

Notice of meeting and agenda

Governance, Risk and Best Value Committee

10.00 am Tuesday, 31st October, 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 Any items under "Private Business" will not be published, although the decisions will be recorded in the minute.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: rachel.gentleman@edinburgh.gov.uk / andrew.henderson@edinburgh.gov.uk

1. Order of Business

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

2. Declaration of Interests

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

3. Deputations

- 3.1 If any.

4. Minutes

- 4.1 Minute of Governance, Risk and Best Value Committee of 19 September 2023 – submitted for approval as a correct record. 7 - 10

5. Outstanding Actions

- 5.1 Outstanding Actions 11 - 28

6. Work Programme

- 6.1 Work Programme 29 - 36

7. Business Bulletin

7.1	Business Bulletin	37 - 40
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8. Reports

8.1	Quarterly Status Update - Digital Services – Report by the Executive Director of Corporate Services	41 - 82
8.2	The City of Edinburgh Council – 2022/23 Annual Audit Report – Report by the Executive Director of Corporate Services	83 - 136
8.3	Leadership of the Development of New Local Strategic Priorities - Best Value thematic work in City of Edinburgh Council 2022/23 – Report by the Chief Executive	137 - 172
8.4	Revenue Budget Monitoring - Month 3 Report – Referral from the Finance and Resources Committee	173 - 208
8.5	Revenue Monitoring 2022-23 - Outturn Report – Referral from the Finance and Resources Committee	209 - 222
8.6	Treasury Management - Annual Report 2022-23 – Referral from the Finance and Resources Committee	223 - 246
8.7	2022-23 Capital Outturn, Month 3 Capital Monitoring - Revised 2023-33 Capital Budget Strategy – Referral from the Finance and Resources Committee	247 - 272
8.8	Accounts Commission: Local Government in Scotland Overview 2023 – Referral from the Policy and Sustainability Committee	273 - 320
8.9	Capital City Partnership Progress Update – Referral from the Housing, Homelessness and Fair Work Committee	321 - 352
8.10	Strategic Programme Board – Report by the Executive Director of Corporate Services	353 - 362
8.11	Governance and Assurance Framework – Report by the Executive Director of Corporate Services	363 - 374
8.12	Risk Management Policy – Referral from the Policy and	375 - 388

8.13 Council Risk Appetite – Referral from the Policy and Sustainability Committee

389 - 402

9. Motions

9.1 None.

Nick Smith

Service Director, Legal and Assurance

Committee Members

Councillor Kate Campbell (Convener), Councillor Katrina Faccenda, Councillor Dan Heap, Councillor Stephen Jenkinson, Councillor Simita Kumar, Councillor Adam Nols-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 Rachel Gentleman, Committee Services, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, email rachel.gentleman@edinburgh.gov.uk / andrew.henderson@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](#).

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Minutes

Governance, Risk and Best Value Committee

10.00am, Tuesday 19 September 2023

Present

Councillors Campbell (Convener), Cameron (substituting for Councillor Faccenda), Rae (substituting for Councillor Heap), Jenkinson, Kumar, Miller, Mowat, Macinnes (substituting for Councillor Nols-McVey) Rust, Thornley and Younie.

1. Minutes

Decision

To approve the minute of the Governance, Risk and Best Value Committee of 1 August 2023 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:
 - Action 6(1) – Change Portfolio
 - Action 7 – Accounts Commission: Local Government in Scotland – Financial Bulletin 2021/22
 - Action 8 – Whistleblowing Annual Report 2022
 - Action 9 – Internal Audit Open and Overdue Internal Audit Actions – Performance Dashboard at 31 March 2023
 - Action 10(3) – Corporate Leadership Team Risk Report at 20 March 2023
 - Action 13 – Internal Audit Update Report: Quarter 4 2022/23
 - Action 15 – Workforce Deep Dive – Hard to Fill Roles
- 2) To otherwise note the remaining outstanding actions.
(Reference – Outstanding Actions September 2023, submitted.)

3. Work Programme

The Committee Work Programme was presented.

Decision

To note the Work Programme.

(Reference – Work Programme September 2023, submitted.)

4. 2022/23 Internal Audit Annual Report and Opinion

The 2022/23 Internal Audit Annual Report provided the Governance, Risk and Best Value Committee with a summary of internal audit activity and performance during 2022/23, and an independent opinion on the overall adequacy and effectiveness of the City of Edinburgh Council's governance, risk management and internal control systems for the year ended 31 March 2023.

This included, as requested by the Committee at the August 2023 meeting, a revised management action for finding 2 of the audit of Transitions for Young Adults with a Disability from Children's Services to Adult Social Care completed in May 2023.

Decision

- 1) To note the contents of the 2022/23 Internal Audit Annual Report
- 2) To note the revised management action for finding 2 of the audit of Transitions for Young Adults with a Disability from Children's Services to Adult Social Care.
- 3) To note the annual opinion on the adequacy of the Council's governance, risk management and internal control systems.
- 4) Welcomes the narrative based approach, the clear alignment to strategic priorities and the thematic analysis of issues raised in audits against enterprise risks.
- 5) Agrees that directors of Place, Corporate Services and Children, Education and Justice Services will bring a report to GRBV Committee in three cycles which analyses the top five areas of risk associated with issues raised in audits. The report should set out an understanding of where there may be underlying and thematic weaknesses and what steps directorates are taking to manage risks in these areas.

(Reference – report by the Head of Internal Audit, submitted.)

5. Corporate Governance Code Self-Assessment 2022/23

The Council's Corporate Governance Code (CGC) is based on the Chartered Institute of Public Finance & Accountancy and Society of Local Authority Chief Executives model framework Delivering Good Governance in Local Government ("the CIPFA/SOLACE framework"). The Council's self-assessment of its compliance with the Code for the financial year 1 April 2022 to 31 March 2023 was presented for scrutiny.

Decision

- 1) To note the Corporate Governance Code Self-Assessment 2022-23.
- 2) To note ongoing development of an effective framework for the Council, with a focus on continuous improvement
- 3) To agree the Improvement Actions set out in the Corporate Governance Code Self-Assessment 2022-23

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

6. City of Edinburgh Council – 2022/23 Annual Accounts Audit

The report summarised the principal findings arising from the external audit of the Council's 2022/23 financial statements. The corresponding recommendations from the wider scope and Best Value Assurance aspects of the audit will be reported to the Committee's following meeting on 31 October 2023.

The audit certificate is expected to reflect an unmodified audit opinion on the financial statements and other prescribed matters, with a verbal update provided at the meeting

Decision

- 1) To note that, following the audit process, an unmodified audit opinion is expected to be issued on the Council's annual accounts for 2022/23.
- 2) To refer the audited annual accounts to the Finance and Resources Committee on 21 September for approval and thereafter to Council for noting.
- 3) To note that, following approval by the Finance and Resources Committee, the audited annual accounts will be signed and submitted to the external auditor, thereby meeting the statutory deadline of 30 September 2023.
- 4) To note that the external auditor's assessment of the four dimensions of the wider scope audit and progress in implementing recommendations from the Council's Best Value Assurance Review (BVAR) will be reported to the Committee's next meeting on 31 October.
- 5) To note that, once approved, a summarised version of the annual accounts will also be published on the Council's website.

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

7. Whistleblowing Update

This report provided a high-level overview of the operation of the Council's whistleblowing service for the six-month period 1 January – 30 June 2023.

Decision

- 1) To note whistleblowing activity for the six-month period 1 January – 30 June 2023.

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

Outstanding Actions

Governance, Risk and Best Value Committee

31 October 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	October 2023		<p>Recommended for Closure.</p> <p>Governance and Assurance Report on agenda for GRBV, 31 October 2023</p> <p><u>Update October 2023</u> Governance and Assurance report coming to Committee on 31 October</p> <p><u>Update August 2023</u> A progress report</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>is on the GRBV agenda for 1 August and a full report will come to GRBV on 31 October,</p> <p><u>Update May 2023</u> Report will be presented to August Committee.</p> <p><u>Update March 2023</u> Report will be presented to May Committee.</p> <p><u>November 2022</u> Following the update in November, the next update will be provided in March.</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p><u>October 2022</u> Updates will be provided monthly in the Business Bulletin.</p> <p><u>August 2022</u> Update included in August Business Bulletin.</p> <p>Updates will be provided on an ongoing basis.</p>
2	18.01.22	Committee Decision Process and the Policy Register – Report by the Executive Director of Corporate Services	1) To request that a review or internal audit (to be decided in March when the 2022/23 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	Executive Director of Corporate Services	December 2022		Closed January 2023

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			the processes are working effectively.				
			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 on the Orb, with a link to it to be included in committee action sheets for information.	Executive Director of Corporate Services	January 2024		<p><u>Update August 2023</u></p> <p>An interim set of guidance will be prepared for December and then an updated set will be provided once the workshops have fed into it.</p> <p><u>Update March 2023</u></p> <p>This guidance will be informed by the workshops and survey on the barriers to elected office as agreed by Policy and Sustainability Committee and</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							Council. <u>October 2022</u> A guide is being prepared and will be circulated to members when available.
3	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.	Executive Director of Corporate Services	September 2023		Recommended for Closure Presented at September Committee <u>Update</u> <u>September 2023</u> Corporate Governance Code Self-Assessment report
4	11.10.22	Internal Audit: The Chartered Institute of Internal Auditors	1) To note that a risk maturity assessment would take place and	Head of Health & Safety	February 2023		Closed March 2023

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		- External Quality Assessment	this would form the basis for measurement of progress toward organisational risk maturity.				
			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 the Elected Member Training Session in November 2022.	Senior Audit Manager	November 2022		Closed December 2022
			4) To agree that a report was presented to Committee by end of March 2023 to propose the council's	Service Director – Legal and Assurance	October 2023		Recommended for Closure Risk Management

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			risk model.				<p>Policy approved at Policy and Sustainability Committee and referred to GRBV, 31 October.</p> <p><u>Update October 2023</u> Risk Management Policy being referred from October P&S to GRBV on 31 October</p> <p>Report was considered at P&S on 21.03.23. The Risk Management Policy (RMP) is going back to P&S in October with a more detailed</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							<p>assessment of elected member involvement, roles, reporting and escalation following the workshop with GRBV members, and will be referred to GRBV thereafter.</p> <p><u>Update March 2023</u> Included in report going to P&S on 21.03.23 and will thereafter be referred to GRBV in May 2023.</p>
5	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	March 2024		<p><u>Update May 2023</u> Work is progressing to understand the sources of</p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							assurance across the Council.
			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	October 2023		<p>Recommended for Closure</p> <p><u>Update October 2023</u> Governance and Assurance report coming to Committee on 31 October</p> <p><u>Update August 2023</u> A progress report is on the GRBV agenda for 1 August and a full report will come to GRBV on 31 October.</p> <p><u>Update May 2023</u></p>

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
							Report will be presented to August Committee. <u>Update March 2023</u> Report will be presented to May Committee.
			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		Closed March 2023

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			4) To agree that a briefing note would be provided 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.	Chief Executive			Closed December 2022
			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	Interim			Closed

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			note would be provided to members, concerning CGI's inability to provide network availability assurance.	Executive Director of Corporate			December 2022
			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
6	02.05.2023	Quarterly Status Update – Digital Services – Report by the Executive Director of	1) To request key information on project progress is included in a dashboard format	Executive Director of Corporate Services	October 2023		Recommended for Closure Included in Digital Report going to

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		Corporate Services	with notes on progress and issues encountered.				GRBV on 31 October.
			2) Closure report on the digital roll out in schools to be presented to the GRBV Committee in addition to Finance and Resources Committee.	Executive Director of Corporate Services	October 2023		Recommended for Closure Included in Digital Report going to GRBV on 31 October.
7	01.08.2023	Edinburgh Leisure Annual Report 2021/22 – referral from the Culture and Communities Committee	1) To circulate a briefing note to members outlining the membership of the Edinburgh leisure Remuneration Committee, current recruitment issues, the number of staff currently being paid below the living	Executive Director of Place	October 2023		<u>Update October 2023</u> Breifing note will be circulated to members.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
			wage and the number of staff on each spinal column point on the pay scale.				
			2) A briefing note to be circulated to members outlining the governance routes for Committee to make clear their expectation that all ALEOs pay their staff living wage.	Executive Director of Place	January 2024		<u>Update October 2023</u> A report is being prepared for January Policy and Sustainability Committee regarding this.
8	01.08.2023	Annual Assurance Schedule – Edinburgh Health and Social Care Partnership – Report by the Interim Chief Officer, Health and Social Care	Interim Chief Officer, HSCP to include a response to the issues raised by the GRBV Committee in the upcoming Improvement Plan report to the Policy and Sustainability Committee.	Interim Chief Officer, Health and Social Care Partnership	October 2023		Recommended for Closure Update reported to Policy and Sustainability Committee on 24 October.

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		Partnership					
9	19.09.2023	2022/23 Internal Audit Annual Report and Opinion – Report by the Head of Internal Audit	Details to be provided to committee in three cycles outlining progress on 5 outstanding high-rated action from the Corporate Resilience Audit. The report should set out an understanding of where there may be underlying, thematic weaknesses and what steps directorates are taking to manage risk in these areas.	Chief Executive Executive Directors of Place, Corporate Services & Education, Children and Justice Services. Chief Officer, Health and Social Care Partnership.	January 2024		
10	19.09.2023	Corporate Governance Code Self-Assessment 2022/23 – Report by the Executive Director of	1) Number of viewers for Chief Executive and Service Director Vlogs to be reported to committee	Executive Director of Corporate Services	October 2023		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
		Corporate Services					
			2) Officers to provide a rationale for not including Universities in the list of Institutional Stake-holders.		October 2023		Recommended for Closure Update circulated 04.10.23
11	19.09.2023	City of Edinburgh Council – 2022/23 Annual Accounts Audit – Report by the Executive Director of Corporate Services	1) A briefing note to be circulated detailing the impact of value adjustment of socially-rented housing stock, e.g. insurance costs or other annual revenue costs.	Executive Director of Corporate Services	November 2023		
			2) Officers to request a response from the EICC board on the reasons for the decision to award a Chief Executive bonus.		November 2023		

No	Date	Report Title	Action	Action Owner	Expected completion date	Actual completion date	Comments
12	31.08.23 (Council)	Motion by Councillor Griffiths – Childcare 4 All	Report to Governance Risk and Best Value Committee examining the governance and best value issues associated with this contract the decision to end it.	Executive Director of Children, Education and Justice Services	November 2023		
13	31.08.23 (Council)	Response to Critical Risk Motion – Report by Chief Executive	Details of officer time taken responding to questions from Councillors to be provided in the next Risk Report to Governance, Risk and Best Value Committee.	Chief Executive	November 2023		

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Work Programme

Governance, Risk and Best Value Committee – 31 October 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	November 2023 February 2024 May 2024

	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	November 2023 February 2024 May 2024
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	September 2024
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	February 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 2024
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	September 2024
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 2024
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	April 2024 October 2024
12	CLT Risk Report	Risk	Quarterly review of CLT's scrutiny of risk	Risk Management	Executive Director of Corporate Services	Council Wide	Quarterly	November 2023 February 2024 May 2024
13	Whistleblowing Quarterly Report		Quarterly Report	Scrutiny	Executive Director of Corporate Services	Internal	Quarterly	November 2023 February 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	February 2024
16	Capital Monitoring	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Quarterly	February 2024

17	Revenue Outturn	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Annual	October 2024
18	Capital Outturn and Receipts	Review	Progress reports	Scrutiny	Executive Director of Corporate Services	Council Wide	Annual	October 2024
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 2024
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	January 2024 (Education and Children’s Services) March 2024 (Corporate Services) & (Place
Section C – Council Companies								

23	Capital Theatres	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	January 2024
24	Capital City Partnership	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	November 2023
25	Edinburgh Leisure	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	May 2024
26	Update on Council Transport Arms Length Companies	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	May 2024
29	Edinburgh International Conference Centre	Review	Progress Report	Scrutiny	Executive Director of Place	Council Wide	Annual	January 2024

GRBV Committee Upcoming Reports – 31 October 2023

Appendix 1

Report Title	Type	Flexible/Not Flexible
November 2023		
Hardie Enquiry Findings – Tram Enquiry	Executive	Non-flexible
IA Overdue and Outstanding Actions	Executive	Non-flexible
IA Update Report	Routine	Non-flexible
Capital Strategy Monitoring Month 5 Report	Executive	Non-flexible
Revenue Budget Monitoring – Month 5 Review	Executive	Non-flexible
CLT Risk Register Report	Executive	Non-flexible
Afterschool Care Provider – Additional Support Needs Support	Executive	Flexible
Public Performance	Executive	Flexible
Committee Best Practice Guidelines	Executive	Flexible

Mixed Tenure	Executive	Flexible
Outdoor Infrastructure	Executive	Flexible
Digital Connectivity Old Town	Executive	Non-flexible
EICC Annual Report	Executive	Non-flexible


Business Bulletin

Governance, Risk and Best Value Committee

10.00am, Tuesday, 31 October 2023

Teams Meeting

Governance, Risk and Best Value Committee

Convener:	Members:	Contact:
<p>Councillor Kate Campbell</p> 	<p>Councillor Katrina Faccenda Councillor Dan Heap Councillor Stephen Jenkinson Councillor Simita Kumar Councillor Adam Nols-McVey Councillor Claire Miller Councillor Joanna Mowat Councillor Jason Rust Councillor Edward Thornley Councillor Lewis Younie</p>	<p>Daniel Baigrie Committee Officer 0131 529 7030</p>

Recent news	Background/Contact
<p>GRBV Committee 19.09.23 – Corporate Governance Code Self-Assessment 2022/23</p> <p><i>Action: Number of viewers for Chief Executive and Service Director Vlogs to be reported to committee.</i></p> <p>In preparing a response to this question, and investigating YouTube views more closely, we’ve discovered that the figures are unreliable and can significantly underestimate the actual number of views.</p> <p>The Council uses a range of IP addresses, but many colleagues share the same one. If, for example, 500 colleagues on the same IP address watched a video, it would only be counted as one unique view.</p> <p>Therefore, in order to gain a better insight in future, we will instead be tracking click throughs to the video from the cover email, as well as on News beat. This will give us more reliable data on how many colleagues are actually viewing the videos.</p> <p>More generally, vlogs are just one way our senior leaders engage with our colleagues. We have a senior leader visibility programme for 2023/24 which includes face to face visits, all colleague events and townhalls (face to face and virtual) all open to all 19,000 colleagues.</p> <p>We issue regular communications to 4,000 frontline colleagues who have provided their personal email addresses.</p>	<p>Mike Pinkerton</p> <p>Head of Communications, Corporate Services Directorate</p> <p>Tel: 0131 529 6151</p>

It is also worth noting that in our recent audit of our internal communications channels, vlogs were ranked in the top five of highest rated from colleagues. The preferred ways of communicating were: Andrew's and other senior leader vlogs, colleague stories, health and wellbeing, learning and development.

Policy and Sustainability Committee 24.10.23 – [Risk Appetite Statement](#)

Action: To provide an update on recruitment for the Risk Management team.

Following the review of the Risk Management function, work has been carried out to develop the roles, have them evaluated and recruit to the new risk management team structure. The structure consists of a Chief Risk Officer and two Senior Risk Management Advisers.

The recruitment for the Chief Risk Officer is expected to conclude by the end of October 2023. The recruitment for the Senior Risk Management Advisers will be concluded by the end of this year. This second part was delayed slightly to enable the Chief Risk Officer to be involved in this recruitment process.

[Chris Lawson](#)

Head of Health, Safety and Risk, Corporate Services Directorate

Tel: 0131 529 7476

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Governance, Risk and Best Value Committee

10:00am Tuesday, 31 October 2023

Quarterly Status Update – Digital Services

Executive/routine
Wards

1. Recommendations

- 1.1 It is recommended that the Committee reviews, scrutinises and notes the progress detailed in this quarterly update.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Nicola Harvey, Service Director, Customer and Digital Services

E-mail: Nicola.harvey@edinburgh.gov.uk

Quarterly Status Update – Digital Services

2. Executive Summary

- 2.1 The purpose of this report is to provide a quarterly progress update on the Council's Digital Services programme of works. The Council and our technology partner, CGI UK Limited, have continued to work in partnership on the plan to improve stability of our IT estate.

3. Background

Council Digital and Smart City Strategy

- 3.1 In October 2020, the Policy and Sustainability Committee approved the Council's new Digital and Smart City Strategy 2020-2023 which sets out our ambition to become a digital council. This Strategy will be revised later in 2023.
- 3.2 It should be noted that the Council's Smart City Phase 1 programme is now complete and is moving into closure.
- 3.3 Our strategic technology partnership with CGI was extended to the end of March 2029 with formal approval to the extension at the Finance and Resources Committee on 27 August 2020. Both the original and extended contracts with CGI have provided savings to the Council which are detailed in Section 6 of this report.

4. Main report

Stability Plan from CGI

- 4.1 In September 2022, issues relating to performance across the Council's Learning and Teaching network were raised.
- 4.2 Following escalation by the Council to CGI's UK and Australia President on the 23rd September 2022, a stability plan was put in place which resulted in CEC being placed into 'priority care' to improve and ensure that stability of service was maintained.
- 4.3 **Appendices 1 and 2** highlight the spike in incidents which led to the escalation and the subsequent reduction in overall incidents to acceptable levels and also provide

a comparison with earlier years. Work will continue to ensure stability is maintained and continues to improve. Proactive monitoring has also led to swifter identification and resolution of incidents. **Appendix 3** provides more background data on Service Performance.

- 4.4 A major incident on 3rd May 2023, led to an outage of access to Council systems on the corporate estate. This was the result of a failure in the auto renewal process of a license certificate. CGI understand the severity of this issue and both Global and UK CEO's have instructed their team to carry out a full review of the auto renewal process implementing increased governance measures. The CGI team has reviewed all similar license renewal processes to ensure that this will not happen again. Over and above the contractual mechanisms, CGI have also donated £3000 to the One City Trust as a gesture of goodwill.
- 4.5 It should be noted that the brief outage at Council on 22nd June 2023 was caused by an electrical issue unrelated to the technology. Both FM and Committee Services are addressing this as well as the wider issue of aged AV equipment in the committee rooms used for broadcasting meetings.
- 4.6 As part of the stability plan CGI:
- Have provided the Council with enhanced monitoring of all systems and networks and placed us in 'hyper care' with additional resources allocated to the account to ensure stability on a daily basis. This state is ongoing.
 - Have delivered the Empowered Learning Programme in time and on budget.
 - Have resolved issues with Public Wi-Fi access to our network.
 - Are undertaking substantial upgrades and improvements to our networks to modernise and improve security and stability.
 - Are working with the Council on a Change Improvement Plan.
- 4.7 Following the issues reported by schools in Autumn 2022 in relation to speed of access and usability of devices which were resolved by removal of a background process and reconfiguration of the anti-virus software, CGI carried out in depth surveys of device and network performance at 20 schools earlier in 2023. The final report concluded that:
- Increased RAM has a significant positive impact on performance of devices.
 - No widespread issues on network identified.
 - Some local issues were found e.g., Wireless Access Point not working correctly which should have been reported to the CGI Helpdesk.
 - Devices not being restarted regularly.
- 4.8 The Council continue to meet with CGI weekly to review progress on the stability plan and Digital Services will continue to review the performance of all aspects of CGI delivery, escalating issues as appropriate. The Council will continue to work

with CGI to ensure that stability across the network is maintained. Since the school's return in August, the network has remained stable also allowing students to use their digital devices through the 3 day school closures in September.

Protecting Our Organisation - Cyber Security Management

- 4.9 The Council and CGI teams are collaboratively managing Security Risks continuously across the estate. The Security Risk Management Plan (RMP) has continued its quarterly reviews and risk owners have been asked to provide regular updates to improve on the risk appetite by both partners in this framework, the Council and CGI. Enhanced reporting has been developed between key stakeholders within CGI and the Council.
- 4.10 The Security Dashboard (**Appendix 4**) provides an overview of current activity in Cyber Security.
- 4.11 Monthly e-Learning for Cyber Security continues to be rolled out across the Council. The Cyber Team is working with the Corporate Leadership Team to drive up the completion rates for the training.
- 4.12 We are now working with CGI on the preparations for PSN 2024, having successfully achieved the accreditation annually since 2019.
- 4.13 The current threat level to the Council remains very high, amplified with the war ongoing between Russia and Ukraine. Communications have been sent to all Council staff asking them to remain vigilant and to report any suspicious events. The Council and CGI are constantly monitoring threat intelligence feeds through various channels and applying controls where appropriate.

Governance, Audit and Contract Management

- 4.14 All 2023/24 Audits have commenced. Audit actions are in good health with both Digital and CGI working collaboratively with Internal Audit. There are no outstanding overdue actions. Since the last report, 23 audit actions have been closed, with 17 currently open and within due date. The Audit Dashboard (**Appendix 5**) provides more information around this.
- 4.15 The Digital and Smart City Strategy is being refreshed and will be presented for approval to Policy & Sustainability Committee.
- 4.16 Requests for all new technology, whether procured through CGI or directly with the vendor, progress through a governance process incorporating Data Protection Impact Assessments with colleagues in Information Governance, Security Assurance with a combination of Council, CGI and third part Cyber colleagues, procurement colleagues as appropriate and the Joint Design Authority.

Strategic Programme of Work and Change Programmes

- 4.17 The Digital Services Strategic Programme of Work presents a portfolio of projects to support the execution of the Council's Digital and Smart City Strategy over the next 12 months. Details of this and the top 20 priority projects are detailed in Appendix 5.

- 4.18 The Empowered Learning programme has now completed within both time and budget and increased scope for connectivity, Early Years and AV and the Close Report for this can be found in **Appendix 6**. The Education, Children and Justice Directorate will be reviewing options for extending this beyond 2025.
- 4.19 As with all devices, once the Empowered Learning iPads are end of life, we will ensure that they are disposed of in accordance with WEEE regulations and securely wiped. Devices - tablets, phones, desktops and laptops – are re-used within the Council wherever possible in the first instance and only recycled or provided to third parties where they can no longer be used within the Council.
- 4.20 A significant milestone in our ERP programme has taken place with the implementation of a new debt management solution in August and the main upgrade of Oracle Finance scheduled for late October 2023.
- 4.21 Similarly, we have now also gone live with the Total Mobile homecare scheduling system in the Northwest and Southwest Localities, with the remaining areas due to switch-over in October 2023.
- 4.22 Further major milestones were achieved over the summer with the successful migration of our Planning and Building Standards and Shared Repairs systems into the supplier cloud, and the introduction of an external gateway to our intranet which enables secure access for staff who don't have Council email accounts.
- 4.23 Two major new programmes of work have entered the programme of change. The implementation of the new HR/Payroll solution is well underway being led by HR and, following the approval of the outline business case for a new Social Care system, work is ongoing on detailed due diligence as part of the final stages of the procurement process with a report to follow to F&R committee around November.

Smart Cities – Smart Waste and Smart Housing

- 4.24 Work has now completed on the installation of 11,000 bin sensors and 1500 humidity/temperature sensors in 500 homes. The Si360 data platform is now in operation collecting data from these sensors.
- 4.25 The programme is in the final stages of moving to Business As Usual.

CGI Community Benefits

- 4.26 CGI are committed to demonstrating tangible community benefits for the City of Edinburgh Council and its citizens and have been involved in various different activities over recent months including:
- Working with the One City Trust
 - CGI members involvement with a STEM event at Dean Park PS and Kirkliston PS Girls Coding Club
 - Kit Sponsorship for Edinburgh Currie Star Boys Football Club
 - CGI Scotland Responsible Business committee organised a litter pick for members in Edinburgh city centre.

5. Next Steps

- 5.1 The Council continues to further strengthen and improve our management, governance, security, and delivery arrangements for the digital programme in partnership with CGI.
- 5.2 Over the coming months, the Council will look to benchmark the service and performance of CGI. The contract allows for benchmarking of our base service, and other services provided by mutual agreement, with CGI by an independent benchmarker and we will explore a meaningful way to benchmark the services provided by CGI. The aim of this exercise will be to understand how the Council's service compares to other similar sized organisations across Public and Private sectors.

6. Financial impact

- 6.1 Over the first phase of the contract with CGI, the Council saved £45 million against the 2015/16 baseline ICT spend. The Committee should note that this saving has already been fully taken as part of financial planning.
- 6.2 During 2018 the Finances and Resources Committee approved a negotiated 'variation' to the baseline contract which included a reset of all digital transformation programmes and the Council receiving just over £11m of rebate.
- 6.3 This rebate has been used to fund our upgrades and enhancements to HR, Finance, Debt Management and Banking and Payments systems.
- 6.4 On the 27 August 2020, the Finance and Resources Committee approved a 6-year extension to in end March 2029 following negotiations between CGI and the Council, realising a further saving of £14.1m.
- 6.5 This additional saving contributes annually to the overall Corporate savings over the period 2020-29.

7. Equality and Poverty Impact

- 7.1 There are no direct equality and poverty impacts as a result of this report.

8. Climate and Nature Emergency Implications

- 8.1 There are no direct climate and nature emergency implications as a result of this report.

9. Risk, policy, compliance, governance and community impact

- 9.1 The Council's Corporate Leadership Team (CLT) risk register formally identifies digital capabilities, cyber security and information governance as a risk and

ensures that sufficient mitigations and active management of risks continues to be undertaken.

- 9.2 The Council's Change Board actively monitors and tracks progress on all Council wide programmes including the ICT programme.

