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Notice of meeting and agenda

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Governance, Risk and Best Value Committee

10.00am, Tuesday, 14th March, 2023

Dean of Guild Court Room - City Chambers

This is a public meeting and members of the public are welcome to attend or watch the webcast live 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 Any items under "Private Business" will not be published, although the decisions will be recorded in the minute.

Contacts

Email: emily.traynor@edinburgh.gov.uk / jamie.macrae@edinburgh.gov.uk

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THE CITY OF EDINBURGH COUNCIL

1. Order of Business

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

2. 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

5. Outstanding Actions

6. Work Programme

7. Business Bulletin

8. Reports

9. Motions

9.1   If any

10. Resolution to Consider in Private

10.1   The Committee is requested under Section 50(A)(4) of the Local Government (Scotland) Act 1973 to exclude the public from the meeting for the following items of business on the grounds that they would involve the disclosure of exempt information as defined in Paragraphs 1, 12 and 15 of Part 1 of Schedule 7A of the Act.

11. Private Reports

Nick Smith

Service Director, Legal and Assurance

Committee Members

Councillor Kate Campbell (Convener), Councillor Jule Bandel, Councillor Marco Biagi, Councillor Katrina Faccenda, Councillor Stephen Jenkinson, Councillor Adam McVey,

Councillor Claire Miller, Councillor Joanna Mowat, Councillor Jason Rust, Councillor Edward Thornley and Councillor Lewis Younie

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.

This meeting of the Governance, Risk and Best Value Committee is being held in the City Chambers, High Street, Edinburgh and virtually by Microsoft Teams.

Further information

If you have any questions about the agenda or meeting arrangements, please contact Emily Traynor, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, email jamie.macrae@edinburgh.gov.uk / emily.traynor@edinburgh.gov.uk.

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

The agenda, minutes and public reports for this meeting and all the main Council committees can be viewed online by going to the Council's online Committee Library.

Live and archived webcasts for this meeting and all main Council committees can be viewed online by going to the Council's Webcast Portal.

Webcasting of Council meetings

Please note this meeting may be filmed for live and subsequent broadcast via the Council's internet site – at the start of the meeting the Convener will confirm if all or part of the meeting is being filmed.

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

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

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

Minutes

Governance, Risk and Best Value Committee

10.00am, Tuesday 24 January 2023

Present

Councillors Campbell (Convener), Bandel, Biagi, Cameron (substituting for Faccenda) (items 1-7), Faccenda (Items 8 onwards) Jenkinson, McVey, Miller, Mowat, Thornley, Younie and Whyte (substituting for Rust).

1. Minutes

Decision

To approve the minute of the Governance, Risk and Best Value Committee of November 2022 as a correct record.

2. Outstanding Actions

Details were provided of the Outstanding Actions arising from decisions taken by the Committee.

Decision

1) To agree to close the following actions:

- 12 (2) – Internal Audit: The Chartered Institute of Internal Auditors - External Quality Assessment

- 13 - Internal Audit: Open and Overdue IA Findings – Performance Dashboard as at 31 August 2022

- 16 (1) - Major Investigation Outcome Report (MCEC-19-19) (Private report)

- 18 - Capital Monitoring 2022-2023 - Month 6 position referral from Finance and Resources Committee

- 19 (1&2) - Sustainable Capital Strategy – referral from Finance and Resources Committee

2) To note an update on Action 3 would be circulated to members after the meeting.

3) To request officer budget proposals are circulated with groups, prior to being published for the Finance and Resources Special Meeting.

4) To otherwise note the remaining outstanding actions.

(Reference – Outstanding Actions January 2023, submitted.)

3.   Work Programme

The Work Programme for January 2023 was presented.

Decision

To note the Work Programme.

(Reference – Work Programme January 2023, submitted.)

4.   Business Bulletin

The Committee Business Bulletin for January 2023 was presented.

Decision

To note the Business Bulletin.

(Reference – Business Bulletin January 2023, submitted.)

5.   Internal Audit: Open and Overdue Internal Audit Actions – Performance Dashboard as at 5 December 2022

Updates were provided as at 5 December 2022, where there were a total of 172 open Internal Audit (IA) management actions, 23 of them overdue, an increase of 3 when compared to August 2022 position of 20, but a significant decrease of 105 when compared to the same period last year at 128. Further detail on the status of open and overdue actions as at 5 December 2022 were provided in the open and overdue IA dashboard at Appendix 1 of the report by the Senior Audit Manager.

Decision

1)   To note the status of open and overdue Internal Audit (IA) actions as at 5 December 2022.

2)   To refer this paper to the relevant Council Executive committees for ongoing scrutiny of the overdue management actions relevant to their remits.

3)   To refer this paper to the Edinburgh Integration Joint Board Audit and Assurance Committee for information in relation to the current Health and Social Care Partnership position.

4)   To note that the management action for the Asset Management Strategy would be reopened and continued to the next committee to allow the Convener of the Finance and Resources Committee, the Executive Director of Place and the Chief Executive to attend to answer questions.

5)   To note the management update for action 16 does not correspond to the management action, and that the Executive Director of Education and Children's Services would circulate an appropriate update to members.

6)   To note that Place Directorate would provide a revised completion date and update for actions 10 and 11.

(Reference – report by the Senior Audit Manager, submitted)

6. Internal Audit Update Report: 1 September to 5 December 2022

An updated was provided on the progress of delivery of the 2022/23 Internal Audit (IA) annual plan as well as outlining updates to the 2022/23 plan. The IA risk profile continued to be managed within risk appetite, with mitigating actions in place as required.

Decision

1) To note progress with delivery of the 2022/23 Internal Audit (IA) annual plan.

2) To approve deferment of the Total Mobile audit into the 2023/24 IA plan and an extension to the number of audit days required to complete the Empowered Learning Programme audit due to commence in Quarter 4.

3) To note performance in achieving IA Key Performance Indicators (KPIs).

4) To note progress with recommendations and improvement actions arising from the 2021/22 External Quality Assessment (EQA).

5) To note outcomes and feedback from end of audit surveys.

6) To note the current IA risk profile and action being taken to mitigate risks.

7) To note progress with delivery of IA key priorities and ongoing areas of focus.

8) To note the SWIFT Application Technology Controls audit report would be referred to the Policy and Sustainability Committee; and to request that regular updates on this work are reported to the Committee.

9) To note the link to the Elected Members MyLearning Hub would be recirculated to members.

10) To request a Business Bulletin update on discussions with the Convener of the Transport and Environment Committee on setting up an Active Travel Board or forum.

(Reference – report by the Senior Audit Manager, submitted)

6.1. Audit Report: CGI - Security Operations Centre

The Committee in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting during consideration of the following item of business for the reason that it involved the likely disclosure of exempt information as defined in Paragraph 14 of Part 1 of Schedule 7A of the Act.

Decision

Detailed in the Confidential Schedule, signed by the Convener, with reference to this minute.

(Reference – report by the Senior Audit Manager, submitted)

7. Corporate Leadership Team Risk Report as at 28 November 2022

Details were presented on the Council's risk profile as at 28 November 2022, to highlight the most significant risks facing the Council, and key actions being taken in response to those risks. Risk assessments within the paper were based on management's view of

the internal and external environments within which the City of Edinburgh Council operates, with subsequent actions considered in the context of the Council's risk appetite.

Decision

1) To note the risk profile as at 28 November 2022, which reflected the most significant risks facing the Council, and key actions being taken in response to those risks.

2) To note discussions would take place out with Committee on how the Council's risk appetite and risk ratings are presented in this report.

3) To request Business Bulletin updates on setting risk appetite

4) To note the Policy and Sustainability Committee would take this work forward.

(References – report by the Interim Executive Directorate of Corporate Services, submitted)

8. Quarterly Status Update – Digital Services

Updates were provided on the quarterly progress of the Council's Digital Services programme of works. The Council and their technology partner, CGI UK Limited, have continued to work in partnership to increase the pace of delivery to improve core digital services, achieve further improvement and progress the associated major systems changes and developments which will further enable and enhance our citizen facing services and the internal business operations of the Council.

Decision

1) To note the report.

2) To request a table in the next report which tracks changes in volume vs. service availability, to highlight how the service performs with change and how this impacts the end service user.

(References – report by the Interim Executive Directorate of Corporate Services, submitted)

9. Annual Assurance Schedule – Education and Children's Services

Committee was presented with the annual assurance schedule covering 2022/23.

Decision

1) To note the report.

2) To request a Teams briefing for members on the background of the report.

(References – report by the Executive Directorate of Education and Children's Services, submitted)

10. The EDI Group - annual update for the year ending 31 December 2021 – referral from Housing, Homelessness and Fair Work Committee

On 1 December 2022, the Housing, Homelessness and Fair Work Committee considered a report on The EDI Group - annual update for the year ending 31 December 2021. The report provided an update on the progress of the transition strategy for The EDI Group Limited which aimed to close it and its subsidiary companies and bring their projects and assets into the Council.

Decision

To note the report.

(References – Housing, Homelessness and Fair Work Committee of 1 December 2022 (item 6); referral from the Housing, Homelessness and Fair Work Committee, submitted.)

11. Edinburgh International Conference Centre - annual update for the year ending 31 December 2021 – referral from Housing, Homelessness and Fair Work Committee

On 1 December 2022, the Housing, Homelessness and Fair Work Committee considered a report on the Edinburgh International Conference Centre - annual update for the year ending 31 December 2021. The report provided an update on performance of EICC in the year ending 31 December 2021. The performance reflected ongoing recovery from the significant difficulties that COVID-19 had created for the events and conferencing industry. Overall, EICC made a loss of £35,791, compared to a loss of £1,721,998 in the previous year. EICC's accounts, for 31 December 2021, have been signed-off by its auditor.

Decision

1) To note the report.

2) To note the Convener would write to the Convener of the Housing, Homelessness and Fair Work Committee to ask for Business Bulletin updates on the progress of the hotel build project.

(References – Housing, Homelessness and Fair Work Committee of 1 December 2022 (item 7); referral from the Housing, Homelessness and Fair Work Committee, submitted.)

12. Whistleblowing Update

A high-level overview of the operation of the Council's whistleblowing service for the quarter 1 July – 30 September 2022 was provided.

Decision

To note the report.

(References – report by the Chief Executive, submitted)

13. Whistleblowing Monitoring Report

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

Decision

Detailed in the Confidential Schedule, signed by the Convener, with reference to this minute.

(References – report by the Chief Executive, submitted)

Outstanding Actions

Governance, Risk and Best Value Committee

14 March 2023

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
1	10.08.21	First Line Governance and Assurance Model	To agree that progress updates should be provided in each GRBV Committee Business Bulletin from November onwards, including an update on the finalised structure and recruitment.	Service Director - Legal & Assurance	May 2023		**Update March 2023** Report will be presented to May Committee. **November 2022** Following the update in November, the next update will be provided in March. **October 2022** Updates will be provided monthly in the Business Bulletin.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							August 2022 Update included in August Business Bulletin. Updates will be provided on an ongoing basis.
2	21.09.21	Corporate Leadership Team Risk Report as at 23 August 2021 – Report by the Chief Executive	1) To agree that the Service Director – Legal and Assurance would send an email to Directors and senior managers to request that risk is properly considered in Council and committee Reports.	Service Director - Legal & Assurance			**Closed**
			2) To request that the next review of the Report template for Council and committees includes a 'risk' section to ensure	Interim Executive Director of Corporate Services	May 2023		**Update March 2023** Reviewed report template going to Council on 16.03.23.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			this is considered.				**January 2023** Review of Report Template will be considered at Council in February 2023. **October 2022** To be discussed as part of the Political Management Arrangement report which will be considered at Council in December. Further information in Business Bulletin. **June 2022** Report template will be submitted to Council for consideration in

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							September alongside the Council's other governance documents.
			3) Agree that Item 6 (Implementation of BVAR recommendations) will be reported to each meeting of GRBV under the Business Bulletin to monitor progress (tabular form acceptable) towards completion dates.	Interim Executive Director of Corporate Services	May 2023		**Update March 2023** Best Value report going to P&S Committee on 21.03.23 and will thereafter be referred to GRBV in May. **November 2022** Following the update in November, the next update will be provided in March.
			4) That reports are prepared in the following terms on the	Interim Executive Director of	March 2022		**Closed March 2022**

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			following areas: 4.1) Common Good – a Report reviewing progress towards completion of 2017/18 recommendations on the Common Good Asset Register and what outstanding work there is to complete this and what resource is required (in officer hours) in two cycles and copied to the relevant Executive Committee.	Corporate Services			
			4.2) Framework for collaboration with community councils – a Report detailing current arrangements, funding and how this links into wider community planning responsibilities with	Interim Executive Director of Corporate Services	March 2022		**Closed March 2022**

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			any actions for improvement identified and Reporting framework detailed in two cycles and copied to the relevant Executive Committee.				
			4.3) Community Asset Transfer – short Report in two cycles on current process and timescales to include a table on number of requests received and stage in process with time taken to get to that point.	Executive Director of Place	March 2022		**Closed March 2022**
3	14.12.21	[Community Centres (update)](#) – Report by the Executive Director of Education and Children's Services	The Executive Director of Education and Children's Services will provide a written response to councillors' questions regarding Inch Community Centre, feedback from	Executive Director of Education and Children's Services	January 2023		**Recommended for Closure** Briefing was circulated to members on 25.01.23.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			community centre management committees and progress made to improve the responsiveness to new guidance, which will be circulated to all committee members.				**November 2022** Change of Directorate owner from Place to Education and Children's Services. **June 2022** It is proposed that a paper on the future management of the relationships with community centres is considered by Culture and Communities Committee in August.
4	18.01.22	[Committee Decision Process and the Policy Register] – Report	1) To request that a review or internal audit (to be decided in March when the 2022/23	Interim Executive Director of Corporate	December 2022		**Closed January 2023**

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		by the Interim Executive Director of Corporate Services	Internal Audit Annual Plan is considered to ensure capacity) is undertaken to ensure the recommendations at paragraph 4.18 of the report have been implemented and that the processes are working effectively.	Services			
			2) To agree to produce a simple guide to the Council's governance arrangements, decision making and committee process, including IIAs, implementation of decisions, the policy register and the use of the webcast for reviewing committee discussion. The guide to be included in members' training and made available to members and officers	Interim Executive Director of Corporate Services	August 2023		**Update March 2023** This guidance will be informed by the workshops and survey on the barriers to elected office as agreed by Policy and Sustainability Committee and Council. **October 2022** A guide is being prepared and will

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			on the Orb, with a link to it to be included in committee action sheets for information.				be circulated to members when available.
5	14.06.22	Business Bulletin	1) To note members would discuss with the Corporate Governance Manager the presentation format of the Best Value Assurance Audit Status Update in the Business Bulletin and in the GRBV Teams Channel.	Interim Executive Director of Corporate Services / Corporate Governance Manager	August 2022		**Closed**
			2) To note the Interim Executive Director of Corporate Services would circulate the Budget template to all members and that discussion with political groups would follow on submitting	Interim Executive Director of Corporate Services	December 2022		**Recommended for Closure** Papers were circulated in advance of the special budget F&R committee being held on 7 February 2023.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			budget proposals.				**January 2023** Briefing sessions were offered to each group on the MTFP, to provided support on budget proposals for presentation at the Finance and Recourses Committee in February 2023. **November 2022** A meeting took place with Group Leaders on 24 October to discuss the approach to both the revision of the Council's Business Plan and the Medium Term Financial

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							Plan/Budget. **October 2022** Initial contact made by Finance Leads with political groups on the 2023/24 budget. **August 2022** Discussions planned with Group Leaders during August. **June 2022** Budget Template was circulated to members via email on 14 June 2022.
			3) To request that a note be circulated summarising the closure of	Chief Internal Auditor		August 2022	**Closed**

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			outstanding Internal Audit actions.				
6	23.08.22	Annual Governance Statement	To request officers consider the role of the GRBV Committee in performance monitoring including potential dashboard reporting and the referral process between Policy and Sustainability Committee and GRBV Committee for overall scrutiny of council performance.	Interim Executive Director of Corporate Services	March 2023		**Update March 2023** Report on how performance is considered by committee will go to P&S on 21 March 2023. **January 2023** Report was considered at the Policy and Sustainability Committee on 17 January, confirming how performance is scrutinised at Committees is being reviewed. **November 2022** Meeting to discuss with

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							Convener has been requested.
7	23.08.22	Corporate Governance Code	To request that a section on areas for improvement and potential actions to address areas where there were issues would be considered in the next self-assessment exercise and provided in the next iteration of the report.	Interim Executive Director of Corporate Services	August 2023		
8	23.08.22	Annual Assurance Schedule – Edinburgh Health and Social Care Partnership	To request information on the percentage of teams which currently have a risk register in place and that greater detail on progress be provided in future Annual Assurance Schedules.	Chief Officer – Edinburgh Health and Social Care Partnership	February 2023		**Update November 2022** By February 2023 to have all teams transitioned to the new risk management process. All teams in the Partnership have risk management processes in place. We are

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							transitioning the Partnership over to an integrated risk management process which takes account of NHSL and CEC risk management approaches and we have transitioned 25% over to the new operating process.
9	23.08.22	Gas Services Improvement Plan Closure Report	To agree to continue the report for two cycles to allow completion of the two audits currently underway and for these to be presented to the Committee with the report.	Executive Director of Place	March 2023		**Update January 2023** Report is agenda for March Committee. **November 2022** Report will be submitted once the results from the external assessment have

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							been received.
10	23.08.22	Revenue Budget 2022/27 Framework: progress update	1) To note that GRBV members will be alerted when the Finance and Resources Committee meeting papers are published with the next Revenue Budget update report.	Interim Executive Director of Corporate Services	November 2022		**Closed November 2022**
			2) To note that the Interim Executive Director of Corporate Services will review how Finance and Resources Budget reports are brought to GRBV Committee, to ensure accurate information is being presented in a more efficient manner.	Interim Executive Director of Corporate Services	Spring 2023		**Recommended for Closure** Reporting will be reviewed throughout 2023/24. **November 2022** Aim to ensure budget monitoring reports referred from the Finance and Resources Committee to GRBV are

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							accompanied by a short summary paper, which includes a high level update on the most recent financial position.
11	11.10.22	Outstanding Actions	To agree to provide an update on action 4 (Community Centres (update)), to advise if a report concerning the future management of community centres was presented to the Culture and Communities Committee in August 2022.	Executive Director of Place	March 2023		**Update November 2022** A report on the future management of community centres was not submitted to Culture and Communities Committee in August 2022. Culture and Communities Committee will be kept updated on how the Council will work with Community

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							Centres in the future.
12	11.10.22	Internal Audit: The Chartered Institute of Internal Auditors - External Quality Assessment	1) To note that a risk maturity assessment would take place and this would form the basis for measurement of progress toward organisational risk maturity.	Head of Health & Safety	February 2023		**Recommended for Closure** Update included in January 2023 Business Bulletin. **November 2022** Taking place as part of agreed audit management actions.
			2) To agree committee would be advised, via the business bulletin, of progress relating to organisational risk maturity.	Head of Health & Safety	January 2023		**Closed January 2023**
			3) To agree that an assurance map would be shared with Elected Members for	Senior Audit Manager	November 2022		**Closed December 2022**

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			the Elected Member Training Session in November 2022.				
			4) To agree that a report was presented to Committee by end of March 2023 to propose the council's risk model.	Service Director – Legal and Assurance	May 2023		**Update March 2023** Included in report going to P&S on 21.03.23 and will thereafter be referred to GRBV in May 2023.
13	11.10.22	Internal Audit Update Report: 1 May to 31 August 2022	1) To agree that Committee would be advised of the Council's second line assurance landscape.	Senior Audit Manager	December 2023		
			2) To agree that Committee were advised of the timescales proposed for the delivery of the second line assurance framework.	Service director – Legal and Assurance	May 2023		**Update March 2023** Report will be presented to May Committee.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			3) To agree that assurance was provided to Committee concerning risk to Internal Audit capacity, as a result of the council accepting third party funding with audit conditions, which may compromise Internal Audit's capacity for existing workload commitments and generate vulnerabilities for the council.	Senior Audit Manager	31 March 2023		**Recommended for Closure** Specific requirements will be outlined in the 23/24 plan going to GRBV in March 23 and ongoing quarterly updates. **November 2022** This will be part of the 23/24 planning and ongoing. Senior Audit Manager will also communicate the directorate responsibilities when engaging re 23/24 plan.
			4) To agree that a briefing note would be provided	Chief Executive			**Closed December 2022**

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			to Committee by 18 October 2022, to advise why the Audit found that the Directorate Whistleblowing monitoring and reporting processes were inadequate and not operating effectively.				
			5) To agree that Committee during the planned whistleblowing workshop would review the process for how Committee received assurance on the satisfactory implementation of whistleblowing actions.	Governance Manager			**Closed December 2022**
			6) To agree that a briefing note would be provided to members, concerning CGI's	Interim Executive Director of			**Closed December 2022**

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			inability to provide network availability assurance.	Corporate			
			7) To agree that a briefing note concerning progress with data quality and management was provided to committee particularly in view of how any planned improvements to the management of data would correlate with organisational effectiveness and robust decision making.	Interim Executive Director of Corporate			**Closed December 2022**
14	31.10.22	City of Edinburgh Council – 2021/22 Annual Audit Report to the Council and the Controller of Audit	1) To agree provide a briefing note with details on the variances in figures reported for Non Domestic Rates receipts from the national pool within	Interim Executive Director of Corporate Services		November 2022	**Closed November 2022**

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			the report.				
			2) To agree to arrange a Risk Management Framework workshop for members.	Interim Executive Director of Corporate Services	June 2023		**Closed November 2022**
			3) To agree to provide a briefing note on the £1m expenditure in relation to Leith Links - Common Good.	Interim Executive Director of Corporate Services		November 2022	**Closed November 2022**
15	24.01.23	Outstanding Actions	1) To note an update on Action 3 (Community Centres (update) would be circulated to members after the meeting.	Executive Director of Education and Children's Services			**Recommended for Closure** Briefing note was circulated to members on 25.01.23.
			2) To request officer budget proposals are circulated with groups, prior to being published	Interim Executive Director of Corporate			**Recommended for Closure** Papers were published prior to

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			for the Finance and Resources Special Meeting.	Services			the special F&R meeting held on 7 February 2023.
16	24.01.23	Internal Audit: Open and Overdue Internal Audit Actions – Performance Dashboard as at 5 December 2022	1) To note that the management action for the Asset Management Strategy would be reopened and continued to the next committee to allow the Convener of the Finance and Resources Committee, the Executive Director of Place and the Chief Executive to attend to answer questions.	Interim Executive Director of Corporate Services			**Recommended for Closure** The action was reopened and continued to Committee in March 2023.
			2) To note the management update for action 16 does not correspond to the management action, and that the Executive Director of Education and Children's Services	Executive Director of Education and Children's Services			**Recommended for Closure** Update was circulated to members on 25.01.23.

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No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			would circulate an appropriate update to members.				
			3) To note that Place Directorate would provide a revised completion date and update for actions 10 and 11.	Executive Director of Place			**Update March 2023** Action has been reopened and the service have been requested to update.
17	24.01.23	Internal Audit Update Report: 1 September to 5 December 2022	1) To note the SWIFT Application Technology Controls audit report would be referred to the Policy and Sustainability Committee; and to request that regular updates on this work are reported to the Committee.	Senior Audit Manager	May 2023		**Update March 2023** Report going to P&S Committee on 21.03.23.
			2) To note the link to the Elected Members MyLearning Hub would	Interim Executive Director of			**Recommended for Closure** Link circulated to

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			be recirculated to members.	Corporate Services			members on 24 January 2023.
			3) To request a Business Bulletin update on discussions with the Convener of the Transport and Environment Committee on setting up an Active Travel Board or forum.	Interim Executive Director of Corporate Services			**Recommended for Closure** Information was included in the Working Groups report to Council on 9 February 2023, as per the Business Bulletin update.
18	24.01.23	Corporate Leadership Team Risk Report as at 28 November 2022	1) To note discussions would take place out with Committee on how the Council's risk appetite and risk ratings are presented in this report.	Interim Executive Director of Corporate Services	May 2023		**Update March 2023** In progress, session requested with Members and work has begun on drafting a more detailed report to address points highlighted.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			2) To request Business Bulletin updates on setting risk appetite; and that the Policy and Sustainability Committee would take this work forward.	Interim Executive Director of Corporate Services		May 2023	
19	24.01.23	Quarterly Status Update – Digital Services	To request a table in the next report which tracks changes in volume vs. service availability, to highlight how the service performs with change and how this impacts the end service user.	Interim Executive Director of Corporate Services		May 2023	
20	24.01.23	Annual Assurance Schedule - Executive Director of Education and Children's Services	To request a Teams briefing for members on the background of the report.	Executive Director of Education and Children's Services	March 2023		**Update March 2023** Executive Director of Education and Children's Services will provide a presentation to

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							members.
21	24.01.23	Edinburgh International Conference Centre - annual update for the year ending 31 December 2021 - referral report from the Housing, Homelessness and Fair Work Committee	To note the Convener would write to the Convener of the Housing, Homelessness and Fair Work Committee to ask for Business Bulletin updates on the progress of the hotel build project.	Convener of Housing, Homelessness and Fair Work / Head of Development & Regeneration			**Update March 2023** Convener wrote to the Convener of the Housing, Homelessness and Fair Work Committee on 15.02.23. *Updates for March BB tbc…*

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Work Programme

Governance, Risk and Best Value Committee – 14 March 2023

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholder	Progress updates	Expected date
1	Internal Audit: Overdue Findings and Key Performance Indicators	Quarterly report	Paper outlines previous issues with follow up of internal audit recommendations, and an overview of the revised process within internal audit to follow up recommendations, including the role of CLG and the Committee	Internal Audit	Chief Internal Auditor	Council Wide	Quarterly	May 2023 August 2023 November 2023

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholder	Progress updates	Expected date
2	Internal Audit Quarterly Activity Report	Quarterly report	Review of quarterly IA activity with focus on high and medium risk findings to allow committee to challenge and request to see further detail on findings or to question relevant officers about findings	Internal Audit	Chief Internal Auditor	Council Wide	Quarterly	May 2023 August 2023 November 2023
3	IA Annual Report for the Year	Annual report	Review of annual IA activity with overall IA opinion on governance framework of the Council for consideration and challenge by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	August 2023
4	IA Audit Plan for the year	Annual report	Presentation of Risk Based Internal Audit Plan for approval by Committee	Internal Audit	Chief Internal Auditor	Council Wide	Annually	March 2024

	Title / description	Sub section	Purpose/Reason	Category or type	Lead officer	Stakeholder	Progress updates	Expected date
5	Accounts Commission	Annual report	Local Government in Scotland: Financial Overview	External Audit	Executive Director of Corporate Services	Council Wide	Annually	March 2024
6	Accounts Commission	Annual report	Accounts Commission: Local Government in Scotland Overview 2021	External Audit	Executive Director of Corporate Services	Council Wide	Annually	October 2023
7	Annual Audit Plan	Audit Scotland	Annual audit plan	External Audit	Executive Director of Corporate Services	Council Wide	Annually	March 2024
8	City of Edinburgh Council – 2021/22 Annual Audit Report to the Council and the Controller of Audit	Audit Scotland	Annual Audit Report	External Audit	Executive Director of Corporate Services	Council Wide	Annually	October 2023
9	External Audit Review of Internal Financial Controls	Azets	Interim audit report on Council wide internal financial control framework	External Audit	Executive Director of Corporate Services	Council Wide	Annually	October 2023 (as part of 2021/22 Annual Audit report)
10	Internal Audit Charter	Annual Report	Annual Audit Charter	Internal Audit	Executive Director of Corporate Services	Council Wide	Annually	March 2024

Section B – Scrutiny Items

11	Change Portfolio		To ensure major projects undertaken by the Council were being adequately project managed	Major Project	Executive Director of Corporate Services	All	Six- monthly	March 2024 October 2023
12	CLT Risk Report	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Executive Director of Corporate Services	Council Wide	Quarterly	May 2023 August 2023 November 2023
13	Whistleblowing Quarterly Report		Quarterly Report	Scrutiny	Executive Director of Corporate Services	Internal	Quarterly	June 2023 August 2023 December 2023 March 2024
14	Whistleblowing Annual Report		Annual report	Scrutiny	Executive Director of Corporate Services	Internal	Annual	March 2024
15	Revenue Monitoring	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Quarterly	October 2023 March 2024
16	Capital Monitoring	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Quarterly	October 2023 March 2024

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17	Revenue Outturn	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Annual	October 2023
18	Capital Outturn and Receipts	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Annual	October 2023
19	Treasury – Strategy report	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Annual	March 2024
20	Treasury – Annual report	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Annual	October 2023
21	Treasury – Mid-term report	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Annual	January 2024
22	Annual Assurance Schedules	Review	Progress Report	Scrutiny	All Directorates	Council	Annual	August 2023 (EIJB) January 2024 (Education and Children's Services) March 2024 (Corporate Services) & (Place

23	Review of the Member/Officer Protocol	Review	Including timescales for submission	Scrutiny	Executive Director of Corporate Services	Council Wide	Flexible	August 2023
Section C – Council Companies								
24	Capital Theatres	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	January 2024
25	Edinburgh Leisure	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	May 2023
26	Capital City Partnership	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	November 2023
27	Transport for Edinburgh	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	October 2023
28	Lothian Buses	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	October 2023
29	Edinburgh Trams	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	October 2023

| 30 | Edinburgh International Conference Centre | Review | Progress Report | Scrutiny | Executive Director of Place | Council Wide | Annual | January 2024 |

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GRBV Committee Upcoming Reports

Appendix 1

Report Title	Type	Flexible/Not Flexible
May 2023		
Internal Audit: Overdue Findings and Key Performance Indicators	Scrutiny	Not Flexible
Internal Audit Quarterly Update	Scrutiny	Not Flexible
CLT Risk Report	Scrutiny	Not Flexible
Treasury Strategy Report – referral from Council	Scrutiny	Not Flexible
ALEO - Edinburgh Leisure	Scrutiny	Not Flexible
Treasury Strategy Report – referral from the Finance and Resources Committee	Scrutiny	Not Flexible
Capital Strategy Annual Report – referral from the Finance and Resources Committee	Scrutiny	Not Flexible
Quarterly Status Update - Digital Services Programme	Scrutiny	Not Flexible
Security Operations Centre	Scrutiny	Not Flexible

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Business Bulletin

Governance, Risk and Best Value Committee

10.00am, Tuesday, 14 March 2023

Teams Meeting

·EDINBVRGH·
THE CITY OF EDINBURGH COUNCIL

Governance, Risk and Best Value Committee

Convener:	Members:	Contact:
Councillor Kate Campbell	Councillor Jule Bandel Councillor Marco Biagi Councillor Katrina Faccenda Councillor Stephen Jenkinson Councillor Adam McVey Councillor Claire Miller Councillor Joanna Mowat Councillor Jason Rust Councillor Edward Thornley Councillor Lewis Younie	Jamie Macrae Committee Officer 0131 553 8242

Recent news	Background/Contact
Corporate Leadership Team Risk Report as at 28 November 2022 - **to request Business Bulletin updates on setting risk appetite; and that the Policy and Sustainability Committee would take this work forward.** The City of Edinburgh Council's Risk Appetite was last updated on 30 November 2021, at which time the risk appetite was increased, to take account of the significant challenges presented by the COVID pandemic and the Council's limited ability to mitigate many of the contributing factors. One of the key principles of effective risk management is ensuring that it aligns with organisational objectives. As a result, following the approval of the new Business Plan for the Council it is important to reflect on what the City of Edinburgh Council's prioritises in reviewing its risk appetite. A revised risk appetite paper is currently under development and will be submitted for consideration to the Policy and Sustainability Committee in May. As part of this process there will be the opportunity to take input from GRBV Members at a member session on risk management on 8 March 2023.	Chris Lawson Head of Health and Safety and (Interim) Risk, Legal and Assurance Division, Corporate Services Directorate Tel: 0131 529 7476
First Line Governance and Assurance Model **To agree that progress updates should be provided in each GRBV Committee Business Bulletin from November**	Nick Smith Service Director: Legal and Assurance,

onwards, including an update on the finalised structure and recruitment.

A report providing this information will be presented to GRBV Committee on 2 May 2023. Recruitment within the Governance team has now been completed and staff are beginning to implement the business partnering approach with directorates. The report in May will outline the work that has been undertaken over the past few months and also how the approach links with other corporate governance initiatives.

Best Value Report

Agree that Implementation of BVAR recommendations will be reported to each meeting of GRBV under the Business Bulletin to monitor progress (tabular form acceptable) towards completion dates. A report is being presented to Policy and Sustainability Committee on 21 March 2023 which will be referred to GRBV Committee. The report will provide an update on the progress with the Best Value Assurance Review recommendations and outline future reporting arrangements.

GRBV Outstanding Action - **To request a Business Bulletin update on discussions with the Convener of the Transport and Environment Committee on setting up an Active Travel Board or forum.** This will be considered by the Council in March 2023.

[Edinburgh International Conference Centre](#) - **annual update for the year ending 31 December 2021 - referral report from the Housing, Homelessness and Fair Work Committee. To note the Convener would write to the Convener of the Housing, Homelessness and Fair Work Committee to ask for Business Bulletin updates on the progress of the hotel build project. Edinburgh International Conference Centre hotel – construction update**

Work is ongoing to deliver a new 349-bedroom hotel, the "Hyatt Centric Edinburgh Haymarket", at Haymarket, Edinburgh. The hotel is being developed by the Qmile Group as part of the wider regeneration of the former goods yard. Upon completion, the hotel will be leased to the City of Edinburgh Council which will then sub-lease it to Edinburgh International Conference Centre

Corporate Services Directorate

Tel: 0131 529 4377

[Gavin King](#)

Head of Democracy, Governance and Resilience, Legal and Assurance Division, Corporate Services Directorate

Tel 0131 529 4239

[Gavin King](#)

Head of Democracy, Governance and Resilience, Legal and Assurance Division, Corporate Services Directorate

Tel 0131 529 4239

[David Cooper](#)

Head of Development and Regeneration, Sustainable Development Division, Place Directorate

Tel: 0131 529 6233

Limited (EICC), which will operate the hotel under a franchise agreement with the hotel brand Hyatt.

The principal contractor, Sir Robert McAlpine, commenced enabling works consisting of permanent piling and temporary contiguous piling in August 2022 with completion of that stage due in March 2023. The works are being tendered progressively (i.e., shell and envelope, bathroom pods, and fit out). The shell and envelope works will commence after completion of piling operations. Overall completion is currently programmed for November 2025, with the hotel opening several months later.

The interests of the Council and EICC are being assured by Currie & Brown (project manager) and Sentinel (clerk of works) who are working closely with the Qmile Group, Sir Robert McAlpine, and other firms to ensure the hotel is delivered as specified. The costs of this oversight, and other pre-opening costs, are being met by EICC, the project is on time and on budget from a Council perspective. The construction programme may move out slightly, however we are not the developer and therefore do not carry construction risk.

Internal Audit: Open and Overdue Internal Audit Actions – Performance Dashboard as at 5 December 2022 - **To note that Place Directorate would provide a revised completion date and update for actions 10 and 11. RES1813 Issue 3.2 – Volume and Value of Concessionary Lets (Asset Management Strategy)** – A revised completion date of end of June 2023 has now been provided against the outstanding action. Volume and value of concessionary lets data has been compiled and it is the intention to include this in the June portfolio update to Finance & Resources Committee."

Internal Audit Update Report: 1 September to 5 December 2022
To note the SWIFT Application Technology Controls audit report would be referred to the Policy and Sustainability Committee; and to request that regular updates on this work are reported to the Committee. An up to date position will be reported to the Policy and Sustainability Committee on 21 March 2023.

Graeme McGartland

Head of Estates, Sustainable Development Division, Place Directorate

Tel: 0131 529 5956

Laura Calder

Head of Internal Audit, Legal and Assurance Division, Corporate Services Directorate.

Tel: 0131 469 3077

Governance, Risk and Best Value Committee

10.00am, Tuesday 14 March 2023

Internal Audit: 2023/24 Internal Audit Annual Plan

Item number
Executive/routine   Executive
Wards
Council Commitments

1.   Recommendations

1.1   The Governance, Risk and Best Value Committee is requested to review and approve 2023/24 Internal Audit Annual Plan.

Laura Calder

Head of Internal Audit

Internal Audit, Legal and Assurance, Corporate Services Directorate

E-mail: laura.calder@edinburgh.gov.uk | Tel: 0131 469 3077

Report

Internal Audit: 2023/24 Internal Audit Annual Plan

2.   Executive Summary

2.1   The purpose of this paper is to present to the GRBV for approval the proposed Internal Audit (IA) plan which sets out how IA assurance will be delivered and developed in accordance with the Internal Audit Charter for the period 1 April 2023 to 31 March 2024.

2.2   The proposed 2023/24 plan includes a total of 42 audits (excluding follow-up days), with 32 audits to be delivered across the Council, which is aligned with IA plan coverage achieved in 2022/23.

2.3   The proposed plan aims to be risk-based, proportionate and flexible to recognise the changing risk profile of the Council and is aligned to the Council's 2023-27 Business Plan outcomes, business critical risks and emerging issues.

2.4   The number of follow-up days included in the plan has been decreased to 200 days which reflects introduction of a risk-based follow-up process in October 2022.

2.5   The IA resourcing model has confirmed that IA is currently adequately resourced to support delivery of the proposed plan, with potential to undertake further audit work during 2023/24 depending on outcomes of ongoing recruitment. Conversely, unforeseen changes to the internal IA team resources may impact proposed delivery.

3.   Background

Development of the 2023/24 IA annual plan

3.1   The approach applied in developing the plan is set out in Figure 1 (page 3) of the IA plan. The IA plan is driven by Public Sector Internal Audit Standards (PSIAS) requirements, the Council's objectives and priorities as set out in the 2023 – 27 Council Business Plan, and an assessment of the risks that could prevent the Council from meeting those objectives and providing services.

3.2   In addition, where relevant, other sources of assurance from other second and third line assurance providers, and the extent to which reliance can be placed upon them has been considered.

3.3 [Audit Scotland Code of Audit Practice 2021](#) and [PSIAS](#) requirements have also been considered and an integrated approach with the Council's External Auditors and other external assurance providers/regulators has been applied in developing the plan.

3.4 Following an External Quality Assessment (EQA) undertaken by the Chartered Institute of Internal Auditors (IIA) in March 2022, the requirement to complete cyclical coverage across all areas of the Council every five years was removed from the Council's annual planning and risk assessment process.

3.5 To ensure a risk-based approach which is proportionate and aligned to business-critical risks and emerging issues, the proposed plan includes consideration of the Council's risk profile (including risk appetite) as reported to GRBV in January 2023, the outcomes of previously completed audits and requirement to ensure assurance on key financial systems.

3.6 The risk assessment process has also been supported through ongoing IA attendance at quarterly Corporate Leadership Team (CLT) and Directorate Risk Committee meetings and knowledge and awareness of new projects and initiatives undertaken by the Council.

IA capacity to support plan delivery

3.7 Adequacy and capability of Internal Audit resources has also been reviewed in line with PSIAS requirements to confirm whether sufficient resources, skills and capability are available to support delivery of the plan.

IA Follow-Up

3.8 The IA follow-up process is designed to confirm that management actions raised in previous audits have been effectively implemented. Following feedback from the IIA as part of the EQA, a risk-based approach to validating management actions in line with best practice was introduced in October 2022.

4.   Main report

Plan Content

4.1 The proposed 2023/24 IA plan includes a total of 42 audits (excluding ongoing follow-up assurance), with 32 audits to be delivered across the Council, which is aligned with 2022/23 IA plan coverage.

4.2 The proposed plan also includes two recurring audits requested annually/biannually by the Department for Transport and the Scottish Government. Both organisations have confirmed the ongoing requirement for completion of these reviews.

4.3 As in previous years, 10 audits will be delivered for arm's length and external organisations: 4 for the Lothian Pension Fund, and the remaining 6 for the Lothian Valuation Joint Board (1), SEStran (1), the Edinburgh Royal Military Tattoo (1) and

the Edinburgh Integration Joint Board (3). Costs for provision of audit services to these organisations is recovered through recharging arrangements.

4.4 The proposed plan includes 7 cross directorate reviews that have been included to provide assurance on the key controls established to manage the most significant risks associated with services and processes that span across the Council.

Follow-up of previous IA management actions

4.5 The number of follow-up days included in the plan has been decreased from 500 days to 200 days for 2023/24, which reflects the reduced requirement for IA capacity in line with the revised risk-based follow-up process introduced in October 2022.

4.6 In addition, the IA plan includes a recurring annual validation audit which involves review of a sample of previously implemented agreed management actions to confirm that they have been effectively sustained.

Shared Risk Assessment

4.7 In line with the requirements of Audit Scotland's Code of Audit Practice 2021, a shared risk assessment (SRA) approach has been taken to developing the 2023/24 plan, to ensure a joined up and efficient approach to assurance and to deliver value for money by removing unnecessary duplication.

4.8 The proposed IA plan has been discussed with Audit Scotland (the Council's external auditors) and other external assurance providers/regulators including the Care Inspectorate and Scottish Housing Regulator.

4.9 A coordinated and integrated approach with Audit Scotland will be adopted (where possible) to support assurance delivery. Audit Scotland has identified six audits where they will endeavour to take account of the work performed by IA (dependent on delivery timeframes) to support their 2023/24 financial statements review.

4.10 The Care Inspectorate is currently undertaking inspection work across two areas of adult services, the outcomes of which are due to be reported in March/April 2023. Improvement plans to address the Care Inspectorate's recommendations will be developed by officers with progress in completing actions monitored by the Care Inspectorate. The Council's Quality, Governance and Regulation Service will support monitoring of improvement plan progress internally. Internal Audit will meet quarterly with the Care Inspectorate to discuss progress and any issues arising as the improvement plans progress.

4.11 The Care Inspectorate has also requested reports detailing the outcomes of five audits included in the 2023/24 annual plan.

4.12 The Scottish Housing Regulator has requested a copy of the report detailing the outcomes of the planned internal audit of Housing stock condition – tenant safety, damp, and mould.

4.13 Audit Scotland, the Care Inspectorate and Scottish Housing Regulator have confirmed that there is no duplication between the proposed IA plan and their assurance activities.

Governance and Assurance Model

4.14 It is recognised that the Council's [First Line Governance and Assurance Model](#) continues to develop and mature. Where possible, IA will consider other first and second line assurance processes and sources in operation when planning engagements to establish the extent to which reliance can be placed and avoid duplication.

IA capacity

4.15 The IA team remains under capacity with two vacant posts, and capacity is expected to be reduced due to parental leave absence during 2023. The proposed plan is aligned to actual capacity as at March 2023 and will be reviewed as part of the quarterly review process and changes reported to GRBV.

4.16 The IA resourcing model has confirmed that IA is currently adequately resourced to support deliver of the proposed plan. It should be noted however, that unforeseen changes to IA team resources may impact proposed delivery, which will be raised with GRBV as part of the quarterly review process.

4.17 The IA resourcing model allows for potential sickness absence, and reserves time to support team training and personal development, performance management, governance, committee reporting and attendance (circa 25% of available days).

4.18 The plan includes 80 days contingency for ad-hoc assurance and consultancy work. Use of contingency will be monitored and utilised to support emerging work requests and any scoping changes as required.

4.19 Early discussions with senior management indicate that IA may provide consultancy to support review of the processes supporting the Change Programme underpinning delivery of the medium term financial plan and the Council Business Plan during 2023.

4.20 Proposed plan changes will be reported to GRBV as part of the quarterly review process.

IA Quality Assurance, training, and service development

4.21 The plan also includes time (25 days) for the IA team to complete an internal quality (IQA) assessment as per PSIAS requirements and continue implementation of actions to address findings raised in the external quality assessment performed by the Institute of Internal Auditors in March 2022.

4.22 Time has also been included (10 days) for delivery of quarterly training open to all employees, and IA attendance at, and involvement in, new start and senior management induction training. Ongoing training will also be provided to elected members as required.

4.23   A further 60 days has been included to support an upgrade to the current IA system which will enable efficiencies within the IA team and aim to improve the customer experience throughout the audit cycle. Days allocated includes allowance for planning, installation, migration of data and configuration, and training for both IA and services.

Ongoing co-source support

4.24   Co-source support will be required to deliver 7 specialist audits covering Digital Services, and Lothian Pension Fund. In addition, the NHS Lothian IA team supports delivery of one audit for the Edinburgh Integration Joint Board.

4.25   The remaining 35 audits (including follow-up) will be delivered by the Council's Internal Audit team across the Council and external organisations.

Reserve List

4.26   Recognising the need to potentially revise the IA plan to reflect the Council's changing risk profile and organisational changes, a 'reserve list' of audits has also been prepared.

4.27   Where any planned audits cannot be completed (for example, where a decision has been taken that a major project will not now progress or a delay in implementing standards or legislation), the reserve list will be considered, and an alternative audit selected. All proposed changes will be reported to GRBV as part of the quarterly review process.

5.   Next Steps

5.1   Once approved by GRBV, the final approved IA plan will be shared with the Corporate Leadership Team, Service Directors, and Heads of Service, with audits commencing from 1 April 2023.

5.2   The IA plan will be reviewed on a quarterly basis with any proposed changes presented to the GRBV Committee for approval.

6.   Financial impact

6.1   IA will seek to complete generalist audit work in-house and limit use of external resource to areas of specialist audit work only.

6.2   There are limited associated budget implications for completion of audits completed for other organisations as a direct recharge will be applied for costs incurred. IA will review service level agreements during 2023/24 to ensure they remain appropriate.

7.   Stakeholder/Community Impact

7.1   The Corporate Leadership Team, Senior Management, Trade Union colleagues, elected members including the Governance, Risk and Best Value Committee, and

other external regulators have been consulted and engaged when developing the IA annual plan.

7.2   Delivery of an audit plan which is not aligned to key risks and priorities will result in an ineffective use of limited resources across both services and IA.

8.   Background reading/external references

8.1   Public Sector Internal Audit Standards

8.2   The Chartered Institute of Internal Auditors: External Quality Assessment Report GRBV - October 2022

8.3   Council Business Plan 2023-27 – Full Council December 2022

8.4   Corporate Leadership Team Risk Report GRBV - January 2023

8.5   Internal Audit Charter March 2023 (presented to this committee)

9.   Appendices

9.1   Appendix 1 – 2023/24 Internal Audit Annual Plan

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Internal Audit

2023/24 Annual Plan

Contents

Introduction and approach

Introduction

In line with the Internal Audit Charter, Internal Audit aims to provide independent and objective assurance on the overall effectiveness of the City of Edinburgh Council's (the Council) governance, risk, and control frameworks.

The Council continues to face the impact of financial uncertainty and resource constraints which will require the Council to explore options for prioritising and deliver services differently.

The Council's Business Plan for 2023-27 sets out three strategic priorities which will be the focus of all Council teams over the next phase of the city's development and service reform:

- **create good places to live and work**
- **end poverty in Edinburgh**
- **become a net zero city by 2030.**

Internal Audit recognises these priorities and aims to support the Council by providing appropriate assurance and focus on the areas of greatest priority in in line with the Council's rapidly changing risk profile.

This document sets out the scope of the Internal Audit (IA) 2023/24 annual plan with the objective of delivering independent assurance on the key controls established across the Council to mitigate business critical risks.

Approach

The approach to preparing the annual plan is set out at Figure 1. The plan is driven by the requirements of Public Sector Internal Audit Standards (PSIAS), the Council's objectives and priorities, and an assessment of the risks that could prevent the Council from meeting its objectives and providing services.

Changes in organisational structures, system developments, working practices and legislative requirements create a constantly changing control environment. Taking these factors into account, the highest risk areas are covered in the IA plan.

Figure 1: Approach to developing the 2023/24 IA Annual Plan

Step 1 *Review PSIAS requirements*	Review PSIAS to confirm that there have been no changes in relation to annual planning requirements
Step 2 *Understand the Council's objectives*	Review the Council Business Plan to identify strategic objectives and key priorities
Step 3 *Review the Council's risk profile*	Review the Council's risk management framework including profile, maturity and appetite and consider any other emerging local or national issues/risks that could impact the Council
Step 4 *Consider the audit universe*	Identify all auditable areas across the Council
Step 5 *Consider other sources of assurance provided*	Consider other sources of assurance across the audit universe and the extent to which reliance may be provided on such work
Step 6 *Consult with key stakeholders including management and elected members*	Consult with key stakeholders including management, elected members, trade unions and assurance providers to ensure areas which may be of risk to operations are considered for inclusion within the IA work programme
Step 7 Determine the audit plan	Based on the outcomes of steps 2 to 6, determine the timing and scope of audit work required
Step 8 *Other considerations*	Consider any requirements in addition to those identified from the risk assessment process

The Three Lines Model

Assurance can come from many sources. The Three Lines Model, as set out in the diagram below, helps identify and understand the contributions of these various sources:

1st Line	2nd Line	3rd Line
Directorates / Services	Monitoring and oversight activities	Independent Assurance
1st line day to day operational control frameworks designed to manage service delivery risks. It may lack independence, but its value is that it comes from those who know the business, culture, and day-to-day challenges.	Ownership of policies and monitoring of effectiveness of 1st line operational frameworks and controls. The assurance provided is separate from those responsible for delivery, but not independent of the management chain, such as risk and compliance functions.	Independent assurance provided by IA and other external assurance providers on the design adequacy and operating effectiveness of 1st line service delivery control frameworks and 2nd line oversight. External bodies can bring a new and valuable perspective.

Defining the sources of assurance into the three categories helps to understand how each of them contributes to the overall level of assurance and how they can be best integrated and mutually supportive.

In developing our internal audit risk assessment and plan, where relevant, we have considered other sources of assurance and a shared risk assessment to understand the extent to which reliance can be placed upon these other sources to avoid duplication in the work they do.

The other key sources of assurance for the Council include:

- Audit Scotland as External Auditors
- various regulators and inspection bodies
- Annual Governance Statements
- National Fraud Initiative.

During 2023/24 IA will continue to work with other assurance providers to develop the shared risk assessment process to understand the scope of other assurance activities and to share knowledge of national and local issues.

Governance and assurance model

In August 2021, the Council approved development of a First line governance and assurance model structure which aims to ensure that key controls, governance, and risk management processes are consistently and effectively applied, through increasing first line capacity, and augmenting first and second line assurance across these areas.

First line activity has commenced within directorates through a focus on prioritisation and development of relevant assurance activities. Development of the second line governance and assurance reporting framework has been delayed and is now expected to complete during 2023.

In addition, specific assurance activities are performed within some services including Quality, Governance and Regulation Services which supports the Chief Social Work Officer and quality assurance across the Council and the Quality, Improvement and Curriculum teams within Education.

During 2023/24, IA will work to improve understanding of the other assurance processes and sources in operation when planning engagements to establish the extent to which reliance can be placed and avoid duplication.

Internal Audit influence and value

IA should be viewed by services as a valuable resource that can help them to achieve corporate and service objectives. IA should seek, where appropriate and without compromising its primary function and independence, to become involved in relevant emerging issues at an early stage and provide advice and guidance to prevent problems or weaknesses from arising and to ensure effective and efficient use of Council resources.

This will be achieved through delivery of a dynamic and flexible approach aligned to priorities and available resources, and an IA plan which includes a mix of engagement styles from light touch to more in-depth reviews and advisory / consultancy work.

The plan will be reviewed on a quarterly basis to ensure it maintains a clear focus on the link between the Council's priorities, business critical risks, the IA programme, and core controls. Proposed changes will be reported to the Governance, Risk and Best Value Committee (GRBV) as part of quarterly IA progress updates.

Audit Universe

The diagram below represents the high-level auditable areas within the audit universe of the Council. These areas form the basis of the internal audit plan.

In addition to the Council, IA provides audit services to several other organisations on an annual recurring basis. Costs for provision of audit services to these other organisations is recovered through established recharging arrangements.
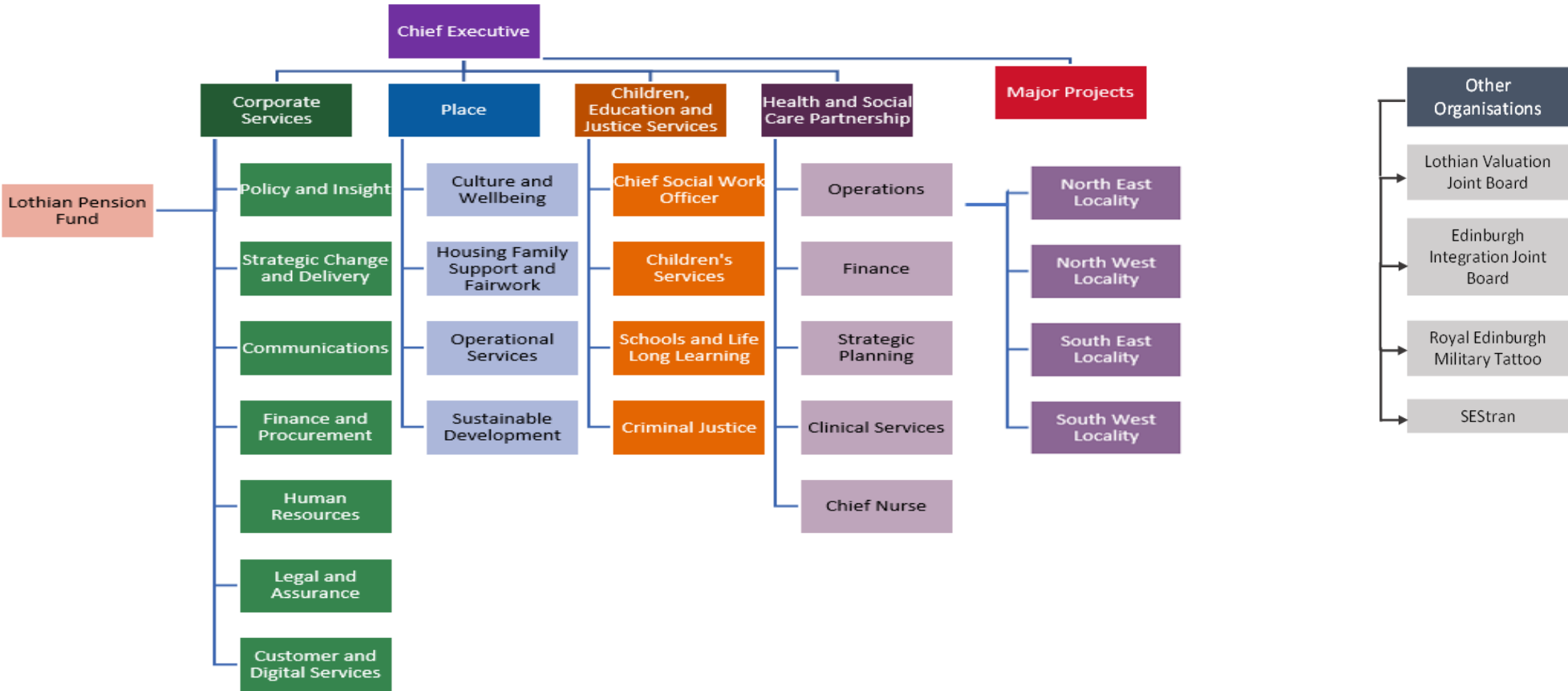
Risk Assessment

It is a requirement of the Public Sector Internal Audit Standards that the Internal Audit plan is based on a risk assessment. This is often done by defining the whole audit universe and applying a score against each component for various criteria including the inherent risk in the system, and the quality of management and mitigating controls in place. Whilst the audit universe has been identified, based on previous work undertaken by IA in the Council and discussions with other Councils' Heads of Audit, to apply scores against various criteria is considered to be too subjective and to add little value to the process given the changing risk profile of Councils.

The Council's risk profile and audit coverage

Following an External Quality Assessment undertaken by the Chartered Institute of Internal Auditors in March 2022, the requirement to complete cyclical coverage across all areas of the Council every five years was removed from the Council's annual planning and risk assessment process.

To ensure a risk-based and proportionate approach to the IA annual plan which supports the PSIAS requirement to produce an annual Internal Audit opinion, consideration was given to the Council's priorities as detailed in the Council Business Plan 2023-27 and the Council's risk profile (see Figure 2), as reported to GRBV in January 2023. The risk profile sets out the assessment for each of the Council's 13 enterprise risks based on management's view of the internal and external operating environments with subsequent actions in line with the Council's agreed risk appetite. The outcome of previously completed audits, emerging issues (see Appendix 1) and requirements to ensure assurance on key financial systems was also considered.

Key stakeholders including the Chief Executive, Directors, senior management, elected members, trade unions and external assurance bodies have been invited to provide input into the IA annual plan to help ensure that the relevant areas are targeted for review.

Dynamic risk review and audit scoping

While the audit plan includes a short summary of the area proposed for review, IA will meet with key officers prior to commencing each audit to further understand the key risks and to develop and refine the scope of each review.

It should be noted, that if areas are identified during testing that are outwith scope but impact the risk and control framework, findings and recommendations will still be raised and reported on, where appropriate.

Figure 2: Q3 2022/23 City of Edinburgh Council risk profile

City of Edinburgh Council Risk Profile	Q3 2022	Maximum risk appetite
01 Strategic Delivery	High	Moderate
02 Financial and Budget Management	High	Moderate
03 Programme and Project Delivery	Moderate	High
04 Health & Safety	Moderate	Low
05 Resilience	Moderate	Moderate
06 Supplier, Contractor, and Partnerships Management	Moderate	High
07 Technology and Information	High	Moderate
08 Governance and Decision Making	Moderate	Low
09 Service Delivery	High	Moderate
10 Workforce	High	Moderate
11 Regulatory and Legislative Compliance	Moderate	Low
12 Reputational Risk	Moderate	Moderate
13 Fraud and Serious Organised Crime	Moderate	Moderate

Critical	High	Moderate	Low

2023/24 Internal Audit Annual Work Programme

The table below sets out the proposed internal audit work programme for the period 1 April 2023 to 31 March 2024 with links to relevant Business Plan Delivery Outcomes and Corporate Leadership Team risks as at December 2022.

Audits have been categorised as **'Priority'**, **'Indicative'** and '**Recurring'**. Priority audits are those aligned to the Council's highest risks, which IA will aim to complete within the first six months. Indicative audits will be completed later in the year and will be flexible to enable IA capacity to react to any changes in the Council's risk profile. Recurring audits reflect audits that IA is committed to undertake annually or bi-annually as part of legislative obligations, or where ongoing assurance is being provided for a Council project.

<table>
<tr><td colspan="6" style="background-color:#4a7c2f;color:white">Priority Audits</td></tr>
<tr><th>Auditable Area</th><th>Audit</th><th>Business Plan Outcome</th><th>CLT Risks</th><th>Allocated Days</th><th>Fraud Risk</th></tr>
<tr>
<td rowspan="3">Cross Directorate</td>
<td>(1) <u>Procurement – Contract Standing Orders</u>
Focussed assessment of compliance with the Council's <u>Contract Standing Orders</u> – specifically tender documentation, evaluation of tenders and quotes and award. Will be limited to a sample of contracts cross directorate. Will not include procurement of consultants as this will be subject to a separate future review.</td>
<td>We have the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost</td>
<td>Financial and Budget Management
Supplier, Contractor, and Partnership Management
Resilience
Fraud and Serious Organised Crime</td>
<td>40</td>
<td>High</td>
</tr>
<tr>
<td>(2) <u>Supplier and Contract Management</u>
Assessment of application of the Contract Handover, and Contract Review Meeting guidance as set out in the Council's <u>Contract Management Manual and toolkit</u> to ensure effective performance management of contracts, resolution of issues and provision of best value. Will be limited to a sample of contracts cross directorate.</td>
<td>We have the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost</td>
<td>Financial and Budget Management
Supplier, Contractor, and Partnership Management
Health and Safety
Resilience
Fraud and Serious Organised Crime</td>
<td>40</td>
<td>High</td>
</tr>
<tr>
<td>(3) <u>Cyber - Incident response</u>
Review of directorates and service level approach to cyber incident management in line with the readiness, response, and recovery model. This will include review of a sample of departmental business impact analysis, business continuity plans and training/awareness.</td>
<td>We have the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost</td>
<td>Technology and Information
Resilience
Service Delivery
Fraud and Serious Organised Crime</td>
<td>30</td>
<td>High</td>
</tr>
</table>

Priority Audits						
Auditable Area	**Audit**	**Business Plan Outcome**	**CLT Risks**	**Allocated Days**	**Fraud Risk**
Place – Housing, homelessness, and fair work	Housing Property Services In line with Committee request will consider three distinct reviews of the following, reporting separately: (4) Management of mixed tenure works and funding/recharging (5) Repairs Right First Time – timescales/recall and use of systems/repairs diagnostics (6) Management of scaffolding for housing property repairs	People have decent, energy efficient, climate proofed homes they can afford to live in	Service Delivery Regulatory and Legislative Compliance Financial and Budget Management Supplier, Contractor, and Partnership Management Health and Safety	20 20 20	Medium
	(7) Housing stock condition – tenant safety, damp, and mould Review of the Council's initial approach to the Scottish Housing Regulator's January 2023 request that landlords ensure that they have appropriate, proactive systems to identify and deal with any reported cases of mould and damp timeously and effectively.	People have decent, energy efficient, climate proofed homes they can afford to live in	Regulatory and Legislative Compliance Health and Safety Service Delivery	20	Medium
	(8) Housing void management Review of the design and operation of controls established to ensure that empty council housing properties (voids) are managed effectively including review of programmed voids.	People have decent, energy efficient, climate proofed homes they can afford to live in	Regulatory and Legislative Compliance Health and Safety Service Delivery Fraud and Serious Organised Crime	30	Medium
Place - Sustainable Development	(9) Edinburgh Employer Recruitment Incentive (EERI) Review of the design and effectiveness of processes established for managing EERI fund applications from employers including eligibility, assessment, payments, and verification.	People can access fair work and the support they need to prevent and stay out of poverty and homelessness	Financial and Budget Management Regulatory and Legislative Compliance Fraud and Serious Organised Crime	25	High

Priority Audits					
Auditable Area	**Audit**	**Business Plan Outcome**	**CLT Risks**	**Allocated Days**	**Fraud Risk**
Corporate Services – Finance and Directorates	**(10) Key Financial Systems – Debtors** Review of the design and operation of key controls established to ensure timely creation of debtor invoices, prompt processing of payments and effective control of write-offs, cancellations, credit notes and recovery. Review areas to be split over 23/24 and 24/25 and will be limited to a sample of high value/high volume areas.	We have the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost	Regulatory and Legislative Compliance Supplier, Contractor, and Partnership Management Financial and Budget Management Service Delivery Fraud and Serious Organised Crime	30	High
Corporate Services –Digital Services	**(11) Contract Management – CGI** Review of compliance with established contract management arrangements for CGI including delivery of key contractual requirements including incident resolution and service level agreements.	We have the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost	Regulatory and Legislative Compliance Supplier, Contractor, and Partnership Management Financial and Budget Management Service Delivery Fraud and Serious Organised Crime	25	Medium
	(12) CGI - IT Currency Management, Obsolescence and Innovation Review Review of CGI's established approach to currency management and obsolescence of hardware and software including reviewing, consolidating, and replacing applications including implementation of new, and maintenance of existing solutions.	We have the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost	Regulatory and Legislative Compliance Supplier, Contractor, and Partnership Management Financial and Budget Management Service Delivery	25	Medium
Children, Education and Justice Services - Schools and Lifelong Learning and Children's Services	**(13) Review of Historic Complaints (Project Beech)** Review of handling of historic complaints to confirm whether any handled by named actors have followed due process. IA will not reinvestigate the historic complaints but will highlight any anomalies for further review.	Core services for people in need of care and support are improved	Governance and Decision Making Regulatory and Legislative Compliance Health and Safety Workforce	30	Medium
Health and Social Care Partnership	**(14) Financial Sustainability** Review of the processes applied to confirm the ongoing financial sustainability of the partnership,	We have the capacity, skills, and resources to deliver	Regulatory and Legislative Compliance	30	High

Priority Audits					
Auditable Area	**Audit**	**Business Plan Outcome**	**CLT Risks**	**Allocated Days**	**Fraud Risk**
	and the design and appropriateness of actions to address any significant gaps identified.	our priorities efficiently, effectively and at lower cost	Workforce Financial and Budget Management Service Delivery Strategic Delivery		

Indicative Audits					
Auditable Area	**Audit**	**Business Plan Outcome**	**CLT Risks**	**Allocated Days**	**Fraud Risk**
Cross Directorate	(15)　Overtime and expense payments Review of compliance with controls established to ensure that overtime and expense payments are made in line with the council's Pay Policy and Overtime guidance. Will focus on a high-level review of a sample of areas with high overtime and expenses volumes /values.	We have the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost	Financial and Budget Management Regulatory and Legislative Compliance Health and Safety Service Delivery Fraud and Serious Organised Crime	30	High
	(16)　Workforce Capacity to Support Service Delivery Review of the initial design of service delivery and capacity planning arrangements in line with the 2023-27 Business Plan Priorities and Medium-Term Financial Plan. Review will consider initial workforce capacity approach in 23/24 and then service delivery in 24/25.	We have the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost	Workforce Financial and Budget Management Service Delivery Strategic Delivery Regulatory and Legislative Compliance	30	Medium
	(17)　Partnership Working Review of the design of the overarching strategy and approach to ensure that the Council realises proposed partnership working benefits, efficiencies and improved outcomes as set out in the 2023-27 Business Plan. Review will focus on a sample of areas and will span 23/24 and 24/25 considering initial approach and then delivery of outcomes.	All	Workforce Financial and Budget Management Service Delivery Strategic Delivery Regulatory and Legislative Compliance	30	Medium

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Auditable Area	Audit	Business Plan Outcome	CLT Risks	Allocated Days	Fraud Risk
Cross Directorate	(18) Recruitment and Selection Review of compliance with the Council's Recruitment and Selection Policy including pre-advertisement requirements such as approval, supporting documentation, recruitment panels, training, advertisement, screening, and pre-employment checks.	We have the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost	Regulatory and Legislative Compliance Workforce Financial and Budget Management Service Delivery	30	Medium
Place – Culture and wellbeing	(19) Community Centres – Assurance Framework Review of established oversight arrangements to confirm that community centres are safely and effectively managed in line with established community centre management arrangements agreed with the Council.	People can access public services locally and digitally in ways that meet their needs and expectations and contribute to a greener net zero city	Regulatory and Legislative Compliance Health and Safety Service Delivery	30	Medium
Place – Operational Services	(20) Fleet – Mission Zero for Transport Review the Council's readiness to ensure all its fleet is renewed to a standard that meets the targets laid out by the Scottish Government's Mission Zero for Transport (legally binding target of net-zero by 2045) and the Council's target to be net zero by 2030	Edinburgh is a cleaner, better maintained city that we can all be proud of	Strategic Delivery Financial and Budget Management Regulatory and Legislative Compliance Health and Safety Service Delivery Workforce	30	Medium
Place – City Region Deal	(21) City Region Deal Review of a focused area aligned to the Council's role as Accountable Body for the City Region Deal which commenced in 2018 and will provide circa £1.3bn investment into the city region over a 15 year period.	Edinburgh has a stronger, greener, fairer economy and remains a world leading cultural capital	Strategic Delivery Financial and Budget Management Regulatory and Legislative Compliance	25	Medium

Indicative Audits					
Auditable Area	**Audit**	**Business Plan Outcome**	**CLT Risks**	**Allocated Days**	**Fraud Risk**
Corporate Services – Finance and Procurement	(22) Key Financial Systems – VAT recovery Review of design and operation of controls established to ensure adequate arrangements are in place to maximise the recovery of VAT and ensure recovery is in line with requirements. Will be limited to sample of high value/high volume areas	We have the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost	Financial and Budget Management Regulatory and Legislative Compliance Service Delivery	30	High
Corporate Services – Customer and Digital Services	(23) CGI – Complex Change Management Agile review of the change journey for a sample of complex change requests to identify areas for improvement and highlight good practice.	We have the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost	Supplier, Contractor, and Partnership Management Financial and Budget Management Service Delivery	30	Medium
Health and Social Care Partnership	(24) Implementation of Total Mobile Review of implementation of Total Mobile project to identify lessons learned and improvement actions to support implementation of similar projects in future.	Core services for people in need of care and support are improved	Technology and Information Programme and Project Delivery Service Delivery Workforce	25	Medium
	(25) Mental Health and Wellbeing Services (Thrive Edinburgh) Review of arrangements to support delivery of outcomes for provision of mental health and wellbeing services across Edinburgh.	Core services for people in need of care and support are improved	Governance and Decision Making Regulatory and Legislative Compliance Workforce Financial and Budget Management Service Delivery	30	Medium
Children, Education and Justice Services – Quality Governance and Regulation	(26) Refugee and Migration Services Review of approach to supporting refugees and adults with no recourse to public funds and alignment with the Scottish Government New Scot Refugee Integration Strategy.	Core services for people in need of care and support are improved	Service Delivery Regulatory and Legislative Compliance Health and Safety Financial and Budget Management	30	High

Indicative Audits

Auditable Area	Audit	Business Plan Outcome	CLT Risks	Allocated Days	Fraud Risk
Children, Education and Justice Services– Schools and Lifelong Learning	(27) Devolved School Management Review of processes established to ensure compliance with the Scottish Government devolved school management guidance which set out how local authorities fund schools and the accountability and responsibility for financial decisions. Will include review of processes for a sample of schools.	We have the capacity, skills, and resources to deliver our priorities efficiently, effectively and at lower cost	Financial and Budget Management Strategic Delivery Service Delivery Regulatory and Legislative Compliance	40	Medium

Recurring Audits

Auditable Area	Audit	Business Plan Outcome	CLT Risks	Allocated Days	Fraud Risk
Cross Directorate	(28) Validation of Implementation of Previously Closed Management Actions Review of a sample of previously implemented and closed IA agreed management actions to confirm that they have been effectively sustained.	All	All	25	Medium
Place – Operational Services	(29) Port Facility Security Plan Annual light touch review of existence and operation of the Port Facility Security Plan as per Department for Transport requirements.	Edinburgh has a stronger, greener, fairer economy and remains a world leading cultural capital	Regulatory and Legislative Compliance Supplier, Contractor, and Partnership Management	20	Medium
Place – Housing, Homelessness and Fair Work	(30) Transfer of the Management Development Funds Grant (TMDF) Bi-annual light touch review of the key controls supporting TMDF from the Council to registered social landlords in line with Scottish Government requirements.	People have decent, energy efficient, climate proofed homes they can afford to live in	Regulatory and Legislative Compliance Financial and Budget Management Fraud and Serious Organised Crime	20	High
Place – Major Projects	(31) Trams to Newhaven	People use decarbonised public transport and active	Programme and Project Delivery Financial and Budget Management	40	High

Recurring Audits					
Auditable Area	**Audit**	**Business Plan Outcome**	**CLT Risks**	**Allocated Days**	**Fraud Risk**
	Ongoing agile review during the final stage of construction. Reviewing ongoing governance and financial management, stakeholder management and readiness for operations.	travel as the first choice as a way to get around the city	Supplier, Contractor, and Partnership Management Fraud and Serious Organised Crime		
Corporate Services	(32) Enterprise Resource Planning System Implementation Ongoing agile review of project management and governance supporting the R12 upgrade of the Oracle financial systems and implementation of the new sundry debt management solution (Apex).	The Council has the capacity, skills, and resources to deliver its priorities efficiently, effectively and at lower cost	Programme and Project Delivery Financial and Budget Management Supplier, Contractor, and Partnership Management Service Delivery	40	High

Other Organisations	Audit Service	Allocated Days
Lothian Pension Fund	(33-36) Preparation of annual audit plan, attendance at committee and delivery of four audits for Lothian Pension Fund (LPF). Delivery of these audits will be supported as part of co-source arrangements with PwC.	85
Edinburgh Integration Joint Board	(37-39) Preparation of annual audit plan, attendance at committee and delivery of three audits for the EIJB. Two audits will be delivered by the Council's IA team, and one delivered with support from NHS Lothian's IA team.	65
SEStran	(40) One audit delivered for South-East of Scotland Transport Network (SEStran) as part of established audit service arrangement.	20
Royal Edinburgh Military Tattoo	(41) One audit delivered for Royal Edinburgh Military Tattoo (REMT) as part of established audit service arrangement.	20
Lothian Valuation Joint Board	(42) One audit delivered for Lothian Valuation Joint Board (LVJB) as part of established audit service arrangement.	25

Other IA Activities	Allocated Days
Follow up to confirm that agreed management actions have been effectively implemented	200
Facilitation of GRBV Committee self-evaluation and skills assessment in line with CIPFA guidance	20
IA Quality Assurance including annual PSIAS self-assessment	25
Training (officer induction, leadership, TeamMate+ and general controls)	10
Implementation of IA system upgrade	60
Contingency – including extended scope, ad-hoc consultancy, and advisory work	80

Area	Allocated Days
Priority Audits	385
Indicative Audits	385
Recurring Audits	145
Other Orgs Audits	215
Total audit days	**1130**
Other IA Activities	315
Contingency	80
Total	**1525**

Appendix 1 - Previously completed audits

The table below provides details of audit work completed over the last five years across the Council's auditable areas. Audits in **bold** have outstanding audit actions which will be followed up in 2023/24.

