay, Senior Education Officer; Claire Thompson, Schools Business Development Manager; Michelle McMillan, Operations Manager.</p> | <p>Implementation Date: 30 June 2020</p> |
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2.3c) Agreed Management Action: Risk based annual checks

The Transactions Team is currently engaging the Council's Business Transformation team to explore intelligent automation options for completing annual checks. Should this solution not be feasible, a risk-based methodology will be developed and documented to determine scope and extent of future checks.

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| <p>Owner: Stephen Moir, Executive Director of Resources</p> <p>Contributors: Nicola Harvey, Head of Customer & Digital Services; Neil Jamieson, Customer – Senior Manager; Sheila Haig, Customer Manager; Jane MacIntyre, Transactions Team Manager.</p> | <p>Implementation Date: 30 June 2020</p> |
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2.3d) Agreed Management Action: Sharing outcomes of annual checks

Outcomes of annual checks that highlight any significant and systemic weaknesses will be shared with Schools and Lifelong Learning with a request that findings identified from the review are addressed and processes updated to ensure that they do not recur in subsequent years.

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| <p>Owner: Stephen Moir, Executive Director of Resources</p> <p>Contributors: Alistair Gaw, Executive Director for Communities & Families; Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Neil Jamieson, Customer – Senior Manager; Sheila Haig, Customer Manager; Jane MacIntyre, Transactions Team Manager Arran Finlay, Senior Education Officer.</p> | <p>Implementation Date: 30 November 2020</p> |
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2.4 Recommendations: Conflicts of interest

- A centralised process should be established to record any potential conflicts of interest for all Council employees involved in the annual school admissions, placements, and appeals process prior to its commencement.
- Communication should be issued to all directorates / divisions involved in the process requesting relevant team members to update shared with all relevant employees requesting them to update the centralised register.
- The register should be reviewed prior to commencement of the process and appropriate segregation of duties implemented where any potentially significant conflicts are identified.

2.4 Agreed Management Action: Conflicts of interest

Guidance will be developed for use in all schools to ensure any conflicts of interest are recorded and managed appropriately. This will include Business Manager review and Head Teacher sign off where necessary.

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| <p>Owner: Alistair Gaw, Executive Director for Communities & Families</p> <p>Contributors: Andy Gray, Head of Schools & Lifelong Learning; Arran Finlay, Senior Education Officer; Claire Thompson, Schools Business Development Manager; Michelle McMillan, Operations Manager.</p> | <p>Implementation Date: 30 June 2020</p> |
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2.5 Recommendations: Placing request appeals

- Resourcing requirements should be considered (based on analysis of the volume of prior year appeals and the approximate time taken to prepare copies of written statements and evidence) in advance of the appeals process to ensure that adequate resources are available to enable

achievement of the legislative requirement for provision of information ten days in advance of scheduled Appeal Committee dates.

- Where workload is higher than anticipated and it seems unlikely that the ten day timeframe will be achieved, this should be escalated to senior management who should either decide to accept the associated risks or provide additional resource.
- Where the risk of potentially breaching the ten day legislative requirement is accepted, this should be documented and recorded in the Directorate risk register.

2.5 Agreed Management Action: Placing request appeals

The working group led by the Communities and Families Senior Education Officer, will establish key dependencies and resource planning requirements. This will include interdependencies and resources required to support preparation of key reports. Changes will be trialled in the current year and the updated process implemented for 2021.

Owner: Alistair Gaw, Executive Director for Communities & Families

Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Nick Smith, Head of Legal & Risk; Neil Jamieson, Customer – Senior Manager;

Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager; Matthew Clarke, Senior Solicitor.

Implementation

Date:
31 March 2021

3. Process documentation and delivery responsibilities

Medium

There is currently no holistic end to end process documentation that details the process steps and the roles and responsibilities of all Council divisions (for example the Transactions Team; Committee Services; and Legal Services) involved in supporting the school admissions, appeals, and capacity planning process.

Whilst meetings are held during the year that include all teams involved to plan and prepare for the annual process, these do not consider the effectiveness of the prior year process or potential operational and strategic process improvement opportunities. The Transactions Team has highlighted a number of processes improvement opportunities that have not yet progressed due to budgetary or intelligent automation resource constraints.

Additionally, roles and responsibilities for school admissions outwith the annual P1 / S1 admissions, appeals, and capacity planning process have not been clarified and agreed, resulting in a number of issues. These include:

- inability to redirect enquiries received by the Transactions Team via 'school.placements@edinburgh.gov.uk' due to a lack of clarity regarding Schools and Lifelong Learning responsibilities following the retirement of the Senior Education Manager in July 2019. Examples include queries in relation to home schooling; private schooling; dealing with refugees; and requests for current or future capacity information.
- delayed distribution (two weeks) of posters to schools in advance of the annual registration week and school open days as the Senior Education Manager and Communications Lead both left the Council during 2019. The Senior Transactions Officer had to manage and redirect queries in relation to this non-customer led process.
- home to school route measurements used to rank placement waiting lists are currently calculated by Strategy and Communications, however there is currently uncertainty over future responsibility for this process. Management also highlighted issues with the methodology used to produce this information.

Risks

The potential risks associated with our findings are:

- Elements of the process may not be completed.
- Internal recharging for services may not accurately reflect work performed and costs may not be fully recovered.
- Process efficiency improvements are not identified and implemented.
- Training issues may not be identified and addressed.
- Poor customer experience in relation to queries received and admissions processed outwith the annual process.

3.1 Recommendations: Process documentation and delivery responsibilities

- a) The end to end process for the annual school admissions, appeals, and capacity planning process should be documented, and a matrix developed describing divisional roles and responsibilities for the process detailing who will be responsible; accountable; consulted; and informed for each stage. The end to end procedures and matrix should be discussed and agreed with all divisional teams involved in the process, communicated, and published on the Council's intranet (the Orb) with training provided where required.
- b) Internal recharging arrangements should be reviewed and updated to ensure that they accurately reflect levels of support provided by other divisions as detailed in the new end to end process documentation.
- c) Following completion of the annual process, a debrief meeting should be held with all teams involved to understand what worked well and what areas need to be improved. The outcomes should be recorded in a 'lessons learned' document that is used to implement the improvement opportunities identified and address any process issues in advance of the next annual process.
- d) Roles and responsibilities for school admissions tasks performed outwith the annual process and for dealing with queries received should be documented and communicated to all teams involved in the process to ensure that they can be appropriately redirected and resolved.
- e) Strategy and Communications should be requested to review and confirm accuracy of the methodology support P1/S1 home to school route measurements used to rank placement waiting lists in advance of the next annual process.

3.1a) Agreed Management Action – Development and communication of process documentation and delivery responsibilities

The remit of the working group led by the Communities and Families Senior Education Officer, will include reviewing and documenting end to end processes for the annual school admissions, appeals, and capacity planning process. A matrix describing divisional roles and responsibilities for processes, which details who will be responsible; accountable; consulted; and informed for each stage will also be developed.

The end to end procedures and matrix will be discussed and agreed with all divisional teams involved in the process, communicated, and published on the Council's intranet (the Orb) with training provided where required.

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| <p>Owner: Alistair Gaw, Executive Director for Communities & Families</p> <p>Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Nick Smith, Head of Legal & Risk; Neil Jamieson, Customer – Senior Manager;</p> <p>Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager; Matthew Clarke, Senior Solicitor.</p> | <p>Implementation Date: 31 August 2020</p> |
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3.1b) Agreed Management Action – Internal partnership protocols

Internal partnership protocols will be prepared and implemented for services delivered by other divisions on behalf of Schools and Lifelong Learning, incorporating the scope of services and roles and responsibilities defined in the new end to end process documentation. Where relevant, current internal charging arrangements will be reviewed to ensure that it accurately reflect the levels of support provided.

Partnership protocols and associated key performance measures / indicators will be reviewed at least every two years to ensure they remain aligned with service delivery, operational processes and relevant regulatory and professional standards.

Governance arrangements to support ongoing performance monitoring will be designed and implemented to ensure that both Schools and Lifelong Learning and the service areas that support them are satisfied with the quality of services provided.

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| <p>Owner: Alistair Gaw, Executive Director for Communities & Families</p> <p>Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Nick Smith, Head of Legal & Risk; Neil Jamieson, Customer – Senior Manager;</p> <p>Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager; Matthew Clarke, Senior Solicitor.</p> | <p>Implementation Date: 31 August 2020</p> |
|--|---|

3.1c) Agreed Management Action – Annual debrief and lessons learned

Following completion of the annual process, a debrief meeting will be held with all teams involved to understand what worked well and what areas need to be improved. The outcomes should be recorded in a ‘lessons learned’ document that is used to implement the improvement opportunities identified and address any process issues in advance of the next annual process.

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| <p>Owner: Alistair Gaw, Executive Director for Communities & Families</p> <p>Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Nick Smith, Head of Legal & Risk; Neil Jamieson, Customer – Senior Manager;</p> <p>Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager; Matthew Clarke, Senior Solicitor.</p> | <p>Implementation Date: 31 August 2020</p> |
|--|---|

3.1d) Agreed Management Action – Roles and responsibilities – outwith annual process

The working group will review the roles and responsibilities for any tasks performed outwith the annual P1/S1 admissions, appeals and capacity planning process. These will be documented and communicated to all teams involved in the process.

The review will include identifying key contacts for common non-annual admissions queries, for example, home schooling; private schooling; dealing with refugees; and requests for current or future capacity information, to ensure that they can be appropriately redirected and resolved.

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| <p>Owner: Alistair Gaw, Executive Director for Communities & Families</p> <p>Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Nick Smith, Head of Legal & Risk; Neil Jamieson, Customer – Senior Manager;</p> <p>Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager; Matthew Clarke, Senior Solicitor.</p> | <p>Implementation Date: 31 August 2020</p> |
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3.1e) Agreed Management Action – P1/S1 Annual home to school route measurements

Strategy and Communications will provide route measurement process documentation to address concerns raised by management about accuracy.

Strategy and Communications will consider moving this function and will advise the Transactions Team of the outcome and define contacts for this function from 2021 onwards.

| | |
|--|--|
| <p>Owner: Laurence Rockey, Head of Strategy & Communications</p> <p>Contributors: Alistair Gaw, Executive Director for Communities & Families; Andy Gray, Head of Schools & Lifelong Learning; Catherine Stewart, Lead Delivery and Change Officer; Nicola Harvey, Head of Customer & Digital Services;; Neil Jamieson, Customer – Senior Manager;</p> <p>Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager.</p> | <p>Implementation Date: 30 March 2020</p> |
|--|--|

4. Data access, security and retention **Medium**

Review of processes for securing, sharing and retaining personal data in relation to school admissions and appeals highlighted the need for improvement to ensure effective ongoing compliance with applicable data protection legislative requirements and Council records management policies. Specifically:

1. Access to personal data

Personal data supporting placing requests, waiting lists, and appeals is regularly transferred between schools and other Council divisions and is not consistently password protected, however, schools advised that personal data is only emailed to relevant staff.

Appeals data is accessed and managed by Committee Services and the Transactions Team through a series of excel spreadsheets stored in network folders with shared access. Some spreadsheets are not password protected to limit access and cell protection is not used to prevent data from being overwritten. It is acknowledged that permission from service areas is required to grant access to the shared folder.

2. Sharing personal data

Communication with placing request appellants is primarily via email, and the e mails often contain sensitive and confidential information on individual cases. Currently, limited checking is performed to prevent and / or detect potential data breaches such as an additional review to confirm accuracy of email addresses prior to sending. Microsoft Outlook automatically remembers and stores (caches) previously used email addresses which whilst a useful feature, could result in personal data being accidentally sent to the wrong recipient.

Additionally, when processing school admissions, the Transactions Team routinely provide pupil data with neighbouring local authorities (Midlothian, East Lothian and West Lothian Councils) via email, however no data sharing agreements have been established to support this process.

Additionally, the Council does not currently apply security classifications (such as Official, Sensitive, Confidential) for emails that convey the sensitivity of information included to the recipient, to encourage recipients to take appropriate measures to ensure that the information is not compromised or misused. Other Council's such as West Lothian and Glasgow City Council consistently apply security classifications to emails.

3. Data and document retention

The Council's Retention Schedule for admissions records advises that placing request application forms containing family details and rationale for requests should be retained for two years, however, date retention guidance has not been developed for supporting evidence such as copies of birth certificates, council tax, and bank statements. Data retention practices applied across schools are inconsistent, and management advised that further clarity is required in relation to retention and destruction timeframes. No consistent approach is in place across schools visited, and management advised clarity is required.

Review of placing requests appeals documentation and supporting evidence established that it is retained for more than two years with information dating back to 2008 retained.

Risks

The potential risks associated with our findings are:

- Non-compliance with applicable data protection legislative requirements (for example GDPR) and Council record management policies.
- Sensitive data and information may be inappropriately accessed or sent to incorrect recipients.
- Documents and sensitive information may be held longer than permitted and disposed of insecurely.

4.1 Recommendations: Access to personal data

Shared admissions and appeals files and records retained on network drives and shared via e mail should be reviewed to understand the sensitivity of the data included and password and cell protection implemented (where appropriate) to ensure that the data cannot be inappropriately accessed or inadvertently overwritten.

4.1 Agreed Management Action: Access to personal data

Files and shared folders will be reviewed, and appropriate access permissions and password controls implemented.

Owner: Alistair Gaw, Executive Director for Communities & Families

Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Neil Jamieson, Customer – Senior Manager; Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager.

Implementation

Date:

31 July 2020

4.2 Recommendations: Secure email transmission

Management should engage with both the Information Governance Unit and Digital Services to discuss the nature and sensitivity of schools admission and appeals information transmitted via e mail and the types of recipients (for example, other local authorities; parents; and internal stakeholders) to determine whether the current e mail transmission process is appropriately secured in line with

relevant [UK government guidance](#), or whether additional steps are required to ensure secure transmission.

Use of e mail data classification labels to categorise the type of information included (for example 'official – sensitive' where an email contains personal or business sensitive information) should also be discussed with the Information Governance Unit and implemented where appropriate.

Where additional e mail security steps are required and use of data classification labels considered appropriate, these should be designed implemented and communicated to all employees involved in the school admissions and appeals process.

4.2 Agreed Management Actions: Secure email transmission

The Information Governance Unit and Digital Services will be engaged to discuss the recipients; nature and sensitivity of information transmitted via email to establish whether the current method is appropriately secure or whether additional steps are required. This will include consideration of email data classification labels where deemed appropriate.

Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Neil Jamieson, Customer – Senior Manager; Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager.

Implementation Date:
30 September 2020

4.3 Recommendations: Data sharing agreements

Data sharing agreements should be designed (with support from Information Governance) and established with Midlothian, East Lothian and West Lothian Councils, clearly setting out the processes and principles for sharing personal information between Authorities.

Agreed Management Actions: Data sharing agreements

The Information Governance Unit will be consulted to determine if data sharing agreements which meet these requirements, are currently in place with Midlothian, East Lothian and West Lothian Councils.

If current agreements are not in place, or do not cover the required categories of data, specific data sharing agreements will be established.

Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Neil Jamieson, Customer – Senior Manager; Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager.

Implementation Date:
30 September 2020

4.4 Recommendations: Document Retention and disposal

- a) Confirmation on the data retention period and disposal requirements for all school admissions and appeals documentation including images; hardcopies, emails, phones and scanning systems) should be requested from Information Governance. The data retention schedule should be updated to reflect the outcomes of these discussions, published on the Council's intranet (the Orb) and communicated to all divisions involved in the end to end process with a request that divisional data retention and destruction schedules are updated to reflect these requirements.

- b) Schools should be instructed to establish record retention and destruction logs to record all relevant documents, with regular ongoing checks performed to ensure that documents are archived and destroyed within required timescales.

4.4a) Agreed Management Action: Document Retention and disposal

The Information Governance Unit will be engaged to confirm data retention and disposal requirements. Where necessary the data retention schedule will be updated.

Document retention and disposal requirements will be reinforced across all services processing admissions and appeals including schools.

All appeals information currently retained outwith the relevant period will be destroyed in line with the Council's disposal guidelines and a retention schedule and destruction log maintained.

Owner: Alistair Gaw, Executive Director for Communities and Families

Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Neil Jamieson, Customer – Senior Manager;

Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager.

Implementation

Date:

30 June 2020

4.4b) Agreed Management Action: Document Retention and disposal

A communication will be issued to schools to request that retention schedules and destruction logs are established to ensure records are managed and disposed of in line with the Council's retention schedule.

Owner: Alistair Gaw, Executive Director for Communities & Families

Contributors: Andy Gray, Head of Schools & Lifelong Learning; Arran Finlay, Senior Education Officer; Claire Thompson, Schools Business Development Manager; Michelle McMillan, Operations Manager.

Implementation

Date:

30 June 2020

5. Provision of training and support

Medium

School management teams advised annual school admissions and appeals training is no longer available. Training had been provided previously that focused on the process timeframes; key processes and policies (including management of waiting lists; preparation of appeals information; and capacity planning); and guidance on how to manage parent / carer engagement and enquiries.

School management also advised there is currently limited engagement with schools to discuss capacity planning issues such as pupil number variances due to late catchments registration and appeals outcomes that impact on class sizes and often require significant readjustments within schools.

Risks

The potential risks associated with our findings are:

- Ineffective management of the school capacity planning, admissions, and appeals process.
- Inadequate monitoring and oversight of capacity planning resulting in overcrowding of classes and potential legislative breaches.

5.1 Recommendations: Training and support

A programme of induction and annual refresher training covering all key processes and stages for admissions, appeals and capacity planning process should be developed with input from all divisions involved and delivered annually to all teams and employees involved in the process including head teachers and business managers. The training should include, but not limited to:

- Applicable legislative and regulatory requirements and Council policies
- The end to end capacity planning, admissions and appeals process; including management of waiting lists
- Roles, responsibilities and accountabilities of all teams involved in the process
- Data access, security, and retention requirements
- Conflicts of interest requirements
- Parent and carer engagement guidance
- Details of ongoing support and information available to manage capacity planning in relation to late placing requests and upheld appeals, including timetabling and accommodation adjustments.

5.1 Agreed Management Actions: Training and support

Following conclusion of the working group, Communities and Families will develop a programme of training which includes input across all services areas involved will be designed and delivered to schools' senior leadership teams to ensure that they are aware of and understand:

- Revised policy and procedures where relevant
- Applicable legislative and regulatory requirements and Council policies
- The end to end capacity planning, admissions and appeals process, including management of waiting lists
- Roles, responsibilities and accountabilities of all teams involved in the process
- Data access, security, and retention requirements
- Conflicts of interest requirements
- Parent and carer engagement guidance
- Details of ongoing support and information available to manage capacity planning in relation to late placing requests and upheld appeals, including timetabling and accommodation adjustments.

Owner: Alistair Gaw, Executive Director for Communities & Families

Contributors: Andy Gray, Head of Schools & Lifelong Learning; Nicola Harvey, Head of Customer & Digital Services; Laurence Rockey, Head of Strategy & Communications; Neil Jamieson, Customer – Senior Manager; Arran Finlay, Senior Education Officer; Sheila Haig, Customer Manager; Hayley Barnett, Corporate Governance Manager.

Implementation

Date:

31 October 2020

Appendix 1: Basis of our classifications

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

Please see the [Internal Audit Charter](#) for full details of opinion ratings and classifications.

Appendix 2: Areas of audit focus

The areas of audit focus and related control objectives included in the review were:

1. Provision of advice and information

- 1.1 The Council provides comprehensive information and guidance on school's admissions, appeals and capacity planning. This includes how services can be accessed, clearly defined timescales and the roles and responsibilities of service users, the Council and relevant committees;
- 1.2 Information is available in a range of accessible formats and channels (such as information leaflets, internet and social media) and is regularly reviewed and updated where required;
- 1.3 The Council has developed a range of policies and procedures for school admissions; appeals and capacity planning which are up to date and aligned to best practice and legislative requirements;
- 1.4 Roles and responsibilities have been clearly defined for all Council areas involved in admissions; appeals and capacity planning processes; and
- 1.5 Engagement protocols are in place to monitor the quality and timeliness of work undertaken by the Council's Customer Transactions Team; Legal Services and Committee Services on behalf of Communities and Families.

2. P1 and S1 placing requests

- 2.1 The Council engages on a regular and timely basis with parents, guardians, and other professionals where relevant, at key stages during the admissions process;
- 2.2 Data verification checks are undertaken to ensure that placement decisions are based on valid proofs of residence, baptism, and guardianship status;
- 2.3 Placing requests for oversubscribed P1 and S1 schools are reviewed and prioritised in line with agreed criteria and documented committee decisions; and
- 2.4 Applicants are notified of placing request refusals and the school place allocated to the child in writing and advised of their right to appeal.

3. Capacity Planning

- 3.1. Clearly documented and understood roles and responsibilities for capacity planning are in place for devolved school management, school estates and individual school head teachers;
- 3.2. Arrangements are in place to ensure capacity planning takes account of the impact of any appeals upheld by the Placing Appeals Committees;
- 3.3. Capacity arrangements for each class and school are clearly documented taking into account maximum class size requirements, with any exceptions approved as required;
- 3.4. Placement and catchment data for all schools is recorded and updated in a timely manner, and subject to regular checks throughout the year, to ensure that accurate and up to date capacity figures are available; and
- 3.5. Ongoing monitoring, oversight and regular reporting of capacity planning at a senior level is undertaken with action taken to address any issues.

4. Placing request appeals

- 4.1. Arrangements are in place to ensure all appeals are managed in a transparent, timely and consistent manner;
- 4.2. Copies of written statements or evidence from Children's Services is sent to appellants at least 10 days before the Appeals Committee date;
- 4.3. The Council provides sufficient and up to date evidence to the Appeals Committee in support of placing request refusals; and
- 4.4. Applicants are notified in writing of the Appeals Committee's decision and reasons within 14 days of the hearing and advised of their further right of appeal to the Sheriff's Court.

5. Management of school waiting lists and school roll

- 5.1. Placement checks are performed by schools at the start of the school year with all relevant systems and lists updated;
- 5.2. School rolls are maintained by individual schools throughout the year, with effective and timely monitoring and maintenance of waiting lists and enrolments; and
- 5.3. Schools manage non-annual placing requests and any subsequent refusals processed in line with Council policy.

6. Information Governance

- 6.1. The Council clearly states how it will use personal data gathered through the admissions and appeals processes;
- 6.2. Access to and visibility of personal data is controlled through system access permissions which are reviewed regularly to ensure appropriate; and
- 6.3. Data sharing agreements are in place which clearly set out the processes and principles for sharing information between services.

The City of Edinburgh Council

Internal Audit

City Region Deal Funding Processes

Final Report

4 June 2020

CE1903

Effective

The control environment and governance and risk management frameworks have been adequately designed and are operating effectively, providing assurance that risks are being effectively managed, and the Council's objectives should be achieved.