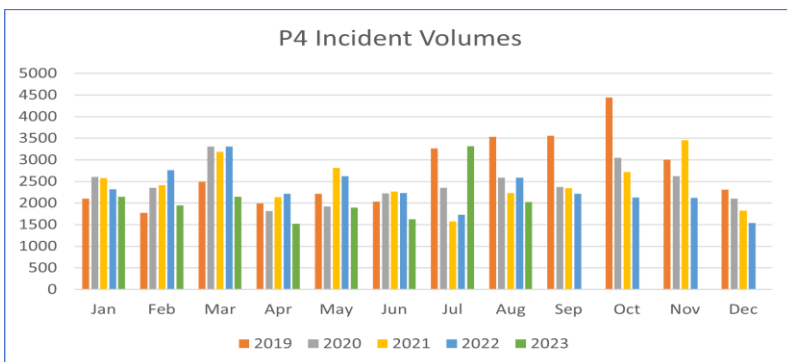
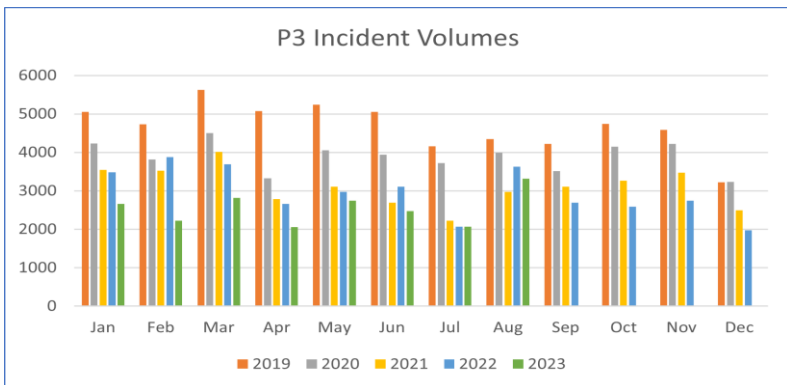
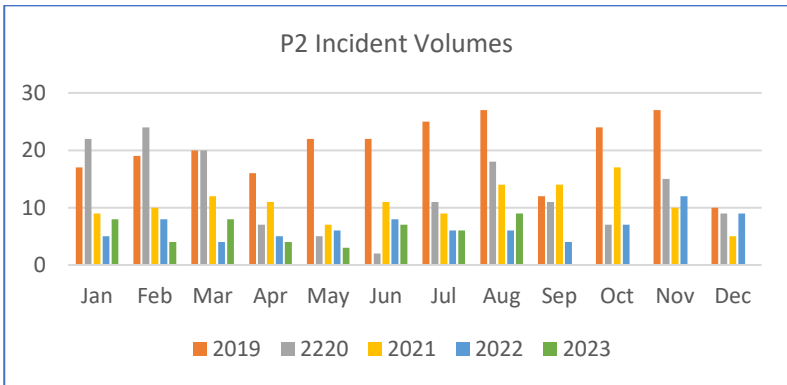
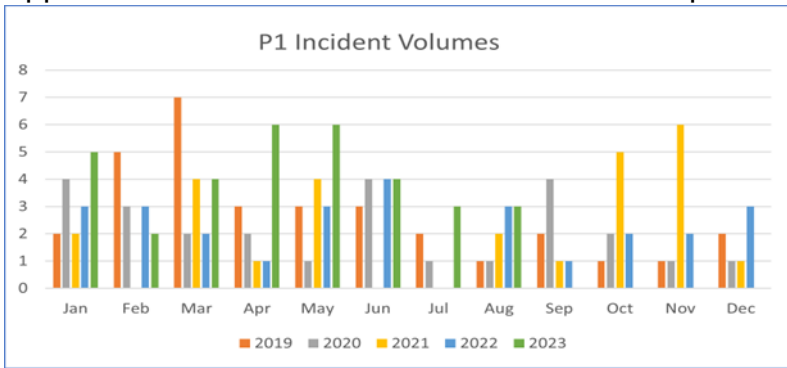
10. Background reading/external references

- 10.1 [Digital & Smart City Strategy 2020-23.](#)

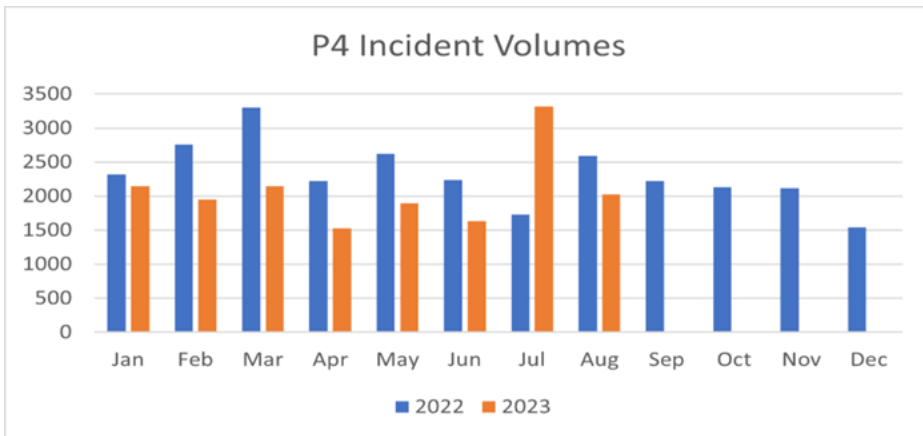
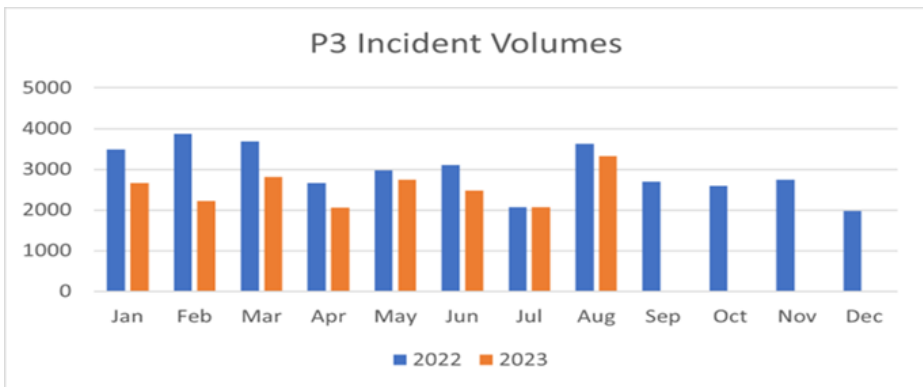
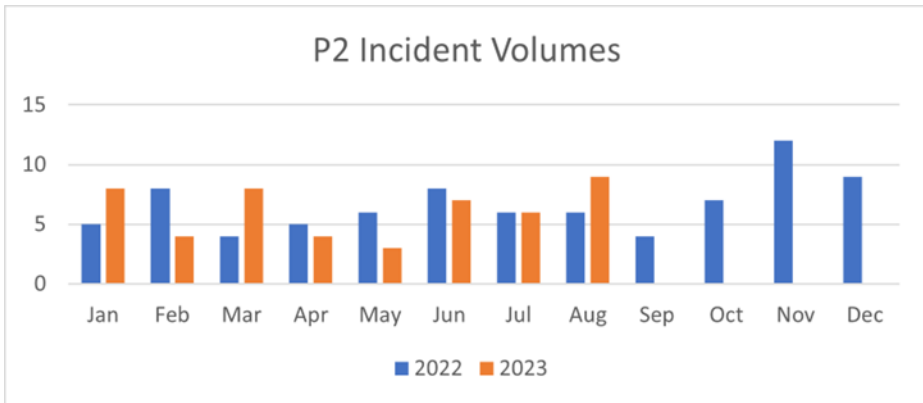
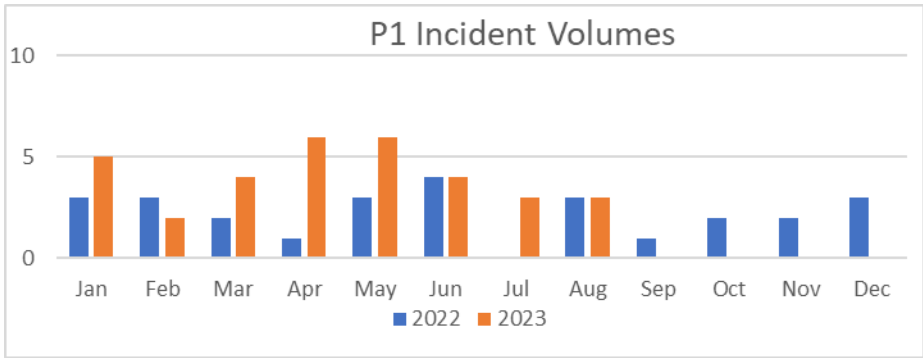
11. Appendices

- 11.1 Appendix 1 – 2019-2023 Incident Numbers Comparison
- 11.2 Appendix 2 – 2022-23 Incident Comparison
- 11.3 Appendix 3 – Service Performance
- 11.4 Appendix 4 – Security Dashboard
- 11.5 Appendix 5 – Audit Dashboard
- 11.6 Appendix 6 – Glossary of Terms
- 11.7 Appendix 7 – Strategic Programme of Works
- 11.8 Appendix 8 – Empowered Learning – Close Report

Appendix 1 – 2019-2023 Incident Numbers Comparison



Appendix 2 – 2022-23 Incident Comparison

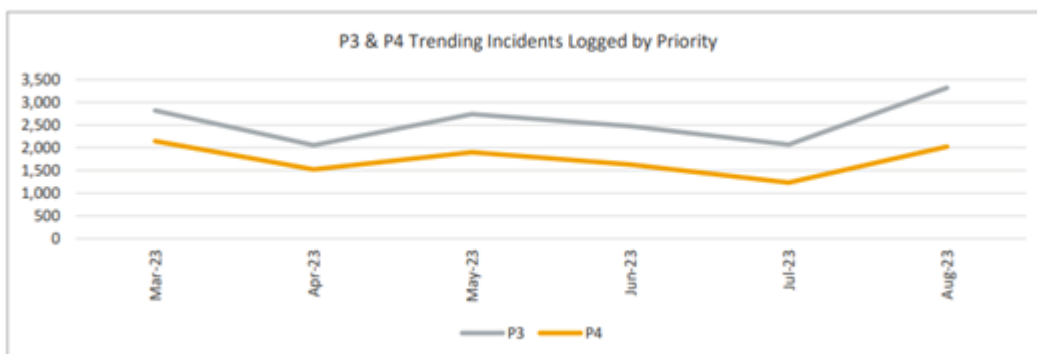
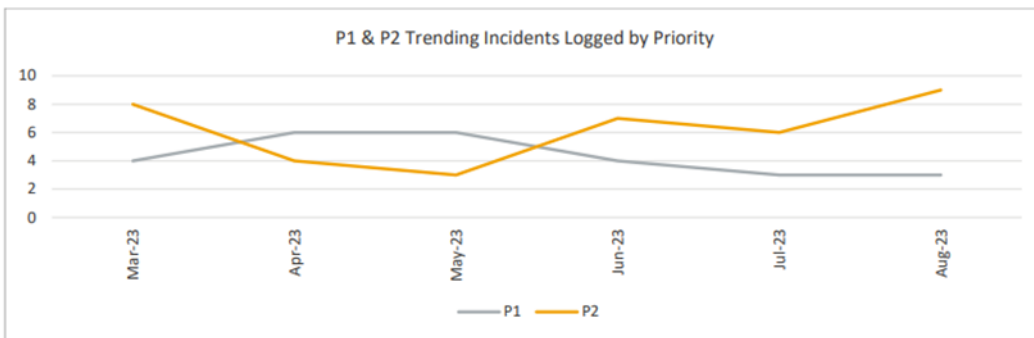


Appendix 3 – Service Performance

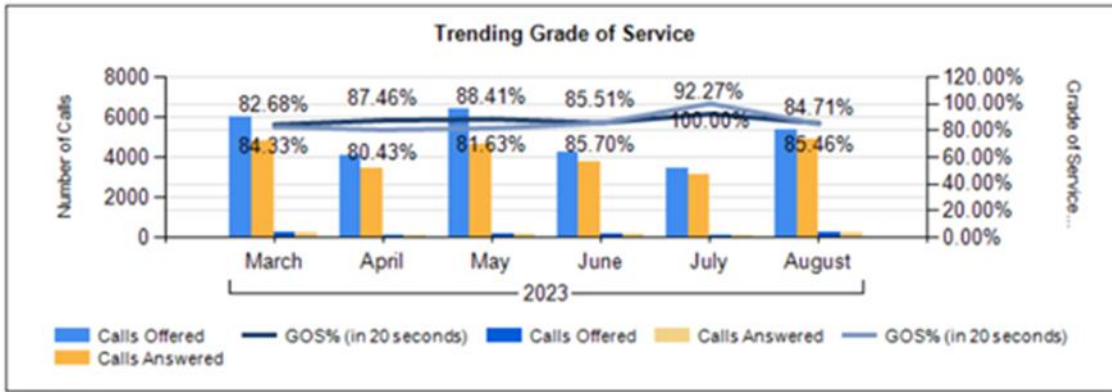


Surveys Completed

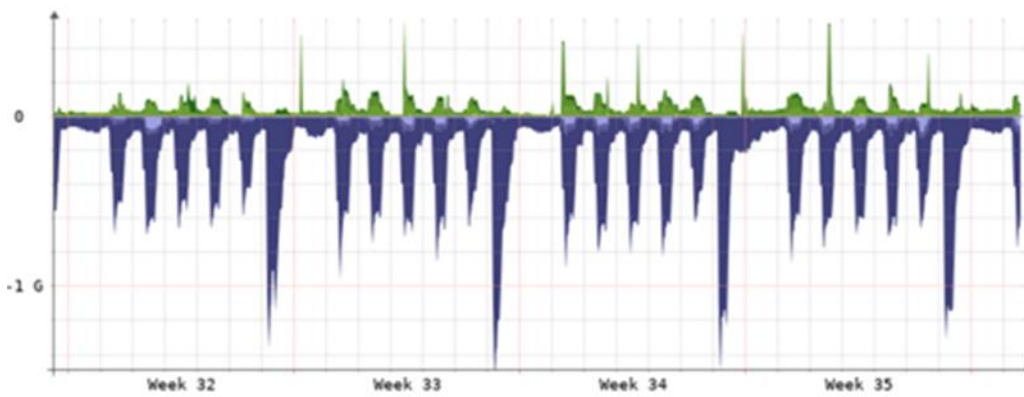
	March 2023	April 2023	May 2023	June 2023	July 2023	August 2023
Surveys Distributed	6348	4,560	5,953	5,045	4,310	6,328
Surveys Completed	327	227	261	239	164	311
Response Rate	5.15%	4.98%	4.38%	4.74%	3.81%	4.91%



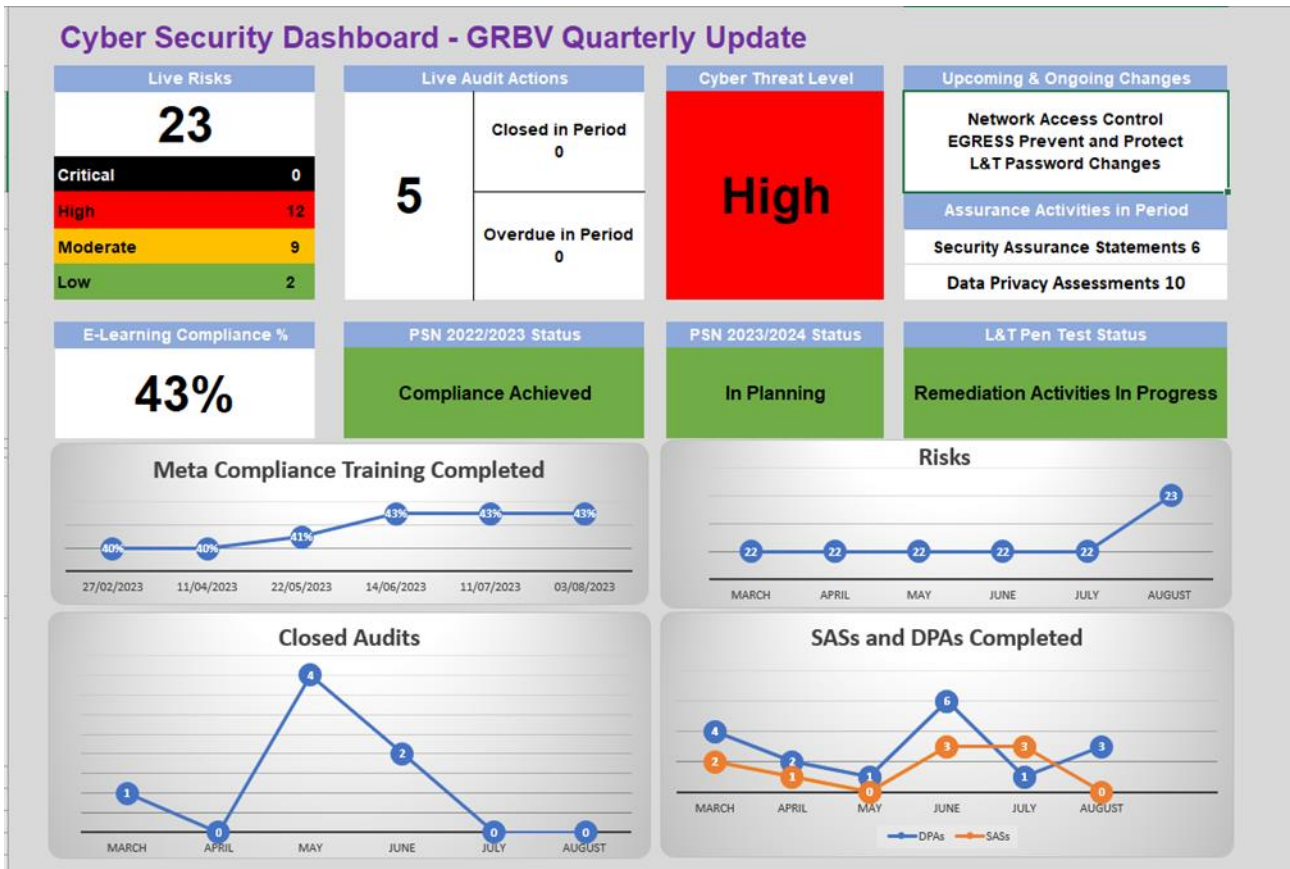
Telephony (Service Desk) Grade of Service



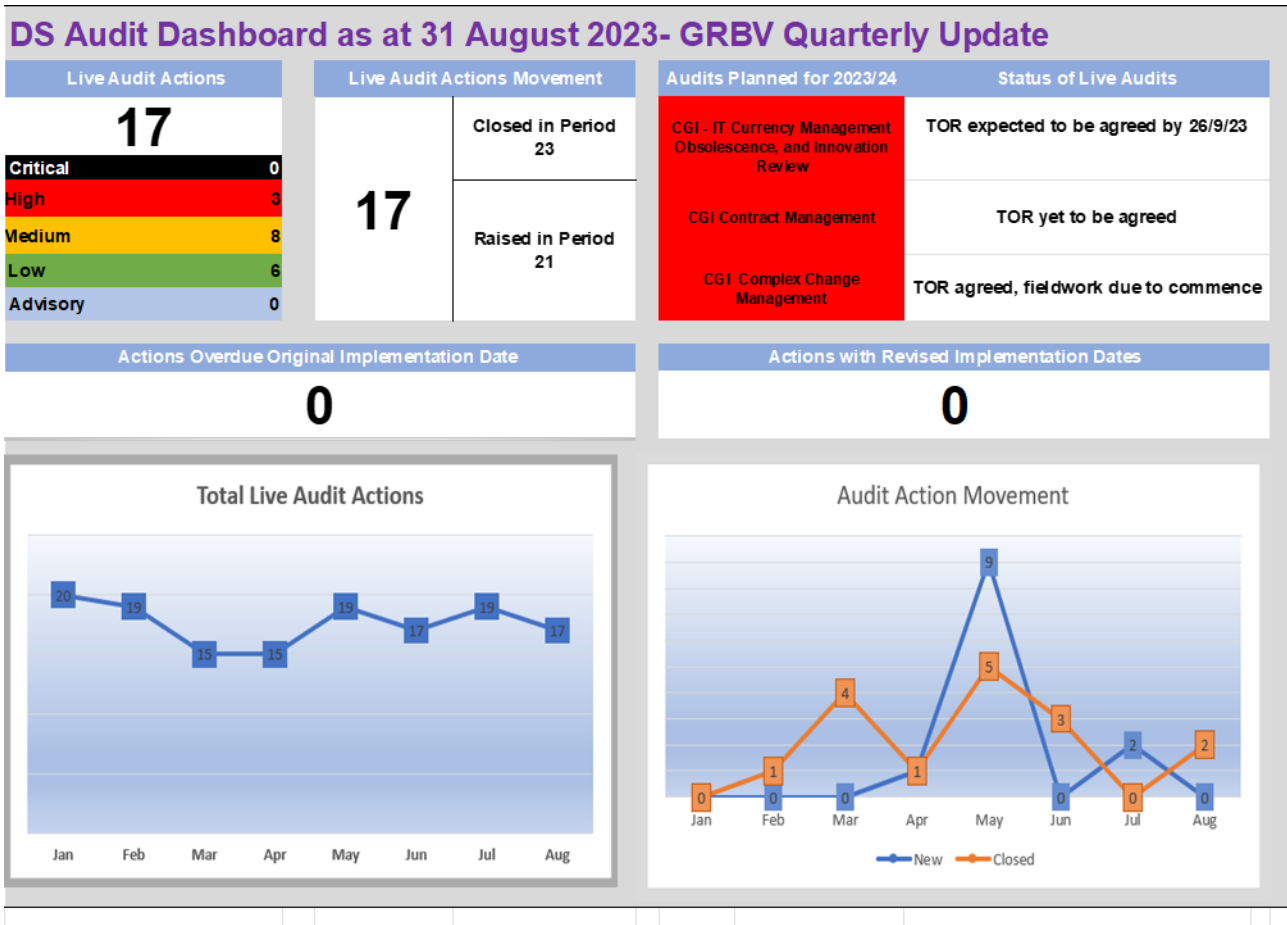
WAN Circuit Usage



Appendix 4 – Security Dashboard



Appendix 5 – Audit Dashboard



Appendix 6 – Glossary of Terms

Term	Description
Anti-Virus Software	A program designed to detect and remove viruses and other kinds of malicious software from your device.
AV	Audio-visual - encompasses all technical components for audio and visual such as the equipment used in meeting rooms for hybrid meetings.
DPA	Data Protection Assessment - a process designed to identify risks and impacts arising out of the processing of personal data and to minimise/mitigate these as far and as early as possible.
ERP	Enterprise Resource Planning
Joint Design Authority	CEC & CGI Joint Board for Enterprise Architecture
Network Access Control	Policies enforced to restrict unauthorised users and devices from gaining access to a network.
RAM	Random Access Memory – memory which allows computers to store open and manage applications and data.
SAS	Security Assurance Statement – linked to DPA – a process to identify security risks and impacts.
STEM	Science, Technology, Engineering and Mathematics.
TOR	Terms of Reference
WAP	Wireless Access Point - device that allows wireless capable devices to connect to a wired network
WEEE	Waste Electrical and Electronic Equipment recycling

Appendix 7 – Strategic Programme of Work

Strategic Programme of Work - Key Projects Dashboard – September 2023

Theme	Project	Lifecycle Point	Timeline				Progress/Issues
			2023 July-Sep	2023 Oct-Dec	2024 Jan-Mar	2024 Apr-June	
Enhancing On-Line Offering	Customer Digital Enablement	Rolling Programme	New Online Forms, Application Integrations, Improving User Experience				Extending customer facing online services, automations, integrations
	Tenant Engagement Platform	Delivery	Planning	Delivery			Automated Housing solution for online citizen engagement
Application Performance	NetApp SAN Migration	Part-Complete	Phase 1	Phase 2: G Drive Migration			Applications migrated. G Drive migration - proposals in development
Driving Operational Efficiency	H&SC Rostering	Part-Complete	Phased Delivery by Locality				NW & SW Localities now live – final deliveries in planning
	Enterprise Resource Planning	Part-Complete	Phased Delivery – Debt Management-> E-Finance				Debt Management rollout complete - E-Finance upgrade scheduled
	Mobysoft RentSense Phase 2	Planning	Planning	Delivery			"Daily Processing – Virtual Officer" – timeframes under review
	Housing IT Improvement Plan	Rolling Programme	Including Total Mobile Phase 2, Asset Management and Upgrades				Rolling Housing IT improvement Programme
	Hosted IDOX	Closure	Cloud Migration				Planning and Building Standards cloud migration – in early life support
	Smart Cities	Delivery	Moving to BAU				Installations completed on bin and humidity/temperature sensors.
	Regulatory Services Civica CX	Delivery	Phased Rollout of Civica CX –timeframe under review				Timeframes under review
	Electronic / Document Workflow Management SWIFT	Delivery	Upgrade/Cloud Migration				System upgrade/cloud migration complete, Email import underway.
	Business Objects Upgrade	Delivery	Planning	Delivery			Upgrade SWIFT Business Objects – timeframes to be finalised
	Computer Added Facilities Management (CAFM)	Delivery	Planning		Phased Rollout of CAFM Services		Migrate legacy property IT system – timeframes to be finalised
Providing Accessible Services	New HR and Payroll system	Delivery	Phase 1 Delivery			Phase 2	Moving legacy HR / Payroll system to cloud based alternative
	SWIFT Replacement	Mobilisation	Preparatory Work to Select and Deliver a New Social Care System				Project to replace the legacy social care system
	Intranet External Gateway	Complete	Delivery				Enabling ORB access to all staff without IT accounts – early life support
Maintaining and Enhancing core system	Website Developments	Rolling Programme	New Websites, Content Development, Accessibility Improvements				Website/Accessibility developments e.g. Edinburgh Guarantee website
	Property ICT Programme	Rolling Programme	ICT infrastructure projects to support the capital property programme				Inc. Currie H5, Castlegreen / North Merchiston Care Homes & others
	Analogue to Digital Programme	Planning	Planning		Analogue to Digital Migrations		Phased migration up to Dec 2025 – in planning
	Currency Programme	Rolling Programme	Ensuring that IT applications & infrastructures remain fully supported				Ensuring all IT systems remain fully supported

Project	Strategic Programme of Work – Top 20 Projects – Project Glossary & Updates
Customer Digital Enablement	We are expanding the range of online services offered to citizens through the Council CRM system. This includes new forms to support adult education enrolment payments, disabled parking bay applications, care home financial assessments, and ongoing developments to build forms to support functions such as reporting traffic signal faults.
Tenant Engagement Platform	We have initiated a new project with the Housing Service to rollout an automated tool for engagement with social housing tenants - to support functions such as online Community Consultations and Annual Surveys.
NetApp SAN Migration	The first phase of the programme to upgrade the Council's file storage infrastructure known as the "NetApp SAN", successfully completed in March. We are now working with our IT partner to prepare options and costed proposals to migrate the Council G drive from the NetApp SAN onto a cloud-based storage solution.
H&SC Rostering	Over the summer we successfully rolled out a new mobile roosting system to home care staff in the South-West and North-West Localities. The system which is underpinned by an optimised scheduling engine, allows back-office teams to coordinate and track rosters in real-time, and for care workers to manage home visits via their smart phones. Remaining localities are scheduled to go live over Quarter 4 2023.
Enterprise Resource Planning	The ERP programme, which will deliver a range of upgrades and improved interfaces between core systems in Finance, Banking and Payments Services is now in full delivery. Phase 1 of the new Apex Debt Management system successfully launched on 1st August. The next focus for the project is the planned upgrade of the Oracle eBusiness Suite which remains on schedule to go live over Quarter 4 2023.
Mobysoft RentSense Phase 2	The new Housing rent management system, Mobyssoft RentSense, which was deployed in late 2022 remains in early life support and continues to drive benefits.. Scoping work is now underway to extend the solution through the introduction of Mobyssoft's "Daily Processing – Virtual Officer" which will capture all payments made each day - significantly reducing housing officers' caseloads.
Housing IT Improvement Plan	A rolling programme of digital projects is now underway within Housing, which includes asset management initiatives, online housing application developments, a web enabled housing options checker, and phase 3 of the housing repairs project which will deliver further mobile working efficiencies and service improvements.
Hosted IDOX	Over the summer, we successfully completed the migration of our Planning and Building Standards software suite into a private cloud - transferring responsibility for maintaining infrastructures, IT compliance and system support over to the supplier. The project remains in early life support to ensure any snagging issues are quickly identified and resolved.
Smart Cities	Work has now completed on the installation of 11,000 bin sensors and 1500 humidity/temperature sensors in 500 homes. The Si360 data platform is now in operation collecting data from these sensors.
Regulatory Services Civica CX	The Civica CX project is intended to replace the legacy Civica APP system with an upgraded cloud-based solution to support regulatory services. Timeframes for this project are currently under review.
Revenues & Benefits Workflow Management	Over the summer we successfully upgraded the core Revenues and Benefits "Electronic Document / Workflow Management" application and transitioned the document store into the supplier Cloud. Further work is now underway to extend the system, to support automated importing and management of customer emails.
SWIFT Business Objects	We are working closely with our IT partner and business teams to prepare for the upgrade of SWIFT Business Objects - which provides a centralised suite of data reports for the Council's social care and criminal justice services.
Computer Added Facilities Management	Work remains underway to plan the final migrations of the legacy property management system onto the new Computer Added Facilities Management (CAFM) system, which supports the management of corporate properties and building projects.
New HR and Payroll system	A project to replace our current HR and payroll system is now underway. The new system will provide colleagues and people leaders with further self-service functions, help remove duplication, and reduce printing and posting.
SWIFT Replacement	Preparatory work to select and deliver a new Social Care system which will support adult, children's and criminal justice services.
Intranet External Gateway	Over the summer we successfully launched the External Intranet Gateway which enables secure access to the Intranet (the Orb) for colleagues who don't have a Council email account. This solution addresses one of the actions in the Tanner Report.
Website Developments	Rolling programme of web developments including projects to ensure compliance with web content accessibility Guidelines, upgrades to the "Edinburgh Guarantee" website which helps support people of all ages and backgrounds easily access and progress in fair work, training or further education, and further enhancements to the new "Foster with Edinburgh" website which was launched last year.
Property ICT Programme	We have a very busy schedule of ICT infrastructure projects underway. Key developments which have recently completed include North Merchiston Care Home, and Boroughmuir High School Extension,. Other building projects which are underway include Castlegreen Care Home, Currie High School and work associated with the ongoing nursery expansion programme.
Analogue to Digital Programme	In preparation for the BT OpenReach Public Switched Telephone Network (PSTN) decommissioning deadline of December 2025, work has started with Procurement and Directorates to raise awareness and ensure that they have plans in place to switch over any remaining analogue telephone or broadband circuits before that date.
Currency Programme	As part of our currency programme, we are working closely with our technology partner and business areas, to ensure that our IT applications and infrastructures remain aligned to supplier support cycles, run at peak performance, and capitalise on new functionality and features offered through product releases.



Empowered Learning Programme

Final , 27/06/23, V3

Contents

Introduction	20
1. Purpose of document.....	20
2. Programme Summary.....	20
3. Benefit Summary	20
4. Scope	21
Overview	23
1. Approach.....	23
Project Review	25
1. Objectives Review	25
2. Benefits Review	26
3. Financial Review	26
4. Lessons Learned	27
Conclusions.....	27
1. Follow On Actions/Service Transition	27
2. Conclusions.....	28
3. Internal Audit	28
4. CE&J Ongoing Actions and Responsibilities	29
Appendix A – CR215 Milestones.....	30
Appendix B – CR221 Milestones	36
Appendix C – Detailed Scope, Exclusions and Deliverables.....	42
Appendix D– Change Tracker	42
Appendix E – Lessons Learned	42
Appendix F – Programme Initiation Document	42
Appendix G – Benefits Tracker	42

12. Document control

Document	[Programme / Project Name] Programme / Project Close Report
Filename	Empowered Learning_Full_Close_Report_draft.28.04.23
Author(s)	Stewart Connell
Contributors	

13. Version control

Version	Changes	Status	Version date
V0.1	1 st Draft for review		25.05.23
V2.1	Changed format. Moved detailed scope and exclusions and outcomes to the Appendix. Document		27/06/23
V3	Changes approved - NH		27/06/23

14. Distribution and review history

Version	Distribution list	Purpose	Comment/action location	Distribution date
V0.1	Nicola Harvey, Heather Robb, Louise Sibbald, David McKee	Review 1 st draft		25.05.23
V2.1	Nicola Harvey	Review and sign off		27/06/23
V3	Nicola Harvey	Sign Off	Signed off	27/06/23

Introduction

1. Purpose of document

The purpose of this document is to provide a summary of the Empowered Learning Programme, to review the way the project was carried out and identify any lessons learned for the future as well as follow-on actions for the service or next stage project.

2. Programme Summary

The Empowered Learning Programme of the City of Edinburgh Council was a £17.6M investment in a world class digital environment for all Edinburgh schools over 4 years. In September 21, the programme was extended to include Early Years at a value of £800k to run concurrently with the main programme. The final expected delivery date was December 2022 and was extended to March 2023 to take into account delays with supply of wireless access points and also the shared solution. The programme successfully delivered against the revised end date.

In partnership with CGI, the City of Edinburgh Council has enhanced the educational experience for every student in Edinburgh. Digital Learning, supported by a device per pupil, has been the long-term aspiration of the Council. The requirement to provide remote schooling during the COVID-19 pandemic highlighted the need to progress this aspiration both to support the delivery of learning and teaching and to improve equality of access to digital technology. The Empowered Learning programme has now realised this ambition.

This project provided practitioners across the City with the technology and the training to transform how they deliver education to their students.

As stated in the Programme Initiation Document (see **Appendix F**) the goal of the Empowered Learning project was to transform teaching and learning across Edinburgh schools, aimed at raising attainment and supporting equality and inclusion for all children. The aim of the project was to provide a modern and robust solution that aimed to satisfy the National Digital Strategy and the vision of Education Services, to make the Authority a leader in digital learning and provide significant benefits for the wider community.

3. Benefit Summary

Transformation	Detail	Benefits
Wi-Fi	Enhanced Wi-Fi with the installation of additional WAPs and caching servers, improving the performance and availability of network services.	Improved access to online learning for all staff and students. Improved digital learning opportunities, supporting improving attainment strategies

Transformation	Detail	Benefits
iPad Deployment/Migration	Deployment of approximately 27,000 new iPads and migration of approximately 12,000 existing 7th/8 th generation (or equivalent) iPads. Core Application Deployment Mobile Device Management Internet web filtering	Supports improving attainment levels at the Authority's Secondary, Primary and Special School establishments. Allow equity of access to learning. Ensuring delivery of progressive and personalised learning outcomes for pupils. Providing a secure solution with consistent service.
Service Management	Support for new services through CGI hybrid Shared Service delivery centres and service management teams and local support from digital learning teams. Provision of a bulk once per annum remote wipe for end of year school leavers iPads.	Improved user experience for education practitioners and staff, through access to service desk. Benefits from a dedicated, flexible, managed service including Telephone Support and 'How to' Guides.
Education Training	Preparing and delivering a training plan to provide training on a 'train the trainer' basis for every in-scope teacher as part of the rollout of iPads	Improving attainment through a consistent learning environment by enabling teachers to control and manage the learning. Teachers able to make use of high-quality resources and equipment including digital technologies. Achieve improved morale through Teacher training and development opportunities. Improving the Authority's ability to attract and retain Teachers in its schools.
Digitally Skilled Workforce	CGI experienced resources from Connected Learning, Glasgow and Inspire Learning, SBC. Support from Authority Digital Learning Coordinators, Education Services and Digital Support teams.	The Authority leading the way in the use of technology in Education and best practice, encouraging both Teachers and Young people alike to enhance their skills and learning.