Directorate	2018/19	2019/20	2020/21	2021/22	2022/23
Cross Directorate	• **Resilience and Business Continuity** • Payments and Charges • Organisational Change • Emergency Prioritisation and Complaints • GDPR • **Homelessness Services** • Financial Systems Access Controls • Carbon Reduction Commitment Scheme • Garden Waste	• Change Initiation • Assurance actions and Annual Governance Statements • Brexit Risks and Supply Chain Management • **Life Safety** • Driver Licence Checks • **Unsupported Technology (Shadow IT)**	• Covid-19 Shielding and vulnerable people • Covid-19 Procurement and allocation of PPE • Covid-19 Workforce Management • Covid-19 Employee Testing • Covid-19 Lessons Learned • Covid-19 Physical Distancing and Employee Protection	• **Fraud and Serious Organised Crime** • **Complaints Management** • **Implementation of Historic Whistleblowing Recommendations** • Management and allocation of Covid-19 grant funding • **Employee Wellbeing**	• **Records Management and Statutory Requests** • **Application Technology Controls – Swift** • **Application Technology Controls – SEEMiS** • **Housing Revenue Account (Capital and Revenue)** • **Purchase Cards** • **Role Specific Learning and Development for Council Officers** • **Ongoing Learning and Teaching ICT support**
Major Projects	• New Build Schools • Customer Transformation • Enterprise Resource Planning • Trams to Newhaven	• Meadowbank Redevelopment • First line project governance • Enterprise Resource Planning • Trams to Newhaven	• Enterprise Resource Planning • Trams to Newhaven	• Enterprise Resource Planning • Trams to Newhaven	• Enterprise Resource Planning • Trams to Newhaven • **Empowered Learning**
Recurring Audits	• TMDF • Port Facility Security Plan • Employee Lifecycle and Payroll	• TMDF • Port Facility Security Plan • Employee Lifecycle and Payroll	• Employee Lifecycle and Payroll	• TMDF • Employee Lifecycle and Payroll	• **Port Facility Security Plan**

Directorate	2018/19	2019/20	2020/21	2021/22	2022/23
Place	• Structures and Flood Prevention • Developer Contributions • HMO Licensing • Waste and Cleansing Performance Management • **Road Services Improvement Plan** • Street Lighting and Traffic Signals • Fleet Review • **Asset Management Strategy** • New Facilities Management SLAs	• City Region Deal Funding Processes • Strategic Housing Improvement Programme • Building Standards • **Tree Management**	• **Edinburgh Tram Network Supplier Management Arrangements** • Covid-19 Spaces for People • PPP/DBFM Schools supplier management • **Registrations and Bereavement Services**	• **Implementation of Asbestos Recommendations** • Parking and Traffic Regulations • **Householder Planning Applications and use of IDOX** • **Housing Property Repairs Management during Covid-19**	• **Levelling-up - Granton Gasholder** • **City Deal – Integrated Employer Engagement** • **Repairs and Maintenance - Operational Properties** • **Health and Safety – Community Art, Gravestones and Playparks** • **Active Travel Project Management and Delivery**
Corporate Services	• IR35 and Right to Work • Software Licensing and Cert Management • Public Services Network Accreditation • Public Sector Cyber Action Plan • Contract Management and Construction Industry Scheme Payment Deductions • Change Portfolio Governance	• Social Media • Policy Management Framework • CGI Sub-contract management • **Revenue budget setting and management** • Digital Services Incident reporting and problem management • Model and Intelligent Automation Risks • **Risk Management**	• Covid-19 Newly self-employed grants • Covid-19 Supplier Relief • Covid-19 Scottish Government and COSLA returns • **ALEOs** • **GRBV Committee Effectiveness** • **Corporate Network Management** • **Change Implementation** • **Technology Resilience** • Salary overpayments	• Elections in a Covid-19 environment • SG Living Wage • **Vulnerability Management** • **CGI Performance Reporting** • Verint CRM system • **Capital budget setting and management** • **Payment Card Industry Governance** • **Planning and Performance Framework**	• Vendor Bank Mandates • **Induction and Ongoing Learning for Elected Members** • **Council Emissions Reduction Plan** • **IFRS 16 – Lease Accounting** • **Insurance Services** • **New Consultations Policy** • **CGI Security Operations Centre** • **CGI Enterprise Architecture** • **CGI Risk Management**

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Directorate	2018/19	2019/20	2020/21	2021/22	2022/23
			• **Mobile Device Management**	• **Digital and Smart City Strategy** • **Council Tax and Non-Domestic Rates**	
Children, Education and Justice Services	• Quality Governance and Regulation • Communities and Families Self-Assurance Review	• Schools admissions, capacity planning and appeals • PVG Scheme • Retention of Social Work Records	• Covid-19 SQA allocation of grades • Chief Social Work Officer Assurance and annual report • **Managing behaviours of concern**	• Implementation of Child Protection Recommendations • **Criminal Justice Community Payback Orders**	• **Self-Directed Support – Children's Services** • Schools Admissions Appeals • Review of Historic Complaints • **Early Years 1140 hours project management**
Health and Social Care Partnership	• Telecare – emergency prioritisation	• **Localities Working Model** • **Lone Working**	• Covid-19 Command Centre	• **Transformation Programme and Benefits Realisation** • Volunteer Support Arrangements	• **Sensory Support** • **Transitions from Children's Services to Adult Social Care**

Appendix 2 - Reserve audit list

The table below includes a list of reserve audits for consideration where changes to the proposed 2023/24 programme may be required.

Directorate	23/24 reserve audits
Cross Directorate	• Procurement of Consultants Review of procurement of consultants to provide assurance of compliance with Contract Standing Order requirements including appointment, approvals monitoring spend and maximising transfer of skills to Council staff. • People management Review of design and operating effectiveness of established People management processes including performance management, in line with the new People Management goals and measures introduced in 2022.
Place	• Flooding and surface water management Recognising that adaptation to climate change and the impact of changing climate on CEC infrastructure is a high risk, the audit will review the Council's strategic approach to surface water management and ongoing work to mitigate the risks presented by surface water flooding. • Major Capital Projects Review of governance and oversight of a sample of major projects to ensure effective processes established to manage changing risk profile including lessons learned, third party supplier management and effective cost modelling. • Licensing Income Review of the design and operating effectiveness of controls established for controlling income from licensing applications including processing and matching of payments and regular reconciliation, as well as debt recovery and write-offs.
Corporate Services	• Diversity and Inclusion Review of the Council's overall approach to diversity and inclusion including overall strategy and supporting policies. Scope could consider specific areas such as pay gap reporting, recruitment, and retention, and creating an inclusive culture.
Children, Education and Justice Services	• Out of Authority Placements Review of the design and operation of the system for commencing and reviewing out of authority placements to ensure it is adequate, effective, and consistently applied.

Directorate	23/24 reserve audits
Health and Social Care Partnership	• Waiting lists and assessments Review of the adequacy of design and operating effectiveness of the key controls established to ensure that the Partnership effectively prioritises adult social care assessments and manages waiting lists effectively and in line with applicable legislation and guidance

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Governance, Risk and Best Value Committee

10.00am, Tuesday 14 March 2023

Internal Audit: Internal Audit Charter Annual Update

Item number	
Executive/routine	Executive
Wards	
Council Commitments	

1. Recommendations

1.1 It is recommended that the Committee reviews and approves the refreshed 2023/24 Internal Audit (IA) Charter, including revisions to the Internal Audit Journey Map and Key Performance Indicators (KPIs) and proposals to adopt the CIPFA standard definitions for audit report overall opinions from 2023/24 onwards.

Laura Calder

Head of Internal Audit

Internal Audit, Legal and Assurance, Corporate Services Directorate

E-mail: laura.calder@edinburgh.gov.uk | Tel: 0131 469 3077

Report

Internal Audit: Internal Audit Charter Annual Update

2.   Executive Summary

2.1   The purpose of this paper is to present the revised Internal Audit (IA) Charter for 2023/24 to the Governance, Risk, and Best Value Committee (GRBV) for approval.

2.2   The revised IA Charter includes a refreshed IA Journey Map and Key Performance Indicators (KPIs).

2.3   In April 2020, the Chartered Institute of Public Finance and Accountancy (CIPFA) recommended introduction of standard definitions for audit report opinions to support consistency across public body organisations. It is proposed that the IA Charter includes the standard CIPFA definitions which will apply for IA reports from 2023/24 onwards.

3.   Background

3.1   CIPFA sets the standards for internal audit, governance, and financial accounting across the public sector. CIPFA worked collaboratively with the Institute of Internal Auditors (the IIA) to develop a set of Public Sector Internal Audit Standards (PSIAS) that are based on the mandatory elements of IIA's International Professional Practices Framework (IPPF).

3.2   The PSIAS were originally introduced in April 2013 and last refreshed in April 2017. The IPPF was last updated in 2017 and is currently under review. The refreshed IPPF is expected to be introduced in 2024.

3.3   The PSIAS specify that the purpose, authority, and responsibility of IA must be formally defined in an IA Charter that is periodically reviewed and presented to senior management and the board for approval. The Council's IA charter fulfils this requirement.

3.4   The PSIAS state that the IA Charter must define the terms 'board' (GRBV) and 'senior management' (CLT) for the purposes of IA activity, cover arrangements for appropriate resourcing, define the role of IA in any fraud-related work, and include

arrangements for avoiding conflicts of interest if IA audit undertakes non-audit activities.

3.5 CIPFA's statement on the 'Role of the Head of Internal Audit in Public Service Organisations' April 2019 sets out the responsibilities of the Head of Internal Audit (HIA) and management teams across the public sector to ensure that the PSIAS are maintained and that both HIAs and their teams operative effectively. The Council's IA charter also details how these IA and management responsibilities will be delivered.

IA Journey Map and Key Performance Indicators

3.6 The current IA Journey Map and Key Performance Indicators (KPIs) which set out IA and management responsibilities to support delivery of the IA plan and annual audit opinion were introduced in January 2019. The IA Quality Assurance Improvement Programme (QAIP) requires the KPIs to be reviewed on a regular basis.

CIPFA standard IA engagement opinion definitions

3.7 The current IA engagement opinion definitions for the Council (see Appendix 3) were introduced in April 2019. In April 2020, CIPFA completed a review of IA Engagement Opinions – Setting Common Definitions in recognition that there was no common practice across the public sector in how best to report the overall results of internal audit work at the end of each engagement.

4. Main report

4.1 The Charter specifies the authority, role, scope, and objectives of IA; outlines the IA operational framework; and management responsibilities to support IA with delivery of the IA plan in line with both PSIAS and the CIPFA Statement. The content of the Charter covers the following specific areas:

4.1.1 Executive summary

4.1.2 Purpose of Internal Audit

4.1.3 Definitions

4.1.4 Independence and objectivity (including reporting lines)

4.1.5 Authority

4.1.6 Objectives and responsibilities of Internal Audit

4.1.7 Professionalism

4.1.8 Internal Audit plan

4.1.9 Agile Auditing and Consultancy

4.1.10 Resourcing

4.1.11 Management responsibilities

4.1.12 Follow up

4.1.13 Reporting

4.1.14 Internal Audit annual opinion

4.1.15 Fraud and corruption

4.1.16 Quality Assurance and Improvement Programme

4.1.17 Approval.

IA Charter Changes

4.2   The Charter has been reviewed and appropriate amendments made to refresh it for 2023/24. The refreshed charter includes the following changes that are brought to the Committee's attention.

4.2.1 Cyclical Coverage

Following feedback from the Institute of Internal Auditors (IIA) in the 2021/22 External Quality Assessment (EQA), reference to covering risks on a cyclical basis has been removed.

4.2.2 Risk management

The PSIAS state that the IA Charter must include arrangements for avoiding conflicts of interest if IA audit undertakes non-audit activities. The previous IA Charter included a statement at Section 4: Independence and Objectivity in recognition that the previous Chief Internal Auditor (CIA) has combined Corporate Risk Management and Internal Audit responsibilities. Following an organisational change in August 2022, which resulted in responsibility for Corporate Risk Management transferring to another senior officer, this statement has been removed.

4.2.3 IA plan review

Section 8 has been updated to reflect the IA plan will be reviewed quarterly to ensure it remains aligned to key business risks, emerging issues and resources.

4.2.4 Follow-up

Section 12 has been updated to reflect revisions to the IA follow-up process introduced in October 2022, following feedback from the IIA in the EQA. In line with best practice a risk-based approach is now applied.

In addition, Section 12 now includes reference to the follow-up risk acceptance process.

IA Journey Map and Key performance indicators

4.3   The IA journey map which set outs IA and management responsibilities to support delivery of the IA plan and annual audit opinion was initially introduced in 2019.

4.4   The IA Quality Assurance Improvement Programme (QAIP) requires the KPIs to be reviewed on a regular basis. The review has been completed with the following revisions proposed:

- additional 3 working days (extension from 10 to 13 working days in total) when preparing audit terms of reference to enable review and sign off by key contacts, then Heads of Service and Service Director prior to final review and approval by the relevant Executive Director
- additional 5 working days (extension from 10 to 15 working days) for provision of management responses and implementation dates from the service following issue of the draft audit report
- additional 5 working days (extension from 5 to 10 working days) for the Internal Audit team to transfer the audit actions and evidence requirements to the TeamCentral system for live tracking of progress.

4.5   A copy of the revised Journey Map and KPIs is included at Section 11 of the Charter document.

CIPFA standard IA engagement opinion definitions

4.6   The current IA engagement opinion definitions for the Council (see appendix 2) were introduced in April 2019. CIPFA's 2020 review of IA Engagement Opinions – Setting Common Definitions recommended that Heads of Audit in public sector organisations adopted the standard definitions (see Appendix 2) to assist the sharing, comparability and understanding of assurance across public sector organisations.

4.7   In addition, preparation of the annual audit opinion for the Council includes comparison with opinions across the Council's peer group (which consists of five other local authorities based on gross expenditure, gross income, and net assets). It is noted that all five authorities have adopted the standard CIPFA opinions.

4.8   CIPFA recommends that IA make the change at the start of the financial year so that all engagement opinions for the year are reported on a consistent basis. Therefore, it is proposed the Council adopts the standard definitions for all audit engagements from 1 April 2023 onwards.

4.9   Consequently, Section 14 of the IA Charter has been updated to reflect adoption of the standard CIPFA definitions.

5.   Next Steps

5.1   The charter will be signed as approved by the Chief Internal Auditor; the Chief Executive Officer; and the Convenor of the GRBV Committee and will then be applied by both IA and senior management to support delivery of the 2023/24 IA plan in line with both the PSIAS and the CIPFA Statement.

5.2 The revised KPI journey map will also be communicated and performance in achieving the refreshed KPIs monitored and reported, monthly to CLT and quarterly to the GRBV Committee.

5.3 CIPFA's standard definitions will be applied to the overall opinion for audits from 1 April 2023 onwards, in addition the overall opinion for any outstanding audits from previous years will be mapped to the standard CIPFA definitions to assist comparability and understanding.

6. Financial impact

6.1 There are no direct financial impacts arising from this report.

7. Stakeholder/Community Impact

7.1 Approval of the Charter will enable IA to operate within the requirements specified in the PSIAS and the CIPFA Statement.

8. Background reading/external references

8.1 Public Sector Internal Audit Standards PSIAS

8.2 CIPFA Statement on the role of the HIA in public sector organisations

8.3 The Chartered Institute of Internal Auditors: External Quality Assessment Report GRBV - October 2022

8.4 CIPFA Internal Audit Engagement Opinions: Setting common definitions - April 2020

8.5 Agile Auditing and Consultancy Support

9. Appendices

9.1 Appendix 1 – Refreshed Internal Audit Charter 2023/24

9.2 Appendix 2 – Current IA engagement definitions and proposed CIPFA standard definitions

Internal Audit Charter

2023 – 2024

Appendices

Appendix 1: External bodies for which the City of Edinburgh Council Internal Audit function performs internal audit services

Appendix 2: Internal Audit journey map and key performance indicators March 2023

Appendix 3: Internal Audit Engagement Opinion Definitions March 2023

Appendix 4: Process for approving changes to the Internal Audit annual plan

1. Executive Summary

The [Chartered Institute of Public Finance and Accountancy](#) (CIPFA) is the standard setter for internal audit, governance, and financial accounting across the public sector.

Recognising the need to promote further improvement in the professionalism, quality, consistency, and effectiveness of internal audit (IA) across the public sector, CIPFA worked collaboratively with [the Institute of Internal Auditors](#) (the IIA) to develop a set of [Public Sector Internal Audit Standards](#) (the PSIAS) that are based on the mandatory elements of IIA's International Professional Practices Framework (IPPF), which were originally published in April 2013 and last refreshed in April 2017.

The PSIAS are applicable across the whole of the public sector and are intended to ensure sound corporate governance and set out roles and responsibilities for both IA and management to support delivery of IA services.

In April 2019, CIPFA published a new Statement titled '[The Role of the Head of Internal Audit (HIA) in Public Service Organisations](#)' and an associated publication titled 'Leading Internal Audit in the Public Sector: Putting Principles into Practice' that highlight good practices adopted across public sector IA teams. The Statement is aligned with PSIAS 2017 and is explicitly linked to the [Core Principles for the Professional Practice of Internal Auditing](#), helping to demonstrate how the HIA role supports IA effectiveness.

This Charter sets out the purpose, scope, authority, and responsibility of the City of Edinburgh Council's (the Council) IA function in accordance with the 2017 Public Sector Internal Audit Standards (PSIAS) and the April 2019 CIPFA Statement.

The authority of this charter extends to the Council and all subsidiary companies owned and / or controlled by the Council where IA is requested to provide independent assurance.

2. Purpose of Internal Audit

The purpose of IA is to provide a high-quality independent audit service to the Council, in accordance with PSIAS, that provides assurance over the risk management frameworks, control environments, and governance frameworks established to manage the Council's key risks and ensure that the Council's strategic objectives can be achieved.

The PSIAS recognise that IA's remit extends to the entire control environment of the organisation and not just to financial controls.

IA assurance is provided by delivering an annual programme of audit work that independently and objectively assesses the design and effectiveness of the controls established to manage the Council's most significant risks.

The IA scope covers all Council activities, and the activities of external parties listed in [Appendix 1](#).

In addition to their primary role, IA will also:

- support the Chief Executive as the Council's statutory Head of Paid Service in the discharge of their duties
- support the Service Director, Finance and Procurement as the Council's statutory Chief Finance Officer in undertaking their duties as the 'Section 95 Officer'

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- support the Service Director, Legal and Assurance as the Council's statutory Monitoring Officer in undertaking their duties
- advise on the internal control implications of system or process changes within the Council
- assist management in their duties to prevent and detect fraud and corruption
- aim to add value to the Council in all its undertakings.

3. Definitions

The PSIAS requires the that all public sector IA charters define the terms 'Chief Audit Executive (CAE)', 'Senior Management' and 'Board'

Within the Council, the role of the 'CAE' is fulfilled by the Chief Internal Auditor (CIA), the role of the 'Chief Financial Officer' is fulfilled by the Council's Service Director, Finance and Procurement (who is the designated statutory Section 95 Officer), the role of 'Senior Management' is fulfilled by the Council's Corporate Leadership Team (CLT) and the 'Board' role is undertaken by the Governance, Risk, and Best Value (GRBV) committee.

The Council has adopted the PSIAS definition of internal auditing as follows:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation establish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes'.

The Council has adopted the PSIAS definition of assurance services as follows:

'An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.'

The Council has adopted the PSIAS definition of independence as follows:

'*Freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner'*.

The Council has adopted the PSIAS definition of impairment as follows:

'Impairment to organisational independence and individual objectivity may include personal conflict of interest; scope limitations; restrictions on access to records, personnel, and properties; and resource limitations (funding).'

The Council has adopted the PSIAS definition of consulting services as follows:

'Advisory and Auditee related service activities, the nature and scope of which are agreed with the Auditee, that are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation of and delivery of training'.

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4. Independence and Objectivity

To ensure that IA independence and objectivity is maintained, IA will remain free from interference from anyone within the Council in relation to audit selection, scope, procedures, frequency, timing, and report content.

Where IA also has responsibility for non-audit activities, the PSIAS requires that appropriate arrangements are established to avoid conflicts of interest.

Additionally, IA will not be permitted to audit any activities for which they have previously been responsible within a period of one year and will not engage in any other activity that may impair judgment or independence.

Where consulting services are provided, the IA role will be specifically restricted to providing guidance, views, and opinions. To comply with PSIAS independence requirements IA will not be involved in any aspects of operational decisions subsequently taken by management.

PSIAS also requires the CIA to report to a level within the organisation which allows IA to fulfil its responsibilities and ensure that organisational independence is maintained. Within the Council, the CIA reports to the Service Director: Legal and Assurance, the Executive Director of Corporate Services, the Chief Executive, and GRBV.

The CIA will confirm to the GRBV committee, at least annually, the organisational independence of IA. The CIA will also inform the Convener of the GRBV of any actual or potential impairment of organisational independence.

5. Authority

IA derives its authority from full Council and the Corporate Leadership Team (CLT). To ensure that IA objectives are achieved, and their independence maintained with no impairment, and with strict accountability for confidentiality and safeguarding records and information, IA is authorised by the CLT to:

- have full, free, and unrestricted access to any and all of the Council's records, assets, physical properties, and personnel

- have free and unrestricted access to all officers, the CLT and the GRBV committee

- raise findings in relation to any control gaps identified that could expose the Council to significant risk where these are identified outwith the scope of audit reviews included in the IA annual plan

- review and report on the content of the annual governance statements prepared by the Council's Chief Executive and the Executive Directors to confirm whether the content in relation to effective management of risk and control across the services delivered by the Council appropriately reflects the outcomes of completed audit work and progress with implementation of agreed management actions.

Additionally, all officers are required by the CLT to assist Internal Audit in fulfilling its roles and responsibilities.

6. IA Objectives and Responsibilities

IA responsibilities include the requirement to independently review, evaluate and report on the following across all areas of the Council:

- the adequacy and effectiveness of the systems of financial, operational and management control and their operation in practice in relation to the risks facing the Council

- the extent of compliance with, relevance of, and financial effect of, policies, standards, plans, and procedures established by the Council and the extent of compliance with external laws and regulations, including reporting requirements of regulatory bodies

- the extent to which Council assets and interests are acquired economically, used efficiently, accounted for, and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other cause, and that adequate business continuity plans exist

- the suitability, accuracy, reliability and integrity of financial and other management information and the means used to identify measure, classify, and report such information

- the integrity of processes and systems, including those under development, to ensure that controls offer adequate protection against error, fraud, and loss of all kinds; and that the process aligns with the Council's strategic goals

- the follow-up action taken to remedy any weaknesses identified by IA review, ensuring that good practice is identified and communicated widely

- the operation of the Council's corporate governance arrangements

- the risk of fraud as part of the audit work performed. Where required, the role of IA is to provide support to the officers appointed to investigate potential fraud cases.

7. Professionalism

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined, must make balanced assessments of all the relevant circumstances, and not be unduly influenced by their own or others interests in forming judgments.

To achieve this, IA will ensure that it conducts its work with due professional care and in line with the requirements of the PSIAS or other relevant professional standards.

IA will comply with the PSIAS mandatory guidance, including the Definition of Internal Auditing which include a set of principles detailing the fundamental requirements for IA professional practice and evaluating the effectiveness of IA's performance.

IA must also comply with the Code of Ethics which sets out the expectations governing the behaviour of individuals and organisations in the conduct of internal auditing, in line with the four principles: Integrity, Objectivity, Confidentiality and Competency.

Additionally, IA will comply with relevant Council policies and procedures and IA's standard operating procedures and manual.

The CIA is expected to report on PSIAS compliance in the annual opinion.

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8. Internal Audit Plan

Annually, the CIA will submit to the GRBV an IA plan for the following audit year, designed to support provision of an annual evidence based opinion, for their review and approval.

This plan will be developed, based on a risk-based prioritisation of the audit universe including input from a range of key stakeholders including Elected Members, the Chief Executive, CLT, the Service Director: Legal and Assurance (Statutory Monitoring Officer), the Service Director: Finance and Procurement (Statutory Section 95 Chief Financial Officer), the Corporate Risk Management team, and trade union representatives.

The nature of evolving risks makes it likely that the audit assignments included annual plan may be subject to change. Consequently, the IA audit plan will be reviewed quarterly and any proposed changes to the approved plan (due to emerging risks, suspected fraudulent activity or other factors that result in changes to planned IA or consulting activities) will be approved by both CLT and GRBV in line with the agreed process for approving changes to the annual plan (included at Appendix 4).

Other sources of assurance

The PSIAS also notes that when preparing the annual plan, the CIA should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of effort.

There is achieved via a shared risk assessment with the Council's external auditors and other sources of external assurance, where relevant.

Where this approach is adopted, a consistent process for the basis of reliance should be established. Where reliance is placed on the work of others, the CIA remains accountable and responsible for ensuring that there is adequate support for conclusions and opinions reached where reliance has been placed on work performed by other assurance providers.

Therefore, when dealing with an external party, IA will clearly define the respective roles, responsibilities, and other expectations (including restrictions on distribution of results of the engagement and access to engagement records).

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.

9. Agile Auditing and Consultancy

The PSIAS notes that IA should also consider providing consultancy services based on their potential to improve management of risks, add value, and improve the organisation's operations, and states that approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement

IA has established an agile auditing and consultancy approach to provide assurance and support across the Council in addition to established IA methodology. This approach is detailed in the paper presented to, considered, and noted by the GRBV in July 2020.

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To ensure full conformance with PSIAS, details of the agile audits and consultancy work undertaken will be included in the IA annual plan, and their outcomes included in the IA annual opinion. The addition of agile audits and consultancy reviews to the IA annual plan will also follow the agreed process for approving changes to the annual plan (included at Appendix 4).

The design of the agile assurance methodology and consultancy support processes are fully aligned with PSIAS requirements to ensure that they will not impact upon, or result in, impairment of IA independence and objectivity.

10. Resourcing

The CIPFA Local Government Application note for applying UK Public Sector Internal Auditing Standards states that:

'*No formula exists that can be applied to determine internal audit coverage needs. However, as a guide, the minimum level of coverage is that required to give an annual evidence based opinion. Local factors within each organisation will determine this minimum level of coverage*'.

The Council's IA plan will reflect CIPFA requirements and include budgeted resource requirements. It will also include a contingency to address unplanned work. Should circumstances arise during the year that suggests that available resource levels will fall or appear to be falling below the level required to deliver the plan, the CIA will communicate the impact of resource limitations to both the CLT and GRBV.

11. Management Responsibilities

Management will cooperate with IA on assignments and provide access to records, systems and staff as required within a reasonable timeframe following the request.

Following a review in March 2023, the IA journey map and key performance indicators (KPIs) which aim to ensure that both IA and management support effective and timely delivery of the annual plan have been revised (Appendix 2).

All audit assignments will be the subject of formal terms of reference and formal reports. Consultancy arrangements will be agreed in writing and a relevant output agreed (for example full report/summary findings, focused feedback or action plan).

Draft reports will be shared with management for agreement as to the factual accuracy of draft findings raised, and awareness of IA recommendations designed to address the control weaknesses identified.

It is management's responsibility to agree to either:

- accept and fully implement all IA recommendations
- agree to address the risks identified by adopting an alternative approach to that recommended by IA or
- accept the risk associated with not implementing IA recommendations with supporting rationale.

When a draft audit report is delivered, management are required to provide agreed management actions to all IA findings raised and supporting recommendations, including

specifying responsibility and anticipated dates for the implementation of these actions, in line with timeframes specified in the KPIs included at Appendix 2.

Management is also responsible for the ensuring that agreed management actions are implemented and effectively sustained.

PSIAS also require the CIA to report to both CLT and GRBV information about management's response to risk that (based on the CIA's judgement) may be unacceptable to the Council. Consequently, any IA findings where management has accepted the risk will be highlighted in IA GRBV reports.

12. Follow up

IA will follow up and report progress with implementation of agreed management actions to support closure of findings raised on a regular basis and seek to confirm that they have been undertaken within agreed timescales.

The follow up process involves review of evidence provided by management to support implementation of agreed management actions, and proportionate reperformance testing to confirm that they have been effectively implemented and sustained.

If, following initial agreement to implement an agreed management action, management subsequently decide to risk accept either the full or partial risks associated with an IA finding, a risk acceptance proforma should be completed by management which details the mitigating actions and residual risks. IA will process the closure as 'Closed – Management Accepts Risk' and all high and medium risk acceptances will be reported to GRBV for information in the quarterly open and overdue actions report.

In October 2022, IA introduced a risk-based approach to follow-up in line with best practice. All high rated management actions are validated when presented for closure together with a sample of medium actions. The remaining medium actions and low actions are closed via a 'self-attestation' once confirmed as complete by management.

Additionally, IA includes a 'validation' audit in the annual plan which reviews a sample of previously completed High and Medium management actions to confirm whether they have been appropriately sustained and continue to be effective in mitigating risks. From April 2023 onwards, this review will include a sample of self-attested Medium and Low actions.

13. Reporting

The CIA is also professionally responsible and accountable to GRBV for IA performance, and reports regularly on the progress with, and results of its work to both the CLT and the GRBV, enabling review and scrutiny of the following areas as required by PSIAS:

Report	CLT	GRBV
1. IA Annual Charter	annually	annually
2. IA annual audit plan, including IA capacity and resourcing	annually	annually
3. Plan delivery progress, including:	quarterly	quarterly

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• achievement of IA and management KPIs) • audit outcomes • management's acceptance of risk.			
4. Proposed changes to the IA annual plan	quarterly	quarterly
5. Open and overdue IA management actions, including ongoing achievement of key delivery performance indicators by both IA and Council services.	monthly	quarterly
6. Annual opinion, including: • IA independence • conformance with Code of Ethics • conformance with PSIAS and the CIPFA statement.	annually	annually

14. Internal Audit Annual Opinion

The PSIAS specify that the CIA must deliver an annual IA opinion and report that can be used by the organisation to inform its annual governance statement.

This opinion is based on the outcomes of the audits included in the annual plan, progress with implementation of agreed management actions, the result of any other IA activities that have identified control gaps that are exposing the Council to risk, and the professional judgement of the CIA.

PSIAS specify that the IA annual opinion must:

- conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control
- include a statement on conformance with the PSIAS and the results of the quality assurance and improvement programme.

The annual opinion will also include a statement that confirms whether both IA and management have met their collective responsibilities as specified in the CIPFA Statement published in April 2019.

In April 2023, the Council adopted the standard CIPFA standard engagement definitions for all audit report opinions and the overall annual audit opinion. Details of the opinion definitions applied by IA, aligned to the CIPFA standard engagement definitions are included at Appendix 3.

15. Fraud and Corruption

Management is responsible for the prevention and detection of fraud or corruption. IA will assist management in the discharge of this responsibility.

Audit procedures alone cannot guarantee that all fraud or corruption will be detected. IA will however exercise an appropriate level of professional skepticism during audit field work and be alert to risks and exposures that could allow fraud or corruption to occur.

Discovery of any fraud or irregularity that affects the Council's affairs should be reported immediately to the CIA as specified within the Council's Fraud Prevention Policies, Anti-Bribery Policies, and the Employee Code of Conduct, to inform the annual audit opinion and the risk-based plan.

16. Quality Assurance and Improvement Programme

IA will maintain a quality assurance and improvement programme (QAIP) that covers all aspects of IA activity. The QAIP will include an evaluation of IA's compliance with PSIAS and CIPFA requirements, and an evaluation of whether internal auditors apply the Code of Ethics. The programme will also assess the efficiency and effectiveness of IA and identify opportunities for improvement.

The CIA is also responsible also for providing a periodic self-assessment of IA, as regards its consistency with the Audit Charter (purpose, authority, and responsibility) and performance relative to its Plan.

The CIA will communicate to the CLT and the GRBV on the QAIP, including results of ongoing internal assessments and external assessments conducted at least every five years.

17. Approval

This charter is subject to approval by the Chief Executive Officer and the Governance, Risk, and Best Value Committee on an annual basis.

Approval will be evidenced through CLT and Committee meeting papers and minutes.

Appendix 1: External bodies for which the City of Edinburgh Council Internal Audit function performs internal audit services

- Edinburgh Integration Joint Board

- Lothian Valuation Joint Board

- South East of Scotland Transport Partnership

- The Royal Edinburgh Military Tattoo (Charities) Limited

- Lothian Pension Fund

Appendix 2: Internal Audit journey map and key performance indicators March 2023

IA Annual Plan approved by CLT and GRBV Committee (March) → Quarterly communication of planned audits to Directors/Heads of Service and Operations Managers → Initial scoping meeting for individual audits held between Internal Audit and key contacts, including Operations Manager → IA issues Terms of Reference to key contacts → **5 working days** → Terms of Reference approved by key contacts (including information required for audit, and review timescales)

5 working days → Terms of Reference approved by Head of Service and Service Director → **3 working days** → Terms of Reference approved by Executive Director/Chief Officer → **Audit Fieldwork completed** → **5 working days**

Close-out meeting held with IA and service teams to confirm factual accuracy of findings → **10 working days** → Draft Internal Audit report issued to key contacts for comments → Workshop with key contacts to discuss and agree management actions, implementation dates and evidence → **15 working days (from issue of Draft Report)** → Draft report, management actions and implementation timescales agreed with key contacts

5 working days → Draft report approved by Heads of Service and Service Director → **3 working days** → Draft report approved by Executive Directors → **3 working days** → Final report issued by IA and reported to Committee through usual cycle.
IA issues client feedback survey

10 working days → Feedback returned to IA via client survey within 10 days.
IA populates Team Central with findings, agreed management actions and details of evidence required to support closure. → **Ongoing**
Management actions completed and progress tracked via Team Central against agreed timescales.
Training to be offered to new Team Central users by IA. → **Ongoing**
Management actions to be self-attested with supporting evidence from management and closed once verified by IA (in line with risk-based approach). → **Ongoing**
Overdue actions and risk acceptances will be reported monthly to CLT and quarterly to GRBV.
Management are requested to review expected implementation dates on an ongoing basis and ensure revised dates are available for CLT/Committee reporting as required.

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Appendix 3: Internal Audit Engagement Opinion Definitions March 2023

In line with the Chartered Institute of Public Finance and Accountancy (CIPFA) April 2020 review of IA Engagement Opinions – Setting Common Definitions, in March 2023, the Council adopted the CIPFA standard audit opinion definitions as detailed below:

Overall Assurance Ratings	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

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Appendix 4: Process for approving changes to the Internal Audit annual plan

1. Process for routine (non-urgent) changes to the annual Internal Audit plan

1.1   Changes to the IA plan can be proposed by IA based on the Council's changing risk profile or requested by management.

1.2   All changes proposed will be documented, with the rationale for the change and the associated risks clearly articulated. All requests from management for routine changes to the IA plan will be provided to the CIA with the rationale for the change and the associated risks clearly articulated.

1.3   The CIA will consider the request based on the significance of the associated risks and make a proposal to either accept or reject the change.

1.4   Where there is insufficient capacity to incorporate the requested change, the CIA will also consider which existing audit included in the plan should be replaced (if the change is approved) and reflect this in the proposal.

1.5   The proposal will be discussed with the CLT and discussed and approved by GRBV, with the final decision to accept or reject the proposed change made by the GRBV.

2. Process for urgent changes to the annual Internal Audit plan

2.1   The process as outlined in section 1.1 to 1.4 above will be applied.

2.2   The CIA's proposal will then be discussed with the relevant Executive Directors affected by the proposed change, the Chief Executive, and the Convenor of GRBV.

2.3   The final decision to accept or reject the proposed change will be made by the Chief Executive Officer or relevant Executive Director (in line with the Council's urgent decisions process) in consultation with the Convenor of the GRBV, and the CIA.

2.4   Details of the proposal and the final decision will then be reported retrospectively to both CLT and GRBV.

Appendix 2: Current IA engagement definitions and proposed CIPFA standard definitions

Current Assurance Ratings	
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.
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.
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.
Inadequate	The design and / or operating effectiveness of the control environment and / or governance and risk management frameworks is inadequate, with a number of significant and systemic control weaknesses identified, resulting in substantial risk of operational failure and the strong likelihood that the Council's objectives will not be achieved.

Proposed Assurance Ratings	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Governance, Risk and Best Value Committee

10:00am, Tuesday, 14 March 2023

Change Portfolio

Executive/routine	**Executive**
Wards	**All**

1.   Recommendations

1.1   The Governance, Risk and Best Value (GRBV) Committee notes the status of the Council's Change Portfolio.

1.2   GRBV Committee notes that detailed reporting on expenditure within capital and revenue projects is included within the Revenue and Capital Monitoring Reports submitted to Finance and Resources Committee.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Stewart Connell, Change and Delivery Manager, Strategy and Communications

E-mail: stewart.connell@edinburgh.gov.uk

Report

Change Portfolio

2.   Background

2.1   The Change Portfolio is reviewed by the Change Board. This board meets in alternate months at the Corporate Leadership Team (CLT) where the Council's portfolio of significant programmes and projects are considered. It reports every six-months to the Governance, Risk and Best Value Committee, however, has not reported since March 2022. In doing so, the Committee receives an overview of strategic delivery and the associated risks and issues managed by Change Board. The projects reviewed through this process will be updated to take account of the Council's revised Business Plan.

3.   Main report

Change Portfolio Progress Update

3.1   Currently, there are 35 projects or programmes split across the Directorate portfolios which report into the Change Portfolio. The Directorate portfolios are now as follows:

• **Corporate Services**, Dr Deborah Smart

• **Children, Education and Justice Services**, Amanda Hatton

• **Place**, Paul Lawrence

• **Strategic Development Investment Board**, Paul Lawrence

3.2   Appendix 1 shows the current overview status of each of these projects. The dashboards which are submitted monthly cover project overview, key risks, assumptions, issues, dependencies and resourcing gaps.

3.3   Since the last report to GRBV, City Plan 2030 has been added to the portfolio. No other new projects have been added although there is a pipeline of projects currently under consideration. This will be done in tandem with the development of the Medium-Term Financial Plan to ensure it aligns with our strategic aims and maintains a consistent approach to change management.

3.4   At each Change Board meeting, the red status projects and programmes are discussed by the board. Mitigating actions are considered and agreed where relevant.

3.5   There are currently seven projects reporting as red; Enterprise Resource
        Management, 10,00 Affordable Homes, Council Housebuilding Programme,
        Fountainbridge Redevelopment, LAAC File Review, Meadowbank Housing
        Redevelopment and North Bridge Refurbishment. Please see Appendix 2 for further
        details on the projects reporting red.

The Depot Programme

3.6   One of the most prominent strategic issues facing the Change Portfolio is the
        increasing costs of capital construction projects. This, coupled with the increasing
        cost of borrowing, requires robust monitoring to ensure that projects can be
        delivered within existing contingencies or if not, that they are reviewed. This applies
        to individual projects as well as the constant monitoring, reassessing and profiling of
        programmes. A more detailed report on the impacts of the cost of borrowing can be
        submitted to the Finance and Resources Committee.

3.7   These issues and mitigating actions can be illustrated by taking a closer look at the
        Depots Programme which after monitoring and re-profiling has been reassessed as
        amber from its previous red status.

3.8   The Depot Programme commenced in 2016 and has made significant progress to
        date. The principal aim of the review was, and continues to be, to ensure the
        delivery of an affordable, modern, flexible estate resource, facilitating the efficient
        provision of services and generating long term property and operational savings, in
        line with the Council Transformation Programme. At the start of the programme, the
        Council had 17 operational depot sites. The end goal of the programme is to have
        reduced the number of depots to a maximum of eight.

3.9   The programme has already delivered a brand-new depot at Seafield, with staff
        welfare facilities, office accommodation, a waste transfer station and fleet
        maintenance workshops. This has facilitated improvements in the waste collection
        service, through more efficient routing of collections, as well as reductions in vehicle
        downtime and disposal costs. A similar improvement in routing efficiency has been
        delivered at the new Bankhead waste depot, where a new waste transfer station
        and staff accommodation has reduced the need for crews to undertake journeys to
        external waste disposal contractors. This allows more time for crews to focus on
        service delivery, leading in turn to reductions in missed collection complaints.

3.10   The final stages of the programme will see the delivery of an expanded Bankhead
        Roads Depot, which will move away from being a single service site for just Roads,
        to a multi-service site, incorporating Roads and Parks and Greenspaces, as well as
        a major Fleet and Workshops facility which will allow for more efficient servicing and
        repairs on vehicles with significant reductions in impacts on frontline service
        delivery. The programme will also deliver a refurbishment of Blackford Roads Depot
        in the south of the city, which is the base for a section of our Roads service and
        provides a key second site for winter maintenance to ensure that we have resilience
        during periods of ice and snow (alongside Bankhead). A new home for the City

Archives is being identified, with the aim of relocating this important facility from the site at Murrayburn to a more befitting setting.

3.11 A full update on the progress of the Depots Programme will be reported to the Finance and Resources Committee in the coming months.

4. Next Steps

4.1 This report details a high-level summary of the Change Portfolio in the last six months. The Board will continue to meet and discuss the projects and programmes within the portfolio over the next six months.

5. Financial impact

5.1 There are no specific financial impacts of this report, other than those contained in the detail of individual projects. The financial impacts of significant change are also be reported through the revenue and capital monitoring process.

6. Stakeholder/Community Impact

6.1 Consultation and engagement activities, either internally or externally, are carried out within individual projects and is addressed in separate reports to Council or committee.

7. Background reading/external references

7.1 Change Portfolio Update March 2022 – report to Governance, Risk and Best Value Committee, 8 March 2022

8. Appendices

8.1 Appendix 1 – Change Portfolio Update to Change Board February 2023
8.2 Appendix 2 –Red Project updates

Actions:

- Note and discuss Portfolio Update
- Note projects with status changes
- Note strategic project issues and Critical Projects
- Note next stage of project pipeline
- Note project statuses in appendix 1

EDINBVRGH
THE CITY OF EDINBURGH COUNCIL

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35 active projects – 8 green, 20 amber, 7 red

14 SDIB – **5** green, **5** amber, **4** red

10 Place – **1** green, **8** amber, **1** red

6 Education and Children's Services – **1** Green **4** amber, **1** red,

5 Corporate Services – **1** green, **3** amber, **1** red

Active Projects by RAG and Directorate

Amber		Green	Place 1
			ECS 1
		SDIB 5	Corporate Serv. 1
Place 8	SDIB 5	**Red**	
			1 Place / ECS 1
ECS 4	Corporate Serv. 3 / SDIB 4		Corporate Serv. 1
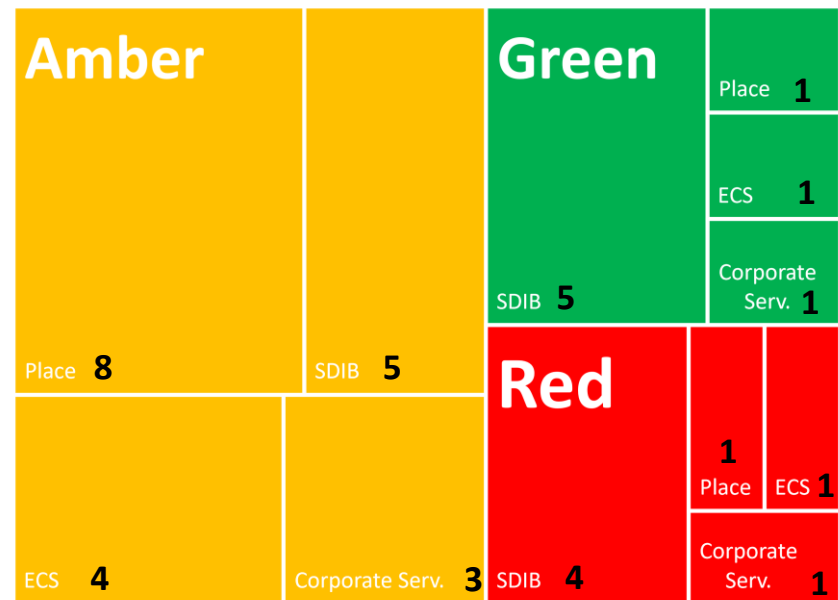
Projects Reporting Red
ERP
10,000 Affordable Homes
Council Housebuilding Programme
Fountainbridge Redevelopment
LAAC File Review
Meadowbank Housing Redevelopment
North Bridge Refurbishment

Strategic Issues

- More than half of projects reporting **amber** (20/34)
- Significant shift to red for SDIB projects – some projects now cannot be completed within existing allocated budgets
- Construction costs
- Red projects increased from 1 in October to 7 in December.

Close Report

- Bangholm Sports Centre - at sign off
- Craigmillar High School – awaiting final account
- Our future Work - closure report attached. Board still live.

New Projects

- CityPlan 2030

2

Status Changes this month

Project	Status	Previous Status	Risks
Customer Transformation	Green	Amber	Moved to green because the full integration of housing repairs was delivered and is working as expected.
Digital Service Partnership Savings	Amber		Will stop reporting to Corporate Services. NH confirmed - digital savings were removed from the report as they are not a programme in their own right. The savings are still there and are incorporated into my local budget.

Critical Projects

Project	Status	Delivery updates	Financial updates
ERP	Red	• See appendix.	
Our Future Work	Amber	• Closure report attached as submitted to the Board 24/01/ Notes from board and Katy Miller: • Not close the board but to keep in place to ensure visibility/delivery of ongoing actions (Emma Kilpatrick to attend from HR) with discussion/agreement on remit & attendees. Attached has required steps/decisions. (in relation to Asset Board particularly) – Mike Pinkerton • Further communications for colleagues/line managers to reinforce key principles: Not home working but hybrid; right for the organisation to ask you to come into work; narrative around wellbeing and supporting team working by coming into offices; cameras on for teams meeting etc – Sharon FM • Follow on sessions for line managers – 'you said, we did' and what further support is needed – Mike P (& HR)	
City Region Deal	Green	• Regular updating of progress report and monthly financial forecasts to ensure PMO is aware of issue(s) at an early stage and can raise with Government, Executive Board and Joint Committee as appropriate. • Regular discussions on finance between project leads and PMO, Directors of Finance and PMO and PMO and Governments to capture issues arising. • Change Management process as set out in the Benefits Realisation Plan is being implemented	• Cost inflation (materials and labour) and related government policies, (e.g. rise in interest rates and changes to taxation) affects the ability to deliver projects to the standards required.
Depots Strategy	Amber	• Three major sites are required to be closed in order to deliver approximately £900k revenue savings – these are Murrayburn, Russell Road and Peffer Place Depots. However, this may be insufficient to cover the increased construction costs associated with delivery of the remaining programme (inflation risk), together with the running costs of these new or repurposed buildings (of which there are a number of risks). The £900k cannot be released unless services are consolidated in alternative fit for purpose depots. • There continues to be considerable impact to tender prices and project delivery timeframe. • The City Archives project is being brought under the umbrella of the Corporate Property Strategy. The service is at high risk of building failure and reputational damage while it remains at Murrayburn. • **DECISION** – Consider the status of this project becoming red.	• During the last period, the financial revenue model has been reviewed to achieve a level of confidence around delivery of the strategy. £201k revenue savings have been achieved with the prudential borrowing reprofiled on a smoothed basis.

Critical Projects

Project	Status	Delivery updates	Financial updates
Homelessness	Amber	• Added to critical list due to reputational and financial risk	• Homelessness Services reported significant pressures both in capacity and spend in 2022/23 in delivering the Council's statutory duties. • The Council agreed a budget for 2023/24 which recognised these pressures by increasing the budget for the service. In order to ensure that the service operates within budget in 2023/24, a range of mitigations were also agreed through the budget setting process – including void management, an increased number of posts to focus on the prevention of homelessness, changing the mix and reducing the use of temporary accommodation and a reduction in spend in NRPF cases. • All mitigating actions will be monitored on regular basis to ensure that they are effective.

New projects/programmed for further scoping

Project	Directorate
City Plan 2030	SDIB
EnerPHit Programme	SDIB
Inclusion Strategy	ECS
Tanner Inquiry Recommendation Implementations	Corp
Smart Cities Operation Centre	Corp
Filling the Net Zero Pipeline and Funding the Transition to Net Zero	SDIB

MTFP will also need to report and assume that this should come to Change Board or have a different reporting route?

Possibly split Change and Capital?

City Plan 2030 dashboard supplied.

Corporate Services

	Dec	Jan	Theme
Digital Service Partnership Savings	🟨	🟨	TRM
Customer Transformation	🟨	🟩	SIP
ERP	🟥	🟥	SIP
Business Intelligence	🟨	🟨	TRM
Our Future Work	🟨	🟨	TRM

Education and Children's Services

	Dec	Jan	Theme
Early Years Programme	🟨	🟨	CC
LAAC File Review	🟥	🟥	MAN
Empowered Learning	🟨	🟨	T/C
New Craigmillar High School – **CLOSE REPORT**	🟩	🟩	CC
Liberton High School	🟨	🟨	CC
Maybury Primary School	🟨	🟨	CC
Replacement Currie High	🟨	🟩	CC

Place

	Nov	Dec	Theme
Communal Bin Review	🟨	🟨	TRM
Depots Strategy	🟨	🟨	TRM
North Bridge Refurbishment	🟥	🟥	MAN
Travel Demand & Logistics	🟨	🟨	ES
Cultural Services Review	🟨	🟨	ES
Housing Service Improvement Project	🟨	🟨	TRM
Planning Service Review	🟨	🟨	SIP
Fleet Services	🟨	🟨	ES
Homelessness Programme	🟨	🟨	TRM
SE Scot City Regional Deal	🟩	🟩	CC

Strategic Development Investment Board

	Nov.	Dec	Theme
National Housing Trust	🟩	🟩	CC
10,000 Affordable Homes	🟩	🟥	CC
Council Housebuilding Programme	🟥	🟥	CC
Edinburgh St James GAM	🟨	🟨	CC
Tram to Newhaven	🟩	🟩	CC
Meadowbank Redevelopment	🟥	🟥	CC
Fountainbridge Redevelopment	🟥	🟥	CC
Granton Waterfront Regeneration	🟨	🟨	TBC
EICC Hotel and Hotel School	🟨	🟨	CC
Edinburgh BioQuarter	🟨	🟨	CC
20 Minute Neighbourhood	🟩	🟩	T/C
Asset Condition	🟩	🟩	MAN
West Edinburgh	🟩	🟩	TBC
Princes Street and Waverley Valley Strategy	🟨	🟨	TBC
CityPlan 2030 (NEW)		🟨	CC

TRM - Transformation/Change
ES - Efficiencies Savings
MAN- Mandatory/Risk
CC - Council Commitments
SIP - Service Improvement Project
🟦 - **Denotes Capital Project**

Projects reporting red

Project	Status	Risks
10,000 Affordable Homes	Red	Status moved from green to red by SDIB board and SRO at 17 Oct meeting- Approvals are facing ongoing delays, as many of our development partners are delaying procuring new contracts due to cost inflation. It is highly unlikely that the Council commitment could be delivered by 2027. A decision is awaited on future targets following formation of the new administration. Discussions are ongoing with Government about claiming additional grant funding from national underspends.
Fountainbridge Redevelopment	Red	Project has moved to Red status due to cost inflation. This is the single biggest risk which has been tracked but is now challenging the overall viability. Officers will continue to work through this challenge with the development partner and any deviations from the original strategy will be reported through the existing governance routes – Housing Homelessness and Fair Work Committee and Finance and Resources Committee (as appropriate) - for decision.
LAAC File Review	Red	Not enough resources to complete project as they have bene moved to help with the Ukrainian response. Mitigation: resources will return in March 23.
Council Housebuilding Programme	Red	Unprecedented rises in Construction costs. Risk that placemaking, energy and sustainability standards increase development costs so they are unaffordable to the HRA / Edinburgh Living resulting in projects being delayed with financial/reputational damage to the Council. Political decision awaited on housebuilding target following election and formation of new administration. Additional risk/issue relating to income and financing pressures as well as inflation. Continued rent freezes, limited government grants and increasing interest rates make it harder to finance new homes. Mitigation: Cost price inflation in 2022/23 has impacted on ability of affordable housing developers to enter into contracts and, this has impacted on number of tender approvals. Shortages in the supply chain has impacted on completion dates. Around 717 affordable housing approvals are expected by 31 March 2023 and 1,108 affordable housing completions. This is lower than the estimates of 800 approvals and 1,246 completions in the SHIP. An additional £8m in grant funding has been secured from Scottish Government due to slippage in the national Affordable Housing Supply Programme. This has increased grant funding for the programme to £53.182m from the original Resource Planning Assumption of £45.182m
Meadownbank	Red	Project has moved to Red status due to cost inflation. This is the single biggest risk which has been tracked but is now challenging the overall viability. Officers will continue to work through this challenge with the development partner and any deviations from the original strategy will be reported through the existing governance routes – Housing Homelessness and Fair Work Committee and Finance and Resources Committee (as appropriate) - for decision.
North Bridge	Red	Project remains red and no change to risk since last update. Please refer to dashboard for further information.
ERP	Red	The programme remains at red due to issues with testing, which are being resolved. The programme is on the path to Amber. The programme team do have actions in place to move to Amber and then to Green. There is now an agreed proposal signed off that allows migration of the Offa Frontier Horizon Production server into the cloud, which was the remaining action to resolve. This proposal has now been signed off and the plan has been adjusted to accommodate new dates and the trial loads will be carried out in early May.

Governance, Risk and Best Value Committee

10.00am, Tuesday, 14 March 2023

Annual Assurance Schedule – Corporate Services

Executive/routine	Executive
Wards	
Council Commitments	

1. Recommendations

1.1 To note the Corporate Services Directorate annual assurance schedule for 2021-22, submitted for scrutiny.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Deborah Smart, Executive Director of Corporate Services

E-mail: Deborah.Smart@edinburgh.gov.uk

Annual Assurance Schedule – Corporate Services Directorate

2.   Background

2.1   Each year the City of Edinburgh Council requires that Executive Directors complete Certificates of Assurance that represent their view of the effectiveness and appropriateness of controls in their areas of responsibility. These Certificates support the Annual Governance Statement which is a component part of the authority's Statement of Accounts.

2.2   An Assurance Schedule, to help prompt Executive Directors and relevant Service Directors to consider various aspects of their control environment, is circulated in advance of Certificates. The schedule will help highlight any areas of concern.

2.3   Improvement actions from the assurance exercise are used to inform the related Corporate Governance Framework Self-assessment exercise. Together both exercises combine to provide a holistic look across the Council's control framework, incorporating both design and application. Both processes will continue to be reviewed in line with feedback.

3.   Main report

3.1   The Corporate Services Directorate schedule (appendix 1) was completed and returned to the Democracy, Governance and Resilience team within Legal and Assurance, after which a Certificate of Assurance was issued. This informed the drafting of the Annual Governance Statement, submitted to Council as part of the Unaudited Annual Accounts on 30 June 2022.

3.2   The Certificates of Assurance requires Service Directors and Executive Directors to confirm that:

3.2.1   They have considered the effectiveness of controls in their service area/directorate, including controls in place to mitigate major risks to their service area/directorate's objectives.

3.2.2   To the best of their knowledge, appropriate controls are in operation upon which they can place reasonable assurance and that there are no

significant matters arising that should be raised specifically in the Annual Governance Statement (or otherwise); and,

3.2.3   They have identified actions that will be taken to continue improvement.

3.3   The schedule is completed by the Executive Director concerned.

3.4   Before signing their Certificate of Assurance, the Executive Director should ensure that the schedule has been completed accurately. In the case of the Corporate Services Directorate, this was drafted by the previous Executive Director of Corporate Services and approved by the Interim Executive Director of Corporate Services.

4.   Next Steps

4.1   An improvement plan for the Corporate Services Directorate is attached at appendix two. This includes actions in relation to identified internal control weaknesses. In each instance a responsible officer and a deadline for completion is included. It should be noted that the impact of the Covid-19 pandemic continued throughout the period of this assurance schedule and therefore it is likely that elements of the improvement plan will need to be reassessed and deadlines for delivery reviewed.

4.2   The process will continue to be reviewed in line with feedback to ensure that effective assurance is provided.

4.3   Relevant improvement actions will be included in the Corporate Governance Framework Self-Assessment exercise for 2022-23 where there is an impact on the design of the Council's corporate control framework.

4.4   The 2022-23 Annual Assurance Schedule for Corporate Services will be presented to Governance, Risk and Best Value Committee in 12 months for scrutiny.

5.   Financial impact

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

5.2   An effective control framework is key in ensuring that the Council is able to achieve Best Value (Economy, Efficiency and Effectiveness) in the stewardship of its resources and delivery of intended outcomes.

6.   Stakeholder/Community Impact

6.1   The assurance schedule exercise acts as a prompt for service areas to think about good governance and the internal control environment. Action plans support improvements in areas where weaknesses have been identified.

6.2   Completed schedules are reviewed by the Democracy, Governance and Resilience Senior Manager and are provided to the Chief Internal Auditor for comment.

6.3   The Annual Assurance Schedule template was drafted using input from the Council's subject matter experts, including our line 2 and line 3 teams as part of the '3 lines' model advocated by the Chief Internal Auditor. This included contributions from Resilience, Audit and Risk, Health and Safety, Corporate Governance, Legal Services, Finance and Human Resources.

6.4   Outcomes and areas of significant control weakness identified in the Corporate Governance Framework Self-Assessment Exercise are used to inform the structure and content of assurance schedules through a process of continuous review.

7.   Background reading/external references

7.1   https://www.edinburgh.gov.uk/downloads/file/30278/audited-annual-accounts-2021-22

8.   Appendices

8.1   Appendix 1 – Corporate Services Directorate Annual Assurance Schedule

8.2   Appendix 2 – Corporate Services Directorate Improvement Plan

Assurance Statement

Ref	Statement	Response				
1	**Internal Control Environment**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
1.1	I have internal controls and procedures in place throughout my directorate that are proportionate, robust, monitored and operate effectively.	Compliant	Breach of ICT acceptable use policy and also data breaches in a number of cases. All matters were fully investigated and addressed. There were also a number of whistleblowing concerns raised with safe call which have been investigated and addressed as appropriate and reported upon to the Governance, Risk and Best Value Committee as part of the regular reporting by the Monitoring Officer.	Annual Internal Audit Plan (based on most significant risks to the Council) CLT Change Board – programme/project management framework Council Companies/ALEOs – Governance Hub, Observers, annual reporting to Executive Committee and GRBV Community planning – Edinburgh Partnership, Community Plan Contingency planning and business continuity arrangements EIJB – scrutiny and accountability arrangements agreed through scheme Enterprise Risk Management Policy and Risk Management Procedure External validation/review eg. external audit, independent assurance providers GRBV quarterly scrutiny of top risks GRBV scrutiny of CLT risk register, delivery of Internal Audit Plan and of all Internal Audit reports	Range of internal controls via: 1:1s with Service Directors and Heads of Service, Corporate Services Management Team monthly reviews of budget, procurement, workforce, digital, internal audit other control issues. Additional controls via the Quarterly Risk and Assurance Reviews of Divisions and Directorate Health & Safety Group meetings and the Directorate Joint Consultative Committee with the trade unions.	Review of financial authorisations and hierarchy needs to be undertaken to align with the Corporate Services management structure which was implemented in July 2021.
1.2	I have controls and procedures in place to manage the risks in delivering services through council companies, partners and third parties.	Compliant	No	Health and safety audits Informal and formal reviews eg. internal audit, quality assurance audits Overdue audit recommendations report monthly to CLT and quarterly to GRBV Policies that mitigate risks eg. Anti-bribery, Fraud Prevention, Whistleblowing Quarterly corporate risks scrutinised at CLT Quarterly Risk and Assurance Committees Regular 121 meetings between the Council's Chief Executive and the Chief Executives of key ALEOs Report template and guidance – section on risks Reporting/review/monitoring at all levels – committee, CLT, SMTs, service level Risk Appetite Statement Risk Management Groups Risk management policies and strategies (eg procurement, standing orders, project management, health and safety, information governance)	A range of controls are in place, including professional oversight and input from Council Observers at a senior level, a dedicated team within Finance that supports ALEOs and Group Accounts work, etc. Strong governance arrangements also exist with key partners such as CGI and a range of third party suppliers and partners. The Directorate also regularly reviews compliance with Contract Standing Orders, the Contract and Grants Management Guidance and other associated controls. Work is ongoing with the Directorate Shadow IT Register to ensure that this is maintained with a succesful security check carried out using this in December 2021.	
1.3	My internal controls and procedures and their effectiveness are regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts.	Compliant	No	Risk Management Procedure Risk management tools Schools assurance programme Shareholder or service level agreements Team Central – monitoring implementation of audit recommendations Training, eLearning and workshops for staff and members Wide ranging internal and external counter fraud activity	Internal controls within Corporate Services are kept under regular review and assurance testing is undertaken during various points in the year via Quarterly Divisional Performance and Assurance meetings.	
1.4	The monitoring process applied to funding/operating agreements has not identified any problems that could have an impact on Annual or Group Accounts.	Compliant	No		Grant Standing Orders are reviewed annually and this ensures effective controls over funds allocated to third parties, including the voluntary sector, particularly within the Policy and Insight Team.	
2	**Risk and Resilience**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
2.1	I have risk management arrangements in place to identify the key risks to my directorate (and the Council).	Compliant	No	Budget Planning CLT Change Board – programme/project management framework CLT scrutiny Contingency planning and business continuity arrangements Council Business Plan Enterprise Risk Management Policy GRBV quarterly scrutiny of top risks Health and safety audits Internal and external audits Internal Audit Plan development considers top risks	Divisional Risk Registers and the Directorate Risk Register are kept under regular review and programme specific risks and issues are also managed via programme boards and the Change Board. These will be further developed in line with the rollout of the Council's new Operational Risk Management Framework, which the Directorate has been actively	
2.2	I have effective controls and procedures in place to record and manage the risks identified above to a tolerable level or actions are put in place to mitigate and manage the risk.	Compliant	No	Leader's induction includes Risk Management Quarterly corporate risks scrutinised at CLT Quarterly Risk and Assurance Committees Report template and guidance – section on risks Reporting/review/monitoring at all levels – committee, CLT, SMTs, service level Risk Appetite Statement Risk Management Groups Risk management policies and strategies (eg procurement, standing orders, project management, health and safety, information governance) Risk Management Procedure Risk management tools Schools assurance programme Service Planning	Range of internal controls enable risk management via: 1:1s with Service Directors/Heads of Service, Directorate Management Team monthly reviews of budget, procurement, workforce, digital, internal audit other control issues. Additional controls via the Quarterly Risk and Assurance Group and Health & Safety Group meetings, programme boards, the Change Board and other governance and assurance processes operated within the Directorate. Work is ongoing with the Directorate Shadow IT Register to ensure that this is maintained with a succesful security check carried out using this in December 2021.	Full alignment with and implementation of the Council's new Operational Risk Management Framework and refreshed Enterprise Risk Management Policy and Risk Appetite Statement will be undertaken during 2022/23 within the Directorate, following the completion of the pilots and in accordance with the roll-out programme being led by the Service Director: Legal and Assurance and the Head of Audit and Risk.

2.3	The robustness and effectiveness of my risk management arrangements is regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts.	Compliant	No	Training, eLearning and workshops for staff and members	A formal Internal Audit review of Risk Management was performed during the last financial year and this was complemented by the findings from the Best Value Assurance Review. There were a number of findings identified for improvement and enhancement which are being taken forward for the whole Council and these need to be equally applied within the Corporate Services Directorate.	Full alignment with and implementation of the Council's new Operational Risk Management Framework and refreshed Enterprise Risk Management Policy and Risk Appetite Statement will be undertaken during 2022/23 within the Directorate, following the completion of the pilots and in accordance with the roll-out programme being led by the Service Director: Legal and Assurance and the Head of Audit and Risk.
2.4	There is appropriate escalation/communication to the directorate Risk Committee and CLT Risk Committee (as appropriate) of significant issues, risks and weaknesses in risk management.	Compliant	No		Formal escalation of issues is checked as a core part of the Corporate Services Risk and Assurance Committee agenda and then at the CLT Risk Committee as appropriate. The minutes from these groups demonstrates that escalation does occur and is managed effectively.	
2.5	I have arrangements in place to promote and support the Council's policies and procedures for staff to raise awareness of risk concerns, Council wrongdoing and officer's misconduct.	Compliant	No		Corporate internal communications and information cascades through the Orb, Managers' News and direct updates to the Wider Leadership Team and through Divisions are used to remind colleagues about policies and procedures specifically. In addition, during the last 12 months the Executive Director of Corporate Services has been issuing fortnightly Vlogs to the Directorate which have been used to cascade and communicate the importance of key policies and information. The Directorate Operations Manager has also ensured that the Directorate Policy Register has been brought up to date, in line with a previous Internal Audit agreed management action.	The Interim Executive Director of Corporate Services is continuing to work with colleagues in Employee Communications to ensure that regular and ongoing communication across the Directorate is maintained.
2.6	My directorate has appropriate resilience arrangements in place and my directorate's business continuity plans and arrangements mitigate the business continuity risks facing our essential activities.	Compliant	No		The Directorate's resilience and business continuity arrangements have been well tested during the last year, aligned to the ongoing Covid-19 response and reporting into Council Incident Management Team meetings. Chief Officer on-call arrangements have also been well managed and the Directorate also leads the Council's contribution to the Lothian and Borders Local Resilience Partnership and the East of Scotland Regional Resilience Partnership (via the Executive Director). These plans have held up well and enabled prioritisation of teams and services to support business critical activities. Additionally, during the last year, the Directorate has appointed a new Deputy Resilience Co-ordinator (the Head of Health & Safety) in support of the Directorate Resilience Co-ordinator (the Head of Corporate Finance). The Executive Director of Corporate Services has also regularly deputised for and chaired the CIMT meetings throughout the year on behalf of the Chief Executive and has also deputised at Chief Executive Gold meetings with Local Authorities and NHS Lothian within the Lothian and Borders area. The Interim Executive Director has recieved a full resilience briefing from our Directorate Resilience Partner.	
3	**Workforce Control**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**

3.1	I have arrangements in place to ensure compliance with payroll policies, overtime controls, absence management and performance e.g. home/remote working.	Compliant	No	360 reviews Annual Internal Audit Plan (based on most significant risks to the Council) Employee Assistance Programme Employee Engagement External validation/review eg. external audit, independent assurance providers Financial benefits (credit union, season ticket loans, car benefit scheme, pension schemes) Funding scheme for professional qualifications HR Policies (Absence Management, Stress Management, Avoidance of Bullying and Harassment, Equal Treatment) Informal and formal reviews eg. internal audit, quality assurance audits Inspiring Talent Programme Internal and External training opportunities	Internal controls within Corporate Services are kept under regular review and assurance testing is undertaken during various points in the year via Quarterly Divisional Performance and Assurance meetings. Monthly key performance indicators on sickness absence and payroll accuracy are reported to the Directorate Management Team, along with monthly reports on overtime use and our fuller Workforce Dashboard covering absence, overtime, agency worker use, etc.	
3.2	I have robust controls in place to ensure that statutory workforce requirements are met, including the management of off-payroll workers/contractors (including agency workers and consultants), ensuring approved framework contracts have been used and that those engaged are wholly compliant with the provisions of IR35 Council guidance and procedures.	Compliant	No	Leader Induction and Essential Learning Leadership Development Programme– Future, Engage, Deliver Managing Attendance Training for managers Occupational Health service Onboarding, induction essential learning and CPD for officers Open framework agreement for Learning and Development People Strategy Performance Management Framework (Performance Conversations) Policies that mitigate risks eg. Anti-bribery, Fraud Prevention, Whistleblowing Regular reporting including Health & Safety Performance, absence levels	Internal controls within Corporate Services are kept under regular review and assurance testing is undertaken during various points in the year via Quarterly Divisional Performance and Assurance meetings.	
3.3	I ensure compliance with the Council's HR policies and procedures across all of my service areas, eg. that recruitment and selection is only undertaken by appropriately trained individuals and is fully compliant with vacancy approvals and controls.	Compliant	No	Staff benefits (enhanced entitlements leave entitlement, flexible working options, childcare vouchers, ride to work scheme, premium benefits scheme) Wide ranging internal and external counter fraud activity Wider Leadership Team (incl. Learning Sets) Wider Leadership Team programme	The Council's HR policies are applied and monitored within the Corporate Services Directorate through reporting against the monthly Workforce Dashboard and overtime controls. In addition, the Corporate Services JCC ensures that feedback on the application of policies within Resources is provided on an ongoing basis by the recognised trade unions. Through the work undertaken in response to the Policy Management Audit, there are a number of HR policies that have been identified as not having been fully subjected to annual assurance processes and have not been updated for some considerable time. A example of this is the relocation assistance policy/scheme and the Chief Officers Disiplinary Policy/Procedure (also known as Heads of Department policy) which has not been updated since 1997.	The Service Director: HR and the Human Resources Division will be undertaking a review of the HR Policy Register and focussing upon bringing policies up to date where these may not have been previously prioritised, this will also require to address fully the findings from the QC led independent Inquiry and Reviews.
3.4	I have robust controls in place to manage new starts, movers and leavers, including induction and mandatory training, IT systems security (access and removal) and access to buildings and service users' homes.	Compliant	Ongoing issues remain with late notification of leavers in some teams, particulary Facilities Management which requires continued management attention. This can lead to overpayments and payroll recovery action being required.		The monthly Workforce Dashboard and associated Policy Management Audit actions have enabled improvements in the application of controls for ensuring that new starters and leavers are addressed appropriately. The implementation of the new Payroll Policy has made a significant and positive impact on the management of overpayments and is applied rigourously by HR. The Corporate Services Directorate has also successfully communicated the importance of this policy, leading to the succesful closure of an Internal Audit management action relating to the payroll for employees within the Directorate.	
3.5	I have arrangements in place to manage staff health and wellbeing; ensuring that sickness absence, referral to occupational health and stress risk assessments is managed in compliance with the Council's HR policies.	Compliant	No		The Directorate Health & Safety Group reviews issues relating to wellbeing and safety on a regular basis. During the course of the last year, through fortnightly Executive Director Vlogs the importance of wellbeing has been highlighted to staff regularly and a series of wellbeing roadshows have been undertaken by the HR Division, which attendance and participation in has been encouraged from all teams.	

		Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
3.6	I ensure compliance with essential training requirements and support learning and development appropriately, including professional CPD requirements.	Compliant	No		Role based essential learning requirements have been developed by the HR Division and these are applied and supported throughout the Directorate, good practice in respect of this area exists in a number of service areas, such as Business Support. The implementation of the new MyLearningHub, Learning Experience Platform, by HR means that compliance with essential learning within teams can now be checked by line managers.	The Council has been delivering a range of monthly cyber security training to all employees. Compliance/uptake within Corporate Services at around 66%, whilst the best in the Council is significantly lower than this should be. This training has recently been agreed as mandatory by the Corporate Leadership Team and therefore new compliance monitoring will be required to be implemented corporately and for the directorate for 2022/23.
3.7	I have arrangements in place to support and manage staff performance e.g. regular 1:1/supervision meetings, performance/spotlight conversations.	Compliant	No			The importance of 1:1s is emphasised regularly in Directorate communications and the importance of annual performance conversations is rigourously monitored through the monthly Workforce Dashboard. Compliance levels from Corporate Services were again the highest in the Council for 2021/22 by a considerable margin.
4	Council Companies	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
4.1	I have arrangements in place for the oversight and monitoring of the Council companies I am responsible for, that give me adequate assurance over their operation and delivery for the Council.	Compliant	No	Annual Assurance Process (Directorates) Council Companies/ALEOs – Governance Hub, Observers, annual reporting to Executive Committee and GRBV Regular 121 meetings between the Council's Chief Executive and the Chief Executives of key ALEOs Service Level Agreement Register Shareholder or service level agreements	Oversight of the relevant Council companies is maintained by the Council Observers, via the Governance Hub meetings, SLA compliance, etc. In addition as the Chairman of LPFE Ltd and a Companies House appointed director, I maintain direct oversight and assurance of LPFE matters and the overall management of the LPF Group.	To ensure that there are no governance gaps or concerns in relation to LPFE Ltd, the Service Director: Finance and Procurement has been formally appointed as the interim Chair of the Company, by the Board of Directors, with effect from 21.2.2022. An ALEO framework is currenlty under development.
4.2	I have an appropriate Service Level Agreement, or other appropriate legal agreement, in place for each Arm's Length External Organisation that I am responsible for.	Compliant	No		Service Level Agreements are in operation for ALEOs, such as Lothian Pension Fund, Lothian Valuation Joint Board and also for the Edinburgh Intregration Joint Board.	The SLA for LPF is currenlty under review to ensure this includes the clerking support as provided. The EIJB Scheme is also currenlty under review.
5	Engagement and Consultation	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
5.1	My directorate engages effectively with institutional stakeholders, service users and individual citizens, applying the council's consultation and engagement standards with evidence that the insights gathered are used to shape my directorates activities.	Compliant	No	Budget consultation Business sector forums Community engagement activity Community engagement strategy/policy Complaints Improvement Plan Consultation framework Consultation Hub Council Change Strategy Committee Papers Online Current partnerships eg. Poverty Commission, Tourism Strategy, EIJB, City Deal Edinburgh Partnership (LCCPs, Neighbourhood Networks) Edinburgh People Survey	The directorate applies a range of controls in this area in addition to the corporate controls, such as the application of the Consultation Policy and the management of the Consultation Advisory Panel, which reports to CLT on a monthly basis.	The Council's Consultation Policy was approved in August 2021 and is still in the relatively early stages of implementation. An internal audit of the effectiveness of these arrangements has been proposed for the 2022/23 Audit Plan and will provide further assurance and identification of any opportunities to strengthen or improve these controls.
5.2	I have arrangements in place throughout my directorate to ensure that there are effective communication methods that encourage, collect and evaluate views and experiences (while ensuring inclusivity e.g. customer surveys, consultation procedures, social media presence, etc.) and that these insights are used to inform the work of the directorate.	Compliant	No	Government partnership working Have Your Say webpage Multi-agency partnerships Multi-channel methodology eg. social media platform development Networks/user groups – eg. Edinburgh Tenants' Federation Partnership agreements eg. Police Scotland Partnership governance arrangements Partnership governance documentation Partnership plans eg. Edinburgh Children's Partnership Petitions and Deputations	The Directorate applies a range of controls in this area in addition to the corporate controls.	
5.3	I have appropriate arrangements in place throughout my directorate for recording, monitoring and managing customer service complaints and customer satisfaction.	Compliant	No	Policies and procedures (consultation framework) Poverty Commission Public participation – deputations and petitions Public sector partnerships Publication of Council diary Report template – section on consultation Stakeholder group meetings Strategic documentation eg. vision statements, aims, etc. Strategic plans and agreements	The Directorate applies a range of controls in this area in addition to the corporate controls.	Customer Surveys have been reduced by the Customer Services Team during 2021/22 as a result of the pandemic, subject to resource availability, these need to be reinstated at the correct level to ensure satisfaction rates are being fully monitored and assessed during 2022/23.

5.4	I regularly consult and engage with recognised trade unions.	Compliant	No	Strategy and Performance Hub Surveys eg. Edinburgh People Survey, Annual Tenant Survey Third sector partnership working eg. EVOC Webcasting of Council and major committees, including subtitles	The Directorate Joint Consultative Committee meets on a quarterly basis with the recognised trade unions and ensures and open and constructive relationship is maintained. This group is also supported by a number of Divisional or Team specific JCC meetings, such as for Customer and Digital Services, ensuring that larger groups of staff within Corporate Services are focussed upon more frequently in terms of trade union partnership working. The monthly Partnership at Work Forum, chaired by the Chief Executive, routinely has the attendance and support of the Executive Director and 2 Service Directors from Corporate Services. The Executive Director of Corporate Services (SSM) met informal on a monthly basis with the Staff Side Secretary and also ensured meetings were held with relevant Regional Officers from recognised Trade Unions. The Directorate also provides support and oversight on all Trade Union matters with elected members through the Joint Consultative Group (JCG), which the Executive Director routinely attenened.	
6.1	**Policy**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
6.1	I have arrangements in place to ensure all directorate staff are made aware of and fully understand the implications of all relevant existing and new council policies and procedures.	Compliant	No	Annual Assurance Exercise Annual Policy Assurance Statements Corporate Policy Framework and Toolkit, including consultation and engagement strategies Council Papers Online Employee policy refresher arrangements, process workshops and communications Information Governance framework Policy Register Report template and guidance (incorporating adherence to commitments and policy implications)	Corporate internal communications and information cascades through the Orb, Managers' News and direct updates to the Wider Leadership Team and through Divisions are used to remind colleagues about policies and procedures specifically. In addition, during the last 12 months the Executive Director has been issuing fortnightly Vlogs to the Directorate which have been used to cascade and communicate the importance of key policies and information. The Directorate Operations Manager has also ensured that the Directorate Policy Register has been brought up to date, in line with a previous Internal Audit agreed management action.	The Interim Executive Director of Corporate Services is continuing to work with colleagues in Employee Communications to ensure that regular and ongoing communication across the Directorate is maintained.
6.2	I have arrangements in place for the annual review of policies owned by my directorate, via the relevant executive committee, to ensure these comply with the Council's policy framework.	Partially compliant	Yes, however there remain significant identified issues with a number of HR policies not having been reviewed for a substantial period of time, e.g. since 1997.		Whilst there are a range of directorate controls in place, including the Policy Register and Annual Assurance Reports to Committee, there remain a number of HR policy gaps during 2021/22 which were highlighted in my previous annual assurance statement and these have not yet been addressed, therefore please refer to the improvement action.	The Service Director: HR and the Human Resources Division will be undertaking a review of the HR Policy Register and focussing upon bringing policies up to date where these may not have been previously prioritised, this will also require to address fully the findings from the QC led independent Inquiry and Reviews.
7	**Governance and Compliance**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
7.1	I ensure directorate staff are aware of their responsibilities in relation to the Council's governance framework and that the authority, responsibility and accountability levels within my directorate are clearly defined, with proper officer designation delegated, recorded, monitored, revoked and reviewed regularly to ensure ongoing compliance with the Scheme of Delegation.	Compliant	No	Codes of Conduct Committee Terms of Reference and Delegated Functions Council's Procedural Standing Orders Councillors' Code of Conduct Disclosure and PVG checks Employee Induction Employee Performance Framework Leadership Programme Legal Services provision of advice Member/Officer Protocol Policies and procedures	All the relevant corporate controls are applied, in addition to which local directorate 'Town Hall' events and Executive Director Vlogs are used to raise the importance of key issues, including the importance of issues like Whistlblowing, Health and Safety Reportin, Risk Management, etc.	The Interim Executive Director of Corporate Services is continuing to work with colleagues in Employee Communications to ensure that regular and ongoing communication across the Directorate is maintained. The Governance and Assurance model approved is currenlty being recruited to with the operational model being developed and rolled out during 2022/23.
7.2	I ensure my directorate's activities are fully compliant with relevant Scottish, UK and international legislation and regulations.	Compliant	No	Regulatory body reporting eg. SSSC, GTCS Scheme of Delegation to Officers Statutory officer appointments and responsibilities Statutory/lead officers' independent reports to committee eg. Monitoring Officer, Chief Social Work Officer, Chief Internal Auditor Whistleblowing Policy		

8	Responsibility and Accountability	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
8.1	My directorate ensures our officers are clear on their roles and responsibilities in terms of relationships and decision making.	Compliant	No	Annual Assurance Process (Council Companies and Joint Boards) Annual Assurance Process (Directorates) Codes of Conduct Commercial and Procurement Strategy Committee Terms of Reference and Delegated Functions	All relevant corporate controls, many of which are specified by the Directorate are applied appropriately.	
8.2	I ensure that the Council's ethical standards are understood and embedded across my directorate and are upheld by external providers of services.	Compliant	No	Complaints Improvement Plan Consultation and engagement Contract Standing Orders Council Change Strategy Council company monitoring including Governance Hub, Council Observers on Boards, committee reporting	All relevant corporate controls, many of which are specified by the Directorate are applied appropriately.	
8.3	My directorate ensures that decisions are made on the basis of objective information, the consideration of best value, risk, stakeholder views, rigorous analysis, and consideration of future impacts. This is formalised through appropriate structures. (i.e SMT reporting)	Compliant	No	Edinburgh People Survey Employee Code of Conduct Grant Standing Orders Member/Officer Protocol Monitoring/reporting on delivery of 52 coalition commitments Onboarding and induction for officers Performance Framework Policies and procedures Procurement framework	The Directorate Management Team and Directorate Incident Management Team have both operated effectively, as required, during the course of the last year, supported by relevant sub groups. This has ensured that reports for Committee and the Corporate Leadership Team are given proper officer scrutiny and reveiw prior to their submission.	
8.4	I consult with elected members as appropriate and as required under the Scheme of Delegation.	Compliant	No	Procurement Handbook Public participation – deputations and petitions Report template and guidance Scheme of Delegation to Officers Service Level Agreement template Standard Condition of Grant	Elected Members are consulted by Directorate officers in full compliance with the Scheme of Delegation, Financial Standing Orders, Contract Standing Orders, etc. the Executive Director of Corporate Services ensured this through regular 2:1 meetings with the Convenor and Vice Convenor of Finance and Resources, Convenor of Governance, Risk and Best Value Committee, 1:1s with Finance and Resources Spokespeople and other Political Group Briefings that relevant members are kept appraised and consulted on relevant matters, including those occasions where it was required to exercise urgency powers.	
9	Information Governance	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
9.1	I ensure directorate staff are made aware of their responsibilities in relation to the proper management of Council information, including the need to adhere to relevant legislation, Council policies, procedures and guidance around: information governance; records management; data quality; data breaches and privacy impact assessments; information rights; information compliance; information security; and ICT acceptable use.	Compliant	No	Annual communications plan, awareness raising initiatives and training events Centralised Information governance unit Council wide Record of Processing Data quality reviews and audits form part of statutory returns Established framework of management information and reporting to support operational decision making and trend analysis Information Board Information governance policies, framework, guidance, procedures and toolkit Information sharing agreements and data protection impact assessments Locking Client's Record Guidance Mandatory training for all employees Staff responsibilities outlined in relevant policies - Employee Code of Conduct, ICT Acceptable Use Policy, Policy on Fraud Prevention Standard data related terms and conditions in all new Council contracts	The Executive Director of Corporate Services chaired the Council's Cybersecurity and Information Steering Group and was the Council's nominated Executive lead for Cybersecurity. The Directorate develops, manages and implements the relevant policies, procedures and guidance to protect and secure data and works in close partnership with the Information Governance Unit to enable an effective approach to information management. The importance of the revised ICT Acceptable Use Policy was also promoted through the Executive Director Vlog during the course of the last year and monthly performance reports are submitted to the management team covering FOI and Subject Access Request performance compliance.	The Council has been delivering a range of monthly cyber security training to all employees. Compliance/uptake within Corporate Services at around 66%, whilst the best in the Council is significantly lower than this should be. This trained has recently been agreed as mandatory by the Corporate Leadership Team and therefore new compliance monitoring will be required to be implemented corporately and for the directorate for 2022/23.
9.2	I ensure data sharing arrangements with third parties are recorded, followed and regularly reviewed throughout all service areas in my directorate.	Compliant	No		These arrangements follow formal corporate controls, including Data Protection Impact Assessments.	
10	Health and Safety	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)

		Assessment of Compliance	Did your directorate have any issues in this area during the reporting period?	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions
10.1	Directorate staff are made aware of their responsibilities under relevant Health & Safety policies and procedures and I have appropriate arrangements in place for the identification and provision of Health & Safety training necessary for all job roles, including induction training.	Compliant	No	Contingency planning and business continuity arrangements Corporate Health and Safety Strategy and Plan Council Health and Safety Group Employee Code of Conduct Enterprise Risk Management Policy Enterprise Risk Management Policy and Risk Management Procedure External validation/review eg. external audit, independent assurance providers Health and safety audits Health & Safety policies and procedures Institution of Occupational Safety and Health training Mandatory Health & Safety training for staff Reporting/review/monitoring at all levels – committee, CLT, SMTs, service level Risk Management Groups	Effective quarterly Health and Safety Group meetings are held chaired by the Executive Director of Corporate Services. These include all Divisions, H&S professionals and Trade Union Safety representatives. This includes the regular reporting of recorded incidents and trends, H&S Training compliance and the H&S Audit Programme and associated findings. H&S is also a weekly standing item on the agenda for the Resources Management Team and the Corporate Leadership Team, the content of these updates is produced by teams within Corporate Services.	
10.2	I have the necessary arrangements in place to establish, implement and maintain procedures for ongoing hazard identification, risk assessment and the determination of necessary controls to ensure all Health & Safety risks are adequately controlled.	Compliant	No	Risk management policies and strategies (eg procurement, standing orders, project management, health and safety, information governance) Risk Management Procedure Risk management tools Scheme of Delegation Schools assurance programme Training, eLearning and workshops for staff and members	The Directorate has led upon these arrangements for the Council, specifying the necessary corporate controls and applying them effectively.	Following the appointment of a substantive Head of Health and Safety, in May 2021, a review of the Council's Health and Safety Management Systems has been undertaken and reported to the Corporate Leadership Team. The outcome of this review, including the revised staffing structure for Corporate Health and Safety now needs to be progressed and fully staffed. The Annual Health & Safety Report to Committee will however show that significant progress and work to support the Council's response to the Pandemic has again been delivered by the team.
10.3	I have competencies, processes and controls in place to ensure that all service areas in my directorate, and other areas of responsibility, operate in compliance with all applicable Health & Safety laws and regulations.	Compliant	No		The Directorate provides specialist health and safety advice to the authority as a whole. This is enabled by a small team of professional health and safety advisers. Due to previous staff turnover in this area and a review by the new Head of Health and Safety, the team currently remains understaffed and whilst this does not compromise the level of quality of advice, it can impact upon additional areas such as the timeliness of the delivery of the health & safety audit programme.	Following the appointment of a substantive Head of Health and Safety, in May 2021, a review of the Council's Health and Safety Management Systems has been undertaken and reported to the Corporate Leadership Team. The outcome of this review, including the revised staffing structure for Corporate Health and Safety now needs to be progressed and fully staffed. The Annual Health & Safety Report to Committee will however show that significant progress and work to support the Council's response to the Pandemic has again been delivered by the team.
10.4	I have a robust governance and reporting structure for Health and Safety in my directorate.	Compliant	No		Effective quarterly Health and Safety Group meetings are held chaired by the Executive Director of Corporate Services. These include all Divisions, H&S professionals and Trade Union Safety representatives. This includes the regular reporting of recorded incidents and trends, H&S Training compliance and the H&S Audit Programme and associated findings. H&S is also a weekly standing item on the agenda for the Resources Management Team and the Corporate Leadership Team, the content of these updates is produced by teams within Corporate Services.	
11	Performance	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
11.1	I have arrangements in place for reporting to CLT, Committee and/or Council and, where performance monitoring identifies inadequate service delivery or poor value for money, ensure that improvement measures to address these issues are implemented and monitored.	Compliant	No	Annual external reporting eg. Local Government Benchmarking Framework, Scottish Public Services Ombudsman, Scottish Government, etc Annual performance report to Council B agenda protocol Best Value reporting CLT Quarterly performance meeting Committee Terms of Reference and Delegated Functions Local Government Benchmarking Framework Monitoring/reporting on delivery of 52 coalition commitments Performance Framework	Regular reporting and oversight arrangements are in place for all services/functions within Resources, including via Policy & Sustainability, Finance and Resources and the Governance, Risk and Best Value Committee. The Directorate also reports to the Elected Members Digitial Advisory Board and provides ongoing member briefing sessions in a focussed manner.	

11.2	My directorate regularly works with relevant teams in Corporate Services to review and improve effectiveness by performance monitoring, benchmarking and other methods to achieve defined outcomes.	Compliant	No	Strategy and Performance Hub	Corporate Services has led upon the development of the Council's new Planning and Performance Framework, which is now in the process of being implemented. As a Directorate, monthly peformance dashboards against all key performance indicators continue to be scrutinised and reviewed by the management team. This has included the development and improved reporting of organisational performance against the Council Business Plan to the Policy and Sustainability Committee.	Full implementation and embedding of the Planning and Performance Framework during 2022/23 must be delivered at Divisional, Directorate and Corporate/Organisational levels. Further improvements to public reporting of performance are required to be achieved during 2022/23 in response to the Best Value Assurance Review improvement plan.
12	**Commercial and Contract Management**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
12.1	I ensure all goods, services and works are procured and managed in compliance with the Contract Standing Orders.	Compliant	No	Annual Assurance Process (Directorates) Codes of Conduct Commercial and Procurement Strategy Committee Terms of Reference and Delegated Functions Contract and Grants Management team Contract Standing Orders Council company monitoring including Governance Hub, Council Observers on Boards, committee reporting Grant Standing Orders Legal Services provision of advice Policies and procedures Procurement Handbook Scheme of Delegation to Officers Service Level Agreement Register Standard Condition of Grant	The Corporate Services Directorate leads on the development, implementation and management of the Contract and Grant Standing Orders for the Council. Professional procurement advisers are allocated to work alongside all service areas. The performance and compliance of the directorate is the subject of a monthly commercial dashboard which is scrutinised by the Corporate Services Management Team. The Directorate's performance on contracted spend, POs, waivers and other key areas remains consistently the strongest in the Council.	
13	**Change and Project Management**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
13.1	All projects and programmes have a clear business justification, as a minimum this should articulate outcomes and benefits; have appropriate governance in place to support delivery; effective controls in place to track delivery progress and to take corrective action if required; have a robust benefits management framework in place; and ensure that a formal closure process is undertaken.	Compliant	No	2050 City Vision Budget Planning Capital Budget Strategy City Plan CLT Change Board Committee Terms of Reference and Delegated Functions Contract Standing Orders Council Business Plan Council Change Strategy Council's Risk Appetite Statement Enterprise Risk Management Policy External audits, reviews and validation Finance Rules Financial Regulations Procurement framework Report template and guidance Revenue Budget Framework Risk Registers Scheme of Delegation to Officers Service Planning Sustainability Strategy process Treasury Management Strategy	Business cases are scrutinised via the Directorate Management Team, the CLT Change Board or an Executive Committee as appropriate. During the course of the year, benefits are clearly tracked and reported on in a number of areas and programme benefits realisation and closure reports are received by the CLT Change Board and the Digital Services Governance arrangements, for example. Good examples of business cases being subjected to rigorous scrutiny and CLT approval have been the Empowered Learning and Smart City Programmes (Phase 1). A Directorate Change Portfolio is formally reported to and scrutinised by the Directorate Management Team on a monthly basis, prior to submission to the CLT Change Board.	A review of the staffing, structure and funded capacity available within the Strategic Change and Delivery Team is required for 2022/23, due to the loss of some key personnel and the ineffective recharging model which was implemented previously. This means that, as our Corporate PMO for the Council, inadequate resource is available to support the full breath of programmes delivered by the Council.
14.1	**Financial Control**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
14.1	The operation of financial controls in my directorate is effective in ensuring the valid authorisation of financial transactions and maintenance of accurate accounting records.	Compliant	No	Budget Framework Comprehensive system of revenue and capital monitoring, with SMT and CLT oversight Contract Standing Orders Corporate Debt Policy Council Business Plan Council Change Strategy Elected Member training on financial statements, financial planning and treasury management Employee Training Finance & Resources Committee and Governance, Risk & Best Value Committee	Monthy finance and procurement reporting to the Management Team as well as Monthly 1:1s with the aligned Principal Accountant for Resources enable strong oversight and control.	
14.2	I am confident that the arrangements in place to monitor expenditure/budget variances would identify control problems or variances that could have an effect on the Annual Accounts.	Compliant	No		Monthy finance and procurement reporting to the Management Team as well as Monthly 1:1s with the aligned Principal Accountant for Corporate Services enable strong oversight and control.	Review of financial authorisations and hierarchy needs to be undertaken to align with the Corporate Services management structure which was implemented in July 2021.

14.3	I have arrangements in place to ensure all material commitments and contingent liabilities (i.e. undertakings, past transactions or events resulting in future financial liabilities) are notified to the Chief Financial Officer.	Compliant	No	oversight/scrutiny Finance Rules Financial Regulations Internal control framework Medium-term Financial Strategy Professional officer representation/support/advice on major project boards, project assurance reviews, SMTs Tiered framework of financial planning and control Treasury Management Strategy	Monthy finance and procurement reporting to the Management Team as well as Monthly 1:1s with the aligned Principal Accountant for Corporate Services enables strong oversight and control. In addition, year-end reporting arrangements and close down of the accounts are led by the Directorate, ensuring all matters are effectively addressed.	
14.4	I have arrangements in place to review and protect assets against theft, loss and unauthorised use; identify any significant losses; and, ensure the adequacy of insurance provision in covering the risk of loss across my directorate.	Compliant	No			
14.5	I have arrangements in place for identifying any weaknesses in my directorate's compliance with Council financial policies or statutory/regulatory requirements.	Compliant	No			
14.6	I have arrangements in place for identifying any internal control, risk management or asset valuation problems within my directorate's service areas that could affect the Annual Accounts.	Compliant	No			
15	**Group Accounts (Corporate Services only)**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
15.1	I have arrangements in place for identifying and reviewing any developments during the year that should lead to additions, deletions or amendments to the companies included in the Group Accounts.	Compliant	No	Annual assurance exercise (internal audit input and oversight) Annual Corporate Governance Framework self-assessment (internal audit input) Annual Governance Statement – informed by the work of IA Annual Internal Audit Plan (based on most significant risks to the Council) Audit Charter Chief Internal Auditor's direct reporting line to GRBV Committee Terms of Reference and Delegated Functions - GRBV Comprehensive system of revenue and capital monitoring, with SMT and CLT oversight		
15.2	I have arrangements in place to identify and review any internal control, risk management or asset valuation problems with Council companies that could affect the Group Accounts.	Compliant	No	Council Companies/ALEOs – Governance Hub, Observers, annual reporting to Executive Committee and GRBV External validation/review eg. external audit, independent assurance providers Executive Committee and Governance, Risk & Best Value Committee oversight/scrutiny Regular 121 meetings between the Council's Chief Executive and the Chief Executives of key ALEOs Shareholder or service level agreements		
16	**National Agency Inspection Reports**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
16.1	I have arrangements in place to identify any reports relating to my directorate and can confirm that there were no inspection reports that could impact on the signing of the Annual Governance Statement.	Compliant	No	Committee Terms of Reference and Delegated Functions Governance, Risk and Best Value Committee – chaired by an opposition councillor and excluding executive committee conveners from its membership, with power to act on its own accord Executive Committee and GRBV oversight of external audit and inspection activity Scrutiny of directorate annual assurance schedules		
16.2	I have arrangements in place that adequately monitor and report on the implementation of recommendations.	Compliant	No			
17	**Internal Audit, External Audit and Review Reports**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**

17.1	I have arrangements in place to ensure that all recommendations from any internal audit, external audit or review report published during the year, that have highlighted high, medium or significant control deficiencies, have been (or are being) implemented and that this is monitored effectively.	Compliant	Whilst the systems of control and monitoring are effective and are well used, the achievement of Internal Audit Management Actions and their validation and closure within agreed timescales does not always occur as planned. In part this is due to capacity issues or optimism bias in agreeing closure dates by service management and also due to delays in evidence validation being confirmed in line with Internal Audit KPIs. However, currently the majority of open Internal Audit management actions identfied for Resources, as referenced in the circulated spreadsheet remain within either their original or their revised implementation date. There are a small number which are showing as past their implementation date and for each of these the teams concerned are working with colleagues in Internal Audit to address the issues delaying closure. Additional temporary capacity has also been deployed since October 2020 to support the coordination and drive to close more management actions in a timely fashion, this approach will be continuing into 2021/22.	A validation audit is included in the annual Internal Audit Plan Agreed management actions arising from internal audits are recorded and monitored through Team Central Integral part of Annual Assurance Schedule Overdue management actions are reported monthly to CLT and quarterly to GRBV	Monthly reporting on progress with Internal Audit open and overdue actions has now been implemented with the management team. Regular meetings with External Audit, with the Chief Executive, to ensure issues are addressed fully. Direct reporting on audit matters of high risk to relevant executive committees. Annual Governance Statement presentation to GRBV, etc. Additional temporary capacity has also been deployed since October 2020 to support the coordination and drive to close more management actions in a timely fashion, this approach will be continuing into 2021/22 and a substantive Directorate Assurance Officer was appointed in December 2021 to take forward this work in the future.	Implementation of Goverance and Assurance Framework requirements, once these are fully agreed and subject to the provision of funded additional resource for Corporate Governance Officers to strenghen necessary organisational capacity in this area. The successful procurement and implementation of a new Audit and Risk System for the authority is also required to be delivered in 2022/23.
18	**Progress**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
18.1	All outstanding issues or recommendations arising from this exercise, commissioned reviews, committee reports and other initiatives in previous years have been addressed satisfactorily.	Compliant	No	Agreed management actions arising from internal audits are recorded and monitored through Team Central Overdue management actions are reported monthly to CLT and quarterly to GRBV A validation audit is included in the annual Internal Audit Plan Integral part of Annual Assurance Schedule External Audit Report is scrutinised by GRBV and an improvement plan developed Council participates in LAN (council scrutiny bodies) whose activity is based on shared risk assessment	Monthly reporting on progress with Internal Audit open and overdue actions has now been implemented with the management team. Regular meetings with External Audit, with the Chief Executive, to ensure issues are addressed fully. Direct reporting on audit matters of high risk to relevant executive committees. Annual Governance Statement presentation to GRBV, etc. Additional temporary capacity has also been deployed since October 2020 to support the coordination and drive to close more management actions in a timely fashion, this approach will be continuing into 2021/22 and a substantive Directorate Assurance Officer was appointed in December 2021 to take forward this work in the future.	

		Improvement actions	Action Owner	Action Deadline
1				
1.1	I have internal controls and procedures in place throughout my directorate that are proportionate, robust, monitored and operate effectively.	Review of financial authorisations and hierarchy needs to be undertaken to align with the Corporate Services management structure which was implemented in July 2021.	Directorate Operations Manager and Principal Accountant (Corporate Services)	Dec-22
1.2	I have controls and procedures in place to manage the risks in delivering services through council companies, partners and third parties.	0		
1.3	My internal controls and procedures and their effectiveness are regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts.	0		
1.4	The monitoring process applied to funding/operating agreements has not identified any problems that could have an impact on Annual or Group Accounts.	0		
2				
2.1	I have risk management arrangements in place to identify the key risks to my directorate (and the Council).	0		
2.2	I have effective controls and procedures in place to record and manage the risks identified above to a tolerable level or actions are put in place to mitigate and manage the risk.	Full alignment with and implementation of the Council's new Operational Risk Management Framework and refreshed Enterprise Risk Management Policy and Risk Appetite Statement will be undertaken during 2022/23 within the Directorate, following the completion of the pilots and in accordance with the roll-out programme being led by the Service Director: Legal and Assurance and the Head of Audit and Risk.	Service Director: Legal and Assurance / Head of Audit and Risk	Mar-23

2.3	The robustness and effectiveness of my risk management arrangements is regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts	Full alignment with and implementation of the Council's new Operational Risk Management Framework and refreshed Enterprise Risk Management Policy and Risk Appetite Statement will be undertaken during 2022/23 within the Directorate, following the completion of the pilots and in accordance with the roll-out programme being led by the Service Director: Legal and Assurance and the Head of Audit and Risk.	Executive Director of Corporate Services / Directorate Operations Manager	Mar-23
2.4	There is appropriate escalation/communication to the directorate Risk Committee and CLT Risk Committee (as appropriate) of significant issues, risks and weaknesses in risk management.	0		
2.5	I have arrangements in place to promote and support the Council's policies and procedures for staff to raise awareness of risk concerns, Council wrongdoing and officer's misconduct.	The Interim Executive Director of Corporate Services is continuing to work with colleagues in Employee Communications to ensure that regular and ongoing communication across the Directorate is maintained.	Interim Executive Director of Corporate Services	Jun-23
2.6	My directorate has appropriate resilience arrangements in place and my directorate's business continuity plans and arrangements mitigate the business continuity risks facing our essential activities.	0	Interim Executive Director of Corporate Services / Resilience Team	Apr-23

3				
3.1	I have arrangements in place to ensure compliance with payroll policies, overtime controls, absence management and performance e.g. home/remote working.	0		
3.2	I have robust controls in place to ensure that statutory workforce requirements are met, including the management of off-payroll workers/contractors (including agency workers and consultants), ensuring approved framework contracts have been used and that those engaged are wholly compliant with the provisions of IR35 Council guidance and procedures.	0		
3.3	I ensure compliance with the Council's HR policies and procedures across all of my service areas, eg. that recruitment and selection is only undertaken by appropriately trained individuals and is fully compliant with vacancy approvals and controls.	The Service Director: HR and the Human Resources Division will be undertaking a review of the HR Policy Register and focussing upon bringing policies up to date where these may not have been previously prioritised, this will also require to address fully the findings from the QC led independent Inquiry and Reviews.	Service Director: HR	Mar-23
3.4	I have robust controls in place to manage new starts, movers and leavers, including induction and mandatory training, IT systems security (access and removal) and access to buildings and service users' homes.	0		
3.5	I have arrangements in place to manage staff health and wellbeing; ensuring that sickness absence, referral to occupational health and stress risk assessments is managed in compliance with the Council's HR policies.	0		

3.6	I ensure compliance with essential training requirements and support learning and development appropriately, including professional CPD requirements.	The Council has been delivering a range of monthly cyber security training to all employees. Compliance/uptake within Corporate Services at around 66%, whilst the best in the Council is significantly lower than this should be. This training has recently been agreed as mandatory by the Corporate Leadership Team and therefore new compliance monitoring will be required to be implemented corporately and for the directorate for 2022/23.	Service Director: Customer and Digital Services / Chief Digital Officer	Jun-23
3.7	I have arrangements in place to support and manage staff performance e.g. regular 1:1/supervision meetings, performance/spotlight conversations.	0		
4	**Council Companies**			
4.1	I have arrangements in place for the oversight and monitoring of the Council companies I am responsible for, that give me adequate assurance over their operation and delivery for the Council.	To ensure that there are no governance gaps or concerns in relation to LPFE Ltd, the Service Director: Finance and Procurement has been formally appointed as the interim Chair of the Company, by the Board of Directors, with effect from 21.2.2022. An ALEO framework is currenlty under development.	Service Director: Finance and Procurement	Ongoing
4.2	I have an appropriate Service Level Agreement, or other appropriate legal agreement, in place for each Arm's Length External Organisation that I am responsible for.	The SLA for LPF is currenlty under review to ensure this includes the clerking support as provided. The EIJB Scheme is also currenlty under review.		
5	**Engagement and Consultation**			

5.1	My directorate engages effectively with institutional stakeholders, service users and individual citizens, applying the council's consultation and engagement standards with evidence that the insights gathered are used to shape my directorates activities.	The Council's Consultation Policy was approved in August 2021 and is still in the relatively early stages of implementation. An internal audit of the effectiveness of these arrangements has been proposed for the 2022/23 Audit Plan and will provide further assurance and identification of any opportunities to strengthen or improve these controls.	Head of Policy and Insight	Mar-23 (subject to completion of the Internal Audit)
5.2	I have arrangements in place throughout my directorate to ensure that there are effective communication methods that encourage, collect and evaluate views and experiences (while ensuring inclusivity e.g. customer surveys, consultation procedures, social media presence, etc.) and that these insights are used to inform the work of the directorate.	0		
5.3	I have appropriate arrangements in place throughout my directorate for recording, monitoring and managing customer service complaints and customer satisfaction.	Customer Surveys have been reduced by the Customer Services Team during 2021/22 as a result of the pandemic, subject to resource availability, these need to be reinstated at the correct level to ensure satisfaction rates are being fully monitored and assessed during 2022/23.	Service Director: Customer and Digital Services	Mar-23 (subject to resourcing related to pandemic status and additional workload from Scottish Government)
5.4	I regularly consult and engage with recognised trade unions.	0		
6	**Policy**			
6.1	I have arrangements in place to ensure all directorate staff are made aware of and fully understand the implications of all relevant existing and new council policies and procedures.	The Interim Executive Director of Corporate Services is continuing to work with colleagues in Employee Communications to ensure that regular and ongoing communication across the Directorate is maintained.	Interim Executive Director of Corporate Services	Jun-23

6.2	I have arrangements in place for the annual review of policies owned by my directorate, via the relevant executive committee, to ensure these comply with the Council's policy framework.	The Service Director: HR and the Human Resources Division will be undertaking a review of the HR Policy Register and focussing upon bringing policies up to date where these may not have been previously prioritised, this will also require to address fully the findings from the QC led independent Inquiry and Reviews.	Service Director: HR		Mar-23
7	**Governance and Compliance**				
7.1	I ensure directorate staff are aware of their responsibilities in relation to the Council's governance framework and that the authority, responsibility and accountability levels within my directorate are clearly defined, with proper officer designation delegated, recorded, monitored, revoked and reviewed regularly to ensure ongoing compliance with the Scheme of Delegation.	The Interim Executive Director of Corporate Services is continuing to work with colleagues in Employee Communications to ensure that regular and ongoing communication across the Directorate is maintained. The Governance and Assurance model approved is currenlty being recruited to with the operational model being developed and rolled out during 2022/23.	Interim Executive Director of Corporate Services		Jun-23
7.2	I ensure my directorate's activities are fully compliant with relevant Scottish, UK and international legislation and regulations.	0			
8	**Responsibility and Accountability**				
8.1	My directorate ensures our officers are clear on their roles and responsibilities in terms of relationships and decision making.	0			
8.2	I ensure that the Council's ethical standards are understood and embedded across my directorate and are upheld by external providers of services.	0			

8.3	My directorate ensures that decisions are made on the basis of objective information, the consideration of best value, risk, stakeholder views, rigorous analysis, and consideration of future impacts. This is formalised through appropriate structures. (i.e SMT reporting)	0		
8.4	I consult with elected members as appropriate and as required under the Scheme of Delegation.	0		
9	**Information Governance**			
9.1	I ensure directorate staff are made aware of their responsibilities in relation to the proper management of Council information, including the need to adhere to relevant legislation, Council policies, procedures and guidance around: information governance; records management; data quality; data breaches and privacy impact assessments; information rights; information compliance; information security; and ICT acceptable use.	The Council has been delivering a range of monthly cyber security training to all employees. Compliance/uptake within Corporate Services at around 66%, whilst the best in the Council is significantly lower than this should be. This trained has recently been agreed as mandatory by the Corporate Leadership Team and therefore new compliance monitoring will be required to be implemented corporately and for the directorate for 2022/23.	Service Director: Customer and Digital Services / Chief Digital Officer	Jun-23
9.2	I ensure data sharing arrangements with third parties are recorded, followed and regularly reviewed throughout all service areas in my directorate.	0		

10	Health and Safety			
10.1	Directorate staff are made aware of their responsibilities under relevant Health & Safety policies and procedures and I have appropriate arrangements in place for the identification and provision of Health & Safety training necessary for all job roles, including induction training.	0		
10.2	I have the necessary arrangements in place to establish, implement and maintain procedures for ongoing hazard identification, risk assessment and the determination of necessary controls to ensure all Health & Safety risks are adequately controlled.	Following the appointment of a substantive Head of Health and Safety, in May 2021, a review of the Council's Health and Safety Management Systems has been undertaken and reported to the Corporate Leadership Team. The outcome of this review, including the revised staffing structure for Corporate Health and Safety now needs to be progressed and fully staffed. The Annual Health & Safety Report to Committee will however show that significant progress and work to support the Council's response to the Pandemic has again been delivered by the team.	Service Director: Legal and Assurance / Head of Health and Safety	Mar-23

10.3	I have competencies, processes and controls in place to ensure that all service areas in my directorate, and other areas of responsibility, operate in compliance with all applicable Health & Safety laws and regulations.	Following the appointment of a substantive Head of Health and Safety, in May 2021, a review of the Council's Health and Safety Management Systems has been undertaken and reported to the Corporate Leadership Team. The outcome of this review, including the revised staffing structure for Corporate Health and Safety now needs to be progressed and fully staffed. The Annual Health & Safety Report to Committee will however show that significant progress and work to support the Council's response to the Pandemic has again been delivered by the team.	Service Director: Legal and Assurance / Head of Health and Safety	Mar-23
10.4	I have a robust governance and reporting structure for Health & Safety in my directorate.	0		
11	**Performance**			
11.1	I have arrangements in place for reporting to CLT, Committee and/or Council when performance monitoring identifies inadequate service delivery or poor value for money and ensure that improvement measures to address these issues are implemented and monitored.	0		

11.2	My directorate regularly works with relevant teams in Corporate Services to review and improve effectiveness by performance monitoring, benchmarking and other methods to achieve defined outcomes.	Full implementation and embedding of the Planning and Performance Framework during 2022/23 must be delivered at Divisional, Directorate and Corporate/Organisational levels. Further improvements to public reporting of performance are required to be achieved during 2022/23 in response to the Best Value Assurance Review improvement plan.	Interim Executive Director of Corporate Services / Head of Strategic Change and Delivery	Mar-23
12	**Commercial and Contract Management**			
12.1	I ensure all goods, services and works are procured and managed in compliance with the Contract Standing Orders.	0		
13	**Change and Project Management**			
13.1	All projects and programmes have a clear business justification, as a minimum this should articulate outcomes and benefits; have appropriate governance in place to support delivery; effective controls in place to track delivery progress and to take corrective action if required; have a robust benefits management framework in place; and ensure that a formal closure process is undertaken.	A review of the staffing, structure and funded capacity available within the Strategic Change and Delivery Team is required for 2022/23, due to the loss of some key personnel and the ineffective recharging model which was implemented previously. This means that, as our Corporate PMO for the Council, inadequate resource is available to support the full breath of programmes delivered by the Council.	Interim Executive Director of Corporate Services / Head of Strategic Change and Delivery	Mar-23

14	**Financial Control**			
14.1	The operation of financial controls in my directorate is effective in ensuring the valid authorisation of financial transactions and maintenance of accurate accounting records.	0		
14.2	I am confident that the arrangements in place to monitor expenditure/budget variances would identify control problems or variances that could have an effect on the Annual Accounts.	Review of financial authorisations and hierarchy needs to be undertaken to align with the Corporate Services management structure which was implemented in July 2021.	Principal Accountant (Corporate Services) and Directorate Operations Manager	Dec-23
14.3	I have arrangements in place to ensure all material commitments and contingent liabilities (i.e. undertakings, past transactions or events resulting in future financial liabilities) are notified to the Chief Financial Officer.	0		
14.4	I have arrangements in place to review and protect assets against theft, loss and unauthorised use; identify any significant losses; and, ensure the adequacy of insurance provision in covering the risk of loss across my directorate.	0		
14.5	I have arrangements in place for identifying any weaknesses in my directorate's compliance with Council financial policies or statutory/regulatory requirements.	0		
14.6	I have arrangements in place for identifying any internal control, risk management or asset valuation problems within my directorate's service areas that could affect the Annual Accounts.	0		
15	**Group Accounts (Corporate Services only)**			
15.1	I have arrangements in place for identifying and reviewing any developments during the year that should lead to additions, deletions or amendments to the companies included in the Group Accounts.	0		
15.2	I have arrangements in place to identify and review any internal control, risk management or asset valuation problems with Council companies that could affect the Group Accounts.	0		
16	**National Agency Inspection Reports**			
16.1	I have arrangements in place to identify any reports relating to my directorate and can confirm that there were no inspection reports that could impact on the signing of the Annual Governance Statement.	0		

16.2	I have arrangements in place that adequately monitor and report on the implementation of recommendations.	0		
17	**Internal Audit, External Audit and Review Reports**			
17.1	I have arrangements in place to ensure that all recommendations from any internal audit, external audit or review report published during the year, that have highlighted high, medium or significant control deficiencies, have been (or are being) implemented and that this is monitored effectively.	Implementation of Goverance and Assurance Framework requirements, once these are fully agreed and subject to the provision of funded additional resource for Corporate Governance Officers to strenghen necessary organisational capacity in this area. The successful procurement and implementation of a new Audit and Risk System for the authority is also required to be delivered in 2022/23.	Service Director: Legal and Assurance	Sep-23
18	**Progress**			
18.1	All outstanding issues or recommendations arising from this exercise, commissioned reviews, committee reports and other initiatives in previous years have been addressed satisfactorily.	0		

Governance, Risk and Best Value Committee

10.00am, Tuesday, 14 March 2023

Annual Assurance Schedule – Place Directorate

Executive/routine	**Executive**
Wards	**All**
Council Commitments	

1. Recommendations

1.1 Governance, Risk and Best Value Committee is asked to note:

1.1.1 The Place directorate annual assurance schedule for 2021/22, attached in Appendix 1, which is submitted for scrutiny; and

1.1.2 That the Place directorate annual assurance schedule for 2022/23 will be submitted for Committee scrutiny in 2023/24.

Paul Lawrence

Executive Director of Place

E-mail: paul.lawrence@edinburgh.gov.uk

Report

Annual Assurance Schedule – Place Directorate

2.   Executive Summary

2.1   This report presents the Place directorate annual assurance schedule for the financial year 2021/22 for scrutiny.

3.   Background

3.1   Each year the City of Edinburgh Council requires that Executive Directors complete Certificates of Assurance that represent their view of the effectiveness and appropriateness of controls in their areas of responsibility. These Certificates support the Annual Governance Statement which is a component part of the authority's Statement of Accounts.

3.2   An Assurance Schedule, to help prompt Executive Directors and relevant Service Directors to consider various aspects of their control environment, is circulated in advance of Certificates. The schedule will help highlight any areas of concern.

3.3   Improvement actions from the assurance exercise are used to inform the related Corporate Governance Framework Self-assessment exercise. Together both exercises combine to provide a holistic look across the Council's control framework, incorporating both design and application. Both processes will continue to be reviewed in line with feedback.

4.   Main report

4.1   The Place directorate schedule for 2021/22 (Appendix 1) was completed and returned to the Democracy, Governance and Resilience Service in April 2022, after which a Certificate of Assurance was issued. This informed the drafting of the Annual Governance Statement, submitted to Council as part of the 2021/22 Annual Audit report to the Council and the Controller of Audit on 24 November 2022.

4.2   The Certificates of Assurance require Executive Directors to confirm that:

4.2.1   They have considered the effectiveness of controls in their service area/directorate, including controls in place to mitigate major risks to their service area/directorate's objectives;

4.2.2   To the best of their knowledge, appropriate controls are in operation upon which they can place reasonable assurance and that there are no significant matters arising that should be raised specifically in the Annual Governance Statement (or otherwise); and

4.2.3   They have identified actions that will be taken to continue improvement.

4.3   The schedule is completed by the Executive Director or by a nominated senior manager. Before signing their Certificate of Assurance, the Executive Director should ensure that the schedule has been completed accurately

5.   Next Steps

5.1   An improvement plan for the Place directorate is attached at Appendix 2.

5.2   The process will continue to be reviewed in line with feedback to ensure that effective assurance is provided.

5.3   Relevant improvement actions were included in the Corporate Governance Framework Self-Assessment exercise for 2021/22 where there is an impact on the design of the Council's corporate control framework.

5.4   The Place directorate will submit an annual assurance schedule for the 2022/23 period following year end. This will be submitted to Governance, Risk and Best Value Committee for scrutiny in 2023/24.

6.   Financial impact

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

6.2   An effective control framework is key in ensuring that the Council is able to achieve Best Value (Economy, Efficiency and Effectiveness) in the stewardship of its resources and delivery of intended outcomes.

7.   Stakeholder/Community Impact

7.1   The assurance schedule exercise acts as a prompt for service areas to think about good governance and the internal control environment. Action plans support improvements in areas where weaknesses have been identified.

7.2   Completed schedules are reviewed by the Democracy, Governance and Resilience Senior Manager and are provided to the Chief Internal Auditor for comment.

7.3   The Annual Assurance Schedule template was drafted using input from the Council's subject matter experts. This included contributions from Resilience, Internal Audit, Health and Safety, Governance, Legal Services, Financial Services and Human Resources.

8. Background reading/external references

8.1 None.

9. Appendices

9.1 Appendix 1 – Place Directorate Annual Assurance Schedule.

9.2 Appendix 2 – Place Directorate Improvement Plan.

Assurance Statement

Ref	Statement	Response				
1	**Internal Control Environment**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
1.1	I have internal controls and procedures in place throughout my directorate that are proportionate, robust, monitored and operate effectively.	Partially compliant	The Council's Chief Internal Auditor's report to Governance Risk and Best Value Committee in August 2021 for the year ended 31 March 2021 stated that significant improvement was required as significant and/or numerous control weaknesses were identified in the design and/effectiveness of the control environment and/or governance and risk management frameworks across the Council. The Auditor's report for 2021/22 is not yet available but based on regular updates through 2020/21 it is anticipated that the conclusion for 2021/22 will be that there are still improvements to be made. 2021/22 has continued to be an exceptional period for Council operations as services have adapted in response to the global COVID-19 pandemic and in Place, this has meant changing the way in which services are delivered. The Place directorate continues to evolve structure, resource and culture to move towards a strong footing in governance, risk and assurance. A senior management organisational review was undertaken in the period providing strong foundations for future challenges. Additional resource has been brought in under the council's assurance workstream to bolster directorate assurance, risk management and governance. The Operational Services directorate piloted the Council's new Risk Framework and renewed directorate wide controls and governance around Risk Management is now in place. Additional resource from Internal Audit was embedded in the directorate for final six months. This allowed for a renewed focus on open and overdue IA actions. This allowed for a strong directorate performance in closure of open actions, with 30 overdue management actions closed in the final three months to year end. At the end of period a further 15 actions are implemented and awaiting IA review.	Annual Internal Audit Plan (based on most significant risks to the Council) CLT Change Board – programme/project management framework Council Companies/ALEOs – Governance Hub, Observers, annual reporting to Executive Committee and GRBV Community planning – Edinburgh Partnership, Community Plan Contingency planning and business continuity arrangements EIJB – scrutiny and accountability arrangements agreed through scheme Enterprise Risk Management Policy and Risk Management Procedure External validation/review eg. external audit, independent assurance providers GRBV quarterly scrutiny of top risks GRBV scrutiny of CLT risk register, delivery of Internal Audit Plan and of all Internal Audit reports Health and safety audits Informal and formal reviews eg. internal audit, quality assurance audits Overdue audit recommendations report monthly to CLT and quarterly to GRBV Policies that mitigate risks eg. Anti-bribery, Fraud Prevention, Whistleblowing Quarterly corporate risks scrutinised at CLT Quarterly Risk and Assurance Committees Regular 121 meetings between the Council's Chief Executive and the Chief Executives of key ALEOs Report template and guidance – section on risks Reporting/review/monitoring at all levels – committee, CLT, SMTs, service level Risk Appetite Statement Risk Management Groups Risk management policies and strategies (eg procurement, standing orders, project management, health and safety, information governance) Risk Management Procedure Risk management tools Schools assurance programme Shareholder or service level agreements Team Central – monitoring implementation of audit recommendations	Internal controls and procedures are regularly reviewed within service areas and, where appropriate, changes are made to ensure that they are proportionate, robust and operate effectively. As improvements are identified, implementation of changes are progressed by service managers. Management actions recommended as a result of Internal Audit reviews are reviewed and updated regularly to ensure that they can be delivered and that the timescales for completion are realistic. Where issues are identified, these are updated on TeamCentral and/or are discussed with Internal Audit colleagues. Place Directorate brought in additional resource in the period to help manage the interface between Internal Audit and service areas to help progress open and overdue IA actions and improve control weaknesses. , Actions arising from external reviews are progressed in accordance with the agreement made with the external organisation. In 2021/22 Place has introduced a second Operations Manager post (focused on Risk, Internal Audit and Assurance).	Continue with organisational review Full implementation of Risk Framework Continue with closure of open and overdue audit actions
1.2	I have controls and procedures in place to manage the risks in delivering services through council companies, partners and third parties.	Partially compliant	Internal Audit findings in respect of procurement arrangements across the Council have identified possible weaknesses in the governance arrangements for third party contracts and in the arrangements for governance of ICT contracts (including Shadow ICT). In the period work was undertaken with the Contract and Grants Management Team to conduct a quality assessment of tier 1 and tier 2 contracts. A review of the contractual status of contracts appearing on the Shadow ICT register has also taken place. An IA report in the period found critical failings in one supplier management arrangement. This was reported to Committee and resource has been identified to address failings through the open IA actions process. During the period the Log4j vulnerability was identified as a global ICT issue. Work was undertaken with key contacts on the Place Shadow ICT register to obtain assurance from third party providers in relation to the vulnerability. Assurance was able to be provided across all high or critical contracts.	Training, eLearning and workshops for staff and members Wide ranging internal and external counter fraud activity	Controls and procedures in place include Service Level Agreements, funding agreements, Shareholder Agreements and in other service delivery agreements. A monitoring officer is identified for each organisation and reviews of service delivery are carried out as per the agreement. For Council ALEOs and some funded organisations, a Council Officer act as Observer to the Board. For procurement contracts, contract managers have been identified and arrangements are in place to review service delivery and contract arrangements regularly. Regular reviews of the Council's Contract Register and waivers are undertaken jointly by services and procurement and these are reported to Heads of Service and to Place Senior Management Team.	
1.3	My internal controls and procedures and their effectiveness are regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts.	Compliant	The findings of service area, internal audit or external scrutiny have not identified any weaknesses in Place's internal controls which would have an impact on the Annual Accounts.		See 1.1 and 1.2. The improvements identified have not identified any weaknesses that could have an impact on the Annual Accounts.	
1.4	The monitoring process applied to funding/operating agreements has not identified any problems that could have an impact on Annual or Group Accounts.	Compliant	The monitoring process has not identified any problems which could have an umpact on Annual or Group Accounts.		Council ALEOs have confirmed compliance with the funding/operating agreements in place and the financial arrangements for good governance. This has been confirmed by the Observer to each Board. Board Observers and other officers will continue to work ALEO Boards and externally funded organisations to ensure compliance with the Council and legislative governance requirements.	
2	**Risk and Resilience**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**

				Budget Planning		
2.1	I have risk management arrangements in place to identify the key risks to my directorate (and the Council).	Partially compliant	An audit of the Council's governance of risk has identified improvements required in the governance of risk. A revised corporate risk management framework was piloted by select Place service areas in the period and quarterly risk committees have been embedded to ensure appropriate consideration and escalation. There are a number of outstanding audit actions relating to life safety risk-assessments across the housing and operational estate. Facilities Management was incorporated into the Place directorate during this period with all Life Safety areas sitting under the new Operational Services division. This has allowed for a joined up approach to progressing actions.	Budget Planning CLT Change Board – programme/project management framework CLT scrutiny Contingency planning and business continuity arrangements Council Business Plan Enterprise Risk Management Policy GRBV quarterly scrutiny of top risks Health and safety audits Internal and external audits Internal Audit Plan development considers top risks Leader's induction includes Risk Management Quarterly corporate risks scrutinised at CLT Quarterly Risk and Assurance Committees Report template and guidance – section on risks Reporting/review/monitoring at all levels – committee, CLT, SMTs, service level Risk Appetite Statement Risk Management Groups Risk management policies and strategies (eg procurement, standing orders, project management, health and safety, information governance) Risk Management Procedure Risk management tools	Risk registers are retained in service areas for operational and project risks, as appropriate to the service activities. These risks are regularly reviewed and registers updated as appropriate. Place SMT regularly reviews its risk register, making changes as appropriate and considers new/emerging/escalated risks. Place SMT also considers if any Place risks also apply corporately or if they would have a significant impact on the Council's level of risk with escalation of anything appropriate. Place is represented on the Council Risk Forum. Place is assisting in the roll-out of the new Risk Framework and is taking part in the pilot programme. This includes consistent SMT reporting utilising the Council's Risk Library.	Further roll out of risk framework once approved by Council CLT.
2.2	I have effective controls and procedures in place to record and manage the risks identified above to a tolerable level or actions are put in place to mitigate and manage the risk.	Compliant	Whilst controls are in place the staged implementation of new risk framework means that during the period there wasn't complete consistency in the governance around risk management in the directorate. This has been managed by ensuring that individual risk approaches are fed into a uniform reporting format for Place SMT.	Schools assurance programme Service Planning Training, eLearning and workshops for staff and members	See 2.1 above.	
2.3	The robustness and effectiveness of my risk management arrangements is regularly reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts.	Compliant	The staged roll-out of the revised risk framework means that this is an ongoing process. Increases in the resources of the Corporate Risk Team late in the period have allowed for support to be provided to the Place directorate through a business partnering approach.		Trialing of the Revised Risk Framework Place Risk Committee including uniform reporting Attendance at CLT Risk Committee Business Partnering Approach with Corporate Risk Team	
2.4	There is appropriate escalation/communication to the directorate Risk Committee and CLT Risk Committee (as appropriate) of significant issues, risks and weaknesses in risk management.	Compliant	See above.		The Place Directorate regularly reviews service area and directorate risks and has escalated significant risks to the appropriate place (e.g. Place Directorate Risk Register, CLT Risk Register).	
2.5	I have arrangements in place to promote and support the Council's policies and procedures for staff to raise awareness of risk concerns, Council wrongdoing and officer's misconduct.	Compliant	Risk identification processes are embedded in all divisions. The Place Directorate subscribes to the corporate approach to ensure that policies and procedures are in place for Council wrongdoing and officer's misconduct. The Susanne Tanner inquiry into Whistleblowing and Organisational Culture was published during this period and explored whether arrangements and culture that was in place was sufficient. This review provided a number of recommendations that will help the Council build upon arrangements already in place and the Place directorate is committed to working to improve this.		Risk management is embedded within Place service activities, with Service and Senior Managers ensuring appropriate awareness of risk management arrangements are promoted within service areas. This includes awareness on what to do if Council wrongdoing or officer misconduct are identified (in line with Council policies and procedures).	To work with officers corporately to ensure that recommendations from the Susanne Tanner inquiry into Whistleblowing Culture are implemented.
2.6	My directorate has appropriate resilience arrangements in place and my directorate's business continuity plans and arrangements mitigate the business continuity risks facing our essential activities.	Partially compliant	In 2021/22 resilience arrangements continued to be adapted and reviewed in response to COVID-19 Guidance. Adaptations have been made to ensure that essential activities have continued to be delivered and where necessary this has been reported to Committee. The move in 2021 by Corporate Resilience to replace Resilience Plans with scenario-based protocols means that Place directorate has an outstanding action to re-align BIAs and develop directorate resilience plans for essential activities with updated methodology. A target date of April 2023 has been set for these actions.		The Business Impact Assessment of each service has been reviewed regularly in response to COVID-19 and has been adapted/changed to recognise the impact of the global pandemic. This has changed the BIA assessment of criticality for some services. Services have adapated as required to provide continuity of service where appropriate and service resumption arrangements have fully taken account of the current guidance (at the time for COVID-19). The management actions arising from a previous internal audit on business continuity and resilience have been reviewed and revised implementation dates have been put in place to recognise the impact of COVID-19 and the lessons being learned from this in respect of business continuity/resilience.	Work with the Corporate Resilience Team to update BIAs and develop Directorate Resilience Plan in-line with corporate scenario-based protocols approach.
3	**Workforce Control**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
3.1	I have arrangements in place to ensure compliance with payroll policies, overtime controls, absence management and performance e.g. home/remote working.	Compliant	An internal audit of Salary Overpayments highlighted an issue with the timeliness of submitting information to payroll to minimise opportunities for salary overpayments. The audit actions are in the process of being implemented across the Place directorate.	360 reviews Annual Internal Audit Plan (based on most significant risks to the Council) Employee Assistance Programme Employee Engagement External validation/review eg. external audit, independent assurance providers Financial benefits (credit union, season ticket loans, car benefit scheme, pension schemes)	**The Place Directorate operates compliantly within the Council arrangement for statutory workforce controls, including complying with Government requirements (such as IR35) where these are relevant to operational arrangements for service delivery.**	Implement actions arising from the Internal Audit on Salary Overpayments

				Extract of Evidence	Relevant service area controls	Improvement Actions
3.2	I have robust controls in place to ensure that statutory workforce requirements are met, including the management of off-payroll workers/contractors (including agency workers and consultants), ensuring approved framework contracts have been used and that those engaged are wholly compliant with the provisions of IR35 Council guidance and procedures.	Compliant		Funding scheme for professional qualifications	The Place Directorate operates compliantly with the Council's HR policies and procedures and works closely with the HR Business Partner and Consultancy teams to ensure compliance is maintained. The Place HR Business Partner has a standing invitation to and opportunity to update managers at Place SMT meetings and provides regular reports on compliance with corporate policies and procedures and provides updates on changes as these arise. The Place directorate has maintained a small number of pre-approved posts which automatically progress through the recruitment process but all other vacancies are scrutinised by service manager, Head of Service and Executive Director and only those essential are progressed to the Council's Workforce Control Panel for approval. All recruitment is undertaken in accordance with the Council's procedures, utilising Talentlink.	
3.3	I ensure compliance with the Council's HR policies and procedures across all of my service areas, eg. that recruitment and selection is only undertaken by appropriately trained individuals and is fully compliant with vacancy approvals and controls.	Compliant		HR Policies (Absence Management, Stress Management, Avoidance of Bullying and Harassment, Equal Treatment) Informal and formal reviews eg. internal audit, quality assurance audits Inspiring Talent Programme Internal and External training opportunities Leader Induction and Essential Learning Leadership Development Programme– Future, Engage, Deliver Managing Attendance Training for managers Occupational Health service Onboarding, induction essential learning and CPD for officers Open framework agreement for Learning and Development People Strategy Performance Management Framework (Performance Conversations) Policies that mitigate risks eg. Anti-bribery, Fraud Prevention, Whistleblowing Regular reporting including Health & Safety Performance, absence levels Staff benefits (enhanced entitlements leave entitlement, flexible working options, childcare vouchers, ride to work scheme, premium benefits scheme) Wide ranging internal and external counter fraud activity Wider Leadership Team (incl. Learning Sets) Wider Leadership Team programme	The Place Directorate operates compliantly with the Council's HR policies and procedures and works closely with the HR Business Partner and Consultancy teams to ensure compliance is maintained. The Place HR Business Partner has a standing invitation to and opportunity to update managers at Place SMT meetings and provides regular reports on compliance with corporate policies and procedures and provides updates on changes as these arise. The Place directorate has maintained a small number of pre-approved posts which automatically progress through the recruitment process but all other vacancies are scrutinised by service manager, Head of Service and Executive Director and only those essential are progressed to the Council's Workforce Control Panel for approval. All recruitment is undertaken in accordance with the Council's procedures, utilising Talentlink. There is also a Wellbeing Group in Place which consider the impact of absence, illness and injury (among other things) and provides support to managers as appropriate.	
3.4	I have robust controls in place to manage new starts, movers and leavers, including induction and mandatory training, IT systems security (access and removal) and access to buildings and service users' homes.	Partially compliant	A small number of salary overpayments were noted by IA and HR during the period. Analysis has determined that majority of these were caused by failure to notify of leavers by deadline dates in non desk-based operational posts. HR have now developed a divisional dashboard to allow for salary overpayment data to be report to Place SMT on an regular basis. Internal Audit have identified weaknesses in the Council's systems for access rights. A new User management Framework working group has been established and Place will be represented on this. Further, in the processing of leavers access to the Council's fuel system an issue has been identified in the data provided. This issue has now been resolved, however, further controls are being implemented to ensure that this issue doesn't reccur.		A corporate approach to new appointments (whether new starts or moving within the organisation) is in place to ensure that a consistent induction to the organisation is provided. Within services, induction arrangements are determined by the needs of the role. An essential training matrix for the Directorate is in place and training plans have been implemented to ensure that essential training is delivered at the appropriate time as required. The Directorate complies with the Council's IT Systems security processes and all requests for building access are approved by the appropriate governance board/manager. For those entering service user's homes, additional checks are carried out through Disclosure Scotland and are updated in accordance with legislation. Appropriate identification is provided to people visiting service user homes. Place has reviewed the Oracle Hierarchy as part of the regular review of system access and permissions.	To continue to explore mobile ICT solutions for non-desk based operational colleagues.
3.5	I have arrangements in place to manage staff health and wellbeing; ensuring that sickness absence, referral to occupational health and stress risk assessments is managed in compliance with the Council's HR policies.	Compliant	Services have updated their operating policies and procedures in response to Covid-19 and continue to keep these under review.		See 3.3 above. In 2021/22, the health and wellbeing of staff has been at the forefront of Directorate communications, with additional support offered to colleagues where appropriate. Wellbeing has also been prioritised corporately with regular wellbeing events taking place. Place colleagues have actively participated in these.	
3.6	I ensure compliance with essential training requirements and support learning and development appropriately, including professional CPD requirements.	Compliant			An essential training matrix is in place for the directorate and is reviewed annually. Essential training is provided in accordance with the requirements of essential training. Learning and development is supported, within agreed service budgets, and training is delivered within service areas or by external providers where appropriate. In some services, external speakers and training providers are invited to deliver training to meet essential learning or CPD requirements.	
3.7	I have arrangements in place to support and manage staff performance e.g. regular 1:1/supervision meetings, performance/spotlight conversations.	Compliant			The Place Directorate operates within the Council's Performance Management Framework, including 1:1 support, team meetings, performance and spotlight conversations as appropriate.	
4	Council Companies	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)

		Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
4.1	I have arrangements in place for the oversight and monitoring of the Council companies I am responsible for, that give me adequate assurance over their operation and delivery for the Council.	Compliant	Despite being satisfied with current directorate-wide arrangements for Council company oversight, the Directorate notes the publishing of Internal Audit's report into Council ALEOs and the finding that there is a lack of a consistently applied Corporate ALEO Governance Framework. The Place directorate is commited to implementing this framework once it has been designed and published by Corporate colleagues. (need to see what comes back from service area sessions)	Annual Assurance Process (Directorates) Council Companies/ALEOs – Governance Hub, Observers, annual reporting to Executive Committee and GRBV Regular 121 meetings between the Council's Chief Executive and the Chief Executives of key ALEOs Service Level Agreement Register Shareholder or service level agreements	Each Arms Length External organisation which Place is responsible for has submitted an annual assurance statement. Each Place ALEO is represented on the Council's Governance Hub and senior officers have been appointed as Observers to the Board of each company. There are regular meetings between the Board Observer and each ALEO Chief Executive/Managing Director to discuss strategic and operational matters. Updates for Place ALEOs have been provided to the corporate SLA Register. Arrangements for reform of the Council's Transport ALEOs was approved by Council in the period and this is now being progressed. This will include a revised approach to oversight and monitoring.	Transport ALEO reform - including oversight and monitoring governance arrangements. Implementation of Corporate ALEO Framework
4.2	I have an appropriate Service Level Agreement, or other appropriate legal agreement, in place for each Arm's Length External Organisation that I am responsible for.	Compliant			For each Arms Length External organisation that the Place Directorate is responsible for there is an appropriate legal agreement in place for service operation and delivery. These agreements differ between organisations, depending on the relationship with each company.	To review legal agreements in place for Transport ALEOs as part of reform process.
5	**Engagement and Consultation**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
5.1	My directorate engages effectively with institutional stakeholders, service users and individual citizens, applying the council's consultation and engagement standards with evidence that the insights gathered are used to shape my directorates activities.	Partially compliant	There has been both positive and negative feedback on consultations and engagement in 2021/22 e.g. feedback on Spaces for People and Brunstane Road provided areas for improvement if such schemes were to be proposed in the future. Positive feedback was received on the Review of Parking consultation.	Budget consultation Business sector forums Community engagement activity Community engagement strategy/policy Complaints Improvement Plan Consultation framework Consultation Hub Council Change Strategy Committee Papers Online Current partnerships eg. Poverty Commission, Tourism Strategy, EIJB, City Deal Edinburgh Partnership (LCCPs, Neighbourhood Networks) Edinburgh People Survey Government partnership working Have Your Say webpage Multi-agency partnerships Multi-channel methodology eg. social media platform development Networks/user groups – eg. Edinburgh Tenants' Federation Partnership agreements eg. Police Scotland Partnership governance arrangements Partnership governance documentation Partnership plans eg. Edinburgh Children's Partnership Petitions and Deputations Policies and procedures (consultation framework) Poverty Commission Public participation – deputations and petitions Public sector partnerships Publication of Council diary Report template – section on consultation Stakeholder group meetings Strategic documentation eg. vision statements, aims, etc. Strategic plans and agreements Strategy and Performance Hub Surveys eg. Edinburgh People Survey, Annual Tenant Survey Third sector partnership working eg. EVOC Webcasting of Council and major committees, including subtitles	Effective engagment and consultation tools used by the Directorate to gain insight and feedback include: 121 meetings, community council meetings, local community events and meetings, drop in events, consultation group meetings, Council's Consultation Hub, social media, web surveys and information, online surveys and stakeholder events . The Directorate also gains insight from corporate surveys such as Edinburgh's People's survey.	
5.2	I have arrangements in place throughout my directorate to ensure that there are effective communication methods that encourage, collect and evaluate views and experiences (while ensuring inclusivity e.g. customer surveys, consultation procedures, social media presence, etc.) and that these insights are used to inform the work of the directorate.	Compliant			The Directorate uses both the Council system and Confirm to record customer service requests and complaints. Customer satisfaction information is gathered differently in each service, with some asking for direct feedback and others monitoring service requests/complaints/performance data. Arrangements for recording feedback were adapted through the year in response to feedback received.	
5.3	I have appropriate arrangements in place throughout my directorate for recording, monitoring and managing customer service complaints and customer satisfaction.	Partially compliant	It is recognised that the management and monitoring of complaints across Place could be improved to ensure timely and comprehensive responses which are easy to clear and understandable are provided.		The Directorate uses both the Council system and Confirm to record customer service requests and complaints. Customer satisfaction information is gathered differently in each service, with some asking for direct feedback and others monitoring service requests/complaints/performance data.	An improvement plan is being developed for the directorate to improve the timeliness and clarity of responses to customer contacts, not only complaints.
5.4	I regularly consult and engage with recognised trade unions.	Compliant	Turnover of TU representatives in some areas has created additional challenge. The challenge for TU colleagues here is equally recognised.		In 2021/22, the Place Senior Management team has met regularly with the recognised Trade Union representatives at our Departmental Joint Consultative Committee (DJCC). The frequency of these meetings has varied. The Place Health Safety and Wellbeing Group has also met regularly to focus on the health safety and wellbeing of people working within the Directorate. Place Senior Managers also participate in the Joint Consultative Committee, the Joint Health and Safety Forum and the Partnership at Work Forum with TU colleagues. Trade Union colleagues have also participated in service area discussions with managers and on the Place Operations Incident Management Team (which was established directly in response to COVID-19 and currently meets weekly.	A review of the arrangements for Joint Consultative Committees in Place is planned, to recognise the Senior Leadership changes which have recently been introduced. Heads of Service will actively engage with Trade Union colleagues for services which have recently transferred into Place from other areas of the Council.
6.1	**Policy**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
6.1	I have arrangements in place to ensure all directorate staff are made aware of and fully understand the implications of all relevant existing and new council policies and procedures.	Compliant		Annual Assurance Exercise Annual Policy Assurance Statements Corporate Policy Framework and Toolkit, including consultation and engagement strategies Council Papers Online Employee policy refresher arrangements, process workshops and communications		