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This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2019/20 internal audit plan approved by the Governance, Risk and Best Value Committee in August 2019. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

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

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

1. Background and Scope

Background

The [Edinburgh and South-East Scotland City Region Deal](#) (the City Region Deal), signed on 7 August 2018, sets out a vision to deliver a number of transformational programmes and projects across Innovation, Skills, Transport, Culture and Housing themes that will deliver a step-change in inclusive growth to benefit the city region, Scotland and the United Kingdom.

Over £1.3 billion is being invested into the city region over 15 years, with the UK and Scottish Governments investing a combined total of £600m, and contributions of £730m from regional partners (the City of Edinburgh; East Lothian; Fife; Midlothian; Scottish Borders; and West Lothian Councils, Heriot-Watt University, Queen Margaret University, and the University of Edinburgh).

In line with [Section 57 of the Local Government \(Scotland\) Act 1973](#), the Council has established a Joint Committee with representatives from East Lothian, Fife, Midlothian, West Lothian and Scottish Borders Councils to oversee governance arrangements for the City Region Deal.

Grant funding totalling £41.3m was drawn down in 2018/19 for the first projects to be approved. As at quarter 3 of 2019/20; £25.4m has so far been drawn down from the £50.73m 2019/20 grant allocation.

Under the terms of the June 2018 City Region Deal Financial Agreement the Council, as Accountable Body, is responsible for overseeing financial stewardship of the programme and providing a comprehensive view of the programme's finances to the Scottish Government (SG) and the City Region Deal partners over the life of the deal. This involves receiving funds from the SG and distributing them to the regional partners for each approved City Region Deal project.

Funding for the Sheriffhall Roundabout improvements project is managed and delivered by Transport Scotland. However, the project delivery progress and associated financial spend will still require to be submitted to the Council and reported as part of the total City Region Deal.

Funding for the Housing Infrastructure Fund and Edinburgh Living is issued directly by the Scottish Government's Housing Department. There is a separate SG Grant letter for Edinburgh Living in place, and it is envisaged that the Housing Infrastructure Fund will be similar with a separate letter for each individual proposal. Therefore, funding for these projects will not be administered through the Accountable Body.

Governance and accountability for the Winchburgh risk sharing guarantee will be in accordance with the tripartite agreement signed by the Scottish Government, West Lothian Council and the lead developer at Winchburgh.

Management of City Region Deal finances should follow the financial protocols agreed with the Governments, including the [Scottish Public Finance Manual](#), the [Financial Reporting Manual](#) and [Scottish Government Procurement Strategy](#), and any financial processes specific to the City Region Deal, including the Council's internal processes where required.

The Council has set up a dedicated Project Management Office to ensure that it works collaboratively with all regional partners. The key responsibilities of the Programme Management Office are:

- providing secretariat support to the Joint Committee and other forums supporting the City Region Deal;
- coordination and management of the funding process including financial reporting; profiling and drawdown and actuals management;
- monitoring income and expenditure performance against project delivery profiles;

- capturing the added value across City Region Deal activity and helping to exploit new opportunities for additional outcomes and impacts;
- supporting the development of the multi-partner regional partnership to help drive additional value; and
- reporting performance outcomes to the lead officers' group, City Region Deal Joint Committee and both the UK and Scottish Governments.

The detail and funding profile for each project is stated in the City Region Deal Financial Plan dated 1 August 2018. The success of each project is measured by the milestones stated in individual business cases, and a summary is included in the City Region Deal Implementation Plan.

Payment of grant funding can only be made for projects where the UK and Scottish Government have approved business cases and implementation plans, or where an exception is agreed. For City Region Partner organisations to draw down funding for approved projects they must provide the Council with completed grant claims and evidence of expenditure incurred. The Council's finance team will then review the evidence provided to confirm that expenditure has been incurred as part of an approved project and meets other relevant conditions specified in the City Region Deal Financial Agreement and Grant Offer Letter before requesting the SG to issue the funds. The Council then receives the funds and distributes them to the relevant partner organisation, with payments made quarterly in arrears.

Under the terms of the Scottish Government Grant Offer Letter dated 13 August 2019, the Council as 'grantee' must meet certain conditions and fulfil a number of responsibilities in its role as the Lead Authority for City Region Deal. These terms and conditions should be replicated in separate legal agreements between the Council as Accountable Body and each of the regional partners. As the grantee, the Council is also required to provide a statement of compliance in relation to these conditions, which should be evidenced in the final capital return made to Scottish Ministers by the Council's Section 95 Officer (the Head of Finance).

The Council is also required to ensure that Regional Partners are complying with requirements of their individual grants and that their submissions requesting funding are fully evidenced. Legal agreements have been put in place between the Council and each of the Regional Partner organisations which set out their respective responsibilities in line with the conditions set out in the Grant Offer Letter.

Scope

The objective of this review was to assess the adequacy of design and operating effectiveness of the key controls established to ensure the Council effectively manages its responsibilities in its role as Accountable Body for the City Region Deal.

Our areas of audit focus as detailed in our terms of reference are included at Appendix 2.

Testing was performed across the period January 2019 to February 2020.

Limitations of Scope

The scope of our review was limited to the Council's Accountable Body responsibilities in relation to financial stewardship of the City Region Deal as specified in the City Region Deal Financial Agreement and the 2018/19 and 2019/20 Grant Offer Letters and did not cover any other aspects of the City Region Deal governance arrangements.

Reporting Date

Our audit work concluded on 9 April 2020, and our findings and opinion are based on the conclusion of our work as at that date.

2. Executive summary

Total number of findings: 2

| Summary of findings raised | |
|----------------------------|---|
| Medium | 1. Operating procedures, roles and responsibilities |
| Low | 2. Information governance – data processing and storage |

Opinion

Effective

Whilst some moderate and minor control weaknesses were identified in the design and effectiveness of the control environment established to support the Council in fulfilling its responsibilities as Accountable Body for the Edinburgh and South East Scotland City Region Deal, they provide reasonable assurance that risks are being managed and that the Council's objective to accurately process and verify grant claims in line with Scottish Government requirements should be achieved.

Consequently, one Medium rated finding and one Low rated finding have been raised.

Our review of sample of grant claims and payments did not identify any errors, and review of operational controls including those in place to prevent and detect fraud and manage any potential conflicts of interest are deemed sufficient.

The Medium rated finding identifies that although sufficient processes are in operation, documented procedures which detail the full end to end process applied, including alignment to other Council processes such as Treasury Management and detail roles and responsibilities, including the role of senior officers in performing supervisory checks are not in place.

The Low rated finding highlights the requirement to engage with the Council's Information Governance Unit to confirm if a Data Protection Impact Assessment is required to identify and mitigate any potential data protection risks associated with the Council's finance team collecting, processing and storing partner organisation data and information which has been provided to the Council to support grant claims.

Further information on the findings raised is included at Section 3.

Areas of good practice

The following areas of good practice were noted:

- Grant claims made by partner organisations and the Council are effectively validated to ensure that only claims that meet the terms of grant offer letters are processed.
- Funding requests are sent to the Scottish Government on time with adequate supporting documentation included to provide the Scottish Government with assurance on the validity and accuracy of claims.
- Payments are approved at an appropriate senior level in line with the Council's financial delegated authorities and paid out to partner organisations in a timely manner following receipt of grant funding from the Scottish Government.
- Grant offer letters are reviewed and adjusted with assistance from the Council's Legal division to include appropriate clauses prior to partner organisations signing, providing assurance that the Council is not exposed to unnecessary commercial and legal risks.
- A reporting timetable is in place to ensure complete, accurate and timely submission of regular reporting to the Scottish Government and relevant City Region Deal Committees as required.

3. Detailed findings

1. Operating procedures, roles and responsibilities

Medium

Review of a sample of ten City Region Deal grant claims and payments processed between March 2019 and January 2020 confirmed that these were processed and verified in line with all applicable grant requirements.

Our review also confirmed that operational processes followed to support processing and payment of grant claims are aligned to existing Council controls such as Treasury Management and Fraud Prevention policies. It was noted however, there are currently no documented procedures that specifically detail the Council's end to end process for preparing grant offer letters and verifying and processing grant claims in accordance with grant conditions and Accountable Body responsibilities.

In addition, while we confirmed that a dedicated officer is in post and is supported by a senior officer, and claims are approved by the Head of Finance, formal roles and responsibilities to provide assurance of segregation of duties, limited key person dependency and completion of supervisory checks have not documented.

Risks

The potential risks associated with our findings are:

- Lack of documented procedures impact the Council's ability to verify and process claims accurately and in a timely manner in the event of an extended period of dedicated officer absence.
- Non-compliance with the Council's [Policy on Fraud Prevention](#) to ensure appropriate internal controls to be established to enable prevention and detection of fraud.
- Failure to consistently comply with grant requirements and Accountable Body responsibilities as set out by the Scottish Government.

1.1 Recommendations: End to end operating procedures

Full end to end procedures for processing and verifying grant claims, aligned with the Council's responsibilities as Accountable Body, should be prepared. The procedures should include (but not be limited to):

1. Clear roles and responsibilities for finance officers and other Council divisions involved in the process (such as Legal Services, and Banking and Payment Services).
2. Details of arrangements established to ensure appropriate segregation of duties including processing grant claims received from the Council (see recommendation 1.2 below).
3. Detailed steps for processing, validating and recording grant claims including:
 - clear links to relevant documents including Scottish Government guidance and templates; the [Scottish Public Finance Manual](#), the [Financial Reporting Manual](#) and [Scottish Government Procurement Strategy](#), and any financial processes specific to the City Region Deal, including the Council's [financial rules](#) and internal processes where required.
 - supporting evidence requirements for claims in line with Scottish Government conditions.
 - instructions for confirming the validity of claims, including capital expenditure definitions.
 - an authorisation process for where claims exceed the annual financial allocation from the Scottish Government.
 - the process for submitting claims and requesting monies from the Scottish Government.

- an approval process for requesting transfer of monies to partner organisations, aligned to the Council's [financial regulations](#) and delegated authorities.
 - clear timescales for key requirements including submission of funding requests to the Scottish Government and subsequent payments to partner organisations.
 - regular reporting arrangements aligned to all Scottish Government requirements and timescales. This should include frequency of reporting; specific requirements and details of City Region Deal Joint Committee review and approval where relevant.
 - information governance arrangements such as record retention and disposal requirements and data storage, access and security arrangements for supporting evidence; data and information provided by partner organisations in line with Data Protection Impact Assessment (DPIA) requirements. (See recommendation 2.1a below).
 - a statement on how the Council will ensure adequate arrangements are in place for prevention and detection of fraud, including managing conflicts of interest; gifts and hospitality; and whistleblowing and complaints that is aligned to relevant Council policies.
 - the process for engaging the Council's Legal division to ensure that grant offer letters are fit for purpose and adjusted to include additional clauses where relevant, together with the process for agreeing grant offer letters with partner organisations.
4. The procedures should detail the processes in place to ensure segregation of duties, and supervisory checks (for example, alignment with the Council's Treasury Management procedures). The procedures should also detail contingency arrangements to ensure the Council can continue to deliver its Accountable Body responsibilities should the designated officer be on extended leave.

Following preparation, the procedures should be reviewed and approved by an appropriate senior officer in line with the [Council's Policy Management Framework](#), implemented, and consistently applied.

The procedures should then be reviewed regularly or immediately following any change to Scottish Government guidance or requirements.

1.1 Agreed Management Action: Operating procedures, roles and responsibilities

This recommendation will be implemented as described above. The first phase will be the drafting and approval of a set of procedures and appropriate documentation.

These procedures will then be formally implemented, and this implementation will be monitored. The implementation date of October 2021 is to allow sufficient time to provide evidence that the procedures are fully embedded.

Owner: Stephen Moir, Executive Director for Resources

Contributors: Laurence Rockey, Head of Strategy and Communications; Hugh Dunn, Head of Finance; Alison Henry, Senior Manager - Corporate Finance; Rebecca Andrew, Principal Accountant.

Implementation Date:
29 October 2021

2. Information governance - data processing and storage

Low

Our review confirmed that a Data Protection Impact Assessment (DPIA) has been completed for the City Region Deal's Project Management Office (PMO) use of the electronic system SharePoint.

The Council collects and stores information required for processing and validating grant claims from City Region Deal partners. An assessment of General Data Protection Regulation (GDPR) readiness was completed by the Council's Capital and Projects Team in March 2018 (prior to the

commencement of City Region Deal grant processing). However, a further assessment has not been performed to ensure that the processes in operation for the City Region Deal continue to meet GDPR requirements in relation to collecting, processing and storing City Region Deal partner organisation data.

Risks

The potential risks associated with our findings are:

- Failure to comply with applicable data protection regulatory requirements (including the UK Data Protection Act 2018 and the General Data Protection Regulation (GDPR)) and the Council's Information Governance and Records Management policies.
- Unauthorised access to commercially sensitive information.
- Accidental loss, destruction or damage to data and supporting evidence.

2.1 Recommendation: Data Protection Impact Assessment and access controls

Finance should engage with the Council's Information Governance Unit to establish whether a Data Protection Impact Assessment (DPIA) should be completed to assess the privacy risks associated with collecting, processing and storage of City Region Deal partner organisation's data provided to the Council to support grant claims.

If required, the DPIA should be completed in line with the Council's [DPIA procedure and guidance](#) and should be submitted to the Council's Information Governance Unit for review and any subsequent actions completed as required.

2.1 Agreed Management Action: Data Protection Impact Assessment

Initial contact has been made with the Council's Information Governance Unit. If required, Finance will complete a Data Protection Impact Assessment (DPIA) and undertake any follow-up actions required.

Owner: Stephen Moir, Executive Director for Resources

Contributors: Laurence Rockey, Head of Strategy and Communications; Hugh Dunn, Head of Finance; Alison Henry, Senior Manager - Corporate Finance; Rebecca Andrew, Principal Accountant.

Implementation Date:
30 June 2021

Appendix 1: Basis of our classifications

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

Appendix 2: Areas of audit focus

The areas of audit focus and related control objectives included in the review are:

| Audit Area | Control Objectives |
|--|--|
| <p>1. Compliance with grant terms and conditions</p> | <p>1.1 The Council has established appropriate financial management procedures that are aligned with the Accountable Body conditions and responsibilities set out in the financial agreement and grant offer and complies with all relevant financial agreement conditions and applicable financial protocols.</p> <p>1.2 The Council supports delivery of its role as the Accountable Body by ensuring that an adequate resource of appropriately skilled and experienced finance team members, responsible for ongoing management and disbursement of funding, have been allocated to the programme.</p> <p>1.3 The Council has established appropriate and robust controls to:</p> <ul style="list-style-type: none"> • where applicable, ensure expenditure meets the definition of capital expenditure as set out within the grant offer; • prevent and detect irregular or fraudulent activity (both internal and external) which may impact the Programme or result in inappropriate use of any part of the grant, and procedures have been established to report any suspicions to Scottish Ministers immediately; • ensure confidentiality of commercially sensitive information and compliance with relevant Data Protection Legislation; • prevent bribery and ensure ongoing compliance with the Bribery Act 2010, including maintenance of a gifts and hospitality register; and • ensure Programme expenditure is spent in accordance with all legal requirements including state aid and public procurement law. <p>1.4 Signed legal agreements are in place between the Council and all Regional Partners that:</p> <ul style="list-style-type: none"> • replicate the terms and conditions of the grant award letter and associated schedules for payments and timing of claims; • include relevant clauses to ensure that the Council is not exposed to or liable for any legal or financial risks arising from the activities of partner organisations; • ensure that accountability in meeting the terms and conditions of the Financial Agreement and Grant Offer Letter has been passed from the Council to regional partners, where appropriate; and • are reviewed regularly and amended to ensure any changes to terms and conditions or associated schedules are reflected. |

| | |
|---|---|
| <p>2. Receipt and disbursement of grant funds</p> | <p>2.1 Processes are in place to ensure grant claims from Regional Partners meet information and evidence requirements, with a second review carried out by another officer prior to submission to the SG.</p> <p>2.2 The Council has implemented processes to ensure processing of any City of Edinburgh City Region Deal Projects adhere to financial procedures with a second review completed by a senior officer prior to submission to the SG.</p> <p>2.3 Grant claim forms are submitted by the Council to the SG quarterly in arrears together with progress reports and monitoring information as set out in the grant award letter. Copies all evidence is retained to verify that conditions are met.</p> <p>2.4 The Council settles all approved claims promptly with any reasons for delays to payments recorded and approved appropriately.</p> <p>2.5 The Council maintains accurate and complete records of the budget and expenditure for the programme, including the profile for the whole programme and each project, planned expenditure, budget to date and budget remaining.</p> <p>2.6 Financial records are held in the Council's general ledger, separate from other Council financial records.</p> |
| <p>3. Governance and reporting</p> | <p>3.1 The Council has established procedures to ensure it complies with the following reporting requirements set out in City Region Deal documentation, with accurate submissions provided to the Scottish Government within expected timeframes:</p> <ul style="list-style-type: none"> • Monthly Financial Forecast Table (no later than 10th working day) detailing monthly expenditure of each project and overall programme, cumulative spend and profile spend for the remainder of the financial year. • Quarterly performance reports (no later than 10th working day of month following quarter end) which includes RAG status for overall programme and each project, latest financial information highlighting over/underspends, RAG status and details of met and upcoming milestones, reviewed and approved by the Joint Committee prior to submission. • Submission of an Annual Statement of Compliance of Conditions of Grant (by 30th April). • Annual Benefits Realisation Plan including alignment to wider regional and economic development benefits achieved by utilising partner resources (by 30th June). • Annual Implementation Plan with target milestones/activities (by 30th June). The plan is also reviewed quarterly by the City Region Deal Joint Committee. • Annual Performance Report based previous year's activity at both Programme and Project level (by 31 July). This should be based on the annual report template. • Annual Financial Forecast Table for the next financial year with spend profiles for programme and each project (by 31 August). <p>3.2 A change control system has been established between the Council as Accountable Body and all regional partners to ensure all partners remain</p> |

informed of any changes to financial forecasts, and that these are reported to the SG.

- 3.3 An annual audit of the finances of the programme is undertaken both internally and externally to the Accountable Body and the outcome of this shared with the Joint Committee and Scottish Government.

The City of Edinburgh Council

Internal Audit

CGI Subcontract Management

Final Report

29 November 2019

RES1901

Overall report rating:

| | |
|--|--|
| Some improvement required | Whilst some control weaknesses were identified, in the design and / or effectiveness of the control environment and / or governance and risk management frameworks, they provide reasonable assurance that risks are being managed, and the Council's objectives should be achieved. |
|--|--|

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This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2019/20 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2019. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

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

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

1. Background and Scope

Background

The Council's digital operational technology services (including security) are fully outsourced to CGI, who work in partnership with the Council's Digital Services team to maintain appropriate levels of service and support delivery of technology projects. CGI service delivery for the Council is supported by a total of 67 sub-contractors.

Whilst service delivery can be fully outsourced to contractors and sub-contractors, responsibility for any significant legislative; regulatory; or security breaches (for example a malware attack that results in a breach of GDPR regulations) remains with the Council.

Consequently, it is essential that the Council obtains appropriate assurance from CGI confirming that sub-contractors supporting delivery of Council services are effectively managed.

The contract established between the Council and CGI requires CGI to ensure that effective supplier management arrangements have been established for 'key subcontractors' and report any issues with their operational performance to the Council.

The contract defines 'key sub-contractors' as any sub-contractors:

- which, in the opinion of the Authority (the Council), performs (or would perform if appointed) a critical role in the provision of all or any part of the Services; and/or
- with a Sub-contract with a contract value which at the time of appointment exceeds (or would exceed if appointed) 10% of the aggregate Charges forecast to be payable under this Agreement (as set out in the Financial Model).

Two of the 67 sub-contractors (Commsworld and Dacoll) have been classified as key sub-contractors and are subject to ongoing supplier management by CGI, with details of their ongoing performance reported to the Council via the monthly ICT Services Client Service Report provided by CGI that highlights any serious service incidents attributable to these suppliers.

Both suppliers provide different types of service to the Council. Commsworld is responsible for supporting the Council's communication systems (Contact Centres and Telephony) and wider area networks whilst Dacoll is responsible for the Council's local area networks and end user infrastructure.

The remaining 65 subcontractors are allocated to either technology applications or infrastructure services, with their delivery and performance managed by the two senior CGI managers responsible for these areas. As none of these sub-contractors have been identified by the Council as 'key sub-contractors', CGI is not contractually required to establish formal supplier management arrangements for these sub-contractors and provide updates on their performance to the Council.

CGI management has advised that the majority of subcontractors supporting Council applications have not been classified as 'key-subcontractors' as the existing contractual arrangements between the Council and CGI require a full 'flow down' of terms from the main contract to key subcontractors, and where software applications are proprietary to an organisation, it is a significant commercial challenge to achieve a full-flow down approach.

CGI is required to advise the Council (per section 18 of the contract) of changes in the sub-contractor population and / or the technology services that existing sub-contractors provide to the Council to enable them to assess whether any of the remaining population of sub-contractors should be classified as 'key-subcontractors'.

Scope

The objective of the audit was to assess the design adequacy and operating effectiveness of the CGI model for ongoing management of performance and delivery of sub-contractors engaged to support delivery of operational technology services and projects for the Council. Our areas of audit focus as detailed in our terms of reference are included at Appendix 3.

This review was performed by exercising the 'right to audit' clause included in the CGI contract.

Testing was performed across the period 1 April 2018 to 31 March 2019.

Limitations of Scope

The contract management framework applied by the Council to manage CGI performance was specifically excluded from the scope of this review, as a separate review of CGI partnership management and governance is included in the 2019/20 approved Internal Audit plan.

Reporting Date

Our audit work concluded on 15 August 2019, and our findings and opinion are based on the conclusion of our work as at that date.

2. Executive summary

Total number of findings: 2

| Summary of findings raised | |
|----------------------------|---|
| Medium | 1. Council oversight of CGI sub contract management |
| Low | 2. CGI – ongoing Dacoll performance monitoring |

Opinion

Our review confirmed that some improvement is required to ensure effective ongoing management of third party sub-contractors engaged by CGI to support delivery of operational technology services and projects for the Council.

We established that CGI is providing reasonable assurance that the risks associated with third party suppliers are being managed, as the two key sub-contractors engaged by CGI to work on the Council's account are being managed in line with the third party contractual obligations specified in the CGI contract.

However, no recent review has been performed by Digital Services management to determine whether any of the remaining population of 65 sub-contractors that CGI has engaged to work on the Council account should also be classified as 'key sub-contractors' based on the criticality of their role in supporting delivery of Council services, or the value of their contracts in comparison to the aggregate charges forecast included in the CGI contract.

Consequently, CGI is not contractually required to establish formal supplier management arrangements for these sub-contractors and provide ongoing updates on their performance to the Council.