4. Scope

As stated in the Programme Initiation Document (see **appendix F**), the Empowered learning solution would deliver the following with some additional changes referenced below (please see **Appendix C** for a detailed breakdown):

Ipads

- 27,000 New Ipads to Primary, Secondary and Special Schools
- 12,000 migrated existing devices to Primary, Secondary and Special Schools
- 3,110 New Ipads to allow for 1.5% Gold Stock, Rising Rolls and Ukrainian Children (**Change in Scope**)

- 250 New Ipads for EY
- 900 migrated existing devices to EY Teachers
 - 1-1 Devices for P6-S6
 - shared devices for P1-P5
 - devices for all teaching staff in Primary, Secondary, Special and EY
- Total No. of New Devices – 30,360
- Total No of existing Migrated – 12,673
 - **Ipads Total – 43,033**

Keyboards

- 4030 Wireless keyboards for teachers
- Additional 401 Wireless keyboards for teachers (**Change in Scope**)

Network

- enhanced Wi-Fi coverage for all education establishments
 - 406 New Wireless Access Points across Primary, Secondary and Special Schools
 - Additional 510 New Wireless Access Points ordered and installed in Primary, Secondary, Special and EY (**Change in Scope**)
 - 164 New Wireless Access Points for EY settings
 - **Total No. of WAP's – 1,080**
- improved collaboration and classroom management tools – Apple Classroom
- practitioner access to technology and the technology training through online and face-to-face sessions to transform how they deliver education to their students
- a digitally skilled workforce - with CEC leading the way in the use of technology in Education and best practice, encouraging both Teachers and Young people alike to enhance their skills and learning.
- **Change in Scope** – The addition of AV was added to the Programme. Work was carried out to ensure that schools Audio-Visual devices such as Apple TVs and smartboards could be used with the new solution.

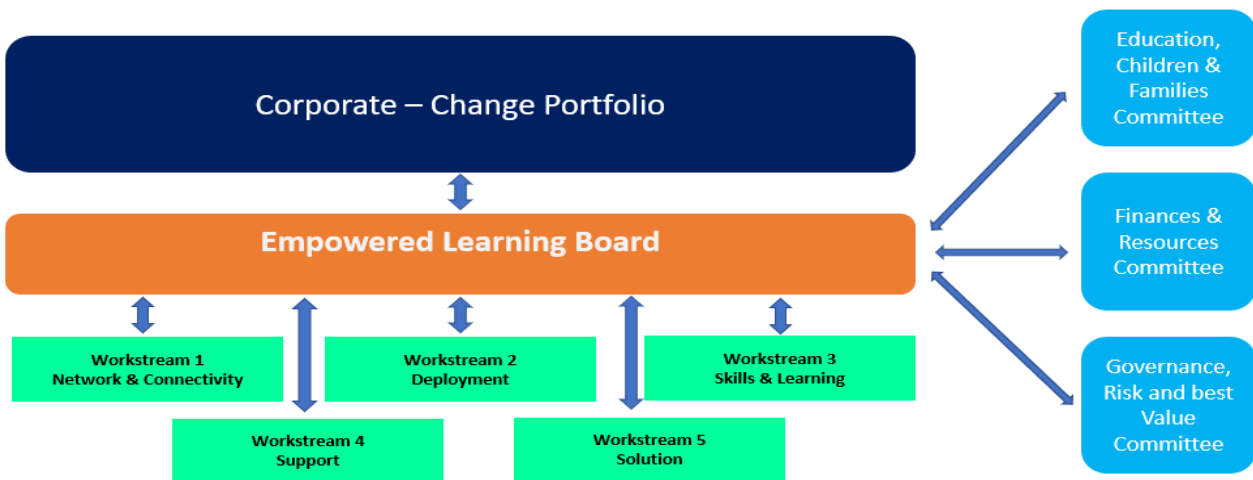
All Scope changes can be found in **Appendix D** – Change Tracker

Overview

1. Approach

15. 1.1 Governance

The Empowered Learning Programme was governed by a Programme Board with Nicola Harvey as the Senior Responsible Officer. See below for the High-level Governance that was followed, Terms of Reference and Programme Board members which included representation from Head Teachers, and Early Years as well as Finance, Education Management, Corporate Communications, CGI and Digital Services:



Chair	SRO	Purpose / role of group	Monitor Programme delivery. Provide direction. Hold delivery team and stakeholders to account
Frequency	Monthly		
Agenda	Review project status/progress Review project changes Review escalations Review RAID Review open actions. Agree project RAG status	Responsibilities	Agree project RAG status. Agree project changes (subject to CCN approvals) Agree on escalations. Escalate Risks and Issues with wider business for appropriate action
Inputs	Project status reports Project plans RAID log Weekly highlight report	Required attendees (the Authority)	Various
Outputs	Minutes Escalations RAID updates	Required attendees. (CGI)	Various

Name	Project Role	Responsibilities
Nicola Harvey	Senior Responsible Owner - <i>is the visible owner of the programme, accountable for successful delivery.</i>	<p>Represent the Empowered Learning board at Change Portfolio.</p> <p>Ultimate decision maker</p> <p>Creating and communicating the Vision / Overall aims and objectives</p> <p>Provide clear leadership and direction throughout the life of the Programme.</p> <p>Maintaining the interface with key senior stakeholders</p> <p>Ensuring that the programme delivers a coherent capability, achieves its strategic outcomes and realises its benefits.</p> <p>Monitoring the key strategic risks facing the programme</p> <p>Appointing, chairing and setting priorities for the programme board.</p>
Heather Robb	Senior User Technology / Deputy SRO	<p>Responsible for specifying the needs of those who will use the projects products.</p> <p>Define and verify user requirements and expectations.</p> <p>Responsible for benefits realisation.</p>
Lorna French	Senior User Skills and Training / Chief Customer	<p>Responsible for specifying the needs of those who will use the projects products.</p> <p>Responsible for realising the benefits by embedding the new capability into business operations.</p> <p>Responsible for benefits realisation.</p>
David McKee	Senior User	<p>Provide expert advice to inform discussion/decisions made by project board.</p> <p>Ensure the project board is updated in relation to wider/ongoing BAU work that may impact/shape decisions made by the project board.</p>
Louise Sibbald	Senior User	<p>Provide expert advice to inform discussion/decisions made by project board.</p> <p>Ensure the project board is updated in relation to wider/ongoing BAU work that may impact/shape decisions made by the project board.</p>
Douglas Pirie	The Authority Principal Accountant	<p>Supports and ensures compliance to council accounting procedures.</p> <p>Monitors budget with the Authority and supplier project managers.</p>
Chelsea Slater	Senior Supplier	<p>Responsible for the quality of products delivered and responsible for the technical integrity of the project.</p> <p>Ensures that supplier resources are made available</p>
John Knill and Mark Bulmer (from May 22)	Senior Supplier	<p>Responsible for the quality of products delivered and responsible for the technical integrity of the project.</p> <p>Ensures that supplier resources are made available</p>

Name	Project Role	Responsibilities
Cy Crane	CGI Programme Director	Responsible for the integration of Empowered Learning into the wider scope of account engagements. Responsible for the quality of products delivered and responsible for the technical integrity of the project. Ensures that supplier resources are made available
Irene Baillie	CGI Programme Manager	Main point of contact for the Authority project manager and will take responsibility for Supplier project management activities required to achieve the Empowered Learning Deployment and Training Plan Preparation and management of the Empowered Learning deployment and training plan. Implement agreed project governance. Performance of CGI
Stewart Connell	The Authority Programme Manager	Main point of contact for CGI project manager and will take responsibility for Authority project management activities required to achieve the Empowered Learning Deployment and Training Plan. Support CGI project manager in agreeing, establishing and adhering to project governance
Noel Miller	The Authority Communications Officer	Inform and agree project communications to ensure consistency of message.
Pauline Walker	HT – Senior User (Schools)	Provide expert advice to inform discussion/decisions made by project board. Ensure the project board is updated in relation to wider/ongoing BAU work that may impact/shape decisions made by the project board.
Bex Ewart	Senior User (EY)	Responsible for specifying the needs of those who will use the projects products. Responsible for realising the benefits by embedding the new capability into business operations. Responsible for benefits realisation.

16. 1.2 Key Phases and Deliverables

The Key Programme Milestones for CR215 and CR221 can be found in **Appendix A** and **Appendix B** of this Document.

Project Review

1. Objectives Review

The goal of the Empowered Learning project was to transform teaching and learning across Edinburgh schools, aimed at raising attainment and supporting equality and inclusion for all children. The aim of the project was to provide a modern and robust solution that aimed to satisfy the National Digital Strategy and the vision of Education Services, to make the Authority a leader in

digital learning and provide significant benefits for the wider community. The Empowered Learning programme has achieved this through the following objectives:

- **Equal access to digital tools for learning** — The project expended the use of digital technology and ensured every student across the city has 1:1 access to a personal or shared classroom device.
- **Enhanced Wi-Fi Coverage** — The project surveyed all learning establishments and provided additional Wi-Fi coverage in teaching areas and installed caching servers to all establishments.
- **Secure Access to the Internet and Applications** — The project integrated a web filtering solution to ensure age-appropriate content restrictions are applied for internet access independent of location or connection method. In addition, a managed application store was provided from which the Authority’s establishments can download approved applications to manage licence costs and data security.
- **Establish a strategic programme of support** — through collaboration between CGI and the Council’s Education Services Team, and focussing on four pillars: Personal, Collaborative, Mobile and Excellence.

2. Benefits Review

The programme aimed to deliver a range of non-financial benefits. The progress towards achieving these benefits can be seen in **Appendix F**.

The benefits will be reviewed by the Strategic Programme Board in July 2024 (1 year after close). Benefits remain the responsibility of the service to track, monitor and continue to deliver. There is an audit action that the service will need to continue to report to.

3. Financial Review

The final programme budget position as received from Finance is laid out below. It should be noted that final figures are still to be ratified. Contingency has come in at £229k underspend,

Expected Payments at Start of Project

	£'m
Device Purchase	7.120
Service Charge	1.305
Milestones	5.637
	0.450
Agreed budget to cover additional devices	
Total	14.512

Actual Payments

	£'m
Year 0 total	2.687
Year 1 total	8.171
Year 2 total	3.855
Total	14.713

Contingency

	£'m
Total budget	1.925
Total paid	1.696
Remaining	-0.229

Variance	0.201
Net Outturn Position including contingency	-0.028 Underspend

4. Lessons Learned

A Joint lessons learned was carried out between the City of Edinburgh Council programme team and CGI's Programme team. The Lessons learned can be found in **Appendix E**

Conclusions

1. Follow On Actions/Service Transition

The following items were started as part of the programme and had not completed by the time to project stopped officially meeting. They will require to be taken forward beyond the end of the programme if not completed before this report is submitted:

Ref	Action	For action by
FO.1	Kaimes PS – cabling and installation and testing of 10 APs	Cabling scheduled to complete 3-7th July by Commsworld and remaining 10 AP installations will be completed w/b 10th July.
FO.2	Greendykes EYC – 5 Aps to be installed and tested once new switch provisioned	Dacoll have since completed installation of remaining 5 APs on 2nd May 2023, covered under original PO. <u>This action is now closed.</u>
FO.3	Sciennes PS – AP installed, awaiting new switch before AP can be patched and tested	One AP not able to be made live until new switch installed. This has been scheduled for Monday 5 th June. AP will be completed in conjunction with switch installation. <u>This action is now closed.</u>
FO.4	CGI have asked that Service costs for additional 881 iPads require to be paid as final Empowered Learning iPad numbers have exceeded original contract numbers.	CGI have asked for a change to be raised by CEC to cover increase to service charges. CEC will invite CGI to a meeting to better understand the issue before any changes are requested. This action can be closed. CEC have met with CGI and this is a recording issue on CGI part. <u>No further action required.</u>

2. Conclusions

In Conclusion, the Empowered Learning Programme was considered to be a great success as it delivered all of its objectives on time and to cost and has been very well received by all key stakeholders.








The original expected project close was for Dec 2022 and was extended to March 2023 to take into account delays with supply of Wireless Access Points and final Shared solution.

3. Internal Audit

The programme successfully delivered against this revised date. **The programme received a Reasonable assurance rating** on its final audit with a few key recommendations that are listed below for information purposes.

Audit Actions

Audit Assessment

Audit Area	Control Design	Control Operation	Findings	Priority Rating
1. Programme Governance Arrangements			Finding 1 – Programme Board Reporting and Workstream Meetings	Medium priority
2. Stakeholder Engagement			No issues noted	N/A
3. Training			No issues noted	N/A
4. Benefits Realisation		N/A	Finding 2 – Benefits Tracking, Realisation, and Reporting	Medium priority

Finding 1

A communication should be made to all officers and managers involved in change projects, to remind them that:

- all updates to the project boards and committees should be provided in line with reporting timescales, and should include complete, accurate and updated information as required
- action logs/trackers should be used to record and manage actions arising from workstream meetings. These should include the action to be taken, the names of the responsible officers, and implementation dates

Agreed Mgt Action:

This will be sent to all officers and managers involved in change projects will be emailed to remind of them of the elements stated in the recommendation.

Complete.

Finding 2

In line with the guidance on benefits tracking is contained on the Orb, the programme should establish processes to support tracking and monitoring of the realisation of the benefits identified with the programme.

Regular updates detailing achievement of benefits or barriers (where relevant) should be included within progress reporting including dashboard reporting to Board and Committee where relevant.

Agreed Mgt Action:

1. Project benefits achieved to date will be captured in the project closure report which is scheduled for the 28th of June 2023 with a follow up review of benefits to the Strategic Programme board on the 3rd July 2024.
2. The revised Edinburgh Learns Digital Strategy (to be published Dec 2023) will track learning and teaching benefits. The strategy covers a five-year period and regular updates of progress will be provided.

4. CE&J Ongoing Actions and Responsibilities

It should be noted that Education will need to start working with Finance and the Digital Education Team to start to think about the cost of future upgrades and rollout of Empowered Learning when the contract comes to an end.

- Education to consider Rising Rolls and future funding stream. Consideration needs to be given in future funding proposals to the funding model and cycle for additional devices purchased by schools and added to the programme and for increased school rolls and teacher numbers.
- This was a 4-year programme and devices will need to be refreshed prior to Feb 2025
- Education to think about on the ground support for iPad issues.
- Education to Track Benefits and report to Strategic Programme Board as part of ongoing audit activity.
- It is also recommended that Education along with the Digital Education Team track and monitor iPads carefully due to the considerable number now in the Estate.

Appendix A – CR215 Milestones

Milestone	Description	Acceptance Criteria	Amount	Date Milestone Delivered
PM1.1	Project Initiation	Project Initiated and Team Mobilised First draft Detailed Plan Draft PID for Review Draft Resource Planning (CGI/CEC) Testing Criteria and acceptance criteria Site Scope validation (CEC dependency) Agree Primary and Secondary School phases Comms and Engagement Plan prepared Draft network coverage scope initiated Teacher training assessment initiated Solution Design (HLD/DA) Service and support requirements	£225,558.00	16/8/2021
PM1.2	Final Project Initiation	Agree primary and secondary school phases Draft deployment schedule Teacher training assessment report and recommendations Draft training plan Test plan completed Signed off PID	£357,504.00	18/11/2021
PM2.1	Site Surveys - Secondary Schools	Complete site surveys for all secondary schools <ul style="list-style-type: none"> · Perform survey · Produce network recommendations 	£150,000.00	26/10/2021
PM2.2	Site Surveys - Primary Schools and Special Schools	Complete site surveys for all primary and special schools <ul style="list-style-type: none"> · Perform survey · Produce network recommendations 	£200,000.00	26/10/2021
PM2.3	Network Equipment Installations - Pilot Schools	Network Equipment Installation completed at pilot schools <ul style="list-style-type: none"> · Install or re-locate Wireless Access Points · Integration test 	£200,000.00	28/02/2022

PM4.1	Platform Build	<p>The following activities will be completed to build the platform:</p> <ul style="list-style-type: none"> • Build MDM (JAMF) instance • Configure Apple School Manager • Set up Apple Ids • Configure content management solution (Lightspeed) • Acceptance Test 	£500,000.00	13/01/2022
PM5.1	Empowered Learning Training Development	<p>The following activities will be completed to prepare the Empowered Learning leaders:</p> <ul style="list-style-type: none"> • Digital Officers assigned for all Schools • Development of online training material for initial 10 training courses • All phases of Training materials approved and uploaded to Thrive • Staff training planning (CEC Dependency) 	£100,000.00	13/01/2022
PM2.4	Site Installations - Pilot Schools	<p>The following site installation activities will be completed at the Secondary and Primary pilot sites:</p> <ul style="list-style-type: none"> • Procure infrastructure Caching servers and WAPS • Install Caching servers • Configure and connect to JAMF • Integration Test 	£100,000.00	12/01/2022
PM6.1	Pilot Deployment - Teacher and Pupils Deployment at one Secondary School and one Primary School	<p>The following activities will be completed for the teacher deployment at each site:</p> <ul style="list-style-type: none"> • Co-ordination and planning of sessions by year group • Confirm access to online training material • Basic training fitting in with working time • Issue new iPads or wipe and rebuild existing iPads • Guided build through automated process which we support with onsite site presence • Provide Early Life Support • Advise on support options <p>The following activities will be completed for the pupil deployment at each site:</p> <ul style="list-style-type: none"> • Co-ordination and planning of sessions by year group and according to timetable • Supporting the School in the Comms to parents and pupils • Attend Parents Meeting as required • Wipe and rebuild iPads or issue New iPads • Guided build through automated process which we support with onsite site presence • Provide Early Life Support • Advise on support options 	£253,345.00	13/01/2022
PM2.5	Network Equipment Installation - All Secondary Schools or 20% of Sites	<p>The following network equipment installation activities will be completed at each site:</p> <ul style="list-style-type: none"> • Install or re-locate Wireless Access Points • Integration test 	£620,283.00	21/06/2022

Close Report: [Programme/Project name]

PM2.6	Network Equipment Installation - completed at 50% of All Remaining Schools	The following network equipment installation activities will be completed at each site: <ul style="list-style-type: none"> · Install or re-locate Wireless Access Points · Integration test 	£100,000.00	24/11/2022
PM7.1	Service Implementation	The following activities will be completed to implement the service: <ul style="list-style-type: none"> · Service Management Approach · Empowered Learning Process documentation · Service Desk procedures and documents · Early live support processes and operation agreed 	£181,947.00	24/03/23
PM2.7	Network Equipment Installation - completed at All Remaining Schools	The following network equipment installation activities will be completed at each site: <ul style="list-style-type: none"> · Install or re-locate Wireless Access Points · Integration test 	£50,000.00	24/03/23
PM2.8	Site Installation - All Secondary Schools	The following site installation activities will be completed at each site: <ul style="list-style-type: none"> · Procure infrastructure Caching servers and WAPS · Install Caching servers · Configure and connect to JAMF · Integration Test 	£50,000.00	24/10/2022
PM6.2	Teacher Deployment - Secondary Elevate Teachers	The following activities will be completed for the teacher deployment at each site: <ul style="list-style-type: none"> · Co-ordination and planning of sessions by year group · Confirm access to online training material · Basic training fitting in with working time · Issue new iPads or wipe and rebuild existing iPads · Guided build through automated process which we support with onsite site presence · Provide Early Life Support · Advise on support options 	£69,168.00	10/03/2022
PM2.9	Site Installations - 50% of Schools	The following site installation activities will be completed at each site: <ul style="list-style-type: none"> · Procure infrastructure Caching servers and WAPS · Install Caching servers · Configure and connect to JAMF · Integration Test 	£200,000.00	10/06/2022

PM6.3	Teacher Deployment - Secondary Build and Grow Teachers	<p>The following activities will be completed for the teacher deployment at each site:</p> <ul style="list-style-type: none"> Co-ordination and planning of sessions by year group Basic training fitting in with working time Confirm access to online training material Issue new iPads or wipe and rebuild existing iPads Guided build through automated process which we support with onsite site presence Provide Early Life Support Advise on support options 	£100,000.00	16/03/2022
PM6.4	Pupil Deployment - Secondary Elevate Pupils	<p>The following activities will be completed for the pupil deployment at each site:</p> <ul style="list-style-type: none"> Co-ordination and planning of sessions by year group and according to timetable Supporting the School in the Comms to parents and pupils Attend Parents Meeting as required Wipe and rebuild iPads or issue New iPads Guided build through automated process which we support with onsite site presence Provide Early Life Support Advise on support options 	£489,451.00	15/03/2022
PM2.10	Site Installation - all Remaining Schools	<p>The following site installation activities will be completed at each site:</p> <ul style="list-style-type: none"> Procure infrastructure Caching servers and WAPS Install Caching servers Configure and connect to JAMF Integration Test 	£80,000.00	16/08/2022
PM6.5	Teacher Deployment - Completion of 23 Primary and Special School Teachers	<p>The following activities will be completed for the teacher deployment at each site:</p> <ul style="list-style-type: none"> Co-ordination and planning of sessions by year group Confirm access to online training material Basic training fitting in with working time Issue new iPads or wipe and rebuild existing iPads Guided build through automated process which we support with onsite site presence Provide Early Life Support Advise on support options 	£80,000.00	13/05/2022
PM6.6	Pupil Deployments - Completion of 4 Secondary Build & Grow Pupils	<p>The following activities will be completed for the pupil deployment at each site:</p> <ul style="list-style-type: none"> Co-ordination and planning of sessions by year group and according to timetable Supporting the School in the Comms to parents and pupils Attend Parents Meeting as required Wipe and rebuild iPads or issue New iPads Guided build through automated process which we support with onsite site presence 	£121,947.00	03/11/2022

		<ul style="list-style-type: none"> · Provide Early Life Support · Advise on support options 		
PM6.7	Pupil Deployments - Remaining Secondary Build & Grow Pupils	<p>The following activities will be completed for the pupil deployment at each site:</p> <ul style="list-style-type: none"> · Co-ordination and planning of sessions by year group and according to timetable · Supporting the School in the Comms to parents and pupils · Attend Parents Meeting as required · Wipe and rebuild iPads or issue New iPads · Guided build through automated process which we support with onsite site presence · Provide Early Life Support · Advise on support options 	£281,947.00	10/01/2023

PM6.8	Teacher Deployment - Remaining Primary and Special School Teachers	<p>The following activities will be completed for the teacher deployment at each site:</p> <ul style="list-style-type: none"> · Co-ordination and planning of sessions by year group · Confirm access to online training material · Basic training fitting in with working time · Issue new iPads or wipe and rebuild existing iPads · Guided build through automated process which we support with onsite site presence · Provide Early Life Support · Advise on support options 	£563,894.00	31/03/23
PM6.9	Pupil Deployment - completion of 48 Primary and Special Schools	<p>The following activities will be completed for the pupil deployment at each site:</p> <ul style="list-style-type: none"> · Co-ordination and planning of sessions by year group and according to timetable · Supporting the School in the Comms to parents and pupils · Attend Parents Meeting as required · Wipe and rebuild iPads or issue New iPads · Guided build through automated process which we support with onsite site presence · Provide Early Life Support · Advise on support options 	£281,947.00	31/03/23
PM6.10	Pupil Deployment - Remainder of Primary and Special Schools	<p>The following activities will be completed for the pupil deployment at each site:</p> <ul style="list-style-type: none"> · Co-ordination and planning of sessions by year group and according to timetable · Supporting the School in the Comms to parents and pupils · Attend Parents Meeting as required · Wipe and rebuild iPads or issue New iPads · Guided build through automated process which we support with onsite site presence · Provide Early Life Support · Advise on support options 	£169,168.00	31/03/23

PM1.3	Project Closedown	The following activities will be completed during project closedown: <ul style="list-style-type: none"> • Lessons Learned report • Final handover to service team • Project Closedown Report 	£112,779.00	26/04/23
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Appendix B – CR221 Milestones

Milestone	Description	Acceptance Criteria	Amount	Date Milestone Delivered
Milestone 1	Project Initiation	<p>The following activities will be completed during initial project initiation :-</p> <ul style="list-style-type: none"> - Project Initiated and Team Mobilised - First draft Detailed Plan - Draft PID for Review - Draft Resource Planning (CGI/CEC) - Testing Criteria and acceptance requirements - Site Scope validation (numbers per site, priorities, propose pilot sites) (CEC dependency) - Draft network coverage scope requirements (CEC dependency) - Amendments to CR215 Solution design to include EY (HLD/DA) - Service and support requirements - Churn approach agreed - Agree Early Years Phases - Draft deployment schedule - Test Plan completed - Signed off PID 	£40,592.00	25/02/2022
Milestone 2	iPad Delivery	iPads delivered to sites	£90,328.95	15/12/2021
Milestone 3	Site Surveys	<p>The following site survey activities will be completed for each site that has not yet been surveyed or had network recommendations produced by CGI:</p> <ul style="list-style-type: none"> • Perform survey • Produce network recommendations • Perform heat map showing coverage, based on the site floor plans as supplied by the Authority • Identify if there is an existing data point to facilitate the installation of a WAP to comply with the heat map output <ul style="list-style-type: none"> o or if a new data point is required to be installed by the Authority o or if an existing data point needs to be moved by the Authority <p>This will only entail a physical examination of an area within 2 metres from the preferred WAP installation point as highlighted in the heat map. Any examination to determine if a data point is available at a height of over 2.5 meters is out of scope</p> <ul style="list-style-type: none"> • Where a data point is available, check if live and patched, patch panel to switch, or, if the data point is clearly labelled identifying the patch panel it is routed back to, that the Cabinet it is routed back to has sufficient unpatched ports to make the data point live. Where there is no labelling on the data point, tracing the route is Out of Scope. 	£11,895.00	25/02/2022

Milestone 3	Site Surveys	<p>The following site survey activities will be completed for each site that has not yet been surveyed or had network recommendations produced by CGI:</p> <ul style="list-style-type: none"> • Perform survey • Produce network recommendations • Perform heat map showing coverage, based on the site floor plans as supplied by the Authority • Identify if there is an existing data point to facilitate the installation of a WAP to comply with the heat map output <ul style="list-style-type: none"> o or if a new data point is required to be installed by the Authority o or if an existing data point needs to be moved by the Authority <p>This will only entail a physical examination of an area within 2 metres from the preferred WAP installation point as highlighted in the heat map. Any examination to determine if a data point is available at a height of over 2.5 meters is out of scope</p> <ul style="list-style-type: none"> • Where a data point is available, check if live and patched, patch panel to switch, or, if the data point is clearly labelled identifying the patch panel it is routed back to, that the Cabinet it is routed back to has sufficient unpatched ports to make the data point live. Where there is no labelling on the data point, tracing the route is Out of Scope. 	£11,895.00	25/02/2022
Deployment MS 1	iPad Deployment	<p>iPads deployed and tested in 25% of sites.</p> <p>The following activities will be completed for the teacher deployment at each site:</p> <ul style="list-style-type: none"> • Co-ordination and planning of sessions by year group <ul style="list-style-type: none"> o Basic training fitting in with working time • Training needs analysis of teachers • Issue new iPads and rebuild existing iPads • Guided build through automated process which we support with onsite site presence <ul style="list-style-type: none"> o Provide access to training materials to teachers • Provide Early Life Support • Advise on support options <p>Service Implementation</p> <p>The following activities will be completed to implement the service:</p> <ul style="list-style-type: none"> • Service Management Approach • Empowered Learning, Early Years, Process documentation • Service Desk procedures and documents • Early live support processes and operation agreed 	£45,250.26	22/07/2022

Deployment MS 2	iPad Deployment	<p>iPads deployed and tested in 50% of sites.</p> <p>The following activities will be completed for the teacher deployment at each site:</p> <ul style="list-style-type: none"> • Co-ordination and planning of sessions by year group o Basic training fitting in with working time • Training needs analysis of teachers • Issue new iPads and rebuild existing iPads • Guided build through automated process which we support with onsite site presence o Provide access to training materials to teachers • Provide Early Life Support • Advise on support options 	£45,250.26	22/07/2022
Deployment MS 3	iPad Deployment	<p>iPads deployed and tested in 75% of sites.</p> <p>The following activities will be completed for the teacher deployment at each site:</p> <ul style="list-style-type: none"> • Co-ordination and planning of sessions by year group o Basic training fitting in with working time • Training needs analysis of teachers • Issue new iPads and rebuild existing iPads • Guided build through automated process which we support with onsite site presence o Provide access to training materials to teachers • Provide Early Life Support • Advise on support options 	£45,250.26	22/07/2022
Deployment MS 4	iPad Deployment	<p>iPads deployed and tested in 100% of sites.</p> <p>The following activities will be completed for the teacher deployment at each site:</p> <ul style="list-style-type: none"> • Co-ordination and planning of sessions by year group o Basic training fitting in with working time • Training needs analysis of teachers • Issue new iPads and rebuild existing iPads • Guided build through automated process which we support with onsite site presence o Provide access to training materials to teachers • Provide Early Life Support • Advise on support options 	£45,250.26	31/03/2023

Network MS 1	WAP Installations	<p>WAPS Installed and Tested in 25%of Sites</p> <p>The following site installation activities will be completed at each site:</p> <ul style="list-style-type: none"> • Procure WAPS • Install or re-locate Wireless Access Points, Subject to live data points being available • Configure and connect to JAMF • Integration Test. 	£59,687.32	30/11/2022
Network MS 2	WAP Installations	<p>WAPS Installed and Tested in 50%of Sites</p> <p>The following site installation activities will be completed at each site:</p> <ul style="list-style-type: none"> • Procure WAPS • Install or re-locate Wireless Access Points, Subject to live data points being available • Configure and connect to JAMF • Integration Test. 	£59,687.32	30/11/2022
Network MS 3	WAP Installations	<p>WAPS Installed and Tested in 75%of Sites</p> <p>The following site installation activities will be completed at each site:</p> <ul style="list-style-type: none"> • Procure WAPS • Install or re-locate Wireless Access Points, Subject to live data points being available • Configure and connect to JAMF • Integration Test. 	£59,687.32	01/02/2023

Network MS 4	WAP Installations /Closedown	<p>WAPS Installed and Tested in 100%of Sites</p> <p>The following site installation activities will be completed at each site:</p> <ul style="list-style-type: none"> • Procure WAPS • Install or re-locate Wireless Access Points, Subject to live data points being available • Configure and connect to JAMF • Integration Test. <p>The following activities will be completed during project closedown:</p> <ul style="list-style-type: none"> • Lessons Leaned report • Final handover to service team • Project Closedown Report. 	£59,687.32	26/04/2023
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Appendix C – Detailed Scope, Exclusions and Deliverables

[Appendix C.docx](#)

Appendix D– Change Tracker

[Change Tracker](#)

Appendix E – Lessons Learned

[..\Lessons Learned\Final Empowered Learning JOINT Lessons Learned.V4.xlsx](#)

Appendix F – Programme Initiation Document

Empowered Learning

[..\PID\CEC - Empowered Learning PID v1.2.docx](#)

Empowered Learning - Early years

[..\PID\CR221 Empowered Learning EY PID v0.2.docx](#)

Appendix G – Benefits Tracker

[Non-Financial Benefits Empowered Learning.xlsx](#)

Governance, Risk and Best Value Committee

10.00am, Tuesday, 31 October 2023

The City of Edinburgh Council – 2022/23 Annual Audit Report

Executive/routine
Wards

1. Recommendations

- 1.1 Members of the Governance, Risk and Best Value Committee are asked:
 - 1.1.1 to note that, following the audit process, an unqualified audit opinion was issued on the Council's annual accounts for 2022/23;
 - 1.1.2 to note that, following approval by the Finance and Resources Committee on 21 September 2023, the audited annual accounts were signed and submitted to the external auditor;
 - 1.1.3 to note the external auditor's assessment of the four dimensions of the wider scope audit and progress in implementing the recommendations contained within the Council's Best Value Assurance Report; and
 - 1.1.4 to note progress in the delivery of the resulting improvement actions set out in Appendix 1 of the auditor's report will be reported to the Committee during the coming year.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Richard Lloyd-Bithell, Service Director: Finance and Procurement,
Finance and Procurement Division, Corporate Services Directorate

E-mail: richard.lloyd-bithell@edinburgh.gov.uk

The City of Edinburgh Council – 2022/23 Annual Audit Report

2. Executive Summary

- 2.1 The report summarises the principal findings arising from the Council's 2022/23 external audit. While primarily focused on the review of the financial statements, the wider scope aspects of the audit include consideration of the Council's financial management, financial sustainability, vision, leadership and governance and use of resources to improve outcomes. Following the publication of the Council's Best Value Assurance Report (BVAR) in November 2020, the auditor's report also assesses progress in implementing its recommendations.