6.2	I have arrangements in place for the annual review of policies owned by my directorate, via the relevant executive committee, to ensure these comply with the Council's policy framework.	Partially compliant	In 2020/21, in response to Internal Audit findings on the Council's Policy Management Framework, a review of the register was completed and out of date policies and documents which do not meet the Council's definition of a policy have been removed. A review of the online policy register has been undertaken in 21/22 and further management actions to ensure compliance with Integrated Impact Assessment and Committee review requirements will follow in 22/23 now that high level organisational review has concluded.	Information Governance framework Policy Register Report template and guidance (incorporating adherence to commitments and policy implications)	Place Directorate works with the Governance Team to regularly review the online Policy Register. Existing policies are submitted to committee for review.	Process to update policy templates and ensure IIAs are in place is ongoing.
7	**Governance and Compliance**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
7.1	I ensure directorate staff are aware of their responsibilities in relation to the Council's governance framework and that the authority, responsibility and accountability levels within my directorate are clearly defined, with proper officer designation delegated, recorded, monitored, revoked and reviewed regularly to ensure ongoing compliance with the Scheme of Delegation.	Compliant	Scheme of Delegation document was reviewed in line with Corporate Organisational Review during period. Input was provided to the Governance Team and this was reported to Council for approval. Further work was undertaken to ensure that sub-delegations and proper officer status was in line following Place Senior Organisational Review process.	Codes of Conduct Committee Terms of Reference and Delegated Functions Council's Procedural Standing Orders Councillors' Code of Conduct Disclosure and PVG checks Employee Induction Employee Performance Framework Leadership Programme Legal Services provision of advice Member/Officer Protocol Policies and procedures	The Directorate has appropriate arrangements in place to adhere to the Council's Scheme of Delegation and to record any further delegations which are implemented within the directorate. These are also passed to the Council's Governance team to be recorded.	
7.2	I ensure my directorate's activities are fully compliant with relevant Scottish, UK and international legislation and regulations.	Partially compliant	Homelessness services have identified areas where they are not compliant with Scottish Legislation. Data published and engagement on-going with Scottish Government. Rapid Rehousing Transition Plan is a five year plan to address this and updates are reported to Committee every six months. A recent audit of Asbestos management within the Council has identified improvements required. Action is being taken to address the improvements required.	Regulatory body reporting eg. SSSC, GTCS Scheme of Delegation to Officers Statutory officer appointments and responsibilities Statutory/lead officers' independent reports to committee eg. Monitoring Officer, Chief Social Work Officer, Chief Internal Auditor Whistleblowing Policy	Annual (or other frequency) returns are completed in accordance with compliance arrangements.	Continue to implement the Rapid Rehousing Transition Plan and actions identified to improve procedures in respect of asbestos management. Continue to monitor arrangements for refugees in response to the current Ukrainian crisis and the impact that this could have on Council services. Continue to implement the actions on other service improvement plans (including Life Safety and Gas Safety).
8	**Responsibility and Accountability**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
8.1	My directorate ensures our officers are clear on their roles and responsibilities in terms of relationships and decision making.	Compliant		Annual Assurance Process (Council Companies and Joint Boards) Annual Assurance Process (Directorates) Codes of Conduct Commercial and Procurement Strategy Committee Terms of Reference and Delegated Functions Complaints Improvement Plan Consultation and engagement Contract Standing Orders Council Change Strategy Council company monitoring including Governance Hub, Council Observers on Boards, committee reporting Edinburgh People Survey Employee Code of Conduct Grant Standing Orders Member/Officer Protocol Monitoring/reporting on delivery of 52 coalition commitments Onboarding and induction for officers Performance Framework Policies and procedures Procurement framework Procurement Handbook Public participation – deputations and petitions	As part of the induction to new positions, the roles and responsibilities of the role are made clear. This includes relationships and decision making. The Directorate has regular Senior Management Team meetings, service area meetings and 121 conversations with all staff where these are discussed, as relevant to the role.	
8.2	I ensure that the Council's ethical standards are understood and embedded across my directorate and are upheld by external providers of services.	Compliant			See 8.1. For external providers of service, the standards expected by the Council are set out in operating agreements.	
8.3	My directorate ensures that decisions are made on the basis of objective information, the consideration of best value, risk, stakeholder views, rigorous analysis, and consideration of future impacts. This is formalised through appropriate structures. (i.e SMT reporting)	Compliant			Decision making in the directorate is made on the basis of objective information, best value, risk, stakeholder views, analysis and consideration of future impacts. This is formalised through reports to Heads of Service, to the Executive Director and to Committee as appropriate, depending on the decison required. These arrangements are supported by central services e.g. Finance, Procurement, Governance. Colleagues from Finance and HR have a standing invitation to Place Senior Management Team meetings.	
8.4	I consult with elected members as appropriate and as required under the Scheme of Delegation.	Compliant		Report template and guidance Scheme of Delegation to Officers Service Level Agreement template Standard Condition of Grant	The Place Senior Management team regularly meet with the relevant Convener and Vice Convener to discuss operational and strategic matters where decisions are required. Relevant decisions are referred to Committee for decision. Where an urgent decision is required, this will be taken by the Executive Director in consultation with the the relevant Convener and Vice Convener with a follow up report to Committee.	
9	**Information Governance**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**

		Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
9.1	I ensure directorate staff are made aware of their responsibilities in relation to the proper management of Council information, including the need to adhere to relevant legislation, Council policies, procedures and guidance around: information governance; records management; data quality; data breaches and privacy impact assessments; information rights; information compliance; information security; and ICT acceptable use.	Compliant	There have been a small number of minor data protection breaches in 2021/22 which have been dealt with individually by service areas. These have been reported, as appropriate.	Annual communications plan, awareness raising initiatives and training events Centralised Information governance unit Council wide Record of Processing Data quality reviews and audits form part of statutory returns Established framework of management information and reporting to support operational decision making and trend analysis Information Board Information governance policies, framework, guidance, procedures and toolkit Information sharing agreements and data protection impact assessments Locking Client's Record Guidance Mandatory training for all employees Staff responsibilities outlined in relevant policies - Employee Code of Conduct, ICT Acceptable Use Policy, Policy on Fraud Prevention Standard data related terms and conditions in all new Council contracts	The Directorate follows the Council's policies and procedures for information governance and the associated roles and responsibilities for individuals. As part of induction to new positions, there is a requirement to complete the necessary essential learning on Information Governance. Individuals work with the Governance team as appropriate if there are questions or new arrangements being implemented where information governance advice is required. Individuals are prompted to confirm that they comply with the Council's ICT acceptable use policy at each login on a Council IT device. Any breach of information compliance is reported through the appropriate processes for investigation and any improvements are implemented. Place is represented on the Council's Information Governance Board and actions/information from this group is shared with the Place Extended Senior Management team for cascade as appropriate.	
9.2	I ensure data sharing arrangements with third parties are recorded, followed and regularly reviewed throughout all service areas in my directorate.	Compliant			Appropriate data sharing agreements are in place with third parties. These are followed and regularly reviewed.	
10	Health and Safety	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
10.1	Directorate staff are made aware of their responsibilities under relevant Health & Safety policies and procedures and I have appropriate arrangements in place for the identification and provision of Health & Safety training necessary for all job roles, including induction training.	Compliant	Following Covid-19, Health and Safety arangements are clearer and more consistently applied.	Contingency planning and business continuity arrangements Corporate Health and Safety Strategy and Plan Council Health and Safety Group Employee Code of Conduct Enterprise Risk Management Policy Enterprise Risk Management Policy and Risk Management Procedure External validation/review eg. external audit, independent assurance providers Health and safety audits Health & Safety policies and procedures Institution of Occupational Safety and Health training Mandatory Health & Safety training for staff Reporting/review/monitoring at all levels – committee, CLT, SMTs, service level Risk Management Groups Risk management policies and strategies (eg procurement, standing orders, project management, health and safety, information governance) Risk Management Procedure Risk management tools Scheme of Delegation Schools assurance programme Training, eLearning and workshops for staff and members	This forms part of the induction process for new positions and regular updates are provided at 121s, team meetings and, for frontline services, through toolbox talks. Regular reviews of Health and Safety risk and implementation are carried out and any identified improvements are implemented. This has been reviewed throughout the year and service areas have worked closely with Corporate Health and Safety and Trade Union colleagues to ensure adequate arrangements are in place.	
10.2	I have the necessary arrangements in place to establish, implement and maintain procedures for ongoing hazard identification, risk assessment and the determination of necessary controls to ensure all Health & Safety risks are adequately controlled.	Compliant			This forms part of the induction process for new positions and regular updates are provided at 121s, team meetings and, for frontline services, through toolbox talks. Regular reviews of Health and Safety risk and implementation are carried out and any identified improvements are implemented. Service areas work closely with Corporate Health and Safety and Trade Union colleagues on health and safety assessments and to address any concerns raised by employees. This continues to be particularly important in response to COVID-19. Issues have been raised directly with service managers, with Heads of Service, through Place Operations IMT, and at Health and Safety forums (both within the directorate and corporately) and service areas have sought to address any concerns swiftly and effectively.	
10.3	I have competencies, processes and controls in place to ensure that all service areas in my directorate, and other areas of responsibility, operate in compliance with all applicable Health & Safety laws and regulations.	Compliant			See 10.1 and 10.2. For COVID-19 positive cases these should be recorded on SHE Assure. Following feedback from the Trade Unions, it was identified that not all cases were recorded correctly and therefore a service review was undertaken and all managers were reminded of their responsibilities in respect of this.	
10.4	I have a robust governance and reporting structure for Health and Safety in my directorate.	Compliant			Arrangements for health and safety governance and reporting are well established in Place services and generally work well. Health and Safety is often discussed in 121s, service area meetings and in meetings with Trade Union colleagues. The Place Health, Safety and Wellbeing group is now an established part of the directorate's engagement with Trade Unions to discuss health safety and wellbeing arrangements and to address any areas of concern. Local service areas discuss health safety and wellbeing with Trade unions at JCCs and other consultative meetings. The directorate is also represented on the council health and safety working group with Trade Unions and Elected Members. COVID-19 has impacted on the arrangements and frequency of some meetings however there has been a much greater focus generally on health and safety due to the pandemic.	

11	Performance	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
11.1	I have arrangements in place for reporting to CLT, Committee and/or Council and, where performance monitoring identifies inadequate service delivery or poor value for money, ensure that improvement measures to address these issues are implemented and monitored.	Compliant		Annual external reporting eg. Local Government Benchmarking Framework, Scottish Public Services Ombudsman, Scottish Government, etc Annual performance report to Council B agenda protocol Best Value reporting CLT Quarterly performance meeting Committee Terms of Reference and Delegated Functions Local Government Benchmarking Framework Monitoring/reporting on delivery of 52 coalition commitments Performance Framework Strategy and Performance Hub	Service performance is regularly reviewed by service managers and is reported to Senior Managers. Regular performance updates are shared with Senior Managers and reported to CLT and to Committee as part of the corporate reporting schedule. Performance of services is included in the annual external reporting frameworks, through Best Value audits, through the LGBF and in monitoring delivery of the Council Commitments.	
11.2	My directorate regularly works with relevant teams in Corporate Services to review and improve effectiveness by performance monitoring, benchmarking and other methods to achieve defined outcomes.	Compliant			The Directorate works closely with colleagues in Strategy and Communications (S&C) to review performance and to address any areas of concern. Improvements are recommended by service managers, SMTs and by Strategy Communications colleagues and implemented as appropriate. In the period S&C have assisted in developing new KPI dashboards for the Road Services Team.	
12	Commercial and Contract Management	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
12.1	I ensure all goods, services and works are procured and managed in compliance with the Contract Standing Orders.	Partially compliant	Internal Audit reports during the period identified weaknesses which are currently being addressed. An open IA action was closed in the period required Place to review all shadow ICT and ensure that this had been procured in compliance with CSOs/or that Digital Services had been consulted if a waiver was used. This action didn't identify any non-compliance.	Annual Assurance Process (Directorates) Codes of Conduct Commercial and Procurement Strategy Committee Terms of Reference and Delegated Functions Contract and Grants Management team Contract Standing Orders Council company monitoring including Governance Hub, Council Observers on Boards, committee reporting Grant Standing Orders Legal Services provision of advice Policies and procedures Procurement Handbook Scheme of Delegation to Officers Service Level Agreement Register Standard Condition of Grant	The Directorate procures goods, services and works in accordance with the Council's contract standing orders, including seeking Committee approval where appropriate. Where this is not possible, waivers are used to explain the reason for not complying with the CSOs and these are approved by the appropriate Senior Manager. Where appropriate, Committee approval is sought and waivers are reported. Working closely with Procurement colleagues, regular reviews of contractual arrangements are undertaken and updates prepared for Senior Managers. Grant monitoring arrangements are in place where required and the Contract Register is regularly reviewed to ensure that it is accurate and up to date. Compliance with procurement arrangements is regularly reported to and analysed by Place SMT.	Continue to implement IA actions arising in 2021/22 on contract management and compliance.
13	Change and Project Management	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
13.1	All projects and programmes have a clear business justification, as a minimum this should articulate outcomes and benefits; have appropriate governance in place to support delivery; effective controls in place to track delivery progress and to take corrective action if required; have a robust benefits management framework in place; and ensure that a formal closure process is undertaken.	Compliant		2050 City Vision Budget Planning Capital Budget Strategy City Plan CLT Change Board Committee Terms of Reference and Delegated Functions Contract Standing Orders Council Business Plan Council Change Strategy Council's Risk Appetite Statement Enterprise Risk Management Policy External audits, reviews and validation Finance Rules Financial Regulations Procurement framework Report template and guidance Revenue Budget Framework Risk Registers Scheme of Delegation to Officers Service Planning Sustainability Strategy process Treasury Management Strategy	The Directorate reviewed the projects and programmes included in the Corporate Change Portfolio in 2021/22 and has adapted reporting in accordance with the changes implemented at the end of the Adaptation and Renewal Programme. Individual projects and programmes have governance arrangements appropriate to the size and scale of the projects. These governance arrangements are reviewed and updated regularly. Place engaged with the Governance Team in the design of Officer Governance proposals that are to be considered post local government election 2022.	
14.1	Financial Control	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
14.1	The operation of financial controls in my directorate is effective in ensuring the valid authorisation of financial transactions and maintenance of accurate accounting records.	Partially compliant	Internal Audit have identified control weaknesses in the recording of payments in a small number of Place services. Improvements have been made and system investments are planned to further address the management actions identified.	Budget Framework Comprehensive system of revenue and capital monitoring, with SMT and CLT oversight Contract Standing Orders Corporate Debt Policy Council Business Plan Council Change Strategy	The Place Directorate follows the financial control procedures which have been set out in the Council's financial strategy and associated arrangements. The oracle hierarchy for the directorate has recently been reviewed and updated. This review takes place annually.	Continue to monitor processes for fees and charges to ensure there are no weaknesses on the processing of fees and charges. Planned system upgrades will improve the processes in arrangements in some services.

14.2	I am confident that the arrangements in place to monitor expenditure/budget variances would identify control problems or variances that could have an effect on the Annual Accounts.	Compliant		Elected Member training on financial statements, financial planning and treasury management Employee Training Finance & Resources Committee and Governance, Risk & Best Value Committee oversight/scrutiny Finance Rules Financial Regulations Internal control framework Medium-term Financial Strategy Professional officer representation/support/advice on major project boards, project assurance reviews, SMTs Tiered framework of financial planning and control Treasury Management Strategy	Finance is a standing item on the Place SMT agenda. The Finance Manager (and team aligned to) for Place attend Place SMT, divisional and service area management teams regularly. Regular financial updates are provided, analysed and actions taken to address any concerns identified. This includes monitoring of expenditure and budget variances. This also identifies any issues of control and/or budget variances. The Finance team regularly meet with managers to review expenditure and variances and take action as appropriate.	
14.3	I have arrangements in place to ensure all material commitments and contingent liabilities (i.e. undertakings, past transactions or events resulting in future financial liabilities) are notified to the Chief Financial Officer.	Compliant			This is undertaken by Service Managers in conjunction with Finance Officers and the Place Finance Manager and team.	
14.4	I have arrangements in place to review and protect assets against theft, loss and unauthorised use; identify any significant losses; and, ensure the adequacy of insurance provision in covering the risk of loss across my directorate.	Compliant			For the corporate estate, the responsibility for building management rests with Facilities Management. For all other buildings, management responsibility rests with the most senior manager at that location. Service managers are also responsible for ensuring appropriate arrangements to protect assets against theft, loss or unauthorised use. Managers work with the Council's insurance team to ensure appropriate arrangements are in place. These arrangements are reviewed annually. Employees are reminded of the Employee Code of Conduct at team and 121 meetings. In 2021/22, many services have been delivered by staff working from home, in accordance with the Council's established policies and procedures.	
14.5	I have arrangements in place for identifying any weaknesses in my directorate's compliance with Council financial policies or statutory/regulatory requirements.	Compliant			The Executive Director and Senior Managers work closely with the Place Finance Manager and her team to ensure compliance with the financial polcies and statutory/regulatory requirements.	
14.6	I have arrangements in place for identifying any internal control, risk management or asset valuation problems within my directorate's service areas that could affect the Annual Accounts.	Compliant			See 14.1 - 14.5.	
15	**Group Accounts (Corporate Services only)**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
15.1	I have arrangements in place for identifying and reviewing any developments during the year that should lead to additions, deletions or amendments to the companies included in the Group Accounts.			Annual assurance exercise (internal audit input and oversight) Annual Corporate Governance Framework self-assessment (internal audit input) Annual Governance Statement – informed by the work of IA Annual Internal Audit Plan (based on most significant risks to the Council) Audit Charter Chief Internal Auditor's direct reporting line to GRBV Committee Terms of Reference and Delegated Functions - GRBV Comprehensive system of revenue and capital monitoring, with SMT and CLT oversight Council Companies/ALEOs – Governance Hub, Observers, annual reporting to Executive Committee and GRBV External validation/review eg. external audit, independent assurance providers Executive Committee and Governance, Risk & Best Value Committee oversight/scrutiny Regular 121 meetings between the Council's Chief Executive and the Chief Executives of key ALEOs Shareholder or service level agreements		
15.2	I have arrangements in place to identify and review any internal control, risk management or asset valuation problems with Council companies that could affect the Group Accounts.					
16	**National Agency Inspection Reports**	**Assessment of Compliance**	**Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)**	**Extract of Evidence from the Council's Corporate Governance Code. For information only.**	**Relevant service area controls**	**Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)**
16.1	I have arrangements in place to identify any reports relating to my directorate and can confirm that there were no inspection reports that could impact on the signing of the Annual Governance Statement.	Compliant		Committee Terms of Reference and Delegated Functions Governance, Risk and Best Value Committee – chaired by an opposition councillor and excluding executive committee conveners from its membership, with power to act on its own accord Executive Committee and GRBV oversight of external audit and inspection activity Scrutiny of directorate annual assurance schedules		
16.2	I have arrangements in place that adequately monitor and report on the implementation of recommendations.	Compliant				

17	Internal Audit, External Audit and Review Reports	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
17.1	I have arrangements in place to ensure that all recommendations from any internal audit, external audit or review report published during the year, that have highlighted high, medium or significant control deficiencies, have been (or are being) implemented and that this is monitored effectively.	Compliant	Place directorate had a high number of open and overdue IA actions during the period. However, additional resource has been assigned to target this and action plans are in place for all actions.	A validation audit is included in the annual Internal Audit Plan Agreed management actions arising from internal audits are recorded and monitored through Team Central Integral part of Annual Assurance Schedule Overdue management actions are reported monthly to CLT and quarterly to GRBV	All recommendations are addressed in accordance with agreed management actions.	Continue to implement the Community Empowerment Team within the Culture and Wellbeing Service. This is being established directly as a result of feedback from the most recent Best Value audit.
18	Progress	Assessment of Compliance	Did your directorate have any issues in this area during the reporting period? (Please reflect where open assurance actions mean that a control weakness exists)	Extract of Evidence from the Council's Corporate Governance Code. For information only.	Relevant service area controls	Improvement Actions (will auto-populate improvement plan tab where you should add action owner and deadline)
18.1	All outstanding issues or recommendations arising from this exercise, commissioned reviews, committee reports and other initiatives in previous years have been addressed satisfactorily.	Partially compliant	See 17.1 above.	Agreed management actions arising from internal audits are recorded and monitored through Team Central Overdue management actions are reported monthly to CLT and quarterly to GRBV A validation audit is included in the annual Internal Audit Plan Integral part of Annual Assurance Schedule External Audit Report is scrutinised by GRBV and an improvement plan developed Council participates in LAN (council scrutiny bodies) whose activity is based on shared risk assessment	All outstanding actions and recommendations from previous assurance statements, commissioned reviews and committee reports continue to be implemented as per the agreed actions. Place officers received training in the new Assurance Action Framework during the period.	Roll out of the Assurance Action Framework.

Appendix 2 - Annual Assurance Schedule – Place Directorate - Improvement Plan Actions for implementation in 2022/23

Assurance Statement Criteria	Improvement Action	Action Owner	Planned Completion Date	Status Update
I have internal controls and procedures in place throughout my directorate that are proportionate, robust, monitored and operate effectively	Services will continue to review internal controls and service performance and to implement changes where appropriate. Implementation of audit actions will continue to be progressed, working closely with Internal Audit (or external agencies) as appropriate.	Place Extended Senior Management Team (ESMT)	Ongoing action	The directorate has employed an additional Operations Manager to support prioritisation of internal controls and procedures. Internal controls continue to be reviewed and improvements supported and progressed where necessary.
I have controls and procedures in place to manage the risks in delivering services through council companies, partners and third parties.	Place will continue to implement management actions arising from Internal Audit findings and will address any weaknesses identified in service processes and procedures (e.g. from changes implemented as a result of reviews of arms-length company governance, legislative or internal process changes)	Place Extended Senior Management Team (ESMT)	Ongoing action	The place directorate has continued to prioritise the closure of audit actions. Work is still ongoing to ensure that appropriate controls and procedures are in place.
I have risk management arrangements in place to identify the key risks to my directorate (and the Council).	Roll-out of the new risk approach across the Council, working closely with Corporate Risk Team.	Operations Manager/ Place Principal Risk Manager	Action complete	The risk arrangements in the Place Directorate are currently being managed in-line with the Corporate approach.
The robustness and effectiveness of my risk management arrangements is regularly	Roll-out of the new risk approach across the Council, working closely with Corporate Risk Team.	Operations Manager/ Place	Action complete	The risk arrangements in the Place Directorate are currently being managed

reviewed and the last review did not identify any weaknesses that could have an impact on the Annual Accounts.		Principal Risk Manager		in-line with the Corporate approach.
I have arrangements in place to promote and support the Council's policies and procedures for staff to raise awareness of risk concerns, Council wrongdoing and officer's misconduct.	Place will continue to work with the Corporate Risk Team to roll-out the new Operational Risk Framework and Project Management Risk Approach to ensure that appropriate staff are adequately training and aware of the new Framework.	Operations Manager/ Place Principal Risk Manager	Action complete	The risk arrangements in the Place Directorate are currently being managed in-line with the Corporate approach.
My directorate has appropriate resilience arrangements in place and my directorate's business continuity plans and arrangements mitigate the business continuity risks facing our essential activities.	There are outstanding Internal Audit actions from a review of service area business impact assessments. The approach to completing these actions is a joint approach between Services and the Corporate Resilience team. This work will continue.	Operations Manager/Corporate Resilience Team	Action complete/ongoing	Internal Audit actions are now closed. The approach to review of BIAs means that these will continue to be reviewed regularly.
I have robust controls in place to manage new starts, movers and leavers, including induction and mandatory training, IT systems security (access and removal) and access to buildings and service users' homes.	Place will address the identified weaknesses in the Council's systems for access rights by participating in the new User Management Framework Working Group. Place will work with HR colleagues to resolve the data issue for leavers to ensure that this does not continue to affect any Place systems or processes.	Operations Manager	Action complete	Place participates in the User Management Framework Working Group. Place is implementing the user access rights approach where necessary. Leavers' data issue was resolved for drivers system in partnership with HR and Data Performance & Business Planning Colleagues.

I have arrangements in place for the annual review of policies owned by my directorate, via the relevant executive committee, to ensure these comply with the Council's policy framework.	To implement the management actions from the Policy Management Framework and Registrars Internal Audit.	Operations Manager	Action complete	Audit management actions now closed.
I ensure directorate staff are aware of their responsibilities in relation to the Council's governance framework and that the authority, responsibility and accountability levels within my directorate are clearly defined, with proper officer designation delegated, recorded, monitored, revoked and reviewed regularly to ensure ongoing compliance with the Scheme of Delegation.	A review of the Scheme of Delegation is planned when the new Senior Management structure for the Council is confirmed.	Place Extended Management Team (ESMT)	Action complete	
The operation of financial controls in my directorate is effective in ensuring the valid authorisation of financial transactions and maintenance of accurate accounting records.	Continue to monitor processes for fees and charges to ensure there are no weaknesses on the processing of fees and charges. Planned system upgrades will improve the processes in arrangements in some services.	Place Service Areas/Corporate Finance	Ongoing	Annual review conducted to ensure that recovery of fees and charges is progressed.

Governance, Risk and Best Value Committee

10.00am, Tuesday, 14 March 2023

Gas Service Improvement Plan Closure Report

Executive/routine	Executive
Wards	All
Council Commitments	

1.   Recommendations

1.1   It is recommended that the Governance, Risk and Best Value Committee:

1.1.1   Notes the progress made with the Gas Service Improvement Plan (GSIP);

1.1.2   Notes the outcome of the CORGI and Gas Safe audits; and

1.1.3   Agrees to accept the closure report.

Paul Lawrence

Executive Director of Place

Sarah Burns, Head of Housing Operations

E-mail: sarah.burns@edinburgh.gov.uk | Tel: 0131 529 7662

Report

Gas Service Improvement Plan Closure Report

2. Executive Summary

2.1 On 23 August 2022 Committee considered a report the Gas Service Improvement Plan (GSIP). This report noted that all the actions in the GSIP had been completed. It also noted that a recent audit had been carried out by CORGI on 9 August 2022 for which the outcome was awaited at the time of Committee and a future audit was due to be carried out by Gas Safe Register (GSR). Committee agreed to continue the report until the outcome of these audits were available.

2.2 Committee is asked to note the successful outcome of both audits and to agree the closure report.

3. Background

3.1 The GSIP sought to strengthen the Council's approach in safeguarding the health and well-being of tenants, colleagues and citizens and to protect them from harm by reducing the risk of gas related accidents by improving the quality of record keeping, gas safety guidance and processes, training and qualifications, work allocation, supervision and quality control, technical support, gas compliance procedures and working with contractors

3.2 The plan set out a programme of skills development, training and support for gas Team Leaders and Operatives, with an increased focus on professional development. On-site training, coaching and support to gas Team Leaders and Operatives has now been delivered following delays due to the Covid-19 pandemic. Alternative approaches to providing training, coaching and support, including the use of empty homes and technology, were adopted to facilitate this to be delivered safely.

3.3 This report provides confirmation that all actions within the GSIP have now been completed and that the most recent audits carried out by CORGI and GSR have provided assurance that gas safety practices are being carried out competently and safely.

4. Main report

CORGI Best Practice Assessment (Stage 2)

4.1 On 9 August 2022, CORGI carried out a Best Practice assessment (Stage 2). In this they noted significant improvements from the previous (Stage 1) assessment (of April 2022), with 25 commendations to highlight areas of good practice or strength.

4.2 These were two areas identified as opportunities to implement good or better practice, to improve efficiency or further reduce exposure to risk in relation to:

4.2.1 A lack of detailed specifications for non-domestic heating systems. To address this, the service has now engaged with third party companies (including CORGI) to procure the required appraisals of all non-domestic heating systems in 2023; and

4.2.2 Insufficient communication to all stakeholders regarding the process for managing gas safety when undertaking alterations to premises. The process has been updated and issued to all relevant parties.

Gas Safe Register

4.3 The GSR audit was carried out in February 2023 and also noted substantial improvement since the last business inspections carried out in May 2019.

4.4 The outcome of this audit has rated the Council's Gas section as satisfactory in all 48 categories – this is the highest outcome level assigned by GSR.

4.5 An updated table showing all inspections and audits completed is attached as Appendix 1.

5. Next Steps

5.1 The processes, procedures, training and development that have been reviewed and implemented as part of the GSIP will be subject to ongoing review and improvement.

5.2 Officers will ensure future inspections take place at a regularity agreed as best practice with GSR.

6. Financial impact

6.1 There are no additional financial implications arising from this report.

7. Stakeholder/Community Impact

7.1 The GSIP has provided assurance that the Council and its appointed contractors are carrying out gas repairs, maintenance and capital works in accordance with its duties as a social landlord and employer of Gas Operatives. This protects tenants,

colleagues and citizens from the risk of gas related incidents or accidents occurring.

8. Background reading/external references

8.1   Gas Service Improvement Plan: Housing, Homelessness and Fair Work Committee 3 June 2021 .

8.2   Gas Service Improvement Plan update: Governance, Risk and Best Value Committee Business Bulletin 18 January 2022

9. Appendices

9.1   Appendix 1 – Gas Audit and Inspection Timeline – updated February 2023.

Appendix 1

Gas Audit and Inspection Timeline

Inspection report	Review undertaken by	Type of inspection undertaken	Review Assessment Ratings	Has assessment rating improved? Yes / No	Progress of Review
1 August 2016	UK mandatory registration body - Capita	Gas Policy Fitness Check	10 categories summarised as: • No evidence of compliance - 0 • Limited evidence of compliance - 4 • Policy available and evidence of compliance - 6	This was the first inspection carried out, therefore no comparison is available.	Action plan completed
25 May 2017	UK mandatory registration body - Gas Safe Register	Business Inspection Report	43 Categories summarised as: • Non-conformance - 3 • Improvement Required - 21 • Satisfactory - 19	More detailed assessment carried out by Gas Safe. No	Action plan completed
23 May 2019	UK mandatory registration body - Gas Safe Register	Business Inspection Report	51 categories summarised as: • Non-conformance - 0 • Improvement Required - 10 • Satisfactory - 41	Yes	Action plan completed
8 and 9 April 2022	Gas Consultancy organisation - CORGI Technical Services Ltd	CORGI Best Practice assessment (Stage 1)	The following 32 observations were made: • Fundamental control weakness - 4 • Significant control weakness - 6 • Observation of opportunities to implement a good or better practice, to improve efficiency or further reduce exposure to risk – 9 • Ongoing Monitoring to apply principles of continuous improvement – 0 • Commendations for examples of good practice / areas of strength - 13	Yes	Action plan completed

| 9 August 2022 | Gas Consultancy organisation - CORGI Technical Services Ltd | CORGI Best Practice assessment (Stage 2) | The following 44 observations were made:
• Fundamental control weakness – 0
• Significant control weakness – 0
• Observation of opportunities to implement good or better practice, to improve efficiency or further reduce exposure to risk – 2
• Ongoing Monitoring – 17
• Commendations for examples of good practice / areas of strength - 25 | Yes | Action plan completed |
| 6 – 9 February 2023 | UK mandatory registration body - Gas Safe Register | Business Inspection Report | 48 categories summarised as:
• Non-conformance – 0
• Improvement Required - 0
• Satisfactory – 48 | Yes | BAU continuous improvement. |

Governance, Risk and Best Value Committee

10.00am, Tuesday 14 March 2023

Procurement of Edinburgh's Christmas – referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

1.1 The Finance and Resources Committee has referred a report on the procurement of Edinburgh's Christmas to the Governance, Risk and Best Value Committee for noting.

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Rachel Gentleman, Committee Officer
Legal and Assurance Division, Corporate Services Directorate
Email: rachel.gentleman@edinburgh.gov.uk

Procurement of Edinburgh's Christmas

2. Terms of Referral

2.1 On 26 January 2023, the Finance and Resources Committee considered a report on Edinburgh's Christmas which detailed the procurement approach and options currently under consideration for the future delivery of the event prior to further consideration by the Culture and Communities Committee.

2.2 **Motion**

1) To note that the procurement approach for events differed, depending on the circumstances and the governance arrangements in place.

2) To note the process for procuring Edinburgh's Christmas to date had primarily sought to balance creative content with financial return.

3) To note the review carried out on the process for awarding the contract for Edinburgh's Christmas in 2022.

4) To note the options which were currently being investigated for Edinburgh's Christmas in future years in terms of alternative procurement approaches and best practice from other public bodies.

5) To note a report would be prepared for Culture and Communities Committee with recommendations for future delivery of Edinburgh's Christmas by the end of May 2023.

6) To confirm whether a special meeting of the Finance and Resources Committee would be held to provide an update on the process.

7) To refer the report to the Governance, Risk and Best Value Committee for noting.

- moved by Councillor Watt, seconded by Councillor Griffiths

Amendment

1) To note that the procurement approach for events differed, depending on the circumstances and the governance arrangements in place.

2) To note the process for procuring Edinburgh's Christmas to date had primarily sought to balance creative content with financial return.

3)   To note the review carried out on the process for awarding the contract for Edinburgh's Christmas in 2022.

4)   To note the options which were currently being investigated for Edinburgh's Christmas in future years in terms of alternative procurement approaches and best practice from other public bodies.

5)   To note a report would be prepared for Culture and Communities Committee with recommendations for future delivery of Edinburgh's Christmas by the end of May 2023.

6)   To note with concern that the proposed report to the Culture and Communities Committee would come very late in any procurement process for the Winter Festivals 2023 and that this may not provide sufficient time for effective scrutiny, approvals and clarification of the festivals' proposed menu of activities.

7)   To request that an interim report or briefing was provided to members of both the Culture and Communities and Finance and Resources committees in a parallel process to provide further detail and reassurance around the procurement brief and processes.

8)   To confirm whether a special meeting of the Finance and Resources Committee would be held to provide an update on the process.

9)   To refer the report to the Governance, Risk and Best Value Committee for noting.

- moved by Councillor Macinnes, seconded by Councillor Biagi

In accordance with Standing Order 22(12), the amendment was accepted as an addendum to the motion by Councillor Watt.

Decision

To approve the following adjusted motion by Councillor Watt:

1)   To note that the procurement approach for events differed, depending on the circumstances and the governance arrangements in place.

2)   To note the process for procuring Edinburgh's Christmas to date had primarily sought to balance creative content with financial return.

3)   To note the review carried out on the process for awarding the contract for Edinburgh's Christmas in 2022.

4)   To note the options which were currently being investigated for Edinburgh's Christmas in future years in terms of alternative procurement approaches and best practice from other public bodies.

5)   To note a report would be prepared for Culture and Communities Committee with recommendations for future delivery of Edinburgh's Christmas by the end of May 2023.

6)   To note with concern that the proposed report to the Culture and Communities Committee would come very late in any procurement process for the Winter Festivals 2023 and that this may not provide sufficient time for effective scrutiny, approvals and clarification of the festivals' proposed menu of activities.

7)   To request that an interim report or briefing was provided to members of both the Culture and Communities and Finance and Resources committees in a parallel process to provide further detail and reassurance around the procurement brief and processes.

8)   To confirm whether a special meeting of the Finance and Resources Committee would be held to provide an update on the process.

9)   To refer the report to the Governance, Risk and Best Value Committee for noting.

3.   Background Reading

3.1   [Finance and Resources Committee – 26 January 2023 - Webcast](#)

3.2   Minute of the Finance and Resources Committee – 26 January 2023

3.   Appendices

4.1   Appendix 1 – report by the Executive Director of Place

Finance and Resources Committee

10.00am, Thursday, 26 January 2023

Procurement of Edinburgh's Christmas

Executive/routine	Routine
Wards	All, particularly City Centre
Council Commitments	

1.   Recommendations

1.1   It is recommended that Finance and Resources Committee notes:

1.1.1   That the procurement approach for events differs, depending on the circumstances and the governance arrangements in place;

1.1.2   The process for procuring Edinburgh's Christmas to date has primarily sought to balance creative content with financial return;

1.1.3   The review carried out on the process for awarding the contract for Edinburgh's Christmas in 2022;

1.1.4   The options which are currently being investigated for Edinburgh's Christmas in future years in terms of alternative procurement approaches and best practice from other public bodies; and

1.1.5   That a report will be prepared for Culture and Communities Committee with recommendations for future delivery of Edinburgh's Christmas by the end of May 2023.

1.2   Finance and Resources Committee is asked to refer this report to Governance, Risk and Best Value Committee for noting.

Paul Lawrence

Executive Director of Place

Contact: David Waddell, Senior Culture and Events Officer

E-mail: David.Waddell@edinburgh.gov.uk | Tel: 0131 529 4929

Contact: Lynette Robertson, Interim Head of Commercial and Procurement Service

E-mail: lynette.robertson@edinburgh.gov.uk | Tel: 0131 469 3810

Report

Procurement of Edinburgh's Christmas

2. Executive Summary

2.1 This report responds to an action agreed by Finance and Resources on 10 October 2022 in respect of the procurement process for events.

3. Background

3.1 On 10 October 2022, Finance and Resources Committee considered a request to put in place an Emergency Contract Award for Edinburgh's Christmas, as Angels Events Experience (Limited) had notified the Council that it was not able to deliver the contract as awarded in June 2022, and had asked to be released from the contract.

3.2 This report focuses on the following element of the adjusted amendment by Councillor Macinnes which was approved on 10 October 2022: To request a report in two cycles in respect of the procurement process for events, highlighting what alternative approaches were available, what was best practice and what changes would be made to the Council procedures in light of this experience.

3.3 The procurement approach for the award of the contract for Edinburgh's Christmas was reported to Finance and Resources Committee on 16 June 2022. Following the issues with contract delivery, a report was presented to Governance, Risk and Best Value Committee on 22 November 2022 outlining the procurement approach.

3.4 On 22 November 2022, it was requested that this report be referred to Governance, Risk and Best Value Committee.

4. Main report

Procurement of Events

4.1 There is no single approach for commissioning events which has proven to be best practice. Within the Public Sector, a number of different approaches are utilised depending on the circumstances of each event (or group of events).

4.2 If an external contractor model is used, the routes to market via procurement include:

4.2.1 A Contract Notice to invite competitive tenders with or without prior market engagement; and

4.2.2 A Future Contract Notice/Prior Information Notice (PIN) as a call for competition, setting out at an early stage the intention to engage with the market leading to an invitation to tender without a further Contract Notice.

4.3 The approach to procurement depends on the elements of delivery which are being procured (e.g. some organisations will advertise for the creative production of all aspects of the event, while others will procure individual elements depending on the nature of the event and the governance arrangements in place).

4.4 PINs are often utilised to alert the market to potential opportunities (e.g. The Royal Parks recently published a [PIN notice](#) for Hyde Park Winter Wonderland, to invite potential strategic partners who may be interested in operating the event in future years to visit the 2022 festival while it was open between 18 November 2022 and 2 January 2023. This is in advance of an expected procurement exercise commencing in Summer 2023 to commence delivery in late 2024). As shown in The Royal Parks example, the timescale from an initial PIN notice to conclusion of a contract award can be extended over a number of years.

4.5 In addition, some public bodies choose to proceed utilising grant funding agreements, in-house or partnering arrangements. In most cases, in-house and partnering arrangements also include (at least) some commissioning or procurement.

Edinburgh's Christmas

4.6 The approach taken to procure Edinburgh's Winter Festivals is primarily based on balancing the creative offering with securing income for the Council.

4.7 From 1992 to 2009, the Council delivered Edinburgh's Winter Festivals in-house (with an external partner procured to curate the creative content and to deliver some aspects of the programme), and from 2010 onwards the Winter Festivals have been procured using an Open Procurement approach.

4.8 The review of recent experience recognises the need to ensure that, whatever the circumstances of commissioning Edinburgh's Christmas in the future, the feedback received during the consultation in 2021 must be at the core of the Council's approach going forward.

4.9 It is important to note that there is significant logistical cross-over between Edinburgh's Christmas and Edinburgh's Hogmanay, which means that there is a dependency of Edinburgh's Christmas taking place successfully in order to ensure that Edinburgh's Hogmanay can also go ahead. In recent years, there has also been a significant financial contribution from Edinburgh's Christmas to support the delivery of Edinburgh's Hogmanay, in the region of £200,000 per annum.

Recap of Procurement in 2022

4.10 As previously reported to this Committee and to Governance, Risk and Best Value Committee, Edinburgh's Christmas formed part of a dual lotted tendering process

from March 2022 for Edinburgh's Winter Festivals, whereby responsibility for the provision and management of Edinburgh's Christmas was awarded to a single company.

4.11 This followed the same approach as the previous procurements of Edinburgh's Winter Festivals. However, in preparing for this procurement, there was greater Elected Member oversight of the process than in previous commissions, with Elected Members being involved in both the development of the consultation that informed the specification for the tender, in approving the tendering specification (through the Festivals and Events All Party Oversight Group) and receiving a briefing on the outcome of the tendering process on 9 June 2022 in advance of this being reported to Finance and Resources Committee on 16 June 2022.

4.12 The potential procurement procedures considered for tendering the current Winter Festivals were outlined in Appendix 1 of the report to Governance, Risk and Best Value Committee on 22 November 2022.

Lessons Learned

Time

4.13 While the approach to this procurement was based on the experience of previous tenders and awards, the primary factor in determining the most appropriate route to market for tendering Edinburgh's Christmas as an Open procurement procedure was the period of time available.

4.14 The Procedure:

4.14.1 Enabled feedback from the Winter Festivals consultation to be built into the tender documentation and in the key principles for what was expected from the successful contractor;

4.14.2 Recognised that this route to market built on existing good practice, where there are a limited number of bidders and there is a short amount of time available, and minimised the demand on both officers and bidders; and

4.14.3 Ensured that a contract would be in place for Christmas 2022.

4.15 Although time was a significant factor in the approach taken, the tender documentation was published on 3 March 2022 and was advertised for six weeks, during which time bidders were given the opportunity to raise questions, to seek clarification and/or to express any concerns about deliverability based on the information provided. Council officers responded to all of the questions asked and note that there were no questions raised about deliverability within the timeframe set out in the tender documents. The outcome was reported to Committee on 16 June 2022.

Governance

4.16 The governance arrangements for this contract were strengthened to reflect previous feedback. As noted in paragraph 4.11, there was greater Elected Member oversight than in previous iterations of this tender process.

4.17   In addition, additional oversight of the procurement process was introduced, with the Service Director - Culture and Wellbeing monitoring the evaluation process and reviewing the outcomes of the tender evaluation.

4.18   Recognising that the tender was revised from previous years as a result of feedback received during consultation and the clear key principles, the contract awarded also included a break-clause at the end of year one in order to allow the Council to terminate the contract should the delivered service not meet the needs of the Council nor address the key principles contained within the specification.

4.19   It is also recognised that there was a narrow timescale between contract award and delivery of Edinburgh's Christmas in 2022. However, the contractor only raised concerns about its ability to deliver the agreed outcomes following the award of the contract. In addition, there were some challenges within the internal governance arrangements between the contractor and its partner organisations which may have also contributed to these difficulties.

Creative Content

4.20   While the tenders received included details of the proposed creative content for Edinburgh's Christmas, it is clear that the full creative content from the original AEE tender submission was unlikely to be delivered in 2022 due to the limited timescale between the award of the contract and the contract delivery dates.

4.21   In future, irrespective of the approach to delivery, officers will ensure that the creative content is confirmed in detail before any contracts are awarded.

Income Recovery

4.22   The fixed fee rental income model (whereby the contractor would be charged daily rental for sites utilised) for this contract was introduced a number of years ago to address concerns that the Council was being denied the opportunity to secure income from this contract. Previous contracts had included a profit share model with the producer that had resulted in a return of £32,000 to the Council across the life of the contract. A fixed fee rental income guarantees the Council a much higher return.

4.23   However, as with any financial model, officers recognise that the rental income model can lead to challenges in financial deliverability, create economic pressures for both the contractor and, ultimately, the public as consumers. It is difficult to balance this with a profit share which may not offer best value to the Council.

4.24   As reported previously on the most recent Edinburgh's Christmas contract, the procurement approach used includes a comprehensive financial assessment of the information provided within tender submissions. However, this procurement approach offers limited opportunity for officers to interrogate the deliverability of tender submissions.

Options for Future Delivery

4.25   In advance of a report to Culture and Communities Committee later in 2023, officers are currently investigating options for future delivery of Edinburgh's Christmas.

4.26 The options being considered build on the learning from 2022 and previous procurement exercises, the Council's experience of delivering Edinburgh's Winter Festivals in-house prior to 2010, and best practice from other public sector organisations.

4.27 To ensure that the options considered deliver on the feedback from the Winter Festivals consultation, ensure that the event promotes Edinburgh's cultural and local offer, is affordable, and offers sufficient flexibility. The options being explored include (but may not be limited to):

4.27.1 An in-house delivery model. The Council previously had an in-house delivery model for Edinburgh's Winter Festivals so officers will review this approach, recognising that it is likely that any in-house model would significantly increase the financial and reputational risk for the Council, and that additional support would be required on the creative content (as the Council does not currently have this expertise in-house). In addition, it is likely that the Council would not be able to directly deliver all aspects of Edinburgh's Christmas without support from external organisations/sub-contractors due to the significant up-front capital investment which would be required for some aspects of service delivery or significant capital and revenue funding investment; and

4.27.2 Alternative procurement approaches to identify a delivery partner. Officers have received early feedback that the market would prefer that any future procurement to be dialogue based following a Future Contract Notice/PIN. This would allow the Council to set clear parameters based on the consultation feedback (including but not limited to): defining the locations, timescales, operational constraints and financial arrangements). However, as noted above, if this approach is progressed, it can take a protracted period of time, so it is important to begin early dialogue with potential partners as soon as possible.

4.28 The investigation will also consider financial, reputational, legal, governance and wider risks for the Council as well as considering any feedback from other local authorities and public sector organisations.

4.29 The option to deliver a single Edinburgh's Winter Festival contract (combining the existing Edinburgh's Christmas and Hogmanay commissions) will also be considered, recognising that the contract for Edinburgh's Hogmanay is in place until the end of 2024/25 (with the option to extend for two further periods of 12 months). While this approach will be reviewed again, officers note that this had previously been discounted as it is likely to restrict the market and the opportunity for Small and Medium sized Enterprises (SMEs) to tender.

5. Next Steps

5.1 A report on the outcome of delivery of Edinburgh's Christmas 2022 will be reported to Culture and Communities Committee on 7 March 2023, with a recommendation

on next steps. Finance and Resources Committee will also be kept updated on this.

5.2 As agreed by the Council on 27 October 2022, a report on the options for delivering Edinburgh's Christmas in future will be presented to Culture and Communities Committee by the end of May 2023. This will build on the information provided in this report will ensure the Council's commitments to quality, reliability, community engagement, supporting local traders and sharing the celebrations around the city are properly reflected in any plans and future procurement programmes. The Festivals and Events APOG will be kept updated on progress with this, and input from suppliers, local traders, community groups and ward councillors will be sought at the appropriate time.

6. Financial impact

6.1 There are no direct financial impacts arising from the recommendations in this report.

6.2 The report to Culture and Communities Committee will set out the financial implications of the options for delivering Edinburgh's Christmas in the future.

7. Stakeholder/Community Impact

7.1 The results of a consultation on Edinburgh's Winter Festivals were reported to Policy and Sustainability Committee on 30 November 2021.

7.2 These results were used to form the basis of the tender which was issued for delivery of the two Lots of the Winter Festivals contract. The award of contracts for Edinburgh's Christmas and Hogmanay were approved by Finance and Resources Committee on 16 June 2022.

7.3 It is essential that the future commission for Edinburgh's Christmas reflects the feedback received to the Winter Festival's consultation, as reported in November 2021.

8. Background reading/external references

8.1 None.

9. Appendices

None.

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Governance, Risk and Best Value Committee

10.00am, Tuesday 14 March 2023

Revenue Monitoring 2022/23 – month eight position – referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

1.1 The Finance and Resources Committee has referred the Revenue Monitoring 2022/23 – month eight position report to the Governance, Risk and Best Value Committee for scrutiny.

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Rachel Gentleman, Committee Officer
Legal and Assurance Division, Corporate Services Directorate
Email: rachel.gentleman@edinburgh.gov.uk

Referral Report

Revenue Monitoring 2022/23 – month eight position

2.   Terms of Referral

2.1   On 26 January 2023, the Finance and Resources Committee considered a report which set out the projected Council-wide revenue budget position for 2022/23, based on analysis of the first eight months' financial data and projections of income and expenditure for the remainder of the year.

2.2   The Finance Resources Committee agreed:

2.2.1   To note that, as of month eight, a balanced overall in-year position was now being forecast.

2.2.2   To note, nonetheless, the potential for additional expenditure pressures to emerge during the remainder of the year and thus the need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates and the Health and Social Care Partnership so as not to add to future years' savings requirements.

2.2.3   To note the update on continuing discussions with the UK and Scottish Governments on the provision of sufficient funding to address in full the significant on-going additional costs being incurred as part of the Council's response to the Ukraine crisis.

2.2.4   To note that, in light of the above, updates would continue to be provided as required to members of the Committee during the remainder of the year.

2.2.5   To refer the report to the Governance Risk and Best Value Committee for scrutiny.

2.2.6   To agree to circulate a briefing note on the confirmed funding for the Haymarket Welcome Centre.

2.2.7   To agree to circulate a briefing note on the increased Council costs for Housing First, increased rates for private sector leases and whether value for money was being achieved.

3.   Background Reading

3.1   [Finance and Resources Committee – 26 January 2023 - Webcast](#)

3.2   Minute of the Finance and Resources Committee – 26 January 2023

4.   **Appendices**

4.1   Appendix 1 – report by the Interim Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Thursday, 26 January 2023

Revenue Monitoring 2022/23 – month eight position

Executive/routine	Executive
Wards	
Council Commitments	

1. Recommendations

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

1.1.1 note that, as of month eight, a balanced overall in-year position is now being forecast;

1.1.2 note, nonetheless, the potential for additional expenditure pressures to emerge during the remainder of the year and thus the need for all existing pressures, savings delivery shortfalls and risks to be fully and proactively managed within Directorates and the Health and Social Care Partnership so as not to add to future years' savings requirements;

1.1.3 note the update on continuing discussions with the UK and Scottish Governments on the provision of sufficient funding to address in full the significant on-going additional costs being incurred as part of the Council's response to the Ukraine crisis;

1.1.4 note that, in light of the above, updates will continue to be provided as required to members of the Committee during the remainder of the year; and

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

Richard Carr

Interim Executive Director of Corporate Services

Contact: Hugh Dunn, Service Director: Finance and Procurement,

Finance and Procurement Division, Corporate Services Directorate

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

Report

Revenue Monitoring 2022/23 – month eight position

2. Executive Summary

2.1 The report sets out the projected Council-wide revenue budget position for the year, based on analysis of the first eight months' financial data and projections of income and expenditure for the remainder of the year. A balanced overall in-year position is now being forecast but with the potential for further expenditure pressures to emerge during the remaining months, particularly in respect of the 2022/23 teachers' pay award and other inflationary uplifts. There remains certainty about whether sufficient funding will be secured to address in full the significant on-going additional costs being incurred as part of the Council's response to the Ukraine crisis.

2.2 It therefore remains crucial that Executive Directors and the Chief Officer of the Edinburgh Health and Social Care Partnership fully manage pressures, risks and savings delivery shortfalls within their respective core budgets and review all discretionary expenditure to ensure a balanced position is achieved by the end of the year and thus not add to future years' savings requirements.

3. Background

3.1 On 24 February 2022, Council approved a balanced revenue budget for 2022/23 based on the Council's provisional grant funding allocation and a 3% increase in Council Tax rates. This grant funding allocation was confirmed following approval of the Local Government Finance Order for 2022/23 on 2 March 2022.

3.2 Subsequent in-year updates have been considered by members of the Committee on 3 March, 16 June, 8 September and 10 November 2022. The most recent of these updates pointed to an anticipated overall overspend of £5.092m, with the potential for further expenditure pressures to emerge during the remainder of the year, particularly regarding the 2022/23 employee pay award and other inflationary uplifts. In light of this position, the report emphasised the importance of pressures, savings delivery shortfalls and risks being fully and proactively managed and all discretionary expenditure within Directorates and the Health and Social Care Partnership being reviewed in order to achieve a balanced position by the year-end and thus not add to future years' savings requirements.

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4. Main report

COVID-related impacts

4.1   In addition to core service activity within Directorates, monitoring in the current year continues to incorporate an assessment of how the projected expenditure and income impacts of the pandemic compare to the provisions contained within the budget framework. The 2022/23 budget agreed by Council on 24 February 2022 provided for the following sums:

Area of expenditure pressure/income loss	£m
Reductions in parking income	6.0
Lothian Buses - loss of dividend	6.0
Reductions in commercial rental income	3.0
Additional support for Edinburgh Leisure	3.0
Homelessness[1]	3.0
ALEOs – other	1.0
Personal Protective Equipment	1.0
Other income/expenditure	2.3
Total funding for COVID impacts	**25.3**

4.2   **At this stage and based on the actual COVID-related requirement in 2021/22, the approved level of provision continues to be assessed as sufficient.**

4.3   **Parking income** for the year to date remains around £0.1m per month lower than in 2019/20, the last full largely pre-pandemic year. While these shortfalls are in addition to income from inflationary uplifts that would have been anticipated over the intervening period, they are still expected to fall within the £6m budget framework income loss provision in this area. Based on current trends, however, there is a risk that the lower £3m loss provision included within the budget framework for 2023/24 will be insufficient. Should the full approved sum for COVID-related impacts of £25.3m not be required in 2022/23, it is therefore recommended that an element of these unallocated funds be earmarked to offset future income losses in this area.

4.4   Transport Scotland previously confirmed the provision until October 2022 of additional funding to **bus operators** through the Network Support Grant (NSG) Plus initiative, a temporary scheme to support services and protect fares while patronage continues to recover from the impacts of the pandemic. It has now been confirmed that this support will continue until March 2023. Overall patronage is currently around 80% of pre-pandemic levels, albeit this position reflects a larger proportionate level of reduction at peak times, offset in part by increased weekend and leisure travel. Lothian Buses has previously indicated that it does not anticipate

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[1] The £3m shown forms part of an overall level of budgetary provision that is £17.6m higher than was approved, pre-pandemic, for 2020/21.

Finance and Resources Committee - 26 January 2023

being in a position to pay any dividend to the Council for the foreseeable future, an assumption that is consistent with the budget framework.

4.5 Equivalent funding has not, however, been made available to **Edinburgh Trams**, with overall patronage sitting at around 80% of pre-COVID levels. Tram revenues are also being affected by the expansion of free travel to under 22s. It is anticipated, however, that the remaining element of the £0.500m of investment to support the expansion of younger persons' free travel included in the 2021/22 budget motion will be sufficient to address, in full, the resulting loss of income in the current financial year.

4.6 As approved by the Transport and Environment Committee on 6 October 2022, the Council has agreed not to support financially the free travel for under 22s on Edinburgh Trams scheme beyond 31 March 2023 pending the outcome of Transport Scotland's on-going Fair Fares Review and wider consideration of resource availability as part of the 2023/24 budget process. Given that in-year liabilities are expected to be fully met from the £0.500m noted above and a balanced overall position is now being projected, it is proposed to retain within reserves the £2m approved to support the policy as part of the agreed budget motion for 2022/23, with the allocation of this sum then potentially available to contribute on a one-off basis towards addressing the 2023/24 budget gap.

4.7 Through a combination of an element of carry-forward from 2021/22 and the in-year allocation of £3m, it is not anticipated that the level of assumed financial support for **Edinburgh Leisure** will be exceeded.

4.8 The Council's **commercial rental portfolio** has proved resilient to wider economic conditions and the level of provision for reductions in income received is assessed to be sufficient at this time, although this will be kept under active review given current challenging economic conditions.

4.9 The position in respect of **homelessness services** is covered in more detail later within the report.

Directorate projections

4.10 In addition to monitoring the on-going or residual impacts of the pandemic, Executive Directors continue to oversee the delivery of approved savings and management of pressures within their respective areas. The approved budget for 2022/23 contains relatively few service-specific savings and also made some additional provision for service pressures. While these measures provide a degree of contingency against the emergence of significant in-year pressures within services, it remains the role of Executive Directors to manage these fully when they do arise and to maintain expenditure within budgeted levels.

Education and Children's Services

4.11 As of period eight, the Executive Director of Education and Children's Services is projecting a net pressure of £2.0m, an improvement of £2.0m from the position

reported to the Committee's previous meeting. Significant elements within the forecast include a projected net pressure of £2.0m within the budget for Children's Services including residential and secure accommodation, reflecting increases in the numbers of young people being supported across the service and limited capacity to free up places within internal provision to return young people to the Council's care. The updated forecast is based on numbers of young people and families being supported as of the end of November, reflecting a slight reduction in the numbers of children being accommodated in external provision.

4.12 Despite the reduction in spend in this area, demand remains high and needs are increasingly complex. For example, in the last two months (November and December) the Department has received eleven referrals for residential care and seven for secure care. Of the former group, eight have been accommodated in residential care and three have been supported to remain with their families or kinship with some additional support. Three young people were also admitted to residential care who were initially referred for a foster care placement. This means the Council is now in a position where its in-house residential capacity is full and therefore any additional placements are likely to be in the private sector.

4.13 Pressures of £1.9m are also forecast within Home to School Transport, representing shortfalls against previously approved budget savings relating to the Transport Review and costs for additional routes which were put in place in response to the pandemic. The increase in the pressure from the £1.2m intimated in the period five report reflects the review of routes following the start of the new school term, net of the impact of under 22 free bus travel.

4.14 The Directorate variance also reflects a small element of uninsured costs following settlement of the insurance claim relating to the fire at Liberton Primary School in February 2020.

4.15 These pressures are being offset by one-off mitigations, including staffing vacancies, such that the overall projection indicates a £2.0m residual pressure.

4.16 The Executive Director of Education and Children's Services is fully committed to continuing to deliver mitigations to reduce the existing pressures and to identify and implement management actions required to address these, such that significant further progress is made by the year-end.

Corporate Services

4.17 As outlined in a report elsewhere on today's agenda, the Interim Executive Director of Corporate Services is projecting an overall service underspend of £0.707m, in the main attributable to staffing-related savings, reflecting application of an in-year vacancy management target. As agreed at the Committee's meeting in September 2022, the overall position reflects the provision of one-off investment funding of £0.961m for Enterprise Resource Planning (ERP) infrastructure upgrades.

Place

4.18   The Executive Director of Place is forecasting an overall pressure of £2.382m as of period eight, a slight improvement from the £2.7m forecast at period five. This position reflects the combined impact of inflationary pressures in excess of those for which corporate budgetary provision has been made (totalling £1.872m) and a range of other net pressures across the Directorate of £0.510m.

4.19   The Executive Director and his Senior Management Team will continue to consider regular updates and develop corresponding actions, such that net expenditure is brought back within approved levels. These actions include a specific focus on those areas of the Directorate where "business as usual" operations indicate an anticipated overspend with a view to identifying, as a matter of urgency, mitigating actions both to address these current-year pressures and enhance the stability of the budget framework going forward.

Homelessness Services

4.20   Revenue monitoring reports throughout 2021/22 highlighted pressures within Homelessness Services and, such is the extent of these pressures, the approved budget for 2022/23 contains £17.6m of additional investment relative to the equivalent budget for 2020/21. Despite this additional investment, further pressures totalling up to £8.0m are now apparent in 2022/23, mainly comprising:

(i)   projected growth in client numbers, with an overall in-year increase of 307 households now forecast relative to assumed growth of 120 as of month three;

(ii)   claims for increased rates from providers due to changes in market rates (Private Sector Leasing), inflationary increases (spot purchasing) and revision of current terms (contracted suppliers), the majority of which represent a pass-through of increased energy costs;

(iii)   costs of the Haymarket Welcome Centre, funding for which remains to be confirmed;

(iv)   increased Council costs for Housing First;

(v)   a reduction in the assumed Housing Benefit recovery rate for those accommodated in dispersed flats relative to projections as of period three; and

(vi)   net costs to accommodate current and future increases in homeless Ukrainian households following the end of initial six-month hosting arrangements.

4.21   Preliminary analysis of October and November 2022 data points to a slowing in the rate of temporary accommodation household growth, as well as greater relative use of suitable, lower-cost accommodation. While these factors may lessen the extent of in-year pressure, the effect of the removal of "local connection" from 29

November is anticipated to increase presentation volumes, although it is too early to assess this in any detail. On this basis, no change to the in-year projection has been incorporated at this time.

4.22   The overall position, particularly growth in client numbers, will be kept under close review through the development of comprehensive management information dashboard, with further opportunities to manage demand prioritised.

Edinburgh Integration Joint Board (EIJB)

4.23   The EIJB Chief Finance Officer presented an update on the 2022/23 Financial Plan to the Board's meeting on 13 December 2022.

4.24   At its meeting in March 2022, the EIJB agreed the financial plan for 2022/23. At that point, the budget was out of balance by £16.9m and the board recognised that EIJB officers would work with partner bodies to address the gap as the year progressed. In setting a budget with a deficit, the EIJB recognised the clear risk that agreeing stringent additional savings at a time of significant uncertainty could lead to unnecessary public concern as well as a material deterioration in performance.

4.25   Decisions made at the Board's meeting on 9 August resulted in a reduction in the residual gap to £10.8m, with a further decrease to £7.9m in the update reported to the Board's October meeting. Following an in-depth review of each delivery partner's financial monitoring position, at its meeting on 13 December, the Chief Finance Officer provided the EIJB with moderate assurance of the achievement of a break-even position for 2022/23. Recent growth in purchasing expenditure within Health and Social Care will require to be closely monitored and contained within this balanced overall position.

Employee pay award, 2022/23

4.26   As noted in the in-year monitoring update to the Committee's previous meeting on 10 November, agreement has been reached on the 2022/23 pay award for non-teaching staff, with implementation processed in December.

4.27   The Scottish Government has identified, on a recurring basis, total additional funding of £261m to support the agreed non-teaching offer and current non-teaching offer[2]. When added to the 3% already included in the Council's budget framework for 2022/23, this results in an unfunded element of 0.5% across the teaching[3] and non-teaching awards, giving rise to an in-year and recurring pressure of £3.1m.

4.28   Discussions in respect of the teaching and Chief Officer pay awards are continuing. Following rejection of the teaching offer by the representative trade

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[2] The total of £261m comprises two elements. £140m was initially provided across the SJC (non-teaching) and SNCT (teaching) bargaining groups to increase the employer's offer by around 1.5%. This was then supplemented by £120.6m specifically to support a further improvement of the SJC offer. Edinburgh's confirmed share of this total is £20.961m.

[3] Based on the current undifferentiated offer of 5%.

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unions, however, industrial action is now underway. Should subsequent negotiations result in an improved offer without the provision of full additional funding by the Scottish Government, this would increase the pressure of £3.1m noted above. By means of illustration, each unfunded additional 1% increase in the settlement for teachers would result in a further pressure of some £2.2m.

Operation Unicorn

4.29   Following the death of Her Majesty the Queen on 8 September, the Council assumed the lead co-ordinating role in the safe implementation of Operation Unicorn, the programme of ceremonial and other events taking place in Scotland prior to her coffin being transported to London.   A report on the associated costs incurred was considered by Council on 15 December. A claim of some £0.6m has been submitted to the Scottish Government and is currently being considered in liaison with the UK Government, with a formal response awaited.

Inflationary pressures

4.30   Previous in-year reports considered by the Committee have highlighted a range of exceptional inflationary pressures affecting the Council, most materially energy cost increases but also including food, fuel, home-to-school transport and uplifts affecting a number of its contracts. Updated forecasts indicate a slight reduction (from £8.9m to £7.4m) in respect of the anticipated level of unbudgeted energy-related costs assumed within the overall outturn[4]. The projected outturn for the Homelessness Service also reflects £2m of additional contract uplift requests from other providers. Other inflationary pressures, where their impact cannot be fully mitigated, are reflected in service outturns as noted in the preceding sections.

Corporate budget savings

4.31   Given the extent of inflation-related and wider pressures within services, opportunities to address these through available savings in corporate areas have continued to be examined. As of period eight, the following anticipated mitigations have been identified, representing an overall increase of £0.2m since the period five position as shown in the table at Paragraph 4.32.

(i)   **Council Tax** - based on confirmed 2021/22 income levels, analysis of subsequent changes in the size and profile of the Council Tax base and estimated movements in discounts and exemptions over the remainder of the financial year, a £3.5m positive variance is being forecast in 2022/23;

(ii)   **Loans charges/interest and investment income** - based on analysis of the 2021/22 outturn, planned in-year capital spend and debt redemption, available cash balances and an expectation not to need to borrow in 2022/23, an overall saving of £3m is anticipated;

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[4] Based on qualifying criteria and the wholesale price of energy within its contracts, it is not anticipated at this stage that the Council will receive any significant support from the Energy Bill Relief Scheme.

(iii)   **application of the budget framework risk contingency, available inflation provisions and other timing-related savings** – together releasing total funding to offset in full energy-related pressures of £8.9m;

(iv)   **Millerhill Recycling and Energy Recovery Centre -** the Council's share of revenue from electricity generation is now estimated at £4.0m in 2022/23;

(v)   **National Insurance** – following the announcement by the UK Government on 22 September that the 1.25% increase in employer's rates would be reversed with effect from 6 November, in-year savings of some £1.6m relative to previous forecasts are now anticipated; and

(vi)   projected underspends against the **approved investment in the 2021/22 and 2022/23 budget motions** totalling £1.264m. As noted earlier in the report, any further underspends against this investment will be considered against future years' savings requirements.

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Overall position

4.32 Taken together, the net impact of anticipated pressures in service areas less corporate or other savings now indicates a balanced position as shown in the table below and Appendix 1. This marks an improvement of £5.092m in the overall position since period five.

	Period 8		Period 5	
	£m	£m	£m	£m
Net pressures in service areas:				
Homelessness Services	8.040		8.040	
Education and Children's Services	2.000		4.000	
Place	2.382		2.700	
Corporate Services	(0.707)		(0.090)	
Energy	7.432		8.859	
Employee pay award, 2022/23	3.100		3.100	
Additional costs of public holiday on 19 September	0.000[5]		0.500	
	22.247			**27.109**
Savings in corporate budgets:				
Application of budget framework risk contingency, available inflation provision and other timing-related savings	(8.883)		(8.853)	
Millerhill - gainshare income	(4.000)		(3.800)	
Council Tax	(3.500)		(3.500)	
Loans charges/interest and investment income	(3.000)		(3.000)	
Savings in employer's National Insurance	(1.600)		(1.600)	
Savings in members' investment	(1.264)		(1.264)	
		(22.247)		**(22.017)**

Net projected pressure		**0.000**	**5.092**

4.33 As noted in the preceding sections, there is the potential for further risks to emerge during the remainder of the year, particularly regarding the 2022/23 teachers' pay award and other inflationary uplifts. Additional certainty is also still required with regard to securing sufficient funding to address in full the significant on-going additional costs being incurred as part of the Council's response to the Ukraine crisis.

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[5] The approved budget framework includes £0.5m for the additional staffing costs arising from the late Her Majesty the Queen's Platinum Jubilee celebrations in June 2022. It is now anticipated that the additional costs of this public holiday and the subsequent day granted for the State Funeral can be contained within the original sum.

Finance and Resources Committee - 26 January 2023

4.34   It is therefore crucial that Executive Directors and the Chief Officer of the Edinburgh Health and Social Care Partnership fully manage pressures, risks and savings delivery shortfalls within their respective core budgets and review all discretionary expenditure if a balanced position is to be achieved by the end of the year and not add to future years' savings requirements.

Ukraine response

4.35   The Council is undertaking a key role in welcoming displaced Ukrainians to Scotland and thereafter temporarily resettling a number of these within the city. As of the end of December, more than 10,000 arrivals had been triaged at the Council-operated Welcome Hub.

4.36   At the Committee's meeting on 10 November, members requested that further details be included with information on the funding position for the Ukrainian refugee programme, including updates on negotiations with Governments and COSLA; ongoing costs; funding received and outstanding; and any expenditure that is likely not to be recoverable. While these discussions remain in progress, relevant details are included in Appendix 2.

Savings delivery

4.37   The approved budget for 2022/23 is underpinned by the delivery of approved savings of £19.2m. As shown in Appendix 3, 97% of these savings by value are now assessed as green, with the majority of the remainder rated as amber. Assessments of the deliverability of the latter, and where necessary identification of mitigating offsetting measures, remain in progress.

Service investments

4.38   As part of setting the Council's budget on 24 February 2022, members approved £9.860m of additional service investments. Appendix 4 shows the current assessment of these investments and the associated outcomes sought. Any in-year underspends against these investments will not be carried forward into 2023/24 and thus be considered in the context of offsetting future years' savings requirements.

Spend to Save scheme

4.39   At the Committee's last meeting on 10 November 2022, members also requested an update on the Council's Spend to Save scheme. Due to continuing necessary prioritisation of other activity, no new projects were approved during 2021/22, with contributions of £0.297m received in respect of previously supported projects increasing the year-end fund balance to £3.267m.

4.40   While opportunities to utilise the fund continue to be considered, at this stage there are no confirmed uses of the fund in 2022/23, with £0.295m expected to be received from benefiting projects resulting in a year-end balance of £3.562m.

5.   Next Steps

5.1   Given the range of pressures outlined in the report, Executive Directors will require to bring forward measures to offset residual service pressures and risks within their respective areas of responsibility during 2022/23. The adequacy of budget framework provision for the on-going financial impacts of the pandemic will also be kept under close review to highlight any necessary remedial action.