This presents the risk that poor supplier performance in relation to delivery of services that may be assessed as critical for the Council is not proactively identified and addressed through established supplier management arrangements and could potentially result in unnecessary incidents that impact the Council's ability to deliver services. Digital Services management has advised that where this risk crystallised, CGI would be held accountable for any incidents and their effective resolution, regardless of any established underlying sub-contract arrangements.

Digital Services management has advised that delivery of contractual outbased based specifications (OBS) services by CGI are contracted through to 2023, and that CGI has annual agreements in place with the underlying subcontractors providing these services. Consequently, CGI could change their subcontractors supporting delivery of Council services annually. Management has confirmed that any changes in CGI subcontractors would be advised to Digital Services through the established contract change procedure. This would then trigger a discussion with the Council's Digital Services team to determine whether any new contractors should be classified as 'key-subcontractors'. Internal Audit has been unable to test this control as no changes to CGI subcontractors were identified during the period that we reviewed.

There is also opportunity for management to consider the adequacy of the sub-contract management clauses included in the current CGI contract at the time of the next scheduled contract review to determine whether they adequately address the risks associated with CGI's use of sub-contractors to support delivery of critical services to the Council.

We also noted that different approaches are applied by CGI to ongoing supplier performance management of the two key sub-contractors, with one subcontractor subject to a more specific set of key performance indicators and performance reporting in comparison to the other. It is acknowledged that this may be attributable to differences in the type of services delivered by these sub-contractors and the risks associated with them.

Consequently, two Internal Audit findings (one Medium and one Low) have been raised. Further information on the findings raised is included at Section 3 below.

3. Detailed findings

1. Council oversight of CGI subcontract management

Medium

We established that the remaining population of 65 sub-contractors engaged by CGI to support delivery of technology services to the Council has not been reviewed by Digital Services potentially since the inception of the CGI contract to establish whether they should be classified as 'key sub-contractors' based on the criticality of their role in supporting delivery of Council services, or the value of their contracts in comparison to the aggregate charges forecast included in the CGI contract.

Digital Services management provided a '3rd Party Contracts Novation Tracker' ('CNT') spreadsheet to Internal Audit on 7 October 2019, which was substantially after conclusion of our fieldwork on 15 August 2019 as evidence of ongoing monitoring of CGI subcontractors performed by Digital Services.

Review of the CNT spreadsheet confirmed that it had been created in June 2019 and includes a list of subcontractors aligned to specific services that were cross referenced to relevant contract output based specifications (OBS), with applications allocated a priority / criticality rating. Additionally:

- The CNT spreadsheet appears to be incomplete. CGI confirmed that they currently manage a total of 69 subcontractors including the 2 key subcontractors, however the spreadsheet provided by the CEC ICT includes only 52 subcontractors.
- The CNT spreadsheet includes a total of 18 applications / services where purchase orders for the services had expired as at 30 September 2019, which raises questions regarding whether these services continue to be provided or have changed, or whether the spreadsheet has not updated to reflect the current position. Further details of these applications are included at Appendix 2.
- The CNT spreadsheet includes a total of 7 applications where no priority / criticality rating has been applied. Further details of these applications are included at Appendix 2.

Consequently, no proactive direct ongoing supplier performance management is performed by CGI for these non 'key' subcontractors) and reported to the Council. Instead they are managed reactively in response to any critical or significant service incidents that relate to the technology applications and infrastructure support services that they provide.

Risks

The potential risks associated with our findings are:

- Critical services delivered by, and high value contracts associated with, the remaining population of 65 CGI sub-contractors that are not currently classified as 'key sub-contractors' have not been completely identified, and their service delivery is not proactively monitored by CGI to prevent the occurrence of incidents.
- The Council does not receive adequate information from CGI on the performance of the remaining population of 'non-key' sub-contractors enabling providing them with appropriate assurance that their performance and delivery is being effectively managed and monitored by CGI.

1.1 Recommendation: Assessment of the criticality of CGI sub-contractors

It is recommended that Digital Services in conjunction with CGI:

- Performs a review of the remaining population of 65 sub-contractors that are currently not classified as key sub-contractors to determine whether they should be reclassified as 'key sub-contractors' based on the criticality of their role in supporting delivery of Council services, or the value of their contracts in comparison to the aggregate charges forecast included in the CGI contract. This review should consider the criticality of Council applications and infrastructure

supported by these sub-contractors in comparison to divisional application and system recovery requirements and should also address the gaps identified in the CNT spreadsheet that are detailed above.

- Implements regular ongoing risk based reviews (for example, monthly; quarterly; or annual) review of the performance of existing CGI sub-contractors that are not classified as key sub-contractors to determine whether the services provided, or the value of their contracts have changed, requiring them to be reclassified as key sub-contractors.
- Provide details of the outcomes of these reviews to the relevant Council and CGI partnership governance forums.

1.1 Agreed Management Action - Assessment of the criticality of CGI sub-contractors

Digital Services will:

- Perform a review, with the assistance of CGI where appropriate, of the remaining population of 65 sub-contractors that are not currently classified as key sub-contractors to determine whether they should be reclassified as 'key sub-contractors' based on the criticality of their role in supporting delivery of Council services, or the value of their contracts in comparison to the aggregate charges forecast included in the CGI contract. This review will consider the criticality of Council applications and infrastructure supported by these sub-contractors in comparison to divisional application and system recovery requirements and will ensure that the gaps noted in the CNT spreadsheet in relation to missing contractors; expired purchase orders; and criticality of applications have been addressed.
- Where the review highlights any significant changes, the outcomes will be provided to the relevant Council and CGI partnership governance forums together with a request that CGI implements the supplier management arrangements specified in the contract to any new key sub contractors.
- Review of CGI sub contractors will be scheduled for completion annually, and the process outlined above applied.

Owner: Stephen Moir, Executive Director of Resources

Contributors: Nicola Harvey, Head of Customer and Digital Services; Heather Robb, Chief Digital Officer; Jackie Galloway, Commercial Manager; Alison Roarty, Commercial Team Lead; Layla Smith, Business Manager

Implementation Date:

30 April 2020

1.2 Recommendation: Review of CGI contract sub-contract management clauses

The adequacy of the sub-contract management clauses included in the current CGI contract should be considered at the time of the next scheduled contract review / refresh to determine whether existing contractual requirements adequately address the risks associated with CGI's use of sub-contractors to support delivery of services to the Council.

This should include consideration of a wider range of classifications for sub-contractors based on the criticality and risks associated with the services that they provide to the Council, and the nature and extent of assurance required from CGI and provided to relevant partnership governance forums to confirm that services delivered by sub-contractors are being effectively managed.

1.2 Agreed Management Action - Review of CGI contract sub-contract management clauses

The adequacy of the sub-contract management clauses included in the current CGI contract will be considered at the time of the next scheduled contract review / refresh to determine whether existing

contractual requirements adequately address the risks associated with CGI's use of sub-contractors to support delivery of services to the Council.

This will include consideration of a wider range of classifications for sub-contractors based on the criticality and risks associated with the services that they provide to the Council, and the nature and extent of assurance required from CGI and provided to relevant partnership governance forums to confirm that services delivered by sub-contractors are being effectively managed

Owner: Stephen Moir, Executive Director of Resources

Contributors: Nicola Harvey, Head of Customer and Digital Services; Heather Robb, Chief Digital Officer; Jackie Galloway, Commercial Manager; Alison Roarty, Commercial Team Lead; Layla Smith, Business Manager

Implementation Date:

31 March 2023

2. CGI – ongoing Dacoll performance monitoring

Low

Both Dacoll and Commsworld are sub-contracted by CGI to provide services for the Council and are classified as a 'key sub-contractors' as per the definition included in the CGI contract. Consequently, CGI is required to perform ongoing delivery and performance management for these suppliers in line with the terms of the contract.

Both suppliers provide different types of service to the Council. Commsworld is responsible for supporting the Council's communication systems (Contact Centres and Telephony) and wider area networks whilst Dacoll is responsible for the Council's local area networks and end user infrastructure.

Our review established that the extent and quality of CGI's ongoing performance monitoring varies for these key sub-contractors, with Commsworld subject to a more specific and detailed set of key performance indicators and ongoing performance reporting in comparison to Dacoll, where performance monitoring is limited to maintenance of a rolling actions log based on the outcomes of monthly supplier performance meetings; progress with open actions owned by Dacoll; and any new incidents reported by CGI that are attributable to Dacoll.

Whilst this supplier management process does not breach contractual requirements as the contract does not specify the extent of supplier performance monitoring to be performed by CGI, there is opportunity for CGI to review the supplier management processes applied to these sub-contractors and consider whether they should be more consistent and aligned. It is acknowledged that there will be variances in supplier key performance indicators and ongoing performance reporting that reflect the different nature of the services provided by the sub-contractors.

Risk

The potential risks associated with our findings are:

- Instances of poor service delivery by Dacoll are not identified and addressed by CGI in a timely manner, potentially resulting in technology incidents that impact upon the Council's networks and end user solutions.
- Completeness of the Dacoll rolling actions log is dependent on how effectively CGI identifies incidents that are attributable to Dacoll.
- The Council can only evaluate Dacoll's efficiency in resolving incidents rather than their overall ongoing supplier performance.

2.1 Recommendation: Ongoing Dacoll supplier management

CGI should review their Dacoll supplier performance management arrangements to determine whether these should be enhanced to provide additional assurance to the Council in relation to the ongoing performance of this key sub-contractor. This review should consider whether:

- Enhanced key performance indicators are required to assess Dacoll's service delivery effectiveness.
- Enhanced performance monitoring reports should be prepared and provided to the Council.
- The process for identifying incidents that are attributable to Dacoll is fully effective.

Where improvements to the existing Dacoll supplier management process are identified, these should be implemented and consistently applied.

2.1 Agreed Management Action - Ongoing Dacoll supplier management

CGI management response

As the draft Internal Audit report of CGI sub contract management has correctly identified CGI are delivering their contractual obligations and these are not breached.

In accordance with Clause 15, Supply Chain Rights and Protections, of the Substantive Terms, CGI have an obligation under 15.1.2(a) to 'Manage any Sub-contractors in accordance with Good Industry Practice'.

This is applicable to all of the sub-contractors CGI utilise in delivering services to the Council. CGI do recognise that, while we are compliant with the contract, the method of managing sub-contractors can vary.

If the Council wishes to change this contractual requirement and request enhanced KPI's, to mitigate the low risks identified by audit it is recommended that this is included in the wider discussions regarding a contract extension.

Customer and Digital Services management response

Customer and Digital Services are happy to accept this risk until the wider discussions regarding a contract extension in April 2023 as the varied nature of technology contracts and the factors that would constitute a service failure means that it would be difficult to manage sub contractors consistently in the same way.

Owner: Stephen Moir, Executive Director of Resources

Contributors: Nicola Harvey, Head of Customer and Digital Services; Heather Robb, Chief Digital Officer; Jackie Galloway, Commercial Manager; Alison Roarty, Commercial Team Lead; Layla Smith, Business Manager

Implementation Date:

1 April 2023

Appendix 1: Basis of our classifications

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

Please see the [Internal Audit Charter](#) for full details of opinion ratings and classifications.

Appendix 2 – Gaps in the contract novation tracker spreadsheet

Table 1: Applications where purchase orders for services had expired as at 30 September 2019

| | Application / Service Name | Application / Service Detail | Renewal Period | Current Contract Owner | Current PO Period End Date |
|-----|-----------------------------------|---|----------------|------------------------|----------------------------|
| 1. | IBM Maint Contract - InfoSphere | IBM InfoSphere Master Data Management Individual Hub, IBM InfoSphere Master Data Management Organization Hub | 2019-06 | CGI | 30/06/19 |
| 2. | Microstation, Hevacomp, Openroads | Microstation x3 Hevacomp x2 Openroads Designer x 1 | 2019-03 | CGI | 31/03/19 |
| 3. | Edina Hosting | Edina Hosting - Key to Choice | 2018-11 | CGI | 30/11/18 |
| 4. | ITrent HR | Itrent HR Support and Maint | 2018-12 | CGI | 31/12/18 |
| 5. | Teleopti | Teleopti - workforce management | 2019-07 | CGI | 31/07/19 |
| 6. | Web Performance | Synthetic Transactions | 2019-09 | CGI | 23/09/19 |
| 7. | Apricot | Ecco/Apricot Online Data Management | 2019-09 | CGI | 30/09/19 |
| 8. | Citizen Account Portal | housing performance mangement application, externally hosted Online portal | 2019-09 | CGI | 30/09/19 |
| 9. | Covalent | Performance Management System | 2019-04 | CGI | 17/04/19 |
| 10. | MACS | Money Advice Casework System (MACS) | 2019-03 | CGI | 31/03/19 |
| 11. | RouteSmart | RouteSmart Licence Annual Subscription 2 concurrent users | 2019-08 | CGI | 23/08/19 |
| 12. | Navigator and Fusion | Navigator Annual Software Licence Fusion Annual Software Licence | 2019-08 | CGI | 23/08/19 |
| 13. | Kirona MDRS | Optitime / MDRS | 2019-05 | CGI | 31/05/19 |
| 14. | Frontier | Licence and Support | 2019-03 | CGI | 31/03/19 |
| 15. | Support for IBM Security Products | Support for Security Management System (SMS) platform (Tivoli / Websphere) | 2019-05 | CGI | 30/05/19 |
| 16. | Proactis | Proactis eCommerce Solution | 2019-02 | CGI | 28/02/19 |
| 17. | Intranet Hosting | Intranet Web Hosting | 2019-06 | CGI | 30/06/19 |
| 18. | Zipporah Room Booking (Hosting) | Room Booking System Hosting | 2019-09 | CGI | 30/09/19 |

Table 2: Applications where no priority / criticality rating has been applied

| | Vendor | Full Vendor Name | Priority | All OBS | Application / Service Name | Application / Service Detail |
|----|-------------|------------------------|------------|---------|----------------------------------|--|
| 1. | | | | | Edina Hosting | Edina Hosting - Key to Choice |
| 2. | Commsworld | COMMSWORLD LIMITED | TBC | 301; | Teleopti | Teleopti - workforce management |
| 3. | | | | | NPS Housing Online | NPS Housing Online CRQUK0000728135 |
| 4. | ParentPay | PARENTPAY LIMITED | TBC | 200; | ParentPay Pebble | Online School Payments (Pebble) |
| 5. | | | TBC | 200; | ParentPay Annual Fee | Online School Payments (Annual Schools and Pupil Charge) |
| 6. | Proactis | PROACTIS GROUP LIMITED | | | Proactis | Proactis eCommerce Solution |
| 7. | TotalMobile | TOTALMOBILE LIMITED | TBC | 307; | Mobilise, Optimise, TotalRepairs | Housing Repair SAAS incl Mobilese and Optimise |

Appendix 3: Areas of audit focus

The areas of audit focus and related control objectives included in the review are:

| Audit Area | Control Objectives |
|-------------------------------|--|
| Contract management framework | <ol style="list-style-type: none"> 1. Confirm that there is an established contract register that includes details of all sub-contractors engaged to support service delivery for the Council; 2. Confirm that an effective process has been established to support ongoing maintenance of the contracts register, with new contracts added and expired contracts removed; 3. Select a representative sample of CGI sub-contractors¹ involved in supporting Council service delivery and confirm that: <ul style="list-style-type: none"> • appropriate contract owners and managers have been established and are aware of their ongoing contract management responsibilities; • baseline performance measures and SMART (specific; measurable; achievable; relevant; and time bound) key performance indicators (KPIs) have been defined and agreed with the supplier to ensure that anticipated contractual benefits are delivered; • regular supplier performance meetings have been established at an appropriate frequency that reflects the scale and complexity of the contract; • supplier meetings follow a standard agenda; with actions documented; allocated to appropriate owners for delivery within agreed timeframes; and completion progress monitored; • the design; content; and frequency of performance management information (MI) to be provided by the sub-contractor and / or CGI has been discussed and agreed; • performance MI is provided within agreed timeframes; is reviewed by the contract manager (and owner if required) and is discussed at ongoing supplier performance meetings; and • a process has been established and is consistently applied to address any performance and financial viability issues; new and emerging contractual risks (including potential conflicts of interests); and contractual and operational performance changes. |
| Training | <ol style="list-style-type: none"> 1. Training is provided for all new contract owners and managers, with refresher training also provided at appropriate frequencies; 2. Training is comprehensive and covers all aspects of the contract management process throughout the contract lifecycle; and 3. Using the sample of contracts selected above, establish whether and when contract owners and managers have recently attended contract management training. |

¹ Due to limitations imposed by CGI, sample has been reduced to cover only “Key” suppliers - in respect to the “non-Key” suppliers, CGI confirmed that no such arrangements are in place and process relies on the ‘silo-level’ management outlined in pt. Co2 of Appendix 3 below

The City of Edinburgh Council
Internal Audit Report – RES 1901; CGI Subcontract Management

| | |
|--------------------|---|
| Ongoing monitoring | <ol style="list-style-type: none"> 1. Ongoing monitoring is performed to confirm that the contract management framework is consistently applied by contract owners and managers; 2. The methodology applied to select the contracts to be reviewed is adequate and effective, resulting in an appropriately representative risk-based sample; 3. Review scopes adequately determine whether the contract management process is consistently and effectively applied by contract owners and managers; 4. Review outcomes are documented, and action plans developed to address any significant instances of noncompliance; and 5. Systemic weaknesses are escalated to appropriate governance forums (for example Directorate risk committees and / or the Corporate Leadership Team); and 6. Follow-up is performed to confirm that all agreed actions have been effectively implemented and sustained. |
| Escalation | <ol style="list-style-type: none"> 1. A process has been established to ensure that any significant sub-contractor performance and financial viability issues; and conflicts of interest are escalated to the Council, together with any associated risks; and 2. The Council is updated on an ongoing basis in relation to progress towards resolution |

The City of Edinburgh Council

Internal Audit

Retention of Social Work Case Records (Looked After and Accommodated Children)

Final Report

13 January 2020

CW1705

Overall report rating:

| | |
|----------------------------------|--|
| Some improvement required | Whilst some control weaknesses were identified, in the design and / or effectiveness of the control environment and / or governance and risk management frameworks, they provide reasonable assurance that risks are being managed, and the Council's objectives should be achieved. |
|----------------------------------|--|

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This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2019/20 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2019. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

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

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

1. Background and Scope

Background

In 2017 the Council discovered that records for a citizen who was a Looked After and Accommodated (LAAC) child in the Council's care had been securely destroyed in error in 2016 as the full statutory retention period of 100 years had not been applied.

The existing moratorium on file destruction, already in place for children's files to support the Scottish Child Abuse Inquiry was immediately extended to include all Health And Social Care files and has remained in place.

At the August 2017 Governance Risk and Best Valued Committee meeting, the Director of Communities and Families provided an update on the incident and advised that whilst procedures and policies have been established to ensure safe keeping of social work files in line with statutory retention periods, in this case an error had occurred and was being investigated.

Investigation outcomes

The investigation was completed in August 2017 and concluded that historic records management policies and procedures had not been consistently applied as an inaccurate retention period had been applied to the citizen's social work paper files when the records were archived for storage, and the error was not identified when the records were authorised for disposal. The investigation confirmed that this error was attributable to:

- Combining the citizen's child and adult social work files prior to being archived. Management has advised that this practise ceased in 2012; and
- the duration of the citizen's care across use of both the Council's legacy (CIS) and current (Swift) digital social work case management case systems.

The investigation also highlighted that different processes were applied by the Communities and Families Directorate and the Health and Social Care Partnership as a qualified social worker is responsible for review of files prior to their destruction in Communities and Families, whilst pre destruction reviews in Health and Social Care is performed by business support.

It was agreed that a new business as usual process would be established for review of files prior to destruction that would be applied by both the Communities and Families Directorate and the Health and Social Care Partnership, that would require review of all files by a qualified social worker to identify any potentially merged files and ensure that correct current destruction dates had been applied.

Project establishment

A project was then established to determine whether this incident was unique, or whether there were additional files at risk of early disposal.

The project confirmed that changes in recording practices and recording errors have made data extraction and analysis pre 1974 difficult. For example, there are cases where client details are recorded in the case management system with no supporting information on the existence of supporting paper files.

Consequently, the scope of the project was limited to identifying citizens who are likely to have received care as a LAAC child and were born after 1974, and a population of 6,300 citizens was identified.

The project has advised that due to the large number of variations in the data, it is likely that this population is not fully complete, and that some files that may have been merged have not yet been identified.

A sample of 65 of the 6,300 files was selected and reviewed to determine how their records were physically stored and recorded in Council systems. This review identified inconsistencies with retention and destruction of some LAAC paper files due to changes in retention rules and records management practices over the last forty years. These were:

- as LAAC files have the retention period applied when they are archived, destruction dates may no longer reflect current statutory retention periods;
- historically, some LAAC paper files were filed together with adult files or files of other family members;
- some LAAC client digital records are recorded only in the CIS legacy social work management system and have not been recorded in the current Swift system.

Physical file reviews

Funding was then secured to establish a team to support completion of manual reviews of the 6,300 files identified where citizens are likely to have received care as a LAAC child, with the objective of:

- identifying and separating merged files and applying accurate retention dates that are aligned with legislative and statutory requirements;
- updating files with historic retention rules to reflect current requirements; and
- identifying files where electronic records are recorded in the CIS legacy case management system and recording an entry in the Swift case management system to ensure that adult records can be linked to care as a child (where relevant).

Progress to date

The file review process commenced in July 2019 and a total of 586 files had been reviewed as at 30 September 2019. Progress has been impacted by changes in the project team, however the team is now fully resourced and funded through to July 2020 and will progress the remainder of the file reviews from November 2019.

Scope

The objective of this review was to confirm:

- whether the process applied by the project team is appropriately designed to identify potentially merged files;
- that appropriate actions were implemented to address merged files where these were identified;
- that appropriate quality assurance and management oversight processes had been established as part of the review process;
- that effective controls had been implemented to confirm the location of all files throughout the review process; and
- that revised processes have been implemented to support file reviews of child and adult social work files prior to their destruction.

Limitations of Scope

There were no specific limitations to the scope of our review.

Reporting Date

Our audit work concluded on 30 October 2019, and our findings and opinion are based on the conclusion of our work as at that date.

2. Executive summary

Total number of findings: 3

| Summary of findings raised | |
|----------------------------|--|
| Medium | 1. File review process |
| Medium | 2. Review of additional files |
| Medium | 3. Pre destruction business as usual file review process |

Opinion

The overall 'some improvement required' rating reflects that the project is still at the early stages of inception with only 9% of the established population of 6,300 potentially merged files reviewed, providing sufficient time to address the control weaknesses identified in relation to the design of the key controls supporting the file review process, prior to reviewing the remainder of the files.