3. Background

- 3.1 The Council's statement of accounts for 2022/23 was passed to the external auditor by the statutory deadline of 30 June.
- 3.2 The unaudited annual accounts required to be published on the Council's website by 30 June 2023 and thereafter made available for public inspection for a period of 15 working days. These requirements were met, with the inspection period running from Monday 3 July to Friday 21 July 2023 inclusive.
- 3.3 Correspondence was received from one individual on two separate matters during this period, with responses provided by officers. No objections were received in respect of the Council's financial statements.
- 3.4 In contrast to the previous two financial years, no statutory extension to the timescales for completion of the audit process was approved for 2022/23, meaning that the date to report to those charged with governance and the Controller of Audit reverted to 30 September 2023. Given this, the unaudited financial statements and the statutory ISA260 report thereon were considered at the Committee's meeting on 19 September 2023 before being referred to the meeting of the Finance and Resources Committee on 21 September 2023 where approval to pass them to the external auditor was secured. In this context, members of the Committee will note that the content of the section on the audit of the 2022/23 annual accounts (on

pages 8 to 14 of the auditor's report) has been subject to previous consideration by the Committee as part of this earlier report.

- 3.5 Due to legacy workload pressures within Audit Scotland, an assessment of the wider scope aspects of the audit and progress in implementing the recommendations from the Council's Best Value Assurance Review (BVAR) was deferred for inclusion in the annual audit report to be considered by the Governance, Risk and Best Value Committee at this meeting.

4. Main report

Wider scope assessment and BVAR actions follow-up

- 4.1 The content of the auditor's report reflects the four "wider scope" areas that frame public sector audit as set out in the Code of Audit Practice 2021. These areas are:
- Financial management;
 - Financial sustainability;
 - Vision, leadership and governance; and
 - Use of resources to improve outcomes.
- 4.2 In addition, the report includes a progress assessment on the implementation of the recommendations contained within the Council's BVAR as part of a wider review of arrangements to secure best value.

Key messages (pages 4 and 5)

- 4.3 The key messages from the audit are presented on pages 4 and 5 of the auditor's report, with a number of action points for the Council to address in the coming months noted in Appendix 1. These, together with the management responses provided by the Council (including assigned responsibility and associated timescale for implementation), are shown on pages 44 to 46.

Annual accounts audit (pages 8 to 14)

- 4.4 As previously reported to the Committee on 19 September 2023, an unqualified opinion was provided on the financial statements and other prescribed matters. This section of the auditor's report recaps the significant findings and key audit matters arising from the audit process contained within that report.

Best Value (pages 15 to 20)

- 4.5 The auditor's report concludes that the Council has a best value framework in place and has developed a clear structure to measure and monitor progress against its priorities and has plans to improve the quality of how it reports its performance. These issues are explored in greater detail in the Best Value thematic report included elsewhere on today's agenda.

- 4.6 The report also notes the good progress made in implementation of the recommendations arising from the BVAR, particularly in terms of clarifying the Council’s vision and strategic direction. While progress has also been made in its use of resources, partnership working and community engagement, further actions are assessed to be required to embed these improvements fully.

Financial management (pages 21 to 28)

- 4.7 The report concludes that the Council has appropriate arrangements in place to secure sound financial management, with regular budget monitoring reports provided to members, supported by an experienced and effective finance team.
- 4.8 Completion of the audit process confirmed that the Council operated within its revised fiscal resources in 2022/23, reporting an overall underspend of £13.675m against its budget.
- 4.9 Controls within the main financial systems were assessed to operate adequately, albeit with opportunities for improvement within the payroll and SWIFT systems highlighted. Standards for the prevention and detection of fraud are being strengthened.

Financial sustainability (pages 29 to 32)

- 4.10 The report concludes that the Council has effective and appropriate arrangements in place to plan the use of its revenue resources to sustain delivery of services and is building on plans to develop these into the medium to long-term.
- 4.11 While noting development of strategic and cross-cutting plans and initiatives as part of the medium-term financial plan (MTFP), the report highlights a need to accelerate this work to outline how the Council will deliver financial sustainability over the next five years.
- 4.12 The report further notes that the Council plans capital expenditure on a longer-term basis, which is updated annually, which supports financial sustainability of capital spend.

Vision, leadership and governance (pages 33 to 36)

- 4.13 The report concludes that the Council’s governance arrangements are appropriate but there is scope to improve decision-making arrangements, particularly around budget-setting. In light of this, the outcome of a “lessons learned” process was reported to the Committee in August 2023, with a number of improvements to be applied to the 2024/25 process noted at that time.

Use of resources to improve outcomes (pages 37 to 41)

- 4.14 The auditor’s report notes that the Council has reported a mixed picture of performance improvement over time. Compared to 2020/21, the Council has improved its comparative ranking with other councils in 32 of the national indicators, however, the comparative ranking has declined in 39 of the indicators, showing the rate of service improvement has slowed compared to others.

- 4.15 The report notes the Council's plans to improve the quality of how it reports its performance and concludes that its corporate self-evaluation of corporate governance arrangements supports continuous improvement.

5. Next Steps

- 5.1 Progress in implementing the improvement actions set out in Appendix 1 of the report will be reported to the Governance, Risk and Best Value Committee over the coming year.

6. Financial impact

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

7. Equality and Poverty Impact

- 7.1 There are no direct relevant impacts arising from the report's contents.

8. Climate and Nature Emergency Implications

- 8.1 There are no direct relevant impacts arising from the report's contents.

9. Risk, policy, compliance, governance and community impact

- 9.1 There are no direct relevant impacts arising from the report's contents, although the auditor's report contains an assessment of the effectiveness of current arrangements in these areas.

10. Background reading/external references

- 10.1 [Revenue Monitoring 2022/23 - outturn report](#), Finance and Resources Committee, 21 September 2023
- 10.2 [City of Edinburgh Council – 2022/23 Annual Accounts Audit](#), Governance, Risk and Best Value Committee, 19 September 2023
- 10.3 [Unaudited Annual Accounts 2022/23](#), The City of Edinburgh Council, 22 June 2023

11. Appendices

11.1 Appendix 1 – The City of Edinburgh Council 2022/23 Annual Audit Report

The City of Edinburgh Council

2022/23 Annual Audit Report



Prepared for the Members of the City of Edinburgh Council and the Controller of Audit
October 2023

Contents

Key messages	4
Introduction	6
1. Audit of 2022/23 annual accounts	8
2. Best Value	15
3. Financial management	21
4. Financial sustainability	29
5. Vision, leadership and governance	33
6. Use of resources to improve outcomes	37
7. Charitable Trusts and Funds	42
Appendix 1. Action plan 2022/23	44
Appendix 2. Summary of uncorrected misstatements	47

Key messages

2022/23 annual accounts

- 1 Our audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council are unmodified.
- 2 The management commentary, annual governance statement and remuneration report were consistent with the financial statements and properly prepared in accordance with the applicable guidance.

Best Value

- 3 The council has a best value framework in place and has developed a clear structure to measure and monitor progress against the council's priorities and has plans to improve the quality of how it reports its performance.
- 4 Measurable Key Performance Indicators in place show that around 60 per cent were on target or exceeding target, with 40 per cent measuring below.

Financial management

- 5 The council has appropriate arrangements to secure sound financial management. Regular budget monitoring reports were provided to members and are supported by an experienced and effective finance team.
- 6 The council operated within its revised fiscal resources in 2022/23, reporting an underspend of £13.675 million against its budget.
- 7 Controls within the main financial systems were operating adequately while standards for the prevention and detection of fraud are being strengthened.

Financial sustainability

- 8 On a short-term basis, the council has effective and appropriate arrangements in place to plan the use of its revenue resources to sustain delivery of services.
- 9 The council is developing strategic and cross-cutting plans and initiatives as part of the development of a Medium-term financial plan (MTFP) which seeks to use technology and assets to better achieve efficiencies and service delivery. The council needs to accelerate this work to outline how it will deliver financial sustainability over the next five years.

Vision, leadership and governance

- 10** Governance arrangements are appropriate but there is scope to improve decision-making arrangements, particularly around budget-setting.

Use of resources to improve outcomes

- 11** The council has reported a mixed picture of performance improvement over time. Compared to 2020/21, the council has improved its comparative ranking with other councils in 32 of the national indicators, however, the comparative ranking has declined in 39 of the indicators, showing the rate of service improvement has slowed compared to others.

Charitable Trusts and Charitable Funds

- 12** The council as sole trustee of the Trusts and the Funds has suitable arrangements to plan the use of its resources to sustain delivery of services into the medium term.
- 13** The Edinburgh Education Trust funds grants to schools and individuals and paid out low levels during 2022/23. The Trust should find alternative ways of raising awareness amongst potential beneficiaries.

Introduction

1. This report summarises the significant findings from the 2022/23 audit of City of Edinburgh Council. The scope of the audit was set out in an annual audit plan presented to the 2 May 2023 meeting of the Governance, Risk and Best Value Committee (GRBV).

2. This report comprises:

- significant matters arising from an audit of City of Edinburgh Council’s annual report and accounts (presented to the GRBV Committee in September 2023)
- conclusions on the following wider scope areas that frame public audit as set out in the Code of Audit Practice 2021:
 - Financial Management
 - Financial Sustainability
 - Vision, Leadership, and Governance
 - Use of Resources to Improve Outcomes.

3. The report is addressed to the City of Edinburgh Council and the Controller of Audit and will be published on Audit Scotland’s website www.audit-scotland.gov.uk in due course.

Audit appointment from 2022/23

4. The 2022/23 financial year was the first of our five-year appointment. The appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

5. We would like to thank the outgoing Service Director – Finance and Procurement and his team for their cooperation and assistance in carrying out our audit. Their support to the audit was excellent.

Responsibilities and reporting

6. The council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

7. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

8. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of the council from its responsibility to address the issues we raise and to maintain adequate systems of control.

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £682,060 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

Main judgements

Our audit opinions on the annual accounts of the council, its group and the section 106 charities administered by the council are unmodified.

The management commentary, annual governance statement and remuneration report were consistent with the financial statements and properly prepared in accordance with the applicable guidance.

Audit opinions on the annual accounts are unmodified

10. The annual accounts for the City of Edinburgh Council and its group for the year ended 31 March 2023 were scrutinised by the Governance, Risk and Best Value Committee on 19 September 2023 and approved by the Finance and Resources Committee on 21 September 2023. As reported in our independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report was prepared in accordance with the financial reporting framework
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

Overall materiality was assessed as £53 million

11. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

12. Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£53 million
Performance materiality	£35 million
Reporting threshold	£250,000

Source: Audit Scotland

13. The overall materiality threshold for the audit of the annual accounts of the council was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

14. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 65% of overall materiality, reflecting that the council does not have a history of significant errors, errors have largely been confined to fixed assets in previous years, and all audit findings were adjusted in the finalised set of financial statements.

15. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Our audit work responded to the risks of material misstatement we identified in the annual accounts

16. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. The Independent Auditor's Report sets out the key audit matters that were of most significance to the audit. These largely include the significant risks of material misstatement to the financial statements and other areas of audit focus we had identified in our Annual Audit Plan. In addition, it covers material elements of the council's group accounts. The Independent Auditor's Report also summarises the further audit procedures we performed to obtain assurances over these matters and the conclusions from the work completed. The key audit matters were:

- Risk of material misstatement due to fraud caused by management override of controls.
- Significant estimation and judgements are required in the measurement, valuation and disclosures of material account balances. This includes non-current assets, pensions disclosures and service concession arrangements.
- Expenditure may be misstated due to risk of fraud over expenditure recognition.

Misstatements of £703 million were adjusted in the audited accounts

17. There were a number of material adjustments made to the audited version of the financial statements as compared to the version presented for audit in June. The gross value of these adjustments was £703 million. The most significant is the restriction of the pension asset value recognised in the accounts which reduced the amount from £597.5 million to nil (See [Exhibit 2](#) below). Overall, the total adjustments had the net effect of increasing the comprehensive income and expenditure account, net assets and reserves by £977,000. A number of recalculations and reallocations have also been made to the Cash Flow Statement as a result of our work but these changes did not impact on the overall financial position. There is one uncorrected misstatement to report which relates to intra-group balances of £1.239 million not eliminated on consolidation due to timing differences. This has no impact on the overall financial position. Further detail is provided in [Appendix 1](#).

We have significant findings to report as a result of our audit

18. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual accounts

Issue

1. Restricting the value of the pension asset

The pension liability is an area of audit focus due to the material value and significant assumptions used within the complex calculation of this liability. In common with other local government pension scheme employers, the City of Edinburgh commissions a firm of actuaries to value its pensions liability. The actuary reported that, as at 31 March 2023, CEC did not have a liability but rather a funding surplus of £1.003 billion.

Issue

The surplus arose as a result of a significant increase to the net discount rate (discount rate net of CPI inflation) compared to the previous year, leading to a large gain on the balance sheet position. At the time the accounts were prepared, technical guidance to support preparation of this disclosure was not available.

Accounting standards (IAS 19 and IFRIC 14) impose a limit on the maximum amount of surplus which can be recognised on an employer's balance sheet, what is described as an 'asset ceiling'. As a result, the unaudited accounts restricted the pension asset to £597.5 million.

However, where actuaries report that the present value of the minimum funding requirement contributions exceeds the future service cost, IFRIC 14 advises that no asset should be recognised. This was the case with the council's actuarial calculations. Given that CEC is to continue to participate in the LGPS, it would be expected that this surplus could lead to lower future contributions rather than a refund of surplus.

Resolution

Following our review of the accounting standards, actuarial calculations and relevant guidance, when this minimum funding obligation is considered, it was agreed that the council's recognised asset should be reduced to zero.

Most local authorities across Scotland are expected to experience the same trend in the pension liability/surplus disclosed in their audited 2022/23 accounts.

2. Valuation of council homes

Council-owned dwellings are valued using the 'beacon' method, in line with relevant standards and guidance. Values of groups of similar homes are calculated by assessing the value of one of them (the beacon), then extrapolating the value across the rest of the group.

That value is then adjusted to reflect differences between valuation of private housing and socially-rented housing stock. The beacon discount factor is determined by comparing levels of private rent with social rent for each beacon property and calculating the average to apply across the whole portfolio to take account of the difference between private housing stock (the source of the comparable sales data) and socially-rented stock. The discount factor applied in the 2022-23 revaluations is 38%.

In the course of the valuation team considering the discount factor in 2022/23, an error in the original calculation from the 2018-19 valuation was discovered and corrected. The calculation (including yields) assumes that the value of a council dwelling is 38% of market value, however in prior years they discounted by 38% rather than using 38% as the residual value of the properties. Prior to the production of the annual accounts, officers notified us of this error and no modification was required to the audited version of the accounts.

Resolution

A prior period adjustment for 2021/22 has been recognised in the annual accounts to reduce the opening value of the council's housing stock to £1.070 billion, a reduction of £673.3 million. This has been adequately disclosed in the notes to the accounts.

Issue

3. Early adoption of IFRS 16 Leases

The council has adopted International Financial Reporting Standard 16 (IFRS) for the first time in 2022/23, being one of the first local authorities in the UK to do so, one year ahead of mandatory implementation next year. The standard requires the council to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. This effectively means that many assets which were previously leased, but not owned, have been brought on to the authority's balance sheet as a 'right of use' asset.

The council has undertaken a significant amount of work since 2019 to correctly categorise current leases, to accurately reflect them in financial records and accounts, and to identify any subsequent new leases. Officers in finance have consulted with external IFRS 16 experts to effectively manage the process and calculation for the disclosures in the accounts. Our review of the accounting entries associated with adoption IFRS 16 did not identify any misstatements.

Resolution

The adoption of the standard has resulted in an additional £149.7 million net book value (NBV) to the authority's group balance sheet recognised as 'right of use' assets, with an associated liability of £134.6 million.

4. Contingent liability in relation to use of RAAC concrete

In December 2022, the UK government issued a notice regarding Reinforced Autoclaved Aerated Concrete (RAAC), which was widely used in the construction of floors and roofs from the 1950s to the early 1990s. The Scottish and UK governments are working to research the extent of the use of RAAC in public buildings, with significant growing public concern over its safety. In September 2023, the council named seven schools which contained RAAC and is currently assessing other public buildings. We concluded that this potential liability qualified as a contingent liability in the 2022/23 annual accounts.

Resolution

We concluded that this issue qualified as a contingent liability and consequently an appropriate disclosure has been made in the 2022/23 annual accounts.

Source: Audit Scotland

Financial systems of internal control operated effectively overall

19. As part of our audit, we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems for recording and processing transactions which provide a sound basis for the preparation of the financial statements. Our controls work did not identify any significant risks of material misstatement, with the internal controls providing a sound basis for the preparation of the annual accounts.

20. We share the concerns raised by internal audit's 2023 report on the Swift system used by the authority for social care case management. These concerns have also been raised in a recent Care Inspectorate report. Internal audit highlighted that the design and operating effectiveness of the controls in place to manage system security, data quality, and data loss prevention for the Swift system require significant improvement. A full business case for replacement of the system is timetabled for autumn 2023. We will continue to monitor the implementation of this new system during the course of our audit appointment.

Management commentary

21. The Local Authority Accounts (Scotland) Regulations 2014 requires the annual accounts to include a Management Commentary prepared in accordance with statutory guidance, including a description of the principal risks and uncertainties faced by the council. Risks have been included in the management commentary. However, the description could be more tailored to the council so that a reader can better understand why they are important and the council's response to the risk. We will continue work with the council to enhance and improve disclosures in this area in next year's accounts.

Our audit opinions on the council's charities are unmodified

22. Due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with charities legislation, a separate independent auditor's report is required for the council's registered charities where the City of Edinburgh Council is the sole trustee, irrespective of the size of the charity. The financial statements have been prepared using the connected charities provisions under The Charities Accounts (Scotland) Regulations 2006. These charities are:

- Miss Jean Fletcher Watson Bequest (SC018971)
- The Edinburgh Education Trust (SC042754)
- Nelson Halls Trust (SC018946)
- Lauriston Castle Trust (SC020737)
- The Royal Scots (The Royal Regiment) Monument Trust Fund (SC018945)

23. On 20 June 2023, the Finance and Resources Committee considered a report on the Lauriston Castle Trust and options for reshaping governance arrangements. The committee approved, subject to onward ratification by Council subsequently received on 31 August 2023, to apply to the Court of Session to use the *nobile officium* to approve the winding up of the Lauriston Castle Trust and the transfer of assets to the council.

24. A going concern basis may be appropriate if a body is being wound up in an orderly and planned manner, and that basis provides a faithful representation of the items in the financial statements. As the trust continues

to have financial backing to utilise its assets and meet liabilities as they fall due, and particularly as the intention is to transfer ownership to the council, we have concluded that the going concern basis is appropriate.

25. The trustee prepared the financial statements for the City of Edinburgh Council Charitable Funds as a separate set of accounts, adopting a break-up basis of accounting, as it considered that the fund was not a going concern. Our opinion was not modified in respect of this matter. Our independent auditor's report on this set of annual accounts includes an emphasis of matter paragraph to draw attention to this issue.

2. Best Value

Councils have a statutory duty to make arrangements to secure continuous improvement in the performance of their functions.

Conclusions

The council has a best value framework in place and has developed a clear structure to measure and monitor progress against the council's priorities and has plans to improve the quality of how it reports its performance.

Measurable Key Performance Indicators in place show that around 60 per cent were on target or exceeding target, with 40 per cent measuring below.

Best Value work in 2022/23

26. For 2022/23 the scope of Best Value work included conclusions on:

- Leadership of the development of new local strategic priorities (2022/23 thematic work)
- Council service performance improvement
- Effectiveness of council performance reporting
- Progress made against Best Value improvement actions made in previous years

27. As set out in the [Code of Audit Practice 2021](#), Best Value audit is integrated with other wider-scope annual audit work. Therefore, in addition to the work set out in the remainder of this section, Best Value work has informed the content and conclusions set out in parts three to six of this annual audit report.

Leadership of the development of new local strategic priorities

28. Annual thematic Best Value work is set by the Accounts Commission. For the 2022/23 financial year, auditors were asked to focus on the councils' leadership of the development of new local strategic priorities. The results of this work were reported to elected members at the Governance, Risk and Best Value (GRBV) committee in October 2023. This report will be published on the Audit Scotland website in due course.

29. The key findings in this report are:

- The council has set out clear aims and priorities for the next five years in a refreshed business plan. The plan sets out three core priorities: to create good places to live and work; to end poverty in Edinburgh, and to become a net zero city by 2030. The priorities are underpinned by ten medium-term outcomes, supported by short-term actions.
- The council consults extensively with residents and has taken action to improve how it engages and empowers communities, but there is scope for residents to have a direct say when the council next reviews its core priorities.
- Addressing inequalities and climate change remain council priorities in its renewed business plan. Working with partners, the council is taking action to progress these important areas. The current economic context, combined with tight resources, means significant challenges lie ahead to realise its ambitions.
- Delivery, workforce, asset and digital plans are being updated to align with council priorities. As a result, the council has yet to demonstrate through detailed planning how it will secure the sustainability of its services in the longer term.
- Political control of the council is finely balanced, and recent decisions on the business plan and annual budget demonstrate a need to strengthen processes to support collaboration.

30. The audit recommendations made in this report, with the management responses, are included in [Appendix 1](#) of this report.

Council service performance improvement

31. The [Best Value: Revised Statutory Guidance 2020](#) sets out that councils should be able to demonstrate a trend of improvement over time in delivering their strategic priorities.

32. For the past two years the council reported publicly on its performance against three priorities set by Business Plan (Our Future Council, Our Future City): ending poverty by 2030, becoming a sustainable and Net Zero city by 2030 and improving wellbeing and equalities. Of the 80 reported key performance indicators (KPIs), the council has assigned a direction of travel for 67 KPIs comparing performance in 2022/23 with 2021/22. A direction of travel was not assigned for the remaining KPIs due to the lack of comparable data or where it was a new indicator. The council also clearly depicted the status of KPIs against their priorities which demonstrated that progress was made towards delivering priorities.

33. A new [Business Plan](#) was approved by the council in March 2023 which sets out the council's priorities from 2023 to 2027 and the actions that will be taken to achieve them. The priorities are: create good places to live and work

in Edinburgh, take all the local actions needed to end poverty in Edinburgh and work to deliver a net zero city by 2030. The council will need to show a trend of improvement over time in delivering these priorities.

Effectiveness of performance reporting

34. The [Best Value: Revised Statutory Guidance 2020](#) also sets out that performance management arrangements should be in place to promote the effective use of the local authority's resource, which includes effective performance reporting, including Statutory Performance Indicators as further detailed at paragraph 122 in part 6 Use of Resources

35. As we reported in our Best Value thematic report, the council has updated its planning and performance framework 2022/23 to 2026/27, revising targets and how they are measured. Consequently, the annual performance report does not give longer-term performance trends (more than two years) as data is not available. The council has plans to improve the quality of its performance reporting with the quality of data collected and how it is presented to members and citizens.

36. Within the performance framework, all service directorates created "plans on a page" that are used to drive alignment from the business plans to operational activity in service areas, showing how strategic priorities are being reflected at an operational level. The quality and level of detail provided in these varies by department and the council is working to build consistency in the performance reporting against these operational plans to better inform conversations about performance and the change required within budget and resource constraints.

37. The council reported its performance for the year in its annual performance report 2022/23 to the Policy and Sustainability Committee in August 2023. The report shows a summary of the targets that were met or missed together with contextual detail explaining the reasons for performance as well as plans to address gaps in performance.

38. The report includes analysis against 89 measures comprised of 80 KPIs and 9 milestone measures. Of the 80 KPIs, 63 have both a target and enough data to be measurable for 2022/23. In measuring performance against target, of these 63 KPIs:

- 38 were on target or ahead of target (rated as green)
- 18 were marginally behind their target (rated as amber)
- 7 were behind target (rated as red)

39. We will continue to monitor how effective the updated performance framework is at enhancing performance management and reporting in future years through our annual audit work.

The council has made good progress against Best Value improvement actions

40. We considered the council's reporting to the Policy and Sustainability Committee during 2022/23 on progress against our Best Value recommendations made in 2020. Our Best Value thematic work in 2022/23 reported on progress against ongoing actions to address our recommendations, and a summary has been provided in Exhibit 3 below.

Exhibit 3

Progress against Best Value improvement actions from 2020

1. Council vision and strategic direction		
Action	Status	Audit observation
As part of its Adaptation and Renewal Programme, the council should quickly amalgamate its Business Plan and Change Strategy, to provide clearer priorities and direction for the council.	Complete	In March 2023 the council agreed a refreshed Business Plan 2023-27. The council has one strategic document which addresses the Best Value recommendation made in previous years.
To help them carry out their best value responsibilities, elected members should take advantage of the learning and development opportunities provided by the council.	Ongoing	Elected member training and induction programme took place during May 2022 and June 2022. All elected members also have access to the "mylearning" hub where all materials are stored and members can use this to continually enhance their personal learning and development. There is scope to offer training on specific financial and governance topics as and when the need arises.
In order to make community engagement an integral part of service improvement and delivery, the council should support community groups to complete asset transfers.	Ongoing	As reported in our thematic report, six community transfers are complete following the introduction of Part 5 of the Community Empowerment (Scotland) Act in January 2015 with a further 15 proposals being looked at. Progress is considered good as the community drive the demand. A key factor in setting up transfers of assets to communities is whether the community can sustainably meet the costs of managing the asset.

2. Performance and outcomes, including public performance reporting		
Action	Status	Audit observation
The council should further improve its performance reporting by making better use of performance measures and targets, particularly to demonstrate the impact of improvement work.	Ongoing	As reported in our thematic report for 2022/23, and at paragraphs 35 and 36 above, the council has updated its Planning and Performance Framework, revising targets and how they are measured. Performance data against these revised measures will be available next year. How the targets are used to inform the quality of performance reporting in future will determine whether this recommendation has been met.
The council should further improve its performance reporting by publishing easily accessible, up-to-date performance information on its website.	Ongoing	Performance information is available on the council's website. As we explain at paragraph 125, the council could go further to fully meet accessibility requirements and there is scope to seek feedback from citizens.

3. Effective use of resources		
Action	Status	Audit observation
As part of its Adaptation and Renewal Programme, the Council should prepare sustainable medium and long-term financial plans, and detailed workforce plans, to support its strategic priorities.	Ongoing	As we report in section four, the council has a medium-term financial framework in place and is developing a medium-term financial plan. Given the challenging financial context, medium term financial planning becomes of greater importance.

4. Partnership working and community engagement		
Action	Status	Audit observation
In order to make community engagement an integral part of service improvement and delivery, the council should embed the lessons from effective community engagement activity and clearly communicate the results of, and the council's response to, community consultation.	Ongoing	As we have reported in our Best Value thematic report, there is evidence that the council has improved the way it engages with communities and partners. There is still more work to do to embed community empowerment into the council's activities and culture.

<p>The council should work with the Edinburgh Partnership Board to implement its new governance arrangements, effectively involve community representatives and deliver improved outcomes for communities.</p>	<p>Complete</p>	<p>Progress against some aspects of planned improvements to partnership engagement has been slow and interrupted by the pandemic.</p> <p>A dedicated community empowerment team was in place by April 2023, following a pause in the organisational review during the pandemic.</p> <p>The board has agreed operational changes to increase community involvement in partnership board meetings from 2023. This includes increasing flexibility in the time and location of meetings to make them more accessible to community groups.</p>
<p>The council should work with the Edinburgh Partnership Board to produce progress reports with clear targets, accountable leads and links between the actions taken and the impact on performance.</p>	<p>Ongoing</p>	<p>An improvement plan was created to address this recommendation in 2021. Progress in implementing these actions has been delayed.</p> <p>The target date for drafting the community empowerment strategy was June 2021 and has been missed. For 2021/22, the annual performance report against the community plan was not produced, as the refreshed plan was agreed in March 2022. The council and partners are currently updating these plans and the performance framework is under review as part of this process.</p> <p>The council is planning further engagement with communities and other stakeholders before developing a final version of the strategy.</p>

5. Continuous improvement

Action	Status	Audit observation
<p>The council should implement a strategic approach to self-evaluation and continuous improvement. This should include better demonstrating how it responds to feedback and scrutiny findings.</p>	<p>Complete</p>	<p>As detailed at paragraph 109, the council's executive committees carried out a self-evaluation during 2022/23 which supports a strategic approach to continuous improvement.</p>

3. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

The council has appropriate arrangements to secure sound financial management. Regular budget monitoring reports are provided to members and are supported by an experienced and effective finance team.

The council operated within its revised fiscal resources in 2022/23, reporting an underspend of £13.675 million against its budget.

Controls within the main financial systems were operating adequately while standards for the prevention and detection of fraud are being strengthened.

The council operated within budget in 2022/23

41. The council approved its 2022/23 budget in February 2022. The budget was set at £1.206 billion with a funding gap and assumed savings of £19.3 million. The outturn report presented to the Finance and Resources Committee meeting in September 2023 reported an underspend of £13.675 million against the 2022/23 budget. The underspend was largely attributed to higher than anticipated interest on cash balances, greater council tax income and income from the Millerhill facility's energy generation. The total underspend was offset in part by additional spending on 'Place' including the provision of services for homelessness and the cost of temporary accommodation.

The council has appropriate budget monitoring arrangements in place and action was taken to alleviate funding gaps

42. The 2022/23 budget was set with the coalition administration's motion receiving the most votes. Amendments were put forward by three opposition parties under the previous administration. Officers supported all political parties in developing their budgets and the resulting proposed amendments. Following revisions in year, the final budgeted total expenditure was set at £1,237 million, with a £36.591 million planned transfer from reserves.

43. Budget monitoring reports were considered by the Finance and Resources Committee throughout 2022/23 and the outturn position moved from a projected deficit of £5.627 million to a surplus of £13.675 million by the end of the financial year.

44. There are continued financial pressures and increasing demands on council's health and social care budget and the council's contribution to Edinburgh Integration Joint Board (EIJB). In March 2022, the EIJB agreed a financial plan for 2022/23 which identified a funding gap of £16.9 million. The board reduced the funding gap to £10.8 million as a result of savings decisions taken at its August 2022 meeting. The board agreed the surplus from 2021/22 placed in the general reserve of £3.2 million could be used to reduce the funding gap; and an improvement in NHS Lothian's financial plan meant further funding of £2.9 million provided to the EIJB. NHS Lothian provided an additional £3.5 million, which alongside other measures, enabled the EIJB to reach an 'in year' financial balance. The financial position and forecast deficits of the EIJB continues to place additional pressure on the council's budget as one of the two funding partners, along with NHS Lothian.

45. We observed that senior management and members receive regular financial information on the council's performance against budgets. Budget monitoring reports provide an overall summary as well as further details and explanations about specific financial pressures and potential mitigation actions and savings to close financial gaps. The budget is also reproduced as an appendix to provide further clarity of the in-year position against budget, revised budget, outturn and target for the time of year. The council has appropriate budget setting and monitoring arrangements, supported by an experienced and effective finance team.

The housing revenue account operated within budget, but capital investment in council homes has been adversely affected by reducing levels of income

46. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set at a level which will at least cover the costs of its social housing provision.

47. The Housing Revenue Account is self-financing and receives no funding from the general fund. The Housing Revenue Account is 95% funded from tenant rents and the remaining from services charges and fees.

48. The outturn shows income of £108 million in 2022/23 and the contribution to the Strategic Housing Investment Fund was £2.972 million, which was £3.128 million less than the planned contribution of £6.1 million as set in February 2020. This variance is in part a result of the planned contribution being set before the decision to freeze rents was made in February 2022 for the 2022/23 budget and because of unbudgeted Covid-19 related costs such as additional cleaning, increased environmental maintenance costs and increased costs of bringing void properties into use to meet demand.

49. There is a 30-year business plan for the HRA, which provides the financial framework for the service, and is updated annually. The rent freeze in 2021/22 increased the overall deficit from £25.3 million to £70.5 million. Officers recommended below inflation rent increases of 1.8% for 2022/23 to bring the overall deficit down in future years. Due to the cost-of-living crisis, the council agreed a rent freeze for a second year in a row for 2022/23.

50. The 30-year business plan is supported by a 10-year capital investment programme which is funded from the income generated from tenant rents, and this has been adversely affected by the rent freezes. The capital investment programme is driven by requirements to comply with standards, demand for new social housing and repairs and maintenance requirements. On 23 February 2023 the council approved the motion to increase rents by 3% for 2023/24 while also establishing a tenant hardship fund to support tenants for whom a rent rise would result in severe financial difficulty.

The ongoing effects resulting from Covid-19 continue to have an impact on the council's income and demand for housing

51. The accounts detail a net cost of £19 million to the council as a result of Covid-19 for 2022/23 due to loss of income (for example a £6 million dividend from Lothian Buses) and expenditure pressures, such as the additional costs of £3 million to help alleviate homelessness.