6.   Financial impact

6.1   As of month eight, a balanced overall position is now forecast, albeit with a number of risks to attainment of this position highlighted. Failure to break even in 2022/23 would increase the savings requirement in 2023/24 due to a need to reinstate the General Fund unallocated reserve.

6.2   The report therefore acutely emphasises the importance of proactive management of pressures and delivery of approved savings in maintaining the integrity of the budget framework. Given the extent of subsequent years' funding gaps, early action is also required to deliver robust savings proposals, aligned to the priorities set out in the Council's business plan, sufficient to meet these requirements.

7.   Stakeholder/Community Impact

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

8.   Background reading/external references

8.1   [Response to motion by Councillor Mumford – Operation Unicorn](), The City of Edinburgh Council, 15 December 2022

8.2   [Finance Update](), Edinburgh Integration Joint Board, 13 December 2022

8.3   [Revenue Monitoring 2022/23 – month five position](), Finance and Resources Committee, 10 November 2022

8.4   [Revenue Monitoring 2022/23 – month three position](), Finance and Resources Committee, 8 September 2022

8.5   [Revenue Budget 2022/27 Framework: progress update](), Finance and Resources Committee, 16 June 2022

8.6   [Revenue Budget Update 2022/23 – Update](), Finance and Resources Committee, 3 March 2022

8.7   [Coalition Budget Motion 2022/23](), The City of Edinburgh Council, 24 February 2022

9.   Appendices

9.1   Appendix 1 - 2022/23 Revenue Budget – Projected Expenditure Analysis

9.2   Appendix 2 - Update on funding to support Ukrainian response

9.3   Appendix 3 – Approved savings, 2022/23 – current status

9.4   Appendix 4 – Approved service investments, 2022/23 – current status

	Revised Budget	Period Budget	Period Actual	Period Variance	Projected Outturn	Outturn Variance	Percentage Variance
Directorate / Division	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	
Corporate Services (including Chief Executive's Office)	86,877	66,007	65,171	(836)	86,170	(707)	(0.8)
Education and Children's Services	439,791	297,514	299,838	2,324	441,791	2,000	0.5
Health and Social Care	286,806	194,081	197,563	3,482	286,806	0	0.0
Place	196,636	132,414	135,019	2,605	199,018	2,382	1.2
Homelessness Services	50,640	34,236	40,045	5,809	58,680	8,040	15.9
Lothian Valuation Joint Board	3,817	2,545	2,545	0	3,817	0	0.0
Directorate / Division total	**1,064,567**	**726,797**	**740,181**	**13,384**	**1,076,282**	**11,715**	**1.1**
Non-service specific areas							
Loan Charges / interest and investment income	87,732				84,732	(3,000)	(3.4)
Other non-service specific costs less sums to be disaggregated:	13,878				5,713	(8,165)	(58.8)
- Non-Domestic Rates (poundage uplift)	718				0	(718)	n/a
- Energy tariff uplift	1,141				8,573	7,432	n/a
- Discretionary Rates	720				720	0	0.0
Additional Investment to disaggregate	20,507	0	0	0	19,243	(1,264)	(6.2)
Tram Shares	8,500	0	0	0	8,500	0	0.0
Council Tax Reduction Scheme	28,800	n/a	n/a	n/a	28,800	0	0.0
Staff early release costs	2,500	n/a	n/a	n/a	2,500	0	0.0
Net Cost of Benefits	(127)	n/a	n/a	n/a	(127)	0	0.0
Pay award - unfunded pressure	0	n/a	n/a	n/a	3,100	3,100	n/a
Public holiday, 19 September - estimated additional costs	0	n/a	n/a	n/a	0	0	n/a
Millerhill - electricity generation income	0	n/a	n/a	n/a	(4,000)	(4,000)	n/a
National Insurance - reduction in employer's rate from 6 November 2022	0	n/a	n/a	n/a	(1,600)	(1,600)	n/a
Non-service specific areas total	**164,368**	**0**	**0**	**0**	**156,153**	**(8,215)**	**(5.0)**
Movements in reserves							
Net contribution to / (from) earmarked funds	(45,632)	0	0	0	(45,632)	0	0.0
Movements in reserves total	**(45,632)**	**0**	**0**	**0**	**(45,632)**	**0**	**0.0**
Sources of funding							
General Revenue Funding	(609,810)	(406,540)	(406,540)	0	(609,810)	0	0.0
Non-Domestic Rates	(249,861)	(166,574)	(166,574)	0	(249,861)	0	0.0
Council Tax	(323,632)	(215,755)	(215,755)	0	(327,132)	(3,500)	(1.1)
Sources of funding total	**(1,183,303)**	**(788,869)**	**(788,869)**	**0**	**(1,186,803)**	**(3,500)**	**(0.3)**
In-year (surplus) / deficit	**0**	**(62,072)**	**(48,688)**	**13,384**	**0**	**0**	**(0.0)**

Update on funding to Support Ukrainian response

As of 13 January 2023, Edinburgh was hosting 2,808 displaced Ukrainian nationals, 869 of whom were between the ages of 2 and 18 and would therefore also be eligible for the Education Tariff Funding. Of the 2,808 present in the city, 1,891 have been in place for a period in excess of 13 weeks.

There has been a recent agreement with COSLA and the Scottish Government that the General Tariff funding of £10,500 per person can be accessed after a period of 13 weeks regardless of accommodation status and that the Education Tariff funding can be accessed from the point of arrival. This has largely relieved the issues that were being experienced with matching funding to expenditure.

The quarterly return submitted on 13th January will release a further £11.193 million of General Tariff funding bringing the total to £19.855 million along with total Education tariff funding of £4.854 million.

These funding streams are one-off and will require to be expended to support the displaced Ukrainian nationals over what is likely to be a three-year period. Unspent sums received in 2022/23 will therefore be carried forward to meet subsequent years' costs.

A summary of funding is set out below:

	Expected	Claimed to Date	Received to Date
CEC Allocated Funding	£100,000	£100,000	£100,000
Scottish Government Warm Welcome Funding	£726,000	£363,000	£363,000
General Tariff Funding	£31,500,000	£19,855,500	£8,662,500
Thankyou Payments	£0	£569,100	£371,350
Education Tariff Funding	£6,850,290	£4,853,807	£0
Dnipro	£624,000	£0	£0
Total	**£39,800,290**	**£25,741,407**	**£9,496,850**

In addition, there is specific ringfenced Scottish Government funding to support Welcome Hub-associated activities as set out below:

	Expected	Claimed to Date	Received to Date
Welcome Hub	£3,450,000	£1,423,338	£1,423,338
Bridging Accommodation	£916,280	£916,280	£916,280
Support for Ship	£310,500	£0	£0
Customer Services	£184,500	£0	£0
Total	**£4,861,280**	**£2,339,618**	**£2,339,618**

A further claim will be submitted to the Scottish Government in January to draw down ringfenced expenditure incurred to the end of December 2022. This will include the Support for Ship and Customer Services expenditure referenced above.

Approved savings, 2022/23 - current assessed status

	Directorate	£m	Current RAG status			Comments where full delivery not assumed
			£m	£m	£m	
Borrowing costs	Corporate	12.000	12.000	0.000	0.000	
Corporate budgets reprioritisation/realignment	Corporate	5.000	5.000	0.000	0.000	
Procurement - gainshare	Corporate	0.100	0.100	0.000	0.000	
Total Corporate		**17.100**	**17.100**	**0.000**	**0.000**	
Continuation of 5% increase in discretionary fees and charges	Council-wide	1.000	1.000	0.000	0.000	
Chief Officers and Senior/Middle Management Review	Council-wide	0.218	0.000	0.000	0.218	
Total Council-wide		**1.218**	**1.000**	**0.000**	**0.218**	
Statutory Consents	Place	0.025	0.025	0.000	0.000	
Increase in garden waste charge based on full-cost recovery (full-year effect)	Place	0.160	0.160	0.000	0.000	
Development and Business Services Operating Model	Place	0.300	0.000	0.300	0.000	
Library efficiencies	Place	0.050	0.000	0.000	0.050	
Edinburgh Shared Repairs - Management Resource and Income Generation	Place	0.007	0.000	0.007	0.000	
Total Place		**0.542**	**0.185**	**0.307**	**0.050**	
Digital delivery	Corporate Services	0.190	0.190	0.000	0.000	Following verification exercise with relevant services, full delivery is now anticipated.
Renting of assets for 5G nodes	Corporate Services	0.050	0.000	0.050	0.000	One-off mitigating saving has been identified in Digital Services budget.
Directorate Workforce Savings	Corporate Services	0.110	0.110	0.000	0.000	
Total Corporate Services		**0.350**	**0.300**	**0.050**	**0.000**	
Total pre-approved savings		**19.210**	**18.585**	**0.357**	**0.268**	
			96.7%	1.9%	1.4%	

	Service	Investment	Nature of spend	Key outcomes sought (where applicable)	Current status	Comments where status not green
1	Improvements to HR systems	£2,000,000	Subject to the development of an accompanying full business case, the funding will serve as a contribution towards the cost of upgrading the Council's HR systems to support implementation of the recommendations from the independent inquiry and whistleblowing and organisational culture review.	Investment in an upgraded HR system will enable all employees to have access to organisational information, such as the Orb and myLearning Hub. Our current HR system has no core case management functionality and does not enable triage or offer the ability to perform complex data analysis e.g. spotting trends. A core HR solution that can administer all aspects of cases from logging, sending electronic letters and meeting notifications to allowing access to named individuals at certain points only, etc. is required in order to fulfil all the recommendations outlined.	(amber)	Members of the Finance and Resources Committee agreed in principle on 10 November 2022 to progress with implementation of the preferred HR system solution, pending consideration of the overall investment requirement as part of the Council's 2023/24 budget process. Subject to securing this approval, the £2m will then be utilised in subsequent years as a contribution to system implementation costs.
2	Easing the cost of living crisis	£1,100,000	The investment will provide capacity and resources to help Edinburgh citizens on low incomes manage the increasing cost of living in 2022 by providing direct financial support; advice to maximise income and entitlements; and prevention measures for those experiencing high energy costs and at risk of falling into arrears and debt. Further details were included in a report to Council considered on 25 August 2022.	The investment will: * Deliver on commitments in the Council Business Plan * Prevent poverty and hardship * Make the experience of seeking help more compassionate and more dignified * Improve income or reduce living costs for poorest citizens * Improve opportunities to access or progress in fair employment, learning or training * Improve physical and mental health and reduce health inequalities	(green)	
3	Deep cleaning the city, graffiti removal and street cleaning	£1,072,000	£72,000 of this funding will be used to purchase a new hot wash vehicle for city centre close cleaning. £200,000 will be used to procure a contract for the deep cleaning of the city centre. This will incorporate the cleaning of closes, steps, pavements and street furniture as well as the removal of graffiti from CEC property. £800,000 will be used to employ additional temporary staff and vehicles in the Street Cleansing service to undertake deep cleans of residential areas across the city.	This will improve the appearance of the city and send a message to residents and businesses that the Council is committed to improving local communities and supporting business recovery following COVID-19. An update on progress was provided in response to a Council Question on 24 November 2022.	(green)	
4	Roads and pavements maintenance	£1,000,000	The package of funding includes £450,000 in permanent patching repairs across 10,000m^2 of carriageways across the city; £300,000 to carry out footpath resurfacing across the city; and £250,000 for traffic signal infrastructure improvements for which works are due to commence in October 2022, with all sites completed by April 2023.	This will visibly improve the condition of roads and pavements across the city and will increase pedestrian safety.	(green)	
5	Children's Services - additional investment	£1,000,000	Given the unforeseen duration of the pandemic's impacts and the continued restricted ability to move young people from their current placements, a budget pressure exists within 2021/22 and will extend into 2022/23. With children unable to move across the last two years, they have become settled in existing out-of-authority placements and it would be poor practice to disrupt their progress – and we would be unlikely to persuade the Children's Hearing to move them back into Edinburgh.	While a range of mitigating measures to address the overarching Children's Services pressure has been identified, the £1m investment will allow time for these measures to bed in.	(green)	
6	Net-zero	£500,000	The Council is leading on the development and delivery of net-zero community pilots based in geographies with different demographic profiles and community capacity. The pilots will be collaborations between property owners to scope a scalable approach to retrofitting private housing using models that focus on community empowerment and supporting a just transition to net zero.	The investment will: * Deliver on political commitments in the net-zero strategy * Strengthen co-production approach and citizen capacity building to deliver net-zero agenda * Model net-zero community action with open source data and open source technical solutions for wider adoption * Provide a scalable financial model to support the financial route map to net-zero * Derive quantifiable co-benefits and nature-based economic benefits	(green)	

	Service	Investment	Nature of spend	Key outcomes sought (where applicable)	Current status	Comments where status not green
7	Social care adaptations	£500,000	Further discussion is required to scope this investment proposal and relevant discussions have been initiated.		(red)	The Chief Officer of the Edinburgh and Health Social Care Partnership has confirmed that no plan is in place to allocate this funding, with this position unlikely to change for the foreseeable future. Given this, the relevant funding will be recovered by the Council.
8	Park facilities improvements	£450,000	The safety of residents visiting parks is extremely important. £300,000 of this funding will allow the employment of additional Trees and Woodlands staff to deal with Ash Dieback and reduce the risk of tree failures causing harm to members of the public. Recognising the importance of proper lighting for the safety of visitors to our parks, the remaining funding will be used to install additional lighting in some of our parks.	This additional lighting will help to make parks safer to visit. An updated draft trees in the city 2022-2032 strategy and a new workforce and resources plan for the Forestry Service has been developed to assess requirements to tackle the challenges of ash dieback. The work has identified the need for two additional arborist squads for ash dieback work. The budget will be used to begin to build up this resource and required equipment.	(green)	
9	Play parks (CFCR)	£325,000	This funding will be converted to capital to be used to invest in play park equipment in each ward across the city. Play park renewal projects are progressing and total £1.2M for 22/23. The £325k fund is expected to be fully allocated.	Residents will be encouraged to visit and spend time in play parks across the city as modern, accessible play equipment is introduced.	(green)	
10	Neighbourhood Action Team	£250,000	The investment will help to tackle hot spot areas of unkept land, dealing with dumping, vegetation and other issues to improve the look and feel of areas in need of additional attention.	Priority areas within wards which require additional attention are being identified to inform creation of a detailed programme of work.	(green)	
11	Local community festivals and events	£200,000	Based on experience of local city-wide community events/festivals funding, the investment would be targeted towards capacity building and resilience. Given this would be a one-off fund, the proposal would be for larger individual funding awards to support more substantively event stability and establish a robust business and event model going forward - principally to support (i) identifying baseline funding models and partners and (ii) the creative and programme development opportunities presented by the event or festival.	The approach reflects both the current events strategy, and culture funding targeted towards resilience and creative practitioner skills development/support/retention.	(green)	
12	Energy for Edinburgh	£200,000	The money will be spent on a combination of CEC staff time/capacity building and consultants' time that will be used to develop a business plan for Energy for Edinburgh, including outline scope(s) for potential community energy generation projects as part of the development of a local heat and energy efficiency strategy.	A business plan for Energy for Edinburgh; a draft local heat and energy generation strategy, and hopefully as a result, active and profit-making local energy generation projects.	(amber)	This investment aims to explore the role of Energy for Edinburgh and identify initial project activity so the ESCO can begin to deliver heat and energy solutions for the city. Progress against this project will be dependent upon current Council capacity to deliver, with an update reported to the Policy and Sustainability Committee early in 2023. Subject to confirmation of the overall Council-wide outturn for 2022/23, these sums will be carried forward pending development of more detailed proposals.
13	Temporary toilets in premier parks	£200,000	The investment will allow for the continuation of hiring of temporary toilets for The Meadows, Inverleith Park and Leith Links.	Creation of a more welcoming and active travel-friendly environment, along with reductions in antisocial behaviour.	(green)	
14	Hostile vehicle mitigation barriers	£180,000	£0.180m was included within the budget motion to provide funding to cover potential costs of retaining temporary Hostile Vehicle Mitigation arrangements while a long-term solution is agreed to protect the High Street and other areas following the withdrawal of support from the Home Office. Further discussion is required to scope this investment proposal and relevant discussions have been initiated.	The National Counter Terrorism Security Office (NaCTSO) has recently confirmed that they will not charge the Council rental on the continued deployment of the National Barrier Asset (NBA). Therefore, the investment allocated will now all be used towards related equipment for the City. Work on this procurement has started and will be completed by the end of the financial year.	(green)	
15	Taxi regulation and enforcement	£160,000			(green)	
16	Short-term lets regulation and monitoring	£150,000			(green)	

	Service	Investment	Nature of spend	Key outcomes sought (where applicable)	Current status	Comments where status not green
17	Food growing	£130,000	A proposal on the allocation of this spend was agreed by the Policy and Sustainability Committee on 30 August 2022, comprising match-funding for Edible Edinburgh's Sustainable Food Co-Ordinator Post and support for the Council's Food Growing Strategy priorities, in line with officer capacity available to support project development and delivery and/or management of allocations to external organisations.		*(green)*	
18	Defibrillators in schools	£112,000	Budget has been allocated to roll out defibrillators to much of the school estate where not currently in place. However, work needs to be done in the next six to twelve months to identify the best locations to site them – this may be schools or a mix of schools, community centres and care homes.		*(amber)*	Work is still required to identify optimal locations. Progress will depend upon current capacity within Council to support the project. It is accepted that there will be continued risk while this is not taken forward.
19	Participatory Budgeting support	£100,000	The investment will allow the Council to work effectively with communities in delivering a robust local process, building community skills and capacity as part of the Council's commitment to progress community empowerment. Specifically it will support capacity building with communities and local community groups, communications and promotion of participatory budgeting activity, training for staff, delivery of local deliberation processes and IT support to underpin local decision-making.	* Delivery of political commitments on community engagement * Delivery of nationally-agreed 1% target * Supports effective service design based on service user needs * Strengthened local democracy and community cohesion * Improved quality of life for people and communities	*(amber)*	The majority of the funding has been committed to the Edinburgh Community Climate Fund PB initiative that was launched early in 2023. Allocation of this sum is contingent upon receipt of corresponding project nominations from across the city.
20	Portobello Kilns restoration	£61,000	The allocation represents seed funding to demonstrate the Council's commitment to the project and lever in external funding contributions for the estimated £645k of total funding required, including potential contributions from Historic Environment Scotland, Heritage Lottery Fund, Place-Based Investment Fund and the Wolfson Foundation.	Restoration of a key local landmark and listed ancient monument	*(red)*	Delivery of full restoration is dependent on the identification of partner funding, discussions on which remain in progress.
21	Pentland Park Rangers	£60,000	This funding will be used to employ additional Park Rangers and improve visitor facilities in the Pentland Hills Regional Park.	As well as improving conditions for local residents and land managers, this funding will help reduce anti-social behaviour and prevent loss of livestock.	*(green)*	
22	Libraries re-opening support	£60,000	The outline proposal for spend at this stage is to support the following: * Additional book / media fund expenditure * Provision of replacement furniture/ fittings * Fund to support development and delivery of service in response to an engagement programme with young people * City-wide communications campaign to highlight the message that libraries are open * Temporary library provision for Leith at The Fort Community Centre * Costs to support reopening of the remaining four libraries	Attracting people back in to the library service and reaching new members/audiences - building up use and visits	*(green)*	
23	"Forever Edinburgh" website development	£50,000	New website to replace the existing www.edinburgh.org	An updated website which acts as a gateway to the city for visitors, residents, investors and students alike. A new Forever Edinburgh website will provide many benefits to the Council and city including: * Improved staff efficiencies and timesaving by automating some of the content management processes that are currently being done manually * Improved user experience as the website will be reliable and designed for purpose * Better insights on user behaviours through improved functionality * Possible reduction in ongoing hosting and maintenance costs * A reliable and professional website that supports the reputation we want to create and set for residents and visitors * The possibility of generating income from the website through digital advertising sales.	*(green)*	
		£9,860,000				

Governance, Risk and Best Value Committee

10.00am, Tuesday 14 March 2023

Capital Monitoring 2022/23 – month eight position – referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

1.1 The Finance and Resources Committee has referred the Capital Monitoring 2022/23 – month eight position report to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Rachel Gentleman, Committee Officer
Legal and Assurance Division, Corporate Services Directorate
Email: rachel.gentleman@edinburgh.gov.uk

Referral Report

Capital Monitoring 2022/23 – month eight position

2. Terms of Referral

2.1 On 26 January 2023, the Finance and Resources Committee considered a report which set out the capital expenditure and funding position as at month eight and full-year outturn projections for the 2022/23 financial year, providing explanations for key variances.

2.2 The Finance Resources Committee agreed:

2.2.1 To note the capital monitoring position for the General Fund and Housing Revenue Account (HRA) at month eight of the 2022/23 financial year.

2.2.2 To note the Prudential Indicators attached at Appendix 3 to the report.

2.2.3 To note that the Finance and Resources Committee was responsible for oversight of the Capital Investment Programme, with approval reserved for full Council.

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

3. Background Reading

3.1 [Finance and Resources Committee – 26 January 2023 - Webcast](#)

3.2 Minute of the Finance and Resources Committee – 26 January 2023

4. Appendices

4.1 Appendix 1 – report by the Interim Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Thursday, 26 January 2023

Capital Monitoring 2022/23 - Month Eight Position

Executive/routine	Executive
Wards	All
Council Commitments	

1.   Recommendations

1.1   To note the capital monitoring position for the General Fund and Housing Revenue Account (HRA) at month eight of the 2022/23 financial year;

1.2   To note the Prudential Indicators in appendix 3;

1.3   To note that the Finance and Resources Committee is responsible for oversight of the Capital Investment Programme, with approval reserved for full Council; and

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

Richard Carr

Executive Director of Corporate Services

Contact: Matt Jones, Senior Accountant,

Finance and Procurement, Corporate Services Directorate

E-mail: Matt.Jones@edinburgh.gov.uk | Tel: 07863 561145

Capital Monitoring 2022/23 - Month Eight Position

2. Executive Summary

2.1 The report provides the capital expenditure and funding position as at month eight and full-year outturn projections for the 2022/23 financial year, providing explanations for key variances.

2.2 At month eight, the General Fund is projecting capital expenditure of £251.067m and capital income of £129.903m, resulting in a net requirement of £121.164m in loans fund advances. This is £8.224m lower than the revised budget update provided in month three due to updated cashflows across the programme.

2.3 At month eight, the Housing Revenue Account (HRA) is projecting capital expenditure of £106.590m and capital income of £60.809m, resulting in a net requirement of £45.780m in loans fund advances.

3. Background

3.1 The Sustainable Capital Budget Strategy 2022-2032 was approved by Council on 24th February 2022. This report detailed priorities for council capital investment of £1,459.874m, in alignment with the Council Business Plan, over the medium to long-term and set out a plan on how they could be funded.

3.2 The Capital Strategy - Annual Report was approved by Council on 17th March 2022. This report sets out the proposed capital strategy, which provides a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the infrastructure and provision of services for the benefit of Edinburgh communities and citizens.

3.3 The month three capital monitoring position and the revised 2022/23 capital budget strategy position was reported to Finance and Resources Committee on 8th September 2022. This report incorporated outturn slippage from 2021/22 and rolled forward the capital investment programme for the period 2022-2032 to create the revised capital budget. In creating the revised budget, realignments were made between financial years to reflect the most up to date cash flow projections available. The budget was also adjusted to reflect funding received since the Council set its budget in February.

3.4   The month five capital monitoring position was reported to Finance and Resources Committee on 10th November 2022. This report incorporated updated outturn projections and adjusted the budget to reflect funding received since the month three update. This report incorrectly stated that Finance and Resources Committee has responsibility for approval of the Council's overall capital investment programme. To clarify, this committee provides an oversight role only, with approval reserved for full Council.

4.   Main report

Capital Monitoring 2022/23 – Month Eight Position

General Fund Capital

4.1   At month eight, general fund expenditure is projected to be £251.067m, compared against a budget of £255.332m, resulting in projected capital expenditure slippage of £4.265m. Grants and other capital income are forecast to be £129.903m with the remaining expenditure being funded by loans fund advances of £121.164m. This is £8.224m less than the revised budget update provided in month three reflecting updated cashflows received across the programme. A breakdown by programme is provided in Appendix 1, with additional commentary provided in sections 4.2 to 4.7.

4.2   There has been capital expenditure of £28.685m on the Learning Estate as at month eight. As reported at month five, expenditure relates primarily to Early Years projects, Boroughmuir High School, Trinity Academy and Wester Hailes Education Centre with increased spend since then on the New South Edinburgh Primary and the Darroch Refurbishment. There is an overall net slippage forecast of £9.443m in the year, which relates predominantly to;

- Rising School Rolls £6.312m
- Currie High School £8.521m;
- Capital budget returned to the programme from front funded projects following the application of Capital Receipts and Developers Contributions £6.408m; and
- New Castlebrae High School has acceleration of £11.031m partially offsetting the above slippage as anticipated Developers Contributions and the land receipt from HRA are yet to be received.

It remains that the Learning Estate strategy is experiencing significant financial pressure due to current market conditions. The budget proposals will be brought to the Special Budget meeting on 7th February 2023, seeking to address these pressures.

4.3   For Place - Transport & Infrastructure, there has been capital expenditure of £37.211m as at month 8. Expenditure projections have been updated on projects reported at month 5 with North Bridge £8.333m, Carriageways and Footways

£10.990m, and City Centre West East Link (CCWEL) Active Travel project £5.122m. The outturn slippage forecast of £0.362m relates to:

- Tram Lifecycle and renewal costs of £1.100m not yet being required as previously expected.

- Carriageways and Footways slightly under budget by £0.506m.

- The North Bridge refurbishment is seeing increased costs and is forecast to exceed its current year allocation by £1.203m, offsetting the overall Pace slippage. The overall increase in costs is likely to be significantly more than this and is being considered as part of the budget proposals being brought forward in February 2023.

4.4 For other Place Projects, there is an overall slippage of £3.555m most significantly due to the Fleet Replacement Programme £3.974m experiencing long lead times for vehicles.

4.5 Within Place – Trams to Newhaven, latest forecasts show a reprofiling of cashflows in line with the programme. This has resulted in £1.752m of expenditure being accelerated into 2022/23 from 2023/24. It remains that the project is expected to complete on time in Spring 2023, and within the approved budget of £207.3m.

4.6 Within Place - Lending there has been capital expenditure of £18.400m as at month eight for completed units which have transferred to Edinburgh Living LLP.

4.7 Within Asset Management Works Programme, there has been capital expenditure of £7.836m as at month eight across various projects, with outturn slippage of £10.781m against a budget of £22.102m.

- Portobello Swim Centre was forecast to spend £4.121m in 2022/23 but is expected to be delayed as Edinburgh Leisure consider implications of tender costings;

- The Enerphit programme is not expected to start until 2023/24 giving slippage of £4.275m; and

- Following revised forecasts there is other general slippage in the programme of £2.384m

Housing Revenue Account (HRA) Capital

4.8 The month eight monitoring shows HRA capital expenditure of £56.654m for the financial year to date across various programmes and workstreams relating to the Council housebuilding programme and improvements to existing council homes and estates. HRA Capital expenditure slippage of £12.165m is expected in the year and a breakdown by programme is provided in Appendix 2, with additional commentary provided in sections 4.9 to 4.12.

4.9 The forecast capital expenditure outturn on the Council New Homes Development Programme is acceleration of £3.895m which is primarily due to; .

- Western Villages £1.844m following a reprogramming of delivery

- The expected Purchase of 23 homes from the Dreghorn Estate for £5.7m

- Slippage of Granton D1 £1.786m, Pennywell Town Centre £0.900m; and Powderhall BGS £0.751m

4.10   The forecast capital expenditure outturn on the Land element of the Council Housebuilding Programme remains in line with budget, with the purchase of Liberton Hospital expected to complete within the financial year.

4.11   The forecast capital expenditure outturn against Improvements to Council Homes and Estates is slippage of £16.060m primarily due to supply chain disruption, including shortages of materials and contractor availability experienced earlier in the year.

4.12   The month eight monitoring shows HRA capital income of £24.780m for the financial year so far, primarily from capital receipts from sales to Edinburgh Living LLP and the receiving of grant for Western Villages. The projected Capital income is £60.809m, which is £24.384m more than the revised budget, due to the completion of transfers to Edinburgh Living happening ahead of the dates assumed at budget setting. The amount to be funded through the Loans Fund Advance is projected to be £45.780m, a reduction of £36.549m reflecting the additional income and programme slippage.

5.   Next Steps

5.1   This report will be referred to Governance, Risk and Best Value Committee to consider as part of its programme of work.

5.2   Finance staff will continue work with project and programme managers to monitor capital budgets.

5.3   A further report will be presented to Finance and Resource Committee at month 12 showing the final outturn position against the revised 2022/23 capital budget.

6.   Financial impact

6.1   The 2022/23 General Fund projected outturn outlines loans fund advances of £121.164m. The overall loan charges associated with this over a 30-year period would be a principal amount of £121.164m, estimated interest and expenses of £108.162m, resulting in a total cost of £229.326m based on the PWLB rate at the time of writing. The average annual cost would be £7.644m for 30 years.

6.2   The 2022/23 HRA projected outturn outlines loans fund advances of £45.780m. The overall loans charges associated with this over a 30-year period would be a principal amount of £45.780m, interest of £42.920m, resulting in a total cost of £88.700m based on the PWLB rate at the time of writing. The average annual cost would be £2.957m for 30 years.

6.3 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.

6.4 The loan charge costs outlined above will be met from the general fund and HRA revenue budgets for loan charges.

7. Stakeholder/Community Impact

7.1 Consultation on the capital budget was undertaken as part of the Council's budget setting process.

7.2 The stakeholder and community impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.

8. Background reading/external references

8.1 Sustainable Capital Strategy 2022-32 – Annual Report, Finance and Resources Committee, 3 March 2022

8.2 2022-32 Sustainable Capital Budget Strategy – Outturn 2021/22 and Revised Budget 2022/23, Finance and Resources Committee, 8 September 2022

8.3 Capital Monitoring 2022-23 - Month 5 Position, Finance and Resources Committee, 10 November 2022

9. Appendices

9.1 Appendix 1 – 2022/23 Capital Monitoring Month Eight – General Fund

9.2 Appendix 2 – 2022/23 Capital Monitoring Month Eight – HRA

9.3 Appendix 3 – 2022/23 Prudential Indicators

Appendix 1 - 2022/23 Capital Monitoring

General Fund Summary

Period 8

Expenditure	Approved Budget £000	Adjustments £000	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000
Learning Estate	31,645	12,299	43,944	28,685	34,501	-9,443
Edinburgh Living LLPs	16,972	20,845	37,817	18,400	37,817	0
Trams to Newhaven	39,503	15,197	54,700	39,267	56,452	1,752
Asset Management Works	29,425	-7,323	22,102	7,836	11,321	-10,781
Place - Transport & Infrastructure	48,436	-147	48,289	37,211	47,928	-362
Place - Other	56,547	4,954	61,501	32,959	57,945	-3,555
Corporate Services	807	469	1,276	335	1,001	-276
Edinburgh Health and Social Care Partnership	0	284	284	601	601	317
Other Community	1,395	5,394	6,789	2,813	3,502	-3,287
Contingency	0	324	324	0	0	-324
Slippage Assumption	-21,694	0	-21,694	0	0	21,694
Total Gross Expenditure	**203,036**	**52,296**	**255,332**	**168,106**	**251,067**	**-4,265**

Funding	Approved Budget £000	Adjustments £000	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Variance £000
Receipts/Contributions						
Asset Sales	3,000	831	3,831	1,841	3,571	-260
Capital From Current Revenue (CFCR)	0	6,094	6,094	1,223	6,123	28
Other Capital Contributions (Edinburgh Living)	0	4,100	4,100	4,100	4,100	0
Developers Contributions Applied	0	5,708	5,708	3,350	6,052	344
Total Receipts and Contributions	3,000	16,734	19,734	10,514	19,846	113
Grants						
Scottish Government General Grant	40,221	12,251	52,472	36,945	52,472	0
Less: Contribution to Capital Fund (Pay Award)	0	-9,700	-9,700	0	-9,700	0
Other Government Grants	49,227	14,211	63,438	32,494	67,285	3,847
Total Grants	89,448	16,762	106,210	69,439	110,057	3,847
Borrowing						
Loans Fund Advances	110,588	18,800	129,388	88,153	121,164	-8,224
Total Borrowing	110,588	18,800	129,388	88,153	121,164	-8,224
Total Funding	**203,036**	**52,296**	**255,332**	**168,106**	**251,067**	**-4,265**

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Appendix 2 - 2022/23 Capital Monitoring

Housing Revenue Account

Period 8

Expenditure	Approved Budget £000	Adjustments £000	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Outturn Variance £000	%
New Homes Development	43,332	-5,608	37,724	19,133	41,620	3,895	10.3%
New Homes Land Costs	16,800	-2,456	14,344	83	14,343	-0	0.0%
Improvement to Council Homes and Estates	66,687	0	66,687	37,438	50,627	-16,060	-24.1%
Total Gross Expenditure	**126,819**	**-8,064**	**118,755**	**56,654**	**106,590**	**-12,165**	**-10.2%**

Income	Approved Budget £000	Adjustments £000	Revised Budget £000	Actual to Date £000	Projected Outturn £000	Projected Outturn Variance £000	%
Capital Receipts and Other Contributions	0	0	0	3,692	3,692	3,692	N/A
Capital Funded from Current Revenue	23,300	-2,456	20,844	0	18,300	-2,544	-12.2%
Receipts from LLPs	6,444	0	6,444	10,003	20,432	13,988	217.1%
Scottish Government Subsidy	4,137	0	4,137	9,174	13,385	9,248	223.5%
Specific Capital Grant	5,000	0	5,000	1,911	5,000	0	0.0%
Total Income	**38,881**	**-2,456**	**36,425**	**24,780**	**60,809**	**24,384**	**66.9%**
Balance to be funded through Loans Fund Advance	**87,938**	**-5,608**	**82,330**	**31,874**	**45,780**	**-36,549**	**-44%**

2022/23 Revised Budget Prudential Indicators

Indicator 1 - Estimate of Capital Expenditure

The actual capital expenditure that was incurred in 2021/22 and the estimates of capital expenditure to be incurred for the current and future years:

	Capital Expenditure - General Services					
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
Rolled Forward Capital Investment Programme	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Education and Children's Services	95,726	38,003	71,215	103,555	83,314	31,563
Place	176,181	105,873	159,279	79,059	75,997	20,223
Place - Lending	4,167	37,817	62,413	70,500	41,793	10,804
Place - Trams to Newhaven	68,486	56,452	3,507	0	0	0
Place - Asset Management Works	23,236	11,321	0	0	0	0
Corporate Services	3,155	1,001	26,441	33,677	31,484	20,473
Edinburgh Health and Social Care Partnership	164	601	4,091	1,597	669	678
Contingency	0	0	0	0	5,000	5,000
General Slippage in Programme	0	0	-18,660	-5,573	4,574	17,928
Total General Services Capital Expenditure	**371,115**	**251,067**	**308,285**	**282,814**	**242,831**	**106,669**

The Place - Trams to Newhaven figures include capitalised interest following a change in accounting policy approved by Finance and Resources Committee on 21 January 2021. Note that the 2022-2027 Capital Investment Programme includes slippage / acceleration brought forward based on projected capital expenditure reported at the month three stage.

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
Rolled Forward Capital Investment Programme	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Housing Revenue Account	64,850	106,590	174,587	266,705	512,713	515,030

Indicator 2 - Ratio of Financing Costs to Net Revenue Stream

Estimates of the ratio of financing costs to net revenue stream for the current and future years and the actual figures for 2021/22 are:

	Ratio of Financing Costs to Net Revenue Stream					
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%	%
General Services	6.8%	13.4%	7.9%	8.0%	8.0%	8.0%
Housing Revenue Account (HRA)	32.0%	33.0%	35.8%	38.7%	44.1%	49.0%

Note: Figures for 2023/24 onwards are indicative at this stage as the Council has not set a General Services or HRA budget for these years. The figures for General Services are based on the current long term financial plan.

The estimates of financing costs include current commitments in the capital plans set out in Appendices 1 and 2.

Indicator 3 - Capital Financing Requirement

Estimates of the end of year capital financing requirement for the authority for the current and future years and the actual capital financing requirement at 31 March 2022 are:

	Capital Financing Requirement					
	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
General Services (including Finance Leases)	1,411	1,461	1,540	1,584	1,616	1,581
Housing Revenue Account (HRA)	394	422	506	611	753	908
NHT LLPs	56	32	15	15	0	0
Edinburgh Living LLPs	42	79	140	210	251	261
Total Capital Financing Requirement	**1,903**	**1,993**	**2,201**	**2,420**	**2,621**	**2,750**

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. The authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Council has, at any point in time, a number of cashflows both positive and negative, and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy and practices. In day to day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequences of all of the financial transactions of the authority and not simply those arising from capital spending. In contrast, the capital financing requirement reflects the authority's underlying need to borrow for a capital purpose.

The capital financing requirement for the NHT LLPs includes an estimate for repayments of advances. Exit strategies are still to be finalised for the remaining three LLPs, however four have repaid their loans in full.

CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following as a key indicator of prudence.
In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

	Gross Debt and the Capital Financing Requirement					
	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m
Gross Debt	1,789	1,728	1,679	1,630	1,556	1,480
Capital Financing Requirements	1,903	1,993	2,201	2,420	2,621	2,750
(Over) / under limit by:	**114**	**265**	**523**	**790**	**1,064**	**1,270**

The authority does not currently envisage borrowing in excess of its capital financing requirement over the next few years. This takes into account current commitments, existing plans and assumptions around cash balances and the proposals in this budget. The figures do not include any expenditure and associated funding requirements, other than projects specifically approved by Council, for the Local Development Plan (LDP) or City Deal.
In 2022/2023, the Authority will apply IFRS 16 Leases as adopted by the Code of Accounting Practice. This will subsequently have an impact on the Capital Financing Requirement (CFR) as from the 2022/23 financial year. Therefore, it should be expected to see an increase in the CFR in future years. This will similarly have an impact on the authorised limit and operational boundary for external debt.

Indicator 4 - Authorised Limit for External Debt

The authorised limit should reflect a level of borrowing which, while not desired, could be afforded, but may not be sustainable. "Credit Arrangements" as defined by Financial Regulations, has been used to calculate the authorised and operational limits requiring both the short and long term liabilities relating to finance leases and PFI assets to be considered. In respect of its external debt, the following authorised limits for its total external debt gross of investments for the next four financial years was approved in February 2022. These limits separately identify borrowing under credit arrangements including finance leases and PFI assets. Council have approved these limits and to delegate authority to the Service DIrector for FInance and Procurement, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and credit arrangements, in accordance with option appraisal and best value for money for the authority. Any such changes made will be reported to the Council at its meeting following the change.

	Authorised Limit for External Debt					
	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	1,690	1,911	2,269	2,749	3,234	3,652
Credit Arrangements (including leases)	289	284	279	274	268	262
Authorised Limit for External Debt	**1,980**	**2,195**	**2,548**	**3,023**	**3,503**	**3,914**

These authorised limits are consistent with the authority's current commitments, existing plans and the proposals in this budget for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of most likely (but not worst case) scenario with sufficient headroom to allow for operational treasury management. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure, estimates of the capital financing requirement and estimates of cashflow requirements for all purposes.

Indicator 5 - Operational Boundary for External Debt

The Council has also approved, in February 2022, the following operational boundary for external debt for the same period. The proposed operational boundary equates to the estimated maximum of external debt. It is based on the same estimates as the authorised limit but reflects directly the estimate of the most likely, prudent but not worst case scenario, without the additional headroom included within the authorised limit to allow for example for unusual cash movements. The operational boundary represents a key management tool for in year monitoring. Within the operational boundary, figures for borrowing and credit arrangements are separately identified. The Council has also delegated authority to the Service DIrector for Finance and Procurement, within the total operational boundary for any individual year, to effect movement between the separately agreed figures for borrowing and credit arrangements, in a similar fashion to the authorised limit. Any such changes will be reported to the Council at its next meeting following the change.

	Operational Boundary for External Debt					
	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Borrowing	1,640	1,861	2,219	2,699	3,184	3,602
Credit Arrangements (including leases)	289	284	279	274	268	262
Operational Boundary for External Debt	**1,930**	**2,145**	**2,498**	**2,973**	**3,453**	**3,864**

The Council's actual external debt at 31 March 2021 was £1,347m of borrowing (including sums repayable within 12 months).

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

Under the changes to the Prudential Code which came into force in December 2017, the requirement to measure and report on the incremental impact on the Council Tax / rents was removed from the Code. The authority can set its own local indicators to measure the affordability of its capital investment plans. The Service Director for Finance and Procurement considers that Council should be advised of the loans charges cost implications which will result from the spending plans being considered for approval. These cost implications have been included in the Council's Revenue and HRA budgets for 2022/23 and for future years will be considered as part of the longer term financial frameworks.

	Loans Charges Liability					
	2021/22 Actual £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000	2025/26 Estimate £000	2026/27 Estimate £001
General Services (excluding On-Lending and Tram to Newhaven) - New Loans Fund Advances						
Loans Fund Advances in year	147,789	44,091	130,542	109,404	104,655	41,977
Year 1 - Interest Only	2,997	894	2,647	2,218	2,122	851
Year 2 - Interest and Principal Repayment	8,597	2,565	7,594	6,364	6,088	2,442
Housing Revenue Account (HRA) - New Loans Fund Advances						
Loans Fund Advances in year (excl. LLP programme *)	35,364	45,780	104,216	127,158	167,115	182,537
Year 1 - Interest Only	761	986	2,243	2,737	3,597	3,929
Year 2 - Interest and Principal Repayment	2,120	2,744	6,247	7,622	10,017	10,941

*   The loans charges associated with the borrowing required for the house building programme for onward transferred to the LLPs will be met from the LLPs and does therefore not have a net impact on the HRA or General Services revenue budget. Tram repayments are based on the income model and will commence in 2023/24 when the line to Newhaven becomes operational.

Consideration of options for the capital programme

In considering its programme for capital investment, Council is required within the Prudential Code to have regard to:

-    affordability, e.g. implications for Council Tax or house rents;
-    prudence and sustainability, e.g. implications for external borrowing;
-    value for money, e.g. option appraisal;
-    stewardship of assets, e.g. asset management planning;
-    service objectives, e.g. strategic planning for the authority;
-    practicality, e.g. achievability of the forward plan.

Governance, Risk and Best Value Committee

10.00am, Tuesday 14 March 2023

Sustainable Capital Budget Strategy 2023-2033 – referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

1.1 The Finance and Resources Committee has referred a report on Sustainable Capital Budget Strategy 2023-2033 to the Governance, Risk and Best Value Committee as part of its work programme.

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Taylor Ward, Assistant Committee Officer
Legal and Assurance Division, Corporate Services Directorate
Email: taylor.ward@edinburgh.gov.uk

Referral Report

Sustainable Capital Budget Strategy 2023-2033

2. Terms of Referral

2.1 On 7 February 2023, the Finance and Resources Committee considered a report on the Sustainable Capital Budget Strategy 2023-2033, which set out priorities for £1.47bn of Council capital investment, in alignment with the Council Business Plan, over the medium to long-term.

2.2 The Finance and Resources Committee agreed:

2.2.1 To note the priorities for capital expenditure outlined in the report which were aligned to the Council Business Plan.

2.2.2 To note the financial pressures arising from challenging market conditions, and the proposed measures required to bring the programme into a balanced position.

2.2.3 To delegate authority to the Chief Executive, in consultation with the Convener of the Committee, to award contracts for the construction of learning estate projects where it could be demonstrated the contract value was within approved budget limits.

2.2.4 To note the provisional Local Government Finance Settlement.

2.2.5 To note that delivery of funded capital expenditure priorities was dependant on the achievement of a balanced medium-term revenue budget.

2.2.6 To note that there was no capacity to fund additional projects that were not in the current programme.

2.2.7 To note the climate assessment of capital spending proposals.

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

2.2.9 To refer the report to the Council Budget meeting on 23 February 2023.

3. Background Reading

3.1 [Finance and Resources Committee – 7 February 2023 - Webcast](#)

3.2 Minute of the Finance and Resources Committee – 7 February 2023

4.   Appendices

4.1   Appendix 1 – report by the Interim Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Tuesday, 7 February 2023

Sustainable Capital Budget Strategy 2023-2033

Executive/routine	**Executive**
Wards	**All**
Council Commitments	

1.   Recommendations

1.1   To note the priorities for capital expenditure outlined in this report which are aligned to the Council Business Plan;

1.2   To note the financial pressures arising from challenging market conditions, and the proposed measures required to bring the programme into a balanced position;

1.3   To delegate authority to the Chief Executive, in consultation with the Convenor of the Committee, to award contracts for the construction of learning estate projects where it can be demonstrated the contract value is within approved budget limits;

1.4   To note the provisional Local Government Finance Settlement;

1.5   To note that delivery of funded capital expenditure priorities is dependent on the achievement of a balanced medium-term revenue budget;

1.6   To note that there is no capacity to fund additional projects that are not in the current programme;

1.7   To note the climate assessment of capital spending proposals;

1.8   To refer the report to the Governance Risk and Best Value Committee as part of its work programme; and

1.9   To refer this report to the Council Budget meeting on 23 February 2023.

Richard Carr
Interim Executive Director of Corporate Services

Contact: Rebecca Andrew, Principal Accountant,
Finance and Procurement, Corporate Services Directorate
E-mail: rebecca.andrew@edinburgh.gov.uk | Tel: 0131 469 3211

Sustainable Capital Budget Strategy 2023-2033

2.   Executive Summary

2.1   The Sustainable Capital Budget Strategy sets out priorities for £1.47bn of Council capital investment, in alignment with the Council Business Plan, over the medium to long-term.

2.2   The Capital Budget Strategy is experiencing significant financial pressure due to current market conditions. The impact from factors such as COVID-19 and Brexit has been compounded by the Ukraine war and the cost-of-living crisis, resulting in very significant increases in costs across all capital projects.

2.3   Funding assumptions have been reviewed, but there are limited opportunities to increase the level of funding to address inflationary pressures.

2.4   It is therefore proposed that, where possible, budgets are cash limited, uncommitted learning estate projects are delayed pending the development of fully funded business plans and Balerno High School undergoes a retrofit, rather than a full replacement.

3.   Background

3.1   The Sustainable Capital Budget Strategy 2022-2032 was reported to Finance and Resources Committee on 3 February 2022 and approved by full Council at its budget meeting of 24 February 2022. The report detailed priorities for Council capital investment of £1,459.874m, in alignment with the Council Business Plan, over the medium to long-term and set out a plan on how they could be funded.

3.2   However, it was recognised that the Strategy was expected to come under significant financial pressure as a result of higher tender prices caused by external factors including COVID-19 and Brexit. It was also noted that if a funding gap emerged, then further re-profiling of priorities, reduction in scope of projects or additional revenue savings to fund the borrowing costs would be required. This could potentially mean that later phases of the programme could not be delivered within the ten-year strategy.

3.3   On 10 November 2022 Committee considered a report on the Sustainable Capital Budget Strategy 2023-33. The report highlighted the increased financial pressures resulting from adverse market conditions and proposed that, where possible, budgets should be cash limited, uncommitted learning estate projects should only

Finance and Resources Committee – 7 February 2023

be progressed following the development of fully funded business cases and that Balerno High School should undergo a retrofit, rather than a full replacement.

3.4 This report provides an update on the financial challenges facing the Council's capital budget as well as the resources available and sets out proposals for a balanced position to be considered at the Council budget meeting on 23 February 2023. This report should be read in parallel with the revenue budget report elsewhere on this agenda as the revenue impact of additional capital expenditure needs to be contained within a balanced medium-term revenue budget.

3.5 The Council Business Plan 2023-27 brings together the Council's strategic priorities into a single plan and should also be read alongside this strategy.

3.6 This report only covers the general fund capital investment programme. The capital expenditure requirements for the Housing Revenue Account are included in a report on the Housing Revenue Account Business Plan 2023-24 also on this agenda.

4. Main report

4.1 A summary of capital investment priorities and available funding is included at Appendix 1, with changes since the report to November Committee detailed in Appendix 2.

Latest Capital Monitoring Position

4.2 Projected slippage in the 2022/23 programme was included in the Capital Monitoring 2022/23 – Month Eight Position reported to Finance and Resources Committee on 26 January 2023 and has been built into the revised programme in Appendix 1. This slippage will be further amended to reflect the final outturn for the financial year and thereafter reported to Finance and Resources Committee in summer 2023.

Capital Expenditure Priorities and Pressures

4.3 Priorities for capital investment for the period 2023-2033 have been reviewed and continue to align with the three strategic priorities set out in the Council's Business Plan, namely:

- Create good places to live and work

- End poverty in Edinburgh

- Become a net zero city by 2030

4.4 The level of capital expenditure required takes account of updated expenditure forecasts and phasing for projects in the existing Sustainable Capital Budget Strategy.

4.5 The Capital Budget Strategy is experiencing significant financial pressure due to current market conditions, as reported to Committee in November. Analysis of the impact of construction industry inflation on capital projects by Council Officers,

supported by external consultants Faithful and Gould, shows uplifts of between 15% and 30% in 2022.

4.6 Expansion and improvements to the Council's Learning Estate continue to be the most significant cost for the programme. There is an opportunity for learning estate buildings across the city to become anchor facilities for wider joined up service delivery in local communities and to help address the net zero challenge, addressing all three of the strategic priorities. For all new learning estate projects currently in development, options for wider service delivery from the facility are being considered during the design phase and buildings are designed to the Passivhaus standard.

4.7 The cost to deliver the learning estate programme is estimated at £429m. This figure takes account of latest cost estimates. As reported in November, the programme now assumes Balerno High School undergoes a full retrofit rather than being replaced and uncommitted local development plan schools are not included, pending the development of fully funded business cases. A list of proposed savings has been included in Appendix 3.

4.8 Construction contracts for several of the large learning estate projects in the Capital Investment Programme are due to be finalised soon. Flexibility is required to minimise delay and reduce the risk of post-tender cost increases. To assist this process, it is recommended that the Committee delegates authority to the Chief Executive, in consultation with the Convenor of the Committee, to award contracts for the construction of learning estate projects where it can be demonstrated that the contract value is within approved budget limits.

4.9 £166m is allocated towards the Council's roads and transport infrastructure, including carriageways, footways and investment in specific assets such as North Bridge. The North Bridge refurbishment project is experiencing significant cost pressures due to construction market volatility and increases to the scope of the works. Forecast costs have increased by £24m compared with the previous budget provision. The condition of the bridge is now largely known and the project team is now confident that the revised budget will not be exceeded.

4.10 It is proposed that £12m of this pressure is funded from the carriageway and footways budget over an 8 year period as set out in Appendix 3, with the remaining £12m funded from additional borrowing described in paragraph 4.32 below.

4.11 The remaining budgets within the capital programme have been cash limited. This includes investment in active travel, improvements to existing Council buildings and the delivery of cultural projects. Inflationary pressures will be met by rephasing and reprioritisation (including reduction in scope of works) and external funding, where available.

4.12 To achieve net zero by 2030, the city will need to tackle its largest sources of carbon emissions. The transport sector is one such significant source and road transport accounts for 68% of total transport emissions. Investing in active travel infrastructure provides the city's residents, visitors and businesses with a means of

transport that is low carbon and can efficiently move people and goods around the city. Investing in active travel also helps create better places to live and work and provides free or low-cost transport for residents and visitors. There is council capital funding of £90m to deliver Public Transport, Road Safety and Active Travel infrastructure which will be augmented by external funding.

4.13   The programme also includes £61m of investment in the Council's building retrofit programme, of which £10m will be supported by Scottish Government's Green Growth Accelerator initiative. This initiative is planned to retrofit 12 Council buildings in order to significantly reduce carbon emissions and improve building user comfort.

4.14   In order to continue to deliver high-quality services, the Council needs to continue to invest in the condition and suitability of its property assets. To address the climate emergency, works will be designed to reduce carbon emissions arising from Council buildings. There is also an opportunity for facilities to be adapted in order that wider services can be delivered from these locations, making the city a better place to live and work and improving outcomes for citizens. The Sustainable Capital Budget Strategy 2023-33, as set out in Appendix 1, includes £147m for the existing operational estate.

4.15   The programme includes £14m of investment in cultural facilities, with a £5m contribution to the Dunard Centre as part of the Edinburgh and South East Scotland City Deal and a £4m contribution and a £5m loan[1] for the refurbishment of the King's Theatre. The King's Theatre project is experiencing funding challenges due to current economic conditions, but no additional funding is included within the revised capital budget presented.

4.16   Funding of £3.9m is provided for improvements to sports facilities. This includes an annual capital grant of £0.165m for Edinburgh Leisure works and £0.867m towards a proposed BMX track at Hunter's Hall. The latter is likely to require external funding before the Council can take it forward. In addition, £1.4m is provided to meet the final cost of the new Meadowbank Stadium, which opened in July 2022. This is more than the original budget, but as the Council has secured borrowing at a lower rate than was assumed in the business case, there is no additional cost to the Council.

4.17   While additional social housing provision is financed by the Housing Revenue Account, the general fund capital programme distributes grant funding to social landlords on behalf of Scottish Government. It also provides £183m for lending to Edinburgh Living LLPs which is included within this Strategy. These projects are self-financing using income from affordable rents. Investment will therefore only take place based on a viable business case. Further information on the risks of this on-lending are included in paragraph 4.33 below.

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[1] The £5m loan agreed with Festival City Theatres Trust is fully repayable, based on future operating surpluses.

Climate Assessment of Capital Budget Proposals

4.18 This year a new [methodology](#) developed by the [Institute for Climate Economics](#) (I4CE) has been trialled to better understand how spending plans are aligned with the Council's net zero ambition. The process adopts a simple taxonomy to analyse local authority expenditure identified as having impacts that are: very favourable; favourable under conditions; neutral or unfavourable with respect to potential greenhouse gas emissions. The methodology helps to ensure both consistency and objectivity in the assessments. More details about the assessment of construction projects based on the I4CE methodology can be found in Appendix 4.

4.19 This high-level and qualitative assessment provides a simple yet powerful insight into the budget and helps better understanding of the impact of expenditure on targets to inform budget decisions.

4.20 Key findings show that, for the expected expenditure for 2023-33 (a total of £1.5bn analysed):

- 58 % of the total investment (£ 875 m) is in line with the Council's climate ambition (labelled as either "favourable under conditions", or "very favourable")
- 33 % is considered as neutral
- 4 % is unfavourable
- 4 % is classified as "undefined" as the expenditure did not match with any item in the taxonomy

4.21 Most of the "favourable" spend corresponds to the maintenance and expansion of active travel routes, the construction of buildings to high energy standard, and the energy efficient retrofit of buildings. More details can be found in Appendix 5.

4.22 More than one third of the total budget is allocated to the construction of new buildings. Some new build schools have been assessed as "unfavourable" despite plans to build them to high energy efficient standards, because they will lead to land-use change. "Soil artificialisation" or "soil sealing" generates emissions and make the city more vulnerable to climate change.

4.23 Ways to improve this assessment going forwards include:

- Spending more on energy retrofit and energy efficiency projects rather than new builds. Even built to Passivhaus standard, a new building will still result in additional operational emissions (not to mention large embodied carbon emissions)
- Avoid 'soil sealing' – important to prioritise building on brownfield/ vacant/ derelict land
- Prioritise active travel / public realm spending over road improvement when possible
- Purchase electric vehicles rather than diesel/petrol.

Capital Funding Assumptions

4.24 The funding assumptions for Sustainable Capital Budget Strategy 2023-2033 have been thoroughly reviewed line by line, to provide an up-to-date estimate of funding available. Funding available is currently estimated at £1.475bn. Detailed analysis of funding is provided in Appendix 1 with the under-pinning assumptions set out in Appendix 6.

4.25 The provisional 2023-24 Local Government Finance Settlement was provided on 20 December 2022. This provided Edinburgh with £52.571m in general capital grant, comprising core grant of £37.945m, continued support for the 2022/23 local government pay award of £9.709m[2] and funding of £4.917m for the expansion of school kitchen and dining facilities for the roll out of free school meals. In addition, a further £0.811m for play park renewals is expected, taking the general capital grant to £53.382m for 2023-24.

4.26 For future years, it is assumed that the core grant will be unchanged and further play park funding will be provided in 2024-25 and 2025-26 as advised by Scottish Government.

4.27 The provisional settlement also set out specific grant funding for Affordable Housing and Cycling, Walking and Safer Routes for 2024-25 and it is assumed that this level of funding will also be available in future years.

4.28 In addition to the above, the Council receives funding from Scottish Government and other bodies for specific initiatives. While this funding is only formally recognised in the budget when the amount and timing of receipts are confirmed, all capital pressures in this report are presented net of any anticipated funding. There are likely to be further opportunities for the Council to secure additional grant funding towards its priorities, particularly in areas such as net zero, active travel and regeneration.

4.29 The Scottish Government is increasingly supporting capital investment with revenue-based funding models, linked to the achievement of agreed outcomes. New secondary schools in Currie, Liberton and Wester Hailes as well as the retrofit programme will receive this outcome-based funding via the Learning Estate Investment Programme and the Green Growth Accelerator Model respectively. It is currently assumed that all outcomes will be achieved and funding will be received in full, but there is a risk that the funding could be reduced in the event that outcomes are not fully achieved.

4.30 It is assumed that developers' contributions will partially offset some of the costs of supplying an increased learning estate and additional transport infrastructure to meet the needs of a growing city. This funding stream will be kept under review as

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[2] The Scottish Government contribution to the local government pay deal is being paid via the general capital grant funding mechanism in 2022/23 and 2023/24. This is on the assumption that local authorities will transfer the monies to revenue via the Capital Fund reserve. From 2024/25 onwards, it is assumed that the pay award will be funded from the revenue budget settlement.

the Wave 4 schools, Local Development Plan and subsequently City Plan infrastructure progress.

4.31 The Capital Budget Strategy assumes capital receipts from sale of surplus assets. Receipts up to 2025 are based on the current disposal programme. Beyond this, the level of income will depend on the Council's asset management strategy, but a conservative forecast of £3m per annum is assumed based on previous years. A further £27.650m of funding is available from previous years' receipts which are held in the capital fund, based on previous Council budget decisions.

4.32 A significant proportion of the programme is funded from loans fund advances, with the associated borrowing costs met from the Council's loans charges revenue budget. The funding available for loans charges in the medium-term financial plan has been reviewed and, although interest rates have increased from the historic lows seen in recent years, the budget is still sufficient to support the level and profile of expenditure set out in this report, including an additional £12m for the North Bridge project. This is due, in part, to proactive treasury management, which has enabled the Council to benefit by borrowing at low rates, when they were available. The revenue budget framework provides funding to meet the anticipated loans charges associated with general loans fund advances of £494m. However, there is little headroom to absorb further inflationary pressures, grant reductions or increases in interest rates. Furthermore, it should be noted that the Council's ability to meet the costs of loans charges is dependent on the achievement of a balanced revenue budget. Any shortfall in revenue budget savings could result in a reduction in capital investment.

4.33 At present the City of Edinburgh Council only has consent to borrow from the Scottish Government for Edinburgh Living LLP up to 2023-24 for a total of £248m. In addition, both the Housing Revenue Account (HRA) Business Plan and General Fund on-lending assume continuation of the consent beyond this point, in the form of capital receipts in the HRA and borrowing in the General Fund. Work is underway to understand future viable models for mid-market and market rent, taking into account development costs, availability of grant funding and consents. However external factors highlighted elsewhere in this report, together with proposed rent freezes create challenges for the affordability of future affordable housing acquisitions by Edinburgh Living.

Unfunded Capital Priorities and Pressures

4.34 There is no capacity to fund additional projects that are not included in the current capital programme. Previously reported unfunded projects, which include community centres, City Centre Transformation and hostile vehicle mitigation remain in that category. New projects, including ICT infrastructure, will require external funding or reprioritisation of the existing programme. The Council will continue to progress opportunities for grant funding, where it is available.

5. Next Steps

5.1 This report will be considered by Council at its budget meeting of 23 February 2023.

5.2 This report will be referred to Governance, Risk and Best Value Committee to consider as part of its programme of work.

5.3 Finance will continue work with project and programme managers to monitor capital budgets.

6. Financial impact

6.1 This report sets out capital expenditure and funding of £1.475bn based on the assumptions set out above, including the generation of savings and additional income in revenue budgets. These assumptions will be kept under review, and capital expenditure plans remain contingent on the strategy continuing to be affordable.

6.2 Investment in additional property assets is likely to result in increased running costs borne by the Council's service areas. A report on the associated cost implications of changes in the size and profile of the Council's operational property estate was considered by this Committee on 23 May 2019. The report noted the need to provide for the additional revenue costs of several demand- and condition-led school replacements and new-builds. Based on the cost projections intimated in that report and sums provided within the budget framework in respect of known rising school rolls projects, the Wave Four schools programme (as set out in the original 2018 business case) and additional, or expanded, facilities linked to the Local Development Plan, this level of provision was anticipated to be sufficient to meet, in full, these additional costs at that time.

6.3 There is, however, a continuing need to assess, based on best-available expenditure and income projections for the projects concerned, the adequacy of sums provided within the budget framework in respect of known and emerging potential commitments As a result, all projects will be required to produce a detailed business case, setting out both capital and revenue costs and demonstrating how they will be funded prior to project commencement as part of the wider Gateway process requirement.

7. Stakeholder/Community Impact

7.1 Consultation on the capital budget will be undertaken as part of the Council's wider budget setting process.

7.2 The stakeholder and community impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.

7.3   Public sector climate change duties have been strengthened in 2022 with a new requirement to ensure alignment of spending plans and use of resources with sustainability ambitions. To this end, a new methodology developed by the Institute for Climate Economics (I4CE) has been trialled to better understand the climate impacts of the Council's capital budget strategy.

8.   Background reading/external references

8.1   Sustainable Capital Budget Strategy 2022-2032, Finance and Resources Committee, 3 February 2022

8.2   Sustainable Capital Budget Strategy 2023-2033, Finance and Resources Committee, 10 November 2022

8.3   Council Business Plan 2023-27, The City of Edinburgh Council, 15 December 2022

8.4   [Link to Month 8 monitoring report when available]

8.5   Changes to the Operational Property Estate: Life Cycle Costs Forecast, Finance and Resources Committee, 23 May 2019

9.   Appendices

9.1   Appendix 1 – Capital Expenditure Priorities and Available Funding

9.2   Appendix 2 – Changes from 10 November F and R Committee

9.3   Appendix 3 – Savings Proposals

9.4   Appendix 4 – Climate assessment of local authority budgets – I4CE methodology - Details on the methodology for the assessment of construction projects

9.5   Appendix 5 - Climate assessment of local authority budgets – I4CE methodology – Key findings

9.6   Appendix 6 – Funding Assumptions

A Sustainable Capital Budget Strategy 2023-2033
Capital Expenditure Priorities and Available Funding

Expenditure

Project Area	Total	Revised Budget 2023/24 £m	Indicative Budget 2024/25 £m	Indicative Budget 2025/26 £m	Indicative Budget 2026/27 £m	Indicative Budget 2027/28 £m	Indicative Budget 2028/29 £m	Indicative Budget 2029/30 £m	Indicative Budget 2030/31 £m	Indicative Budget 2031/32 £m	Indicative Budget 2032/33 £m
Primary Schools	**31.254**	12.223	10.775	8.256	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Wave 4 Schools	**294.233**	56.007	87.029	78.021	39.761	1.233	18.498	12.944	0.740	0.000	0.000
New Schools and Extensions for Population Growth	**103.774**	31.616	20.659	26.500	8.000	9.000	8.000	0.000	0.000	0.000	0.000
Libraries	**1.728**	1.728	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Sports Facilities	**3.918**	2.433	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165
Other Community Projects	**1.191**	**1.191**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Depots	**6.628**	2.312	4.316	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Parks, Greenspace and Cemeteries and Other Environment	**8.541**	2.222	1.904	2.715	0.250	0.250	0.250	0.250	0.250	0.250	0.200
Fleet Replacement	**8.055**	8.055	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Roads and Transport Infrastructure (including North Bridge)	**165.654**	36.824	25.969	15.469	12.268	12.110	12.110	12.110	12.110	13.610	13.072
Energy Efficiency Street Lighting Project and Traffic Signals Prudential	**12.774**	1.271	1.220	1.220	1.220	1.220	1.220	1.265	1.450	1.450	1.238
Public Transport, Road Safety and Active Travel	**89.738**	16.444	14.621	13.587	8.128	6.921	6.921	5.910	5.736	5.736	5.736
Tram Life Cycle Replacement	**5.697**	3.242	1.658	0.287	0.069	0.071	0.073	0.076	0.079	0.092	0.050
IMPACT	**5.000**	4.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
King's Theatre	**9.000**	0.000	9.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other Culture	**0.236**	0.074	0.162	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Asset Management Works	**147.356**	10.006	16.000	16.000	16.000	16.000	16.000	14.000	14.000	15.350	14.000
Retrofit	**60.850**	5.467	19.677	25.635	10.071	0.000	0.000	0.000	0.000	0.000	0.000
Edinburgh Living	**182.515**	59.418	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000	0.000
Other Housing and Regeneration	**291.674**	29.303	29.562	30.159	28.950	28.950	28.950	28.950	28.950	28.950	28.950
Tram to Newhaven	**1.755**	1.755	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
ICT & Other Corporate Services	**9.454**	4.665	1.597	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000
Contingency[1]	**43.996**	0.324	0.000	5.000	5.000	5.000	5.000	5.000	5.708	5.011	7.953
Slippage Adjustment[2]	**-10.502**	-31.233	-15.765	5.775	14.880	11.601	1.185	0.638	2.006	0.580	-0.170
Total Expenditure	**1,474.517**	**259.346**	**300.048**	**271.250**	**156.244**	**93.136**	**98.987**	**81.924**	**71.194**	**71.194**	**71.194**

Funding

Funding Stream	Total	Revised Budget 2023/24 £m	Indicative Budget 2024/25 £m	Indicative Budget 2025/26 £m	Indicative Budget 2026/27 £m	Indicative Budget 2027/28 £m	Indicative Budget 2028/29 £m	Indicative Budget 2029/30 £m	Indicative Budget 2030/31 £m	Indicative Budget 2031/32 £m	Indicative Budget 2032/33 £m
Asset Sales (Unringfenced)	**35.000**	7.000	4.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000
Capital Fund Drawdown	**27.650**	27.650	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Developers Contributions	**6.369**	6.369	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
General Capital Grant	**398.130**	53.382	39.161	39.972	37.945	37.945	37.945	37.945	37.945	37.945	37.945
Less: Contribution to Capital Fund (Pay Award)	**-9.709**	-9.709	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Specific Grants	**306.117**	31.458	31.458	31.458	30.249	30.249	30.249	30.249	30.249	30.249	30.249
Loans Fund Advances - Prudential	**32.652**	18.547	10.913	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000
Loans Fund Advances - On-Lending	**182.515**	59.418	70.500	41.793	10.804	0.000	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - Trams to Newhaven	**1.755**	1.755	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Loans Fund Advances - General	**494.037**	63.476	144.016	154.358	73.568	21.327	27.178	10.115	0.000	0.000	0.000
	1,474.517	**259.346**	**300.048**	**271.250**	**156.244**	**93.136**	**98.987**	**81.924**	**71.194**	**71.194**	**71.194**

[1] Contingency provision relates to projects in current programme and is not available for additional investment

[2] Slippage provision relates to phasing of expenditure and takes account of projects slipping from 2022-2023. It is not available for additional investment

A Sustainable Capital Budget Strategy 2022-2032   **Appendix 2**
Changes from 10 November 2022 Finance and Resources Committee

Summary of Changes

Loans Fund Advances - General	**£m**
10 November 2022 F&R Committee	415.4
7 February 2023 Special Budget Meeting	494.0
Movement	**78.6**

Description	**Amount**
Slippage 22/23	17.4
Slippage assumption 23/24 - 32/33	-28.4
North Bridge	12.0
Meadowbank	1.4
Reduction in Grant assumption	74.9
Increase in Contingency to assume full use of Grants	14.0
Increase in assumed Capital Receipts and Capital Fund Drawdown	-12.6
Total	**78.6**

A Sustainable Capital Budget Strategy 2023-2033
Savings Proposals

Project	Total	Revised Budget 2023/24 £m	Indicative Budget 2024/25 £m	Indicative Budget 2025/26 £m	Indicative Budget 2026/27 £m	Indicative Budget 2027/28 £m	Indicative Budget 2028/29 £m	Indicative Budget 2029/30 £m	Indicative Budget 2030/31 £m	Indicative Budget 2031/32 £m	Indicative Budget 2032/33 £m
New Schools - Delayed implementation pending fully funded business cases											
Builyeon Road Primary School (S Queensferry)	29.172	1.023	7.559	10.590	10.000	0.000	0.000	0.000	0.000	0.000	0.000
Kirkliston/West Edinburgh Secondary Provision	60.000	0.000	0.000	0.000	3.375	24.567	29.200	2.859	0.000	0.000	0.000
Gilmerton Station Road Primary School	19.200	0.000	0.000	0.000	0.000	0.000	1.080	7.861	9.344	0.915	0.000
Granton Waterfront Primary School	19.200	0.000	0.000	0.000	1.123	8.176	9.718	0.183	0.000	0.000	0.000
East of Milburn Tower Primary School	19.200	0.000	0.000	0.000	0.000	0.000	1.168	8.503	9.529	0.000	0.000
Less: adjustment to assumed developers contributions	-58.709	-0.362	-9.097	-1.259	-4.092	-11.998	-18.441	-14.257	0.796	0.000	0.000
	88.063	**0.661**	**-1.538**	**9.331**	**10.406**	**20.745**	**22.724**	**5.150**	**19.669**	**0.915**	**0.000**
Balerno High School											
Cost of School Replacement	69.200	0.000	0.000	0.000	2.371	2.466	36.996	25.888	1.479	0.000	0.000
Less: cost of full renovation and retrofit	-34.600	0.000	0.000	0.000	-1.185	-1.233	-18.498	-12.944	-0.740	0.000	0.000
	34.600	**0.000**	**0.000**	**0.000**	**1.185**	**1.233**	**18.498**	**12.944**	**0.740**	**0.000**	**0.000**
Savings to Address North Bridge Pressure											
Reduction to Carriageways and Footways Allocation	12.000	1.500	1.500	1.500	1.500	1.500	1.500	1.500	1.500	0.000	0.000
	12.000	**1.500**	**1.500**	**1.500**	**1.500**	**1.500**	**1.500**	**1.500**	**1.500**	**0.000**	**0.000**
Total Proposed Savings	**134.663**	**2.161**	**-0.038**	**10.831**	**13.091**	**23.478**	**42.722**	**19.594**	**21.909**	**0.915**	**0.000**

Appendix 4 - Climate assessment of local authority budgets – I4CE methodology - Details on the methodology for the assessment of construction projects

Construction of new buildings:

Investments made for the construction of new buildings are to be evaluated with regard to three criteria:

- energy-carbon performance of the construction in relation to the standard in force;
- land use change or soil artificialisation (the construction should not waterproof the soil or change the use of agricultural, forest or natural land);
- access to essential services

A building that respects the regulatory energy and carbon performance thresholds **and** does not lead to land use change will be classified as "favourable under conditions". If one of the two criteria is not met, 100% of the expenditure is classified as "unfavourable".