It is also important to ensure that regular progress reporting is provided to the project Senior Responsible Officers to confirm progress with and quality of file reviews; adequacy of project resources; and highlight any new risks, issues and dependencies that could impact upon completion of the file's reviews and implementation of actions to address merged files.

Project management has also advised that a significant (as yet unquantified) volume of social work files has been identified at the Westerhailes Healthy Living Centre that could potentially include merged files. It is essential that an initial review is performed to quantify this population of files and determine whether they should be incorporated within the project, and an assessment performed to confirm the associated impact on project resources and funding to enable identification of options and implementation of appropriate solutions.

Whilst it is acknowledged that the existing file destruction moratorium implemented in August 2017 currently mitigates the risk of early destruction of files, it is important to ensure that a consistent 'business as usual' file review and destruction process is designed and implemented across both Communities and Families and Health and Social Care to ensure that the risk of early destruction of merged files is effectively managed in future.

Consequently, three Medium rated findings have been raised.

3. Detailed findings

1. Project file review process

Medium

The review of the processes that have been applied to the 586 files already reviewed by the project highlighted that:

1. process documentation detailing the process to be applied to file reviews (including application of correct retention dates) is incomplete and currently does not include all relevant stages of the process in the correct order;
2. emails issued and received by the project team that could potentially contain personal client information in relation to the ongoing review of case files are stored within a shared Microsoft Outlook mail box created specifically for the project;
3. progress and outcomes of the file reviews are not being consistently classified and recorded on the Swift System (paper files tab) and within individual project workflow management spreadsheet trackers. For example, files are classified as 'complete' in instances where they have been forwarded to Health and Social Care Localities for further action and no confirmation is received from the Localities to confirm that the required actions have been implemented;
4. whilst progress reporting is provided to the Council's major projects board, there is currently no regular progress reporting to the Director of Communities and Families; the Director of Resources; and the Head of Strategy and Communications to provide assurance that the project will complete the review of the case files within budget;
5. whilst the location of the files is consistently recorded by the project team there is no requirement included in project processes to ensure that subsequent recipients of case files in both Health and Social Care and Communities and Families consistently record receipt of the files and their location within Swift System; and
6. no quality assurance checks are performed to ensure that the project team are consistently applying the established process to all files reviewed.

Risks

The potential risks associated with our findings are:

- merged files are not identified and appropriately addressed;
- appropriate outcomes may not have been consistently applied to the population of reviewed files;
- potential risk of non-compliance with the Council's Records Management Policy;
- files are potentially lost in transit between the project team and Council divisions; and
- insufficient oversight of project capacity to ensure that the case file review can be completed within budget.

1.1 Recommendation: Review and refresh of the project file review process

- The project file review process should be reviewed and supporting process documentation refreshed. The revised process documentation should include, but not be restricted to implementation of:
 - a. file structure protocols to ensure that all relevant electronic (including e mails received via the shared email account) and paper documentation supporting review of individual files are appropriately named; referenced; and retained in a consistent manner that is compliant with the Council's records management policy;
 - b. appropriate file status classifications that accurately detail progress with completion of files and support progress reporting;

- c. application of accurate file retention dates; and
- d. recording the location of files on Swift by all divisions involved in the file review process to ensure that files do not become 'lost' when transferred between the project and divisions for further action.
- Regular progress reporting to management to provide assurance that the project will be able to complete the review of the case files on time and within budget.
- The refreshed process should be approved by Senior Responsible Officers for the project and Health and Social Care and Community and Families management prior to implementation.

Agreed Management Action: Review and refresh of the project file review process

Agreed actions will be implemented as recommended by Internal Audit.

The project team will work to an end of January date for implementation of quality assurance within the project team with an end of February date for Internal Audit to review the process applied.

| | |
|--|---|
| <p>Owner: Alistair Gaw, Executive Director of Communities and Families</p> <p>Contributors: Laurence Rockey, Head of Strategy & Communications; Nicola Harvey, Head of Customer and Digital Services; John Arthur, Senior Manager Business Support; Louise McRae, Business Support Manager; Freeha Ahmed Business Support Team Manager; Ani Barclay, Business Support Officer; Ruth Currie, Executive Assistant; Donna Rodger, Executive Assistant; Alison Roarty, Commercial Team Lead.</p> | <p>Implementation Date: 28 February 2020</p> |
|--|---|

1.2 Recommendation: Process communication and training

The revised file review process should be communicated to all employees within the Project Team, Health and Social Care, and Community and Families, who will be involved in the file review process, with training provided where required.

Agreed Management Action: Process communication and training

Agreed actions will be implemented as recommended by Internal Audit.

The project team will work to an end of January date for implementation of quality assurance within the project team with an end of February date for Internal Audit to review the process applied.

| | |
|--|---|
| <p>Owner: Alistair Gaw, Executive Director of Communities and Families</p> <p>Contributors: Laurence Rockey, Head of Strategy & Communications; Nicola Harvey, Head of Customer & Digital Services; John Arthur, Senior Manager Business Support; Louise McRae, Business Support Manager; Freeha Ahmed Business Support Team Manager; Ani Barclay, Business Support Officer; Ruth Currie, Executive Assistant; Donna Rodger, Executive Assistant; Alison Roarty, Commercial Team Lead.</p> | <p>Implementation Date: 28 February 2020</p> |
|--|---|

1.3 Recommendation: Quality assurance checks

- A risk based quality assurance review should be designed and implemented to ensure that the file review process is being consistently and effectively applied, and should include but not be limited to:
 - a. a retrospective sample of cases already reviewed to confirm that appropriate action has been taken to address any merged files and / or data quality issues identified; and
 - b. an ongoing risk based sample of the remaining cases to be reviewed that covers all project team members.

- Outcomes of the quality assurance checks should be recorded, and appropriate action taken to ensure that issues identified are appropriately resolved; and
- Quality assurance outcomes should be included in progress reporting provided to management.

Agreed Management Action: Quality assurance checks

Project management information will be monitored weekly to identify the volume of files that have been reviewed by the project team and an independent risk based quality assurance approach developed and implemented that focuses on files that have not been 'split' by the project team, to confirm that they have been accurately classified as files that have not been merged prior to their return to Iron Mountain for archiving.

Quality assurance sample sizes will be selected at the start of each week and will depend on the volumes of files reviewed by the project team and the relevant proportion of non-merged and merged files.

Where merged files have been identified and split by the project team, a lighter touch approach involving peer reviews will be adopted to ensure that the project file review process has been consistently applied and appropriate actions implemented.

Quality assurance outcomes will be recorded and all significant errors (for example failure to identify merged files), areas of good practices, and areas for improvement will be shared with the project team.

Availability of quality resource will be monitored throughout the project to ensure that it remains adequate to complete an appropriate number of QA reviews based on file outcomes.

A retrospective sample of cases already reviewed by the project team will also be selected for retrospective review based on the approach outlined above.

The project team will work to an end of February date for implementation of quality assurance within the project team with an end of March date for Internal Audit to review the process applied.

Owner: Alistair Gaw, Executive Director of Communities and Families

Contributors: Laurence Rockey, Head of Strategy & Communications; Nicola Harvey, Head of customer and Digital Services; John Arthur, Senior Manager Business Support; Louise McRae, Business Support Manager; Freeha Ahmed Business Support Team Manager; Ani Barclay, Business Support Officer; Ruth Currie, Executive Assistant; Donna Rodger, Executive Assistant; Alison Roarty, Commercial Team Lead.

Implementation Date:
31 March 2020

2. Review of additional files

Medium

The project has established that there is a storage room at the Westerhailes Healthy Living Centre office where a significant number of files that have not yet been quantified are located that require to be investigated to identify whether there are any merged / missing social work files. These files are not included within the original figure of 6,300 files identified for review by the Project Team.

The project team has not yet performed an assessment to establish the potential impact that the review of these additional files will have on the project resources and completion timescales. It is understood that the project currently has funding available for one year.

Risk

The potential risks associated with our findings are that the project may not have the necessary resources and funding to support completion of review of additional files identified at the Westerhailes office.

2.1 Recommendation: Review of additional files

A review of the files at the Westerhailes Healthy Living Centre office should be performed using a set of clearly specified criteria to determine whether any of the files could potentially be merged files that should be incorporated within the detailed review of files to be performed by the project.

Agreed Management Action: Review of additional files

The total volume of files at Westerhailes will be quantified. Once this has been completed, a risk based sample approach will be applied to review the files and identify any that may have been merged.

Owner: Alistair Gaw, Executive Director of Communities and Families

Contributors: Laurence Rockey, Head of Strategy & Communications; Nicola Harvey, Head of Customer & Digital Services; John Arthur, Senior Manager Business Support; Louise McRae, Business Support Manager; Freeha Ahmed Business Support Team Manager; Ani Barclay, Business Support Officer; Ruth Currie, Executive Assistant; Donna Rodger, Executive Assistant; Alison Roarty, Commercial Team Lead.

Implementation Date:
31 March 2020

2.2 Recommendation: Impact analysis

An impact analysis should be performed to determine the resourcing and cost impacts associated with additional case file reviews to be incorporated within the project.

Where the additional impacts are significant, the project manager should engage with the senior responsible officers for the project to discuss the risks associated with the additional files and agree solutions. These should include, but should not be limited to:

- the option to transfer the files to storage based on currently applied archiving and destruction dates, and place reliance on the new business as usual process (refer finding 2) to identify and address any merged files; and
- the option to increase project resources to review the additional files.

Agreed Management Action: Impact analysis

The outcomes of the review of additional files (as detailed at recommendation 2.1) will be shared with the Senior Responsible Officers together with an impact analysis detailing the resourcing and associated costs of including the files within the project scope, and recommendations made as to whether the scope of the project should be extended to include these files, or whether reliance should be placed on the new business as usual process to be implemented as detailed at Finding 3.

Where the decision is taken to include the potentially merged files within the scope of the project, they will be transferred across to the project team and logged for review.

The project team will work to a completion 29 May with a date of 26 June for validation by Internal Audit.

Owner: Alistair Gaw, Executive Director of Communities and Families

Implementation Date:

| | |
|---|--------------|
| Contributors: Laurence Rockey, Head of Strategy & Communications; Nicola Harvey, Head of Customer & Digital Services; John Arthur, Senior Manager Business Support; Louise McRae, Business Support Manager; Freeha Ahmed Business Support Team Manager; Ani Barclay, Business Support Officer; Ruth Currie, Executive Assistant; Donna Rodger, Executive Assistant; Alison Roarty, Commercial Team Lead. | 26 June 2020 |
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|---|---------------|
| 3. Pre destruction business as usual file review process | Medium |
|---|---------------|

Whilst it is acknowledged that the moratorium on file destruction remains in place and reduces the risk of early destruction of merged files, the refreshed process detailing responsibilities for completion of file reviews prior to destruction; details of the review to be performed; and actions to be taken where merged files, inaccurate file retention periods, and data quality issues are identified has not yet been designed and implemented.

Risk

The potential risks associated with our findings are that merged files that are not included within the scope of the project are not identified as part of ongoing business as usual processes and could potentially be destroyed early following removal of the file destruction moratorium.

3.1 Recommendation: Pre destruction business as usual file review process

A business as usual process for review of files prior to their destruction should be prepared by the project team and agreed by management in both Communities and Families and Health and Social Care. The process should include, but not be limited to:

- the requirement for the pre destruction review to be completed (or at least reviewed) by a qualified social worker;
- details of the checks to be performed to identify any potentially merged files;
- details of the correct destruction dates that should be applied to the files, aligned with applicable legislation and regulatory requirements;
- actions to be taken to address merged files and any data quality issues identified; and
- the requirement to document the review process and details of action taken, together with the location of any new files created (for example where adult and child files are split and new files created).

3.1 Agreed Management Action: Pre destruction business as usual file review process

The pre destruction business as usual file review process is currently being developed and will cover all of the points recommended by Internal Audit. The process will be prepared by the end January 2020 and agreed with the Health and Social Care and Communities and Families Directorates by the end of February 2020.

| | |
|---|---|
| Owner: Alistair Gaw, Executive Director of Communities and Families | Implementation Date: 28 February 2020 |
| Contributors: Laurence Rockey, Head of Strategy & Communications; Nicola Harvey, Head of Customer & Digital Services; John Arthur, Senior Manager Business Support; Louise McRae, Business Support Manager; Freeha Ahmed Business Support Team Manager; Ani Barclay, Business Support Officer; Ruth Currie, Executive Assistant; Donna Rodger, Executive Assistant; Alison Roarty, Commercial Team Lead. | |

3.2 Recommendation: Communication and training

- The refreshed process should be communicated across all relevant teams within Communities and Families and Health and Social Care, and uploaded on the relevant pages of the Council's internet (the Orb) for reference; and
- Training on the new process should be designed and delivered across all relevant teams.

3.2a Agreed Management Action (Communities and Families): Communication, training, and implementation

Children's Practice team managers have already been briefed regarding the outcomes of the audit and a refreshed process will soon be implemented. The process will be co-produced with Business Support Team Managers, communicated and uploaded to the Orb.

Given the scale of training to be provided, a CECiL based approach will be applied with support provided by Business Support and requested from Learning and Organisational Development (Human Resources), with divisions requested to track completion of the CECiL module.

Locality Management teams will also receive face to face training on the new process.

Owner: Alistair Gaw, Executive Director of Communities and Families

Contributors: Laurence Rockey, Head of Strategy & Communications; Nicola Harvey, Head of Customer & Digital Services; John Arthur, Senior Manager Business Support; Louise McRae, Business Support Manager; Freeha Ahmed Business Support Team Manager; Ani Barclay, Business Support Officer; Ruth Currie, Executive Assistant; Donna Rodger, Executive Assistant; Alison Roarty, Commercial Team Lead.

Implementation

Date:

30 June 2020

3.2b Agreed Management Action (Health and Social Care): Communication, training, and implementation

Health and Social Care will adopt a similar approach to Communities and Families with the new process communicated and uploaded to the Orb.

A CECiL based approach will also be applied with support provided by Business Support and requested from Learning and Organisational Development (Human Resources), with completion of the CECiL module by the relevant teams tracked.

Locality Management teams will also receive face to face training on the new process.

Owner: Judith Proctor, Chief Officer, Health and Social Care Partnership

Contributors: Tom Cowan, Head of Operations, Health and Social Care Partnership; Jacqui Macrae, Chief Nurse and Head of Quality (NHS); Cathy Wilson, Operations Manager, Health and Social Care Partnership.

Implementation

Date:

30 June 2020

3.3 Recommendation: Quality assurance process

An appropriate risk based quality assurance process should be designed and implemented to provide ongoing assurance that the new process for review of files prior to their destruction is being consistently and effectively applied. This should include, but not be limited to:

- inclusion of a clear sample selection methodology that covers all areas and employees involved in the file archiving and destruction process;
- documentation of the quality assurance outcomes together with details of actions taken to address any errors identified; and

- provision of feedback across all teams detailing key themes emerging from quality assurance reviews.

3.3a Agreed Management Action (Communities and Families): Quality assurance process

A joint risk based quality assurance process will be established between Business Support and Team Managers in Localities.

Quality assurance outcomes will be recorded, and learnings shared with team managers at Children's Practice Team meetings, enabling city wide service improvement actions to be identified and implemented where appropriate.

Owner: Alistair Gaw, Executive Director of Communities and Families

Contributors: Laurence Rockey, Head of Strategy & Communications; Nicola Harvey, Head of Customer & Digital Services; John Arthur, Senior Manager Business Support; Louise McRae, Business Support Manager; Freeha Ahmed Business Support Team Manager; Ani Barclay, Business Support Officer; Ruth Currie, Executive Assistant; Donna Rodger, Executive Assistant; Alison Roarty, Commercial Team Lead.

Implementation Date:

30 June 2020

3.3b Agreed Management Action (Health and Social Care): Quality assurance process

A joint quality assurance process will be established between Business Support and Team Managers in Localities.

The new Health and Social Care Partnership Chief Nurse and Head of Quality will be responsible for managerial oversight of the quality assurance processes, ensuring that lessons learned are fed back to the Localities and outcomes reported to the Clinical and Care Governance Committee for scrutiny and oversight.

Owner: Judith Proctor, Chief Officer, Health and Social Care Partnership

Contributors: Tom Cowan, Head of Operations, Health and Social Care Partnership; Jacqui Macrae, Chief Nurse and Head of Quality (NHS); Cathy Wilson, Operations Manager, Health and Social Care Partnership.

Implementation Date:

30 June 2020

Appendix 1: Basis of our classifications

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

Please see the [Internal Audit Charter](#) for full details of opinion ratings and classifications.

Appendix 2: Areas of audit focus

The areas of audit focus and related control objectives included in the review are:

Processes, Procedures and Training

- Current and historic processes and procedures are fully aligned with regulatory and legislative requirements.
- Processes and procedures are clear, easily accessible by staff, and subject to regular review.
- Appropriate training has been provided to all staff involved in records management.

Retention and Disposal of Records

- The correct regulatory retention period is applied when archiving records.
- The correct retention and disposal dates are recorded on the relevant systems (CIS; Swift and the Council's Records Management System).
- Records are only disposed of following review and authorisation by an officer at an appropriate level.
- Records are only disposed of in accordance with set retention periods and regulatory / legislative requirements.

The City of Edinburgh Council

Internal Audit

Revenue Budget Setting and Management

Final Report

5 February 2020

RES1903

Overall report rating:

| | |
|--|---|
| Some improvement required | Whilst some control weaknesses were identified in the design and / or effectiveness of the control environment and / or governance and risk management frameworks, they provide reasonable assurance that risks are being managed, and the Council's objectives should be achieved. |
|--|---|

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

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

1. Background and Scope

Background

Councils receive the majority of their funding from the Scottish Government (SG). This comprises revenue support grant; non-domestic rates; and ring-fenced grants (for example, pupil equity funding, early years expansion and grant funding provided for affordable housing). Councils also generate additional income through Council Tax, with rates set by each individual Council, and application of fees and charges for services provided.

Scottish councils co-operate through, and are represented collectively by, the Convention of Scottish Local Authorities (COSLA).

The Council's [Financial Regulations](#) is a key governance document that details the Council's arrangements for the proper administration of its financial affairs in line with the requirements of section 95 of the Local Government (Scotland) Act 1973, and includes details of the Council's key financial statutory responsibilities and requirements including individual financial management responsibilities; internal and external audit and risk management; provision of budgetary reports to executive committees; the prescribed format for production of annual accounts; management of revenue and capital budgets; transfers between revenue and capital budgets, and revenue budget virements.

The annual budget setting timetable

In recent years, both the Scottish Government Draft Budget and provisional Local Authority specific figures have been provided in December with final funding allocations being confirmed in late January or early February following parliamentary approval. The Scottish Government Budget has been approved annually through the Scottish Parliament in February. The Council sets its budget in February annually to align to the council tax annual billing cycle requirements and statutory provisions to set a balanced budget. The Council's gross General Fund revenue budget for 2019/20 is approximately £1.3 billion.

Current budget pressures

In common with other local authorities, the Council continues to operate and deliver services in a challenging context, with the combined influences of demographic-led demand, inflationary pressures, and legislative reform affecting its budget, all against a backdrop of reducing core grant funding. The Council is managing significant financial pressures with a requirement to deliver £39m of approved savings in the 2019/20 financial year, with a further £25m of savings needed to manage service pressures. The Council has a strong track record in delivering a balanced budget, with 2018/19 representing the twelfth successive year in which net expenditure has been maintained within approved levels. The latest half-year report for 2019/20 notes that a balanced overall position is being forecast for the current financial year.

Executive Directors are accountable for managing expenditure within their approved budgets, in accordance with the Council's Financial Regulations and with advice from their aligned service accountants. This often involves establishing projects that are expected to deliver savings. Documentation supporting the feasibility of planned savings initiatives is prepared as part of the annual budget setting process and reviewed, approved and tracked by the Corporate Leadership Team (CLT), with ongoing savings progress reports provided to Directorate Management Teams, CLT and relevant Council committees during the year. This work is prepared by the Change Strategy Team (Strategy and Communications Division), who liaise with Finance before providing documentation to committee, senior officers, and elected members.

The annual budget setting process

The Council's budget setting process begins with a review of the assumptions underpinning the medium-term financial framework. Following this, an initial report is taken to the Finance and Resources Committee (FRC) setting out the updated financial position and assumptions. The CLT consider the budget position and will work with elected members over a period of several months to prepare a draft revenue budget. The draft revenue budget is then considered and scrutinised through a detailed process, which includes submission to both the FRC and to the full Council in line with applicable standing orders and statutory provisions for the setting of a balanced budget.

Revenue budgets

The Council's revenue expenditure relates to the day-to-day costs incurred by the Council in providing services. This includes payroll-related expenditure, buildings running costs, interest payments, and debt repayment. Revenue expenditure on all services except council housing is charged to the General Fund and financed through a combination of council tax, fees and charges, government grants, and non-domestic rates. The Council's Financial Regulations supplemented by the Finance Rules include guidance on revenue budgets.

There is a statutory requirement for local authorities to maintain a Housing Revenue Account (HRA) separate from the General Fund. All expenditure incurred, and income received, in the provision of rented social housing accommodation must be included in the HRA. The Council is not allowed to subsidise the HRA by making contributions from the General Fund. Accordingly, the HRA must break even in its own right. Most of the HRA's income is derived from housing rents, and this must be sufficient to cover the expenditure on the HRA.

Capital budgets

The Council's capital budget details planned expenditure on providing or improving non-current assets, which include operational land and buildings (including schools and offices), vehicles, plant and equipment; and infrastructure and community assets (for example, roads and parks), which will be of use or benefit in providing services for more than one financial year.

When setting capital budgets, the Council must consider (as per Part 7 of the Local Government in Scotland Act 2003) the requirements of the Prudential Code developed by the Chartered Institute of Public Finance and Accountancy in 2004/05. The objective of the code is to provide a framework to support local authorities in their capital investment decisions to ensure that:

- Capital expenditure plans are affordable;
- All external borrowing and other long-term liabilities are within prudent and sustainable levels; and
- Treasury management decisions are taken in accordance with professional good practice.

The Three Lines of Defence

The Three Lines of Defence model can be applied to the Council's annual budget setting and ongoing budget management processes where the 'first line' is the divisions and directorates who own their budgets and savings plans and are responsible for ensuring that they are realistic, achievable and effectively monitored, whilst the 'second line' are the Finance Division and the Change Strategy Team who are responsible for developing and maintaining the Council's budget setting and management framework and supporting guidance; ensuring it is communicated across the Council; and providing ongoing support and guidance to first line budget managers. The 'third line' provides independent assurance (for example, External and Internal Audit) on key controls established within the first and second lines to manage risks associated with the annual budget setting process and ongoing budget management. The Council's External Auditor reports annually to the Council and the most recent report (September 2019) on the 2018/19 financial year noted that the Council had appropriate arrangements in place for managing its financial position during the year. The extent of the reliance on non-service

budgets in achieving this position (and the consequent need for spend within directorates to be maintained within approved levels in current and future years) was, however, emphasised.