52. The pandemic also contributed to a 34 per cent increase (from pre-pandemic levels) in demand for temporary accommodation. The budget for 2022/23 was set £17.6 million higher than the 2020/21 budget to meet demand. The Place directorate took several requests to the Finance and Resources Committee during 2022/23 to waiver contract standing orders to extend contracts with temporary providers for an 'on the spot purchase arrangement' to meet demand in the short term. This demonstrates the challenges of service provision and financial forecasting in this area as demand changes rapidly.

The level of usable reserves decreased by 5 per cent overall, but the general fund increased by £9 million from last year

53. One of the key measures of the financial health of a council is the level of reserves held. The level of usable reserves held by the council decreased from £397 million in 2021/22 to £377 million in 2022/23.

54. Usable reserves are comprised of the following as shown in [Exhibit 7](#).

Exhibit 7**City of Edinburgh Council – usable reserves 2020/21 to 2022/23**

Usable reserve	31 March 2021 £ million	31 March 2022 £ million	31 March 2023 £ million
General fund	221.033	257.205	266.306
Housing Revenue Account	0	0	0
Repairs and Renewals Fund	41.162	50.407	37.430
Capital grants unapplied reserve	47.949	46.994	31.189
Capital Fund	49.731	42.550	42.194
Total usable reserves	359.875	397.156	377.119

Source: City of Edinburgh Council accounts 2020/21 – 2022/23

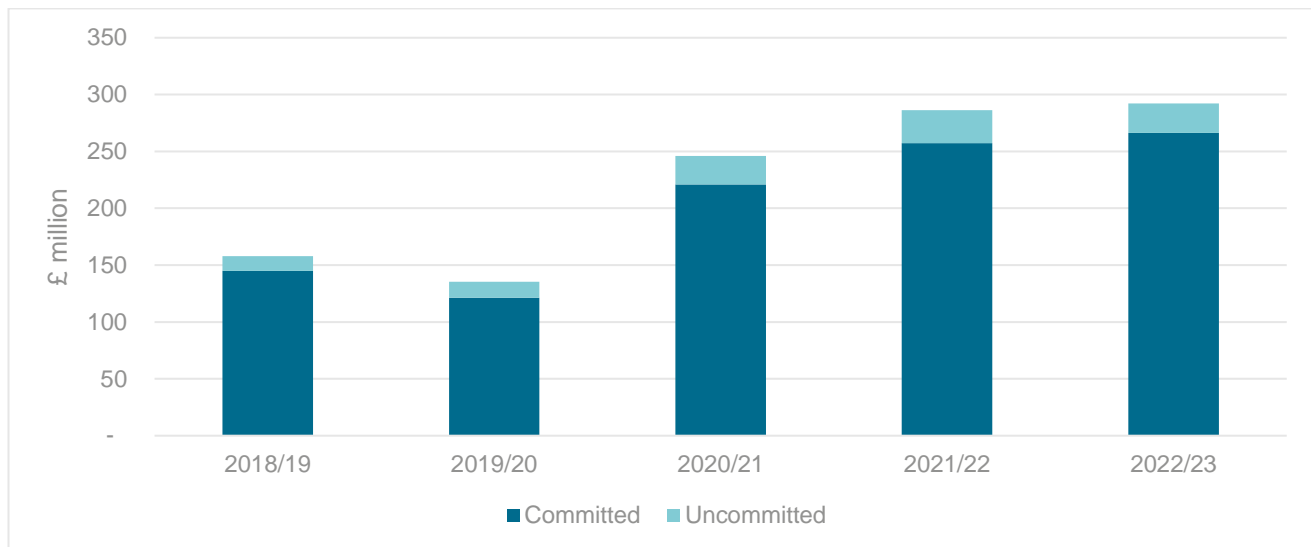
55. The general fund balance increased by £9 million or 3.5% from the prior year for the council. This growth is significantly less than the increase last year, where the general fund increased by £36 million, although the balance in 2021/22 was due to unspent Covid-19 funds provided at the year-end for use in subsequent years.

56. [Exhibit 8](#) provides an analysis of the general fund over the last five years split between committed and uncommitted reserves. It shows that the level of uncommitted funds is a low proportion of overall funds, and this position has remained stable over the last three years.

57. The level of uncommitted reserves is reviewed annually by the council as part of the budget setting process. The large increase in reserves seen in 2020/21 onwards is partly due to funding provided late in the year by the Scottish Government for Covid-19 mitigation measures for use in future years.

Exhibit 8

Analysis of general fund balance



Source: City of Edinburgh Council annual audited accounts

58. The council generally has limited “uncommitted” reserves to support additional expenditure. The unallocated general fund balance of £25.831 million for 2022/23 represents less than 2% of planned 2023/24 expenditure. Given the financial context the council is operating in, the level of reserves is considered reasonable, and the council has demonstrated a prudent approach to the management of reserves.

The majority of planned £19.2 million efficiency savings were achieved to close the budgeted funding gap for 2022/23

59. The 2022/23 budget included planned savings of £19.2 million and contributions from reserves to address the budgeted funding gap. The majority of potential savings were identified in corporate spending and referred to borrowing costs savings (£12 million) and corporate budgets being reprioritised (£5 million).

60. The council achieved £18.816 million (98% of planned savings) and received additional income of £9.8 million from higher council tax income than forecast, in part due to a growth in the tax base.

Capital expenditure increased in 2022/23

61. Total capital expenditure in 2022/23 was £409 million. Capital expenditure relating to general services was £287.722 million against a revised budget of £284.097 million; and capital expenditure of £121.335 million against a revised budget of £118.755 million for the Housing Revenue Account.

62. The capital budget for general services funded expenditure in the council’s learning estate of £46.465 million, £65.393 million on transport and

infrastructure including repairs to North Bridge and purchase of bin lorries; and £53.419 million for completion of the Tram to Newhaven network.

63. In general services, delays across projects were noted, and asset management works had the largest underspend of £8 million or 43% against a revised budget of £18.602 million due to the introduction of decarbonisation into design decisions. This added complexity and delayed project timescales, which affected the amount spent in year. The overall position for general services showed slight acceleration.

64. The council's house building programme is funded and managed through the HRA and each year the Finance and Resources Committee is asked to approve a transfer of mid-market homes constructed through this programme to Edinburgh Living LLP. Edinburgh Living LLP is a partnership between the council and Scottish Futures Trust, which acquires and manages homes for mid-market rent. The housing programme delivered over 300 homes in 2022/23.

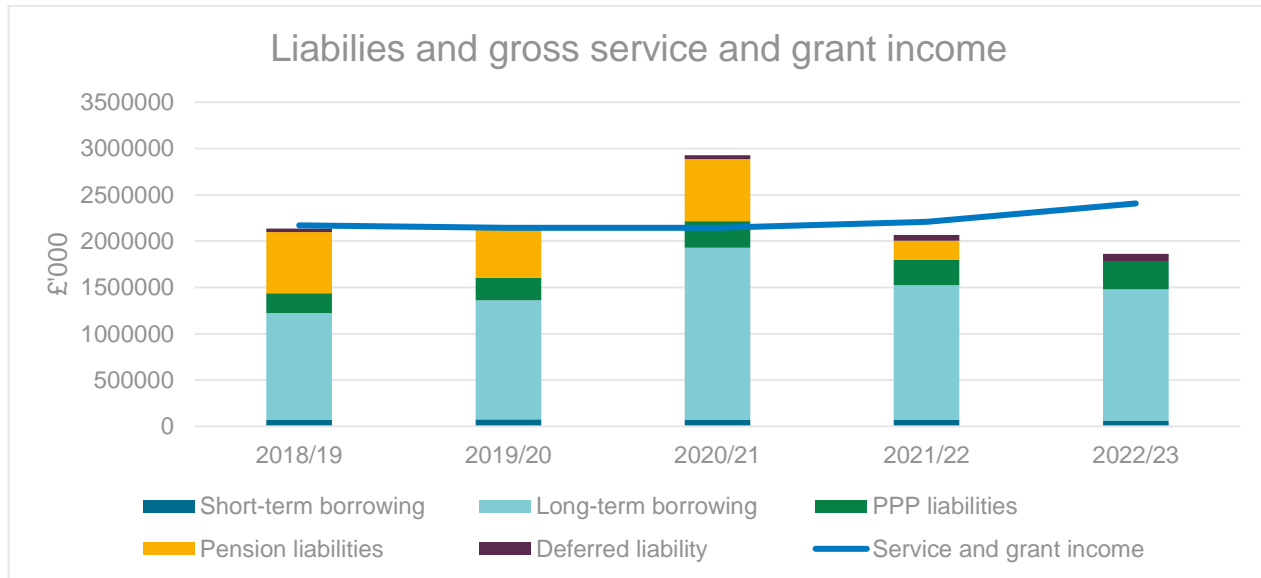
The council borrowed more in 2021/22 in anticipation of higher interest rates placing them in a stronger position during 2022/23

65. At 31 March 2023, the council's total long term borrowing stood at £1.419 billion, a decrease of £34 million on the 31 March 2022 level of £1.453 billion. During the same period, short term borrowing decreased from £70.453 million to £59.744 million. In anticipation of the interest rate increases, the council borrowed more in 2021/22 when it was cheaper to limit their requirements in 2022/23, to fund all loans to Edinburgh Living for the purchase of homes. A further £11 million was borrowed in 2022/23, £8 million of which related to an in-year decision regarding the purchase of the Fruitmarket homes.

66. In its annual treasury management report for 2022/23, total external debt, which includes the council's long-term liabilities, was reported to be within the authorised limit and operational boundary set by the council's treasury management strategy. The council's policy is to ensure that borrowings are below its capital financing requirements to ensure that borrowing is applied to capital spend only.

67. The council's overall indebtedness as a percentage of its annual income over the past three years is shown in [Exhibit 9](#). Long term borrowing is currently below gross service and grant income levels, though mainly because there were no pension liabilities for this year due to the impact of the high interest rates. It also shows borrowing levels have reduced since 2020/21 as the cost of strategic borrowing has become more expensive. This indicates that the council are taking a prudent approach though we would expect borrowing levels to continue to be low whilst interest rates are high.

68. [Exhibit 9](#) also shows that PPP liabilities have increased in 2022/23 because of the application of IFRS 16 and right of use assets (and associated future liabilities) being recognised on the Balance Sheet, as we explain in [Exhibit 2](#).

Exhibit 9**Overall indebtedness as a percentage of annual service and grant income over past 5 years**

Source: City of Edinburgh Audited Annual Accounts 2018/19 to 2022/23

The council has appropriate financial control arrangements in place, with scope for improvement in some areas

69. From our high-level review of the design and implementation of systems of internal control (including those relating to IT) and the testing of the operating effectiveness of specific controls, we did not identify any internal control weaknesses which could affect the council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements. We have identified two areas where a key control could be strengthened:

Payroll Validation: Employee validation checks to confirm the existence of employees provides assurance on the completeness and accuracy of payroll records and is an important control within any payroll system. Our payroll work identified that this is done indirectly through regular budget monitoring. This control could be stronger if budget holders were required to confirm directly, on an annual basis, that the payroll establishment listing for their business area was accurate and remained up to date. The control currently in place (regular budget monitoring of payroll and non-payroll costs) is considered adequate for our purposes and as a result there was no impact on our audit approach.

SWIFT: SWIFT is the council's legacy IT system for social care data, including costs of care. Internal audit has reported data quality and compliance issues, concluding the system is not fit for purpose and the

council has plans to replace the system. As part of our high-level review of the system, we noted the quality checks were not in place for annual uprating of provider costs; and for financial assessments which determine the share of cost between the council and the client. We were able to place reliance on access to the system being controlled and proper authorisation of SWIFT payment runs. To gain assurance of the spend in this area, we ensured our substantive testing included a sample of social care spend in our journals and expenditure samples. The business case for the replacement of SWIFT is in development and the council should proceed with this as a matter of urgency.

Internal audit provided a reasonable level of assurance over the council's framework of governance, risk management and control arrangements during 2022/23

70. The council's internal audit service provides members and management with independent assurance on risk management, internal control and corporate governance processes as well as providing a deterrent effect to potential fraud.

Internal Audit's annual report, presented to the September 2023 Governance, Risk and Best Value Committee, provided an opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the council's governance, risk management and internal control systems in the year. A total of 140 audit recommendations (32 high, 59 medium and 49 low) were raised across the 28 audits completed in 2022/23. Of these 28 audits, five overall received the lowest scoring of 'limited assurance', however this did not have a direct impact on our audit approach.

Standards of conduct and arrangements for the prevention and detection of fraud and error were adequate

71. In the public sector there are specific fraud risks, including those relating to tax receipts, welfare benefits, grants and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption.

72. The National Fraud Initiative (NFI) is a counter-fraud exercise across the UK public sector which aims to prevent and detect fraud. The council submitted datasets on time for the first data matching exercise in January 2023. Our work in next year's audit will review the council's activity in terms of investigations of very high risk matches and resulting outcomes from this work.

73. The council recognises, in its annual governance statement, the control weaknesses internal audit highlighted in its report on serious and organised crime. The council created a group to monitor the implementation of recommended actions, and we will consider the follow-up in this area as part of our 2023/24 audit. Overall, the council has adequate arrangements in place, including established procedures and policies, to prevent and detect fraud or other irregularities.

4. Financial sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

The council has effective and appropriate arrangements in place to plan the use of its revenue resources to sustain delivery of services. The council are building on plans to develop these into the medium to long-term.

The council is developing strategic and cross-cutting plans and initiatives as part of the development of a medium-term financial plan (MTFP) which seeks to use technology and assets to better achieve efficiencies and service delivery. The council needs to accelerate this work to outline how it will deliver financial sustainability over the next five years.

The council plans capital spending on a longer-term basis, which is updated annually, which supports financial sustainability of capital spend.

The council approved a budget of £1,282 million for 2023/24 with cost-savings required to close a gap of £26.6 million

74. The council has approved a revenue budget for 2023/24 with total planned expenditure of £1,282 million. The budget has identified a need for additional income and savings of £26.6 million, with further savings required in future years.

75. The most recent progress update, provided in September 2023, highlighted a forecast deficit for 2023/24 of £13.2 million. Significant pressures to the council's overall position for 2023/24 include the financial challenges in the EIJB which has a net funding gap of £16.7 million for 2023/24, and the council may need to direct additional resource to mitigate this.

76. Other financial pressures to the council's 2023/24 position are the potential staff pay award, costs of the decant of Brunstane Primary school and remedial works; inflationary pressures, and further demand-led pressures in the homelessness service and Home to School transport. Further financial pressures include the impact of a reduction in early years funding, and costs in the Children's service for the provision of residential and secure accommodation. The 2022/23 surplus of £13.6 million puts the council in a stronger position for 2023/24 and council is discussing how this could be applied.

Forecasts show funding gaps rising to £172 million by the end of this decade. The council is developing a medium-term financial plan to address these significant financial challenges

77. The council's update to the Finance and Resources Committee in June 2023 forecast budget funding gaps of £37 million in 2024/25 rising to £172 million by 2028/29 driven by inflation, potential staff pay awards and changing demographics.

78. The Revenue Budget Framework 2024-2029 outlines the assumptions and risks for the next 5 years, with some sensitivity analysis for this. It also shows, taking into account projected deficits within the EIJB, an increase in the funding gap of £58.6 million in 2024/25 with incremental requirements thereafter; driven by inflation, impacts of staff pay awards; and the potential impact of addressing weaknesses caused by Reinforced Aerated Autoclave Concrete across the council's estate.

79. The council's strategy to address these financial challenges is being developed in a Medium-Term Financial Plan (MTFP) which will focus on cross-cutting proposals, placing more importance on the council's services being technologically enabled to put the council in a more resilient financial position.

80. The council has a 10-year capital budget strategy demonstrating financial planning into the long term. This is reviewed and updated on an annual basis.

The authority recognises that transformational planning and efficiency plans should be accelerated as a priority

81. The council is developing a Change Programme, structured into four themes:

- Organisational reform and efficiency
- Asset rationalisation and service delivery
- Third party spending
- Partnerships and prevention

82. In June 2023, the council reported that their Change Programme shows a potential contribution to the funding gaps of up to £15.5 million in 2024/25 based on projects being commenced this year, rising to £48million by 2026/27. Summary details of the projects have been provided to the Finance and Resources Committee with further information to follow as work to develop the specific workstreams and associated savings, dependencies and risks, is in progress. The council recognise they need to do this as a priority and in advance of the 2024/25 budget setting process.

83. The upgrades of the council's financial recording system, Oracle, and the business case to replace the legacy SWIFT system (social care operating model) are two examples of projects under organisational reform and delivery. The 2023/24 costs of these projects along with the other ones identified as

Year 1 in the council's June 2023 paper will be met from the £2 million 'Spend to Save' funding identified/approved as part of the 2023/24 budget.

84. The council have also set up a Strategic Programme Board for oversight of the Change Programme.

85. The council needs to accelerate their medium-term financial planning, extending their analysis of key assumptions for the next five years, for example, on sensitivities of key financial variables and outline options for ensuring financial sustainability.

Recommendation 1

The council needs to accelerate its work on medium-term financial planning to outline how it will deliver financial sustainability over the next five years.

The council will utilise a government flexibility option to account for its PPP arrangements over a longer time period

86. The Scottish Government has provided financial flexibility to change the accounting arrangements for service concessions (PPP arrangements). The flexibility introduced allows the debt repayment to be accounted for over a longer period (the life of the asset rather than the contract period) and allows councils to use the difference this generates in prior years to apply to future expenditure (in accounting terms not actual terms).

87. The council approved the use of this financial flexibility from 1 April 2023. It generates a retrospective benefit of £95 million into the general fund from the capital adjustment account to be used against future (non-cash) costs over the next five years from 2023/24.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan

88. [Exhibit 10](#) sets out the wider scope risks relating to Financial Sustainability we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 10

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
The council's revenue budget framework details savings proposals over the	The council's medium term financial framework outlines the planning assumptions in	The council demonstrated they were able to close the funding gap for 2022/23.

Audit risk	Assurance procedure	Results and conclusions
<p>next four years for council approval. The framework shows a savings gap of £3.7 million in 2023/24 rising to £91.9 million in 2026/27. Financial sustainability remains a risk with ongoing financial pressures in the short to medium term. This includes inflationary pressures on contracts, the impact of agreed pay awards, continued support for the homeless, support to refugees from Ukraine, and energy costs.</p>	<p>managing the savings gaps in the short to medium term (two to five years)</p>	<p>The council is developing a Medium-Term Financial Plan (MTFP) which looks at strategic cross-cutting proposals that generate savings/efficiencies for the council over more than one year. Updates on progression of the plan are provided to Finance and Resources Committee at least annually.</p> <p>Part of the MTFP includes 'spend to save' projects as well as a change programme.</p> <p>We will continue to monitor progress in this area and the impact it has on the financial challenges the council is facing.</p>

5. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

Governance arrangements are appropriate but there is scope to improve decision-making arrangements, particularly around budget-setting.

Governance arrangements are appropriate but concerns around the budget-setting have prompted calls for greater collaboration and processes to support decision-making

89. The council's governance arrangements have been set out in the annual governance statement in the annual accounts. We have reviewed these arrangements and concluded that they are appropriate.

90. Papers and minutes for Boards and Audit Committee meetings, including financial and performance information, details the decisions made and are all publicly available on the council's website.

91. As we reported in our thematic best value work for this year, there is scope to strengthen scrutiny arrangements by strengthening processes to support collaboration, particularly in the annual budget-setting process.

92. For 2023/24, all parties submitted motions the day before the meeting, and after three rounds of voting an opposition budget was passed. Members of the Governance, Risk and Best Value Committee (GRBV) subsequently called for a review of the process, raising concerns around a lack of transparency and availability of information, concluding it did not represent "a good model for budget setting, transparency or the reputation of the council."

93. In June 2023, the corporate leadership team provided proposals to change the budget process in future. These include:

- to provide budget training for all councillors
- to start the budget process, particularly identifying change proposals earlier in the year, before summer recess

- to build in support and regular meetings with each political group through the autumn and winter
- that where possible, proposals should be taken through relevant Executive Committees
- that a report is taken to council in September to amend the standing orders to alter the deadline for budget motions to a week and a day before Council.
- the provision of training for members, starting the budget process earlier and requiring budget motions to be submitted an additional week in advance of the meeting.

94. An internal audit report on lessons learned from the budget-setting process was presented to the GRBV in August 2023. This added further recommendations including a review of best practice from other local authorities. A further “lessons learned” process is planned for the new 2024/25 financial year.

Members have sought clarity over their role in scrutiny of the council’s arms-length bodies

95. Local authorities have a statutory responsibility to comply with the Accounts Commission/ COSLA Code of Guidance on funding external bodies and following the public pound.

96. The council uses several arm’s length external organisations (ALEOs) to provide services on its behalf, including Transport for Edinburgh Limited and Edinburgh Leisure. The council’s scrutiny of ALEOs is through both executive committees and GRBV, the council’s scrutiny committee.

97. While the ALEOs are responsible for the delivery of the services, the council remains responsible for the public money it provides to the ALEOs and the quality of services the ALEOs provide. In response to calls from members, there are plans to clarify and strengthen these arrangements, setting out the governance framework for ALEOs to members in the coming year.

The council has improved its whistleblowing arrangements and work is ongoing to support cultural change

98. In October 2020, in response to a motion from an elected member on the council’s whistleblowing culture, the Policy and Sustainability Committee agreed that an independent assessment of council culture and relevant processes should be undertaken. Susanne Tanner QC was appointed as an independent chair of the investigation with support provided by Pinsent Masons.

99. The report was made to full council in December 2021 with 50 recommendations. Since then, the council has been working across 5 workstreams to address these recommendations as well those from a separate independent inquiry into complaints about a former employee who

died in August 2020. Part of this work has involved revising the council's whistleblowing policy to support cultural change within the organisation.

100. In the latest update to council in September 2023, 61 recommendations/observations have been completed with the remaining 45 underway, and the council is aiming to have these actions completed by March 2024. We will review progress as part of our 2023/24 audit.

The target of reaching net zero by 2030 is a key priority, but work is needed to identify costs and prioritise projects

101. The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

102. The council is committed to working towards a target of net zero emissions by 2030 for both corporate and city-wide emissions. The City of Edinburgh Council Emissions Reduction Plan (CERP), which sets out actions to reduce the council's corporate emissions, was approved in November 2021. The Policy and Sustainability Committee provides political oversight and scrutiny of progress towards the target. A Sustainability Programme Board co-ordinates actions across the council and a dedicated CERP Programme Board reports to the Sustainability Board.

103. The council published a city-wide 2030 Climate Strategy in December 2021. The strategy sets out the priorities for tackling climate change to achieve the aim of Edinburgh becoming a net zero city by 2030. The Edinburgh Partnership Board oversees implementation of the Climate Strategy and the Infrastructure Investment Programme Board leads the development and investment plans for strategic city infrastructure in line with the city-wide net zero target.

104. The Emissions Reduction Plan and Climate Strategy are supported by several other plans and strategies covering a wide range of areas including adaptation, business travel, energy efficiency, transport, ICT, renewable energy, waste management, and land use. Our best value thematic report for 2022/23 recommends the council should continue to build on its existing net zero plans to include further detail on specific project costs and budgets.

105. The council's annual performance report includes key performance indicators (KPIs) relating to the council's priority for becoming a sustainable and net zero city. Progress towards the net zero target is reported in the Public Bodies Climate Change Duties (PBCCD) report submitted to the Scottish Government in November each year. There is an annual progress report to members on the delivery of the CERP and 2030 Climate Strategy and there is a dedicated climate page on the council's website at [Climate – The City of Edinburgh Council](#).

106. The council has considered the impact of climate change on its financial statements. Environmental, social and governance (ESG) definitions and

sustainability have been considered in the calculation of asset valuations and remaining useful lives, following publication of updated valuation standards effective from January 2022. Climate change considerations are implicit in other areas such as provisions and contingent liabilities.

107. The management commentary in the 2022/23 annual accounts includes a section on climate change and sustainability and refers to the sustainability/net zero areas in the 2022/23 annual performance report.

Good practice

108. The Sustainable Capital Budget Strategy 2023-2033 sets out priorities for £1.47 billion of capital investment, in alignment with the council Business Plan and wider net-zero goals and responsibilities over the medium to long-term. A climate assessment has been carried out for capital spending proposals with 25% assessed as very favourable, 34% favourable under conditions, 33% neutral, 4% unfavourable and 4% undefined. Investments made for the construction of new buildings are evaluated using 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); and
- access to essential services

6. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusions

The council has reported a mixed picture of performance improvement over time. Compared to 2020/21, the council has improved its comparative ranking with other councils in 32 of the national indicators, however, the comparative ranking has declined in 39 of the indicators, showing the rate of service improvement has slowed compared to others. The council has plans to improve the quality of how it reports its performance.

The council's corporate self-evaluation supports continuous improvement.

A self-evaluation of corporate governance has been used to improve the way committees work and support members

109. As part of the council's preparations for the May 2022 Local Government election, the corporate governance team led a review of committee effectiveness looking at the council's political management arrangements (PMAs), how effective current arrangements were, and lessons learned from the previous term. This focused on the executive committees, and the Corporate Governance Team facilitated self-evaluation sessions in February/March 2022.

110. The results of these reviews were used to inform the design of proposed post-election PMAs and the support provided to councillors for the 2022-2027 term. This work also informed improvement action plans which were considered together with the council's assurance work that informs the governance statement, for an overall corporate self-evaluation of governance and effectiveness.

111. For 2022/23 the council evaluated its governance against the Chartered Institute of Public Finance & Accountancy and Society of Local Authority Chief Executives model framework Delivering Good Governance in Local Government ("the CIPFA/SOLACE framework"). This self-assessment took place in August 2023 and was reviewed by the Corporate Leadership Team. The results of this self-evaluation were reported to the GRBV in September

2023 and supports the council on its journey to strengthen improvement in the organisation.

The council's overall performance, taken from national benchmarking data, shows a mixed picture of improvement over time

112. The council participates in the [Local Government Benchmarking Framework \(LGBF\)](#). The framework brings together a wide range of information about how all Scottish councils perform in delivering services, including the cost of services and how satisfied citizens are with them.

113. The most recent [National Benchmarking Overview Report 2021-22](#) by the Improvement Service was published in March 2023. The results were considered by the council's policy and sustainability committee in May 2023. The data provides an additional perspective on how the council is performing and informs the council's own Corporate Performance Framework. As part of the revised framework, the council plans to improve the quality of how it reports its performance as we outline at paragraph 35.

114. The 2021/22 data shows the resumption of services as Covid-19 restrictions were gradually eased. The pandemic has introduced new complexity in relation to the LGBF dataset and judgements on comparative rankings should be viewed with caution as each council continued to make service decisions on local factors, priorities, and resources.

115. The figures show that overall Edinburgh's ranking is in the top two quartiles (above the national average) for 57% of the indicators (47 out of 83) and 16% sit in the bottom quartile (13 indicators). Compared to 2020/21 the council has improved its ranking in 32 of the indicators and maintained its ranking in 12 of the indicators.

116. The council's comparative ranking position, which compares it against other councils, has declined in 39 of the indicators. Compared to 2019/20, which was pre-Covid, the council has improved its ranking in 43 of the indicators and maintained its ranking in eight of the indicators. The council's comparative ranking position compared to other councils, has declined in 32 of the indicators.

117. Relative performance improvements, from 2019/20, were most notable in the following areas:

- Children's Services
- Corporate
- Financial Sustainability

118. The following services included more indicators where relative performance had declined, rather than improved:

- Adult Social Care

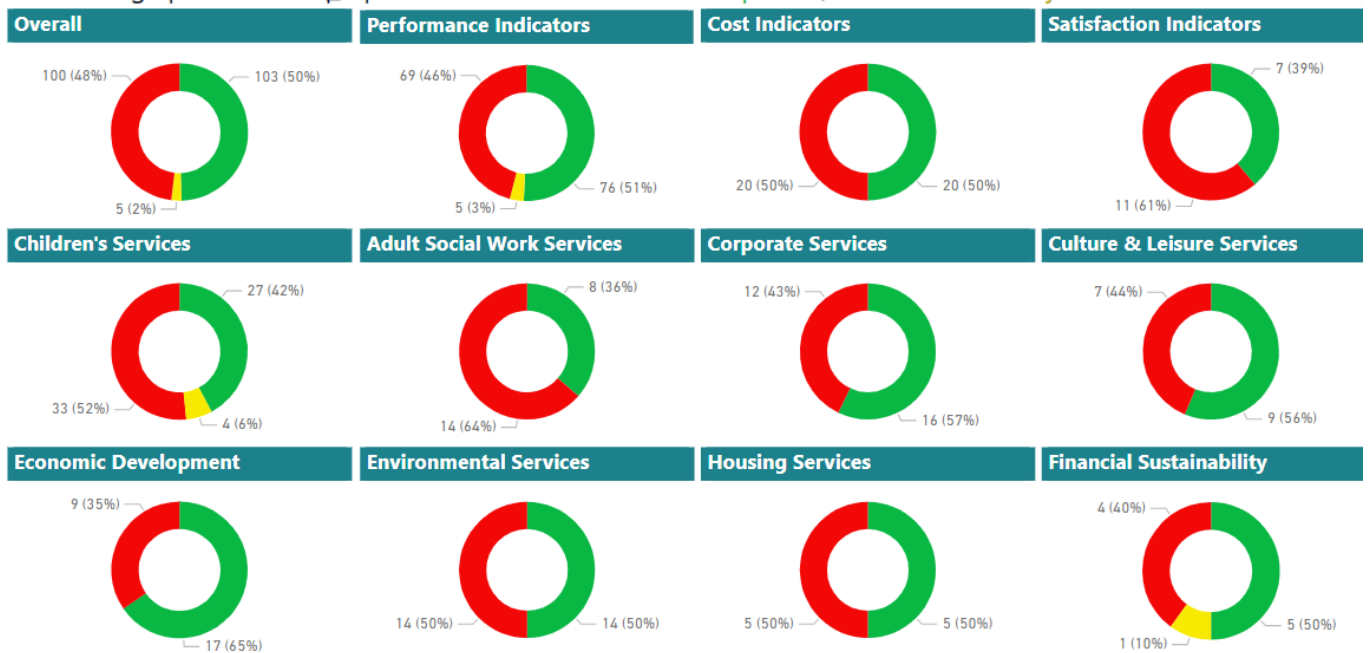
- Housing
- Culture and Leisure

119. Taking adult social care as an example, the detailed analysis highlights the mixed picture of performance improvement versus decline which is replicated across several areas. There are indicators that continue to show a gradual improvement from pre-Covid through to 2021/22 (e.g. Self Directed Support, Balance of Care); and some indicators that show a clear skew due to Covid where performance in 2021/22 returns to pre-Covid levels (e.g. re-admission rates, days people are delayed in hospital).

120. Exhibit 11 shows the council’s 2021/22 performance across services when compared with the relevant data’s base year. Based on the indicators within each service area, the council shows a mixed picture of improvement over time.

Exhibit 11 City of Edinburgh’s Council’s LGBF results – trend since base year

These graphs show the proportion of indicators that have improved, deteriorated or stayed the same over time.



Source: Improvement Service – LGBF 2021/22

121. Given the service demand and cost pressures facing all local authorities across Scotland, it is unlikely the council will be able to maintain performance across all services they currently provide. This means councils will need to make increasingly difficult choices about what their service and performance priorities are.

The council has satisfactory arrangements for the preparation and publication of Statutory performance information (SPIs)

122. The Accounts Commission issued a new [Statutory Performance Information \(SPIs\) Direction](#) in December 2021 which applies for the three years from 2022/23. It requires a council to report its:

- performance in improving local public services (including those provided with its partners and communities), and progress against agreed desired outcomes (SPI 1). The Commission expects this reporting to allow comparison both over time and with other similar bodies (drawing on Local Government Benchmarking Framework and/or other benchmarking activities).
- own assessment and audit, scrutiny, and inspection body assessments of how it is performing against its duty of Best Value, and how it has responded to these assessments (SPI 2).

123. We have evaluated council's arrangements for fulfilling the above requirements and concluded that overall they are satisfactory. The council has developed a clear framework to measure and monitor progress against the council's priorities.

124. We identified three improvement opportunities affecting SPI reporting. The council's 2022/23 Annual Performance Report provides an overview of council performance against its three priorities, 15 outcomes, 80 KPIs and nine milestones. However similarly to last year, an overall assessment and conclusion as to how the council is performing against its duty of best value, based on its performance against the business plan outcomes, was not included in the report.