If the targeted energy and carbon performance goes beyond the current standard, the estimated costs related to achieving this performance can be classified as "very favourable", the rest being classified as " favourable under conditions " or "unfavourable" depending on whether or not the construction contributes to soil artificialization.

<u>Land use change</u>

The construction of new buildings increases the surface area to be heated and the heating and transportation infrastructure needs, contributes to urban transportation, urban sprawl and requires the manufacture and use of emitting materials such as cement. In fact, apart from the impact on carbon sinks and the emissions linked to induced mobility, most of the carbon footprint of an energy-efficient building is linked to the construction and demolition phases (which represent between represent between 60 and 90% of the total carbon footprint over a 50-year - CEREMA, 2021). It is therefore necessary to use less emitting construction methods by using low-carbon materials and decarbonizing the industrial sectors.

As far as land use change is concerned, carbon emissions are generated due to the removal of carbon sinks (notably grasslands).

The artificialization generated by construction would represent 8% of the sector's emissions (FNTP, 2021). According to CEREMA (2020), the fight against artificialization can be achieved through:

- densification, without loss of quality of life for the residents;

- the use of vacant spaces (derelict land or vacant housing);

- and finally, rewilding

The question of the location of new construction, and the travel required to access essential services, is also to be considered. Enabling access to essential services without having to use a private car reduces transport emissions, and densifies neighbourhoods, reducing soil artificialisation (C40 Knowledge Hub, 2020).

The table below sets out how assessment against each of the 3 criteria informs the overall climate assessment.

	Housing, public and commercial buildings								One of these criteria is unknown	The construction is linked with a fossil fuel activity (e.g. refinery)
1) Energy performance vs Buildings Standards	Beyond Buildings Standards (minimum 10% reduction vs Buildings Standards)				Compliant with Buildings Standards					
2) Land use change / soils artificialisation : Is the construction built on green field?	No	Yes	No	Yes	No	Yes	No	Yes		
3) 20-minute neighbour-hood: Are essential services easily accessible?	Yes	Yes	No	No	Yes	Yes	No	No		
Spend assessment	very favourable : extra cost versus building standards / Favourable under conditions: rest of the spend	very favourable: extra cost versus building standards / Unfavourable : rest of the spend	very favourable: extra cost versus building standards / Unfavourable : rest of the spend	very favourable: extra cost versus building standards / Unfavourable : rest of the spend	Favourable under conditions: 100% of the spend	Unfavourable : 100% of the spend	Unfavourable : 100% of the spend	Unfavourable : 100% of the spend	Undefined : 100% of the spend	Unfavourable : 100% of the spend

Buildings retrofit:

The renovation of buildings that are not specifically focussing on thermal improvements does not lead to a sufficient reduction in emissions to achieve the building's emission reduction target. Therefore, a "non-energy efficient" renovation is considered "neutral".

"Energy efficient retrofit" corresponds to work involving energy items such as heating, hot water, ventilation, insulation, carpentry. The costs related to thermal renovations leading to complete and efficient renovations are classified as "very favourable". The rest of the expenditure is considered as covering costs not related to "energy performance" and is therefore classified as "neutral". The costs related to biosourced materials are considered as "very favourable".

If the energy or carbon performance renovation allows for a reduction in the building's energy consumption or greenhouse gas (GHG) emissions of the building, but without a jump in class in the Energy Performance Certificate or where the reduction in consumption is less than 30%, then the expenditure is classified as "neutral".

It would also be relevant to identify "missed opportunities", i.e. renovations that renovate one or more energy-related items but without any intention of improving energy performance. For example, a facade renovation without taking advantage of it to better insulate the building.

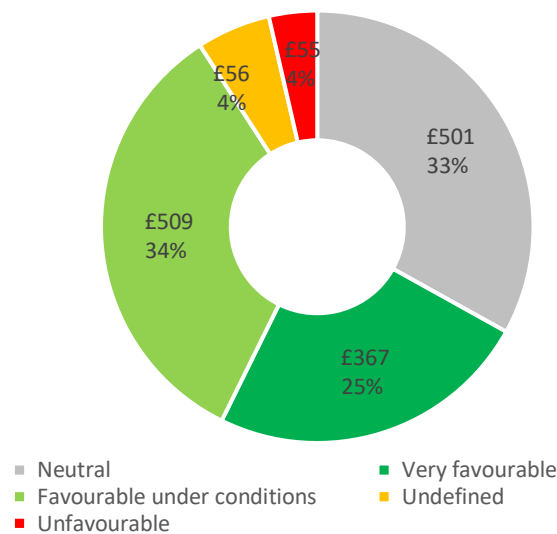# Appendix 5 - Climate assessment of local authority budgets – I4CE methodology – Key findings

Figure 1: Climate assessment of the Capital Budget Book, total expenditure for 2023-2033. Figures in million pounds (£m)

Top "very favourable" spends:

Project	Cumulated spend (£m) 2023-33	% of total	Justification
Carriageway / Footway Works	£115m	8%	Encourages active travel. Note significant additional money is being spent on active travel through Sustrans funding – not captured here
Road safety and active travel projects	£84m	6%	Includes 20 mph speed limiting, walking projects, cycle projects, George Street project, LEZ development etc.
EnerPHit	£61m	4%	Deep energy retrofit of 10-12 Council buildings

Top "unfavourable" spends:

Project	Cumulated spend (£m) 2023-33	% of total	Justification
LDP schools – new builds	£46m	3%	Includes New Brunstane/Newcraighall Primary School and Maybury Primary School. Although designed to be built beyond building regulations to achieve excellent levels of energy efficiency, 88% of the spend has been classified as 'unfavourable' due to the fact that they are generating 'soil sealing' (cf Appendix 4). Note: Decisions for the location of these schools have been made several years ago.
Fleet replacement	£6m	<1%	Provisions to procure over a hundred diesel vehicles in the next few years, including to purchase 15x 26T diesel bin lorries (on top of the 5 electric ones funded by ZWS). This will lock in future emissions.

Broomhills/Frogston Primary School	£3m	<1%	New school not exceeding building regulations in terms of energy performance and risk of creating soil sealing

Capital Budget Funding Assumptions – 2023-33

Element	£m	Key Assumptions	Date of Latest Update	Date for Next Review
General Capital Grant	398.130	Grant based on Local Government Finance Circular No. 11/2022 issued in December 2022, setting out general capital grant for 2023/24. This provides Core General Capital Grant - £37.945m Free School Meals - £4.917m Pay Award - £9.709m The level of core grant is estimated to continue at this level for each year of the ten-year programme, but the school meal and pay award funding is only for 22/23 (already received) and 23/24. In addition, funding for play park renewal is assumed as follows, based on letter issued by Scottish Government in August 2020 2023/24 - £0.811m 2023/24 - £1.216m 2024/25 - £2.027m	Dec 22	Feb 23 when SG budget confirmed
Specific Capital Grants	306.117	Grant based on Local Government Finance Circular No. 11/2022 issued in December 2022, setting out general grant for 2023/24. This provides TMDF (Affordable Housing) - £27.950m Cycling, Walking and Safer Routes - £2.299m The level of grant is estimated to continue at this level for each year of the ten-year programme. In addition, a further £1.209m per annum is assumed from the Place Based Investment Programme for the first three years of the programme.	Dec 22	Feb 23 SG budget confirmed
Asset Sales	35.000	Estimate provided by Head of Estates - December 2022 23/24 £7m 24/25 £4m Future years will depend on the evolving asset management strategy - £3m per annum is assumed based on historic receipt levels.	Dec 22	Dec 23

Element	£m	Key Assumptions	Date of Latest Update	Date for Next Review
Capital Fund	27.650	The capital fund contains the proceeds of previous years' asset sales. The balance currently stands at £42.531m. Of this £27.733m has been allocated to fund the capital programme and LDP infrastructure based on previous Council decisions. It is assumed that £27.650m is available to fund the capital programme as a small element may be required to fund feasibility work (revenue).	Dec 22	Dec 23
Developers Contributions	6.369	Developers contributions are based on the level of receipts collected from developers for projects within the programme. This level will be reviewed as S75 agreed with developers.	Dec 22	Sept 23
Loans Fund Advances - General	494.037	Borrowing assumptions and cash flow reviewed against revenue budget framework to ensure affordability.	Dec 22	Feb 23 revenue budget confirmed
Loans Fund Advances – Outcome-based funding	(included in general figure above)	Learning Estate Investment Programme (LEIP) – £19.0m has been assumed for Currie High School, based on the most recently received funding letter and prorated amounts have been assumed for Liberton and Westhailes, based on the sizes of the proposed schools. Enerphit - £10m has been assumed based on the business case for the programme.	Dec 22	Feb 23 Phase 3 of LEIP to be confirmed shortly
Loans Fund Advances – Prudential	32.652m	This is based on approved business cases for Fleet Replacement, Depots Review and ICT programmes. It also includes the £5m loan to the Festival City Theatres Trust for the refurbishment of the King's Theatre.	Dec 22	Sept 23
Loans Fund Advances – On Lending	182.515	Funding matches expenditure – fully funded business case	Dec 22	Sept 23
Loans Fund Advances – Tram to Newhaven	1.755	Funding matches expenditure – fully funded business case	Dec 22	Sept 23
Slippage	10.502	Based on previous outturn positions, it is assumed that the February budget position will slip by at least 10%. This allows us to gain a truer picture of the underlying need to borrow to finance the capital programme. It is assumed that roughly half of the slipped expenditure will fall into the year immediately following the original planned budget and the remainder into the year after.	Dec 22	Sept 23

Governance, Risk and Best Value Committee

10.00am, Tuesday 14 March 2023

Accounts Commission: Local Government in Scotland – Financial Bulletin 2021/22 – referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

1.1 The Finance and Resources Committee has referred a report on Accounts Commission: Local Government in Scotland – Financial Bulletin 2021/22 to the Governance, Risk and Best Value Committee for scrutiny as part of its work programme.

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Taylor Ward, Assistant Committee Officer
Legal and Assurance Division, Corporate Services Directorate
Email: taylor.ward@edinburgh.gov.uk

Referral Report

Accounts Commission: Local Government in Scotland – Financial Bulletin 2021/22

2.   Terms of Referral

2.1   On 7 February 2023, the Finance and Resources Committee considered a report on Accounts Commission: Local Government in Scotland – Financial Bulletin 2021/22, which provided a summary of the main issues and themes identified within the Accounts Commission's recently published *Financial Bulletin 2021/22* and how these related to the local context within Edinburgh.

2.2   The Finance and Resources Committee agreed:

2.2.1   To note the report.

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

3.   Background Reading

3.1   [Finance and Resources Committee – 7 February 2023 - Webcast](#)

3.2   Minute of the Finance and Resources Committee – 7 February 2023

4.   Appendices

4.1   Appendix 1 – report by the Interim Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Tuesday, 7 February 2023

Accounts Commission: Local Government in Scotland – Financial Bulletin 2021/22

Executive/routine
Wards
Council Commitments

1. Recommendations

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

1.1.1 note the contents of the report; and

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

Richard Carr

Interim Executive Director of Corporate Services

Contact: Hugh Dunn, Service Director: Finance and Procurement,

Finance and Procurement Division, Corporate Services Directorate

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

Report

Accounts Commission: Local Government in Scotland – Financial Bulletin 2021/22

2. Executive Summary

2.1 The report provides a summary of the main issues and themes identified within the Accounts Commission's recently published *Financial Bulletin 2021/22* and how these relate to the local context within Edinburgh.

3. Background

3.1 On 12 January 2023, the Accounts Commission published its annual *Financial Bulletin* report. The report is an independent high-level analysis of the financial performance of councils during the preceding year (2021/22), their financial standing entering 2022/23 and associated longer-term financial outlook.

3.2 As in previous years, the overview will be complemented by the publication of the *Performance Overview* report in May 2023. Both reports are, however, again specifically couched within the context of the pandemic, with the Financial Bulletin including coverage and analysis of its full-year financial impacts and the Performance Overview expected to consider councils' responses to, and recovery from, COVID-19 amidst a wider range of financial and performance challenges.

3.3 The report's contents and main conclusions are primarily drawn from councils' audited accounts and associated external audit reports, supplemented by a separate data request issued in October 2022 to which the Council responded.

4. Main report

Overview of report and key messages

4.1 The report's format largely follows that adopted in previous years, with respective sections on income, financial standing and performance and financial outlook. A series of key messages is also set out on pages 3 and 4 of the report, drawing specific attention to the following:

(i) Despite additional COVID-19 funding, councils continued to face significant financial challenges during 2021/22, requiring significant savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities;

(ii)   in 2021/22, councils' savings performance continued to improve and total usable reserves increased, which councils have used to contribute towards meeting budget gaps arising from service demand and budget pressures;

(iii)   in 2021/22, Scottish Government revenue funding to councils increased by 5.3% in real terms[1]. This represented the first real-terms increase on the 2013/14 revenue funding position since 2015/16 (excluding one-off COVID-19 money). In 2021/22, revenue funding levels for local government and other parts of the Scottish Government budget (excluding COVID funding) have converged back to a level similar to eight years ago;

(iv)   an increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services. The report calculates this to be 23% of total revenue funding in 2021/22. Ring-fenced and directed funding helps support delivery of key Scottish Government policies but removes local discretion and flexibility over how these funds can be used by councils;

(v)   councils have noted that COVID-19 and inflationary costs are having an impact on capital projects. If these issues persist, they will present risks to councils' capital programmes which form a necessary component of modernising services to deliver improved outcomes for local communities;

(vi)   Councils face the most difficult budget-setting context seen for many years with the ongoing impacts of COVID-19, inflation and the cost of living crisis. They will need to continue to make recurring savings and also make increasingly difficult choices with their spending priorities, including, in some cases, potential service reductions; and

(vii)   two-thirds of councils intend to use reserves to help bridge the 2022/23 gap between anticipated expenditure and revenue (budget gap) of £0.4 billion but this reliance on non-recurring reserves is not sustainable in the medium to long term. Delivering recurring savings and reducing reliance on using reserves to fill budget gaps will be key to ensuring longer-term financial sustainability. This makes the case for a continued focus on service reform, based on strong engagement with communities, more important now than ever.

4.2   Given the report's Scotland-wide coverage, not all of its recommendations are of direct relevance to Edinburgh but much of the content nonetheless resonates with the Council's own circumstances.

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[1] This total includes sums with corresponding additional commitments, meaning that the underlying level of core revenue grant funding for Local Government increased by around 1%.

Specific references or areas of particular relevance to Edinburgh

4.3   **Paragraphs 7 to 10** and **Exhibit 1** indicate the broad composition of councils' funding and income over the period from 2019/20 to 2021/22. While differences across years are reflective of COVID-related disruption and/or business grant reliefs, in all cases, Edinburgh's balance of funding reflects relatively higher levels of Council Tax, Non-Domestic Rates and customer and client receipts, with a correspondingly reduced level of General Revenue Grant funding given the needs basis of the overall Local Government Finance Settlement. As with other councils across Scotland, an increasing proportion of this external grant funding is either formally ring-fenced or provided with the expectation it will be spent on specific services.

4.4   **Paragraph 11** details an overall improvement in in-year collection rates for Council Tax during 2021/22, such that rates broadly returned to pre-pandemic levels. This position was consistent with that in Edinburgh, where the in-year collection rate improved from 96.0% in 2020/21 to 96.8% in 2021/22, marginally below the 97.0% achieved in 2019/20. The in-year collection rate achieved continued to represent, by some margin, the highest of the four city authorities, maximising the availability of resources to support frontline service delivery.

4.5   **Paragraphs 17 to 20** provide a high-level overview of Scottish Government funding levels during the year, with the overall real-terms growth set out largely comprising additional sums, with related commitments, for education and health and social care. The Council's underlying like-for-like core grant funding settlement for 2021/22 showed an increase of 2% in cash terms.

4.6   **Exhibit 5** summarises councils' relative budget savings gaps at the time of budget-setting. Edinburgh's gap, at £31.1m, was broadly in line with the Scottish average of 3% of net expenditure. A savings programme to address this requirement on a recurring basis was developed and approved by Council in February 2022. Of these savings, 89% by value were then delivered as shown in **Exhibit 6**, continuing the improving trend of recent years and close to the Scotland-wide average of 94% noted in Paragraph 23.

4.7   While the position for 2022/23 will not be confirmed until May 2023, the level of savings delivery is expected to have continued the improving trend apparent in recent years, linked to the putting in place of more robust scrutiny at the savings inception, implementation and delivery stages. It should be acknowledged, however, that the majority of these approved savings in 2022/23 are of a corporate nature, meaning that sustaining these levels of delivery will become more challenging when a greater proportion requires to come from frontline services.

4.8   In common with the majority of other councils, as shown in **Exhibit 7** the Council's level of reserves increased in 2021/22. As of 31 March 2022, the General Fund reserves had increased to £257.205m, a movement of £36.172m from the preceding year. This sum reflected the net in-year application of COVID-related funds of £14.518m, offset by increases in sums set aside for specific investments of £31.680m and various, primarily statutory, other funds (including the Council Tax

Discount Fund, Devolved School Management Fund and the Council's General Fund) of £19.010m.

4.9   Of these total usable reserves, around a third were COVID-related and earmarked to support specific initiatives or offset continuing income shortfalls, or additional expenditure, assumed within the budget framework. The revenue budget update report elsewhere on today's agenda assumes full application of these COVID-related sums over the period to 2026/27.

4.10   **Paragraphs 28 to 32** consider the in-year impact of the pandemic and inflationary pressures on councils' capital programmes. While the actual level of capital expenditure reported was also a product of year-on-year variation in planned spend, the Council's gross capital expenditure in 2021/22 was 30% higher than in 2020/21, primarily due to a gradual resumption of relevant projects following the pandemic. Significant delays were nonetheless experienced due to the scarcity of key construction materials and staff taking time to return from furlough, as well as the new standard operating practices on-site reducing productivity leading to elongation of the capital programme While some of this slippage is expected to have been naturally occurring, the majority was COVID related, with the lost time gradually recovered across the programme as a whole.

4.11   **Paragraphs 33 and 34** provide an overview of councils' debt levels during the year, noting a slight increase across Scotland as a whole. Edinburgh's own debt levels mirrored this position, with a year-on-year increase of 0.2%. Full related provision for financing charges is, however, included in the revenue budget framework and the actual level of external debt is lower than the Capital Financing Requirement (CFR) as the Council has adopted a position of under-borrowing, as set out in the Treasury Strategy.

4.12   **Paragraphs 35 to 39** contain an overview of in-year investment returns for Scotland's Local Government Pension Funds.

4.13   The remaining section of the Audit Scotland report looks at **councils' financial standing and outlooks as of the time of setting 2022/23 budgets** in February 2022. The Council undertook a comprehensive realignment of its reserves policy as part of setting the 2021/22 budget, almost doubling the size of its unallocated general reserve and reprioritising a number of other existing earmarked reserves in recognition of the on-going expenditure and income impacts of the pandemic. The 2022/23 budget was set against this backdrop.

4.14   A five-year timeframe was also adopted with regard to revenue budget-setting, albeit with significant gaps remaining in later years of the framework. The planning assumptions underpinning future years' funding gaps are subject to on-going review and an assessment of the implications of the Scottish Government's recently announced Budget for 2023/24 is included elsewhere on today's agenda.

4.15   In general terms, however, the Council continues to face significant financial pressures resulting from increased demand for services, inflation and legislative reform, as well as the on-going financial impacts of the pandemic. These factors are set against a backdrop of core grant funding (accounting for around three quarters

of the Council's overall income) that is not increasing. While opportunities for efficiencies will be examined in the first instance, members will therefore likely need to make increasingly difficult choices about the Council's priorities, including considering service reductions, across all service areas to maintain expenditure in line with available income.

4.16 **Paragraphs 43 to 47** summarise the main elements of the Scottish Government's Resource Spending Review announced in May 2022, with an essentially unchanged planning allocation for local government over the period from 2023/24 to 2026/27. While each year's budget is subject to separate annual Parliamentary consideration, the overall funding allocations for Local Government, when account is taken of funding for new or expanded commitments, are consistent with this baseline assumption.

4.17 The remaining paragraphs of the report summarise the background to councils' budget-setting processes for 2022/23. Edinburgh's budget gap was slightly lower than the Scottish average, with around a third of this requirement addressed through a 3% increase in Council Tax rates and the remainder through the identification of recurring savings, the majority of which were in corporate budgets.

5.   Next Steps

5.1 Publication of the Financial Bulletin will be complemented by the issuing of the *Performance Overview* report in May 2023 and a subsequent report will therefore be brought forward to both the Finance and Resources and Governance, Risk and Best Value Committees.

6.   Financial impact

6.1 There is no direct impact arising from the report's contents but the report reminds officers and members of the importance of a number of aspects of sound financial management in underpinning longer-term sustainability.

7.   Stakeholder/Community Impact

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

8.   Background reading/external references

8.1 [Revenue Budget 2021/22: outturn report](), Finance and Resources Committee, 8 September 2022

8.2 [City of Edinburgh Council – 2021/22 Annual Audit Report to the Council and the Controller of Audit](), Finance and Resources Committee, 10 November 2022

9.   Appendices

One – Local Government in Scotland – Financial Bulletin 2021/22

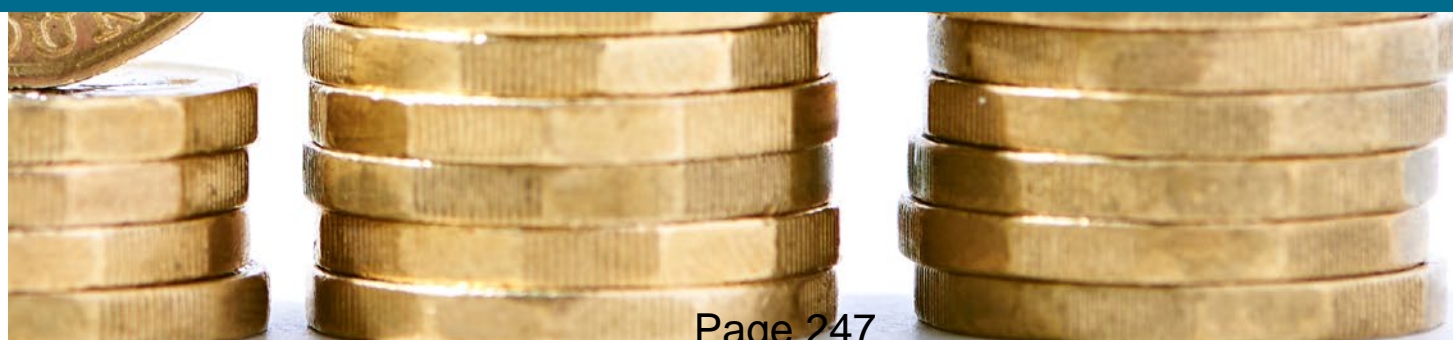# Local government in Scotland

Financial bulletin 2021/22

ACCOUNTS COMMISSION

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Audit team

The core audit team consisted of: Blyth Deans, Adam Bullough, Chris Lewis and Martin Allan under the direction of Carol Calder.

Key messages

Local government finances for 2021/22

1 Despite additional Covid-19 funding, councils continued to face significant financial challenges during 2021/22, requiring significant savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities.

2 In 2021/22, councils' savings performance continued to improve and total usable reserves increased, which councils have used to contribute towards meeting budget gaps arising from service demand and budget pressures.

3 In 2021/22, Scottish Government revenue funding to councils increased by 5.3 per cent in real terms. This represented the first real-terms increase on the 2013/14 revenue funding position since 2015/16 (excluding one-off Covid-19 money). In 2021/22, revenue funding levels for local government and other parts of the Scottish Government budget (excluding Covid-19 funding) have converged back to a level similar to eight years ago.

4 An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services. We calculate this to be 23 per cent of total revenue funding in 2021/22. Ring-fenced and directed funding helps support delivery of key Scottish Government policies but removes local discretion and flexibility over how these funds can be used by councils.

5 Councils have noted that Covid-19 and inflationary costs are having an impact on capital projects. If these issues persist, they will present risks to councils' capital programmes which form a necessary component of modernising services to deliver improved outcomes for local communities.

Outlook for local government finances

6 Councils face the most difficult budget-setting context seen for many years with the ongoing impacts of Covid-19, inflation and the cost of living crisis. They will need to continue to make recurring savings and also make increasingly difficult choices with their spending priorities, including, in some cases, potential service reductions.

7 Two-thirds of councils intend to use reserves to help bridge the 2022/23 gap between anticipated expenditure and revenue (budget gap) of £0.4 billion but this reliance on non-recurring reserves is not sustainable in the medium to long term. Delivering recurring savings and reducing reliance on using reserves to fill budget gaps will be key to ensuring longer-term financial sustainability. This makes the case for a continued focus on service reform, based on strong engagement with communities, more important now than ever.

About this report

1. This bulletin provides a high-level independent analysis of the financial performance of councils during 2021/22 and their financial position at the end of that year. It also sets out some of the longer-term financial challenges facing councils in the context of the Scottish Government's Resource Spending Review and the cost of living crisis.

2. The Accounts Commission's wider local government overview report will be published in May 2023 and will include further analysis of the financial information presented in this bulletin along with wider commentary on the financial and performance challenges facing local government.

3. Our primary sources of information for the financial bulletin are councils' 2021/22 audited accounts, including management commentaries and the 2021/22 external annual audit reports, where available. We have supplemented this with data collected as part of a data set request issued to local auditors in October 2022.

4. The Covid-19 pandemic has again created challenges that have affected the preparation of this report. The rescheduling of audit timetables meant that audited accounts did not require certification until 30 November 2022. Ten sets of accounts were certified by the revised deadline, with a further 16 signed off thereafter. As at 20 December 2022, five councils' accounts are still to be certified; therefore, analysis in this report is based on 27 sets of audited accounts and five sets of unaudited accounts.

5. We refer to 'real-terms' changes in this bulletin. This means that we are showing financial information from past and future years at 2021/22 prices, adjusted for inflation so that they are comparable. To make that comparison we use gross domestic product (GDP) deflators to adjust for inflation, which are published quarterly by HM Treasury. GDP deflators are the standard approach adopted by both the UK and Scottish governments when analysing public expenditure. As a result of the way that GDP is calculated, Covid-19 resulted in volatility across 2020/21 and 2021/22. To compensate for this, and to provide meaningful comparisons between years, we have used an average GDP growth rate across 2020/21 and 2021/22 in our calculations to separate inflation (changes in prices) from changes in outputs and those largely attributable to Covid-19 spending.

6. We also refer to figures in 'cash terms' in this bulletin. When we use this term it means that we are showing the actual cash or money paid or received.

1. Councils' financial summary 2021/22

Total revenue funding and income

7. Total revenue funding and income to councils was £20.3 billion in 2021/22, a £0.3 billion (or one per cent) decrease on the previous year in real terms (one per cent increase in cash terms) . The majority (55 per cent) of this funding comes from the Scottish Government, with the remaining balance from other sources, see Exhibit 1 for a full breakdown.

8. Councils have received a range of new and additional funding amounting to £1.3 billion in 2020/21 and £0.5 billion in 2021/22 to support them in dealing with the financial impacts of the Covid-19 pandemic. This additional Covid-19 funding has decreased as a proportion of overall council funding as the pandemic has progressed, from six per cent of total funding received in 2020/21 to three per cent in 2021/22.

9. The Scottish Government also provided councils with £90 million to allow them to freeze council tax levels in 2021/22.

10. Excluding Covid-19 related funding, revenue funding and income saw a £0.5 billion (or three per cent) real-terms increase in 2021/22 on the previous year, from £19.3 billion to £19.8 billion.

The average Council Tax collection rate across Scotland increased during 2021/22. It is now more in line with pre pandemic levels

11. The in-year collection rate (for 2021/22 charges) increased from an average of 94.8 per cent in 2020/21 to 95.7 per cent, which is broadly in line with pre-pandemic collection rates (95.8 per cent in 2019/20). Collection rates rose across all councils apart from Midlothian which remained static and Orkney which fell by 2.5 per cent. The total amount of council tax billed, taking account of council tax reductions, was £2.7 billion. Of this total, £2.6 billion was collected by 31 March 2022.

> Revenue funding and income saw a 3 per cent real terms increase in 2021/22, once Covid-19 related funding is excluded

Exhibit 1.

Sources of funding and income 2019/20 and 2021/22

Total revenue funding and income to councils was £20.3 billion in 2021/22, a £0.3 billion (or one per cent) decrease on the previous year in real terms (one per cent increase in cash terms).

2019/20	2020/21	2021/22		
11%	9%	7%		Customer and client receipts
7%	7%	7%		Housing Revenue Account rents
13%	13%	13%		Council tax
15%	9%	10%		Non-domestic rates
16%	16%	18%		Grants including Scottish Government and other sources
38%	40%	42%		GRG baseline
0%	6%	3%		GRG Covid-19 funding
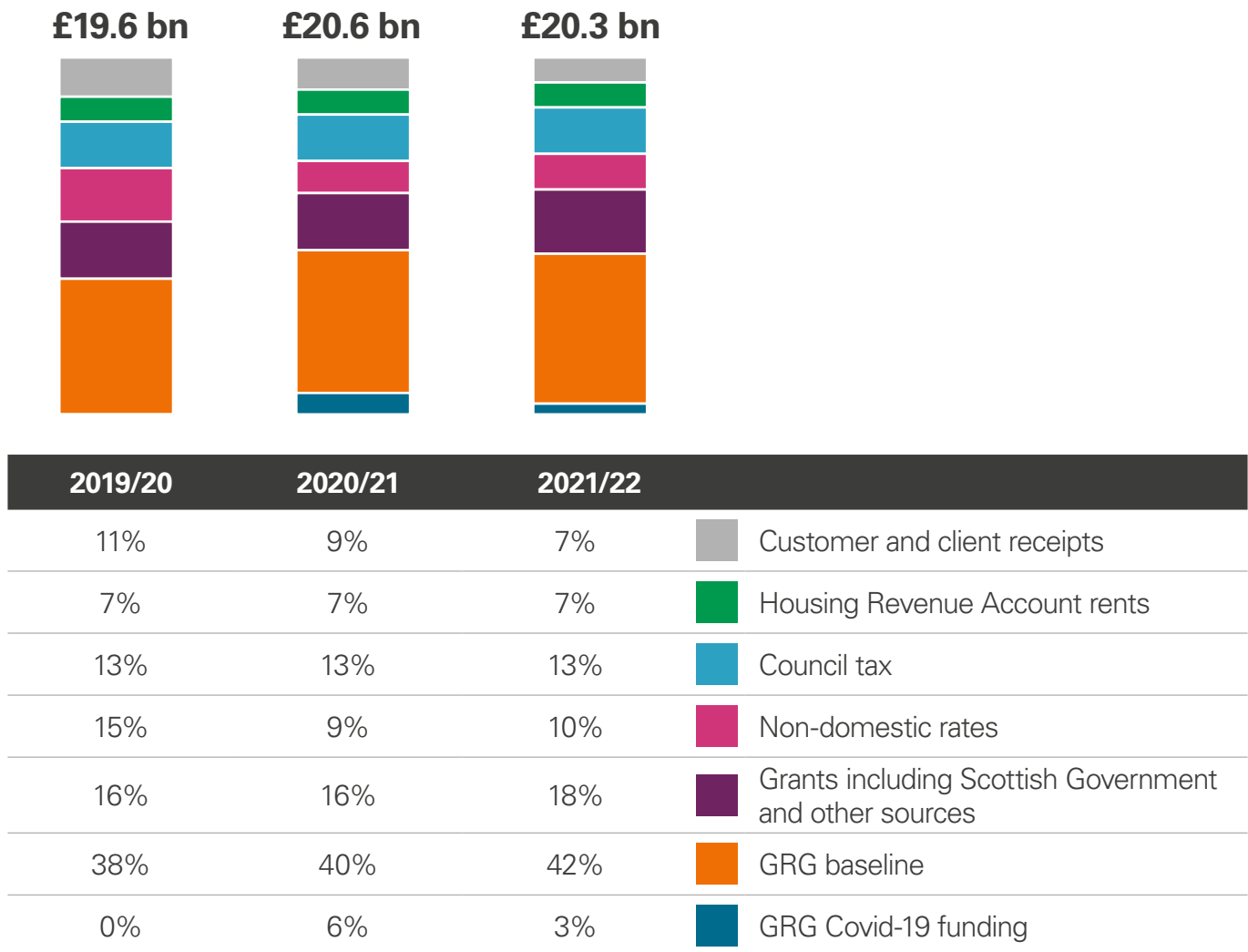
Source: Audited financial statements 2019/20, 2020/21 and 2021/22

Scottish Government funding

12. In 2021/22 councils received total revenue funding of £12.1 billion from the Scottish Government. This consisted of General Revenue Grant funding of £8.7 billion; Non-Domestic Rates distribution (NDR) of £2.1 billion, specific grants of £0.8 billion and non-recurring Covid-19 funding of £0.5 billion. Total revenue funding to councils from the Scottish Government increased by 1.1 per cent in cash terms and decreased by 1.6 per cent in real terms in 2021/22 compared to the previous year (Exhibit 2, page 8).

Exhibit 2.
Changes in Scottish Government revenue funding in 2021/22
Scottish Government revenue funding fell by 1.6 per cent in real terms in 2021/22, although when non-recurring Covid-19 funding is taken out there is an increase of 5.3 per cent.

	2020/21 £ million	2021/22 £ million	Cash change %	Real terms change %
General revenue grant	8,099	8,682	7.2	4.4
Non-domestic rate income	1,868	2,090	11.9	8.9
Specific revenue grants	710	776	9.3	6.5
Non-recurring Covid-19 funding	1,254	515	-58.9	-60.0
Total revenue funding	**11,931**	**12,063**	**1.1**	**-1.6**
Total revenue excluding Covid-19	10,677	11,549	8.2	5.3

Source: Finance circulars and Scottish Government budget documents

13. When non-recurring Covid-19 funding is excluded, the increase in funding from the previous year is 8.2 per cent in cash terms and 5.3 per cent in real terms.

An increasing proportion of local government funding is now either formally ring-fenced or provided with the expectation it will be spent on specific services

14. Within the £12.1 billion Scottish Government revenue funding, an element is identified by the Scottish Government as specific revenue grants, set out in the annual settlement to councils. This ring-fenced funding, totalling £0.8 billion in 2021/22 (£0.7 billion in 2020/21), must be used to fund identified policies, such as:

- Early Learning and Childcare Expansion (£546 million)
- Pupil Equity Fund (£120 million)
- Criminal Justice Social Work (£86 million).

15. In addition to specific revenue grants, other funding is directed for national policy initiatives, though not formally ring-fenced, this funding is provided with the expectation that it will be spent on specific services.

16. Collectively, ring-fenced and directed funding totalled £2.7 billion, representing 23 per cent of total revenue funding (18 per cent in 2020/21). £1.61 billion of this was allocated at the start of the year with a further £1.04 billion allocated throughout the year through budget revisions (Exhibit 3, page 10). A large amount of this was to support elements of education and social care service provision.

2021/22 funding levels from the Scottish Government to local government (excluding Covid-19 funding) increased in real terms for the first time since 2015/16 and converged with other Scottish Government revenue funding

17. In previous overview reports, we have commented that Scottish Government funding to local government has not kept pace with relative increases in the levels of funding allocated to other parts of the Scottish Budget. Previous overview reports have also highlighted that for many years now councils have had to make efficiency savings, redesign services, and use reserves to meet budget gaps arising from service demand and budget pressures.

18. Revenue funding from Scottish Government to local government between 2013/14 and 2021/22 increased by 6.1 per cent (in real terms) whereas Scottish Government revenue funding to other parts of the Scottish Government budget increased by a significantly higher figure of 27.2 per cent over the same period. This, and previous differences in relative funding, has largely arisen as a result of Scottish Government policy to protect funding for the NHS.

19. Over the period 2013/14 to 2021/22, after two years of relatively static funding local government saw its real-terms revenue funding fall between 2015/16 and 2020/21 (excluding Covid-19 funding) with 2021/22 being the first year of real-terms growth (excluding Covid-19 funding) since 2015/16. In 2021/22 funding levels for local government and other parts of the Scottish Government budget (excluding Covid-19 funding) have converged back to a level similar to eight years ago.

20. The large increases in the Scottish budget in 2020/21 and 2021/22 were a result of Covid-related **Barnett consequentials**. Given these were exceptional sources of funding we have analysed the underlying Scottish Government and local government revenue funding position with Covid-19 funding excluded (Exhibit 4, page 11). Under this analysis, over the same period, Scottish Government revenue funding to local government increased by 1.6 per cent and Scottish Government revenue funding to other parts of the Scottish Government budget increased by 0.8 per cent.

Barnett consequentials

The Barnett formula is the way the UK Government ensures that a share of additional funding – allocated only to England – is provided fairly to Scotland, Wales, and Northern Ireland. The formula delivers a fixed percentage of additional funding allocated in England to services which are devolved. Each devolved administration can allocate these funds as it believes appropriate.

Exhibit 3.
Ring-fenced elements of Scottish Government revenue funding
The proportion of funding which is ring-fenced and directed or provided for specific services has increased, with around £1 billion allocated during the year in 2021/22.

Source	2020/21 £ million	2021/22 £ million
Specific Revenue Grant from finance circular	709.8	775.9
Measures outlined in initial circular narrative	606.3	347.4
Transfers from other portfolios in Scottish Budget	188.1	488.1
Redeterminations in further circulars	48.0	544.8
Transfers from other portfolios in Autumn budget revision	350.5	395.7
Transfers from other portfolios in Spring budget revision	42.9	104.0
Total ring-fenced/expected to be spent on specific services	**1,945.5**	**2,655.8**
Total revenue funding	10,667.8	11,549.0
Percentage ring-fenced/expected to be spent on specific services	**18.2%**	**23.0%**

Source: Scottish Local Government Finance Circulars and budget documents. Some elements of funding appear in circulars and Scottish Budget so have been removed to avoid double counting.

Exhibit 4.

A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas (including and excluding Covid-19 funding)

Revenue funding from Scottish Government to local government between 2013/14 and 2021/22 increased by 6.1 per cent when Covid-19 funding is included, and by 1.6 per cent when Covid-19 funding is excluded.
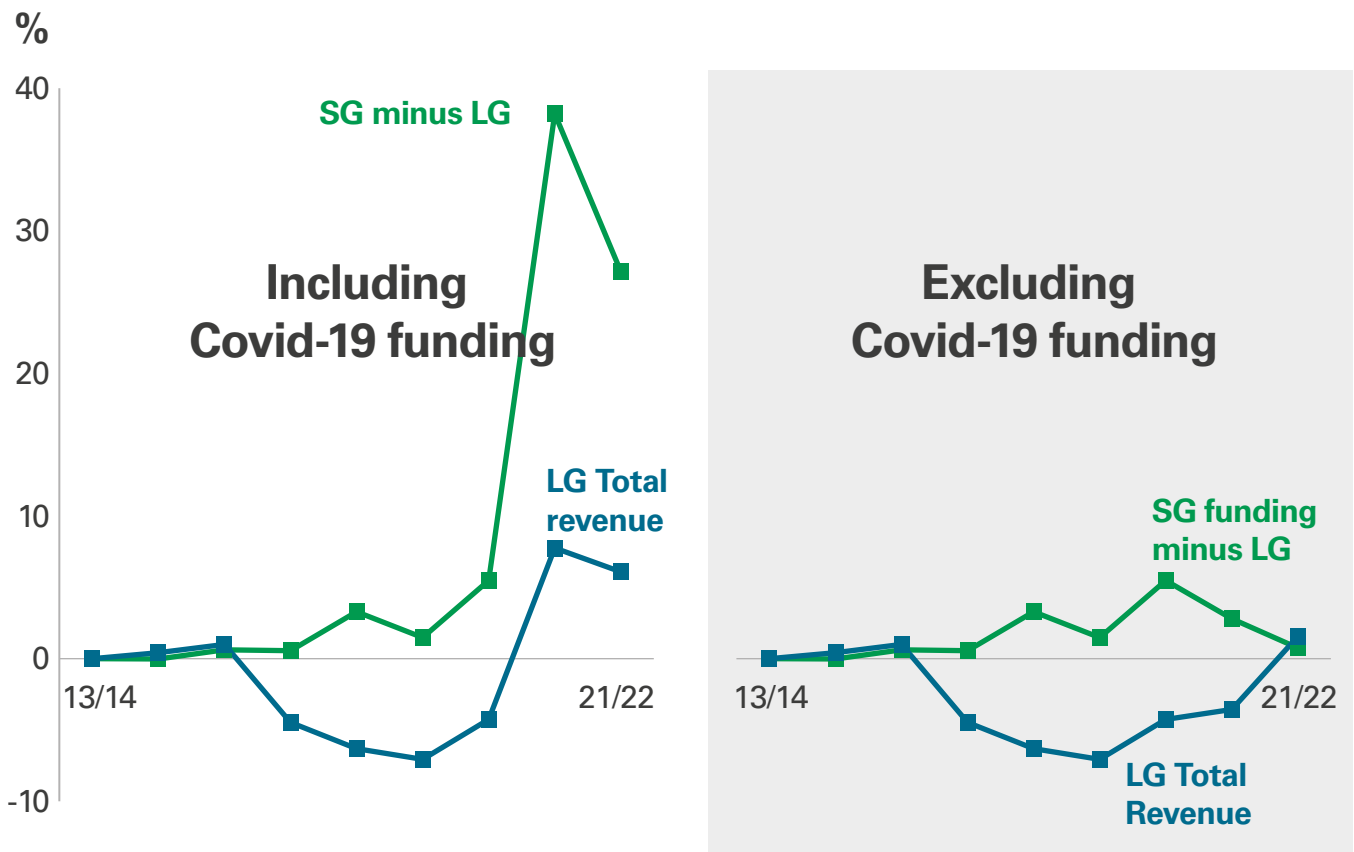
Source: Finance circulars and Scottish Government budget documents

Council budgets and outturn 2021/22

In 2021/22, budget gaps were largely consistent with previous years

21. In 2021/22, Scotland's 32 councils had a budgeted net expenditure of £15.2 billion. At the time of budgeting, councils identified **budget gaps** totalling £0.4 billion (three per cent), which was broadly consistent with the gap identified in the two previous years (£0.5 billion in 2020/21 and 2019/20). The budget gap at a council level varied between one per cent and 22 per cent (Exhibit 5, page 12).
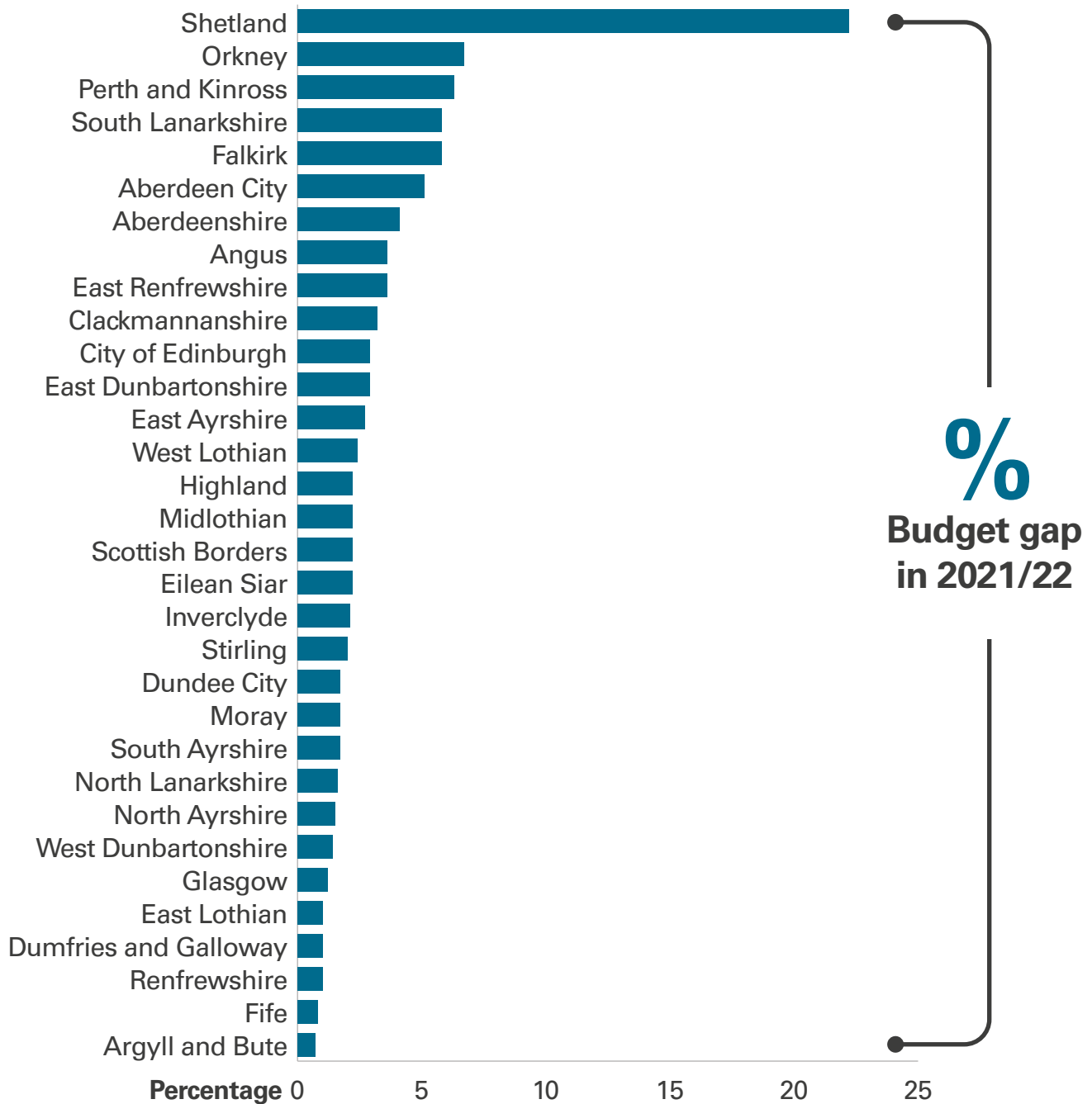
Budget gap

This describes the difference between anticipated expenditure and revenue at the time of setting the budget.

Exhibit 5.
Budget gap as a proportion of net cost of services for all 32 councils in 2021/22
The budget gap at a council level varied between one per cent and 22 per cent.

%
Budget gap in 2021/22

Source: Council budget papers, Auditor data return

22. Recurring savings were expected to contribute 37 per cent of the £0.4 billion budget gap in 2021/22 along with Scottish Government funding to allow councils to freeze council tax (20 per cent), use of reserves (17 per cent), non-recuring savings (eight per cent), financial flexibilities (four per cent) and a range of other specific actions (12 per cent).

Savings performance improved in comparison to previous years

23. Councils had set themselves savings targets totalling £0.2 billion in 2021/22. Ninety-four per cent of these savings were achieved (84 per cent in 2020/21), with 76 per cent on a recurring basis. Fourteen councils achieved their savings targets in full on a recurring basis, whereas five councils had over half of their savings being delivered on a non-recurring basis. Four councils had no savings targets in place for 2021/22 (Exhibit 6, page 14).

Total usable reserves increased by £0.3 billion to £4.1 billion in 2021/22

24. In 2021/22, almost three quarters of councils (23) reported an increase in usable reserves. This compares to all 32 councils reporting an increase in 2020/21, largely as a result of additional Covid-19 funding carried forward. Total usable reserves now stand at £4.1 billion, representing an increase of £0.3 billion (seven per cent) on the previous year. This compares to an increase of £1.2 billion in 2020/21 compared to 2019/20. Exhibit 7 (page 15) details the increase in councils' usable reserves during 2021/22.

25. General fund reserves, excluding Housing Revenue Account (HRA), have increased by £0.3 billion to £2.7 billion. The vast majority of this relates to increases in committed balances (that is reserves have been allocated for a specific purpose) which increased by £0.3 billion to £2.3 billion in 2021/22, and is more than half of the total usable reserves balance. Uncommitted reserves (money not earmarked for a specific purpose) have decreased from £0.5 billion in 2020/21 to £0.4 billion in 2021/22. These reserves are used to mitigate the financial impact of unforeseen circumstances. Exhibit 8 (page 16) shows the nature and value of usable reserves in 2021/22.

General fund reserves

This is the main revenue account which summarises the cost of all services provided by a council.

Councils have improved the way in which Covid-19 funds are disclosed in their accounts, but the level of detail varies

26. Elements of Covid-19 funding that have been carried forward in general committed and uncommitted reserves total £0.6 billion, 23 per cent of the total general fund balance. However, at a council level this varies between 49 per cent of the total general fund balance (Moray and West Lothian) to eight per cent (Dumfries and Galloway), (Exhibit 9, page 17).

Exhibit 6.
Councils' savings targets compared with savings achieved in 2021/22
Fourteen councils achieved their savings targets.

2021/22 savings target
Savings achieved

£ million
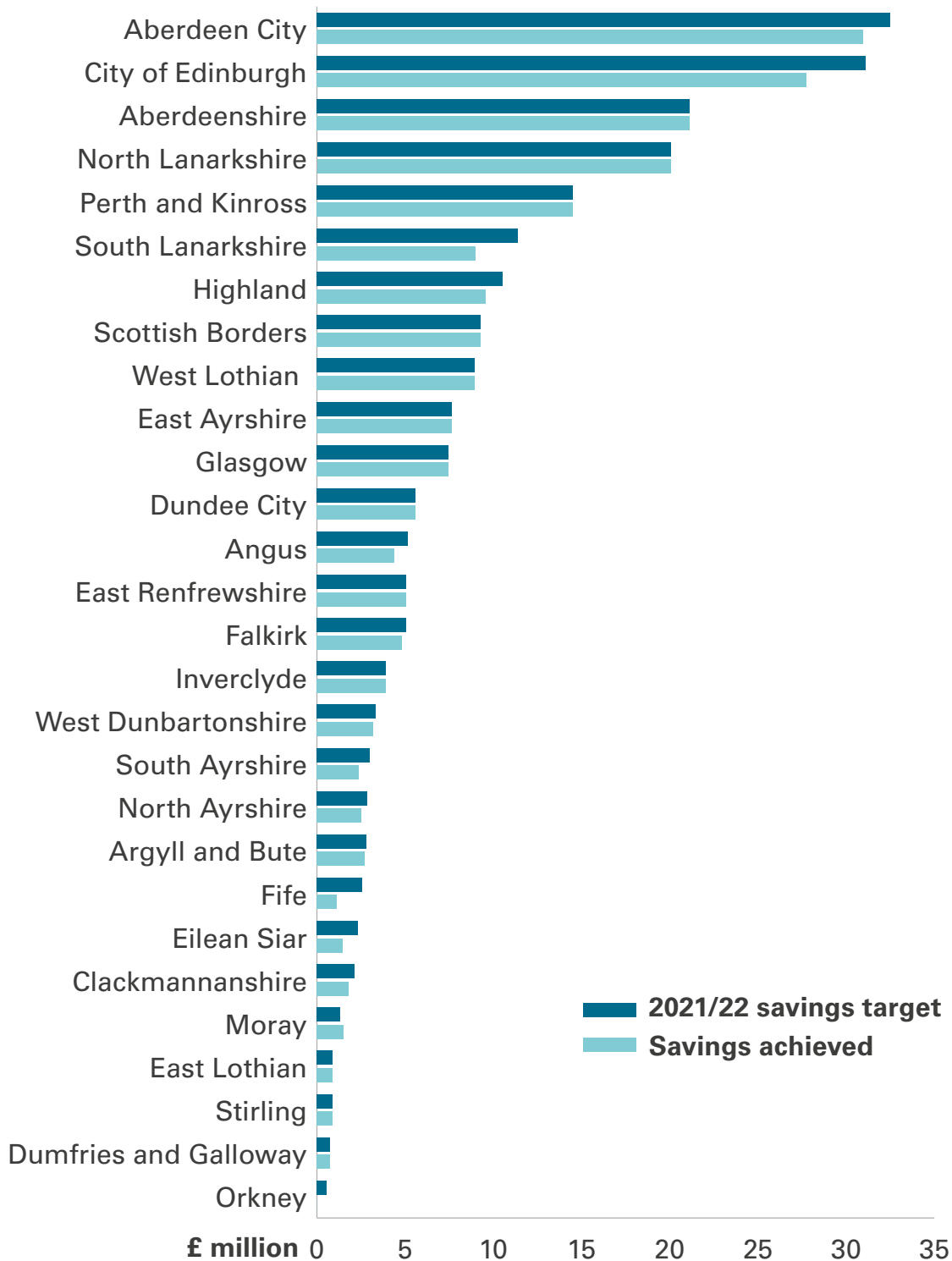
Note: Excludes East Dunbartonshire, Midlothian, Renfrewshire and Shetland due to not having savings targets in place for 2021/22.

Source: Audited financial statements 2021/22

Exhibit 7.
Changes in councils' usable reserves during 2021/22
Twenty-three councils increased their usable reserves.

23 councils increased their usable reserves

Chart categories (top to bottom): North Lanarkshire, City of Edinburgh, Fife, North Ayrshire, Dumfries and Galloway, Highland, Argyll and Bute, Renfrewshire, Scottish Borders, Aberdeenshire, Perth and Kinross, Dundee City, Falkirk, West Lothian, South Lanarkshire, Angus, Clackmannanshire, Eilean Siar, Moray, Orkney, East Lothian, East Ayrshire, Aberdeen City, Stirling, East Dunbartonshire, East Renfrewshire, South Ayrshire, Inverclyde, West Dunbartonshire, Shetland, Midlothian, Glasgow

x-axis: -60, -40, -20, 0, 20, 40, 60, 80 £ million

Source: Audited financial statements 2021/22

Exhibit 8.

The relative size and nature of councils' usable reserves

In 2021/22, usable reserves held by councils totalled £4.1 billion.

Councils' usable reserves
£4.1 billion

Capital
£0.6 billion

Used for future capital expenditure or to repay borrowing

Revenue
£3.5 billion

General fund (including HRA)
£2.9 billion

Other statutory reserves
£0.6 billion

Committed
£2.3 billion

Surpluses with identified future uses

Uncommitted
£0.4 billion

Surpluses with identified future uses – a contingency balance

HRA
£0.2 billion

Balance of housing surpluses, strictly part of general fund, but used to offset future HRA deficits or enable investment

Repairs and renewals
£0.2 billion

Used to fund future maintenance and repair of assets

Insurance
£0.1 billion

Manages self-insured losses by charges to services

Other usable reserves
£0.3 billion

Includes harbour funds at Orkney and Shetland

Source: Audited financial statements 2021/22

Exhibit 9.

Total Covid-19 reserves as a percentage of the total general fund balance for 2021/22

%

Covid-19 reserves as a percentage of the total general fund balance
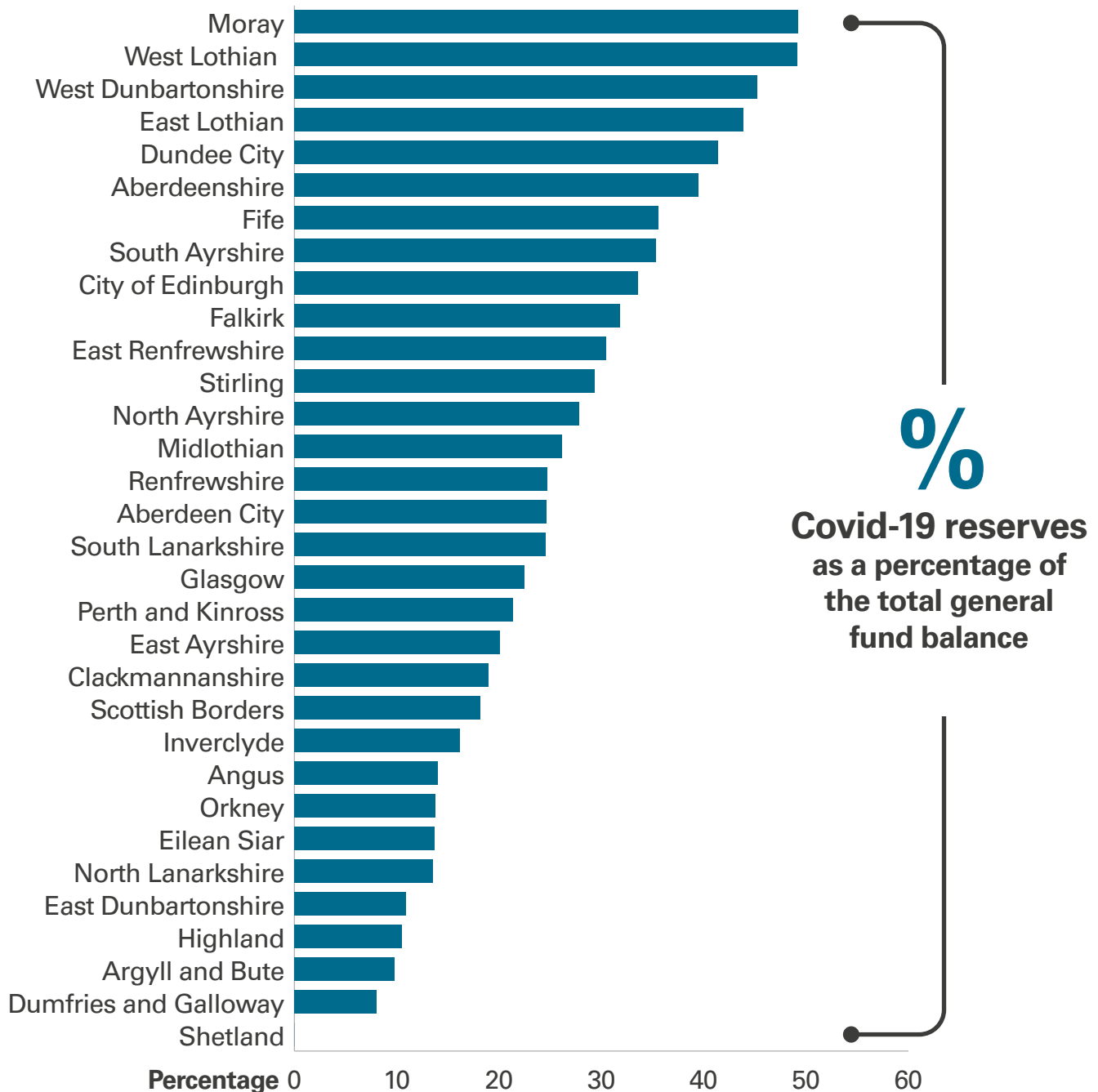
Note: Excludes Shetland as they do not have any Covid-19 related reserves carried forward.

Source: Audited financial statements 2021/22

27. In last year's Local government in Scotland: Financial overview 2020/21 we noted that within the general fund, councils' accounts had not always clearly identified the element arising from Covid-19 funding and recommended that elements of Covid-19 funding that are being carried forward into general reserves should be clearly identified. Councils have improved the way in which Covid-19 reserves are disclosed in their accounts. However, this varies, with nine councils only providing a single line narrative and the remaining councils providing varying levels of detail as to how the funds have been allocated (eg, education, housing, business support, mental health and equalities). Eilean Siar and Aberdeen City had the most detailed breakdowns.

Capital

Capital expenditure increased in 2021/22 though was still below the level in 2019/20

28. Capital spending across Scotland increased by £0.7 billion in 2021/22, from £2.4 billion in 2020/21 to £3.1 billion (Exhibit 10, page 19). Capital spending in 2019/20 was £3.6 billion.

29. Twenty-six councils (81 per cent) reported higher capital expenditure in 2021/22 than in 2020/21. Only six councils spent less on their capital programmes in 2021/22 than 2020/21.

30. The main sources of capital financing are still government grants. These were largely unchanged from 2020/21 (£1.1 billion in 2021/22 compared to £1.2 billion the previous year), however, the overall increase in capital expenditure means that an increasing amount is financed by borrowing.

Covid-19, inflationary costs and shortages in construction materials had an impact on capital projects

31. Auditors in councils reported slippage against capital projects and cited Covid-19, inflationary costs and shortages in construction materials as reasons for this. If these issues persist they will present risks to councils' capital programmes which are a necessary component of modernising services to deliver improved outcomes for local communities. There were some exceptions, for example in West Lothian where expenditure on capital was £141.3 million, an increase of £14.8 million against its original budget. Acceleration of £13.1 million for new developer-funded schools at Winchburgh was the most notable example.

Local government in Scotland: Financial overview 2020/21
Accounts Commission
March 2022

Capital spending across Scotland increased in 2020/21 to £3.1 billion

Exhibit 10.

Capital expenditure analysed by sources of finance 2017/18 to 2021/22

Capital expenditure increased in 2021/22 although an increasing proportion was funded through an increase in borrowing.

2017/18	2018/19	2019/20	2020/21	2021/22	
21%	21%	9%	14%	30%	An increase in borrowing
2%	3%	4%	4%	5%	Other contributions and Public Private Partnership (PPP)
5%	3%	17%	3%	2%	Capital receipts
11%	12%	8%	12%	11%	Capital Funded from Current Revenue (CFCR)
24%	23%	27%	20%	15%	Internal Loans fund repayments available to reinvest
37%	38%	35%	48%	37%	Government grants
2,687	**2,749**	**3,605**	**2,408**	**3,099**	**Total expenditure (£ million)**
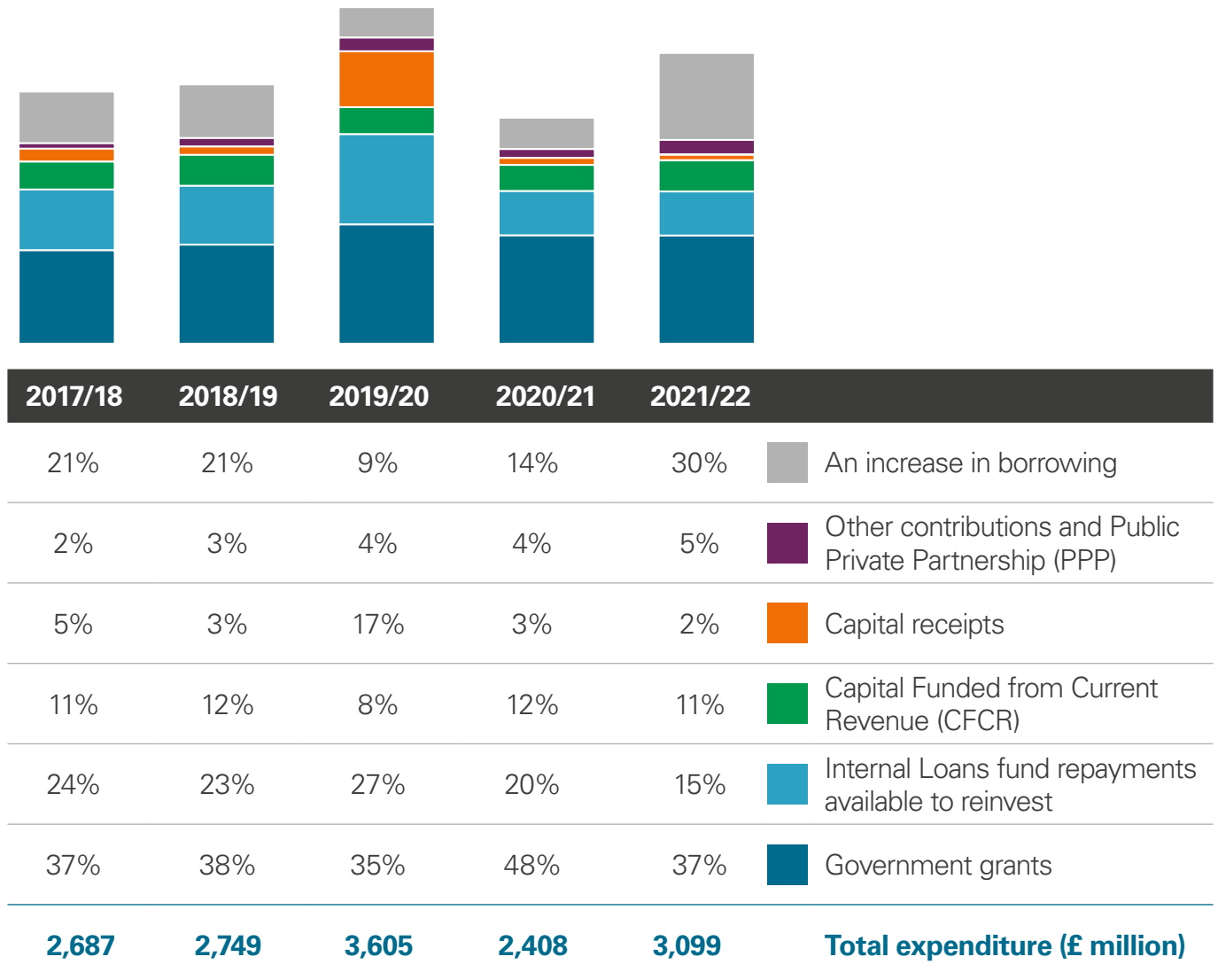
Source: Audited financial statements 2017/18 – 2021/22

Further information about how councils may borrow money to fund capital expenditure can be found at Local government borrowing: factsheet.

32. Slippage against capital projects was noted at some councils in 2021/22:

- **Dundee City Council:** Capital works costing £57 million were completed in 2021/22 against a budget of £117 million, representing slippage of 51 per cent. This was highlighted as a risk to the council delivering against strategic objectives.

- **East Dunbartonshire Council:** General services capital spending was £69 million compared with an initial budget of £96.3 million, which was subsequently revised downwards to £76.1 million for projects impacted by Covid-19. The main area of slippage was related to a new additional support needs school (£3.5 million) which has been rescheduled to 2022/23. Housing capital expenditure totalled £15.9 million against a revised budget of £17.5 million.

- **East Lothian Council:** The general services capital budget for 2021/22 was £97.7 million. A significant element of the £32.7 million underspend has been reprofiled to 2022/23. In addition to the issues and challenges arising from Covid-19, supply chain problems and the war in Ukraine were reported as having increased certain costs as well as the council's risk exposure for capital investment. The HRA capital budget for 2021/22 was £29.7 million. The overspend of £1.2 million reflects accelerated new build council housing, the costs of which have been partially offset by additional grant funding above the budgeted figure.

Net debt has increased by £0.2 billion since 2020/21

33. Total net debt (total debt less cash and investments) has increased across councils by £0.2 billion to £16.4 billion. Fifteen councils have increased their net debt in 2021/22. This compares to eight councils in 2020/21.

34. Councils' total debt has increased by £0.3 billion to £19 billion; this may be related to the increased need to borrow to fund capital expenditure, with 19 out of 32 councils having increased long-term borrowing from the previous year and 15 councils with increased short-term borrowing compared to the previous year.

Local government pension funds

2021/22 Pension Fund investment returns, although largely positive, were 62 per cent lower than in the previous year

35. Ten of the 11 main Scottish Local Government Pension Funds experienced positive investment returns in 2021/22. Orkney Islands Pension Fund recorded a loss on investment activity, representing 2.7 per cent of the net investment assets brought forward into 2021/22.

36. Although Pension Fund investment returns were largely positive, net returns on investments were 64 per cent lower than in 2020/21 (in cash terms). The net returns on investments, as a proportion of the brought forward net investment assets total, varied between a reduction of 2.7 per cent and an increase of 11 per cent in individual funds.

Scottish Pension Fund's funding positions have generally improved since the last triennial valuation

37. Scottish Pension Funds recorded a cumulative **funding level** of 104 per cent, ranging from 92 per cent to 118 per cent, per the triennial actuarial review figures as at 31 March 2020. At the time of this valuation, four of the 11 Scottish Local Government Pension Funds recorded liabilities as being greater than assets. Although four of the funds recorded liabilities in excess of assets, the 2020 position represented an improvement since the 2017 triennial valuation.

38. Auditors reported that the Covid-19 pandemic had a significant impact on Scottish Pension Fund's funding position and asset valuations, as indicated in the **triennial valuation** as at 31 March 2020. Auditors have indicated that since the valuation, asset values have largely recovered.

39. Preparation is under way for the next triennial valuation covering the period to 31 March 2023. Any changes to employer contributions as a result of the next valuation will not take effect until 2023/24.

Funding Level

This describes the pension fund assets as a proportion of the liabilities, arising from pension benefits payable.

Triennial valuation

Every three years an actuarial valuation is carried out to monitor the assets of the fund against the liabilities of the pension benefits payable.

2. Councils' financial outlook

Councils are having to deal with a number of significant financial challenges and will need to make some difficult decisions with their spending priorities

40. In last year's Local government in Scotland: Financial overview 2020/21 we noted that the longer-term funding position for councils remained uncertain, with significant challenges ahead as councils continued to manage and respond to the impact of Covid-19 on their services, finances and communities.

41. At a time when councils and their communities are still feeling the impact of the Covid-19 pandemic, councils are now having to deal with the cost of living crisis and inflationary pressures. Councils consistently identified short- and long-term cost pressures in their initial 2022/23 budget papers, including:

- pay inflation and living wage costs

- costs associated with Covid-19 recovery

- energy inflation

- non-pay inflation (including cost of materials, construction costs and contract inflation)

- demand for and price sensitivity of chargeable services and the related impact on income from fees and charges.

42. Common themes across management commentaries from councils unaudited accounts for 2021/22 are that councils continue to face significant financial challenges going forward and will need to deliver consistent recurring savings and use reserves to deal with the immediate and on-going financial impacts. They also note that elected members will need to make increasingly difficult choices, which could include having to consider service reductions. Further commentary and analysis on the future funding position of councils and the associated challenges will be included in the wider local government overview being published in May 2023.