The Finance Division and Change Strategy Team

The Finance Division includes business aligned service accountants who are responsible for providing ongoing professional advice, challenge, and support to budget managers in relation to budget setting and ongoing budget management.

Budget holders receive monthly budget reports for their areas which are produced from the Frontier system. The Discoverer system can also be used to produce more specialised reporting as required. There is also regular reporting of financial information to Directorate Service Management Teams, CLT, FRC; Executive Committees; the Governance, Risk and Best Value Committee; and full Council.

The Change Strategy Team sit within the Strategy and Communications Division, and their work includes the presentation of financial information and analysis to senior managers, elected members, and executive committees related to the budget setting process. In addition, the Change Strategy Team and Finance provide joint reports to committee, e.g. FRC, which include predictions of longer-term changes to income and expenditure, estimates of savings required, and proposed savings plans.

In the summer of 2018 Finance undertook an exercise to seek feedback from budget managers from across the Council to give service users an opportunity to inform service improvement. The results of the exercise were shared across directorates and divisions and a number of improvements were implemented including: full budget realignment exercises were undertaken in 2018/19 and 2019/20 in consultation with Place Service Management Teams; a full realignment of the £160m Health and Social Care Partnership (HSCP) purchasing budget was completed to reflect locality management structures; bespoke financial management support and training has been provided to service managers including: development of an HSCP purchasing budget monitoring tool and delivery of training to relevant staff; regular workshops and management of a central mailbox to provide support and guidance to school business managers.

In early 2019 Finance undertook a separate exercise to seek feedback from Finance staff to prioritise further service improvements. Actions implemented during 2019 included improved reporting to CLT, Directorate Service Management Teams and Council Committees on service budget pressures and progress with development and implementation of Directorate plans to mitigate pressures.

Strategy and Communications are seeking to develop links between budget management and change management through the Council's Change Strategy process. Actions undertaken during 2019 included the investment of £1m to supplement project management capacity to support delivery of more challenging approved savings measures; completion of a general "lessons learned" review in March 2019; and presenting a more specific "lessons learned" review in relation to the development of the Council's Efficiency Programme to CLT in October 2019.

Training for budget managers

Training available to budget managers through Human Resources (Learning and Development) includes an essential learning module on the City of Edinburgh Council Interactive Learning (CECiL) platform that provides general training on budget setting and management, and a one-day course on the Frontier financial systems that includes practical examples on using the system to monitor and review budgets.

Scope

The objective of this review was to assess the adequacy of design and operating effectiveness of the key controls established to ensure that there is effective control over budget setting and management for the General Fund and consider the high-level budget setting and management process for three

Council directorates (Resources, Place, and Communities and Families) for the period 1 April to 30 September 2019.

The review provides assurance in relation to the following Corporate Leadership Team (CLT) risk:

- Medium-term financial planning (to 2022) – “Due to reduced funding available for Local Government, increasing demand for health social care services, challenges in achieving planned revenue and/or capital savings, public perception of (and reaction to) proposed changes, competing priorities, the requirement to ring-fence particular budgets, and potential legislative changes following Brexit, the Council could find it more difficult to successfully undertake medium-term financial planning. The effects of this could include additional unplanned in-year financial pressures, and failure to achieve the Council’s medium-to-long term objectives across all areas of service delivery.”

Our areas of audit focus as detailed in our terms of reference are included at Appendix 2.

Testing was performed across the period April 2018 to October 2019.

Limitations of Scope

Review of the budget setting and management processes applied by the Edinburgh Health and Social Care Partnership was specifically excluded from the scope of this review as that was subject to a separate review as part of the Edinburgh Integration Joint Board 2018/19 Internal Audit plan.

Additionally, our review did not cover the ring fenced and capital budget setting and management processes. These areas will be considered for inclusion in future Internal Audit annual plans.

Reporting Date

Our audit work concluded on 9 January 2020, and our findings and opinion are based on the conclusion of our work as at that date.

2. Executive summary

Total number of findings: 4

| Summary of findings raised | |
|----------------------------|--|
| Medium | 1. Savings proposals documentation and risk assessments |
| Medium | 2. Budget setting and management processes |
| Medium | 3. Continuous improvement: Lessons learned and customer feedback |
| Medium | 4. Training for budget managers |

Opinion

Whilst some weaknesses were identified in the design and effectiveness of the controls established to support budget setting and ongoing management for general funds across the Resources, Place, and Communities and Families Directorates and Divisions, they provide reasonable assurance that the operational risks associated with medium-term financial planning are being managed, and that the Council's objectives to set and manage budgets in line with the Local Government (Scotland) Act 1973 requirements should be achieved.

Our review identified some moderate control weaknesses in relation to the adequacy and consistency of information provided to support savings proposals prepared as part of the annual budget setting process; and the red, amber, green (RAG) savings plan delivery risk assessments included in delivery progress updates provided to executive committees during the year. Consequently, it may not be possible to adequately determine the feasibility of proposed savings projects, or fully understand the risks associated with their delivery.

We also identified some moderate control weaknesses in relation to lack of budget setting and management process documentation and guidance for both second line Finance and Change Strategy teams, and first line budget managers (including their respective roles and responsibilities); ongoing improvement of the effectiveness of the budget setting and management processes by implementing actions from lessons learned and customer feedback; and the need to refresh currently available training and ensure that is completed by all first-line budget managers.

Consequently, 4 Medium rated findings have been raised. Further details on the findings raised are included at Section 3.

Areas of good practice

- The Frontier system enables first-line budget managers to review and manage their budgets effectively by producing monthly budget reports and allowing for the analysis of financial transactions;
- Service accountants within the Finance division have a strong knowledge and understanding of both public sector budget setting and management requirements, and the services delivered by the divisions that they support; and
- The annual budget and savings plans are reviewed and approved by the full Council prior to the start of each financial year.

3. Detailed findings

1. Savings proposals documentation and risk assessments

Medium

Review of the process applied to prepare savings proposals as part of the annual budget setting process confirmed that there is currently no written procedural guidance available that details what information should be prepared by directorates and divisions and then provided to Finance to support their proposals. However, all savings proposals are stated using standard templates which help to provide staff with some degree of guidance on what information to include.

Review of a sample of savings proposals provided to Council Executive Committees confirmed that some savings templates are completed that provide a high level overview of proposals, whilst others were supported by business cases that provided more granular information. Finance has advised that whilst there is no available guidance detailing whether a high level overview or detailed business case should be prepared, the level of detail provided is usually based on the associated costs and complexity of the work involved. However, Finance have stated that further work is required to ensure that all business cases are suitably robust with detailed implementation plans and realistic timescales.

During the financial year committees are provided with updates on the progress of savings plans which include red, amber, green (RAG) delivery risk assessments. However, there is no standard definition supporting the red, amber, and green (RAG) risk assessments applied.

Risk

The potential risks associated with our findings are that:

- Committee members do not have a complete understanding of the scope and the associated costs and risks associated with delivery of all savings plans presented throughout the course of the financial year; and
- Savings plans cannot be compared against each other to identify potential dependencies and synergies, and action then appropriately prioritised.

1.1 Recommendation: Savings proposals documentation and risk assessments

1. Standard savings templates and business case documentation should be reviewed to ensure that they are aligned with the project documentation used for major projects, with clear instructions provided to directorates and divisions that detail which documents should be prepared based on the outcomes of the prioritisation matrix and the initial feasibility risk assessment.
2. The RAG (Red, Amber, Green) delivery risk assessments applied to assess the risks associated with ongoing delivery of proposed savings should be clearly defined; communicated across all Council divisions and directorates, and consistently applied to all savings delivery progress updates provided to directorate management teams, CLT, and committees.

1.1 Agreed Management Action: Savings proposals documentation and risk assessments

1. Savings plan and business case templates will both be reviewed to ensure that they align to major projects documentation. In addition, a procedural document will be created which details the amount and depth of documentation which is required to support savings plans, based on outcomes of the prioritisation matrix assessment.
2. The Finance budget monitoring RAG (Red, Amber, Green) delivery risk assessment categories will each be formally defined, and consistently applied to all savings delivery progress updates provided to Directorate management teams, CLT, and service committees.

Owner: Laurence Rockey, Head of Strategy and Communications

Contributors: Hugh Dunn, Head of Finance; John Connarty, Business Partnering Senior Manager; Alison Henry, Corporate Finance Senior Manager; Emma Baker, Change Manager (Strategy); Layla Smith, Operations Manager; Annette Smith, Executive Assistant

Implementation Date:

30 September 2020

2. Budget setting and management processes

Medium

Whilst high-level roles and responsibilities are set out within the Financial Regulations and Finance Rules, no detailed operational guidance on the annual budget setting and ongoing budget management processes is currently available for Finance team members, Change Strategy Team members, and divisional and directorate budget managers to support effective delivery of the Council's statutory budget setting, management, and reporting requirements.

Additionally, the respective roles and responsibilities for (second line) Finance staff and Change Strategy Team staff, and (first line) divisional and directorate budget managers in relation to budget setting and ongoing budget management have not been clearly defined and agreed.

Risks

The potential risks associated with our findings are:

- Budget setting and management is not consistently and effectively performed across the Council, and potentially not in line with CIPFA and Audit Scotland requirements;
- Finance and Change Strategy Team employees are not aware of all the assumptions made by CLT, service management teams and budget managers in the creation of their budgets, and are unable to provide effective challenge; and
- Budgets do not accurately reflect expected future income and expenditure, resulting in unexpected budget variances.

2.1 Recommendation: Budget setting and management processes and timetable

1. Detailed guidance on budget setting and ongoing budget management for the Finance team, and Change Strategy Teams, and divisional / directorate budget managers should be developed and communicated. This should include, but not be limited to, guidance in relation to:
 - preparing complete and accurate annual budgets and performing ongoing budget management;
 - determining cost pressures and their likelihood and impact for consideration in the budget setting process. This guidance should be supported by a checklist that details all of the key points to be considered by budget managers;
 - creating savings plans that are realistic and will help to achieve a balanced budget;
 - accurately determining the initial priority and ongoing delivery risks for individual savings plans.
2. Similar budget setting and management procedures should be obtained (where possible) from other councils, and then analysed in order to identify areas of best practice for potential inclusion in the new guidance; and
3. The guidance should be published on the Finance pages on the Council's intranet (the Orb).

2.1 Agreed Management Action: Budget setting and management processes and timetable

Guidance will be developed for budget setting and management as described in the recommendation above and issued to support the 2021/22 budget setting process.

Owner: Stephen Moir, Director of Resources

Contributors: Hugh Dunn, Head of Finance; John Connarty, Business Partnering Senior Manager; Alison Henry, Corporate Finance Senior Manager; Emma Baker, Change Manager (Strategy); Layla Smith, Operations Manager; Annette Smith, Executive Assistant

Implementation Date:

31 December 2020

2.2 Recommendation: Clarity of roles and responsibilities

The respective roles and responsibilities of first line budget managers and second line Finance and Change Strategy teams in relation to the annual budget setting and ongoing budget management process should be clearly defined, agreed, and communicated across all Council divisions and directorates.

This should specify the second line activities that will be performed by Finance and Change Strategy to support first line budget holders, and the activities to be completed by budget holders.

These roles and responsibilities should be included in the procedures to be designed and implemented as per recommendation 2.1.

2.2 Agreed Management Action: Clarity of roles and responsibilities

The respective roles and responsibilities for first line budget managers and second line Finance and Change Strategy teams in relation to the annual budget setting and ongoing budget management process will be clearly defined in a procedure document, and communicated with documentation reflecting guidance on this matter issued by CIPFA.

Owner: Stephen Moir, Executive Director of Resources

Contributors: Hugh Dunn, Head of Finance; John Connarty, Business Partnering Senior Manager; Alison Henry, Corporate Finance Senior Manager; Emma Baker, Change Manager (Strategy); Layla Smith, Operations Manager; Annette Smith, Executive Assistant

Implementation Date:

31 December 2020

3. Continuous improvement: Lessons learned and customer feedback.

Medium

While lessons learned from the 2019-20 annual budgeting process were collated by Strategy and Communications and reported to the Corporate Leadership Team in March 2019, and Finance customer and staff surveys were performed in late 2018 / early 2019, these feedback exercises are not routinely performed by Strategy and Communications and Finance. Management have confirmed that there are no immediate plans to obtain further customer feedback.

Review of the lessons learned process showed that the follow-up process has not yet been formalised to ensure that all appropriate actions are agreed and implemented to address the key outcomes and that they are resolved in advance of the next annual budget setting process.

A formal process is, however, in place for dealing with customer feedback survey results. Although evidence is available to demonstrate that actions have been taken to deal with issues noted, a key issue for budget managers was the need for the effective training of budget holders but this issue has not yet been fully addressed.

Risk

The potential risks associated with our findings are:

- limited ability to continuously improve the annual budget setting and ongoing budget management processes across the Council, and further enhance the reputation of the Finance division as an

effective second line business partner;

- recurring inefficiencies and errors in budget setting and ongoing budget management processes are not identified and resolved;
- budget managers do not receive an effective service from Finance, and so are not able to manage their budgets as effectively as possible.

3.1 Recommendation: Annual budget setting lessons learned methodology

Lessons learned methodology should be further developed and implemented as part of the annual budget setting process. The methodology should include, but not be limited to:

- roles and responsibilities for ongoing management of the lessons learned process as part of the annual budget setting process;
- the process for collating and consolidating lessons learned by stakeholders including elected members, Finance, Strategy and Communications and divisional and directorate budget holders, including details of lessons learned risks; potential impacts; and significance;
- the process for sharing lessons learned outcomes with budget holders; the Corporate Leadership Team; and relevant elected members; and
- the process to be applied to ensure that appropriate solutions are designed to address key lessons learned and are incorporated into the next annual budget setting process, including roles; responsibilities; and timeframes for ensuring that they are fully implemented.

3.1 Agreed Management Action: Lessons learned methodology

A methodology for the lessons learned process will be developed and stated in a procedure document. This work will be performed through liaison between the Change Strategy Team and Finance. The methodology will include the requirements stated above.

Owner: Laurence Rockey, Head of Strategy and Communications

Contributors: Hugh Dunn, Head of Finance; John Connarty, Business Partnering Senior Manager; Alison Henry, Corporate Finance Senior Manager; Emma Baker, Change Manager (Strategy); Layla Smith, Operations Manager; Annette Smith, Executive Assistant

Implementation Date:

31 May 2020

3.2 Recommendation: Finance customer and staff feedback surveys

Finance management should assess the benefits associated with customer and staff feedback surveys to determine whether these should be performed in the future, and at what frequency.

Where management decides that surveys should be performed, an appropriate methodology that is aligned with the lessons learned methodology noted at recommendation 3.1 should be designed and implemented, with the key outcomes consolidated, reported and addressed with lessons learned outcomes from the annual budgeting process.

3.2 Agreed Management Action: Customer feedback surveys

Finance will conduct customer and staff feedback exercises every two years. A feedback process will be developed and implemented that is aligned with the lessons learned methodology as described in recommendation 3.1.

In addition, feedback from each exercise will be consolidated and used to generate improvement actions. The survey results and improvement actions will be reported to service managers and staff.

Owner: Stephen Moir, Executive Director of Resources

Contributors: Hugh Dunn, Head of Finance; John Connarty, Business Partnering Senior Manager; Alison Henry, Corporate Finance Senior Manager; Layla Smith, Operations Manager; Annette Smith, Executive Assistant

Implementation Date:

31 December 2020

4. Training for budget managers

Medium

The review of a sample of 6 budget managers who had been granted access to the Frontier system after March 2019 highlighted that:

- 5 (83%) had not attended Frontier training; and
- 3 (50%) had not completed CECiL training.

It was also noted that there is currently no established process to ensure that all new budget managers complete the available training. It is currently the responsibility of each budget holder's line manager to request that they complete the training.

Additionally, the content of the CECiL module has not been reviewed for several years. Learning and Organisational Development has advised that they expected the module to be reviewed in the near future.

Risk

The potential risks associated with our findings are that:

- Budget managers do not have sufficient knowledge and understanding of the Council's budget setting and management processes to effectively determine and manage their budgets; and
- Budget managers are unable to use the Frontier system effectively and have a reduced ability to review and manage overspends.

4.1 Recommendation: Training for budget managers

1. When budget managers are provided with Frontier access, Finance should contact them to request that they complete the CECiL training module and attend Frontier training; and
2. Finance should then periodically check to confirm that all budget managers have completed this training.

4.1 Agreed Management Action: Training for budget managers

Finance is not currently responsible for providing training for budget managers as this was centralised into, Learning and Development in 2016. However, following discussions earlier this year, it has been agreed that responsibility for budget managers training will transfer back from Learning and Development to Finance.

Once these responsibilities have been transferred, Finance will establish a process to ensure that all first line budget managers have completed the two training modules with supporting checks performed to ensure that the training has been completed.

Owner: Stephen Moir, Executive Director of Resources

Contributors: Hugh Dunn, Head of Finance; John Connarty, Business Partnering Senior Manager; Alison Henry, Corporate Finance Senior Manager; Layla Smith, Operations Manager; Annette Smith, Executive Assistant

Implementation Date:

30 September 2020

4.2 Recommendation: CECiL training module

Learning and Organisational Development should review and update the CECiL budget setting and management training module. The review should include consultation with Finance.

4.2 Agreed Management Action: CECiL training module

This is underway and will be completed by the end of May 2020.

Owner: Stephen Moir, Executive Director of Resources

Contributors: Katy Miller, Head of Human Resources; Margaret-Ann Love, Lead Consultant, HR Consultancy, Case and Learning; Christine Bayne, Learning and Development Team Leader; Louise Hitchings, Learning and Development Adviser; Layla Smith, Operations Manager; Adam Fergie, Executive Assistant.

Implementation Date:

31 May 2020

Appendix 1: Basis of our classifications

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

Please see the [Internal Audit Charter](#) for full details of opinion ratings and classifications.

Appendix 2: Areas of audit focus

The areas of audit focus and related control objectives included in the review are:

| Audit Area | Control Objectives |
|--|--|
| Budget Management processes and procedures | <ul style="list-style-type: none"> • Budget setting and management procedures have been established which reflect best practice standards and include the process for approving budget virements or transfers; • Procedures cover the entire budget process from creation, approval, and monitoring and reporting; • Roles and responsibilities for finance staff and budget managers have been clearly stated and communicated, and are understood; and • A timetable for the budget setting process is in place, and has been provided to all relevant staff. |
| Accuracy and completeness of budgets | <ul style="list-style-type: none"> • Finance staff and budget managers have determined lessons learned from previous years and reflected them in current revenue budgets; • Finance perform a review prior to the start of each year to identify both internal and external factors that could affect budgets across the Council, e.g. inflation and demography; • Directorates/Divisions have provided Finance with complete and accurate information about issues which could affect their budgets for the forthcoming year, and cost pressures are noted where these have been identified; • Assumptions used for the creation of budgets have been clearly stated, are comprehensive, and are reasonable; • Budgets for all Directorates and Divisions are created using a standard methodology; • Budgets accurately reflect all expected income and costs, including cost savings; • Budgets are sufficiently detailed; • Divisional and Directorate budgets are accurately consolidated into the overall budget for the Council; and • Budgets have been approved by Committee and Full Council, where relevant, prior to the start of the financial year. |
| Budget holder support | <ul style="list-style-type: none"> • Named Finance staff are in place to provide support and advice (for example on the management of overspends) to all budget holders; • The level of service expected of Finance contact staff has been communicated, agreed, and delivered for all parts of the |

| | |
|---------------------------|---|
| | <p>organisation. The service provided should include the provision of telephone support and regular meetings; and</p> <ul style="list-style-type: none"> • Appropriate learning and development is provided for all budget managers including access to relevant financial systems and reporting tools. |
| In-year budget management | <ul style="list-style-type: none"> • Overspends are quickly identified and dealt with in a timely manner, with recovery plans created where relevant; • There is effective reporting of overspends to committee; and • There is appropriate committee approval for any budget virements, or new funding provided, which are used to manage overspends. |
| Monitoring and reporting | <ul style="list-style-type: none"> • Comprehensive and accurate reports are provided to both budget managers and all relevant committees in a timely manner; • Budget reports provide sufficient detail to enable effective monitoring by budget managers and all relevant committees; • Management staff, both Finance and budget holders, attend committee meetings to answer committee questions on budget reports; and • Budget reports are standardised for all parts of the organisation and follow best practice guidelines. |

The City of Edinburgh Council

Internal Audit

Digital Services Incident and Problem Management

Final Report

16th June 2020

RES1907

Overall report rating:

Effective

The control environment and governance and risk management frameworks have been adequately designed and are operating effectively, providing assurance that risks are being effectively managed and the Council's objectives should be achieved.

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This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2019/20 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2019. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

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

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

1. Background and Scope

Background

Incident and problem management are important and related technology service management processes that support the use and reliability of technology resources.

A well planned and prepared incident management process includes incident identification; quantification of the impact; escalation; reporting; and closure, ensuring the relevant functions are involved to achieve effective recovery.

Problem management involves a further root cause analysis step, in addition to the incident response process, to ensure that recurring incidents are identified and resolved. A concise problem management process includes detection; recording; investigation; diagnosis; resolution; and closure.

Management of the City of Edinburgh Council's (the Council) technology systems is outsourced to CGI who work in partnership with the Council's Digital Services team to deliver incident and problem management services using the BMC Remedy system.

CGI use the [Information Technology Infrastructure Library](#) (ITIL) standard to differentiate between incident and problem resolution and closure.

ITIL describes technology processes, procedures, tasks, and checklists that can be applied by an organisation to support delivery of its technology strategy; deliver value; and maintain a minimum level of competency and allows the organisation to establish a baseline from which it can plan, implement, and measure. Whilst ITIL can be used to demonstrate compliance and measure improvement, there is currently no formal independent third party compliance assessment available to assess ITIL compliance.

Scope

The objective of this audit was to assess the design adequacy and operating effectiveness of the incident and problem management processes (from identification through to resolution) provided for the Council by CGI using the BMC Remedy system.

This review was performed by exercising the 'right to audit' clause included in the CGI contract.

Testing was performed on incidents logged between 1 January and 31 December 2019.

Limitations of Scope

There were no specific scope limitations.

Reporting Date

Our audit work concluded on 20/03/2020, and our findings and opinion are based on the conclusion of our work as at that date.

2. Executive summary

Total number of findings: 1

Summary of findings raised

Low

1. Next steps for incident resolution

Opinion

Our review confirmed that the control environment and governance and risk management frameworks supporting the technology incident and problem management processes provided for the Council by CGI have been adequately designed and are operating effectively, providing assurance that risks are being effectively managed and the Council's objectives in relation to the ongoing management and timely resolution of technology incidents and problems should be achieved.