125. The report is available on the council's website. While this provides easy access to performance information, accessibility requirements do not appear to be fully addressed. For example, there is no information provided on whether performance reports are available in alternative formats or different languages. The council should also invite feedback from service users/communities and use it to improve public performance reporting.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan

126. [Exhibit 13](#) sets out the wider scope risks relating to the Use of Resources to Improve Outcomes we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 13**Risks identified from the auditor's wider responsibility under the Code of Audit Practice**

Audit risk	Audit Response	Conclusion
<p>Reliance on legacy IT systems and older software for key financial systems</p> <p>The council has an over-reliance on legacy systems such as AS400 for capital funded projects, and SWIFT for social care payments. The council uses Oracle R11 as its general ledger and there are plans for a significant upgrade this year. Relying on legacy systems increases the risk of IT application failure and can present data quality and cyber security risks. It is also critical that underlying data is accurate and complete. There is a risk we are unable to access documentation to support our audit of the annual accounts.</p>	<p>We considered the council's arrangements for managing and mitigating the risks that use of legacy IT systems presents.</p> <p>We considered how the council obtains assurances from its service providers over cyber security and business continuity arrangements.</p>	<p>The council uses CGI to provide digital and network services and to mitigate cyber security and business continuity risks.</p> <p>We were able to obtain the information we required for our audit of the annual accounts.</p> <p>The council is planning to replace both AS400 and Oracle R11 in the short term. A business case for the replacement of SWIFT is in development.</p> <p>We will keep in view the council's arrangements in this area.</p>

Source: Audit Scotland

7. Charitable Trusts and Funds

Conclusions

The Edinburgh Education Trust funds grants to schools and individuals and paid out low levels during 2022/23. The Trust should find alternative ways of raising awareness amongst potential beneficiaries.

127. The findings from our financial statements audit work on The City of Edinburgh Charitable Trusts (“the Trusts”) and The City of Edinburgh Charitable Funds (“the Funds”) are detailed in section one of this report.

128. Our duties as auditors of the charities administered by The City of Edinburgh Council are to:

- express an opinion on whether the charity’s financial statements properly present the charity’s financial position and are prepared in accordance with charities legislation.
- read the Trustees’ Annual Report and express an opinion as to whether it is consistent with the financial statements.
- report on other matters, by exception, to the Trustees and to the Office of the Scottish Charity Regulator (OSCR).

More could be done to raise awareness and applicants for the Edinburgh Education Trust

129. The Edinburgh Education Trust awards grants to schools and individuals through income received from its investments. In 2022/23, the trust funded £1,948 of activities for looked after children (£2,028 2021/22) and £1,350 of school prizes (£1,300 2021/22). The charity rolls forward any unused funds from the current year into the following year.

130. The total value of awards in year is low when compared to the funds it has at its disposal. The Edinburgh Education Trust has cash and investments totalling £1.257 million, and annual income is around £32,000. The awards of £1,948 in 2022/23 represents only 0.15% of available funds.

131. As the appointed auditors of the Section 106 charities administered by the council, we are required to consider whether the funds held within the trusts are being used for the purposes intended. This includes reporting any inappropriate use of funds or prolonged lack of activity - the 'public benefit' test. Further steps should be taken to make their existence more widely known, and applications more accessible ([Recommendation CH1](#))

Recommendation CH1 (The Trusts and The Funds)

The trustees of the Edinburgh Education Trust should take steps to make the charity's existence more widely known, and applications more accessible.

The Charitable Fund is expected to be wound up by the end of 2024 and there are plans to transfer Lauriston Castle

132. As we report in [paragraph 25.](#), a separate set of accounts has been prepared for The Funds as the trustee considered that the fund was not a going concern. The disbursement of the remaining funds and completion of the winding up process is expected to be completed in September 2024.

Separately, we note in [paragraph 23.](#) that the council has agreed to apply to wind up of the Lauriston Castle Trust and the transfer of assets to the council.

Appendix 1. Action plan 2022/23

2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Developing a medium-term financial plan</p> <p>The council is developing strategic and cross-cutting plans and initiatives as part of the development of a Medium-term financial plan (MTFP) which seeks to use technology and assets to better achieve efficiencies and service delivery.</p> <p>Risk – operating in a challenging financial context without medium-term financial planning can compromise financial resilience and sustainability.</p>	<p>The council needs to accelerate this work to outline how it will deliver financial sustainability over the next five years.</p> <p>Paragraph 85.</p>	<p>The council has in place governance to oversee both the development and delivery of the medium-term financial plan. This work will continue but following recent appointments, officers will be reviewing both governance arrangements and the pipeline of MTFP projects and programmes to ensure they will be able to deliver the scale of savings required over the next five financial years.</p> <p>Responsible officer: Executive Director of Corporate Services</p> <p>Agreed date: the medium-term financial plan is about building a pipeline of continuous improvement and transformation, as such there is no end date.</p>
<p>2. Costing of net zero projects</p> <p>The council has identified tackling climate change as a priority, working towards an ambitious ‘net zero by 2030’ target. Plans for reducing emissions compete with other priority policy areas for funding, and significant</p>	<p>The council should continue to build on its existing net zero plans to include further detail on specific project costs and budgets. This should include outturn information and details of any additional funding required. This would provide better information for</p>	<p>The funding of sustainability actions will be considered as part of the annual budget setting process for 2024/25 and beyond.</p> <p>Delivery will continue to be monitored through our suite of annual climate reports to</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>additional investment will be required to achieve this target.</p> <p>Risk – without a full understanding of the costs involved, the council cannot make informed decisions about where finite resources are targeted.</p>	<p>decision-making about prioritising projects which make the most impact and therefore maximising the contribution to achieving its 2030 Climate Strategy goals.</p> <p>Best Value Thematic Report 2022/23</p>	<p>Policy and Sustainability Committee:</p> <ul style="list-style-type: none"> - Carbon Disclosure Project (CDP) - Public Bodies Climate Change Duties Report - Annual progress report on city wide target - CERP progress report - Climate Strategy Progress Report - International Travel Emissions Report - Adaptation Progress Report - Food Growing Progress Report
<p>3. Workforce plans</p> <p>A workforce plan is in place, but it has not been aligned to the council's priorities, and lacks detail at a service level.</p> <p>Risk – current workforce service plans across the council are not sufficiently detailed to support effective service delivery of council priorities.</p>	<p>The council should develop the people strategy and strategic workforce plan to align with the 2023-27 business plan. The council should develop comprehensive workforce planning on a consistent basis across services, identifying skills gaps and aligning resources to council priorities as set out in the business plan. This would support effective service delivery.</p> <p>Best Value Thematic Report 2022/23</p>	<p>Development of People Strategy for 2024-2027 underway for publication from 1 April 2024. Will be aligned to council's business plan.</p> <p>Workforce Plan for 2024-2027 developed following consideration of above.</p> <p>Responsible officer: Service Director: Human Resources</p> <p>Agreed date: December 2024</p>
<p>3. Property action plan</p> <p>A refreshed Corporate Property Strategy was approved by the Policy and Sustainability Committee in August 2023. It's predecessor, the Corporate Asset Strategy was created in 2015. There has been a</p>	<p>The council plans to develop a Property Action Plan to take forward the framework provided by the Corporate Property Strategy to implement changes to working practices due to Covid-19, market conditions</p>	<p>Update on development of Property Action Plan to be reported to the Policy and Sustainability Committee during first quarter of 2024.</p> <p>Annual reviews of progress with the Corporate Property</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>significant impact on how the council uses its owned properties as a result of changes to working practices, market conditions and environmental and legislative requirements. The council has committed to creating a property action plan, building on the framework created in the property strategy.</p> <p>Risk – the council is not maximising its assets in pursuit of its strategic priorities.</p>	<p>and new environmental and legislative requirements.</p> <p>The action plan should focus on maximising the effective and efficient use of its assets.</p> <p>Best Value Thematic Report 2022/23</p>	<p>Strategy to be provided from September 2024.</p> <p>Responsible officer: Head of Strategic Asset Planning</p> <p>Agreed date: September 2024 and subject to annual review thereafter</p>
<p>CH 1. The Edinburgh Education Trust</p> <p>In recent years the Edinburgh Education Trust has paid out a relatively low level of grants in comparison to funds held.</p> <p>Risk – the charity is not achieving its aims.</p>	<p>The trustees of the Edinburgh Education Trust should take steps to make the charity’s existence more widely known, and applications more accessible.</p> <p>129.</p>	<p>The recommendation is agreed and opportunities to publicise available funding and facilitate applications, consistent with the Trust’s charitable purposes, will be progressed in the coming year.</p> <p>Responsible officer: Principal Accountant (Corporate Accounts), Finance</p> <p>Agreed date: March 2024</p>

Appendix 2. Summary of uncorrected misstatements

We report all uncorrected misstatements in the annual report and accounts that are individually greater than our reporting threshold of £250,000.

The table below summarises uncorrected misstatements that were noted during our audit testing and were not corrected in the financial statements. Cumulatively these errors are below our performance materiality level as explained in [Exhibit 1](#). We are satisfied that these errors do not have a material impact on the financial statements.

Narrative	Account areas	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr £000	Cr £000	Dr £000	Cr £000
Accounting Misstatements					
1. Intra-group balances not eliminated on consolidation	Payables			1,239	
	Receivables				1,239
Total				1,239	1,239

The City of Edinburgh Council

2022/23 Annual Audit Report

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

Governance, Risk and Best Value Committee

10am, Tuesday, 31 October 2023

Leadership of the development of new local strategic priorities - Best Value thematic work in City of Edinburgh Council 2022/23

Executive/routine
Wards

1. Recommendations

- 1.1 Members of the Governance, Risk and Best Value Committee are asked to note:
 - 1.1.1 the key messages emerging from the thematic Best Value work recently undertaken by Audit Scotland; and
 - 1.1.2 that the Committee will receive updates on implementation of its recommendations as part of wider Best Value Audit progress reports.

Andrew Kerr

Chief Executive

Contact: Gillie Severin, Head of Strategic Change and Delivery, Corporate Services

E-mail: gillie.severin@edinburgh.gov.uk

Leadership of the development of new local strategic priorities - Best Value thematic work in City of Edinburgh Council 2022/23

2. Executive Summary

- 2.1 The report sets out the principal findings and recommendations resulting from Audit Scotland's review of the effectiveness of the Council's leadership in developing its strategic priorities following the 2022 local government elections.

3. Background

- 3.1 [The Accounts Commission's Strategy \(2021-26\)](#) sets out its priorities to focus on inequalities, funding, communities and recovery. The Code of Audit practice sets out the Best Value work required to report on these priorities, comprising a combination of individual council-level and wider thematic reporting across local government.
- 3.2 Following the 2022 local government elections, the Accounts Commission directed auditors to report on the effectiveness of the leadership in developing each council's strategic priorities, with specific reference to the following questions:
- How clear is the new council vision and its priorities?
 - How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the council?
 - How effectively do the council priorities reflect the need to reduce inequalities and climate change?
 - How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the council's priorities?
 - Overall, how effective has the leadership (political and officer) been in setting clear priorities and a sustainable approach to delivering them?
- 3.3 This report forms an assessment of the Council's practice across these five areas. It will be complemented, in due course, by a series of other national thematic studies over the term of the audit appointment.

4. Main report

- 4.1 In addressing the questions above, the report comprises a number of distinct sections, examining in turn:
- (i) the process for refreshing the Council's vision and priorities following the Local Government elections in May 2022;
 - (ii) the degree of citizen and community engagement in shaping and developing the planning and delivery of services, both in the context of the business plan and more widely;
 - (iii) the extent to which the Council's priorities reflect the Best Value expectations that all activity should contribute to tackling poverty, reducing inequality and promoting fairness, respect and dignity for all citizens, alongside a focus on sustainable development, including climate change;
 - (iv) the degree to which clear plans and strategies are in place which, along with sound governance and strong leadership, will ensure the Council is well placed to deploy all of its resources to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement; and
 - (v) whether effective leadership from councillors, the Chief Executive and senior officers is in place to allow the Council to achieve its objectives and provide clear strategic direction. The complex local government environment means collaborative leadership, working with partners, communities and citizens to improve outcomes is more important than ever.
- 4.2 Following completion of this work, Audit Scotland's key messages are included on page 3 of the report as follows:
- (i) The Council has set out clear aims and priorities for the next five years in a refreshed business plan. The plan sets out three core priorities: to create good places to live and work; to end poverty in Edinburgh, and to become a net zero city by 2030. The priorities are underpinned by ten medium-term outcomes, supported by short-term actions;
 - (ii) The Council consults extensively with residents and has taken action to improve how it engages and empowers communities but there is scope for residents to have a direct say when the Council next reviews its core priorities;
 - (iii) Addressing inequalities and climate change remain Council priorities in its renewed business plan. Working with partners, the Council is taking action to progress these important areas. The current economic context, combined with tight resources, means significant challenges lie ahead to realise its ambitions;
 - (iv) Delivery, workforce, asset and digital plans are being updated to align with Council priorities. As a result, the Council has yet to demonstrate through detailed planning how it will secure the sustainability of its services in the longer term; and

- (v) Political control of the Council is finely balanced and recent decisions on the business plan and annual budget demonstrate a need to strengthen processes to support collaboration.

4.3 A number of corresponding actions are included in Appendix 1, along with the agreed management action, associated responsible officer(s) and timescale for implementation.

4.4 Representatives from Audit Scotland will be in attendance at the meeting to respond to any queries members of the Committee may have.

5. Next Steps

5.1 Responsible officers will implement the improvement actions within Appendix 1 of the report in accordance with the timescales indicated.

5.2 Going forward, the Committee will receive updates on implementation of these actions as part of wider Best Value Audit progress reports.

6. Financial impact

6.1 Although there is no direct additional impact arising from its contents, the report reiterates the importance of best aligning finite revenue and capital resources to the Council's priorities.

7. Equality and Poverty Impact

7.1 Although there is again no direct additional impact arising from its contents, the report notes that the Council has a plan to target causes of poverty in the city and reports annually on its progress.

7.2 The report also notes that there are arrangements in place to ensure compliance with equalities legislation and a review is underway to embed these culturally within the organisation.

8. Climate and Nature Emergency Implications

8.1 The report notes that the Council retains climate change as a priority and has a comprehensive sustainability programme, recognised by the European Institute of Innovation and Technology, to respond to the climate change emergency. The Council recognises, however, that the scale of the emissions reduction required in coming years will be extremely challenging especially in the current economic context and actions need to be prioritised.

9. Risk, policy, compliance, governance and community impact

- 9.1 The report notes that the Council has set out clear aims and priorities for the next five years in a refreshed business plan, with these priorities underpinned by ten medium-term outcomes, supported by short-term actions.
- 9.2 The Council is assessed to consult extensively with residents and has taken action to improve how it engages and empowers communities but there is scope for residents to have a direct say when the Council next reviews its core priorities.
- 9.3 Delivery, workforce, asset and digital plans are being updated to align with Council priorities. As a result, the Council is assessed yet to have demonstrated through detailed planning how it will secure the sustainability of its services in the longer term.

10. Background reading/external references

- 10.1 [Audit Scotland – The City of Edinburgh Council Annual Audit Plan, 2022/23](#), Governance, Risk and Best Value Committee, 2 May 2023

11. Appendices

- 11.1 Leadership of the development of new local strategic priorities – Best Value thematic work in City of Edinburgh Council 2022/23

Leadership of the development of new local strategic priorities

Best Value thematic work in
City of Edinburgh Council 2022/23



Prepared by Audit Scotland
October 2023

Contents

Key messages	3
Scope of the audit	4
Council vision and priorities	6
Citizen and community engagement	11
Reducing inequalities and tackling climate change	17
Alignment of delivery plans	22
Leadership	26
Appendix 1	29

Key messages

- 1** The council has set out clear aims and priorities for the next five years in a refreshed business plan. The plan sets out three core priorities: to create good places to live and work; to end poverty in Edinburgh, and to become a net zero city by 2030. The priorities are underpinned by ten medium-term outcomes, supported by short-term actions.
- 2** The council consults extensively with residents and has taken action to improve how it engages and empowers communities, but there is scope for residents to have a direct say when the council next reviews its core priorities
- 3** Addressing inequalities and climate change remain council priorities in its renewed business plan. Working with partners, the council is taking action to progress these important areas. The current economic context, combined with tight resources, means significant challenges lie ahead to realise its ambitions.
- 4** Delivery, workforce, asset and digital plans are being updated to align with council priorities. As a result, the council has yet to demonstrate through detailed planning how it will secure the sustainability of its services in the longer term.
- 5** Political control of the council is finely balanced, and recent decisions on the business plan and annual budget demonstrate a need to strengthen processes to support collaboration.

Scope of the audit

1. This report concludes on the effectiveness of the council's leadership of the development of the council's strategic priorities, following the 2022 local government elections.
2. [The Accounts Commission's Strategy \(2021-26\)](#) sets out its priorities to focus on inequalities, funding, communities and recovery. The Code of Audit practice sets out the Best Value work required to report on these priorities.

Code of Audit Practice 2021 Best Value reporting requirements

Best Value reporting – extract from the Code

The Accounts Commission's approach to Best Value involves reporting on individual local government bodies and thematically across the local government sector through performance reports:

- As part of their integrated wider-scope annual audit work appointed auditors use a risk-based approach to assess and report whether the audited body has made proper arrangements for securing Best Value and is complying with its community planning duties, including reporting progress against previous Best Value findings and recommendations.
- The Accounts Commission also requires the Controller of Audit to report to the Accounts Commission on each council or Integration Joint Board (IJB) at least once over the five-year audit appointment on the body's performance on its Best Value duty. This enables the Accounts Commission to make findings for improvement where appropriate. ¹
- The Accounts Commission reports nationally on thematic aspects of local government bodies' approaches to, and performance in, meeting their Best Value and community planning duties. Local government appointed auditors report locally on any such Best Value thematic work prescribed by the Accounts Commission.

3. This report covers the thematic aspect of the Best Value audit requirements. The Commission has directed auditors to report on the effectiveness of the leadership of the development of the council's strategic priorities.

¹ The Controller of Audit will report the first tranche of council BV reports to the Commission between October 2023 and August 2024 on Moray, Falkirk, Dundee City, Orkney Islands, South Ayrshire, Dumfries and Galloway, Clackmannanshire and West Dunbartonshire.



4. In carrying out the work auditors have considered the following questions:

- How clear is the new council vision and its priorities?
- How effectively have the views of citizens and communities been reflected in the priorities and decisions taken by the council?
- How effectively do the council priorities reflect the need to reduce inequalities and climate change?
- How good are the delivery plans and is there alignment of financial, workforce, asset and digital plans with the council's priorities?
- Overall, how effective has the leadership been (political and officer) in setting clear priorities and a sustainable approach to delivering them?

5. An improvement action plan is included at Appendix 1 of this report. This sets out audit recommendations in key areas, and the council's planned response including responsible officers and dates for implementation.

6. The coverage of the work is in line with the expectations for council's arrangements for the seven Best Value themes in the [Local Government in Scotland Act 2003, Best Value Statutory Guidance 2020](#).

Council vision and priorities

The council has set out clear strategic priorities for the next five years

7. A council focused on achieving Best Value will be able to demonstrate that elected members and officers have a clear vision and priorities for their area.

8. [The Local government in Scotland Overview 2022](#) highlighted the pivotal role that Scotland's councils have in supporting and working with communities as they respond to the impacts of Covid-19, with a clear vision and priorities for its area key to this.

9. The council has made progress with setting out a clearer direction and priorities for the organisation. In November 2020, our Best Value Assurance Report (BVAR) concluded that the council's vision and priorities are not articulated in an overarching strategic plan. The council brought its strategic plans together into one Council Business Plan in February 2021, Our Future Council, Our Future City. In March 2023, the council agreed a refreshed [Business Plan 2023-2027](#). The plan reflects discussions held at the council in December 2022, developed from a motion in June 2022 led by the council leader, which identified shared priorities across the political parties in the council. The business plan sets out three core priorities:

- Create good places to live and work
- End poverty in Edinburgh
- Become a net zero city by 2030

10. To support these priorities, the business plan identified ten medium-term outcomes, each supported by short-term actions to be implemented over the next two years ([Exhibit 1](#)). The document provides a delivery plan including objectives, actions, and initial milestones.

11. The council's plan acknowledges that its overarching goals are ambitious and recognises the significant financial challenges it faces as it sets out to deliver them, including making difficult choices and working more closely with partners and communities.

Exhibit 1**City of Edinburgh Council's three strategic priorities****Council Business Plan 2023-27****10 Outcomes for delivery**

Core services for people in need of care and support are improved
People can access fair work and the support they need to prevent and stay out of poverty and homelessness
Edinburgh is a cleaner, better maintained city that we can all be proud of
People can access public services locally and digitally in ways that meet their needs and expectations and contribute to a greener net zero city
People have decent, energy efficient, climate proofed homes they can afford to live in
Attainment, achievement, and positive destinations are improved for all with a particular focus on those in poverty
People use decarbonised public transport and active travel as the first choice way to get round the city
Edinburgh is a climate adapted city, with biodiverse green spaces, and cheaper cleaner networks for energy use
Edinburgh has a stronger, greener, fairer economy and remains a world leading cultural capital
The Council has the capacity, skills, and resources to deliver its priorities efficiently, effectively and at lower cost

Source: City of Edinburgh Council business plan 2023-27

12. The council's focus on poverty, inequality and climate change is consistent with its other overarching strategic plans. [The Edinburgh Partnership Community plan 2018-2028](#) (updated in March 2022), sets out a course of actions for the council towards 'a thriving, connected, inspired and fair city, where all forms of poverty and inequality are reduced'.

13. At the regional level and working alongside five neighbouring councils and the University of Edinburgh, [the Regional Prosperity Framework: 2023/24 Delivery plan](#) (approved by the council in February 2023) aims to achieve three goals, including reducing economic exclusion and accelerating fair transition to net zero. The council states that all these plans will feed into delivering the overall ambitions stated in its 2050 Vision - 'for the city to be a fair, welcoming, pioneering, and thriving city'.

14. Below, [Exhibit 2](#) illustrates how all the strategic plans fit together under the 2050 Edinburgh City Vision, developed between 2016 and 2020 and endorsed by the Policy and Sustainability Committee in June 2020.

Exhibit 2

City of Edinburgh Council's 2050 City Vision delivery plans



Source: City of Edinburgh Council, Council Business Plan 2023-27

The council's overall strategic vision was developed via public consultation, but there is scope for residents to have a direct say when the council next reviews its core priorities

15. The 2023-27 business plan was developed by building on previous iterations which covered the periods 2017-22 (Programme for the Capital) and 2021-24 (Our Future Council, Our Future City). Following local government elections, a set of shared, cross-party priorities was outlined by the leader of the council, which were then developed with input from officers and updated in line with the budget decisions agreed by the council in February 2023. The council held engagement sessions on the refreshed business plan with senior levels of management, and this was followed by strategic discussions within directorates.

16. The business plan focuses on how the council plans to deliver the priorities agreed with partners. There is a recognition that the community plan priorities must be embedded into the council business plan, and the council cannot achieve those priorities in isolation. Most of the actions supporting the outcomes have been developed with partners and is expected to be delivered with them.

17. As the refreshed plan was an update of the previous iterations, engagement gathered from previous consultations - such as the 2050 City Vision, City Mobility Plan, Council Change strategy, planning for change and delivering

services 2019-2023, Poverty Commission and Edinburgh Talks Climate - was used to develop the council's strategic priorities. The 2050 City vision consultation took place in 2016 and more than 22,000 responses were used to inform four principles – fair city, pioneering city, welcoming city and thriving city. The business plan's strategic priorities are largely informed from this consultation.

18. Best Value guidance is clear that meaningful consultation and engagement with communities in relation to strategic planning should take place. In 2021, the council agreed a consultation strategy which recognised the need to positively engage with, listen to and act upon stakeholders' views. There has not been direct consultation with the public on the council's key strategic priorities since 2019, and the council should consider directly consulting with residents on the ranking and affordability of its strategic priorities.

19. The business plan was updated on the council's website in April 2023, following agreement of the renewed priorities in March 2023.

The council has developed a clear framework to measure and monitor progress against the council's priorities, and has plans to improve the quality of how it reports its performance

20. Our [Best Value Assurance Report](#) (BVAR) in 2020 highlighted areas for improvement in performance management. These included:

- implementing a strategic approach to self-evaluation and continuous improvement;
- improving performance reporting by making better use of performance measures and targets, particularly to demonstrate the impact of improvement work; and
- further improving performance reporting by publishing easily accessible, up-to-date performance information on the council's website.

21. Since we issued our report, the council has been reassessing and developing a new approach to measuring and reviewing performance, including how it collects and analyses relevant data. Officers are working to improve the quality of data it holds and how it is presented to members and citizens.

22. In March 2023, the council updated its [Planning and Performance Framework 2023-2027](#), which seeks to address the BVAR recommendations above. The framework sets out what success looks like in the short, medium and longer term, identifying milestones and specific key performance indicators (KPIs). It is aligned with the refreshed business plan and maps out the plan's outcomes against the National Performance Framework, the Accounts Commission's seven Best Value themes and the community plan's priorities. For all directorates, the council aims to have more detailed directorate plans in place alongside the new framework by June 2023.

23. Directorate plans (known as 'plans on a page') show links from the three strategic priorities and 10 business outcomes to directorate and service plans

and objectives, as well as the specific actions to meet these plans and ultimately the business plan priorities. The performance framework commits the council to reviewing performance measures and targets on an annual basis to ensure that they remain aligned to the delivery plan. The council is planning to produce three annual performance reports:

Progress with	Time of reporting	Report to council via
<ul style="list-style-type: none"> Business Plan 	<ul style="list-style-type: none"> summer 	<ul style="list-style-type: none"> Policy and Sustainability Committee
<ul style="list-style-type: none"> Public Performance Scorecard 	<ul style="list-style-type: none"> end of financial year 	<ul style="list-style-type: none"> Governance Risk and Best Value Committee
<ul style="list-style-type: none"> Local Government Benchmarking Framework 	<ul style="list-style-type: none"> end of financial year 	<ul style="list-style-type: none"> Governance Risk and Best Value Committee

24. The council aims to show progress of change through an annual business plan progress report, to be reported to the Policy and Sustainability Committee. The council has stated it aims to provide an update on the identified actions and milestones, performance against the framework's KPIs and a "health check" overview of the high-level overarching measures on the plan.

25. The Public Performance Scorecard covers core service-level KPIs and shows how performance is progressing. It aims to provide information on service performance more frequently (on a quarterly basis) and address areas of underperformance as necessary.

26. Underpinning all this council performance reporting are service plans and monthly reporting which includes:

- Local Government Benchmarking Framework (LGBF) measures
- Performance Tracker – showing the status of actions and measures which then informs the annual performance reported to council.

27. The LGBF report has some alignment to the council's strategic priorities, but is primarily benchmarking Edinburgh against other Scottish councils using an online toolkit to interrogate data provided to the LGBF by councils.

28. The council currently publishes an annual performance report on its website, and the local government benchmarking report. It has committed to publishing further performance reports on its performance section, including:

- the annual business plan progress report
- the quarterly public performance scorecard

29. We will continue to monitor how effective the updated performance framework is at enhancing performance management and reporting through our annual audit work.

Citizen and community engagement

30. Councils, with their community planning partners, have a responsibility to ensure that people and communities are able to be fully involved in the decisions that affect their everyday lives. There must be a focus on getting the services people need in place, to have the best impact on the lives of individuals and communities.

31. Early and meaningful engagement and effective collaboration with communities to identify and understand local needs, and in decisions that affect the planning and delivery of services should be a core part of determining a council's vision and priorities.

The council consults extensively with residents and has taken action to enhance community engagement

32. The council actively seeks residents' views through consultations. The number of public consultations and engagements continues to rise since 2015, apart from 2020, which was affected by the Covid-19 pandemic. In 2021 (the latest year available), the council launched 133 consultation or engagement activities and received 59,403 responses. This only includes those uploaded on the council's online consultation platform and excludes other methods such as paper submission forms, letters, focus groups or community events.

33. We recognised in our BVAR in 2021 that the council has used other community engagement methods, such as workshops, information displays, focus groups and digital tools. For example, it engaged with communities early in the development of its City Plan 2030 and in the past developed online budget simulation tools and used game-based approaches to facilitate discussion about its budget proposals.

34. Our report in 2020 recognised that, while the council consulted extensively with residents and has used innovative approaches to engage with communities, community engagement was not yet an integral part of service improvement and delivery. We concluded that community empowerment was not yet embedded in the council's culture.

35. Since then, the council has taken action to enhance community engagement activities. In April 2021 the council agreed a new consultation policy, in line with our BVAR recommendation, to strengthen the management and governance of consultation activity. In addition to setting out the council's criteria for determining whether consultation is necessary, the policy:

- requires the most significant consultations to be signed off collectively by the corporate leadership team
- established a new Consultation Advisory Panel to oversee the process, providing advice and support
- introduced related key performance indicators to be included in the annual performance report.

36. It is important that the council continues to explore reasons for a lack of meaningful engagement from communities or residents. It should build capacity among communities, particularly seldom heard groups, or those who feel they do not have a say, so they can fully participate and are supported to do so. This could mean investing appropriate resources (financial and non-financial) to build community capacity and encourage community leadership.

37. The consultation policy was reviewed by the Policy and Sustainability Committee in June 2022, and this has informed ongoing work to improve community engagement activities. This includes:

- Working with partners including Age Scotland, British Sign Language, older people and younger people champions to improve participation.
- Revise future performance measures and strengthen the evaluation process.
- Establishing an internal database to improve information sharing and collaboration among staff.

There is evidence that the council has improved how it engages with communities and partners

38. Our BVAR report previously found limited evidence of the council engaging with hard-to-reach, migrant, and minority groups, and that engagement was not embedded in the council's day to day work.

39. From our high-level review, we have found examples where the council has since been working well with communities and partners to drive improvement in its priority areas. The council continues to develop this and is taking forward some of its council priority areas via methods of community engagement. For example:

- A £4.3 million modernisation of the North Cairntow traveller site was completed in 2023 after extensive consultation with residents. Tenants were invited to co-design the modernised site to fully meet their needs, meeting with the design team on a regular basis and making key decisions about the delivery of the project.
- The council has put in place more than 800 Neighbourhood Environment Projects around the city during the past 12 years, many of them developed from local citizens' ideas. Investment has helped to improve open spaces

and walkways, improved lighting and prepared land for community growing.

- To address climate change, the council has introduced a participatory budgeting process to support community-led projects, resulting in £140,000 being awarded to eight community groups. It has also established a community platform, the Community Climate Forum. Through ongoing engagement, the forum provides community-led net zero activities with support and expertise. From this beginning, the council is considering how a participatory design and planning process can further support communities working together.
- Since the introduction of Part 5 of the Community Empowerment (Scotland) Act 2015 in January 2017, the council has completed six asset transfers including Gilmerton Dykes Bothy, St Oswalds Hall, Juniper Green Public Toilet; and the Old Coach House, Spylaw Park. A further two asset transfers are approved, and 15 proposals are either at stage 1 or stage 2. Stage one involves the proposal being discussed by a panel comprising local councilors, relevant officers, the applicant, and other interested parties. The panel decide whether the proposal moves forward to stage 2 where the business case, governance and legal status is confirmed.

The council has a close working relationship with partners through the Edinburgh Partnership Board and has taken action to improve governance and involve community representatives

40. The council has a lead role in the Edinburgh Partnership Board (EPB). The partnership includes statutory partners such as NHS Lothian, Scottish Enterprise, Police Scotland and the Scottish Fire and Rescue Service. It also involves a range of other public, private and third sector partners.

41. In our BVAR, we recommended the council should work with the Edinburgh Partnership Board to implement new governance arrangements, effectively involve community representatives and deliver improved outcomes for communities. In response to our findings, the EPB developed an improvement plan in June 2021. Actions within the plan include:

- The establishment of a community empowerment strategy, with a dedicated support team
- The development of a framework for collaboration with the Edinburgh Association of Community Councils (EACC)
- The enhanced performance reporting to demonstrate improved outcomes for communities.

42. This work was paused due to the pandemic, competing priorities and limited capacity and resources have impacted the pace of change. Progress in implementing these actions has been slow. The target date for drafting the community empowerment strategy was June 2021 and has been missed. It is

now expected in September 2023. For 2021/22, the annual performance report against the community plan was not produced, as the refreshed plan was agreed in March 2022. The council and partners are currently updating these plans and the performance framework is under review as part of this process.

43. In its latest update, presented to the EPB in September 2022, six key principles of the strategy were identified: leadership, focus on outcomes, community ownership, effective relationships, transparent decision-making and improved communications. From this foundation, the council is planning further engagement with communities and other stakeholders before developing a final version of the strategy.

44. A dedicated community empowerment team was in place by April 2023, following a pause in the organisational review during the pandemic. The board has agreed operational changes to increase community involvement in partnership board meetings from 2023. This includes increasing flexibility in the time and location of meetings to make them more accessible to community groups.