Local government in Scotland: Financial overview 2020/21

Accounts Commission March 2022

The future funding settlements set out in the Scottish Government's Resource Spending Review reflects flat cash funding settlements for 2022/23 to 2025/26

43. In May 2022 the Scottish Government published the first multi-year Resource Spending Review (RSR) in Scotland since 2011, outlining its resource spending plans to the end of this Parliament in 2026/27. The RSR assumes an overall cash-terms increase to the Scottish Government spending envelope of £5.7 billion over the period 2022/23 to 2026/27. The estimated increase in local government funding over this period would be £0.1 billion. This reflects flat cash funding levels for 2022/23 to 2025/26, with a small uplift in 2026/27. However, the outlook of the RSR may look different after the Scottish Government's 2023/24 budget.

44. The Fraser of Allander Institute reported in May 2022 that the RSR provides welcome insight on government priorities, and highlights a scale of challenges facing public services. However, spending plans are expressed at 'level 2' for the four years of the Spending Review period. That means financial information is at a less detailed level than public bodies would ideally like for planning purposes. It also noted that at the time of their review the RSR implies that the local government budget will decline by seven per cent in real terms between 2022/23 and 2026/27. The Convention of Scottish Local Authorities (COSLA) has expressed concerns that a flat cash settlement will result in fewer jobs and cuts to services.

45. Following the RSR, in December 2022, the Scottish Government presented their proposed spending and tax plan for 2023/24 to the Scottish Parliament. In this updated position, the Scottish Government sets out that there will be an increase of over £570 million in additional revenue and capital funding available to councils for 2023/24. They also confirmed that they would not seek to freeze or set a cap on council tax increases, giving council's full flexibility to vary rates locally.

46. The recent Sottish Parliament Information Centre (SPICe) publication reports that, once adjustments are made for the in-year funding councils will receive for free school meals, the additional funding for 2023/24 was just under £640 million. SPICe report that this will represent a £223 million real terms increase in funding, based on 2022/23 prices.

47. COSLA had previously estimated a £1 billion gap for councils in 2023/24 and argue that the uplift amounts to £71 million once national policy commitments are taken into account. They welcome the flexibility to set their own council tax rates but state that the scope to do this will be limited due to the cost of living crisis.

Budgets for 2022/23

Councils intend to bridge the budget gap of £0.4 billion for 2022/23 with planned savings and reserves, but the reliance on non-recurring reserves is not sustainable in the medium to long-term

48. At the time of budgeting, councils identified budget gaps totalling £0.4 billion in real terms, which represented three per cent of the 2021/22 net cost of services. This is consistent with the gap identified in the previous years. The 2022/23 estimated budget gap as a proportion of 2021/22 net cost of services varied across councils from an anticipated surplus of 0.2 per cent to a gap of 23 per cent (Exhibit 11, page 25).

49. The majority of the estimated budget gap for 2022/23 was planned to be funded through the following (Exhibit 12, page 26):

- agreed recurring savings (36 per cent)

- use of reserves (32 per cent)

- increases in Council Tax (16 per cent).

50. Sixty-six per cent of councils intended to use reserves to help bridge the 2022/23 budget gap, however, the use of reserves is not sustainable in the medium to long term. The achievement of recurring savings and a movement away from the reliance and use of non-recurring reserves will be key to ensuring longer-term financial sustainability. This makes the case for a continued focus on service reform, based on strong engagement with communities, more important now than ever.

2022/23 funding settlement

Scottish Government revenue funding in 2022/23 decreased by 0.1 per cent in real terms when non-recurring funding elements are excluded

51. In paragraphs 43 to 47 we have outlined the longer-term Scottish Government spending plans which were set out in the RSR. The initial local government revenue settlement from the Scottish Government in 2022/23, before taking into account non-recurring elements, increased by 3.9 per cent (cash terms) from 2021/22 to £12.0 billion. This was a real terms decrease of 0.1 per cent (Exhibit 13, page 27).

52. Non-recurring Covid-19 funding provided to councils in 2021/22 was £0.5 billion, the last year of this funding. In 2022/23, an additional £0.25 billion has been allocated to reduce council tax bills.
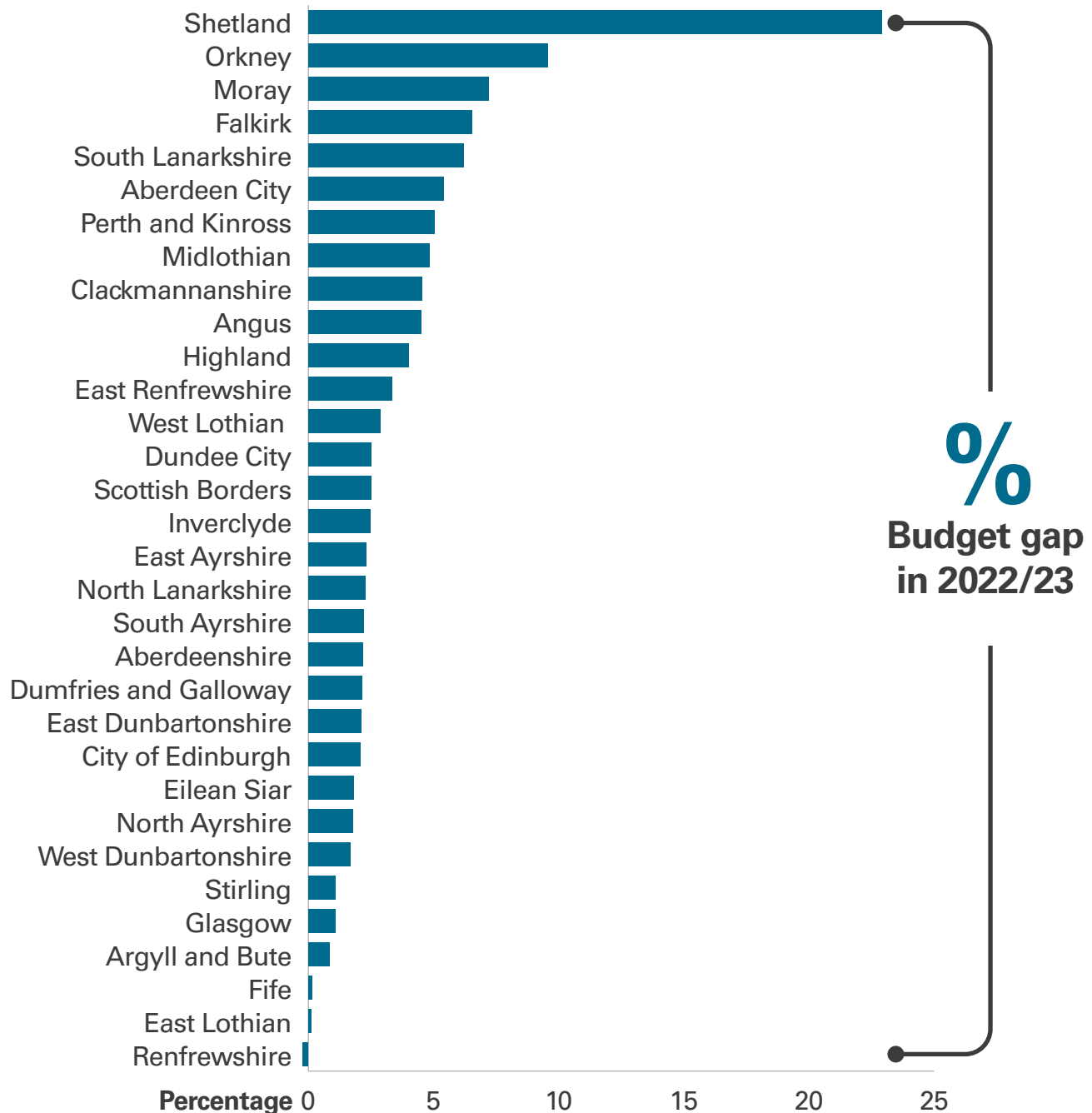
53. Total revenue funding in 2022/23 was £12.3 billion. This is a 2.4 per cent real-terms reduction on the 2021/22 position.

Councils identified budget gaps totalling £0.4 billion (3%) in real terms, of the 2021/22 net cost of services

Exhibit 11.

Budget gap as a proportion of net cost of services for all 32 councils in 2022/23

The budget gap at a council level varied between a 0.2 per cent surplus and a 22 per cent gap.

%

Budget gap in 2022/23

Shetland
Orkney
Moray
Falkirk
South Lanarkshire
Aberdeen City
Perth and Kinross
Midlothian
Clackmannanshire
Angus
Highland
East Renfrewshire
West Lothian
Dundee City
Scottish Borders
Inverclyde
East Ayrshire
North Lanarkshire
South Ayrshire
Aberdeenshire
Dumfries and Galloway
East Dunbartonshire
City of Edinburgh
Eilean Siar
North Ayrshire
West Dunbartonshire
Stirling
Glasgow
Argyll and Bute
Fife
East Lothian
Renfrewshire

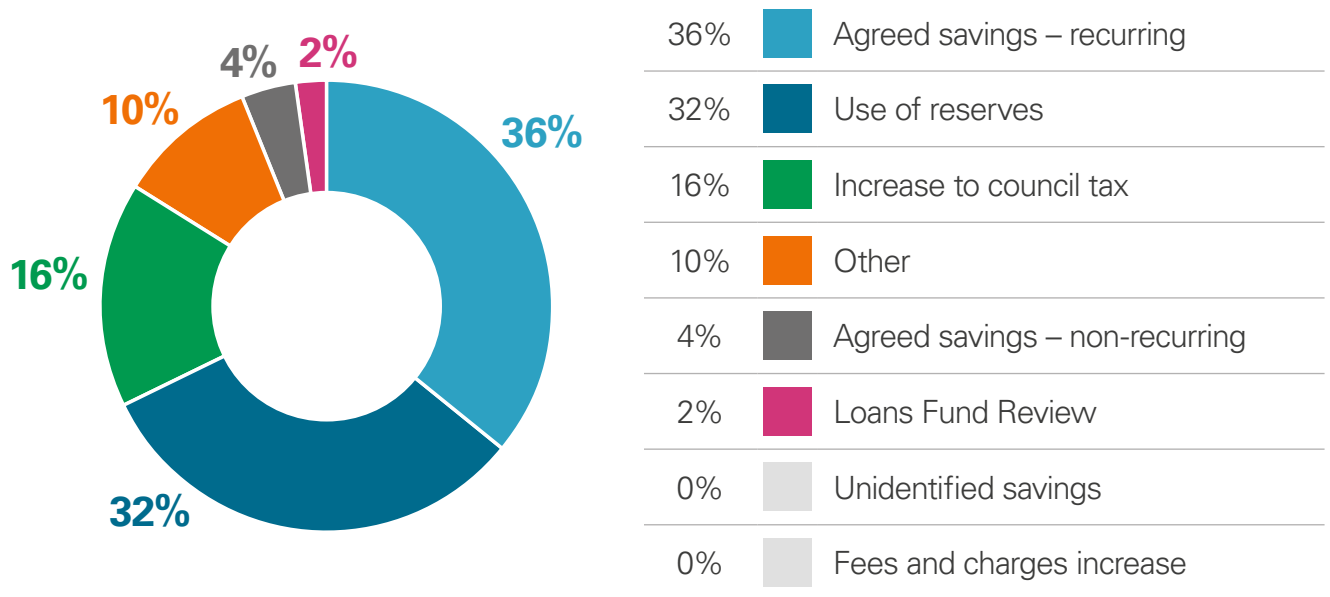**Percentage** 0   5   10   15   20   25

Source: Council budget papers, Auditor data returns

Page 271

Exhibit 12.

Aggregate analysis of all 32 councils' proposed ways to meet the budget gap for 2022/23

The majority of the estimated budget gap for 2022/23 was planned to be funded through agreed recurring savings, use of reserves and increases in Council Tax.

%	Category
36%	Agreed savings – recurring
32%	Use of reserves
16%	Increase to council tax
10%	Other
4%	Agreed savings – non-recurring
2%	Loans Fund Review
0%	Unidentified savings
0%	Fees and charges increase

Source: Auditor data returns

Exhibit 13.
Changes in Scottish Government initial revenue funding from 2021/22 to 2022/23
Total revenue funding will fall by 2.4 per cent in real terms in 2022/23.

	2021/22 £ million	2022/23 £ million	Cash change %	Real terms change %
General revenue grant	8,682	8,450	-2.7	-6.5
Non-domestic rate income	2,090	2,766	32.3	27.2
Specific revenue grants	776	785	1.1	-2.8
Non-recurring Covid-19 funding	515			
Cost of living funding		250		
Total revenue funding	**12,063**	**12,250**	**1.5**	**-2.4**
Total revenue excluding Covid-19/ cost of living	11,548	12,001	3.9	-0.1

Source: Finance circulars and Scottish Government budget documents

54. Scottish Government funding will not include Covid-specific allocations from the UK Government in 2022/23, however, there will be an increase in the overall Scottish Government budget. If we remove Covid-19 funding in 2021/22 from our analysis, the Scottish Government budget is set to increase by seven per cent in real terms, as opposed to a real-terms cut in local government funding of 0.1 per cent. However, if we include Covid-19 funding in the 2021/22 Scottish Budget, in 2022/23 it falls in real terms by ten per cent, a bigger fall than local government.

Capital funding

The Local Government capital settlement in 2022/23 increased from £649 million in 2021/22 to £685 million

55. Capital funding has increased by 1.4 per cent in real terms between 2021/22 and 2022/23. Capital funding had experienced significant increases up to 2019/20 before falling in 2020/21 and 2021/22. Real-terms total capital funding has now returned to levels closer to those seen in 2016/17 (Exhibit 14, page 28).

Exhibit 14.
Real-terms Scottish Government capital funding between 2013/14 and 2022/23
Scottish Government capital funding will increase slightly in 2022/23, but this follows two years of decreases over 20 per cent.

**Capital funding
(£ million)**

**Change in capital funding
from the previous year (%)**
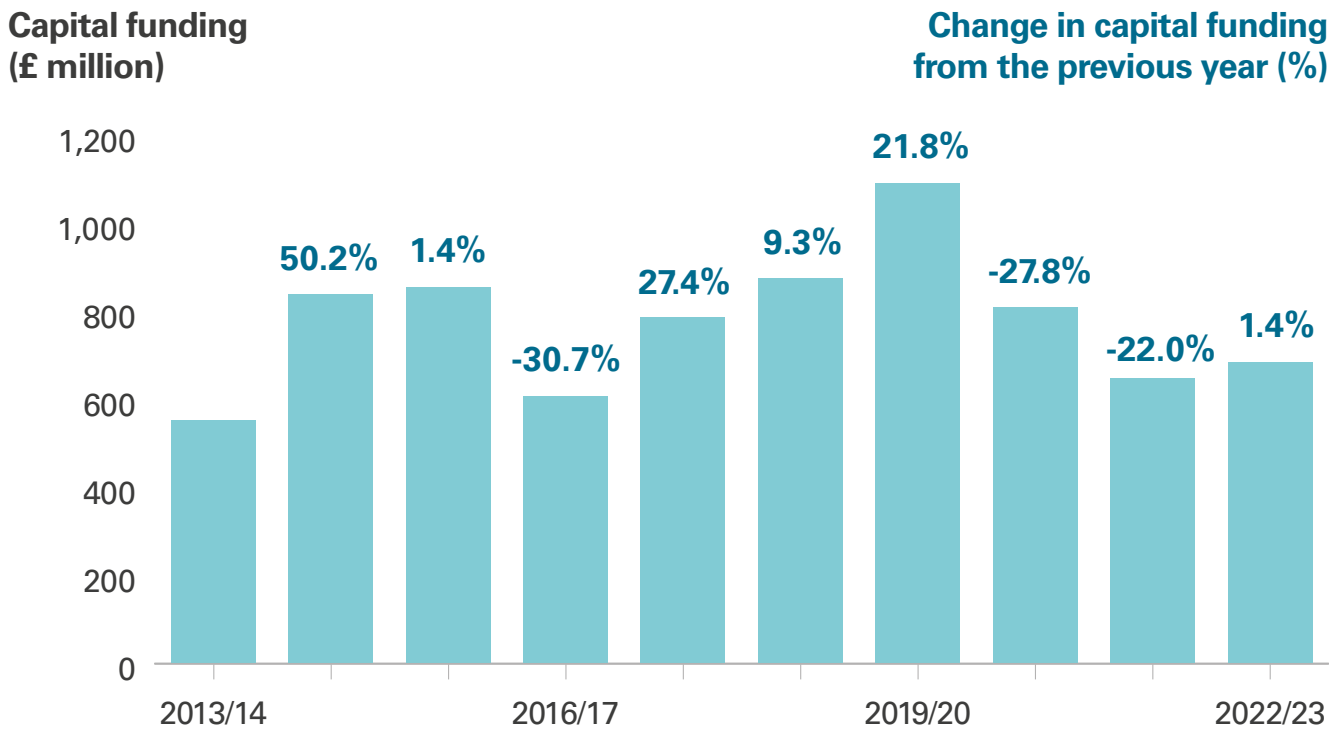
Source: Finance circulars and Scottish Government budget documents

56. Higher interest rates and inflationary costs will present risks to councils' capital programmes going forward. The affordability of capital spend will be significantly impacted by changes in interest rates. Some councils have anticipated costs will double, which has meant they will need to consider the affordability of their capital programmes going forward.

Local government in Scotland
Financial bulletin
2021/22

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Governance, Risk and Best Value Committee

10am, Tuesday, 14 March 2023

Treasury Management: Mid-Year Report 2022/23 - referral from the City of Edinburgh Council

Executive/routine
Wards
Council Commitments

1.   For Decision/Action

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

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Louise Williamson, Assistant Committee Officer
Legal and Assurance Division, Corporate Services Directorate
E-mail: louise.p.williamson@edinburgh.gov.uk | Tel: 0131 529 4264

Referral Report

Treasury Management: Mid-Year Report 2022/23

2. Terms of Referral

2.1 The City of Edinburgh Council on 9 February 2023 considered a report which provided an update on Treasury Management activity undertaken in the first half of 2022/23.

2.2 The City of Edinburgh Council agreed:

2.2.1 To note the mid-term report on Treasury Management for 2022/23.

2.2.2 To refer the report to the Governance, Risk and Best Value Committee for scrutiny.

3. Background Reading/ External References

Minute of the City of Edinburgh Council 9 February 2023.

Minute of Finance and Resources Committee 26 January 2023.

4. Appendices

4.1 Appendix 1 - report by the Interim Executive Director of Corporate Services

The City of Edinburgh Council

10.00am, Thursday, 9 February 2023

Treasury Management: Mid-Year Report 2022/23 – referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

1.1 The Finance and Resources Committee has referred the Treasury Management: Mid-Year Report 2022/23 to the City of Edinburgh Council for approval.

Richard Carr
Interim Executive Director of Corporate Services

Contact: Taylor Ward, Assistant Committee Officer
Legal and Assurance Division, Corporate Services Directorate
Email: taylor.ward@edinburgh.gov.uk

Referral Report

Treasury Management: Mid-Year Report 2022/23

2. Terms of Referral

2.1 On 26 January 2023, the Finance and Resources Committee considered a report which provided an update on Treasury Management activity undertaken in the first half of 2022/23.

2.2 The Finance and Resources Committee agreed:

2.2.1 To note the mid-year report on Treasury Management for 2022/23.

2.2.2 To refer the report to City of Edinburgh Council for approval and subsequent remit by the City of Edinburgh Council to the Governance Risk and Best Value Committee for scrutiny.

3. Background Reading

3.1 [Finance and Resources Committee – 26 January 2023 - Webcast](#)

3.2 Minute of the Finance and Resources Committee – 26 January 2023

4. Appendices

4.1 Appendix 1 – report by the Interim Executive Director of Corporate Services

Finance & Resources Committee

10:00am, Thursday, 26th January 2023

Treasury Management: Mid-Year Report 2022/23

Executive/routine
Wards
Council Commitments

1.   Recommendations

1.1   It is recommended that the Committee:

1.1.1   notes the mid-year report on Treasury Management for 2022/23; and

1.1.2   refers the report to City of Edinburgh Council for approval and subsequent remit by the City of Edinburgh Council to the Governance Risk and Best Value Committee for scrutiny.

Richard Carr

Interim Executive Director of Corporate Services

Contact: Innes Edwards, Principal Treasury and Banking Manager

E-mail: innes.edwards@edinburgh.gov.uk | Tel: 0131 469 6291

Treasury Management: Mid-Term Report 2022/23

Treasury Management: Mid-Term Report 2022/23

2. Executive Summary

2.1 The purpose of this report is to give an update on Treasury Management activity undertaken in the first half of 2022/23.

2.2 In accordance with the Strategy set in March 2022 the Council has borrowed just £3.1m from the PWLB in the first half of the year. This borrowing relates to loans to the Edinburgh Living Mid-Market Rent LLP.

2.3 The investment return for 2022/23 is matching the Fund's benchmark, during a period of increasing interest rates while maintaining the security of the investments as a priority.

3. Background

3.1 The Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Sector, and under the code, the mid-term report has been prepared setting out activity undertaken.

4. Main report

4.1 UK Interest Rates

4.1.1 During the last six months economic uncertainty continued due to the recovery from the COVID-19 pandemic, the war in Ukraine, high inflation rates and a deteriorating economic outlook. The Bank of England's (BoE) Monetary Policy Committee (MPC) increased UK Bank Rate at all four of their of their meeting during the first half of 2022/23 (and have subsequently increased Bank Rate further to 3.5%). Appendix 1 gives a summary of the first six months from the Council's Treasury Advisors.

4.2   Debt Management

4.2.1   The Council continued to fund its borrowing requirement by reducing its investments but also took the opportunity as previously mentioned to lock in a small amount of borrowing at an attractive rate of interest. Appendix 2 outlines the debt management activity during the period.

4.2.2   The £3.1m borrowed secured funding for Edinburgh Living MMR LLP.

4.3   Investment Out-turn

4.3.1   The Council's cash balances are pooled and invested via the Treasury Cash Fund subject to the limits set out in the Treasury Management Policy Statement. Appendix 3 provides detail on the Council's investments.

4.3.2   As can also be seen in Appendix 3 Treasury Cash Fund performance has performed in line with its benchmark with absolute investment returns increasing due to the increases in UK Bank Rate.

5.   Next Steps

5.1   The Treasury team will continue to operate its Treasury Cash Fund with the aim of out-performing its benchmark of 7-day compounded Sterling Overnight Index Average (SONIA) and manage the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

5.2   The Treasury team will also continue to review the Council's borrowing requirements, taking into account the significant planned capital investment set out in the ten-year capital plan, and the opportunities that the market presents.

6.   Financial impact

6.1   The Treasury Cash Fund has generated significant additional income for the Council.

6.2   Loan charges associated with the borrowing will be managed within the approved budget.

7.   Stakeholder/Community Impact

7.1   There are no adverse stakeholder/community impacts arising from this report.

8.   Background reading/external references

8.1   None

9. Appendices

Appendix 1: Economic Background

Appendix 2: Debt Management Activity

Appendix 3: Investment Out-turn

Appendix 4: Debt outstanding 30th September 2022

Appendix 1

Economic Background

Our Treasury Advisors, Arlingclose summarised the financial markets and gilt yields over the first six months of the financial year as follows:

The ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. The UK political situation towards the end of the period following the 'fiscal event' increased uncertainty further.

The economic backdrop during the April to September period continued to be characterised by high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy.

Central Bank rhetoric and action remained robust. The Bank of England, Federal Reserve and the European Central Bank all pushed up interest rates over the period and committed to fighting inflation, even when the consequences were in all likelihood recessions in those regions.

UK inflation remained extremely high. Annual headline CPI hit 10.1% in July, the highest rate for 40 years, before falling modestly to 9.9% in August. RPI registered 12.3% in both July and August. The energy regulator, Ofgem, increased the energy price cap by 54% in April, while a further increase in the cap from October, which would have seen households with average energy consumption pay over £3,500 per annum, was dampened by the UK government stepping in to provide around £150 billion of support to limit bills to £2,500 annually until 2024.

The labour market remained tight through the period but there was some evidence of easing demand and falling supply. The unemployment rate 3m/year for April fell to 3.8% and declined further to 3.6% in July. Although now back below pre-pandemic levels, the recent decline was driven by an increase in inactivity rather than demand for labour. Pay growth in July was 5.5% for total pay (including bonuses) and 5.2% for regular pay. Once adjusted for inflation, however, growth in total pay was -2.6% and –2.8% for regular pay.

With disposable income squeezed and higher energy bills still to come, consumer confidence fell to a record low of –44 in August, down –41 in the previous month. Quarterly GDP fell -0.1% in the April-June quarter driven by a decline in services output, but slightly better than the 0.3% fall expected by the Bank of England.

The Bank of England increased the official Bank Rate to 2.25% over the period. From 0.75% in March, the Monetary Policy Committee (MPC) pushed through rises of 0.25% in each of the following two MPC meetings, before hiking by 0.50% in August and again in September. August's rise was voted by a majority of 8-1, with one MPC

Finance & Resources Committee – 26th January 2023

member preferring a more modest rise of 0.25%. the September vote was 5-4, with five votes for an 0.5% increase, three for an 0.75% increase and one for an 0.25% increase. The Committee noted that domestic inflationary pressures are expected to remain strong and so given ongoing strong rhetoric around tackling inflation further Bank Rate rises should be expected.

On 23rd September the UK government, following a change of leadership, announced a raft of measures in a 'mini budget', loosening fiscal policy with a view to boosting the UK's trend growth rate to 2.5%. With little detail on how government borrowing would be returned to a sustainable path, financial markets reacted negatively. Gilt yields rose dramatically by between 0.7% - 1% for all maturities with the rise most pronounced for shorter dated gilts. The swift rise in gilt yields left pension funds vulnerable, as it led to margin calls on their interest rate swaps and risked triggering large scale redemptions of assets across their portfolios to meet these demands. It became necessary for the Bank of England to intervene to preserve market stability through the purchase of long-dated gilts, albeit as a temporary measure, which has had the desired effect with 50-year gilt yields falling over 100bps in a single day.

Bank of England policymakers noted that any resulting inflationary impact of increased demand would be met with monetary tightening, raising the prospect of much higher Bank Rate and consequential negative impacts on the housing market.

Uncertainty remained in control of financial market sentiment and bond yields remained volatile, continuing their general upward trend as concern over higher inflation and higher interest rates continued to dominate. Towards the end of September, volatility in financial markets was significantly exacerbated by the UK government's fiscal plans, leading to an acceleration in the rate of the rise in gilt yields and decline in the value of sterling.

Due to pressure on pension funds, the Bank of England announced a direct intervention in the gilt market to increase liquidity and reduce yields.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to 4.40%, the 10-year gilt yield rose from 1.61% to 4.15%, the 20-year yield from 1.82% to 4.13% and the 50-year yield from 1.56% to 3.25%. The Sterling Overnight Rate (SONIA) averaged 1.22% over the period.

Finance & Resources Committee – 26th January 2023

Appendix 2

Debt Management Activity

Figure A2.1 below shows the PWLB borrowing rates since April 2005.

Figure A2.1 – PWLB Rates April 2005 to Date
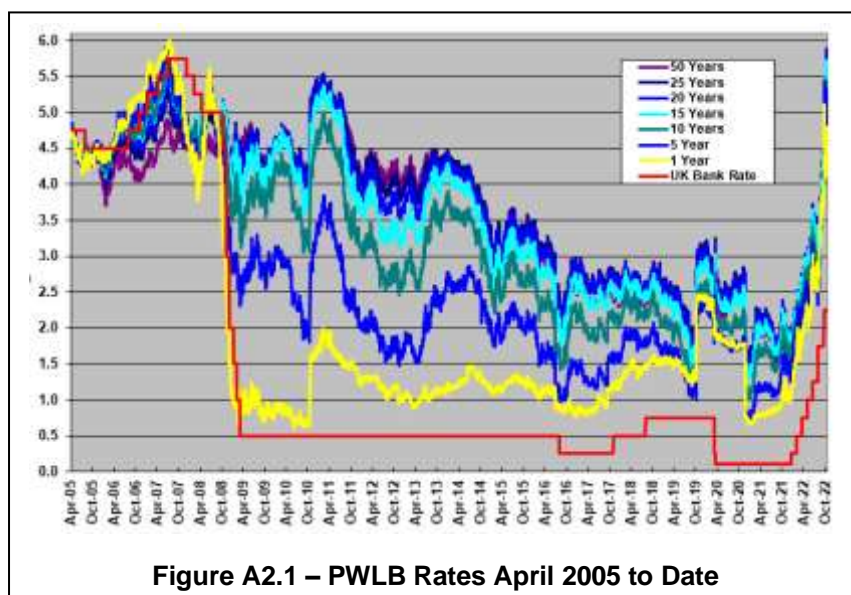
Borrowing rates have risen dramatically since the Treasury Strategy for 2022/23 was approved. The Debt Management Strategy for 2022/23 as outlined in the Strategy Report was:

To address the borrowing requirement it is intended, subject to appropriate rates being available, to:

- *continue to reduce investment balances to temporarily fund capital expenditure;*

- *seek alternative sources of funds to the PWLB; and*

- *continue to lock out the risk on projects when the timing of capital expenditure becomes certain and interest rates are appropriate.*

We have previously highlighted significant concerns over the prospects for inflation and the medium-term outlook for interest rates and noted that this was the rationale for taking substantial PWLB borrowing during 2021/22 to lock in the low interest rates. However, Interest rates rose faster than had been anticipated. In the circumstances, we have continued to reduce investment balances to temporarily fund capital expenditure. We borrowed £18m in 2021/22 to cover future lending to Edinburgh Living for all projects which were already on site. However, early in the financial year one of the projects where the homes were being purchased from the Council by Edinburgh Living MMR LLP remained affordable at the prevailing borrowing rates. £3.1m was therefore borrowed to cover the loan to the LLP, retaining the pool of pre-borrowing for future projects.

Appendix 3

Investment Out-turn

The Council's cash balances are pooled and invested via the Treasury Cash Fund subject to the limits set out in the Treasury Management Policy Statement. Figure A3.1 below shows the daily investment in the Cash Fund since April 2009 highlighting the increased cash holdings due to borrowing. The Treasury Management strategy is to ensure that surplus funds are invested in accordance with the list of approved organisations for investment, minimising the risk to the capital sum and optimising the return on these funds consistent with those risks. The Cash Fund's Investment Strategy continues to be based around the security of the investments.
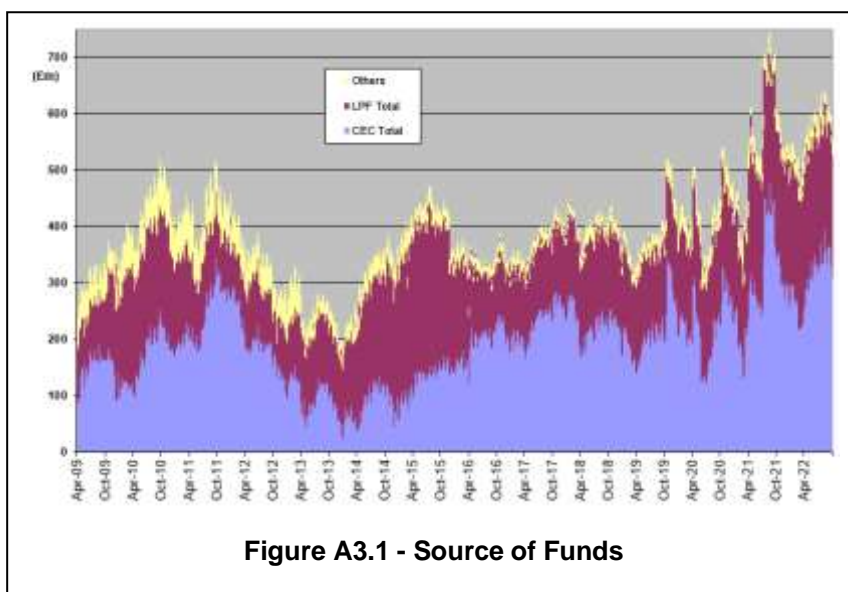
Figure A3.1 - Source of Funds

Figure A3.2 shows the rates achieved in the Friday auctions of UK Treasury Bills. As can be seen rates are increasing with each UK Bank Rate increase.

Figure A3.2 – UK Treasury Bill Yields

Source: DMO

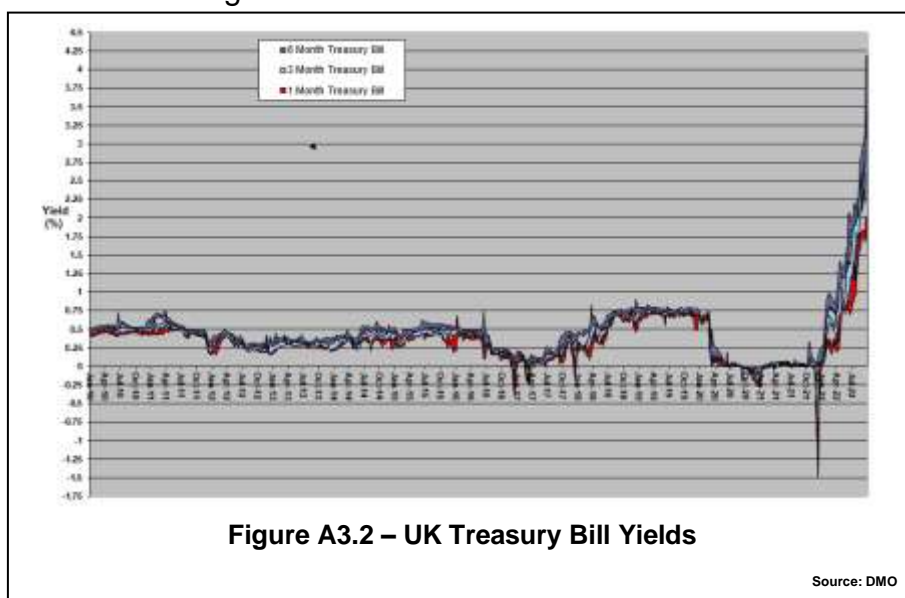Finance & Resources Committee – 26th January 2023

Figure A3.3 shows in detail the distribution on Cash Fund investments since inception in 2007. This shows increased investment in UK Treasury Bills, UK Gilts, commercial paper in ring-fenced banks and the Governments Debt Management Agency Deposit Facility (DMADF).

Figure A3.3 – Cash Fund Investments since inception
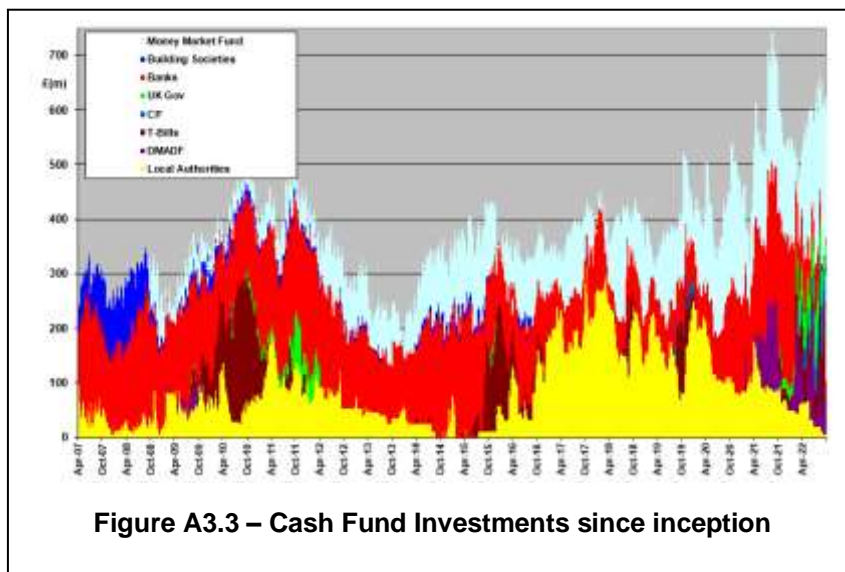
As can be seen in Figure A3.4, 1% of the fund was invested in a Local Authority deposit, 36% with UK Treasury Bills, 3% with UK Gilts, 13% invested with DMADF, 12% was invested with Banks in call accounts split between instant access and commercial paper with ring-fenced institutions and 35% on deposit with Money Market Funds.

Figure A3.4 – Investments by Counterparty 30th September 2022
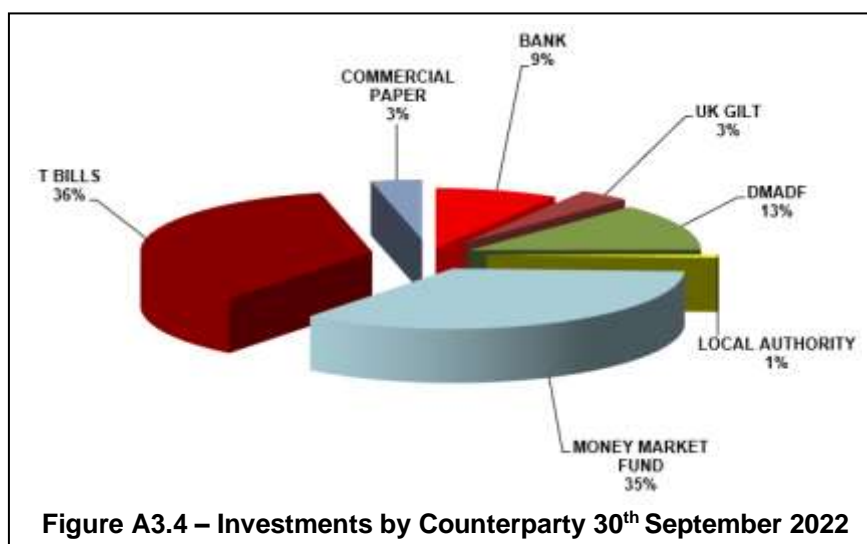
The strategy is to seek Local Authority and UK Treasury Bill trades which add value to relative MMF/Bank rates and make a positive performance contribution. There has been little interest from local authorities for many remain cash rich and rates remain relatively low due to large cash balances. Treasury will continue to monitor yield increases and take advantage of any opportunity to achieve an increase rate with Government backed investments.

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As can be seen in Figure A3.5 the weighted average life of the fund was 35 days at the end of September. The duration on the portfolio is mainly made up from UK Treasury Bills with the longest maturing in January alongside a UK Gilt. One local authority deposit matures in March.

Figure A3.5 - Cash Fund Weighted Average Life
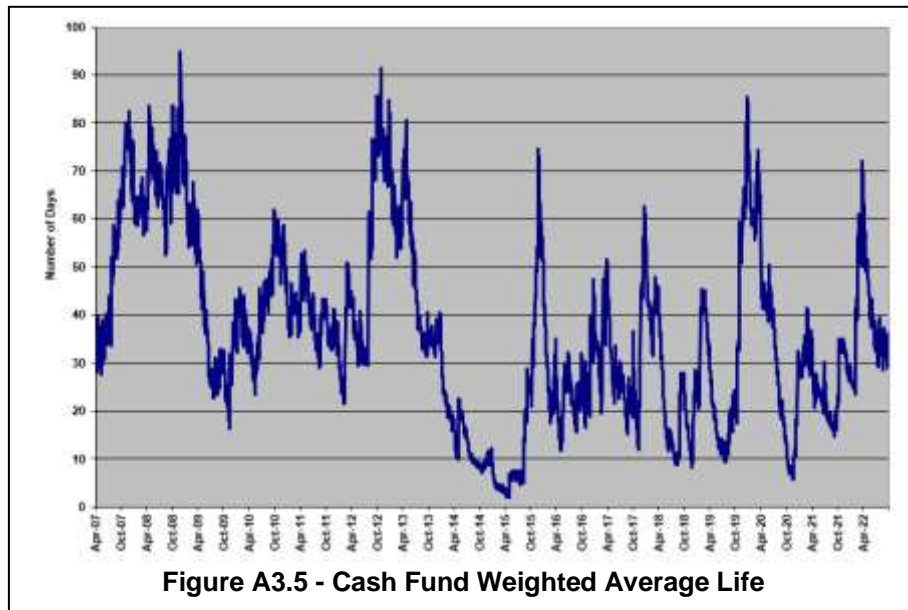
Cash Fund Performance

The annualised rate of return for the Cash Fund for the six months to September 2022 was 1.12% against a benchmark of 1.13%. Figure A3.6 below shows the daily investment performance of the Cash Fund against its benchmark since April 2011. As can be seen, recent Cash Fund performance remained slightly below the benchmark which increased more quickly with increases in UK Bank Rate than the cash fund rate. Treasury will continue to seek trades which add value while retaining security of investments.

Figure A3.6 - Treasury Cash Fund Investment Performance

Finance & Resources Committee – 26th January 2023
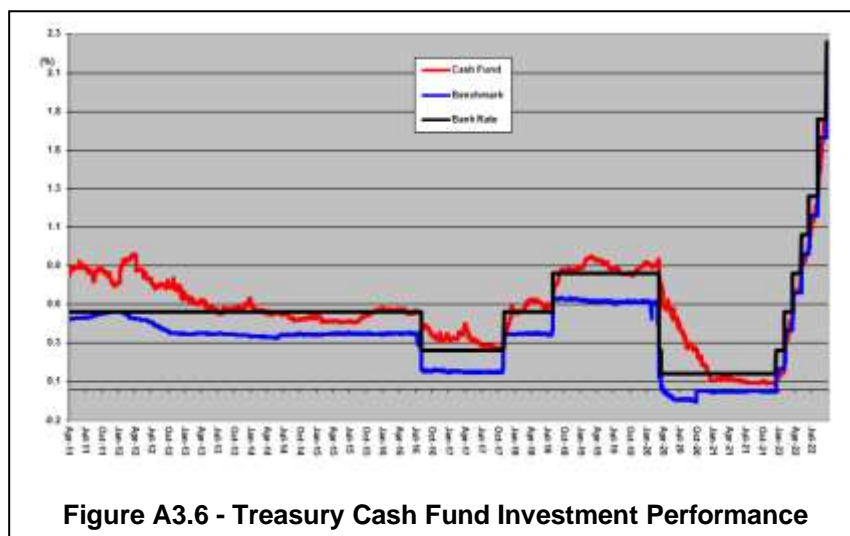
Appendix 4

Debt outstanding 30th September 2022

Market Debt (non LOBO)

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)	Annual Interest (£)
M	08/10/2020	08/10/2045	57,392,301.61	2.613	1,511,165.09
M	30/06/2005	30/06/2065	5,000,000.00	4.4	220,000.00
M	07/07/2005	07/07/2065	5,000,000.00	4.4	220,000.00
M	21/12/2005	21/12/2065	5,000,000.00	4.99	249,500.00
M	28/12/2005	24/12/2065	12,500,000.00	4.99	623,750.00
M	14/03/2006	15/03/2066	15,000,000.00	5	750,000.00
M	18/08/2006	18/08/2066	10,000,000.00	5.25	525,000.00
M	01/02/2008	01/02/2078	10,000,000.00	3.95	395,000.00
			121,642,025.46		

Market Debt (LOBO)

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)	Annual Interest (£)
M	12/11/1998	13/11/2028	3,000,000.00	4.75	142,500.00
M	15/12/2003	15/12/2053	10,000,000.00	5.25	525,000.00
M	18/02/2004	18/02/2054	10,000,000.00	4.54	454,000.00
M	28/04/2005	28/04/2055	12,900,000.00	4.75	612,750.00
M	01/07/2005	01/07/2065	10,000,000.00	3.86	386,000.00
M	24/08/2005	24/08/2065	5,000,000.00	4.4	220,000.00
M	07/09/2005	07/09/2065	10,000,000.00	4.99	499,000.00
M	13/09/2005	14/09/2065	5,000,000.00	3.95	197,500.00
M	03/10/2005	05/10/2065	5,000,000.00	4.375	218,750.00
M	23/12/2005	23/12/2065	10,000,000.00	4.75	475,000.00
M	06/03/2006	04/03/2066	5,000,000.00	4.625	231,250.00
M	17/03/2006	17/03/2066	10,000,000.00	5.25	525,000.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	03/04/2006	01/04/2066	10,000,000.00	4.875	487,500.00
M	07/04/2006	07/04/2066	10,000,000.00	4.75	475,000.00
M	05/06/2006	07/06/2066	20,000,000.00	5.25	1,050,000.00
M	05/06/2006	07/06/2066	16,500,000.00	5.25	866,250.00
			172,400,000.00		

Finance & Resources Committee – 26th January 2023

PWLB Loans

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)	Annual Interest (£)
M	16/02/1995	03/02/2023	2,997,451.21	8.625	258,530.17
M	24/04/1995	25/03/2023	10,000,000.00	8.5	850,000.00
M	05/12/1995	15/05/2023	5,200,000.00	8	416,000.00
M	20/09/1993	14/09/2023	2,997,451.21	7.875	236,049.28
M	20/09/1993	14/09/2023	584,502.98	7.875	46,029.61
M	08/05/1996	25/09/2023	10,000,000.00	8.375	837,500.00
M	13/10/2009	13/10/2023	5,000,000.00	3.87	193,500.00
M	05/12/1995	15/11/2023	10,000,000.00	8	800,000.00
M	10/05/2010	10/05/2024	10,000,000.00	4.32	432,000.00
M	28/09/1995	28/09/2024	2,895,506.10	8.25	238,879.25
M	14/05/2012	14/11/2024	10,000,000.00	3.36	336,000.00
A	14/12/2009	14/12/2024	2,065,863.38	3.66	96,956.99
M	17/10/1996	25/03/2025	10,000,000.00	7.875	787,500.00
M	10/05/2010	10/05/2025	5,000,000.00	4.37	218,500.00
M	16/11/2012	16/05/2025	20,000,000.00	2.88	576,000.00
M	13/02/1997	18/05/2025	10,000,000.00	7.375	737,500.00
M	20/02/1997	15/11/2025	20,000,000.00	7.375	1,475,000.00
A	01/12/2009	01/12/2025	4,057,234.04	3.64	176,932.55
M	21/12/1995	21/12/2025	2,397,960.97	7.875	188,839.43
M	21/05/1997	15/05/2026	10,000,000.00	7.125	712,500.00
M	28/05/1997	15/05/2026	10,000,000.00	7.25	725,000.00
M	29/08/1997	15/11/2026	5,000,000.00	7	350,000.00
M	24/06/1997	15/11/2026	5,328,077.00	7.125	379,625.49
M	07/08/1997	15/11/2026	15,000,000.00	6.875	1,031,250.00
M	13/10/1997	25/03/2027	10,000,000.00	6.375	637,500.00
M	22/10/1997	25/03/2027	5,000,000.00	6.5	325,000.00
M	13/11/1997	15/05/2027	3,649,966.00	6.5	237,247.79
M	17/11/1997	15/05/2027	5,000,000.00	6.5	325,000.00
M	13/12/2012	13/06/2027	20,000,000.00	3.18	636,000.00
M	12/03/1998	15/11/2027	8,677,693.00	5.875	509,814.46
M	06/09/2010	06/09/2028	10,000,000.00	3.85	385,000.00
M	14/07/2011	14/07/2029	10,000,000.00	4.9	490,000.00
E	14/07/1950	03/03/2030	1,895.62	3	62.56
M	14/07/2011	14/07/2030	10,000,000.00	4.93	493,000.00
E	15/06/1951	15/05/2031	2,109.12	3	68.54
M	06/09/2010	06/09/2031	20,000,000.00	3.95	790,000.00
M	15/12/2011	15/06/2032	10,000,000.00	3.98	398,000.00
M	15/09/2011	15/09/2036	10,000,000.00	4.47	447,000.00
M	22/09/2011	22/09/2036	10,000,000.00	4.49	449,000.00
M	10/12/2007	10/12/2037	10,000,000.00	4.49	449,000.00
M	08/09/2011	08/09/2038	10,000,000.00	4.67	467,000.00
M	15/09/2011	15/09/2039	10,000,000.00	4.52	452,000.00
M	06/10/2011	06/10/2043	20,000,000.00	4.35	870,000.00

M	09/08/2011	09/02/2046	20,000,000.00	4.8	960,000.00
M	23/01/2006	23/07/2046	10,000,000.00	3.7	370,000.00
M	23/01/2006	23/07/2046	10,000,000.00	3.7	370,000.00
M	19/05/2006	19/11/2046	10,000,000.00	4.25	425,000.00
M	07/01/2008	07/01/2048	5,000,000.00	4.4	220,000.00
A	24/03/2020	24/03/2050	14,011,287.23	1.64	234,715.95
A	26/03/2020	26/03/2050	4,663,035.29	1.49	71,004.13
A	26/03/2021	26/03/2051	9,614,327.97	1.75	171,644.97
A	12/07/2021	12/07/2051	38,980,830.65	1.78	707,484.79
M	27/01/2006	27/07/2051	1,250,000.00	3.7	46,250.00
M	16/01/2007	16/07/2052	40,000,000.00	4.25	1,700,000.00
M	30/01/2007	30/07/2052	10,000,000.00	4.35	435,000.00
M	13/02/2007	13/08/2052	20,000,000.00	4.35	870,000.00
M	20/02/2007	20/08/2052	70,000,000.00	4.35	3,045,000.00
M	22/02/2007	22/08/2052	50,000,000.00	4.35	2,175,000.00
M	08/03/2007	08/09/2052	5,000,000.00	4.25	212,500.00
M	30/05/2007	30/11/2052	10,000,000.00	4.6	460,000.00
M	11/06/2007	11/12/2052	15,000,000.00	4.7	705,000.00
M	12/06/2007	12/12/2052	25,000,000.00	4.75	1,187,500.00
M	05/07/2007	05/01/2053	12,000,000.00	4.8	576,000.00
M	25/07/2007	25/01/2053	5,000,000.00	4.65	232,500.00
M	10/08/2007	10/02/2053	5,000,000.00	4.55	227,500.00
M	24/08/2007	24/02/2053	7,500,000.00	4.5	337,500.00
M	13/09/2007	13/03/2053	5,000,000.00	4.5	225,000.00
A	14/10/2019	10/04/2053	104,750,808.43	2.69	2,832,296.87
M	12/10/2007	12/04/2053	5,000,000.00	4.6	230,000.00
A	01/07/2021	01/07/2053	48,867,526.62	1.98	993,421.87
M	05/11/2007	05/05/2057	5,000,000.00	4.6	230,000.00
M	15/08/2008	15/02/2058	5,000,000.00	4.39	219,500.00
A	25/01/2019	25/01/2059	2,593,078.97	2.65	69,548.05
A	11/06/2019	11/06/2059	1,222,443.71	2.23	27,613.76
A	01/10/2019	01/10/2059	1,284,067.74	1.74	22,448.09
A	02/10/2019	02/10/2059	38,250,958.78	1.8	691,722.20
A	05/11/2019	05/11/2059	6,900,131.28	2.96	206,456.25
A	28/11/2019	28/11/2059	1,262,575.05	3.03	38,664.01
A	02/12/2019	02/12/2059	2,718,126.50	3.03	83,237.57
A	20/01/2020	20/01/2060	1,911,997.78	1.77	34,316.53
A	20/01/2020	20/01/2060	442,750.38	2.97	13,291.81
M	04/10/2019	04/04/2060	40,000,000.00	1.69	676,000.00
A	07/12/2021	07/12/2060	18,929,684.58	1.8	343,793.42
M	02/12/2011	02/12/2061	5,000,000.00	3.98	199,000.00
A	07/12/2021	07/12/2061	4,128,600.24	1.79	74,543.62
A	19/05/2022	19/05/2062	3,096,067.00	2.86	88,248.03
A	24/03/2022	24/03/2063	17,877,239.67	2.65	473,746.85
M	26/03/2020	26/03/2070	10,000,000.00	1.29	129,000.00

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M	12/07/2021	12/07/2071	50,000,000.00	1.74	870,000.00
M	23/12/2021	23/12/2071	25,000,000.00	1.45	362,500.00
			1,173,111,248.50		

SALIX INTEREST FREE

Loan Type	Start Date	Maturity Date	Principal Outstanding (£)	Interest Rate (%)	Annual Interest (£)
Z	31/03/2015	01/04/2023	180,289.74	0.00	0.00
Z	22/09/2015	01/10/2023	65,939.91	0.00	0.00
Z	29/03/2019	01/04/2029	97,985.02	0.00	0.00
			344,214.67		

Finance & Resources Committee – 26th January 2023

Governance, Risk and Best Value Committee

10.00am, Tuesday 14 March 2023

Capital Theatres Company Performance Report 2021/22 – referral from the Culture and Communities Committee

Executive/routine
Wards
Council Commitments

1.   For Decision/Action

1.1   The Governance, Risk and Best Value Committee is asked to note the performance report and scrutinise the financial performance of the organisations and any risks impacting the Council and/or Capital Theatres.

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Lesley Birrell, Committee Services
Legal and Assurance Division, Corporate Services
Email: lesley.birrell@edinburgh.gov.uk

Referral Report

Capital Theatres Company Performance Report 2021/22

2.   Terms of Referral

2.1   On 7 March 2023, the Culture and Communities Committee considered the Capital Theatres Company Performance Report for 2021/22. The performance report covered the period from September 2021 to September 2022 which included the re-opening of the Festival and King's Theatres in a challenging post-Covid environment for the performing arts.

2.2   Information was also provided on the impact of continued social distancing capacity restrictions, changes to audience confidence, reductions in ticket sales and later booking patterns. Further restrictions brought about in December 2021 as a result of the Omicron variant caused additional losses and exacerbated the rapidly changing financial and planning scenario.

2.3   The Committee agreed:

2.3.1   To note the positive performance of Capital Theatres during 2021/22.

2.3.2   To note that the report focus was on 2021/22 activity which had been delivered in the context of a challenging post-Covid environment for the performing arts.

2.3.3   To recognise the efforts made by Capital Theatres in spite of the challenges faced.

2.3.4   To refer the report to the Governance, Risk and Best Value Committee for noting and scrutiny of the financial performance of the organisations and any risks impacting the Council and/or Capital Theatres.

3.   Background Reading/ External References

3.1   Webcast of the Culture and Communities Committee of 7 March 2023

4.   Appendices

4.1   Appendix – report by the Executive Director of Place

Culture and Communities Committee

10.00am, Tuesday, 7 March 2023

Capital Theatres Company Performance Report 2021/22

Executive/routine	Routine
Wards	All
Council Commitments	

1.   Recommendations

1.1   It is recommended that Committee:

1.1.1   Note the positive performance of Capital Theatres during 2021/22;

1.1.2   Note that the report focus is on 2021/22 company activity, which has been delivered in the context of a challenging post-COVID environment for the performing arts;

1.1.3   Recognise the efforts made by Capital Theatres in spite of the challenges faced; and

1.1.3   Refer this report to the Governance, Risk and Best Value Committee for noting and scrutiny (as set out in paragraph 3.2).

Paul Lawrence

Executive Director of Place

Contact: Lisa Kapur, Cultural Development Officer

E-mail: lisa.kapur@edinburgh.gov.uk | Tel: 0131 529 7988

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Report

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Capital Theatres Company Performance Report 2021/22

2.   Executive Summary

2.1   This report encompasses 12 months from September 2021 to September 2022. The period covers the reopening of the Festival and King's Theatres in 2021 in a challenging post-covid environment for the performing arts, including the impact of continued social distancing capacity restrictions, changes to audience confidence, reductions in ticket sales across the board and later booking patterns. Further restrictions brought about in December 2021, as a result of the Omicron variant, caused additional losses and exacerbated the rapidly changing financial and planning scenario.

3.   Background

3.1   This is the ninth annual performance report prepared as a requirement of the Services and Funding Agreement process adopted in 2013/14.

Governance of ALEOs

3.2   An update on the reporting on the Council's Arm's Length External Organisations was approved by Policy and Sustainability Committee on 25 February 2020. This report confirmed that the responsibilities of Executive Committees and Governance, Risk and Best Value Committee were as follows:

3.2.1   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; and

3.2.2   Governance, Risk and Best Value Committee – should scrutinise the ALEO's financial performance and any risks impacting the Council and/or ALEO.

3.3   Therefore, it is recommended that this report be referred to Governance, Risk and Best Value Committee for scrutiny of the financial performance of the organisations and any risks impacting Edinburgh Leisure.

4. Main report

4.1   Capital Theatres reports on its performance to Council Monitoring Officers in line with the Strategic Partnership Agreement on a monthly, quarterly and annual basis, including submission of all Board Papers.

4.2   In response to the outbreak of COVID-19, the Council's Leadership Advisory Panel agreed in March 2020 that the Council priorities contained in the Strategic Partnership Funding Agreement for 2020/21 should be suspended. It was subsequently agreed by Committee in March 2021 that a supportive approach to Council funds for Capital Theatres would be continued into 2021/22. This means that, whilst most of the organisational targets have been met, some have been adapted or postponed due to the changed operating environment. In all cases these have been reported and agreed with monitoring officers.

4.3   Capital Theatres was the first indoor venue to reopen its doors to audiences in the city, with a gradual return to a full programme of quality performances on stage. Ongoing work has been undertaken to re-establish core audiences and consolidate programming strands. However, COVID restrictions continued to have significant effect on annual retention targets and impacted a number of shows' viability to perform, leading to unavoidable losses from the programme in 2021/22.

4.4   With the increase in the spread of the omicron variant of COVID-19, the Scottish Government took the decision to reintroduce capacity restrictions for seated venues – maximum capacity of 200 with 1m social distancing, effective from Boxing Day – rendering both the Panto and the Nutcracker no longer viable beyond Christmas Eve 2021.

4.5   In the reporting period, due to financial pressures the Trust has had to revert on occasion to the company's unrestricted reserves as well as accessing emergency funding grants. Fundraising campaigns, short-term borrowing from the Trust's Theatre Development Fund and collaboration with producers have also helped to maintain financial stability. Emergency recovery funding from Creative Scotland was particularly helpful in allowing the Trust to take some measured risks in programming and trading to assist business recovery.

4.6   This period saw the Trust's Executive Team return to a full complement of staffing, with the appointment of new Directors of Development and Finance and Business Services as well as a new Head of Creative Engagement. The Trust also continued to focus on communication and engagement with the staff team, supporting the return of staff from furlough following the end of the scheme in September 2021. Hybrid working was adopted following the implementation of the Staff Flexible Working Policy and extensive staff return to work protocols were put in place to ensure continued safe working at a distance.

4.7   Despite ongoing challenges, Capital Theatres has continued to deliver services to communities, audiences and artists and develop new strands of creative work in 2021/22, to include:

4.7.1   A major step towards realising its creative ambitions through the development of two new large scale co-productions to be premiered in 2022/23: Sunshine On Leith with Pitlochry Festival Theatre (July 2022) and James IV: Queen of the Fight (written by Rona Monro and directed by Laurie Samson) which Capital Theatres co-produced with Raw Material in association with National Theatre of Scotland. The play premiered at the Festival Theatre in September/October 2022 to four- and five-star reviews and has since toured throughout Scotland;

4.7.2   Co-commissioning of three new small scale festive productions, in partnership with Aberdeen Performing Arts and Eden Court Inverness, resulting in the development of a new touring circuit between three studio spaces and providing crucial year-on-year stability for creative freelancers during the uncertainty of COVID recovery, with The Enormous Christmas Turnip premiering at The Studio over Christmas 2021;

4.7.3   Making space available for Edinburgh cultural practitioners, working with them to support research and development and to remain in conversation about the possibility of further development and touring work from The Studio;

4.7.4   A new strand of work in the Dementia Friendly programme: Together In Song developed Dementia friendly concerts with songs written and performed by people with lived experience of dementia. The concerts were initially performed onstage at the Kings Theatre and streamed into homes and care homes using new equipment that was purchased to maintain the range and reach that the programme achieved through lockdown, with 83 viewers logging in to the first performance. As restrictions relaxed, the concerts moved to hybrid delivery with some care homes attending in person and others choosing to continue attending online;

4.7.5   The development of a new audio drama, When The Sun Meets The Sky, co-created by members of Capital Theatres' dementia friendly community in partnership with the Traverse Theatre. This was then shared alongside sensory boxes across care homes in Edinburgh and the Lothians;

4.7.6   Theatre critic training for Capital Theatres' Dementia Friendly Creative Contributors group with critic Mark Fisher. Two dementia shows, relaxed performances and a wildcard show were booked by the participants to have a 'go' at reviewing with a follow up workshop at the end of July with Mark. These were presented in the DementiArts publication and through Radio Summerhall;

4.7.7   Strong progress has been made in the development of a Youth Advisory Board. Consultation was undertaken between January and April 2022 across youth arts organisations (with students and young people, the Subject Leaders Network for Drama, the Arts and Creative Learning Team at City of Edinburgh Council and others) to develop terms of reference and a

recruitment approach that was then implemented with great success in June 2022; and

4.7.8 A brand-new 'Musical Commissioning Hub' was established i the Autumn of 2020. Subsequent to this, the approach to commissions - and particularly co-productions - has been extended to include: James IV, Queen of the Fight; The Enormous Christmas Turnip (the Studio Christmas show which forms part of the three-year Children's Christmas Commission produced in association with Eden Court in Inverness and Aberdeen performing Arts); and Sunshine On Leith.

4.8 The team have been working tirelessly to secure the long-term future of the King's Theatre after world events created an unforeseen funding gap in the capital redevelopment plans. The Trust has maintained constructive discussion with a range of funders, partners and stakeholders over the period. There has been a strong level of public and cultural sector support, which has been critical in raising public awareness around the King's campaign, as well as demonstrating how Edinburgh's year-round cultural infrastructure supports the August festivals. The determination to safeguard this world class heritage venue for future generations remains ongoing and has been a key focus of staff activity over 2022.

4.9 The organisation has maintained stability and demonstrated extraordinary resilience over the period. This has been achieved through strong leadership, careful risk management and swift mitigating action where needed. Capital Theatres has taken an ambitious, adaptive and flexible approach to its work throughout; sustaining existing activities as well as driving forward new areas of work, including the development of its engagement with young people and an increased level of collaborative working and co-production with partners across the city and across Scotland.

5. Next Steps

5.1 This report will be referred to Governance, Risk and Best Value Committee for noting and scrutiny.

5.2 Capital Theatres has undergone a recent Governance Review as well as the development of a new strategy, and a new business plan for 2023-2028. The Trust will continue to adapt and deliver against both its Business Plan as well as relevant elements of the Council Strategic Partnership Funding Agreement going forward.

5.3 Business and programme planning will continue in the context of post-COVID impacts, growing inflation and increasing energy costs throughout 2022.

5.4 The next annual update on Capital Theatres is expected later this year.

6. Financial impact

6.1 The Council awarded a grant of £585,130 to Capital Theatres in 2021/22.

6.2   Capital Theatres continues to successfully manage and deliver a robust financial performance.

6.3   The Council has agreed a £4m capital grant and Prudential Borrowing of up to £5m (to be paid back by Capital Theatres) to the King's Redevelopment Project. The release of these resources will be subject to Capital Project reporting requirements.

7.   Stakeholder/Community Impact

7.1   The Third Party Cultural Grants Review agreed by Committee in June 2019 recommended the creation of a Strategic Partnership Theatres Grouping of which Capital Theatres is the lead partner. The grouping also includes the Lyceum Theatre, the Traverse, Edinburgh Performing Arts Development (EPAD) and Lung Ha Theatre Company. The work of the grouping has had a focus on both individual and collective recovery; a coherent and coordinated programme of community engagement; support for the development of the city's creative talent; cooperative programming and working towards a viable co-producing model.

7.2   Capital Theatres has an extensive and successful Engagement Programme reaching a very wide community base alongside its main theatres and Studio programmes seeking to deliver an accessible programme of activities.

7.3   Capital Theatres meets its Council Funding Agreement Conditions.

7.4   Capital Theatres has an Environmental Policy – Towards a Greener Future and reports on its carbon reductions and sustainability action plan.

8.   Background reading/external references

8.1   Capital Theatres website: Capital Theatres.

8.2   Capital Theatres Company Performance Report 2020/21, report to Culture and Communities Committee, 16 November 2021.

9.   Appendices

9.1   None.

Governance, Risk and Best Value Committee

10.00am, Tuesday 14 March 2023

Update on Council Transport Arms Length Companies – referral from the Transport and Environment Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

1.1 The Transport and Environment Committee has referred a report on Update on Council Transport Arms Length Companies to the Governance, Risk and Best Value Committee for scrutiny of the financial performance of the organisations and any risks impacting the Council or the Transport for Edinburgh Group.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Emily Traynor, Assistant Committee Officer
Legal and Assurance Division, Corporate Services
emily.traynor@edinburgh.gov.uk

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Referral Report

Update on Council Transport Arms Length Companies

2.   Terms of Referral

2.1   On 2 February 2023 the Transport and Environment Committee considered a report that summarised the performance of Transport for Edinburgh (TfE), Edinburgh Trams (ET) and Lothian Buses (LB).

2.2   The Transport and Environment Committee agreed:

2.2.1 In accordance with the Council's governance arrangements, to note the information provided by the Council's Transport Arms Length External organisations (ALEOs).

2.2.2 To note the report covered the years 2020, 2021 and 2022, which have continued to be dominated by COVID-19 response and recovery and wider operating challenges.

2.2.3 To refer this report to the Governance Risk and Best Value Committee for noting and scrutiny (as set out in paragraph 3.5.2).

2.2.4 To request a presentation to Committee on the timescales of decarbonising the Lothian Bus fleet.

2.2.5 To request a briefing for members on the progress against Service Level Agreements; and include more of this detail in the next report to Committee.

3.   Background Reading/ External References

3.1   Minute of the Transport and Environment Committee of 2 February 2023.

3.2   [Transport and Environment Committee – 2 February 2023 webcast](#)

3.   Appendices

Appendix 1 – Report by the Executive Director of Place

Transport and Environment Committee

10.00am, Thursday, 2 February 2023

Update on Council Transport Arms Length Companies

Executive/routine	**Executive**
Wards	**All**
Council Commitments	

1. Recommendations

1.1 It is recommended that Transport and Environment Committee:

1.1.1 In accordance with the Council's governance arrangements, notes the information provided by the Council's Transport Arms Length External organisations (ALEOs) and scrutinises the performance of the ALEOs;

1.1.2 Notes that this report covers the years 2020, 2021 and 2022, which have continued to be dominated by COVID-19 response and recovery and wider operating challenges; and

1.1.3 Refers this report to the Governance Risk and Best Value Committee for noting and scrutiny (as set out in paragraph 3.5.2).

Paul Lawrence

Executive Director of Place

Contact: Daisy Narayanan, Head of Placemaking and Mobility

E-mail: daisy.narayanan@edinburgh.gov.uk

Report

Update on Council Transport Arms Length Companies

2.   Executive Summary

2.1   This report summarises the performance of Transport for Edinburgh (TfE), Edinburgh Trams (ET) and Lothian Buses (LB) over the period 2020, 2021 and 2022 and recognises the impact of COVID-19 on the Council's Transport Arms Length External Organisations (ALEOs).

3.   Background

Governance of ALEOs

3.1   An update on the reporting on the Council's Arm's Length External Organisations was approved by Policy and Sustainability Committee on 25 February 2020. This report confirmed that the responsibilities of Executive Committees and Governance, Risk and Best Value Committee were as follows:

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; and

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.

3.2   Therefore, it is recommended that this report be referred to Governance, Risk and Best Value Committee for scrutiny of the financial performance of the organisations and any risks impacting the Council or the Transport for Edinburgh Group.

Transport for Edinburgh

3.3   On 22 August 2013, the Council approved the establishment of TfE. The Council owns 100% of the shares in TfE which in turn owns 100% of the shares in ET and 91% of the shares in LB. The remaining shares in LB are owned by West Lothian Council, Midlothian Council and East Lothian Council.

3.4   The last annual update on the TfE Group was on 20 June 2019, due to the COVID-19 pandemic and the need for resources to be focussed elsewhere. A verbal update on the impact of COVID-19 on Lothian Buses was provided to Committee on 28 January 2021.

Transport ALEO Reform

3.5   In July 2020, the Council approved an approach to reform of the Council's Transport ALEOs. Since then, further updates have been provided to Committee in November 2020 and August 2021.

4.   Main Report

4.1   A summary of the activities of the Transport ALEOs in the period 2019 – 2022 is attached. Updates from ET and LB for 2022 are also provided in Appendices 2 and 3.

4.2   The audited accounts for the TfE Group, LB and ET are available at Companies House and provide a detailed explanation of performance in 2019, 2020 and 2021.

4.3   The financial and detailed strategic updates for 2022 will not be available until the conclusion of the audit of accounts for the year to 31 December 2022. This is expected to be in Summer 2023. These will be reported in the next annual update to Committee later in the year.

Impact of COVID-19 – Financial Support

4.4   As outlined in Appendix 1, passenger travel behaviour and travel patterns changed significantly in the period covered by this report, due the COVID-19 and the associated restrictions. In particular, continued working from home and depressed airport patronage are factors that continue to adversely impact bus and tram patronage.

Current Position

4.5   A further update on the Council's Transport ALEOs for the financial year 1 January 2022 – 31 December 2022 will be brought once the annual accounts for that year are published.

5.   Next Steps

5.1   Committee is asked to refer this report to the Governance, Risk and Best Value Committee for scrutiny and noting, in accordance with the Council's governance arrangements for ALEOs.

5.2   The next annual update on the Council's Transport ALEOs will be presented to Committee following the conclusion of the financial (calendar) year 2022, on completion of the audited accounts.

6.   Financial Impact

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

7.   Stakeholder/Community Impact

7.1   The Boards of TfE, ET and LB meet regularly to review the activities and performance of the individual companies. The Council is represented on the TfE Board by four Non-Executive Director Elected Members and an Observer with Officer Observers on the Boards of ET and LB.

8.   Background reading/external references

8.1   None.

9.   Appendices

9.1   Appendix 1 – Summary from the Transport for Edinburgh Group on behalf of the ALEOs 2019 - 2022–

9.2   Appendix 2 – Edinburgh Trams Update for 2022

9.3   Appendix 3 – Lothian Buses Update for 2022

Appendix 1   Summary from the Transport for Edinburgh Group on behalf of the ALEOs 2019 - 2022

COVID 19 Funding Support

All of the companies received financial assistance in response to the Coronavirus pandemic. TfE led the negotiations to secure almost £18m funding support for ET, for the period July 2020 to 31 March 2022.

For TfE, this financial assistance was predominantly the Coronavirus Job Retention Scheme (CJRS) in 2020 only, with funding from the Council of £153,000 covering the period April 2020 to March 2021. TfE has received no further Council or Scottish Government funding support.

LB also received CJRS support. Separately, they received COVID 19 grant funding from Transport Scotland as part of the package available across Scotland to bus operators.

Patronage.