We noted some minor control weaknesses in relation to the adequacy of documentation of follow-up actions that have either been implemented, or are required to prevent potential recurrence of incidents and / or their escalation into more holistic problems impacting a wider number of Council employees.

Additionally, review of Partnership Board and Client Service reports confirmed that whilst High and Critical rated incidents are analysed and reported collectively in relevant categories, there are no clearly defined actions included in these reports that detail how incidents and problems that have adversely impacted on agreed key performance measures (for example Service Incident Response and Resolution; Application Availability; and Service Desk) have been, or will be addressed

Taking a proactive approach to identify; resolve; and document solutions applied to common root causes of incidents could potentially reduce instances of recurring future incidents and / or problems by either effectively addressing the root cause, or provide a reference source detailing how similar incidents or problems have been addressed previously.

Areas of good practice

- The CGI incident and problem management process is aligned with the ITIL framework and incorporates automation (where possible) reducing the potential risks of error associated with manual processes.
- CGI has a defined and robust mechanism that identifies incidents using three points of origination (phone, email or portal).
- The recording of incident details is automated by importing key user details from user directories. Additionally, directories are refreshed daily to ensure that all new details (such as recent joiners) or changes to existing details are included, which ensures the ongoing accuracy of user information required to support incident resolution
- Categorisation of incidents is system-enforced which supports accurate collation of information and an effective incident triage process.

- The governance and reporting of incidents is thorough and comprehensive, with well-defined key performance measures and suitable use of analytics to support themes and messages that require to be communicated to stakeholders.

3. Detailed findings

| 1. Next steps for incident resolution | Low |
|---|-----|
| <p><u>Incident Reports</u></p> <p>Incident reports are generated for incidents that have been resolved and include details such as a summary of the incident; timeline; business impact; and what actions taken to resolve the incident. However, incident reports do not consistently include details of actions taken or required to prevent recurrence of similar future incidents.</p> <p>For example, incident INCUK0009621339 impacted users across the Council in November 2019 and resulted in the creation of problem record PBIUK0000196444, which highlighted the need for the CGI Wintel GB Team to resolve the problem however, the final problem record did not include details of preventative actions implemented or required to prevent future recurrence.</p> <p>In contrast, incident record INCUK0009326597, which was an incident of a similar scale, included specific recommended actions to prevent recurrence, which included ownership, status, and a due date. Whilst this incident was not recorded as a problem, it was included together with the problem detailed above in the Partnership Board report provided to both Council and CGI senior management.</p> <p><u>Partnership Board and Client Service Reports</u></p> <p>A detailed analysis of performance against agreed incident and problem management key performance measures is provided in both the Partner Board and Client Service reports. However, no clear actions are included detailing plans and timeframes to address instances where incident and problem management key performance measures have not been achieved.</p> <p>For example, the aforementioned incident INCUK0009621339 was included in the November 2019 Partnership Board Report, but no supporting root cause analysis and details of preventative measures implemented to prevent future recurrence and maintain ongoing incident and problem management performance were included.</p> | |
| <p>Risks</p> | |
| <p>The potential risks associated with our findings are:</p> <ul style="list-style-type: none"> • if incidents and problems are not properly investigated and resolved with appropriate measures to prevent recurrence implemented and recorded, incidents or problems of a similar nature could recur unnecessarily, adversely impacting Council employees and requiring additional time and effort from the CGI Service Centre to achieve effective resolution. | |
| <p>1.1 Recommendation: Next steps for incident resolution</p> | |
| <ol style="list-style-type: none"> 1. Ensure that incident and subsequent problem management reports include details of actions implemented or required to prevent future recurrence. These should include (but not be limited to) details of the actions implemented / to be completed; their current status; ownership; and action dates. | |

2. The Partnership Board and Client Service reports should also be updated to include details of the root causes of incidents and problems that resulted in inability to achieve incident and problem management key performance measures, together with details of actions implemented or required to prevent future recurrence; their current status; ownership and implementation timeframes as recorded in relevant incident and problem management reports.

1.1 Agreed Management Action: Next steps for incident resolution

1. Agreed – updates will be provided into the problem management records that feed into the Problem Review Board
2. Agreed – the Client Service reports and Partnership Board documents will be amended in relation to problem records to make reference to updates of the problem records being recorded in the Problem Review Board input.

Owner: Stephen Moir, Executive Director of Resources, and Alan Dickie, Vice President Scotland, CGI.

Contributors: Nicola Harvey, Head of Customer and Digital Services; Heather Robb, Chief Digital Officer; Derek Masson, Digital Services Programme and Delivery Manager; Jackie Galloway, Digital Services Commercial Manager; Alison Roarty, Digital Services Commercial Team Lead; Layla Smith, Resources Operations Manager; James Farrel, CGI Senior Service Delivery Director

Implementation Date:

31 December 2020

Appendix 1: Basis of our classifications

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

Please see the [Internal Audit Charter](#) for full details of opinion ratings and classifications.

Appendix 2: Areas of audit focus

The areas of audit focus and related control objectives included in the review were:

| Audit Area | Control Objectives |
|----------------------------|--|
| Identification | <ul style="list-style-type: none"> ● Incident identification and reporting requirements have been defined and communicated to relevant staff. ● The service desk is set-up to identify incidents from different sources including phone calls, emails, web portal entry, general support and automated notification from network monitoring software and system alerting. |
| Logging and categorisation | <ul style="list-style-type: none"> ● Incidents are accurately recorded in the Remedy ticket system and are appropriately categorised with consistent and complete supporting information recorded. ● An appropriate sequential referencing process is applied to all reported incidents. ● Controls exist to safeguard tickets not being lost, closed incorrectly or incorrectly classified as an incident. ● Tickets require user details, contact information, appropriate description of the issue, and the date and time to allow accurate service level agreement (SLA) calculation. ● Categories and subcategories are assigned to incidents to allow incident management to sort, resolve and analyse incidents effectively through to resolution. |
| Prioritisation | <ul style="list-style-type: none"> ● Controls exist (Remedy-driven where possible) to appropriately manage the priority of each issue. ● Issues of a similar nature are treated together to quickly identify issues affecting groups of users. |
| Diagnosis | <ul style="list-style-type: none"> ● Incidents are triaged and routed to first, second and third levels of support using the appropriate categorisation, priority and resolver groups within Remedy. |
| Escalation | <ul style="list-style-type: none"> ● Incidents are continually monitored until resolution and, where necessary, are escalated (in line with agreed and communicated thresholds) to advanced support in order to bring back service levels in a timely and effective manner. ● The escalation of incidents that require advanced support, such as sending engineers or use of specific certified staff, is recorded in Remedy. |

| Audit Area | Control Objectives |
|------------------------|---|
| Investigation | <ul style="list-style-type: none"> ● Controlled and methodical troubleshooting exists in Remedy to allow initial incident resolution. The majority of incidents are resolved by first line support staff using the first time fix principle. Once the incident is diagnosed service desk staff can access and apply a known solution. |
| Resolution | <ul style="list-style-type: none"> ● The service desk confirms that the incident has been resolved with no further expected impact to service. |
| Closure and evaluation | <ul style="list-style-type: none"> ● Incidents are closed only after effective resolution has been achieved. Remedy is updated to indicate that the incident is resolved and that no further actions are to be taken. ● Key findings from incidents are retained for future use in resolving additional occurrences and, where necessary, to share with problem management teams. |
| Reporting | <ul style="list-style-type: none"> ● Incident information is completely and accurately captured with performance against agreed key performance indicators reported to appropriate forums and committees within both CGI and the Council in order to identify themes and areas for service improvement. ● Controls exist to regularly analyse incident data to quantify incident categories and subcategories and isolate trends that require training or problem management. |
| Problem management | <ul style="list-style-type: none"> ● Incidents that frequently occur, either for the same or multiple users, are subject to prompt investigation to identify if a systematic problem exists. ● Identified 'problems' are suitably prioritised with appropriate staff assigned to investigate solutions. ● The CGI contract includes the requirement to ensure that systemic problems are subject to the same reporting procedures as incidents in order to alert key stakeholders to potential issues. |
| Customer Feedback | <ul style="list-style-type: none"> ● An appropriate customer feedback mechanism has been established with customer feedback requested for appropriate incidents (e.g. on a sample or priority basis) ● Customer feedback is completely and accurately collated and used to identify and implement service improvement opportunities ● Customer feedback is included in performance management information provided to the Council. |

| Audit Area | Control Objectives |
|----------------------------------|---|
| Skills, experience and resources | <p>The requirement for CGI to provide suitably skilled and experienced resources to support the incident and problem management service is clearly specified in the contract.</p> <p>The requirement for CGI to ensure that adequate resources are available to support agreed service levels is clearly defined in the contract.</p> |

The City of Edinburgh Council

Internal Audit

Health and Social Care Localities

Final Report

10 June 2020

HSC1901

**Significant
improvement
required**

Significant and / or numerous control weaknesses were identified, in the design and / or effectiveness of the control environment and / or governance and risk management frameworks. Consequently, only limited assurance can be provided that risks are being managed and that the Council's objectives should be achieved.

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This internal audit review is conducted for the City of Edinburgh Council under the auspices of the 2019/20 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2019. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

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

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

1. Background and Scope

Background

The [Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#) (the Act) provided the legislative framework to integrate health and social care services in Scotland. Section 29(3)(a) of the Act requires each Integration Authority to establish at least two localities within its area.

A locality is defined in the Act as a smaller area within the borders of an Integration Authority. Their purpose is to provide an organisational mechanism for local leadership of service planning, which is fed upwards into the Integration Authority's strategic commissioning plan, with localities having an influence on how resources are spent in their area.

Locality areas should relate to natural communities and take account of clusters of GP practices. The Edinburgh Health and Social Care Partnership (the Partnership) has four localities (South West, South East, North East, and North West) which were created in April 2016.

Section 53 of the Act requires Local Authorities, Health Boards and Integration Authorities to pay regard to Scottish Government [guidance](#) for establishing localities. In line with this guidance localities must:

- a. Support the principles that underpin collaborative working to ensure a strong vision for service delivery is achieved, using robust communication and engagement methods to assure the effectiveness of locality arrangements.
- b. Support GPs to play a central role in providing and co-ordinating care to local communities, by working more closely with the wider primary care team, secondary care and social care colleagues, and third sector providers – to help improve outcomes for local people.
- c. Support a proactive approach to capacity building in communities, by forging the connections necessary for participation, and help to foster better integrated working between primary and secondary care.

Strategic and Locality level planning

The Edinburgh Integration Joint Board (EIJB) is required by the Act to produce a strategic plan for delivery of the health and social care services. The 2019-2022 EIJB Strategic Plan was approved in August 2019.

Scottish Governance guidance states that the strategic plan must detail how the EIJB will carry out its functions in relation to each locality, and that this information must be set out separately for each locality and cannot just be a generic statement that assumes that all localities will work in the same way as one another.

Information provided should include:

- A list of all the services under the management of the Integration Authority of which the locality is a part
- A note of priorities for each locality under each of the service headings
- Planned expenditure under each service heading, using the locality budget

The EIJB's Strategic Planning Group must also include a representative for each locality to ensure the views and priorities of localities are into account in the development of the Strategic Plan.

Health and Social Care Locality Budget Management

In March 2019, the Partnership aligned Council budgetary reporting with the localities structure,

reflecting the budgetary reporting model already established by the NHS. Management has advised that regular budgetary reporting is provided by the Council and NHS Lothian Finance teams to each locality and to strategic leads, with Finance business partners providing ad-hoc advice and attending locality management team meetings to present financial reports, discuss current and potential overspends, and to provide financial advice as required.

Locality Management and Performance Reporting

Each locality in Edinburgh has a Locality Manager who reports to the Partnership's Head of Operations, who in turn reports to the Chief Officer of the EIJB, who is responsible for delivery of Partnership services.

Locality managers are responsible for the effective delivery of Partnership services within their respective localities, including budget management; workforce planning, management, and scheduling; and timely completion and ongoing management of care needs assessments in line with the requirements of the [2014 Care Act](#).

Under the Public Bodies (Joint Working) (Content of Performance Reports) (Scotland) Regulations 2014, the EIJB is required to report annually on locality performance. The annual performance report must include an assessment of performance in planning and carrying out functions in localities, including:

- a description of the arrangements made in relation to consulting and involving localities;
- an assessment of how these arrangements have contributed to the provision of services and support in each locality; and
- the proportion of the IJB's total budget that was spent on each locality, including a comparison with previous periods.

Workforce Planning

A [Baseline Workforce Plan](#) for the Partnership was presented to the EIJB in December 2018. The initial plan focussed on the Council and NHS Lothian workforce in place for the Partnership. A wider workforce strategy is currently under development, with delivery of the workforce strategy incorporated into the EIJB's cross cutting and enabling transformation programme workstream. The workstream will focus on development of an overarching approach to building a skilled and sustainable workforce, including:

- staff development and training programmes;
- workforce planning for the future;
- building a Partnership ethos and culture; and
- recruitment and retention strategies.

Scope

The objective of this review was to assess the adequacy of design of locality plans and the operating effectiveness of first line operational controls in relation to budget management; workforce planning and management across locality services; and completion of ongoing health and social care assessments across the localities.

The review also sought to provide assurance in relation to the following City of Edinburgh Council Corporate Leadership Team (CLT) risk:

- Health & Social Care – There is a risk that increased demand for services and associated demographic changes outside planned forecasts result in significant financial pressures which, when compounded by historic funding arrangements and traditional service models, could result in the Council failing to deliver its responsibilities under the Public Bodies (Joint Working) (Scotland) Act

2014 in relation to health and social care services delegated from the EIJB.

Our areas of audit focus as detailed in our terms of reference are included at Appendix 2.

Testing was performed across the period September 2016 to January 2020, which covered the period from the issue of the former EIJB Strategic plan to the end of audit fieldwork.

Limitations of Scope

- This review did not consider the content of the EIJB 2019-22 Strategic Plan in detail as this was reviewed as part of the EIJB 2018/19 annual plan.
- Additionally, Directions Setting was not considered as this was reviewed separately as part of the 2019/20 EIJB Internal Audit plan.

Reporting Date

Our audit work concluded on 13 February 2020 and our findings and opinion are based on the conclusion of our work as at that date.

2. Executive summary

Total number of findings: 2

Summary of findings raised

| | |
|------|---|
| High | Locality and Workforce Planning |
| High | Locality Performance and Risk Management Frameworks |

Opinion

Significant improvement required

Significant weaknesses were identified in both the design and operating effectiveness of first line operational controls and the risk management framework established to support the delivery of delegated EIJB strategic priorities by Localities. Consequently, only limited assurance can be provided that risks associated with delivering locality services in line with the Public Bodies (Joint Working) (Scotland) Act 2014 are being managed and that the EIJB's strategic priorities delegated to the Partnership will be achieved.

Consequently, two High rated findings have been raised.

The first high rated finding reflects the need to ensure that Localities have a clearly defined strategic direction that is aligned with the strategic objectives delegated to the Partnership by the EIJB to support effective delivery of the 2019 – 22 EIJB Strategic Plan.

Management has advised that Locality Operational Plans aligned to the Strategic Plan are currently being developed and will be presented to the EIJB Strategic Planning Group by March 2021. Our finding also highlights the importance of ensuring that locality plans are supported by a workforce strategy that details the future workforce requirements of both the Partnership and external third parties supporting delivery of partnership services, to confirm that locality plans are either achievable based on existing workforce supply or ensure that additional requirements are addressed.

The second high rated finding confirms the requirement to establish locality operational performance and risk management frameworks to confirm that Localities are delivering services and managing both operational service delivery and strategic risks effectively.

Management has advised that the Partnership's performance management framework is currently being aligned with the EIJB's 2019-22 Strategic Plan. It is important to ensure that this includes a locality performance framework which is aligned with both Locality Operational Plans and national performance measures to support effective ongoing assessment of locality performance.

Locality managers have also advised that implementation of a locality risk management framework has been delayed pending refinement of the overall Risk Management Framework for the Partnership. A locality risk management framework should be implemented to provide management with assurance that risks are being effectively identified and managed, and that there are no significant or systemic risks that should be escalated for inclusion in either the Partnership or EIJB risk registers.

Management has advised there is regular reporting of social care statistics to committees and to senior staff in order to facilitate the monitoring of assessments and reviews undertaken. This audit did not perform detailed testing of the effectiveness of this process (e.g. the completeness, accuracy, and timeliness of the information provided), but this work will be performed in separate audit contained in the 2020-21 Internal Audit Annual Plan.

Areas of good practice

The following areas of good practice were identified during the audit:

- Effective locality budget management processes are in place, with detailed budgets and regular financial reporting established and strong relationships evident between Locality Managers; Council and NHS Lothian finance teams.
- The Partnership has recently approved Quality Management Arrangements including creation of two new sub-groups to support Clinical and Care Governance and establishment of a centralised Quality Hub to improve the quality of city wide and locality-based data gathered and reported on across Council and NHS Lothian systems.

3. Detailed findings

1. Locality and Workforce Planning

High

Locality planning

No locality plans were created which detailed the actions each of the four Localities would deliver to support the key priorities in the EIJB's previous 2016-19 Strategic Plan.

The EIJB's 2019-22 Strategic Plan was approved in August 2019. Management has advised that Locality Operational Plans, which will detail how the current strategic plan will be delivered across localities are in the early stages of development and will be presented to the EIJB Strategic Planning Group in March 2021.

Workforce planning

Whilst a baseline Workforce Plan is in place for the Partnership, further work is required to ensure that the Partnership's available workforce is sufficient to adequately support delivery of strategic priorities at a locality level, including priorities that will be delivered in collaboration with key stakeholders and commissioning partners.

Management has advised that a workforce strategy for the Partnership is currently being developed and is due to be presented to the EIJB for review and approval prior to submission to the Scottish Government by 31 December 2020.

Risks

The potential risks associated with our findings are:

- Failure to deliver health and social care integration priorities within localities.
- Limited understanding of key service demand drivers at a locality level including changing population demographics; workforce supply; and funding.
- Inability to respond to workforce challenges and develop a workforce that meets the changing needs of localities.

1.1 Recommendation: Locality Operational Plans

Locality Operational Plans which detail the locality actions to support delivery of the priorities set out in the EIJB's 2019-22 Strategic Plan should be developed in consultation with key stakeholders. In line with Scottish Government guidance, Locality Operational Plans should be specific to each area and should:

- detail how the Partnership will meet strategic plan objectives at a local level;
- include locality profiles which provide a demographic, public health and inequalities overview for each of the four localities;
- demonstrate consultation with key stakeholders (including service users and local staff) and local representatives to ensure inclusion of priorities to meet the specific needs of the local area;
- include a list of all the services under the management of Partnership;
- include priorities for each locality under each of the service headings;
- include detailed [SMART](#) action plans and key performance indicators for each priority, setting out impact, timeframes and lead officers/agencies;
- detail budgets and resources available for each locality including staffing, planned expenditure and accommodation requirements;

- be published on the Partnerships website, and made available to a wide range of key stakeholders and local representative groups; and
- be reviewed annually to ensure they continue to reflect priorities set out in the strategic plan and take account of any additional Directions set by the EIJB.

1.1 Agreed Management Action: Development of Locality Operational Plans

The Partnership is currently developing a template and detailed action plan to support creation of Locality Operational Plans.

Following this, development and delivery of the Locality Operational Plans will be overseen by the Partnership's newly established Strategic and Operational Planning Forum. This forum will ensure there is alignment and synergy between the Strategic Plan and the Local Operational Plans.

The draft Locality Operational Plans will be presented to the EIJB Strategic Planning Group when this is re established. It would be intended to do this by end of July 2021.

Owner: Judith Proctor, Chief Officer

Contributors: Tom Cowan, Head of Operations, Edinburgh Health and Social Care Partnership; Deborah Mackle, South West Edinburgh Locality Manager; Nikki Conway, South East Edinburgh Locality Manager; Angela Lindsay, North East Edinburgh Locality Manager; Mike Massaro-Mallinson, North West Edinburgh Locality Manager

Implementation Date:

31 October 2021

1.2 Recommendation: Development of Locality Workforce Plans

The Partnership's overall workforce strategy should be aligned with the priorities detailed in Locality Operational Plans and include analysis of locality workforce requirements to enable their delivery, whilst reflecting the unique challenges, needs and demands of each locality population.

Locality workforce plans should also consider the adequacy of workforce planning arrangements supporting delivery of hosted and set aside services, and services delivered by other organisations (for example the third sector) across Localities.

1.2 Agreed Management Action: Locality level Workforce Plans

The Partnership's Workforce Strategy is currently being developed and will be submitted to the Scottish Government for review in line with their timescales (31st March 2021 at the time of writing). This will include consideration of locality workforce requirements which will be incorporated into the Locality Operational Plans.

Owner: Judith Proctor, Chief Officer

Contributors: Tom Cowan, Head of Operations, Edinburgh Health and Social Care Partnership; Deborah Mackle, South West Edinburgh Locality Manager; Nikki Conway, South East Edinburgh Locality Manager; Angela Lindsay, North East Edinburgh Locality Manager; Mike Massaro-Mallinson, North West Edinburgh Locality Manager

Implementation Date:

30 September 2021

2. Locality Performance and Risk Management Frameworks

High

Performance reporting and monitoring

The Partnership performance management framework is in development and currently being refined to align with the EIJB's 2019-22 Strategic Plan.

This draft framework includes regular monitoring and reporting to the EIJB's Performance and Delivery

Committee on performance towards national priorities and core indicators at both a city wide and locality level via a performance scorecard.

However, due to the lack of established Locality Plans, the draft framework does not currently include a holistic view of performance in comparison to the EIJB's Strategic Plan objectives, and an assessment of whether performance adequately meets the generic and unique needs and demands of each locality area.

Risk Management

Locality risk management arrangements that ongoing use of locality risk registers and clear escalation routes for notification of new and emerging significant locality risks for inclusion in Partnership/EIJB risk registers have not been established.

Locality Managers advised that creation of locality risk registers has been delayed pending development of a corporate locality risk register template.

Risks

The potential risks associated with our findings are:

- Limited assurance that key priorities at locality and city-wide levels are delivered and achieved.
- Failure to identify and effectively manage risks which could impact achievement of both locality and wider strategic priorities.

2.1 Recommendation: Locality Performance Framework

A framework that is designed to monitor and report on delivery towards achieving key performance indicators (KPIs) and outcomes set out in Locality Operational Plans should be established with assistance from the Partnership Quality Hub. This should include but not be limited to:

- Development of a suite of [SMART](#) (Specific, Measurable, Achievable, Realistic and Time-bound) KPIs and outcomes for each locality aligned to the Strategic Plan.
- Technical guidance, definitions and descriptions for all KPIs to ensure accuracy in data input, measurement and processing across all four localities
- Regular reporting and scrutiny of locality performance at an operational management, executive management and appropriate governance forum level.
- Approval of set targets and tolerances by an appropriate governance forum.
- Annual reporting of progress in delivering Locality Operational Plans and contribution towards the overall 2019-22 Strategic Plan to relevant governance forums and publicly via the Partnership's website.