Exhibit 3

The Edinburgh Partnership governance structure and membership



Source: Edinburgh Partnership Board Papers

More targeted support is planned for community networks

45. During the pandemic, feedback from communities (reported to the Culture and Communities Committee in December 2022) highlighted difficulties in working with the council, that bureaucracy at times could hamper their ability to operate, that contacting the council could be difficult, and that they could work in a more agile way to meet local needs.

46. To address this, the council is planning to provide strategic support for community centres acting as local hubs, improving consistency of service delivery across the city and using £290,000 of funding from the UK Shared Prosperity Fund. It also intends to provide financial support for community networks to lead initiatives on the ground. To ensure community empowerment is embedded, the council has established a community empowerment board, which oversees community-related activities across the council. The introduction of the community empowerment strategy should help community

engagement and empowerment become an integral part of service improvement and delivery.

47. Once these new arrangements are in place, we will assess how they strengthen the role of communities in decision-making processes and impact service delivery.

Reducing inequalities and tackling climate change

The council's core priorities focus on tackling poverty in the city and becoming net zero by 2030

48. Council priorities are expected to reflect the Best Value expectations that all activity should contribute to tackling poverty, reducing inequality and promoting fairness, respect and dignity for all citizens, alongside a focus on sustainable development, including climate change.

49. The [Local Government in Scotland Overview 2022](#) report says that the impact of the pandemic and service disruption have been felt most strongly by those already experiencing inequality. Councils have worked hard and adapted to maintain service delivery but those most in need of support are still being affected. Councils must evaluate these impacts so that recovery and renewal supports those most affected and addresses inequalities.

50. Ending poverty in Edinburgh by 2030 is one of the three key strategic priorities for the council as set out in the council's Business Plan 2023-27. To meet this, the council's business plan identifies two key medium-term outcomes it wishes to achieve, one in relation to accessing fair work and support to prevent and stay out of poverty, and another which addresses the poverty-related attainment gap.

The council has a plan to target causes of poverty in the city and reports annually on its progress

51. In December 2020, the council and partners agreed plans to adopt the [End Poverty in Edinburgh by 2030](#) target set by the Edinburgh Poverty Commission (EPC):

- The council's End Poverty in Edinburgh Delivery Plan identified six areas for focused action by the city and its partners: fair work, a decent home, income security, opportunities to progress, connections and belonging, health and wellbeing, and removing stigma.
- The Edinburgh Partnership agreed actions arising from the EPC's findings which were incorporated in the Edinburgh Community Plan. The delivery plan agrees actions for priority delivery over the next 12 months, and progress is reported annually each year

52. The 2022 annual report highlighted a number of high-impact actions delivered by the council and its partners. These included:

- Allocating £8 million to support the most affected, including one-off direct cash payments to 31,900 low-income families (which is a council initiative in terms of design and delivery, funded by the Scottish Government).
- Actions to promote the real living wage in the city, led by the Edinburgh Living Wage Action Group, helped encourage 116 business to become living wage accredited employers, helping more than 1,400 workers to receive direct pay uplifts.
- Council funds of £64.8m were invested in building new homes and improving existing homes.

53. The council has been working with End Poverty Edinburgh, an independent group of citizens with real life experience of poverty. The group was established in 2020 to raise awareness of poverty and influence decision-making processes. Their views fed into the council's cost of living support campaign across the city and development of poverty awareness training for frontline council staff. It was a key stakeholder in the development of the End Poverty-Related Hunger in Edinburgh draft strategy, which is expected to be finalised this year.

54. For the EPC, ending poverty “does not mean Edinburgh becoming a city in which no one ever loses a job or experiences a period of their life on low income. But it does mean Edinburgh being a city where living on a low income is temporary, not a persistent trap, and does mean not having to go without food, or warmth, or safety.”

55. The latest data showed that the level of poverty remained unchanged with an estimated 15 per cent of people living in poverty in 2020, but more recent data is not available and this was forecast to rise. The council recognises significant challenges ahead, with rising inflation and the cost of living crisis adding further pressures. Alongside mitigating the ongoing impact of the pandemic, the council has been taking actions to address those challenges.

There are arrangements in place to ensure compliance with equalities legislation, and a review is underway to embed these culturally within the organisation

56. The council is committed to delivering equality outcomes agreed in April 2021. It has been working with the Equality and Rights Network to engage with hard-to-reach groups. The network, funded by the council and NHS Lothian, influenced the development of equality outcomes and facilitated ongoing engagement activities.

57. In April 2021, the council agreed an Equality and Diversity Framework 2021-2025, in line with its statutory requirements under The Equality Act 2010. It identifies ten outcomes that the council is seeking to progress over a four-year period.

58. The council recognises more can be done to strengthen its approach to equalities, moving away from a compliance focus to embedding the work within the organisation to support cultural change. The rationale for this was motivated

in response to a motion agreed by council in December 2022 to improve and embed a culture of inclusion and accessibility in the council, including work to remove barriers to elected office. The motion referenced both the Tanner Report (which found serious failings over the way the council handled complaints of a potentially criminal nature) and our BVAR. We will continue to review and assess the council's progress in this area throughout the course of our audit appointment.

Arrangements to help support a human rights-based approach to council activity are well developed

59. The council uses an Integrated Impact Assessment (IIA) toolkit to meet the requirements of the Equality Act 2010, human and children's rights conventions, Fairer Scotland Duty 2018 and the Climate Change (Scotland) Act 2009. These Integrated Impact Assessments (IIAs), which are central to the council's human rights-based approach and published on their website. The assessments aim to assess impacts on:

- equality and human rights
- environment and climate change
- economy, including socio-economic disadvantage.

60. The IIAs arrangements cover a wide range of what the council does, including proposals for policies, strategies, provisions, criteria, functions, practices, budgets and the assessment of potential savings and activities. It publishes the results on the council website. Working with the other three Lothian authorities and NHS Lothian, the council has standardised an IIA process, intending to share good practice, and it has also developed supporting guidance for staff.

61. The council has been addressing inconsistency in the implementation of the IIAs. This includes improving reporting of the IIAs to committees and providing further training for staff and members, especially in relation to budget assessments.

62. The council holds quarterly quality assurance meetings with colleagues from partner agencies (NHS Lothian and the other Lothian local authorities) where a sample of completed assessments is considered, and recommendations are made.

The council has placed climate change as a priority, working towards its ambitious 'net zero by 2030' target

63. Around two-thirds of councils have formally declared a climate emergency, and COSLA's Blueprint for Local Government states that climate change is a 'greater threat than Covid'. The Scottish Government has recently published guidance on public sector leadership on the global climate emergency to help public bodies in leading climate action. Addressing the climate emergency and setting actions to achieve net zero will need to be a key element of councils' recovery and renewal from the pandemic.

64. In the refreshed council business plan 2023-27, 'Becoming a net zero city by 2030' remains as one of three core priorities. The council was one of the first councils in Scotland to set an ambitious target of becoming net zero by 2030, 15 years before the Scottish Government's legally-binding target.

65. Our BVAR report featured a case study of ongoing initiatives demonstrating Edinburgh's commitment to the agenda. It highlighted the low emission zone, investment in sustainable new homes and improvements to its housing estate, the city tourism strategy, the city mobility plan, among others. The council also has a comprehensive sustainability programme, recognised by the European Institute of Innovation and Technology, to respond to the climate change emergency.

66. The council has developed plans which set out actions to deliver the net zero ambition, including:

- a city-wide 2030 Climate Strategy, which was published in December 2021. It sets out the strategic priorities for tackling climate change in the city, with high level strategic actions to achieve the aim of becoming a net zero city by 2030.
- a council emission reduction plan, approved in November 2021, which sets out actions to reduce its corporate emissions covering up to 2030.
- In the budget-setting process for 2023/24, elected members proposed a budget amendment of an additional £279,000 to strengthen a Climate & Sustainability Team to help drive progress in this area.

67. The council cannot achieve its net zero target on its own, and securing further funding from the Scottish Government and other sources will be necessary to achieve its goals. Private businesses and third sector organisations must also play a role, for example by providing financial assistance and supporting individuals to adapt their behaviours to combat climate change.

68. The council recognises that the scale of the emissions reduction required in coming years will be 'extremely challenging' especially in the current economic context and actions needs to be prioritised. For example, the council has reported it has now more than two-thirds (69%) of the three-years' cumulated carbon budget for the period 2020/21 to 2022/23, meaning emissions would need to decrease by 11% by 2022/23 to ensure the council does not exceed its carbon budget for this period.

69. The council has developed a number of initiatives to address climate change, which include:

- Our Future Edinburgh: supporting the development of Edinburgh's community climate forum. This initiative, sponsored by the council, aims to maintain an ongoing dialogue with citizens and communities about the transformation that needs to happen in the city and how communities can collaborate in decision-making and delivering change.

- Edinburgh' Communities Climate Forum is a platform for community groups and voluntary organisations to discuss shared actions, plan and initiate collaborations, exchange resources, learning and skills, coordinate on shared funding bids and inform strategic decision making.
- The Edinburgh Community Climate Fund provided £140,000 of resources allocated by citizens through a participatory budgeting approach.
- Publishing annual reports on the Council Emission Reductions Plan.

70. The council is exploring new financing models, and established Edinburgh's Infrastructure and Investment Programme Board, now known as the Net Zero Edinburgh Leadership Board, to support developing new approaches, which we reported as a case study in our briefing paper, [Scotland's councils' approach to addressing climate change, September 2022](#).

71. Difficult decisions and further resources will need to be targeted in this area if it is to meet the scale and pace required. Achieving net zero targets is a complex area and the council recently agreed to increase the number of staff dedicated to implementing its sustainability strategy. Plans for reducing emissions compete with other priority policy areas for funding, and significant additional investment will be required.

Recommendation 1

The council should continue to build on its existing net zero plans to include further detail on specific project costs and budgets. This should include outturn information and details of any additional funding required. This would provide better information for decision-making about prioritising projects which make the most impact and therefore maximising the contribution to achieving its 2030 Climate Strategy goals.

Alignment of delivery plans

Service delivery plans are being updated to align with the council's revised business plan

72. Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a council will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement.

73. In our [Local Government Overview Report 2023](#), we acknowledged that budget constraints and increasing cost pressures are putting councils' finances under severe strain. An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it prevents councils from making decisions about how funds can be used at a local level, to meet local need. Increasingly difficult choices about spending priorities and service provision are having to be made. Delivering services differently should be focused on improving performance and outcomes in ways that are innovative, affordable, and sustainable.

74. The council's business plan 2023-2027, contains a delivery plan as appendix which sets out the actions for achieving the 10 outcomes that services will aim to deliver over the next five years, including objectives, actions, and initial milestones for delivery.

75. All service directorates created "plans on a page" (Refer [Exhibit 4](#)) that are used to drive alignment from the business plans to operational activity in service areas, showing how strategic priorities are being reflected at an operational level. The quality and level of detail provided in these varies by department and the council is working to build consistency in the performance reporting against these operational plans to better inform conversations about performance and the change required within budget and resource constraints .

Exhibit 4
Extract from a directorate business plan

Place - Plan on a Page

2022-23

Council Strategic Priorities											
Ending poverty by 2030				Becoming a sustainable and net zero city				Wellbeing and Equalities			
Strategic Outcomes											
2. Deliver a new poverty prevention model	3. More residents experience fair work and receive the living wage	4. Intervene before the point of crisis to prevent homelessness	5. Ongoing delivery of our 20,000 affordable homes programme	7. Edinburgh's economy recovers from recession and supports businesses to thrive	8. On track to deliver our 2030 net zero target	9. Citizens are engaged and empowered	10. Develop key strategic sites and projects in a diverse and growing city	11. City has a well-connected, sustainable transport/active travel network	12. People can access support they need in the place they live and work	14. Core services are maintained or improved	15. Make better use of the Council's estate and resources
Strategies and Plans											
City of Edinburgh Council End Poverty Plan 2030	Edinburgh Economy Strategy and City Centre Recovery Action Plan	Rapid Rehousing Transition Plan	Strategic Housing Investment Plan	Edinburgh Partnership Community Plan 2018 - 2028	2030 Climate Strategy for Edinburgh	City Plan 2030	City Mobility Plan	20 minute Neighbourhood Strategy	Waste Recycling and Reduction Strategy	Corporate Property Strategy	
Key Service Objectives											
Develop a dynamic, inclusive and fit for the future library service	Develop a new model for community engagement and empowerment	Increase the supply of new affordable homes	Improve existing Council homes & estates	Implement the Council's objectives for poverty prevention	Prevent homelessness in the first place	Implement the Edinburgh Economy Strategy and City Centre Recovery Action Plan	Improve the quality of environmental services in local communities	Ensure capital projects are delivered in line with appropriate governance arrangements, corporate property strategy and compliance with procurement rules	Delivery of Mixed Use Regeneration Programmes across all key Edinburgh sites	Implement the City Mobility Plan including delivery of key projects that create and maintain new and existing active travel options	
Actions and Success Measures											
Outcome / Objective	Action						Measure of success				
1.2 & 2.1	Deliver people-centred income maximisation, family and household support services <ul style="list-style-type: none"> - Working with the Edinburgh Partnership, conduct a review of City-wide advice services - Reporting progress with the Annual Progress Report for Poverty - Establish a training plan in conjunction with partners, to enhance awareness of income maximisation issues across Council and other services so that people on low incomes and those who may be at risk of poverty, can be fully supported to access benefit entitlements and manage household budgets 						A new city wide approach to commissioned advice services is agreed with partners (BP milestone) Number of people supported with welfare rights queries by the Advice shop (BP metric)				

Source: City of Edinburgh Council

A workforce plan is in place, but it has not been aligned to the council's priorities, and lacks detail at a service level

76. Our BVAR report noted that although the council is developing a workforce plan for 2020-23, it lacked detail at a service and team level. This made it difficult for the council to identify whether it has the correct workforce skills, numbers or structure to effectively deliver its services.

77. The People Strategy and the Strategic Workforce Plan (2021-2024) were approved in April 2021. These set out what the council plans to do to ensure it can deliver the priorities and actions set out in the 2021-2023 business plan. It anticipates the profile of the workforce to change considerably during its timeframe, identifying a number of actions needed to plan for those changes.

78. There are workforce plans for some individual services, for example social care, but these contain high level priorities and background data. The council has not yet developed the detailed service workplans on a consistent basis that are required for effective workforce planning, including identifying skills gaps and aligning requirements to the council's priorities.

79. Since the last update, the council is experiencing vacancies across services due to the competitive job market and shortage of key skills. A workforce dashboard, which is provided to the finance and resources committee, shows a snapshot of employee data across the council, highlighting trends and summarises actions on recruitment. Both the people strategy and strategic workforce plan should be updated to align with the refreshed council plan 2023-27 and reported to members.

Recommendation 2

The council should develop the people strategy and strategic workforce plan to align with the 2023-27 business plan. The council should develop comprehensive workforce planning on a consistent basis across services, identifying skills gaps and aligning resources to council priorities as set out in the business plan. This would support effective service delivery.

A capital budget strategy 2023-33 provides an overview of planned expenditure, but the council needs to ensure its entire corporate asset portfolio is appropriate and fit for purpose

80. The Sustainable Capital Budget Strategy 2023-2033, which is generally aligned to council priorities, provides a high-level overview of the council's capital expenditure and sets out plans for £1.49 billion of council capital investment. It includes investment proposals for the school estate, funding for library and employability services, tackling infrastructure challenges in line with the council's net zero ambition (£69.921m), reducing the carbon footprint through the estate retrofit programme (£60.85m) and the Trams to Newhaven project (£57.101m).

81. A refreshed Corporate Property Strategy, was approved by the Policy and Sustainability Committee in August 2023. It's predecessor, the Corporate Asset Strategy was created in 2015 and therefore did not reflect working changes due to Covid-19, market conditions, and new environmental and legislative requirements. The revised strategy provides a framework for how changes to the council's operational property estate will be implemented in the next five to 10 years. The Policy and Sustainability Committee also approved establishing a Strategy Board to oversee implementation of this strategy. The council plans to develop a Property Action Plan to capture all upcoming change projects which could affect the council's operational estate.

Recommendation 3

There has been a significant impact on how the council uses its owned properties as a result of changes to working practices, market conditions and environmental and legislative requirements. The council has committed to creating a property action plan, building on the framework created in the property strategy. The action plan should focus on maximising the effective and efficient use of its assets.

Transformative IT projects taking place across the council are guided by a digital strategy and implementation plan

82. In October 2020, the Policy and Sustainability Committee approved the council's [Digital and Smart City Strategy \(2020-2023\)](#). The council has a strategic partnership with CGI as a provider of end-to-end managed IT, which has been extended to the end of March 2029. The strategy provides a framework of principles and is supported by an implementation plan which includes a strategic programme of work providing further detail on the transformative projects being carried out at a corporate level.

83. A quarterly status update is provided to the Governance, Risk and Best Value Committee and outlines progress of projects against deliverables, as well as current key risks, performance levels and cyber security management. This includes such projects as the finance and debt management upgrades, the SWIFT care system and the HR system replacement. This year, 2023, is the final year of the digital strategy's operation. The council is in the process of updating its digital and smart city strategy and is expected to report in Autumn 2023.

Leadership

Recent decisions on the business plan and annual budget demonstrate a need to strengthen processes to support collaboration

84. Effective leadership from councillors, chief executives and senior officers is key to councils achieving their objectives and providing clear strategic direction. The complex local government environment means collaborative leadership, working with partners, communities and citizens to improve outcomes is more important than ever.

85. Leaders need to be skilled in effective strategic thinking, decision-making and collaborative working and able to learn lessons from new ways of working. Councillors and officers must be clear on their roles in setting the vision and planning for its delivery.

86. Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation. Good conduct and behaviours when working together are crucial. Working relationships between members and between members and officers should be constructive and productive. Councillors should show a commitment to agreed council priorities and work together to achieve them.

87. Following the local government elections in May 2022, 63 members representing the 17 multi-member wards were elected across the City of Edinburgh. The political composition is as follows:

- Scottish Labour (11)
- Scottish National Party (18)
- Scottish Greens (10)
- Scottish Liberal Democrats (13)
- Scottish Conservatives (9)
- Labour and Co-operative Party (1)
- Independent (1)

88. In May 2022, at the first meeting of the council, a minority-led Labour administration was appointed, succeeding a previous minority-led SNP and Labour administration which was in place during the preceding five years.

89. The political make-up of the council is finely balanced at a time when the council needs to work together to make some difficult strategic decisions. Motions and recommendations at full council meetings can often be decided by multiple rounds of voting.

90. Not every political party engaged with officers in the development of the refreshed business plan, with some members criticising the process for being officer-led during the council meeting debate. Most political parties indicated willingness to offer constructive engagement with officers to shape the plan and influence priorities according to the themes in their political manifestos.

91. The council agreed a business plan with a number of amendments, which were all submitted the day before the full council meeting. There were calls from members for the process to be improved due to the lack of time to scrutinise proposals.

Following concerns from members, there are plans to improve the process for setting the council's annual budget

92. There were similar tensions as the council sought to agree the 2023/24 budget. All parties submitted motions the day before the meeting, and after three rounds of voting an opposition budget was passed. Members of the Governance, Risk and Best Value Committee (GRBV) subsequently called for a review of the process, raising concerns around a lack of transparency and availability of information, concluding it did not represent “a good model for budget setting, transparency or the reputation of the council.”

93. In June 2023, the corporate leadership team provided proposals to change the budget process in future. These include:

- to provide budget training for all councillors
- to start the budget process, particularly identifying change proposals earlier in the year, before summer recess
- to build in support and regular meetings with each political group through the autumn and winter
- that where possible, proposals should be taken through relevant Executive Committees
- that a report is taken to council in September to amend the standing orders to alter the deadline for budget motions to a week and a day before Council.
- the provision of training for members, starting the budget process earlier and requiring budget motions to be submitted an additional week in advance of the meeting.

94. An internal audit report on lessons learned from the budget-setting process was presented to the GRBV in August 2023. This added further recommendations including a review of best practice from other local

authorities. A further “lessons learned” process is planned for the new 2024/25 financial year.

There is evidence of improved relationships between members

95. The May 2022 elections resulted in a change in administration with several first-time councillors elected. There have also been two new officers appointed to senior leadership team in recent months.

96. At the end of 2017, the council, in response to a motion from an elected member, reviewed its arrangements for members to report inappropriate behaviour by other members. We noted in our BVAR report in 2020 that, despite this, relationships between some members were still very strained.

97. From our early discussions and observations at council meetings, we have noted that working relationships between members and officers appear to have improved since the last election, although some tensions remain. While political debate is a normal part of council business, operating within such an environment is challenging for members and officers. As the budget approval process showed, there is scope to strengthen arrangements to support effective collaborative working between members and council staff.

98. The council’s review of political management arrangements in 2022 concluded that the committee structure in place worked for the council with some minor revisions to committee business and structures. These changes were informed by self-evaluations of key executive committees and the Governance, Risk and Best Value committee, which performs a scrutiny function across the council. We will continue to review and assess the effectiveness of collaborative working at the council during our audit appointment.

Appendix 1

Recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Costing of net zero projects</p> <p>The council has identified tackling climate change as a priority, working towards an ambitious ‘net zero by 2030’ target. Plans for reducing emissions compete with other priority policy areas for funding, and significant additional investment will be required to achieve this target.</p> <p>Risk – without a full understanding of the costs involved, the council cannot make informed decisions about where finite resources are targeted.</p>	<p>The council should continue to build on its existing net zero plans to include further detail on specific project costs and budgets. This should include outturn information and details of any additional funding required. This would provide better information for decision-making about prioritising projects which make the most impact and therefore maximising the contribution to achieving its 2030 Climate Strategy goals.</p>	<p>The funding of sustainability actions will be considered as part of the annual budget setting process for 2024/25 and beyond.</p> <p>Delivery will continue to be monitored through our suite of annual climate reports to Policy and Sustainability Committee:</p> <ul style="list-style-type: none"> - Carbon Disclosure Project (CDP) - Public Bodies Climate Change Duties Report - Annual progress report on city wide target - CERP progress report - Climate Strategy Progress Report - International Travel Emissions Report - Adaptation Progress Report - Food Growing Progress Report
<p>2. Workforce plans</p> <p>A workforce plan is in place, but it has not been aligned to the council’s priorities, and lacks detail at a service level.</p> <p>Risk – current workforce service plans across the council are not sufficiently detailed to support effective</p>	<p>The council should develop the people strategy and strategic workforce plan to align with the 2023-27 business plan. The council should develop comprehensive workforce planning on a consistent basis across services, identifying skills gaps and aligning resources to council</p>	<p>Development of People Strategy for 2024-2027 underway for publication from 1 April 2024. This will be aligned to council’s business plan.</p> <p>Workforce Plan for 2024-2027 developed following consideration of above.</p>

service delivery of council priorities.

priorities as set out in the business plan. This would support effective service delivery.

3. Property Action Plan

A refreshed Corporate Property Strategy was approved by the Policy and Sustainability Committee in August 2023. Its predecessor, the Corporate Asset Strategy, was created in 2015. There has been a significant impact on how the council uses its owned properties as a result of changes to working practices, market conditions and environmental and legislative requirements. The council has committed to creating a property action plan, building on the framework created in the property strategy.

The council plans to develop a Property Action Plan to take forward the framework provided by the Corporate Property Strategy to implement changes to working practices due to Covid-19, market conditions and new environmental and legislative requirements.

The action plan should focus on maximising the effective and efficient use of its assets.

Update on development of Property Action Plan to be reported to Policy and Sustainability Committee first quarter 2024.

Annual reviews of progress with the Corporate Property Strategy to be provided from September 2024.

Risk – the council is not maximising its assets in pursuit of its strategic priorities

Leadership of the development of new local strategic priorities

Best Value thematic work in City of Edinburgh Council 2022/23

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Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

Governance, Risk and Best Value Committee

10.00am, Tuesday 31 October 2023

Revenue Monitoring 2023/24 – Month Three Report - 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 projected Council-wide revenue budget position for the year, based on analysis of the first three months' financial data and forecasts of income and expenditure for the remainder of the year which at this stage, was projecting an overall overspend of £13.2m, to the Governance, Risk and Best Value Committee for noting as part of its work programme.

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

Revenue Monitoring 2023/24 – Month Three Report

2. Terms of Referral

2.1 On 21 September 2023 the Committee had continued consideration of the projected Council-wide revenue budget position for the year, based on analysis of the first three months' financial data and forecasts of income and expenditure for the remainder of the year which at this stage, was projecting an overall overspend of £13.2m, to a special meeting of the Finance and Resources Committee where this could be scrutinised in full, with full understanding of each Directorate's pressures.

2.2 On 23 October 2023 the Committee considered an update on the first Council-wide in-year revenue monitoring report for 2023/24.

2.2 Motion

- 1) To note the updates provided in the report by the Executive Director of Corporate Services and that an in-year overspend of £14.0m was now being forecast.
- 2) To note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in- year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years.
- 3) To note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November.
- 4) To note, additionally, the potential for further 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 to ensure a balanced position was achieved by the year-end.
- 5) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.
- 6) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.

- 7) To refer the report to the Governance, Risk and Best Value Committee for noting as part of its work programme.
- 8) Asks officers to pro-actively engage with Edinburgh Leisure to consider all possible options towards paying the real living wage and making it sustainable going forward, in recognition of the contribution that Edinburgh Leisure's staff make to the health and wellbeing of Edinburgh's residents and visitors.
- 9) Affirms our commitment to inclusion and high attendance in our schools and that the skills and experience of our EWOs (Education Welfare Officers) should be retained within our inclusion work, as set out in the original budget proposal details.

- moved by Councillor Watt, seconded by Councillor Dalglish

Amendment 1

- 1) Committee expresses deep concern about the situation facing the IJB and notes that to undertake any actions within the proposed recovery plan risks damage to staff and service users as well as the financial sustainability of health and social care in Edinburgh.
- 2) Committee acknowledges the work done to date on the Medium Term Financial Plan for the IJB, and that continuation of this must be the priority going forward.
- 3) Committee agrees that in order that this situation should not arise again:
 - a) IJB funding including updates on the deficit and progress on the Medium Term Financial Plan should be added as a standard item on the agenda for Finance and Resources meetings going forward;
 - b) Council officers should work with IJB officers to see how budget timings and processes can be brought into closer alignment including ensuring that IJB budgets are available for Councillors to take into consideration when setting CEC budgets. An initial report on this should be brought back to the next F&R Committee Meeting;
 - c) Updates on spending and allocation of the underspend should be brought to all Finance & Resources Committee meetings for the remainder of the financial year.
- 4) Finally, Committee firmly believes the NHS should also contribute to the projected overspend and therefore instructs CEC officers and the Chief Executive to continue to ask the NHS to contribute more funding to the IJB in recognition of the integrated nature of health and social care and that care costs allocated to the Council are preventative, contributing to a reduction in overall NHS spend.
- 5) Welcomes the work done by Council officers to identify uncommitted resources from various service areas and notes that we are now close to being able to cover all of the shortfall in IJB and other service areas.

- 6) Notes that the previous committee recommendations included a recognition of other challenges facing the City of Edinburgh Council outwith health and social care funding.
- 7) Further notes that these challenges include the fact that 1 in 5 children in Edinburgh are growing up in poverty, and that in-work poverty is a growing issue.
- 8) Recognises that anti-poverty measures are preventative, and will reduce the pressure felt by health and social care services in Edinburgh.
- 9) Notes that temporary accommodation costs represent a significant expenditure pressure as set out in the report, and recognises that initiatives to reduce homelessness can help alleviate this pressure.
- 10) Understands that budgets and service demands are liable to change throughout the year, and that confidence in funding is essential to avoid entering damaging short-term cost saving measures.
- 11) Therefore agrees that the underspend should be allocated as suggested in the report with the exception of additional allocations of:
 - a) £1.9m to repeat the 2022/23 cost of living direct payment for every child in the city in receipt of free school meals and school clothing grant, at the sum of £200;
 - b) £1m to reintroduce payments through the Tenant Grant Fund, providing direct payments to individuals and families who are in rent arrears and at risk of homelessness or eviction;
 - c) £473k to Edinburgh Leisure as a one-off additional payment to cover the immediate implementation of the living wage for workers for this financial year and secure agreement for the company to not deviate from this position in future years;
 - d) £150k to reinstate the Council's Education Welfare Officers and reversing the cuts to this service, and reinstating this service, noting that the report recognises that any 'savings' found from this cut have now been reduced to £250k.
- 12) Recognises that use of reserves will require further discussion after referral to Full Council and renumbers accordingly.
- 13) To note, additionally, the potential for further 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 to ensure a balanced position was achieved by the year-end.
- 14) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.
- 15) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.

- 16) To refer the report to the Governance, Risk and Best Value Committee for noting as part of its work programme.

- moved by Councillor Macinnes, seconded by Councillor Mumford

Amendment 2

- 1) To note the updates provided in the report by the Executive Director of Corporate Services and that an in-year overspend of £14.0m was now being forecast.
- 2) To note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in- year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years.
- 3) To note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November.
- 4) To note, additionally, the potential for further 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 to ensure a balanced position was achieved by the year-end.
- 5) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.
- 6) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.
- 7) To refer the report to the Governance, Risk and Best Value Committee for noting as part of its work programme.
- 8) Recognises the deeply concerning 2023/24 financial position of the Edinburgh Integration Joint Board's (EIJB's) Health and Social Care Partnership, with the Council being expected to fund a budgeted overspend of £14.2m.
- 9) Notes the unpublished, EIJB special measures proposals that could be needed to break even in the current year. And further notes that such measures could require extensive cuts to social care packages and critical services, with related impacts on staff, affecting a range of vulnerable service users and their carers.
- 10) Agrees
 - i) it is essential for the adequate provision of social care services in Edinburgh that the EIJB's Medium Term Financial Strategy (MTFS) is brought back on track; and

- ii) that the cuts to essential social care services, proposed in the EIJB's special measures plan, are to be avoided.
- 11) Calls on NHS Lothian to provide an annual financial contribution, in recognition of NHS costs saved, towards the cost of the EIJB's preventative spending to reduce delayed hospital discharges and allow elderly and disabled people to return to their communities.
- 12) Requests greater oversight by the Council's Finance & Resources Committee (F&R) of the implementation of the EIJB's MTFS and instructs officers to ensure that F&R has an update to every meeting for as long as necessary, outlining MTFS progress and setbacks that affect the Council, and input to the EIJB's annual budget process with a view to setting a balanced budget for the Council's share of proposed EIJB spending in 2024/25.
- 13) Agrees that the Council's 2022/23 underspend of £13.3m and additional resource of £0.9m be made available, only to the extent required and no more, to meet the projected 2023/24 EIJB overspend of £14.2m.

- moved by Councillor Ross, seconded by Councillor Younie

Amendment 3

- 1) To note the updates provided in the report by the Executive Director of Corporate Services and that an in-year overspend of £14.0m was now being forecast.
- 2) To note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in- year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years.
- 3) To note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November.
- 4) To note, additionally, the potential for further 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 to ensure a balanced position was achieved by the year-end.
- 5) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.
- 6) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.
- 7) To refer the report to the Governance, Risk and Best Value Committee for noting as part of its work programme.

- 8) Committee is concerned at the additional expenditure pressures at this stage of the financial year and recognises the need to reform the delivery of Council services to reduce the likelihood of future year pressures.
- 9) Committee expresses deep concern about the situation facing the IJB and notes that to undertake any actions within the proposed recovery plan risks damage to staff and service users as well as the financial sustainability of health and social care in Edinburgh.
- 10) Committee acknowledges the work done to date on the Medium-Term Financial Plan for the IJB, and that continuation of this must be the priority going forward.
- 11) Committee agrees that in order that this situation should not arise again:
 - a) IJB funding including updates on the deficit and progress on the Medium-Term Financial Plan should be added as a standard item on the agenda for Finance and Resources meetings going forward;
 - b) Council officers should work with IJB officers to see how budget timings and processes can be brought into closer alignment including ensuring that IJB budgets are available for Councillors to take into consideration when setting CEC budgets. An initial report on this should be brought back to the next F&R Committee Meeting;
 - c) Updates on spending and allocation of the underspend should be brought to all Finance & Resources Committee meetings for the remainder of the financial year.
- 12) Finally, Committee firmly believes the NHS should also contribute to the projected overspend and therefore instructs CEC officers and the Chief Executive to continue to ask the NHS to contribute more funding to the IJB in recognition of the integrated nature of health and social care and that care costs allocated to the Council are preventative, contributing to a reduction in overall NHS spend.

- moved by Councillor Doggart, seconded by Councillor Mowat

In accordance with Standing Order 22(12), Amendments 2 and 3 were accepted as addendums to the Motion.