ET patronage recovery in the final period of 2022 was circa 71% of 2019 level. Weekend patronage has recovered ahead of main day Mon – Fri in terms of percentage, however there is currently a trend change with increasing Pre 9am travel now being recorded. Although all main COVID restrictions have been lifted, a large number of organisations continue to promote working from home, or blended working patterns and this continues to adversely impact tram patronage.

Services

ET are operating a 7 minute headway from 7am to 7pm, 7 days a week. Outside these times ET are operating at least a 15 minute headway. Additional trams are provided as required during events and times of high demand.

Recovery Plans

ET continues to develop recovery plans, mindful of continued COVID and post COVID impacts.

Changed passenger travel behaviour, continued working from home, depressed airport patronage and slow to return international and domestic visitors have all impacted on patronage and revenue in 2022.

The revenue impact of the introduction of U22 concessionary travel is a loss of £60,595 for the period 1 Feb 2022 to 31 Dec 2022. This assumes that, of the revenue forgone of £278,844, ET will be reimbursed £218,249 by the Council (at the concession scheme reimbursement rates).

People.

TfE secondees have largely returned to their parent organisations. Other staff have left the business as projects conclude.

ET had numerous applicants for additional tram drivers required to be recruited and trained in time for the opening of the completed line to Newhaven in 2023.

Procurement

In 2021 LB took delivery of 98 double deck Euro 6 vehicles and 4 double deck electric vehicles. The possibility of trialling a hydrogen bus is being actively pursued.

Tram maintenance contracts were novated from ET to the Council on 30 April 2021 and a revised Operating Agreement between the Council and ET came into effect on the same day.

An integrated ticketing solution that will allow aggregation of all journeys taken on bus and tram, using contactless payment, is developing well.

Sustainability.

All TfE Group companies are aware of the Council's Sustainability policies, targets and ambitions and are considering what they can do to help meet the city's aspirations.

Support to Trams to Newhaven.

All three companies continue to support the Trams to Newhaven Project, particularly, not surprisingly ET.

Other Projects

- **Edinburgh Cycle Hire Scheme**. After more than a year of negotiation between TfE and Serco to exercise the four year extension to the original three year Concession Contract, the decision was taken by the TfE Board on 10 August 2021, to end the initial contract and close the scheme at midnight on 17 September 2021. £1.7m funding had been secured from Sustrans, to cover the cost of a security upgrade to the scheme, involving new locks and docks. Council funding was secured in May 2021 for four financial years from financial year 2021/22, to help cover the costs of delivering the service. There was confidence that sponsorship and ridership would cover the remaining costs of delivering the service. The main reason for concluding the initial concession contract was the risk of procurement challenge, relating to the extension of the concession contract for four years and the subsequent intention to vary the concession contract to move from concession contract to a managed service model. The scheme was demobilised in the period from 18 September to 31 October 2021. A Lessons Identified report has been compiled, that will help inform future decision making, regarding procurement of a new cycle hire scheme and interim measures. An Options Appraisal for a future cycle hire scheme has been completed for consideration by Committee and the Council and subsequent funding decisions.

- **Wayfinding**. The Edinburgh Wayfinding Project (led by TfE) has continued to be impacted by COVID. Discretionary marketing and advertising budgets were reduced during periods of lockdown, resulting in agreements to sponsor the Project being withdrawn or deferred. Prototypes of the new totems were installed in November 2021 at Rutland Street and Saint Andrew's Square. Base cages for the next tranche of new totems were installed in December 2022, for the subsequent installation of new totems

in January 2023. This preparatory work also included the removal of obsolete street furniture in the vicinity, including unmaintained Wayfarer totems, reducing overall street clutter.

- **Driver Innovation Safety Challenge (DISC)/FOCUS+.** The DISC Project has resulted in a wearable device, capable of collecting driver, lone worker and machine operator biometrics and sending this in real time to a control room, for controllers to observe wellbeing. The third iteration of the device, known as FOCUS Plus, is being trailed by some 50 volunteers from six UK tram operators and other transport operators and organisations.

- **Major Event Planning**. Throughout the period of this report TfE continued to lead on the coordination of Edinburgh's planning for:

  - **COP 26**. Through an Edinburgh Working Group comprising Council teams, strategic partners, city partners and emergency services. Bids for Cabinet Office funding for additional mobile CCTV (14 and associated costs) and MarComms were successful. Resources were provided by UK and Scottish Governments to help "dress" the city.

  - **Operation LONDON BRIDGE**. Operation UNICORN was activated on 8 September 2022 and the plan in Scotland and Edinburgh delivered successfully over the next six days. The Operation in Edinburgh was closed at 0830 on Thursday 15 September, once the majority of post operational strip out and clear up had been conducted. The successful delivery of the operation in Edinburgh was a phenomenal team effort involving: The Council, city, Strategic Partners and over 130 organisations and institutions. Work is ongoing in capturing post operational lessons and refining future plans in light of the September 2022 experience.

Appendix 2 – Edinburgh Trams Update 2022

COVID funding support from Scottish Government via Transport Scotland ceased on 31 March 2022.

Total value of support circa £18m from July 2020 to March 2022.

Patronage.

ET patronage recovery for the full year returned at 64% v 2019, but rose to over 74% in the second half of the year following the relaxations on travel restrictions, with the festive period pushing the recovery rate above the 80% mark. Weekend travel and Airport travel have both exceeded the recovery rates noted above with a marked increase in morning travel now also being recorded. As large number of organisations continue to promote hybrid working this will continue to adversely impact tram patronage.

Period Reporting

ET and Council officers meet every four weeks for 'client meetings', covering all aspects of the business i.e. Safety, Finance, Engineering, Operations, Training, Customer Services, Projects, HR. etc. This meeting allows both parties to be kept fully informed of all aspects of business requirements. Senior members of staff from each relevant section attend this meeting with the Managing Director of ET.

Support to Tram to Newhaven and mobilisation.

Throughout 2022, ET has supported the Tram to Newhaven Project, specifically through technical support, including Engineering and Safety advice, preparing for Operations by recruiting and training additional drivers and TSA's.

Awards 2022

Winner of Large Business Award in Edinburgh (Chamber of Commerce)

Winner of Global Light Rail winner 2022 significant safety initiative/emergency response engagement

Winner of Scottish frontline employee of the year 2022

Commendations Scottish Operator of the Year and Rising Star accolade for our Projects Manager again at the Global Light Rail Awards

Appendix 3 - Lothian 2022 Update

Patronage

Fundamental shifts in societal working trends and the impact these have on travel patterns necessitated an evolving response throughout 2022. For example, the impact of the Omicron variant and subsequent advice from Scottish Government to work from home, resulted in a Saturday service being operated throughout January 2022.

Customer numbers improved throughout the year from an initial 60% to just over 80% at year-end compared to pre-pandemic levels. Leisure travel has recovered well and this can be seen in a stronger recovery at weekends. The improving picture was a result of the lifting of restrictions, a gradual return to the office and in-person teaching at universities and the resumption of international tourism. However, it is clear that an element of working from home remains and will continue to impact on traditional travel behaviours and therefore the regularity of bus use.

Concessionary travel for over-60s remains lesser recovered than other customer groups. The introduction of free travel for under 22s got off to a slow start but the City of Edinburgh has subsequently experienced strong uptake in relation to other parts of the country (around 75%). Further effort is required by all stakeholders to encourage over-60s back onto the bus network and to ensure all eligible under-22s are aware of the existence of and the process for applying for free travel.

The development of key city projects and the backlog of utility and resurfacing works following the pandemic, has also supressed customer recovery on parts of the network*.

Network

The Lothian group are operating some 80% of pre-pandemic services and mileage. Recovery of the bus industry has been hampered by well documented issues in relation to the labour market which directly affected Lothian's plans for driver recruitment and retention. This tempered the ability to react to some customer demand and forced strategic decisions in parts of the network.

A significant amount of work has taken place reviewing driver duties and rotas with the aim of improving work-life balance and efficiencies. This has led to improved retention levels across the various parts of the Lothian Group.

In the Autumn, the driver shortage became particularly acute at Lothian Country, leading to a review of operations. The result was a service change in November with the withdrawal of two local routes and a refocusing on trunk services to and from Edinburgh. This has allowed the operation to stabilise with a robust and reliable network delivering for customers.

The changes at Lothian Country also allowed for the transfer of drivers to other parts of the business to help improve service delivery and reliability across the group, providing a solid platform for growth in 2023.

Recruitment

In response to the shortage of driving candidates Lothian launched a multi-platform recruitment drive which started to yield results towards the end of the year. During the course of 2022, 271 new drivers joined the company.

Assuming that the improvement in recruitment continues, Lothian intends for the next service change to continue to build on the recovery seen so far. Opportunities in 2023 include the opening of the new tram line and the return of 2-way traffic on North Bridge. The completion of these projects will allow Lothian to redeploy resource tactically to improve frequencies and make journey times more reliable.

Operation Unicorn

Operation Unicorn had a significant impact on the business both in terms of severe network disruption and diversions and also in providing contract buses to support Police Scotland. Lothian assisted in the provision of contract buses day and night to support police deployment in and around the city centre.

In total 300 journeys were provided across the 5 days, including ad-hoc contract buses supplied for the Scottish Parliament and also assisting in the deployment of stewards. This was achieved while simultaneously reacting to road closures, service diversions and curtailments with some timetables effectively scheduled and put into operation with less than an hours' notice.

Despite significant disruption there was a clear sense that customers understood the exceptional situation and it is testament to all those involved that over the 5 days customer numbers were only down 3.5%.

Special Events

Special events returned in significant numbers in 2022, demand having been supressed for such a long time. Lothian once again provided special service 98 to cater for events at Ingliston including concerts, festivals and the Royal Highland Show.

Cruiselink also returned for the 2022 season (May to September), with service X99 providing a link between Queensferry and the City Centre. The season started slowly with some restrictions on ship capacity, however this eased over the summer resulting in strong customer demand.

Network Resilience

The volume of roadworks continues to have an impact on the reliability of the network. Although now in the final stages of the tram works, there have been a number of other major closures like London Road, Elm Row and Picardy Place through the latter stages of last year. On completion of tram works Lothian aims to be back fully operational on Leith Walk which will return stability and consistency back to the network in this area.

Year to date there have been 1,155 planned roadworks or events that have impacted on journey times. Each one of these has meant either a diversion or restrictions on the road with either temporary traffic lights or lane drops. Over 3,000 customer notices have been issued in bus stops to try and keep customers informed, however this level of disruption can make travelling by bus less attractive which ultimately impacts on the ability to grow patronage.

Policy

Lothian have been consulted on various policies that the Council are working on including the Circulation Plan and Public Transport Action Plan. Lothian is currently developing a Decarbonisation Strategy which will map out the journey to decarbonising the 670 vehicles in the Lothian fleet.

Accessibility

Lothian was delighted to be recognised for work in accessibility across 2022.

- Midlothian & East Lothian Business Awards 2022 'Community Impact' Award finalist
- Blue Badge Awards 2022 Most Inclusive Organisation finalist and Access Champion of the Year finalist
- Scottish Transport Awards 2022 Excellence in Accessibility Winner
- Herald and GenAnalytics Diversity Awards 2022 Diversity Hero finalist and Diversity in the Public Sector Winner

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Governance, Risk and Best Value Committee

10:00, Tuesday, 14 March 2023

Drumbrae Care Home – status report

Executive/routine
Wards
Council Commitments

1. Recommendations

It is recommended that Governance, Risk and Best Value Committee:

1.1 Note the briefing note on the status of Drumbrae Care Home, the steps taken leading up to the closure of the facility as a care home and the actions that have been taken post closure.

Judith Proctor

Chief Officer, Edinburgh Integration Joint Board

Contact: Hazel Stewart

E-mail: Hazel.Stewart@edinburgh.gov.uk

Report

Drumbrae care home

2. Background

2.1 This report provides a briefing on the actions taken leading up to the closure of Drumbrae as a care home and the actions that have taken place post closure in response to the motion from the Full Council meeting held on 15 December 2022 and 9 February 2023 which set out the following:

Full Council – 15 December 2023

2.1.1 Notes the Chief Officer of the Edinburgh Integration Joint Board (EIJB) has not provided full updates on the status of the property to the Board and requests that she do so for all elected members.

2.1.2 Requests the EIJB Chief Officer produce a report within one cycle on how this facility came to sit empty for over a year.

2.1.3 Requests the EIJB consider the recommission of appropriate care services at Drumbrae care home as soon as practically possible.

2.1.4 Calls for a report to the Governance, Risk and Best Value Committee into the Council's actions leading up to the closure and post closure, in particular actions to move forward with the lease to NHS Lothian or identify and resolve any problems in order to identify any potential lessons learned.

2.1.5 Calls for a briefing to elected members, outlining the actions that would be required if the Council is directed to recommission 60 care beds at Drumbrae by the EIJB, along with associated costs, an estimate of how long this would take, and any other significant considerations that may inform a decision by the EIJB.

Full Council – 09 February 2023

2.1.6 To note the fire safety compliance issues at Drumbrae Care Home were not notified to members when they were identified in June 2022, to note that the report did not indicate whether the issues were identified before or after the Committee decision on 7th June, and to request that officers include and comment on the timeline of decision making in the report to the Group Risk and Best Value Committee which Council instructed in December 2022.

2.1.7 To note that, as stated in the report, NHS Lothian advised in October 2022 it was unable to deliver the direction set by the Board, but the report was silent on who was advised and that this communication did not result in either the Board or the Finance and Resources Committee being informed or asked to update their direction or decisions, and to request that this too is analysed in the report to the Group Risk and Best Value Committee.

3. Background

3.1 The EIJB bed-based review (BBR) has been progressing since 2020, with the main focus on the implementation of the approved activities identified as part of the Bed Based Care Strategy. A phased approach was adopted with phase one of the BBR concentrating on three main service areas:

- Intermediate Care

- Hospital Based Complex Clinical Care (HBCCC)

- Care Homes

3.2 These services were prioritised as they support flow from acute hospital sites, creating capacity and ensuring people are in the right setting to meet their needs.

3.3 The bed-based care strategy identified that Edinburgh needed more Intermediate Care capacity, less Hospital Based Complex Clinical Care (HBCCC) capacity and a new model of care within the internally managed care homes to meet demand for nursing and dementia care, specifically changing residential care capacity to nursing home capacity in the larger 60 bed care homes. The new configuration had to be delivered within the existing Council and NHS estate, optimising the use of buildings where possible and decommissioning buildings that were no longer fit for purpose.

3.4 This translated to:
3.4.1 An additional 5 Intermediate Care beds
3.4.2 A reduction of 42 HBCCC beds
3.4.3 The transition of 180 residential care home beds to nursing provision

3.5 The reduction of HBCCC beds was based on Scottish Government census data from 2019 which suggested a level of HBCCC provision in Edinburgh 2-3 times as high on a per capita basis than other major Scottish cities. Since the proposals were submitted in 2021, the census has been updated (2022) and although there is a percentage decrease in the number of patients in HBCCC beds, Edinburgh still has the highest provision on a per capita basis.

3.6 The lease agreement on Ferryfield House was originally due to expire in 2017, this was then extended by 10 years with an optional break clause at the 5-year point (2022). Liberton Hospital was due for exit in 2015 and the site has now been sold to the City of Edinburgh Council, a 2 year occupancy agreement is in place from the date of sale.

3.7 To implement the recommended bed capacity, Drumbrae care home was identified to transition to provide the majority of the HBCCC service (old age psychiatry and frail elderly wards). This created a single site HBCCC unit for the frail elderly and old age psychiatry wards for the city, and space within the wider estate to transition the vacated NHS-run Private Finance Initiative (PFI) units to intermediate care provision. Once this transition is complete, bed-based services could move out of Liberton hospital, allowing redevelopment to begin following the sale of the site to the CEC. The reduction in HBCCC capacity meant there was an opportunity to withdraw from the lease on Ferryfield House, a PFI facility, at the extended break point of October 2023.

3.8 In addition to the physical service redesign, a new model of care would be implemented within the larger, Edinburgh Health and Social Care Partnership (the Partnership) 60 bed care homes which includes nursing provision. This enables these larger, more modern homes to provide nursing and dementia care provision for people with complex care needs, which is very much needed in the city to meet growing demand. This would require 27 qualified nursing staff to be recruited with the beds transitioning over time.

3.9 Based on these proposals the Edinburgh Integration Joint Board (EIJB) issued a direction to both the CEC and NHS Lothian (NHS L) following their meeting on the 28 September 2021 which can be found in appendix 1. A summary of the full direction is provided below:

3.9.1 Decommission the residential care model provided at Drumbrae Care Home and direct the reprovisioning of Hospital Based Complex Clinical Care (HBCCC) services within that facility.

3.9.2 Decommission intermediate care beds currently provided at the remaining wards at Liberton Hospital and to direct the re-provisioning of these within a reconfigured number of beds within the remaining HBCCC estate.

3.9.3 Decommission HBCCC beds provided at Findlay House and Ellen's Glen House and direct the re-provisioning of these within former residential care home facility in Drumbrae.

3.9.4 Commission Intermediate Care beds within the bed base remaining at Ellen's Glen House and Findlay House.

3.9.5 Decommission the HBCCC beds provided at Ferryfield House, noting this will enable the withdrawal from the lease at the intended break point and decommission the service provided there by October 2023.

4.   Main report

4.1   A number of onsite assessments were completed in Drumbrae care home by multiple teams and contractors throughout 2021 to assess the suitability of the premises for the provision of the HBCCC service. The teams involved are indicated within the timeline of activity which can found in appendix 2.

4.2   Based on the findings of these assessments and following approval by the EIJB, Drumbrae care home was decommissioned in December 2021. At the point the care home was decommissioned there were only ten residents and they, along with the staff were moved to alternative care homes in Edinburgh. The unit had reduced its capacity at the time of its decommissioning for a number of reasons; a challenging inspection report had meant that Drumbrae had a prolonged occupancy of under 50% capacity and had been closed to new admissions, as a consequence it had been difficult to maintain staffing levels.

4.3   Once the care home was decommissioned, continuing assessments were carried out on the property alongside the development of the clinical brief required for the transition to the provision of HBCCC.

4.4   On 7 June 2022, the Finance and Resources Committee approved the lease arrangements for Drumbrae care home, including the annual lease charge and the length of lease term. The lease arrangements were to be between NHSL and the Council, with NHSL funding this from the saving in the Unitary Charge for the unit at Ferryfield House.

4.5   On the 24 June 2022, Drumbrae was identified as being non-compliant for the delivery of clinical services. There is a requirement to comply with the Fire (Scotland) Act 2005 and the Fire Safety (Scotland) regulations 2006. Furthermore, the NHS Scotland Firecode SHTM 81 part 1 was updated in 2022 which applies to all buildings that accommodate NHS services, this is supported by Scottish Government guidance on fire safety which was also updated in 2022. The Act requires evidence to satisfy Fire Authorities that the building can be satisfactorily evacuated. With NHS Patients that may be bed bound there is a need to demonstrate progressive lateral evacuation to comply with the Act. In order for Drumbrae to be compliant with the Act and associated standards, significant adaptations are required.

4.6   This increased both the time required to complete the work and the cost of the adaptations significantly.

4.7   An Implementation Oversight Group was established with representatives from NHS Lothian and the Partnership to identify if there were alternative solutions available to the adaptations identified to support the transition to the provision of HBCCC.

4.8   In October 2022, the Chief Executive of NHS Lothian wrote formally to the Chief Officer of the Edinburgh IJB noting that NHSL were unable to deliver the direction set by the EIJB due to the increased cost and time required for the adaptations.

4.9   Discussions continued between all partners from November 2022 to January 2023 to agree how best to progress in light of the challenges faced in transitioning the facility and also in relation to what possible alternative options there were to utilise the building in support of system pressures. A timeline of the activities undertaken to date can be found in appendix 2.

4.10   Discussions in January 2023 with all partners resulted in a proposal from NHS Lothian which would see the facility leased to NHS Lothian as planned in order to provide a reduced number of HBCCC beds. The proposal saw a reduction of 72 HBCCC beds, as opposed to the 42 originally outlined in the Direction. The Partnership undertook to consider the feasibility of this proposal in terms of its ability to deliver the principles of the Bed Based Strategy and the capacity and flow in the system without any negative impact on the performance gains achieved in recent months.

4.11   A range of key stakeholders have been involved in the discussions to date and although the alternative proposal could be delivered in physical terms, there would be significant impacts on other parts of the system as a result.

4.12   The revised NHS Lothian proposal sees a reduction of an additional 30 HBCCC beds from the original proposal. This would equate to an overall reduction of 72 HBCCC beds from the bed numbers operational at present. This would leave the Partnership with a significant gap in its bed base, and this in the assessment of the EHSCP leadership team poses an unacceptable level of risk to performance.

4.13   There is a risk that reducing the bed numbers on this scale would have a significant impact on front door presentations, acute capacity, flow and delayed discharges. It is already a challenge to discharge patients from HBCCC into community settings as there are limited facilities that can safely care for people with complex care needs.

4.14   It is important to note that the revised NHSL proposal was supported by an undertaking to fund both the capital required (£2.2m) and to pay the rental charge on Drumbrae to CEC over the course of the lease.

4.15   The EHSCP developed a counter proposal to minimise the reduction of bed numbers to 42 as outlined in the Bed Based Care Strategy. This proposal accepts the transition of Drumbrae to provide 30 HBCCC beds for Old Age Psychiatry and seeks a slower reduction of frail / elderly HBCCC beds through the continued use of Ferryfield House until the lease ends in 2027. Further details of the Developed Option can be found further on in the paper, section 4.17.

4.16 There are time critical elements that need to be addressed such as the withdrawal of services from the Liberton Hospital site. Although an occupancy agreement has been established, this is for a time limited period of 2 calendar years from the point of sale. To achieve the withdrawal of services from Liberton Hospital, the remaining estate has to be redesigned to accommodate the bed-based services currently occupying the site. Withdrawing services from Liberton cannot be achieved within the parameters of the alternative offer presented by NHSL as it does not provide the capacity within the current available estate to enable services to be accommodated elsewhere. Under the new proposed model, we could not fulfil the requirement to come off the Liberton site. Although these risks existed under the original direction, the full utilisation of Drumbrae created the much needed space within the remaining estate to redesign the intermediate care service whilst also retaining the desired capacity within HBCCC to meet demand.

Developed Option

4.17 The Partnership have concluded that while the initial proposal is not deliverable, an alternative, developed option could be delivered with some alterations to the conditions set. Again, with the focus on ensuring withdrawal from Liberton and creating and maintaining flow across beds, this option would be to go forward with operationalising 30 beds at Drumbrae and maintaining the lease on Ferryfield House until the end of its lease in October 2027.

4.18 HBCCC beds could then be accommodated within Drumbrae with the capacity maintained at Ferryfield House. This would create the space within the remaining PFIs (Ellen's Glen and Findlay House) to accommodate the intermediate care service as set out in the original bed-based care strategy.

4.19 This transitional position will give us time as a whole system to undertake the pathway review from hospital to community to understand the range of beds in use across the system, this would include acute beds such as Medicine of the Elderly and Medicine of the Elderly Rehabilitation. A holistic review of pathways would properly map out the capacity requirements for the needs of each patient group.

4.20 This approach will allow for services to come off the Liberton Hospital site within the timescales which is the most time critical element of the redesign. While it does not allow for services to be withdrawn from Ferryfield House however, it will allow for work to take place to ensure the lease can end at the intended end date of October 2027.

Summary

4.21 This solution provides an opportunity to deliver, in part, the bed base redesign proposed within the bed base care strategy. This option does:

4.21.1 Transition some of the HBCCC beds into Drumbrae which is better accommodation than the service currently occupies.

4.21.2 Reduce the number of old age psychiatry beds to 30 as outlined in the bed-based care strategy.

4.21.3 Create the space needed within the remaining estate to accommodate the intermediate care service, slightly increasing the bed numbers which will increase capacity and support flow from acute as outlined in the bed based care strategy.

4.21.4 Enable bed-based services to vacate the Liberton Hospital site as originally planned as part of the bed based care strategy.

4.21.5 Allow time to complete a full system wide pathway review to inform strategic plans for community infrastructure and bed-based service provision in the medium to long term.

4.21.6 Offer the opportunity to collegiately design services with all partners.

4.21.7 Offer potential solutions to other accommodation challenges by identifying the best use of the upper floor of Drumbrae.

4.21.8 Retain capacity at Ferryfield House until the community infrastructure can be enhanced to support people with complex care needs.

5.   Next Steps

5.1   The Partnership have requested that all partners consider this proposal to ensure services can come off the Liberton Hospital site within the timeframe of the occupancy agreement.

5.2   A system wide pathway review will be progressed as soon as possible, and its findings will be used to inform the community infrastructure required and model in new bed based accommodation coming on stream.

5.3   A collegiate approach is adopted with all partners to define the requirements for community and bed-based services for the medium to long term.

5.4   In response to point 2.1.5 of the status report presented to the Full Council on 9th February (item 7.8) which states:

5.4.1 Calls for a briefing to elected members, outlining the actions that would be required if the Council is directed to recommission 60 care beds at Drumbrae by the Edinburgh Integration Joint Board (EIJB), along with associated costs, an estimate of how long this would take, and any other significant considerations that may inform a decision by the EIJB.

5.5 A briefing paper is being drafted for circulation to elected members, information is being gathered to inform this briefing paper from colleagues across the City of Edinburgh Council and the Edinburgh Health and Social Care Partnership. The Partnership would like to offer elected members a Development Session to talk through the briefing in more detail and answer any questions that may arise.

5.6 The IJB has not, at this stage, been asked to update the direction set or any decisions made as negotiations are still ongoing between all partners as outlined in the report. The Direction has been added to the IJB's June meeting agenda for review when negotiations have progressed.

6. Financial impact

6.1 An initial assessment of the financial implications of the Partnership's alternative offer has been completed but further work is needed to refine this, and this will be progressed collaboratively with partners.

Capital

6.2 The estimated cost of the refurbishment of the ground floor of the former Drumbrae care home is £3m. This would be funded via a combination of the monies held in the Integration Joint Board's reserve (£0.8m) with the balance of £2.2m coming from NHS Lothian. NHS Lothian has also offered to fund the leasing of Drumbrae from CEC. This original offer was made on the basis of freeing up costs from withdrawing from the lease at Ferryfield House in 2024.

7. Stakeholder/Community Impact

7.1 An integrated impact assessment was completed as part of the strategy development and can be accessed here.

8. Background reading/external references

8.1 Bed Based Care – Phase 1 Strategy: 21st June 2021, EIJB meeting

8.2 Follow up report – Bed Based Care – Phase 1 Strategy: 28th September 2021, EIJB meeting

9. Appendices

Appendix 1: Copy of direction set by the EIJB to CEC and NHS L in September 2021

Appendix 2: Timeline to date

Appendix 1: Direction set by the EIJB to CEC and NHS L in September 2021

DIRECTION FROM THE EDINBURGH INTEGRATION JOINT BOARD

Reference number	EIJB-28/09/21-1
Does this direction supersede, vary or revoke an existing direction? If yes, please provide reference number of existing direction	No
Approval date	28 September 2021
Services / functions covered	Intermediate care, Hospital Based Complex Clinical Care (HBCCC) and Care Homes
Full text of direction	a. Decommission the residential care model provided at Drumbrae Care Home and direct the re-provisioning of Hospital Based Complex Clinical Care (HBCCC) services within that facility. b. Decommission intermediate care beds currently provided at the remaining wards at Liberton Hospital and to direct the re-provisioning of these within a reconfigured number of beds within the remaining HBCCC estate. c. Decommission HBCCC beds provided at Findlay House and Ellen's Glen House and direct the re-provisioning of these within the former residential care home facility in Drumbrae. d. Commission Intermediate Care beds within the bed base remaining at Ellen's Glen House and Findlay House. e. Decommission the HBCCC beds provided at Ferryfield House, noting this will enable a withdrawal from the lease at intended break point and decommission the service provided there by October 2023.
Direction to	City of Edinburgh Council (a) NHS Lothian (b-e);
Link to relevant EIJB	Bed Based Care – Phase 1 strategy, EIJB, 28 September 2021

report / reports			
Budget / finances allocated to carry out the detail	Please refer to Appendix 3 of the report for further detail of the timeline and financial model.	NHS Lothian £15.4m	City of Edinburgh Council £7.7m
Performance measures	Monitoring and reporting on delayed discharges; waiting list monitoring for each bed type considered; length of stay data; care home delays; occupancy rates across bed types; care at home / homecare demand.		
Date direction will be reviewed	April 2022		

Appendix 2: Timeline

Bed Base Review – Timeline of events

Project Timeline

Key

📍 Our current position

👥 These represent activities that multiple stakeholders were involved in

2020 – May 21
- Prioritisation of workstreams
- Bed modelling and projections

17 June 21
Initial suitability ax of Drumbrae by estates team

22 June 21
EIJB

Jul – Aug 21
Additional modelling completed and projections increased for demography

4th Sept 21
IP&C assessment complete

14th Sep 21
Condition survey report received from NIFES

28th Sep 21
EIJB approve strategy and issue directions to NHSL / CEC

Dec 21
Drumbrae decommissioned and vacated

Dec 21 – May 22
Detailed fire, ventilation and risk assessments undertaken

May 22
F&R agree lease cost

Jun 22
Expenditure report received incorporating clinical brief and Fire and Risk assessments

Oct 22
NHS Lothian formal notification to IJB on inability to deliver on direction

Next phase (Jan 23 – Mar 2023)
Define collaboratively infrastructure requirements in Short / Medium and Long term for sustainable bed based services

Strategy development

Strategy approval by EIJB and implementation planning

Next Phase

June 21
Initial assessment highlights cosmetic adaptations – estimated costings developed on that basis

Sept 21
Initial IPC assessment highlights minor adaptations – estimated costings developed on that basis

Sept 21
NIFES report records DB in good condition with minor maintenance required in the next 10 years

Dec 21 – May 22
Clinical brief developed with service area

May - Sep 22
Implementation oversight group meetings

Jan 23
Workshop with CLT / CMT / EHSCP

1

Governance, Risk and Best Value Committee

10am, Tuesday 14 March 2023

Whistleblowing update

Item number
Executive/routine
Wards
Council Commitments

1. Recommendations

1.1 To note whistleblowing activity for the quarter 1 October – 31 December 2022.

Andrew Kerr

Chief Executive

Contact: Nick Smith, Council Monitoring Officer/Service Director – Legal and Assurance

E-mail: nick.smith@edinburgh.gov.uk | Tel: 0131 529 4377

Whistleblowing update

2.   Executive Summary

2.1   This report provides a high-level overview of the operation of the Council's whistleblowing service for the quarter 1 October – 31 December 2022.

3.   Background

3.1   The Council's whistleblowing service (including a confidential reporting line) is contracted to an independent external organisation, Safecall Limited.

3.2   The Council's Whistleblowing policy (section 4.3.2) provides that quarterly summary reports on whistleblowing activity will be presented to the Governance, Risk and Best Value Committee.

4.   Main report

4.1   **Disclosures**

During the reporting period Safecall received 22 new disclosures:

Category	Number of disclosures
Major/significant disclosures	1
Minor/operational disclosures	21
Category still to be determined	0
Non-qualifying disclosures	0

4.2   The number of disclosures received is a significant increase on the previous quarter, when there were 14, and continues to reflect a significant overall increase in quarterly activity when compared to previous years.

Susanne Tanner KC Led Inquiry and Review

4.3   The Monitoring Officer and Governance Manager have continued to contribute to the programme of work to progress and implement the recommendations of the Inquiry and Review. This report is not intended to be an update on this workstream, which will continue to be reported as agreed by Council.

4.4   The revised whistleblowing policy and toolkit, which incorporate all recommendations of the review, had previously been updated to reflect comments from Safecall and Pinsent Masons. During this quarter the drafts were subject to Trade Union consultation and amended to reflect trade union feedback.

4.5   Interim arrangements for disclosure triage continue, with fortnightly meetings between Governance, Human Resources and Legal Services taking place to ensure patterns and issues of concern are identified and dealt with appropriately.

4.6   The second stage of recruitment for additional resource for the Governance Team concluded, with onboarding and induction of the three new Governance Officers taking place during January 2023.

4.7   The Investigations Team are now fully operational and progressing all new internal investigations, along with a small number of older investigations that had been subject to delay or other issues (eg the original investigating officer leaving the Council).

4.8   The Investigations Team Leader and Governance Manager have established a programme of regular meetings to continue to develop working arrangements between the two teams and discuss matters of mutual interest and concern.

4.9   An induction day for the new Speak Up Champions was held in December and will be followed by a programme of training over the coming months.

4.10   Existing policies, systems and processes remain in place, pending implementation of the new policy and related processes. Wherever possible, Safecall, the Monitoring Officer, the Governance Team, the Investigations Team and HR colleagues continue to apply the principles of the Tanner recommendations to current operating arrangements.

4.11   The Governance Team have developed a project plan to manage delivery of the numerous workstreams from the I&R Review Action Plan recommendations and the GRBV Whistleblowing Workshop that will be delivered during the first quarter of 2023. The aim is to have all policy and toolkit requirements in place for launch of the new policy and toolkit and reporting proposals ready for consideration by the new Whistleblowing Sub-Committee of GRBV.

5.   Next Steps

5.1   Significant focus continues to be required to deliver the Council's action plan in response to the outcome of the whistleblowing culture review and this continues to

be worked upon as a priority. It is imperative that this is a change in overall culture, of which whistleblowing is only a small but important part. At present, high levels of matters continuing to be raised via whistleblowing mean that the focus of the team is currently on ensuring that these are progresses as quickly and efficiently as possible.

5.2   GRBV members agreed, at their workshop in November, that they wished to meet with the Trade Unions to discuss the new policy and toolkit. This engagement will take place prior to the revised whistleblowing policy and toolkit being presented to the Policy and Sustainability Committee for approval.

5.3   Given Council agreed the creation of a Whistleblowing Sub-Committee of GRBV at its meeting on 9 February, the Convener and Service Director: Legal & Assurance will consider frequency and dates of meetings to be added to the Council diary.

6.   Financial impact

6.1   Costs incurred for the whistleblowing service during the three-month period 1 October – 31 December 2022 totalled £7,530.70 (excluding VAT).

7.   Stakeholder/Community Impact

7.1   The whistleblowing policy was developed and agreed to complement management reporting arrangements and to ensure all matters at the Council are fully transparent and officers are accountable.

7.2   The aim of the policy and the appointment of an independent service provider is to empower employees to report suspected wrongdoing as early as possible in the knowledge that their concerns will be taken seriously and investigated appropriately; that they will be protected from victimisation and other forms of detriment; and that their confidentiality will be maintained.

7.3   The whistleblowing policy, and subsequent reviews, have been consulted on with the trades unions to secure a local agreement.

8.   Background reading/external references

8.1   Finance and Resources Committee 23 May 2019: item 7.20 Whistleblowing Policy

9.   Appendices

9.1   None.

Governance, Risk and Best Value Committee

10am, Tuesday 14 March 2023

Whistleblowing Annual Report 2022

Item number
Executive/routine
Wards
Council Commitments

1. Recommendations

1.1 To note the report.

Andrew Kerr

Chief Executive

Contact: Nick Smith, Council Monitoring Officer/Service Director - Legal and Assurance

E-mail: nick.smith@edinburgh.gov.uk | Tel: 0131 529 4377

Report

Whistleblowing Annual Report

2.   Executive Summary

2.1   This report covers the eighth full year of operation of the Council's whistleblowing service for the period 1 January – 31 December 2022.

3.   Background

3.1   The Council's whistleblowing service, including telephone, email and online reporting; disclosure management; investigations and training, continues to be provided by an independent company, Safecall Limited.

3.2   The Council's Whistleblowing policy (section 4.3.2) requires that an annual report on whistleblowing activity is presented to the Governance, Risk and Best Value Committee (GRBV) for information and scrutiny.

4.   Main report

Disclosures

4.1   During the reporting period Safecall received 70 disclosures in total, this is a significant increase from the 48 reported in the previous year. The total number of disclosures received is now significantly higher than the average for Safecall's client base (both public and private sector) of approximately 1 per 500 employees per annum, which equates to 37-38 referrals for the Council's staff group.

4.2   The total for the year includes several disclosures relating to the same issue, as has happened in previous years, and has an impact when making comparisons with Safecall's average.

Category of disclosure	Number of disclosures				
	2018	2019	2020	2021	2022
Major/significant	0	2 (1)	6 (2)	1 (1)	9 (4)
Minor/operational	21 (1)	17 (6)	32 (4)	39 (7)	51 (7)
Still to be determined	-	-	2 (1)	2 (1)	5
Non-qualifying	5 (0)	1 (0)	3 (0)	6 (0)	5
Total	26	20	43	48	70

Number of management referrals in brackets

Investigations

4.3   Thirty-four investigations (relating to forty-one disclosures) were completed during the reporting period with outcomes and management action reported quarterly to GRBV.

4.4   Forty-nine investigations, relating to sixty-five disclosures, are ongoing and will be reported to GRBV upon completion.

4.5   There were five reports that did not qualify as disclosures under the Whistleblowing Policy but, where possible, checks were carried out and alternative action was taken where required.

4.6   Recommendations resulting from investigations have continued to result in amendments to policy, improvements to procedures and processes, the development of best practice and improved service delivery, as set out in the individual reports.

4.7   Where there is an open line of communication with the whistleblower, feedback during and on the outcome of an investigation has been provided. Where this has not been possible information has been recorded for dissemination to the whistleblower should they make contact in the future.

Review of Operational Arrangements

4.8   A full review of operational arrangements commenced during the final quarter, including: communications; whistleblower engagement; process review; records management; case management; GRBV reporting; investigations and outcome management; the service provider contract; training and Speak Up Champions. The programme of work includes all whistleblowing related recommendations and observations from the Susanne Tanner KC led Inquiry and Review (I&R) and all actions agreed at the GRBV Whistleblowing Workshop in November 2022.

Resources

4.9   The I&R Action Plan provided funding for three Governance Officer (GR8) posts as additional resource for whistleblowing. These officers are now in post and will be key in delivering the I&R Action Plan recommendations and sustaining service improvements in the longer term.

Policy Review

4.10   The revised policy, drafted by Pinsent Masons, has been shared with key stakeholders and feedback incorporated into an updated version that has been shared with trade unions for their consideration.

5.   Next Steps

5.1   Dedicated resource will be focussed on delivery of the I&R Action Plan recommendations directly related to implementation of the new policy and toolkit, and the whistleblowing case life cycle specifically, over the first two quarters of 2023.

5.2   In the meantime, the interim improvements to process and reporting will be sustained.

5.3   GRBV members will meet with trade union representatives to discuss the final version prior to approval by the Policy & Sustainability Committee.

6.   Financial impact

6.1   The cost of the whistleblowing service, including investigation costs, for the year 1 January to 31 December 2022 was £40,675.22 (exclusive of VAT).

7.   Stakeholder/Community Impact

7.1   The whistleblowing policy was developed and agreed in order to complement management reporting arrangements and to ensure all matters at the Council are fully transparent and officers are accountable.

7.2   The aim of the policy and the appointment of an independent service provider is to empower employees to report suspected wrongdoing as early as possible in the knowledge that their concerns will be taken seriously and investigated appropriately; that they will be protected from victimisation and other forms of detriment; and that their confidentiality will be maintained.

7.3   The whistleblowing policy, and subsequent reviews, have been consulted on with the trades unions to secure a local agreement.

8.   Background reading/external references

8.1   [Finance and Resources Committee 23 May 2019: item 7.20 Whistleblowing Policy](#)

9.   Appendices

9.1   Safecall Annual Management Information Report 2022

Safecall Annual Report
The City of Edinburgh Council
2022

safecall

Annual report for
The City of Edinburgh Council

Period
1st January 2022 to 31st December 2022

safecall

Tim Smith

Contents

Appendix A
Management Information

safecall

Tim Smith

Edinburgh Council - Reports per Month from Jan 2022 to Dec 2022

Edinburgh Council - Anonymous Reports per Quarter from Jan 2022 to Dec 2022
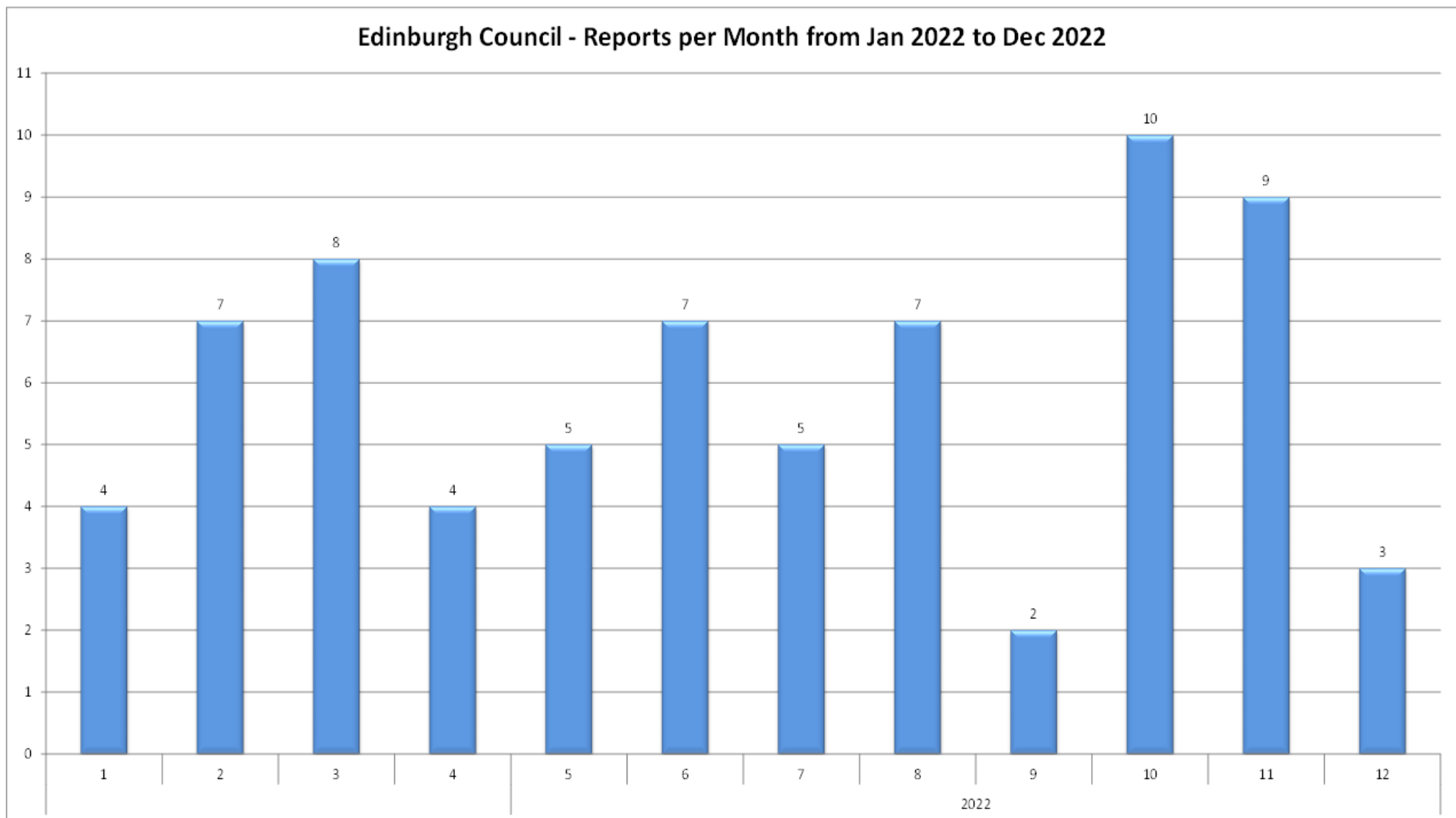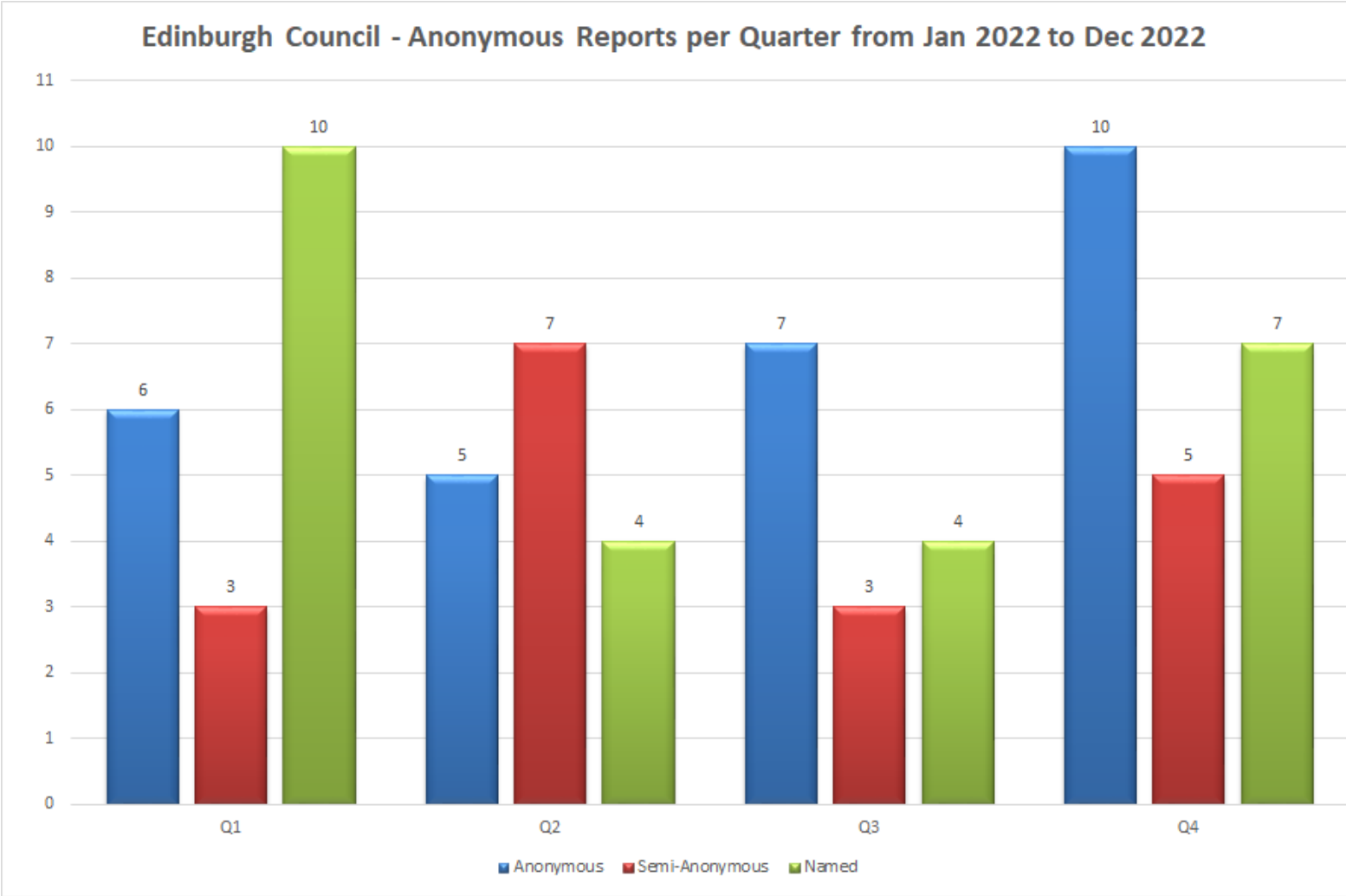
Edinburgh Council - Reports by Classification from Jan 2022 to Dec 2022

Dishonest Behaviour, 10, 14%

Health and Safety, 13, 18%

General, 21, 30%

Human Resource, 27, 38%
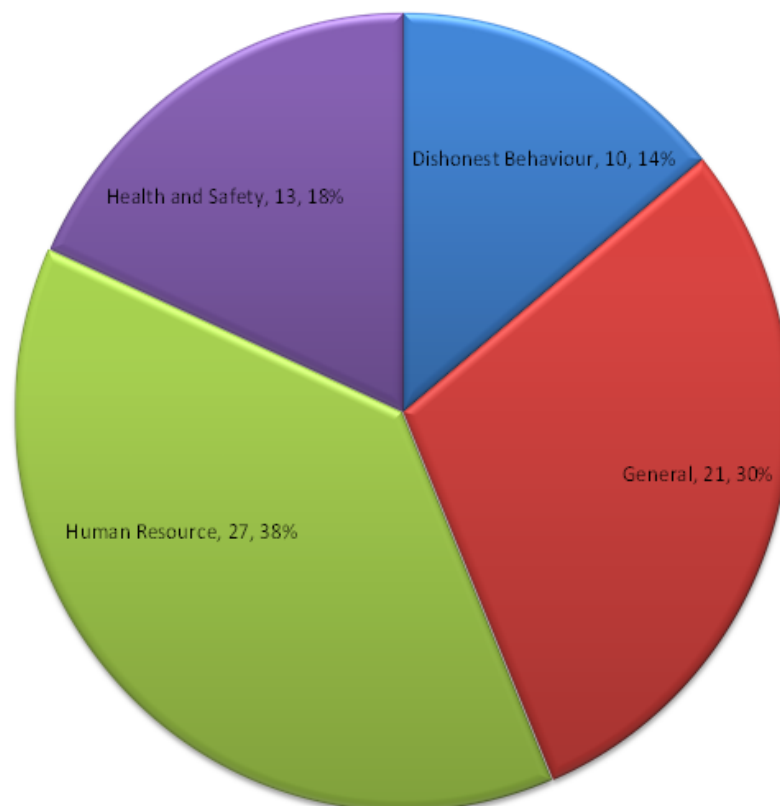
Edinburgh Council - Reports by Subclassification from Jan 2022 to Dec 2022
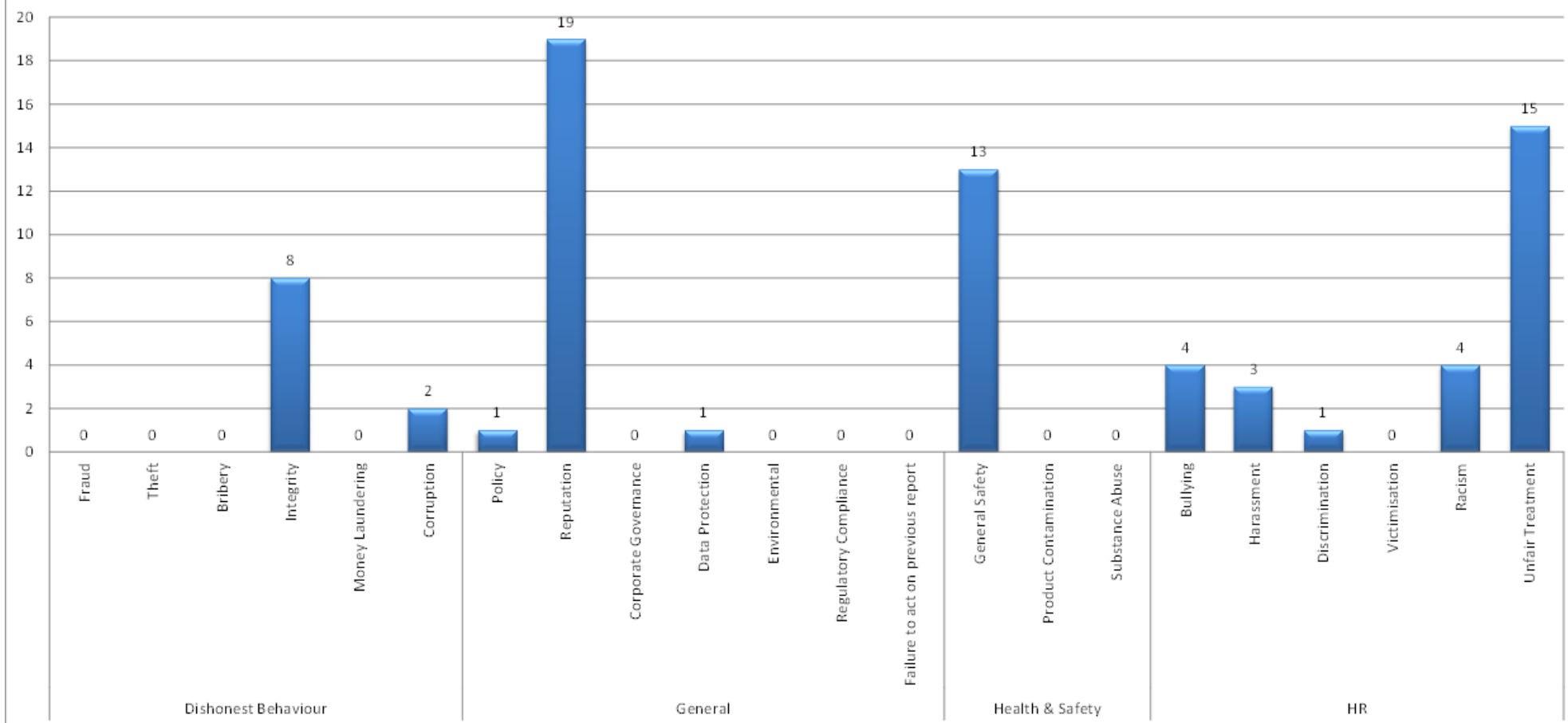
Major or Minor Reports from Jan 2022 to Dec 2022

	Q1	Q2	Q3	Q4
To be determined	1	1	0	0
NQD	0	0	1	0
Minor	12	9	12	21
Major	6	6	1	1

Reports by Directorate from Jan 2022 to Dec 2022

Cross Dept, 3, 4%

Corporate Services, 3, 5%

Place, 17, 24%

Health & Social Care, 21, 30%

Education and Childrens' Services, 26, 37%

■ Corporate Services   ■ Place
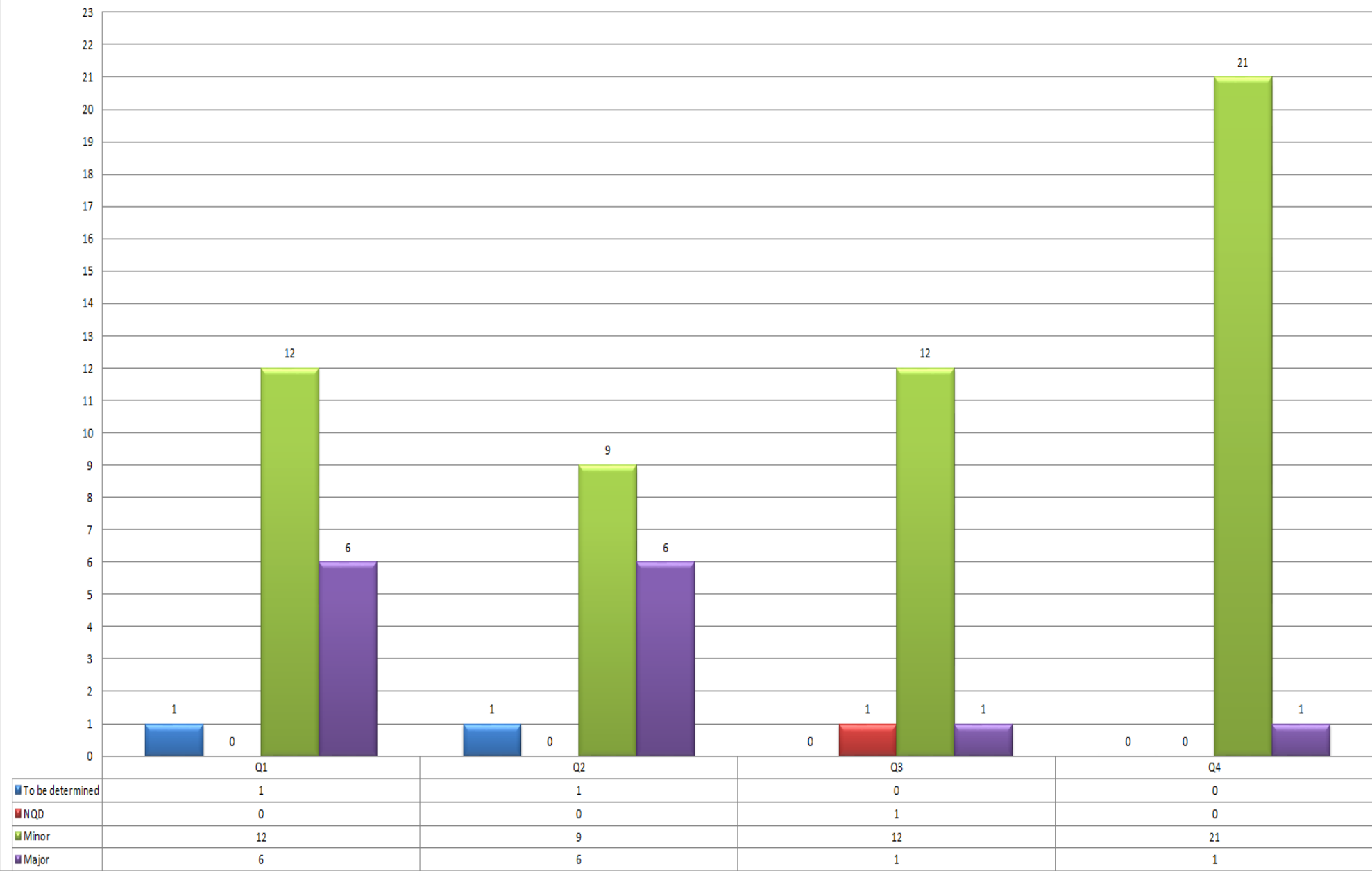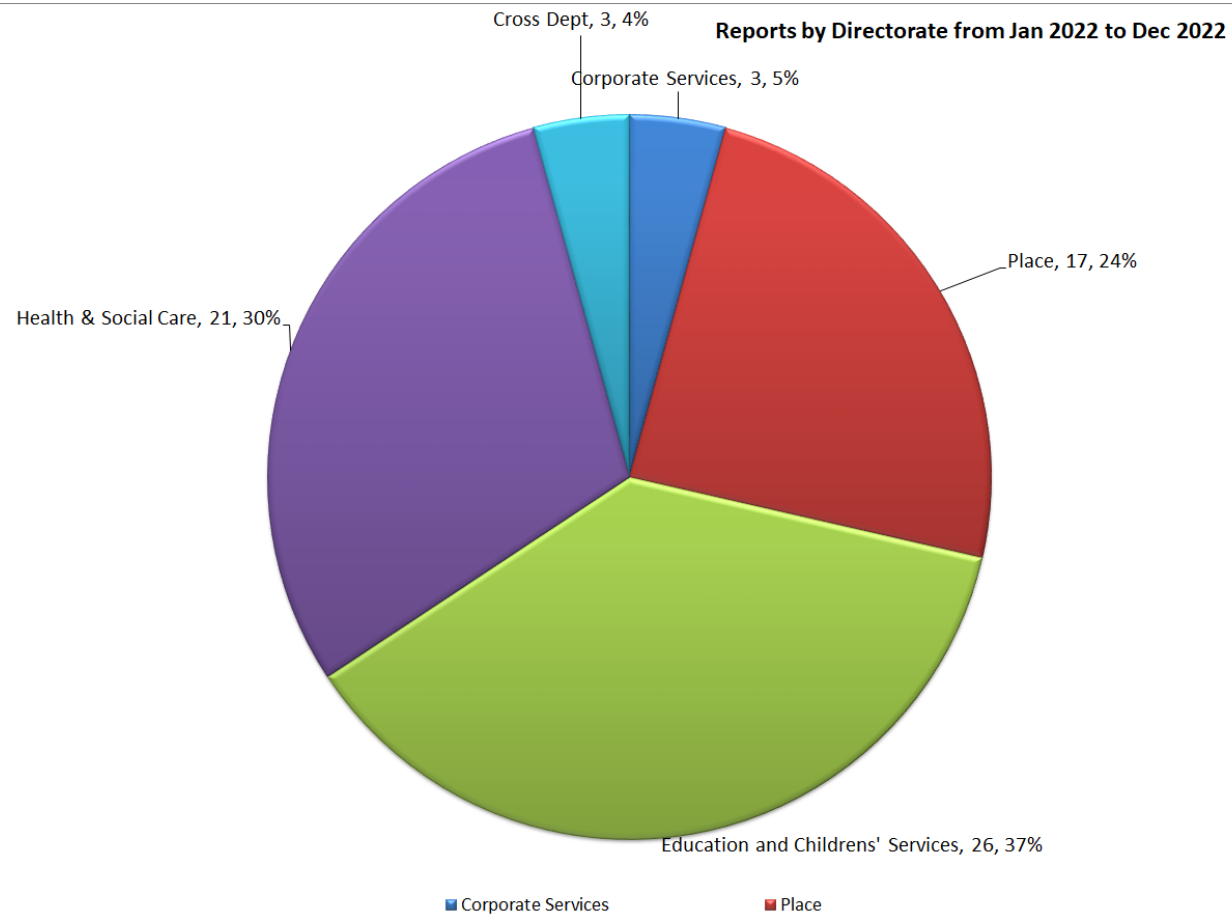
Date	Month	Year	Quarter	Classification	Sub classification	Ref	Major / Minor	Directorate
02/06/2022 15:04	June	2022	Q2	Dishonest Behaviour	Corruption	CEC 3022	Major	Corporate Services
31/08/2022 15:03	August	2022	Q3	General	Reputation	MCEC 4622	Major	Corporate Services
30/11/2022 14:38	November	2022	Q4	Human Resource	Racism	CEC 6722	Minor	Corporate Services
21/02/2022 10:50	Feb	2021	Q1	General	Data Protection	CEC 50122	Major	Cross Dept
07/12/2022 11:37	December	2022	Q4	Human Resource	Racism	CEC 6822	Minor	Cross Dept
21/02/2022 14:59	Feb	2021	Q1	Human Resource	Unfair Treatment	CEC 0922	Major	Cross-Dept
14/01/2022 13:21	Jan	2021	Q1	Dishonest Behaviour	Integrity	CEC 0122	TBD	E&CS
20/01/2022 19:09	Jan	2021	Q1	Human Resource	Unfair Treatment	CEC 0322	Major	E&SC
02/02/2022 09:06	Feb	2021	Q1	Human Resource	Unfair Treatment	CEC 0622	Minor	E&SC
10/02/2022 11:08	Feb	2021	Q1	Human Resource	Unfair Treatment	MCEC 0722	Minor	E&SC
10/02/2022 17:40	Feb	2021	Q1	Health and Safety	General Safety	CEC 0822	Minor	E&SC
19/03/2022 13:43	Mar	2021	Q1	General	Reputation	CEC 1522	Minor	E&SC
19/03/2022 23:42	Mar	2021	Q1	Human Resource	Unfair Treatment	CEC 1622	Minor	E&SC
30/03/2022 10:51	Mar	2021	Q1	Health and Safety	General Safety	CEC 1722	Minor	E&SC
14/04/2022 14:45	April	2022	Q2	General	Reputation	MCEC 2022	Minor	E&SC
25/04/2022 16:09	April	2022	Q2	General	Reputation	CEC 2222	Minor	E&SC
16/05/2022 17:34	May	2022	Q2	General	Policy	CEC 2422	Minor	E&SC
17/05/2022 09:36	May	2022	Q2	Health and Safety	General Safety	MCEC 2522	Major	E&SC
16/06/2022 13:10	June	2022	Q2	Health and Safety	General Safety	CEC 3222	Major	E&SC
22/06/2022 18:26	June	2022	Q2	Human Resource	Unfair Treatment	CEC 3322	Minor	E&SC
03/07/2022 08:57	July	2022	Q3	General	Reputation	CEC 3622	Minor	E&SC
02/08/2022 17:08	August	2022	Q3	Dishonest Behaviour	Integrity	CEC 4022	Minor	E&SC
05/08/2022 11:52	August	2022	Q3	Health and Safety	General Safety	CEC 4322	Minor	E&SC
15/08/2022 16:40	August	2022	Q3	General	Reputation	CEC 4422	Minor	E&SC
04/10/2022 16:27	October	2022	Q4	Dishonest Behaviour	Integrity	CEC 4922	Minor	E&SC
10/10/2022 17:05	October	2022	Q4	Human Resource	Unfair Treatment	CEC 5222	Minor	E&SC
26/10/2022 22:44	October	2022	Q4	General	Reputation	CEC 5422	Minor	E&SC
01/11/2022 15:28	November	2022	Q4	Health and Safety	General Safety	CEC 6022	Minor	E&SC
02/11/2022 21:15	November	2022	Q4	Human Resource	Bullying	CEC 6122	Minor	E&SC
06/11/2022 21:04	November	2022	Q4	General	Reputation	CEC 6222	Minor	E&SC
06/11/2022 22:19	November	2022	Q4	General	Reputation	CEC 6322	Minor	E&SC
28/11/2022 14:03	November	2022	Q4	Dishonest Behaviour	Corruption	MCEC 6522	Minor	E&SC
26/01/2022 10:29	Jan	2021	Q1	Human Resource	Bullying	MCEC 0422	Minor	H&SC
01/02/2022 11:55	Feb	2021	Q1	Human Resource	Unfair Treatment	MCEC 0522	Minor	H&SC
02/03/2022 16:09	Mar	2021	Q1	Health and Safety	General Safety	CEC 1122	Major	H&SC

10/03/2022 17:08	Mar	2021	Q1	Human Resource	Unfair Treatment	MCEC 1322	Major	H&SC
16/03/2022 16:20	Mar	2021	Q1	Dishonest Behaviour	Integrity	MCEC 1422	Major	H&SC
22/04/2022 13:38	April	2022	Q2	Health and Safety	General Safety	CEC 2122	Major	H&SC
26/05/2022 13:34	May	2022	Q2	Human Resource	Harassment	CEC 2622	TBD	H&SC
30/05/2022 12:11	May	2022	Q2	Human Resource	Unfair Treatment	CEC 2722	Minor	H&SC
02/06/2022 11:44	June	2022	Q2	Health and Safety	General Safety	CEC 2822	Major	H&SC
02/06/2022 20:35	June	2022	Q2	General	Reputation	CEC 2922	Major	H&SC
14/06/2022 08:59	June	2022	Q2	General	Reputation	CEC 3122	Minor	H&SC
28/06/2022 10:31	June	2022	Q2	Human Resource	Harassment	CEC 3422	Minor	H&SC
04/07/2022 13:00	July	2022	Q3	Human Resource	Racism	CEC 3722	Minor	H&SC
13/07/2022 16:43	July	2022	Q3	Dishonest Behaviour	Integrity	CEC 3822	Minor	H&SC
29/08/2022 14:52	August	2022	Q3	General	Reputation	CEC 4522	Minor	H&SC
23/09/2022 09:01	September	2022	Q3	General	Reputation	MCEC 4722	Minor	H&SC
26/09/2022 18:00	September	2022	Q3	Human Resource	Bullying	CEC 4822	Minor	H&SC
01/11/2022 10:52	November	2022	Q4	General	Reputation	MCEC 5922	Major	H&SC
07/11/2022 11:15	November	2022	Q4	General	Reputation	CEC 6422	Minor	H&SC
29/11/2022 17:40	November	2022	Q4	General	Reputation	CEC 6622	Minor	H&SC
21/12/2022 04:54	December	2022	Q4	Human Resource	Discrimination	CEC 7022	Minor	H&SC
20/01/2022 10:38	Jan	2021	Q1	Dishonest Behaviour	Integrity	CEC 0222	Minor	Place
24/02/2022 11:23	Feb	2021	Q1	Human Resource	Unfair Treatment	MCEC 1022	Minor	Place
04/03/2022 11:51	Mar	2021	Q1	Human Resource	Unfair Treatment	CEC 1222	Minor	Place
31/03/2022 11:32	Mar	2021	Q1	Dishonest Behaviour	Integrity	CEC 1822	Minor	Place
05/04/2022 09:55	April	2021	Q2	Health and Safety	General Safety	CEC 1922	Minor	Place
01/07/2022 17:58	July	2022	Q3	Dishonest Behaviour	Integrity	CEC 3522	Minor	Place
18/07/2022 16:26	July	2022	Q3	General	Reputation	CEC 3922	Minor	Place
05/10/2022 09:07	October	2022	Q4	Human Resource	Unfair Treatment	CEC 5022	Minor	Place
06/10/2022 15:14	October	2022	Q4	General	Reputation	CEC 5122	Minor	Place
14/10/2022 11:01	October	2022	Q4	Human Resource	Unfair Treatment	CEC 5322	Minor	Place
27/10/2022 10:04	October	2022	Q4	Human Resource	Harassment	CEC 5522	Minor	Place
28/10/2022 10:33	October	2022	Q4	Health and Safety	General Safety	CEC 5622	Minor	Place
28/10/2022 13:04	October	2022	Q4	Health and Safety	General Safety	CEC 5722	Minor	Place
15/12/2022 20:56	December	2022	Q4	General	Reputation	CEC 6922	Minor	Place
04/08/2022 13:45	August	2022	Q3	Health and Safety	General Safety	CEC 4222	Minor	Place
31/10/2022 13:57	October	2022	Q4	Human Resource	Bullying	CEC 5822	Minor	Place
09/05/2022 11:30	May	2022	Q2	Human Resource	Unfair Treatment	CEC 2322	Minor	TBD
03/08/2022 10:06	August	2022	Q3	Human Resource	Racism	CEC 4122	NQD	TBD

Appendix B
Key Performance Indicators

safecall

KPI

	Q1	Q2	Q3	Q4
KPI 1	Full Compliance	Full Compliance	Full Compliance	Full Compliance
KPI 2	Full Compliance	Full Compliance	1 Failure	Full Compliance
KPI 3	Full Compliance	Full Compliance	Full Compliance	Full Compliance
KPI 4	Full Compliance	Full Compliance	Full Compliance	Full Compliance
KPI 5	Full Compliance	Full Compliance	2 Failures	Full Compliance

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of the Local Government(Scotland) Act 1973.

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of the Local Government(Scotland) Act 1973.

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Emergency Motion by the SNP Group

Governance Risk and Best Value Committee – 14 March 2023
Budget Process

Notes the budget process for 2023/24 was particularly challenging for the council.

Notes complaints from residents, councillors and stakeholders which included concerns over a lack of information, and information being provided very late in the process.

Notes that, unlike in previous years, there was no residents' consultation and the full suite of budget proposals were not published anywhere ahead of the papers being published for the Finance and Resources Committee meeting held on the 7th February.

Agrees that this was not a good model for budget setting, transparency or the reputation of the council.

Agrees that there will be an internal audit undertaken to review the budget process and make best practice recommendations for future years.

Agrees that this audit should be prioritised to be carried out in the first half of the year so that management actions can be completed ahead of next year's budget process.

Moved by   **Councillor Kate Campbell**

Seconded by   **Councillor**

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