2.1 Agreed Management Action: Locality Performance Framework

A Locality Performance Framework aligned to the Locality Operational Plans will be established. The framework will be developed with assistance from the Partnership Quality Hub and will take into consideration the points set out in the recommendation.

Owner: Judith Proctor, Chief Officer

Contributors: Tom Cowan, Head of Operations, Edinburgh Health and Social Care Partnership; Deborah Mackle, South West Edinburgh Locality Manager; Nikki Conway, South East Edinburgh Locality Manager; Angela Lindsay, North East Edinburgh Locality Manager; Mike Massaro-Mallinson, North West Edinburgh Locality Manager

Implementation Date:
31 December 2021

2.2 Recommendation: Locality Risk Management Framework

A Risk Management framework should be established across all four localities that include development of a risk register for each locality to ensure all relevant locality level risks are identified; assessed; managed; and mitigated effectively. All risks and actions to address them should be assigned to a lead officer and target delivery timescales agreed and monitored.

Risk registers should be live documents that are reviewed and updated regularly by locality management and reviewed by Partnership management at an appropriate governance forum to identify any new and emerging risks; design and implement appropriate controls to ensure that they are effectively managed; and confirm the ongoing effectiveness of controls established to manage existing risks.

A process should be established to ensure that any significant and systemic locality risks are escalated for inclusion in Partnership and EIJB risk registers, where appropriate.

2.2 Agreed Management Action: Locality Risk Management Framework

Completion of this action is part of a wider action to refine the Risk Management Framework for the Partnership, which will include Localities. Management will provide an update and further detailed actions once the overall Risk Management Framework has been approved. Consideration will be given to the points set out in the recommendation.

Owner: Judith Proctor, Chief Officer

Contributors: Tom Cowan, Head of Operations, Edinburgh Health and Social Care Partnership; Deborah Mackle, South West Edinburgh Locality Manager; Nikki Conway, South East Edinburgh Locality Manager; Angela Lindsay, North East Edinburgh Locality Manager; Mike Massaro-Mallinson, North West Edinburgh Locality Manager

Implementation Date:
30 June 2022

Appendix 1: Basis of our classifications

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

Appendix 2: Areas of audit focus

The areas of audit focus and related control objectives included in the review were:

| Audit Area | Control Objectives |
|--------------------------------------|--|
| Locality planning | <p>Locality plans have been prepared and approved which:</p> <ul style="list-style-type: none"> • detail how the Partnership will meet strategic plan objectives at a local level; • are informed by locality profiles which provide a demographic, public health and inequalities overview for each of the four localities; • demonstrate consultation with key stakeholders (including service users and local staff) and local representatives to ensure inclusion of priorities to meet the specific needs of the local area; • include a list of all the services under the management of Partnership; • include a note of priorities for each locality under each of the service headings; • include detailed SMART action plans for each priority, setting out impact, timeframes and lead officers/agencies; • are published on the Partnerships website, and made available to a wide range of key stakeholders and local representative groups; and • are reviewed annually to ensure they continue to reflect priorities set out in the strategic plan and take account of any additional Directions which have been set by the EIJB. |
| Locality Budget management | <ul style="list-style-type: none"> • Detailed budgets have been developed for each locality aligned to the priorities and service headings set out in locality plans and the overarching strategic plan; and • Real-time budget information which includes current and forecasted figures is used by Locality Managers to ensure effective monitoring of committed spend and facilitate informed decision making. |
| Performance management and reporting | <ul style="list-style-type: none"> • Performance frameworks have been developed for each locality and the Edinburgh area as a whole to measure, and monitor operational and financial performance (including workforce planning and completion of social care assessments); • Key performance indicators and agreed targets are in place to measure success in achieving Locality plan objectives; • Performance reporting is accurate and transparent, identifying areas of good performance, and where improvement is required; • Regular performance reporting has been established to report on progress towards delivering locality priorities; and • The EIJB's Annual performance report includes all areas relevant to Localities in line with performance reporting regulations. |
| Risk Management | <ul style="list-style-type: none"> • Risk management processes have been established to ensure locality level risks are identified, managed and mitigated effectively; with processes in place to monitor effectiveness of key controls; and • Escalation arrangements are in place to ensure prompt and effective action is taken to resolve any issues arising including detailed action planning with lead |

| | |
|------------------------------------|--|
| | officers and target timescales. |
| Workforce planning and management | <p>Management have controls in place to provide assurance that workforce planning processes for all localities:</p> <ul style="list-style-type: none"> • Assess workforce requirements in line with anticipated demand for services across the short; medium; and long term; • Develop appropriate solutions for any gaps identified (for example use of contract resources); and • Support effective ongoing workforce daily; weekly; and monthly scheduling to ensure that employees are allocated the most appropriate shift patterns and work allocation schedules that satisfy both employee and client needs |
| Health and Social Care Assessments | <p>Management have controls in place for health and social care assessments that provide assurance that:</p> <ul style="list-style-type: none"> • care needs assessment requests are completely and accurately recorded and appropriately prioritised; • An appropriate process has been established to support transfer of assessments performed by hospitals across to localities; • Urgent assessments are completed within appropriate timeframes; • Assessments are performed in line with pre-determined eligibility criteria; • Care packages are subject to review and approval and are agreed with clients and implemented in a timely manner; • All care packages are subject to at least an annual review, and requests for reassessments are completed in a timely manner; and • Details of clients who are moving home are passed in a timely manner to the relevant local authority to ensure continuation of care • There is effective reporting of relevant KPIs to committee. |

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Governance, Risk and Best Value Committee

10.00am, Tuesday, 7 July 2020

Changing the Internal Audit Annual Plan

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 To note the process for changing the Internal Audit Annual Plan.

Andrew Kerr

Chief Executive

Contact: Gavin King, Democracy, Governance and Resilience Senior Manager

E-mail: gavin.king@edinburgh.gov.uk | Tel: 0131 529 4239

Changing the Internal Audit Annual Plan

2. Executive Summary

- 2.1 This report outlines the process for changing the Internal Audit Annual Plan.

3. Background

- 3.1 In August 2018 the process for approving changes to the Internal Audit Annual Plan were approved.
- 3.2 The Committee on 18 February 2020 had requested that the process for approval of urgent and routine changes to the Internal Audit annual plan be reported to the next committee for clarification.

4. Main report

- 4.1 To ensure that the independence of Internal Audit is effectively managed changes to the Internal Audit annual plan are first considered by the Corporate Leadership Team before being submitted for consideration and agreement by the Governance, Risk and Best Value Committee.
- 4.2 If urgent changes to the annual plan are necessary, then the urgency provisions contained under the Committee Terms of Reference and Delegated Functions Paragraph A4.1 would be applied. This would result in the Chief Executive or relevant executive director taking the decision in consultation with the Convener of Governance, Risk and Best Value Committee and the Chief Internal Auditor. The decision would then be reported to the next Governance, Risk and Best Value Committee for information.

5. Next Steps

- 5.1 Not applicable.

6. Financial impact

6.1 There is no financial impact as a result of this report.

7. Stakeholder/Community Impact

7.1 Not applicable.

8. Background reading/external references

8.1 Governance, Risk and Best Value Committee 18 February 2020 – [Internal Audit: Proposed Changes to the 2019/20 Internal Audit Annual Plan](#)

8.2 Governance, Risk and Best Value Committee 28 August 2018 – [Internal Audit: Proposed Process for Approving Changes to the Internal Audit Plan](#)

9. Appendices

None.

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Governance, Risk and Best Value Committee

10.00am, Tuesday, 7 July 2020

Arm's Length External Organisations – Scope of Review 2020

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 To feed back on the proposed scope of the review of Arm's Length External Organisations.
- 1.2 To note the process for committee reporting agreed by the Policy and Sustainability Committee.
- 1.3 To note that wider ALEO delivery as a result of COVID-19 is being considered as part of the Adaptation and Renewal Programme

Andrew Kerr

Chief Executive

Contact: Gavin King, Democracy, Governance and Resilience Senior Manager

E-mail: gavin.king@edinburgh.gov.uk | Tel: 0131 529 4239

Arm's Length External Organisations – Scope of Review 2020

2. Executive Summary

- 2.1 This report highlights the decision of the Policy and Sustainability Committee of 25 February 2020 regarding the reporting of Arm's Length External Organisations (ALEOs) to committee. In addition, the report outlines further detail on the planned review of ALEOs by the Chief Executive.

3. Background

- 3.1 On 25 February 2020 the Policy and Sustainability Committee agreed that:
- 3.1.1 Executive Committees – should scrutinise the future direction of the ALEO, performance of service delivery, progress against any agreements such as Service Level Agreements, and any emerging issues.
 - 3.1.2 Governance, Risk and Best Value Committee – should scrutinise the ALEO's financial performance and any risks impacting the Council and/or ALEO.
 - 3.1.3 Reports should include the company's annual accounts. It should be noted that there may be occasions when some information in the report will not be able to be made public due to commercial sensitivity; this though should be kept to a minimum.
 - 3.1.4 A representative from the ALEO's executive is to be present for consideration of reports. The Council observer should also be present.
 - 3.1.5 Committee reports should include a section from the Council's observer with any comments they have on the company, risks to the Council and the overall operation of the organisation.
- 3.2 The Committee also noted that the Chief Executive intends to review how the Council works with its ALEOs, examining the shareholder agreements and Service Level Agreements that it holds with these bodies to ensure a greater degree of consistency and clarity of relationship.

- 3.3 Since then all ALEO operations have been impacted by the COVID-19 pandemic. Each ALEO is currently working through its recovery planning and this work is part of the Adaptation and Renewal Programme.

4. Main report

- 4.1 The review of ALEOs has been delayed by the Covid-19 pandemic but work will commence in Autumn 2020 following the completion of the review of political management arrangements due in late August 2020. The scope of this review has not yet been agreed but discussions have commenced on what should be included.
- 4.2 The review will predominantly look at the governance of each ALEO and its relationship with the shareholder. It will also link in with the work of individual directorates and the Adaptation and Renewal programme but it will not consider whether individual ALEOs are providing best value or require transformation.
- 4.3 The initial step to inform the scope of the review will be engagement with elected members, officers and key officials from ALEOs. This engagement will seek views on what improvements are required and where there are instances of best practice.
- 4.4 The following have been identified as potential principles for the review:
- 4.4.1 Consistent and modern ALEO documentation – Ensure that there are up to date, clear and consistent shareholder agreements and Service Level Agreements (SLAs) with all ALEOs, to include some guiding principles of governance that the shareholder requires of the ALEO.
 - 4.4.2 Clear performance targets or strategic objectives from the Council - The SLAs should include key performance targets or strategic objectives for the ALEOs from the Council;
 - 4.4.3 Increased support for Council observer role – Review the role of Council observer, with clear guidance and requirements of the role outlined for both the observer and the ALEO;
 - 4.4.4 Improved online guidance - Creation of an ALEO section on the Intranet including clear guidance and procedure for the creation of a new ALEO, guidance on reporting and clarity on roles and responsibilities;
 - 4.4.5 Improved training resource - Establish training on directors' duties and liabilities for Council observers;
 - 4.4.6 Transparent and effective Council process - Review shareholder intervention protocols in the event of an ALEO encountering significant difficulties; and
 - 4.4.7 Modern and effective board structures – Consider whether Board structures/membership need to be improved in light of equalities legislation and to ensure greater resilience. Conflicts of interest should also be considered as part of this work.

- 4.5 This scope is still to be agreed but Committee is requested to provide its feedback on areas that it deems important to be included in the Review.

5. Next Steps

- 5.1 Following feedback from committee, there will be engagement with elected members, officers and ALEOs on the scope of the review and how it feeds into and aligns with consideration of wider ALEO delivery as part of the Adaptation and Renewal Programme.

6. Financial impact

- 6.1 There are no financial consequences as a result of this report.

7. Stakeholder/Community Impact

- 7.1 This report sets out an approach for consultation on its relationship with ALEOs.

8. Background reading/external references

- 8.1 City of Edinburgh Council 13 December 2012 – [Council Companies](#)
- 8.2 City of Edinburgh Council 30 June 2016 – [Council Companies](#)
- 8.3 Governance, Risk and Best Value Committee 28 August 2018 – Accounts Commission: [Councils' use of arm's length organisations](#)
- 8.4 Policy and Sustainability Committee 25 February 2020 – [Arm's Length External Organisations – Reporting to Committee](#)

9. Appendices

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Governance, Risk and Best Value Committee

10.00am, Tuesday, 7 July 2020

Decisions Taken under Delegated Power and Operational Decision Making – Covid-19 – referral from the Policy and Sustainability Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

- 1.1 The Policy and Sustainability Committee has referred a report on the decisions taken under delegated power and operational decision-making in response to Covid-19 to the Governance, Risk and Best Value Committee for consideration.

Laurence Rockey

Head of Strategy and Communications

Contact: Sarah Stirling, Assistant Committee Officer

E-mail: sarah.stirling@edinburgh.gov.uk | Tel: 0131 529 3009

Referral Report

Decisions Taken under Delegated Power and Operational Decision Making – Covid-19

2. Terms of Referral

- 2.1 The Covid-19 emergency had had a significant impact on the Council's ability to provide front line services due to the impact of the virus on resources, new duties and responsibilities or the consequences of the partial lockdown.
- 2.2 On 14 May 2020 a presentation was submitted by the Chief Executive to the Policy and Sustainability Committee which set out the steps taken to date and further detail on some of the key issues during the crisis.
- 2.3 On 28 May 2020 the Policy and Sustainability Committee considered this report which outlined some of the context around service delivery and provided a full update on the governance and decision-making structures in order to provide clarity on the approach taken by the Council in response to Covid-19.
- 2.4 A written deputation was presented on behalf of Edinburgh Trade Union Council. The deputation urged the Committee to read the report 'The Predictable Crisis – Why Covid-19 Has Hit Scotland's Care Homes so Hard' published by think tank Common Weal regarding deaths in care homes as a result of Covid-19.
- 2.5 The Policy and Sustainability Committee agreed:

Motion

- 1) To note the governance structures implemented to support the Council's response to Covid-19.
- 2) To note the three principles that were set out at the beginning of the response:
 - Protect the most vulnerable in our city.
 - Minimise the risks to our colleagues.
 - Continue to provide services in challenging circumstances.
- 3) To refer the report to the Governance, Risk and Best Value Committee in July 2020.

- 4) To note that a report would be brought to the next meeting of the Policy and Sustainability Committee setting out the approach to the Spaces for People programme and how this would be linked to economic recovery.
 - 5) To note that the Head of Place Management had agreed to provide the date when the decision was taken to close public toilets as a result of the Covid-19 outbreak.
 - 6) To note that the Chief Officer (EHSCP) had agreed to provide the number of patients that were discharged from hospitals into care homes prior to the change in guidance on testing.
 - 7) To note that decision D50 would be clarified in the next report.
- moved by Councillor McVey, seconded by Councillor Day

Amendment

- 1) To note the governance structures implemented to support the Council's response to Covid-19.
- 2) To note the three principles that were set out at the beginning of the response:
 - Protect the most vulnerable in our city.
 - Minimise the risks to our colleagues.
 - Continue to provide services in challenging circumstances.
- 3) To note from Appendix 1 items D36A and D83 that requests had been made by volunteers on Community Centre Management Committees for access to community centres to provide a space to organise food distribution to local vulnerable residents.
- 4) To note that this activity was entirely within the law, as Scottish guidance clearly states community centres could open 'For the purpose of hosting essential voluntary or public services, such as food banks.'
- 5) To note that due to these delegated decisions to not allow volunteers access to community centres, some food bank activity was now taking place in homes, gardens and public streets, resulting in additional safety and security issues.
- 6) To therefore agree to call for a short report in three cycles fully detailing the decisions made so far, and providing options to re-open community centres as part of Adaption and Renewal, to allow access to volunteers from community centre management committees to operate food parcel distribution, where an agreed plan of how they would operate in a safe and socially distant manner could be put in place.
- 7) To agree to an interim members' briefing on the progress of point 6.
- 8) To refer the report to the Governance, Risk and Best Value Committee in July 2020.

- 9) To note that a report would be brought to the next meeting of the Policy and Sustainability Committee setting out the approach to the Spaces for People programme and how this would be linked to economic recovery.
 - 10) To note that the Head of Place Management had agreed to provide the date when the decision was taken to close public toilets as a result of the Covid-19 outbreak.
 - 11) To note that the Chief Officer (EHSCP) had agreed to provide the number of patients that were discharged from hospitals into care homes prior to the change in guidance on testing.
 - 12) To note that decision D50 would be clarified in the next report.
- moved by Councillor Main, seconded by Councillor Staniforth

In accordance with Standing Order 19(12), the amendment was accepted as an addendum to the motion.

Decision

To approve the following adjusted motion by Councillor McVey:

- 1) To note the governance structures implemented to support the Council's response to Covid-19.
- 2) To note the three principles that were set out at the beginning of the response:
 - Protect the most vulnerable in our city.
 - Minimise the risks to our colleagues.
 - Continue to provide services in challenging circumstances.
- 3) To note from Appendix 1 items D36A and D83 that requests had been made by volunteers on Community Centre Management Committees for access to community centres to provide a space to organise food distribution to local vulnerable residents.
- 4) To note that this activity was entirely within the law, as Scottish guidance clearly states community centres could open 'For the purpose of hosting essential voluntary or public services, such as food banks.'
- 5) To note that due to these delegated decisions to not allow volunteers access to community centres, some food bank activity was now taking place in homes, gardens and public streets, resulting in additional safety and security issues.
- 6) To therefore agree to call for a short report in three cycles fully detailing the decisions made so far, and providing options to re-open community centres as part of Adaption and Renewal, to allow access to volunteers from community centre management committees to operate food parcel distribution, where an agreed plan of how they would operate in a safe and socially distant manner could be put in place.

- 7) To agree to an interim members' briefing on the progress of point 6.
- 8) To refer the report to the Governance, Risk and Best Value Committee in July 2020.
- 9) To note that a report would be brought to the next meeting of the Policy and Sustainability Committee setting out the approach to the Spaces for People programme and how this would be linked to economic recovery.
- 10) To note that the Head of Place Management had agreed to provide the date when the decision was taken to close public toilets as a result of the Covid-19 outbreak.
- 11) To note that the Chief Officer (EHSCP) had agreed to provide the number of patients that were discharged from hospitals into care homes prior to the change in guidance on testing.
- 12) To note that decision D50 would be clarified in the next report.

3. Background Reading/ External References

[Minute of the Policy and Sustainability Committee of 28 May 2020.](#)

4. Appendices

Appendix 1 – report by the Chief Executive

Policy and Sustainability Committee

10am, Thursday, 28 May 2020

Decisions taken under delegated power and operational decision making – Covid-19

| | |
|---|------------------|
| Executive/routine Wards Council Commitments | Executive All |
|---|------------------|

1. Recommendations

- 1.1 The Policy and Sustainability Committee is asked to:
 - 1.1.1 Note the governance structures implemented to support the Council's response to Covid-19.
 - 1.1.2 Note the three principles that were set out at the beginning of the response:
 - protect the most vulnerable in our city;
 - minimise the risks to our colleagues; and
 - continue to provide services in challenging circumstances.
 - 1.1.3 Refer the report to the Governance, Risk and Best Value Committee in July 2020.

Andrew Kerr

Chief Executive

Contact: Laurence Rockey, Head of Strategy and Communications

E-mail: Laurence.rockey@edinburgh.gov.uk | Tel: 0131 469 3493

Decisions taken under delegated power and operational decision making – Covid-19

2. Executive Summary

- 2.1 This report details the structures supporting the Councils initial response to Covid-19, in particular highlighting the governance arrangements.

3. Background

- 3.1 The Covid-19 emergency has had a significant impact on the Council's ability to provide front line services due to the impact of the virus on resources, new duties and responsibilities or the consequences of the partial lockdown. A presentation was presented by the Chief Executive to the previous meeting of the Committee which set out the steps taken to date and further detail on some of the key issues during the crisis. This report will outline some of the context around service delivery and provide a full update on the governance and decision-making structures in order to provide clarity on the approach taken by the Council in response to Covid-19.
- 3.2 The Council used existing Resilience frameworks to update and understand critical services in light of Covid-19. In light of this exercise and the position from Government a diverse range of services such as cultural venues, recycling centres, nurseries and early years centres have had to close due to lockdown restrictions. Other services have had to adapt their service delivery such as schools which have maintained a service for key workers.
- 3.3 The Council has also changed the way services work to respond to the emergency. For example, five Council Resilience Centres were established to provide critical support to people most at need in three critical situations of experiencing homelessness or serious/significant harassment, or in need of pre-arranged emergency cash payments.
- 3.4 New services have arisen in response to the emergency such as the shielding programme to support the most vulnerable citizens and the volunteering arrangements created in partnership with the third sector.

- 3.5 Future reporting on the response to Covid-19 will be combined with the Adaptation and Renewal report.

4. Main report

- 4.1 The Covid-19 emergency and subsequent partial lockdown had a significant impact on the Council's ability to provide services as well as resulting in many new duties and responsibilities to respond to the situation. This report will aim to outline the governance arrangements that were established to support the response to the emergency and in particular detail the decision-making structures created.

Operational Governance Structures

- 4.2 The Council implemented changes both to its operational and political management arrangements to support the response to the emergency. The Corporate Leadership Team first met to consider the risks to the Council and the City over the course of February 2020 and later that month, the Council's Infectious Disease Outbreak Resilience Plan (Covid-19) was approved by the Chief Executive.
- 4.3 The Plan laid out the Council's incident management team structure and key actions that should be undertaken. For example, the initial actions that the Council took were to examine their key plans and protocols and ensure they were up to date. In addition, the Council's business continuity arrangements were reviewed with each service identifying key workers and identifying contingencies to maintain essential activities.
- 4.4 The groups below were all established to respond to the Covid-19 incident:
- 4.4.1 Council Incident Management Team (CIMT) chaired by the Chief Executive and met daily from 13 March 2020
 - 4.4.2 Directorate Incident Management Teams with escalation to CIMT
 - 4.4.3 Specialist Incident Management Teams:
 - 4.4.3.1 Health and Social Care Command chaired by EHSCP Head of Operations
 - 4.4.3.2 PPE chaired by the Chief Procurement Officer
 - 4.4.3.3 Shielding, chaired by the Executive Director of Resources
 - 4.4.3.4 Vulnerable and Volunteering, chaired by the Executive Director of Communities and Families
 - 4.4.4 Cross-Council Risk Forum convened and chaired by the Head of Legal and Risk
 - 4.4.5 Weekly meetings with the Trade Unions
- 4.5 The CIMT and directorate IMTs have provided a clear, easy to understand and effective governance structure for organising services during the emergency. Action notes have been kept for all meetings and executive directors have reported to the CIMT any issues for escalation. During March and April, the CIMT and directorate

IMTs mostly met daily due to the pace of change and direction coming from Government. These meetings have reduced in frequency in recent weeks as the response to the emergency has stabilised but are all still in operation and operational business is still directed through these meetings.

- 4.6 As part of the wider resilience response, a number of Multi-Agency Incident Management teams are in operation and are attended by Council officials.
 - 4.6.1 Multi-Agency Coordination Centre (MACC) is coordinating the national response, with Police Scotland as the lead partner.
 - 4.6.2 The East of Scotland Regional Resilience Partnerships is operating a Local Authority Shielding Call, chaired by the Scottish Government.
 - 4.6.3 The Lothian and Borders Local Resilience Partnership (LRP) is coordinating the regional response and has convened the following subgroups to ensure a coordinated approach:
 - 4.6.3.1 L&B LRP Covid-19
 - 4.6.3.2 L&B LRP Excess Deaths
 - 4.6.3.3 L&B LRP Care for People

Decision Making

- 4.7 Covid-19 has had and continues to provide a very challenging environment for the Council and has resulted in decisions being made at pace but never without efficient and effective governance at the core.
- 4.8 The 3 principles that were set out at the beginning of the response have been the framework for every decision taken.
 - 4.8.1 protect the most vulnerable in our city;
 - 4.8.2 minimise the risks to our colleagues; and
 - 4.8.3 continue to provide services in challenging circumstances
- 4.9 The Chief Executive established measures to ensure that decision making was as transparent as possible and that decisions were only taken by officers if necessary. The following principles were applied:
 - 4.9.1 The Chief Executive would be the only officer to take decisions in response to the Covid-19 emergency using powers outlined in the Scheme of Delegation to Officers;
 - 4.9.2 The Chief Executive would consult on all these decisions with the Leader and Depute Leader;
 - 4.9.3 Decisions would be considered and discussed at the Council's Incident Management Team;
 - 4.9.4 If possible, executive directors would discuss matters at their directorate incident management teams before escalating to the CIMT;

- 4.9.5 Decisions would only be taken by the Chief Executive if it was urgent and could not be considered in good time by the Leadership Advisory Panel; and
- 4.9.6 Decisions would be reported to the Leadership Advisory Panel for information.
- 4.9.7 When making decisions the potential risk and impact of the decisions; whether existing controls are effective; what new measures or controls may be required should be considered. This process should be as efficient and streamlined as possible.

Political Governance Arrangements

- 4.10 The Council so far has had two main phases to the political governance arrangements for the Covid-19 response. The first phase was agreed by the Chief Executive under emergency powers to extend the recess period of the City of Edinburgh Council from Friday 20 March 2020 to Sunday 29 March 2020 inclusive and from Monday 20 April 2020 to Sunday 26 April 2020 inclusive. The Leadership Advisory Panel which was an existing committee which had the power to take all decisions during recess, was stood up and met twice during this period.
- 4.11 The second phase followed a report considered by the Leadership Advisory Panel on 23 April 2020. This agreed that the Policy and Sustainability Committee would meet every two weeks from May and would have the power to make decisions on all matters of business. All business, with the exception of quasi-judicial matters, should be submitted to this committee. The Development Sub-Committee and the Local Review Bodies would also meet from May when required and the Governance, Risk and Best Value Committee would meet again from 9 June 2020. It was agreed that the Policy and Sustainability Committee would again review political governance arrangements in August 2020.

Decisions taken under urgency provisions

- 4.12 The full list of decisions taken from 18 March 2020 to 14 May 2020 can be found in appendix 1.

Risk Management

- 4.13 As was reported to Committee on 14 May, Risk management processes were put in place to ensure that the risks associated with Covid-19 are identified, recorded, and mitigated where possible. Nine strategic risks were identified and recorded in the Covid-19 Risk Management Plan (RMP) and continue to be actively managed:
 - 4.13.1 health and safety of citizens and service users;
 - 4.13.2 health and safety of employees delivering critical services;
 - 4.13.3 Council premises and physical security;
 - 4.13.4 supply chain risk;
 - 4.13.5 technology and information;
 - 4.13.6 financial and economic risk;

- 4.13.7 Council response and governance;
- 4.13.8 fraud and serious organised crime; and
- 4.13.9 legal and commercial risk.

- 4.14 New and emerging risks continue to be highlighted at the daily Council Incident Management Team (CIMT); Directorate Incident Management Teams (IMT) and the weekly Covid-19 risk forum which is chaired by the Head of Legal and Risk and attended by relevant first line divisional risk managers/coordinators who provide input from Directorate IMT's.
- 4.15 Internal Audit is currently assessing the risks associated with new and amended Covid-19 service delivery processes and where appropriate will provide assurance that the design of high-risk processes include proportionate controls to support achievement of the Council's Covid-19 objectives and adequately mitigate risk.

Dashboard

- 4.16 A Covid-19 dashboard has been developed to monitor key indicators that help the Council to identify emerging issues, track the effectiveness of our response and make ongoing business decisions. The dashboard continues to evolve as we progress through the adaptation and renewal of the city and officers welcome further feedback to inform this thinking.
- 4.17 At the Committee's last meeting there was discussion regarding the content of the dashboard, specifically around business grant data, traffic data and care home data. The Edinburgh business grants data is covered in the current dashboard with national comparisons. With regards to traffic data, the Council does not hold regular traffic data that lends itself to inclusion in this dashboard. There are a number of external sources relating to traffic data but these tend to be annual and focused on specific road segments. The Council does have some traffic count data from the Scoot traffic control system, located on the City's main arterial routes, and officers are looking more closely at what this holds and will endeavour to produce an assessment of the changes in traffic conditions based on this in future iterations of the dashboard. In terms of Care Home data, Council officers and NHS colleagues are in discussion about the appropriate data set to include moving forward. The updated dashboard is provided in appendix 2.

PPE

- 4.18 As outlined above there is a PPE specialist group chaired by the Chief Procurement Officer which manages the supply and distribution of PPE within the Council. The Council's Commercial and Procurement Services are working with public sector partners to purchase PPE to maximise purchasing power and mitigate the risk of insufficient PPE being available for front line workers. A weekly dashboard on the supply of PPE is produced and it indicated that as of 10 May, more than 1.1m units of PPE had already been issued to front line staff, with an additional 1.2m units being held in storage and a further 1.3m units on order.

Vulnerable People

- 4.19 There are two specialist groups that are considering the needs of vulnerable people. A specific group on shielding and our responsibilities to support those at high risk of severe illness due to Covid-19 with food and pharmaceutical deliveries and the Vulnerable Groups Programme Board.
- 4.20 The Shielding Board is chaired by the Executive Director of Resources and has overseen the creation of a shielding service in partnership with the Edinburgh Integration Joint Board and NHS Lothian which has distributed over 1600 food parcels and 87 pharmaceutical deliveries.
- 4.21 The Vulnerable Groups Programme Board is chaired by the Executive Director of Communities and Families and seeks to provide a holistic view of the demand and delivery services now in place to support vulnerable groups and develop an understanding of the volunteering capacity in the city and how it is being used to support services and service citizen demand.

5. Next Steps

- 5.1 The next steps in regard to the Covid-19 emergency are outlined in the Adaptation and Renewal report. For the matters raised in this report, it is recommended that this report is referred to the Governance, Risk and Best Value Committee to allow for scrutiny of the decision-making processes.

6. Financial impact

- 6.1 The financial impacts of Covid-19 are included in the report by the Executive Director of Resources.

7. Stakeholder/Community Impact

- 7.1 The governance arrangements surrounding the response to Covid-19 have been carried out in accordance with the legislation governing the Council, its responsibilities and duties in an emergency and with the Council's own governance documentation.

8. Background reading/external references

- 8.1 Leadership Advisory Panel 23 April 2020 – [Interim Political Management Arrangements 2020](#)

9. Appendices

Appendix one – Decisions taken under delegated authority

Appendix two – Covid-19 Dashboard

Appendix 1: Decisions taken by Chief Executive, in consultation with the Leader and Depute Leader under Delegated Authority

| Ref. | Approved decisions | Date |
|------|---|------------|
| D1 | WFH - Working from Home approach approved and communicated to all staff on 19/03 | 18/03/2020 |
| D2 | Leadership Advisory Panel confirmed to make all urgent committee decisions. Membership includes Leader, Depute Leader and Conservative, Green and Lib Dem group leaders | 18/03/2020 |
| D3 | Decisions - Chief Executive has operational authority for all Covid-19 decisions in conjunction with Leader and Depute Leader. | 18/03/2020 |
| D4 | Building Closures - Decision taken to close <i>Usher Hall, Assembly Rooms, Churchill Theatre, Ross Bandstand and museums & galleries</i> until end-April | 18/03/2020 |
| D5 | Adult education classes suspended with immediate effect | 18/03/2020 |
| D6 | School Lets suspended with immediate effect. | 18/03/2020 |
| D7 | School will be closed for 2 weeks and we will provide payment for 2 week term + 2 week Easter break to families who are entitled (£11.25 per head).£45 per family. | 19/03/2020 |
| D8 | City Chambers partial closure | 19/03/2020 |
| D9 | Edinburgh Leisure venues to be closed at 10pm tonight | 19/03/2020 |
| D10 | City Chambers closed to the public and elected members working remotely from 5pm today | 19/03/2020 |
| D11 | Waverley Court - Closure of Waverley Court reception to the public from tomorrow | 19/03/2020 |
| D12 | Transport - Edinburgh Trams and Lothian buses announce reduced service (from Sun & Mon, respectively) | 19/03/2020 |
| D13 | Council tax. Agreement not to chase non-payment and also extend period of recovery | 20/03/2020 |
| D14 | Recycling - Glass recycling services suspended | 20/03/2020 |
| D15 | Libraries and Community centres closed | 20/03/2020 |
| D16 | (Council) Critical Response Centre is the name put forward. Name to be checked and approved and also the Guidance/Governance (See PowerPoint). | 20/03/2020 |
| D17 | Update on the North East Centre being used for Main enquiries for Homelessness. Critical need. Everyone will be seen, however, NE for critical. | 20/03/2020 |
| D18 | Council tax. Agreement not to chase non-payment and also extend period of recovery. Communications are being prepared for the public about our approach to Council Tax, debt and arrears management in-line with advice from the Scottish Government. | 20/03/2020 |
| D19 | Council Tax - Council tax payments to be deferred for three months for those struggling to pay | 22/03/2020 |
| D20 | CRC - Council Resilience Centres to be open Monday 23rd. | 22/03/2020 |
| D21 | Public Spaces – 3G pitches and Markets (licencing). Further discussion on beaches. Signage to be produced to encourage social distancing. | 23/03/2020 |
| D22 | Key Worker - Police to be changed to Cat 1 Key Worker | 23/03/2020 |
| D23 | Schools - 23 PPP schools (12 primary, 11 high-school) to open from Wednesday 25th for children of Key workers. Other identified children of key workers (who don't normally attend PPP schools) to attend from Friday – allowing preparations to be made for temporary change of school for these pupils | 23/03/2020 |
| D24 | Critical Response Centres - Four Critical Response Centres to remain open and we will not use the Centre identified in Newkirkgate. A new venue in Leith to be explored. | 24/03/2020 |
| D25 | Queensferry Primary to be used as a West of Edinburgh school. | 24/03/2020 |
| D26 | Pay & Display - Suspension of Pay and Display parking. | 24/03/2020 |
| D27 | Playparks closed. | 24/03/2020 |
| D28 | Recycling Centres closed | 24/03/2020 |
| D29 | Special Uplifts cancelled | 24/03/2020 |
| D30 | Parking - Beauty Spot car parks closed | 24/03/2020 |
| D31 | Parking - On-street car parking charging suspended across the city. Offer of support from NSL to redeploy their attendants to other Council services | 24/03/2020 |

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| D32 | Registrars - In line with Scot Gov advice, birth registrations and weddings suspended – as have death registrations , which will move to system of remote registration once introduced nationally | 24/03/2020 |
| D33 | Building Sites - we are seeking clarity on the closure. | 24/03/2020 |
| D34 | Trams - Tram to Newhaven construction suspended – communications issued | 25/03/2020 |
| D35 | Newkirkgate will stay as the venue in Leith for the CRC. No alternative was found to be suitable. | 26/03/2020 |
| D36 | Community Centres: If mgmt. committees want to open for essential charitable purposes in line with Government guidance e.g. foodbanks, then they can do that. | 26/03/2020 |
| D36 A | Community Centres: To not open community centres and to assist organisations wishing to use the buildings for charitable reasons to find other venues | 27/03/2020 |
| D37 | We have agreed we will purchase in advance 96 beds at Crowne Plaza Hotel. Urgent resource for homelessness. | 26/03/2020 |
| D38 | NEW Queensferry High School We do not accept a partially accepted building and therefore start paying for something not complete. Further decision to be made. | 30/03/2020 |
| D39 | Open PPP Hub Schools for Easter, including Good Friday and Easter Monday, to provide key worker child support. | 30/03/2020 |
| D40 | Agreed to provide funding (£24k to be confirmed by LR and HD) to Volunteering Edinburgh ahead of grants approval from Scottish Government. This is based on expectation we will receive the money back when Scottish Government funding arrives. | 01/04/2020 |
| D41 | School meals payment to be approved every fortnight. NH to advise when each payment is due and then discuss at CIMT. | 02/04/2020 |
| D42 | Paper on Supplier Relief due to Covid-19 presented by HD was approved. | 02/04/2020 |
| D43 | AK confirmed Death registration to 7 days a week | 04/04/2020 |
| D44 | Commercial Property Investment Portfolio paper approved | 06/04/2020 |
| D45 | EICC to continue as planned. | 06/04/2020 |
| D46 | Bethany Night Shelter. Allows us to close the night Shelter run by Bethany | 08/04/2020 |
| D47 | Essential contractor letter approved at CIMT | 08/04/2020 |
| D48 | Food Distribution – EVOC plan in principle approved. Final Plan circulated 20/04 . Approved MOU officially 23/04 | 09/04/2020 |
| D49 | (Parks) - Gardens on the Southside to be closed due to social distancing not being carried out and Police having to attend due to incidents. GB | 14/04/2020 |
| D50 | DECISION – ACTION WAS TO: (FOI) NS to have another look at the request and liaise with Laurence Rockety and Kevin Wilbraham to investigate. Confirmation this is not to be shared and request has now been declined. | 14/04/2020 |
| D51 | EIJB met yesterday and agreed to suspend meetings until end-June. Operational decisions, as usual, to be taken by Chief Officer and team with assurance through Council and NHS incident management teams, as appropriate | 14/04/2020 |
| D52 | EH&SCP briefing on Support for residential and nursing care home sector. Discussion on this paper and agreed in current version by CIMT. | 16/04/2020 |
| D53 | Consultation Approach. This has now been signed off by Leader and Deputy Leader confirmed by LR. Approved at LAP also on 24/04 | 17/04/2020 |
| D54 | Free School Meals Payment to be made for the first two weeks in May. £129k | 20/04/2020 |
| D56 | Glass collection recommence on 28th April. See CIMT note on 22/04 | 22/04/2020 |
| D55 | MOU with Volunteering Edinburgh - confirmed at CIMT on 23/04 | 23/04/2020 |
| D57 | (LAP) - Step down LAP. Replace with fortnightly P&S. | 23/04/2020 |
| D59 | New Queensferry HS agreed not to accept the school without a completion certificate and no payment of the utility charge to be made. | 24/04/2020 |
| D60 | Limited grass cutting will recommence whilst observing physical distancing and the following depots to open: The Inch, Murrayburn and Inverleith. | 24/04/2020 |
| D61 | (Testing) Homelessness to CAT1. Confirmed on 07/05 | 28/04/2020 |
| D62 | APPROVED – group leaders agenda. | 28/04/2020 |

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| D63 | Casual, Supply, Tertiary worker paper approved. Take to 4pm call with Leader and Deputy leader. approved | 28/04/2020 |
| D64 | Reinstatement of Garden Waste collection | 28/04/2020 |
| D65 | Redesign of Road space paper. Take to 4pm call with leader and Deputy Leader. Approved. | 28/04/2020 |
| D66 | £50k food fund formally approved. | 28/04/2020 |
| D67 | Enforcement Powers Paper (Andrew Mitchell) 27th March. | 30/04/2020 |
| D68 | Community Centres - Link to D36 . David Bruce & AK – now agreed to hold as we were – remain shut for public health purposes – AK to check with Adam and Cammy acceptable at 4pm. 28/03 Confirmed to remain shut. | 30/04/2020 |
| D70 | CIMT meeting rhythm. Change to 3 times a week. CLT + HOS Monday and CLT only with invited participants Tuesday & Thursday. To start w/c 04/05 | 30/04/2020 |
| D71 | (Council letter of comfort) AK to discuss the option of sending a letter to Tfe, Lothian Buses and Edinburgh Tram. HD confirmed this letter was sent on the 27th. | 30/04/2020 |
| D72 | No further road closures until CIMT have had sight and also been to P&S. | 30/04/2020 |
| D73 | 4 Early Years Hubs to open (x3 PPP schools & Queensferry Primary School) | 30/04/2020 |
| D69 | REFUNDS Paper and TAXI Licence - 30/03 ...A Mitchell confirmed that the Chief Executive made an urgent decision that was verbally reported at LAP. | 01/05/2020 |
| D70 | Bereavement Service fees and charges uplift – increase approved from 1 July 2020, in light of current events. | 04/05/2020 |
| D71 | Re opening of Craigmillar Depot Office approved – to provide welfare facilities and parking for Street Cleansing Teams. | 04/05/2020 |
| D72 | Briefing note on VIP Process for Urgent Coronavirus Enquires - approved 24/04/2020 | 05/05/2020 |
| D73 | Corporate Safe Working Practices Strategy (COVID – 19) - Approved and circulated on 04/04/20 | 05/05/2020 |
| D74 | Garden Waste suspended 07/04. Briefing was sent and media. | 05/05/2020 |
| D75 | Russel Road depot. Confirmed 07/05 | 05/05/2020 |
| D76 | Cammo Walk proposal to partially close to provide dedicated space for walking and cycling. This has been notified to local ward Councillors and no objections were received. | 07/05/2020 |
| D77 | Braidburn Terrace GB to talk to Cllr Rust re proposal. After discussion, AK and PL to sign off. Update required at CIMT on 11/05 to record formally. APPROVED 12/05 | 07/05/2020 |
| D78 | Risk will report to P&S as weekly group leaders has been cancelled. | 07/05/2020 |
| D79 | Supported Bus Service Briefing approved | 12/05/2020 |
| D80 | Reintroducing Grass Cutting for Garden Aid Customers | 12/05/2020 |
| D81 | Recommencement of Special uplifts | 12/05/2020 |
| D82 | Early Years Partner Provider Payment briefing paper. CIMT approved. Awaiting confirmation. | 12/05/2020 |
| D83 | Jack Kane Community Centre - The detail of your email was discussed at a meeting of the Corporate Leadership Team and the decision is that the Council's position is unchanged from that previously communicated. All non essential CEC buildings are to remain closed to allow the Council to follow Scottish Government advice to stay at home, protect the NHS and save lives. Full letter can be sent if required. | 12/05/2020 |
| D84 | Safer Walking and Cycling Paper to be approved - no decision yet. | 14/05/2020 |

Scottish Welfare Fund

The arrows in this section represent the change (increase ▲ or decrease ▼) from previous week

| | | | | | | | | |
|--|--------------|----|---|---|------------------|--------|---|---|
| | 1,044 | 37 | ▲ | Total Number of Grants Applied for | £ 278,523 | £17.2k | ▲ | Total Amount of Grant Funds Applied For |
| | 904 | 22 | ▲ | Crisis Grant Application Volumes | £ 202,255 | £8.0k | ▲ | Crisis Grant Application Funds Applied For |
| | 135 | 12 | ▲ | Community Care Grant Application Volumes | £ 73,563 | £4.3k | ▲ | Community Care Grant Application Funds Applied For |
| | 5 | 3 | ▲ | Crisis and Community Care Grant Application Volumes | £ 2,705 | £4.9k | ▲ | Crisis and Community Care Grant Application Funds Applied For |

Total number of applications by week

Contacts - Local Assistance Team and Contact Resilience Centres

1,197 calls last week

Vulnerable 324

Shielding 61

30

9

17

0 167 45 570

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

■ Food Order ■ Pharmacy Order ■ Food & Pharmacy ■ Other Services ■ Guidance/ Advice

332

Recorded footfall in Council Resilience Centres

-7 ▼

vs last week

Vulnerable, 547

Shielding, 650

Business Grants Applications in Scotland

| | |
|------------------------------|---------------------|
| Total number of applications | 81,781 |
| Granted | 64,912 |
| Rejected | 13,656 |
| Total value | £741,892,500 |

Last data available up to 19th May 2020

Top 10 Local Authority Areas (value of grants awarded)

£0M £20M £40M £60M £80M £100M

Covid-19 Scotland

14,594 cases tested positive in Scotland

2,105 patients who tested positive have died in Scotland

NHS Lothian Health Board

2,568 cases tested positive in NHS Lothian Health Board Area

242* patients who tested positive have died in NHS Lothian Health Board Area

Data updated 18/05/2020 Source: Scottish Government *Source: NHS Lothian 18/05/2020

HR

| Sickness absence % across the Council | | | |
|--|--------------|-------|---|
| 2.6% | vs last week | -0.2% | ▼ |
| Covid-19* related absence % across the Council | | | |
| 8.2% | vs last week | 0.4% | ▲ |

*Covid-19 absence includes the following categories:
 COVID-19 - Can't return from travel COVID-19 - Self isolating
 COVID-19 - Care for a dependant COVID-19 - Sick / infected
 COVID-19 - School or office closure COVID-19 - Shielding

Communities and Families - Schools

| | |
|-----------------------------------|--|
| Average Number of Pupils per week | |
| 330 | |
| Average Number of Staff per week | |
| 157 | |
| Average Number of Schools Open | |
| 11 | |

Communities and families - Child Protection

23

Number of Child Protection Inter-agency Discussions

Page 242

Homelessness

| Total number of new presentations (weekly average) | | |
|--|--------------|-------|
| 57 | vs last week | -1 ▼ |
| | vs last year | -71 ▼ |

| Number of families in B&B | | |
|---------------------------|--------------|-------|
| 0 | vs last week | 0 = |
| | vs last year | -18 ▼ |

Last available data for week 17: 20-26 April 2020
Data recorded by 6 devices in city centre

78,371

Current Week Footfall

28,520

Less than previous week

Due to commercial reasons this data should not be shared externally

Footfall

HSC

71

Delayed discharges

542

Domiciliary waiting list

62

Adult Protection Contacts