Voting

The voting was as follows:

For the Motion ((as adjusted)	-	6 votes
For Amendment 1	-	5 votes

(For the Motion (as adjusted): Councillors Dalglish, Doggart, Mowat, Ross, Watt and Younie

For Amendment 1: Councillors Biagi, Macinnes, Mumford, Nols-McVey and Staniforth.)

Decision

- 1) To note the updates provided in the report by the Executive Director of Corporate Services and that an in-year overspend of £14.0m was now being forecast.
- 2) To note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in- year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years.
- 3) To note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November.
- 4) To note, additionally, the potential for further 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 to ensure a balanced position was achieved by the year-end.
- 5) To refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification.
- 6) To refer the report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy.
- 7) To refer the report to the Governance, Risk and Best Value Committee for noting as part of its work programme.
- 8) To ask officers to pro-actively engage with Edinburgh Leisure to consider all possible options towards paying the real living wage and making it sustainable going forward, in recognition of the contribution that Edinburgh Leisure's staff make to the health and wellbeing of Edinburgh's residents and visitors.
- 9) To affirm the commitment to inclusion and high attendance in our schools and that the skills and experience of our EWOs (Education Welfare Officers) should be retained within our inclusion work, as set out in the original budget proposal details.
- 10) To recognise the deeply concerning 2023/24 financial position of the Edinburgh Integration Joint Board's (EIJB's) Health and Social Care Partnership, with the Council being expected to fund a budgeted overspend of £14.2m.
- 11) To note the unpublished, EIJB special measures proposals that could be needed to break even in the current year. And further note that such measures could require extensive cuts to social care packages and critical services, with related impacts on staff, affecting a range of vulnerable service users and their carers.

- 12) To agree
 - i) it was essential for the adequate provision of social care services in Edinburgh that the EIJB's Medium Term Financial Strategy (MTFS) was brought back on track; and
 - ii) that the cuts to essential social care services, proposed in the EIJB's special measures plan, were to be avoided.
- 13) To call on NHS Lothian to provide an annual financial contribution, in recognition of NHS costs saved, towards the cost of the EIJB's preventative spending to reduce delayed hospital discharges and allow elderly and disabled people to return to their communities.
- 14) To request greater oversight by the Council's Finance and Resources Committee (F&R) of the implementation of the EIJB's MTFS and instructs officers to ensure that F&R had an update to every meeting for as long as necessary, outlining MTFS progress and setbacks that affected the Council, and input to the EIJB's annual budget process with a view to setting a balanced budget for the Council's share of proposed EIJB spending in 2024/25.
- 15) To agree that the Council's 2022/23 underspend of £13.3m and additional resource of £0.9m be made available, only to the extent required and no more, to meet the projected 2023/24 EIJB overspend of £14.2m.
- 16) To note concern at the additional expenditure pressures at this stage of the financial year and recognise the need to reform the delivery of Council services to reduce the likelihood of future year pressures.
- 17) To express deep concern about the situation facing the IJB and note that to undertake any actions within the proposed recovery plan risked damage to staff and service users as well as the financial sustainability of health and social care in Edinburgh.
- 18) To acknowledge the work done to date on the Medium-Term Financial Plan for the IJB, and that continuation of this must be the priority going forward.
- 19) To agree that in order that this situation should not arise again:
 - a) IJB funding including updates on the deficit and progress on the Medium-Term Financial Plan should be added as a standard item on the agenda for Finance and Resources meetings going forward;
 - b) Council officers should work with IJB officers to see how budget timings and processes could be brought into closer alignment including ensuring that IJB budgets were available for Councillors to take into consideration when setting CEC budgets. An initial report on this should be brought back to the next F&R Committee Meeting;
 - c) Updates on spending and allocation of the underspend should be brought to all Finance & Resources Committee meetings for the remainder of the financial year;

- 20) To firmly believe the NHS should also contribute to the projected overspend and therefore instruct CEC officers and the Chief Executive to continue to ask the NHS to contribute more funding to the IJB in recognition of the integrated nature of health and social care and that care costs allocated to the Council be preventative, contributing to a reduction in overall NHS spend.

3. Background Reading/ External References

Minute of the Finance and Resources Committee of 23 October 2023.

4. Appendices

Appendix 1 – Report by the Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Monday, 23 October 2023

Revenue Monitoring 2023/24 – month three report update

Executive/routine
Wards

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked:
 - 1.1.1 to note the updates provided in the report and that an in-year overspend of £14.0m is now being forecast;
 - 1.1.2 to note that, without the identification of additional mitigating actions, even full application of the unallocated 2022/23 underspend would leave a residual in-year pressure of £0.8m, as well as giving rise to recurring underlying pressures in future years;
 - 1.1.3 to note, in the absence of any improvement to the projected position reported to the meeting on 21 September, the continuing recommendation that no new commitments be taken on at this time pending a further update to the Committee's next meeting on 21 November;

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Richard Lloyd-Bithell, Service Director: Finance and Procurement,
Finance and Procurement Division, Corporate Services Directorate

E-mail: richard.lloyd-bithell@edinburgh.gov.uk

- 1.1.4 to note, additionally, the potential for further 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 to ensure a balanced position is achieved by the year-end;
- 1.1.5 to refer, the above notwithstanding and recognising the importance of achieving in- and future years' financial balance, any recommendation on allocation of the 2022/23 underspend to Council for ratification;
- 1.1.6 to refer this report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy; and
- 1.1.7 to refer this report to the Governance, Risk and Best Value Committee for noting as part of its work programme.

Revenue Monitoring 2023/24 – month three report update

2. Executive Summary

- 2.1 Following initial consideration on 21 September 2023, the report provides members with an update on a number of agreed actions arising from the Committee's scrutiny of the first Council-wide in-year revenue monitoring report for 2023/24.

3. Background

Provisional outturn position, 2022/23

- 3.1 Members approved submission of the Council's 2022/23 unaudited accounts to the external auditor on 22 June 2023, with the overall position indicating a provisional underspend of some £13.7m. At that time, however, the Edinburgh Integration Joint Board (EIJB) was also projecting a significant in-year deficit for 2023/24 of at least £14m.
- 3.2 In this context, it was therefore noted that the September 2023 meeting of the Finance and Resources Committee would consider the first Council-wide in-year revenue monitoring report, including progress in addressing the EIJB funding shortfall. It was further agreed that recommendations on the allocation of any underspend from 2022/23 would be made at this time once the outcome of the audit process was also known.

Month three forecast, 2023/24

- 3.3 On 21 September 2023, members of the Committee then considered a report setting out the projected Council-wide revenue budget position for 2023/24, based on analysis of the first three months' financial data and forecasts of income and expenditure for the remainder of the year. An overall projected overspend of £13.2m was indicated, including an increased funding shortfall of £16.7m within the EIJB.

- 3.4 Without the identification of additional mitigating actions, it was noted that achieving a balanced in-year position would require full application of the 2022/23 audited underspend, as well as giving rise to recurring underlying pressures for future years. The report furthermore noted the potential for additional risks to emerge during the remainder of the year, particularly in respect of the 2023/24 non-teaching employee pay award. Given all of these factors, it was recommended that no additional commitments be taken on until the underlying position had improved.
- 3.5 In considering the report, members of the Committee agreed:
- (i) to note that, as of month three, an overall overspend of £13.2m is being forecast;
 - (ii) to note that, without the identification of additional mitigating actions, this would require full application of the 2022/23 underspend to achieve a balanced in-year position, as well as giving rise to recurring underlying pressures in future years;
 - (iii) to note the potential for further 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;
 - (iv) 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;
 - (v) to note that in addition to the significant financial pressures facing the EIJB and health and social care services, people in Edinburgh are facing a cost of living crisis and the impact of the climate and nature emergencies on the city continue to demand our urgent attention;
 - (vi) to note the Edinburgh Integration Joint Board's net funding gap of £16.7m despite the agreement of the full programme of savings presented at the EIJB meeting in June 2023;
 - (vii) to note that, since this Programme was agreed, the funding gap had increased significantly and an accurate representation of the current financial position had not yet been presented to the EIJB, with this scheduled for 21 September 2023;
 - (viii) to note that, despite the growing pressures, the Finance and Resources Committee has had limited involvement up to this point with the detail and context of this position;
 - (ix) to therefore, agree to defer the report to a special meeting of the Finance and Resources Committee, to be scheduled for 9 October 2023 (subsequently revised to 23 October 2023), where the report will be scrutinised in full, with a full understanding of each Directorate's pressures,

and referred to the next Full Council meeting on 2 November 2023 for formal decision;

- (x) to agree that, in the interim, briefing sessions will be arranged between the EIJB's Executive Management Team and Finance and Resources Committee members to understand and consider the reported budget pressure for 2023/24 and the planned mitigating actions;
- (xi) recognise the additional pressures due to greater-than-assumed inflation and service demand; and
- (xii) agree in principle to meet additional financial requirements for 2023/24 in respect of inflationary pressures. Such agreement is subject to further information provided to Committee in one cycle.

4. Main report

Meeting of EIJB, 21 September 2023

- 4.1 At the meeting of the EIJB on 21 September 2023, the Chief Finance Officer (CFO) presented a report confirming that there had been no agreed resolution to the in-year deficit of £16.7m noted above. This sum assumes full delivery of the EIJB savings programme (including those approved by the EIJB in June) and that purchasing growth estimates are not exceeded.
- 4.2 In view of this position and the stage of the financial year, the Integration Scheme requires the CFO to produce a recovery plan and present it to the EIJB. This work is in train and, in the absence of any agreement to address the shortfall in full by that time, will be considered by the Board on 16 November. Opportunities to deliver savings which do not impact on service delivery and can be realised by the end of the financial year are, however, assessed by the Interim Chief Officer to have been exhausted. Any such recovery plan will therefore set out proposals for service reductions which will inevitably lead to poorer outcomes for people, worsen performance and endanger delivery of the improvement plan.

Member briefing sessions

- 4.3 As agreed by the Committee on 21 September 2023, briefing sessions between the EIJB's Executive Management Team and members of this Committee to understand and consider the reported budget pressure for 2023/24 and the planned mitigating actions have been convened. The first session, held on 2 October, provided background to the projected financial position and outlined required governance as defined by the Integration Scheme. The second session, held on 11 October, focused on the anticipated content of the recovery plan.
- 4.4 The EIJB management team is focusing heavily on medium- to long-term financial and improvement planning. A requirement to implement short-term savings would

detract from this focus. It would also adversely affect service delivery and not enable the Partnership to implement the improvement plan approved by the EIJB and agreed by Council in June 2023, as well as potentially adding to future years' costs. Due to the timescales for implementation, there might also be insufficient opportunity to plan and communicate, with a corresponding increase in levels of complaints and reduced satisfaction from the public.

Directorate outturns

- 4.5 Since the Committee's meeting on 21 September, there have no changes to Directorate outturns for [Children, Education and Justice Services](#), [Place](#) and [Corporate Services](#) as set out in the respective recent reports to relevant Executive Committees. A further Council-wide update will be presented to the Finance and Resources Committee on 21 November, complemented by more detailed reporting to Executive Committees.

Additional financial requirements for inflationary pressures, 2023/24

- 4.6 As noted in a series of recent revenue monitoring reports, the Council's budget has been subject to unprecedented levels of inflationary pressure since early 2022. While, due to the timing of their emergence, these pressures required to be managed in-year during 2022/23, the approved budget for 2023/24 included explicit upfront provision for a number of these as noted in Appendix 1. As such, the majority of observed inflationary impacts are able to be contained within the approved level of provision for the year.
- 4.7 Unbudgeted inflationary pressures of £3.1m are apparent across the areas of temporary accommodation provision, vehicle spot hires and home-to-school transport. These pressures are, however, being offset by related savings elsewhere within relevant divisions and, as such, there is no net additional requirement for funding.

Non-teaching employee pay award, 2023/24

- 4.8 On 22 September 2023, COSLA as employer made a "best and final" offer to the non-teaching trade unions with a view to avoiding industrial action. This offer increased the in-year value of the pay uplift across local government by some £90m, comprising £80m from the Scottish Government, supported through a one-off reprioritisation/redirection of funding, and a £10m recurring contribution from councils, with Edinburgh's proportionate share being £0.8m. Although this offer has been rejected by members of the largest representative trade union UNISON, this level of provision is assumed to be the least required to secure settlement.

Overall updated position

- 4.9 While opportunities to identify offsetting savings, including in corporate budgets, will continue to be examined over the coming months, at this stage no mitigations to the

above additional pressure have been identified, resulting in an increase in the projected overall overspend to £14.0m.

- 4.10 Given this deterioration and the advice provided in the report to the Committee's previous meeting on 21 September, the recommendation that no new commitments be taken on until the underlying position has improved remains unchanged. A further update will be provided in the Committee's next meeting on 21 November 2023.

5. Next Steps

- 5.1 Given the range of pressures outlined in the report to the Committee on 21 September, Executive Directors will require to bring forward measures to offset these and wider risks within their respective areas of responsibility during 2023/24. 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 An overall overspend of £14.0m is now forecast, albeit with a number of further risks highlighted. Failure to break even in 2023/24 would increase the savings requirement in 2024/25 due to a need to reinstate the General Fund unallocated reserve. Any need to utilise part or all of the 2022/23 underspend in the current year also reduces the options to address future years' budget gaps and means existing expenditure is exceeding in-year resources.
- 6.2 This position 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. Equality and Poverty Impact

- 7.1 There are no direct relevant impacts arising from the report's contents.

8. Climate and Nature Emergency Implications

- 8.1 There are no direct relevant impacts arising from the report's contents.

9. Risk, policy, compliance, governance and community impact

9.1 Subject to members' decision on the allocation of the 2022/23 underspend, there may be a need, as part of the EIJB recovery plan, to implement measures impacting adversely on people and performance. In discussions with the EIJB Interim Chief Officer, potential impacts including the following have been highlighted:

- (i) reductions in levels of support for informal carers;
- (ii) reductions in the quantity and quality of care provided for service recipients;
- (iii) increased waiting times for initial needs assessments to be undertaken, reversing the improvements apparent in recent months;
- (iv) increased waiting times for those awaiting a package of care, day care or other service;
- (v) reductions in the level of grant support for community organisations; and
- (vi) increases in the number of people being delayed in their discharge from hospital, again reversing improvements apparent over the past year.

10. Background reading/external references

- 10.1 [Revenue Budget Monitoring 2023/24 – Month Three Position](#), Transport and Environment Committee, 12 October 2023
- 10.2 [Culture and Communities: Revenue Budget Monitoring 2023/24 – Month Three position](#), Culture and Communities Committee, 5 October 2023
- 10.3 [Housing and Homelessness and Business Growth and Inclusion: Revenue Budget Monitoring 2023/24 – Month Three position](#), Housing, Homelessness and Fair Work Committee, 3 October 2023
- 10.4 Revenue Monitoring 2023/24 – month three report, Finance and Resources Committee, 21 September 2023 (appended)
- 10.5 [Finance Update](#), Edinburgh Integration Joint Board, 21 September 2023
- 10.6 [Revenue Monitoring 2023/24 – month three report](#), Education, Children and Families Committee, 5 September 2023

11. Appendices

- 11.1 Appendix 1 – Inflation-related provisions included within the budget framework for 2023/24
- 11.2 Appendix 2 - Revenue Monitoring 2023/24 – month three report, Finance and Resources Committee, 21 September 2023

Inflation-related provisions included within the budget framework for 2023/24

Area	Current provision	Adequacy of current provision
Pay - teaching	Core provision of 3% has been supplemented by additional sums received from the Scottish Government to underpin the (accepted) offer covering the period from April 2023 to March 2024.	Agreed settlement fully funded
Pay - non-teaching	Core provision of 3% has been supplemented by additional sums received from the Scottish Government and councils sufficient to underpin offer made to representative trade unions by COSLA on 22 September 2023.	The revised offer made on 22 September 2023 reflects an assumed £10m recurring contribution from councils, with an estimated in-year and continuing call on the Council of £0.8m. Although recurring funding will need to be identified going forward, the other £80m underpinning the latest offer provided through in-year flexibilities and underspends is net-neutral on the Council's budget in 2023/24.
Energy - electricity (including street lighting, traffic signals and homelessness)	The budget framework includes provision equal to a 53% year-on-year increase in tariffs, after consolidating sums originally provided in 2022/23.	While the in-year level of tariff increase has risen beyond the level assumed in the framework, the increase is able to be contained within the additional cumulative energy provision since 2022/23.
Energy - gas	The budget framework includes provision equal to a 8% year-on-year increase in tariffs, after consolidating sums originally provided in 2022/23.	Based on current projections, this sum is assessed to be sufficient.
Contracts (PPP)	Overall provision is between 5% and 9%, depending on the specific contract and contract line. Levels of uplift are specifically linked to published CPI and RPI indices for February 2023.	Applicable contract uplifts are based on confirmed historic indices. Based on these ideas, the sums required may be contained fully within the budget framework level of provision.
Non-Domestic Rates (poundage)	Although sums have separately been included in the budget framework for the impact of the rates revaluation, as the core poundage for 2023/24 is unchanged from 2022/23, no specific sums have been set aside for this element.	No specific provision required
Contracts (ICT)	The budget framework reflects an inflationary uplift of 2.5%, aligned to the capped applicable level of increase.	The level of provision is sufficient to meet liabilities in full.

Area	Current provision	Adequacy of current provision
Contracts (general)	Although the budget framework includes a core level of provision of 3% for a number of categories of expenditure subject to inflationary pressures, the approved budget for 2023/24 also included a general allocation of £5m in recognition of the exceptional impact of cumulative increases in 2022/23 and 2023/24.	Although actual provision will be subject to demonstrated need, the £5m is indicatively assumed to be allocated to the following main areas: (i) Children, Education and Justice Services (including independent schools, fostering and kinship fees) - £1.8m; (ii) Millerhill gate fee - £1.0m; (iii) NSL (parking) uplift - £1.2m; (iv) fuel - £0.5m; and (v) others (various) - £0.5m.

A number of other relevant pressures are not able to be contained within budget framework provision and, as such, are reflected in service projections as pressures. These are:

Area	In-year estimated pressure (£m)	
Temporary Accommodation Inflation	1.700	Work is ongoing with service to establish contracted and spot purchase inflation for Private Sector Leasing, B&B, etc. The resulting pressure is currently being fully offset by forecast vacancy and contract savings in Housing and Homelessness.
Spot Hire Inflation	0.721	Hire costs increased by between 25% and 33% in February/March 2023. The resulting pressure is assumed to be offset by additional income from the Millerhill Recycling and Energy Recovery Centre elsewhere within the Operational Services Division.
Third Party School Transport	0.700	10% to 20% uplifts were applied in August 2023. These form part of wider budget pressures which are being considered through the Strategic Programme Board and an update on progress with mitigation of budget pressures will be reported to the Education, Children and Families Committee.
	3.121	

Finance and Resources Committee

10.00am, Thursday, 21 September 2023

Revenue Monitoring 2023/24 – month three report

Executive/routine
Wards

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note that, as of month three, an overall overspend of £13.2m is being forecast;
 - 1.1.2 note that, without the identification of additional mitigating actions, this would require full application of the 2022/23 underspend to achieve a balanced in-year position, as well as giving rise to recurring underlying pressures in future years;
 - 1.1.3 note the potential for further 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;
 - 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;
 - 1.1.5 refer this report to Council to ratify use of the Spend to Save fund to support preparatory work for the Edinburgh Visitor Levy; and
 - 1.1.6 refer this 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: 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

Revenue Monitoring 2023/24 – month three report

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 three months' financial data and forecasts of income and expenditure for the remainder of the year. At this stage, an overall overspend of £13.2m is being projected. Without the identification of additional mitigating actions, this would require full application of the 2022/23 audited underspend to achieve a balanced in-year position, as well as giving rise to recurring underlying pressures for future years. There is furthermore the potential for further risks to emerge during the remainder of the year, particularly in respect of the 2023/24 non-teaching employee pay award. Given all of these factors, no additional commitments should be taken on until the underlying position has improved.
- 2.2 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 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 23 February 2023, Council approved a balanced revenue budget for 2023/24 based on the Council's provisional grant funding allocation and a 5% increase in Council Tax rates. This grant funding allocation was confirmed following approval of the 2023/24 Local Government Finance Order on 1 March 2023.
- 3.2 The principal elements of the approved budget include the following:
- (i) £3.357m of additional service investment, comprising £3.078m of spending on gully cleaning, fly-tipping, street-sweeping and graffiti removal and £0.279m to supplement staffing resource within the Council's Climate and Sustainability team;

- (ii) a further £19.1m to reflect demand-led pressures in Homelessness Services, £3.9m for incremental demographic-related growth (excluding services falling within the auspices of the Edinburgh Integration Joint Board) primarily in Education, Children and Justice Services and an additional £1.0m to support implementation of the recommendations of the Independent Inquiry and review of whistleblowing culture undertaken as part of the Tanner Review;
- (iii) £11.0m of provisions in respect of the on-going financial impacts of the pandemic, assessed at this time to be sufficient to meet relevant liabilities in full, comprising £6m for the continuing loss of the Lothian Buses dividend, up to £3m for reductions in parking income and up to £2m of additional funding support to Edinburgh Leisure; and
- (iv) £26.6m of approved savings and additional income, with this total including consolidation of sums first received in 2022/23.

4. Main report

Directorate projections

Education, Children and Justice Services – net pressure of £5.5m

- 4.1 The first quarter's monitoring forecast for the Directorate shows a net pressure of £5.5m. Significant gross elements of pressure within the forecast include £3.0m in Children's Services for residential and secure accommodation. While numbers in external residential accommodation are decreasing, this remains above budgeted levels and placement costs continue to increase.
- 4.2 Pressures of £2.5m are also forecast within Home to School Transport, primarily reflecting the combined impact of growing service demand, contract inflation and shortfalls against previously approved savings targets. A further reduction in ringfenced funding for Early Years following the transition to a fully needs-based allocation methodology has contributed to an in-year pressure of £3.5m. Shortfalls against approved savings of £0.8m are also reflected in the forecast.
- 4.3 At this stage, anticipated net mitigations across the wider service of £4.3m have been identified, comprising a £1.8m allocation from the £5m Council-wide inflationary contingency approved as part of the 2023/24 budget and £2.5m from non-recurring staffing underspends, resulting in an overall £5.5m residual pressure.

Place – net pressure of £1.95m

- 4.4 As of month three, the Directorate is projected an overall adverse variance of £1.95m. This reflects net pressures of £1.35m within the Housing and Homelessness Division, in turn primarily attributable to contractual inflationary uplifts in excess of budgetary provision and changes in benefit eligibility, partially offset by underspends in staffing and commissioning costs.

- 4.5 Net pressures of £1.5m are also apparent across the Culture and Wellbeing Division, in the main due to a range of legacy pressures, including £0.8m within Libraries and £0.4m in respect of winter festivals.
- 4.6 Set against these are savings totalling £0.9m across the Operational Services and Sustainable Development Divisions, resulting in an overall service pressure of £1.95m. The Executive Director and his Senior Management Team are committed to developing further mitigating measures, in consultation with elected members where appropriate, with a view to achieving a balanced position by the year-end.

Corporate Services – net underspend of £0.4m

- 4.7 As outlined in a report elsewhere on today’s agenda, the Executive Director of Corporate Services is projecting an overall service underspend of £0.412m, reflecting additional savings in employee costs relative to approved targets.

Edinburgh Integration Joint Board (EIJB) – net funding gap of £16.7m

- 4.8 A pressure of £16.7m is projected at this time, with further details provided in Appendix 1.

Other pressures

- 4.9 The current overall projection also reflects £1m in-year liabilities for each of (i) Brunstane Primary School investigative works and decant costs and (ii) anticipated additional costs incurred as a result of buildings not being usable as a consequence of Reinforced Autoclaved Aerated Concrete (RAAC) panels. Additional details are included in Appendix 2. It is likely that remedial costs will be incurred in future years.

Corporate budget savings

- 4.10 Given the £25.7m of pressures outlined in the preceding sections, opportunities to address these through available savings in corporate areas have been examined. As of period three, the following anticipated mitigations have been identified:

	Anticipated saving relative to budget levels, £m	Comments
Council Tax	2.600	Projection based on confirmed 2022/23 income levels, analysis of subsequent changes in the size and profile of the Council Tax base and anticipated collection rates and required bad debt provision
Interest and investment income	6.000	Projection reflecting available cash balances and interest rates
Tram extension - additional running cost support	3.500	Reduced funding support based on extrapolation of current passenger levels and associated fare income
Application of audited underspend for 2022/23	0.379	Being the use, agreed under urgency provisions, of a small element of the audited 2022/23 underspend for required health and safety works in the North Merchiston and Castlegreen Care Homes
	12.479	

Employee pay award, 2023/24

- 4.11 While the 2023/24 teachers' pay award has previously been agreed, negotiations on the non-teaching equivalent remain in progress. Through a combination of baseline provision and additional Scottish Government funding, the budget framework includes sums equivalent to an average in-year increase of 5.5%, aligned to the current employer's offer. This offer has, however, been rejected by the representative trade unions. Should it be necessary to improve the existing offer to secure settlement, each 1% improvement without the provision of corresponding Scottish Government funding would give rise to a recurring pressure of £4.4m.

Inflationary pressures

- 4.12 In-year reports considered by the Committee in 2022/23 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. In recognition of these impacts, the approved budget for 2023/24 includes significant additional sums for increased energy costs and other contract uplifts, as well as a £5m contingency to address a range of other relevant impacts. These baselined sums mean that the majority of inflationary impacts are now anticipated to be contained within core budgets, with any exceptions to this noted in service narratives.

Overall position

- 4.13 Taken together, the net impact of anticipated pressures in service areas less corporate or other savings points to a projected overspend of £13.2m as shown in Appendix 3. **In the absence of further mitigations being identified, full application of the 2022/23 underspend against these pressures would therefore be required to achieve a balanced overall in-year position.** There is, additionally, the potential for further risks to emerge during the remainder of the year, particularly regarding the 2023/24 non-teaching pay award and other inflationary uplifts. Given all of these factors, no additional commitments should be taken on until the underlying position has improved.
- 4.14 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.

Savings delivery

- 4.15 The 2023/24 approved budget is underpinned by the delivery of approved savings and additional income of £26.6m. As shown in Appendix 4, 67% by value are assessed as green, with the majority of the remainder rated as amber. Deliverability assessments of the latter, and where necessary identification of mitigating offsetting measures in the case of shortfall, remain in progress.

Spend to Save Fund

- 4.16 An application for support through the Council's Spend to Save Fund is included in Appendix 5. Subject to members' approval, this will be referred to Council for ratification.

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 2023/24. 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 three, an overall overspend of £13.2m is forecast, albeit with a number of further risks highlighted. Failure to break even in 2023/24 would increase the savings requirement in 2024/25 due to a need to reinstate the General Fund unallocated reserve. Any need to utilise part or all of the 2022/23 underspend in the current year also reduces the options to address future years' budget gaps and means existing expenditure is exceeding in-year resources.
- 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. Equality and Poverty Impact

- 7.1 There are no direct relevant impacts arising from the report's contents.

8. Climate and Nature Emergency Implications

- 8.1 There are no direct relevant impacts arising from the report's contents.

9. Risk, policy, compliance, governance and community impact

- 9.1 There are no direct relevant impacts arising from the report's contents.

10. Background reading/external references

- 10.1 [Finance Update](#), Edinburgh Integration Joint Board, 8 August 2023
- 10.2 [Unaudited Annual Accounts 2022/23](#), The City of Edinburgh Council, 22 June 2023
- 10.3 [Revenue Budget 2023-24 Update - referral from the City of Edinburgh Council](#), Finance and Resources Committee, 30 March 2023
- 10.4 [Liberal Democrat Group Budget Motions](#), City of Edinburgh Council, 23 February 2023
- 10.5 [Revenue Budget Framework 2023/27 – progress update](#), Finance and Resources Committee, 7 February 2023

11. Appendices

- 11.1 Appendix 1 – Edinburgh Integration Joint Board – projected position, 2023/24
- 11.2 Appendix 2 – Additional details of Brunstane Primary School investigative works and decant costs and remedial costs for buildings including Reinforced Autoclaved Aerated Concrete (RAAC) panels
- 11.3 Appendix 3 - 2023/24 Revenue Budget – Projected Expenditure Analysis
- 11.4 Appendix 4 - Approved savings, 2023/24 – current status
- 11.5 Appendix 5 – Spend to Save application – Edinburgh Visitor Levy

Edinburgh Integration Joint Board – projected position, 2023/24

In March 2023, the EIJB considered the 2023/24 financial plan and agreed the first phase of the associated savings and recovery programme (SRP). The second phase, along with further mitigating actions, was then agreed in June 2023. At this point, the plan remained unbalanced with a deficit, assuming full savings delivery, of £14.2m. The Board accepted the recommendation from officers that bridging this residual gap would require measures which would have significantly negative in- and future-year consequences for people and performance more generally.

At the Board's request, the Chair and Vice Chair wrote to Scottish Ministers setting out the challenge posed by the financial position and the potential implications of delivering additional savings. A response was received on 18 August 2023 which, while acknowledging the extent of current workforce shortages, financial constraints and increased demand, did not result in the provision of any additional resources. Similarly, NHS Lothian has indicated it is unable to provide any further funding to the EIJB.

The EIJB Chief Finance Officer presented a further update to the Board's meeting on 8 August 2023, indicating that the £14.2m deficit remained unchanged. Subsequent detailed monitoring completed by Council staff in July and August points to a further pressure, mainly due to additional spend in purchasing, of £2.5m, increasing the total gap to £16.7m. This forecast also reflects £0.379m of expenditure to meet the costs of urgent capital upgrades to the North Merchiston and Castlegreen Care Homes.

The EIJB Chief Financial Officer has been requested to prepare a recovery plan to the Board in line with the provisions of the Partnership Agreement. No additional savings against the gap of £16.7m are assumed in this report. While opportunities to deliver in-year savings will continue to be pursued, given both the stage of the financial year and focus on developing proposals for 2024/25 as part of the Medium-Term Financial Plan, their likely level is correspondingly reduced.

Brunstane Primary School – investigative works and decant costs

Pupils and teaching staff from Brunstane Primary School have been relocated to other local schools after a decision was taken to close the building as a precaution ahead of the start of the new 2023/24 term.

Ongoing investigations relating to planned energy retrofit works at the school revealed issues with the ground conditions including a small hole in an area of the playground next to the main school building. The site of the school contains historic coal mine workings and the Council is working closely with the Coal Authority to establish the exact cause and extent of the issue. An action plan will be drawn up to decide what remedial work is needed so the school can reopen as soon as possible.

Pupils and teaching staff have been relocated to other schools in the area since the start of the new term. Magdalene Community Centre is also on the site and alternative venues are being considered for the community groups who use that building. Buses are being provided to transport Brunstane pupils to and from their host schools.

Estimated costs

The tests and investigations will take time to complete and their outcome will establish what remedial measures are required. On a worst-case scenario, this could be over a period of six to twelve months.

Costs will be incurred with the decant (including additional education, catering and school transport-related expenditure), on-going investigations and the resulting required remedial work. Work to collate these costs, all assumed to be of a revenue nature, is on-going. Although the position is currently being confirmed, it is unlikely that insurance will cover the costs concerned.

It is estimated at this stage that in-year costs may be up to £1m, with a further update to be provided in the month five report.

Reinforced Autoclaved Aerated Concrete (RAAC) Panels – remedial costs

RAACs are a form of lightweight concrete plank commonly used in roofs, walls, cladding, floors and eaves in the 1960s to 1980s with local authorities using them in a variety of buildings including many schools. Safety concerns have recently been raised as to the strength of these panels, initiating an urgent inspection process.

The Council has followed a prioritisation process for surveying the operational estate which has initially focused on the learning estate. Surveys have been carried out across the learning estate in phases. Phase 1 focused on the buildings where RAAC was most likely to have been used during construction and Phase 2 focused on buildings where it was possible RAAC would be present but less likely or restricted to smaller areas of the school.

In the first phase of surveys, four buildings were identified with RAAC and at two of these – Trinity Primary School and Cramond Primary School - due to the condition of the RAAC, mitigation measures were progressed. The other two instances of RAAC were in areas of buildings which are not used operationally. The second phase of surveys across the estate during the summer has identified RAAC in a further five operational school buildings.

At Trinity Primary School and Cramond Primary School, temporary accommodation has been provided during the summer to compensate for the classroom spaces which can no longer be used. The roofs in the areas of the school which contain RAAC will need to be replaced and the process to procure a contractor for this has commenced.

During the second phase of surveys, RAAC has been identified at Fox Covert Primary School (including St Andrews Fox Covert RC Primary School Primary School Campus), Colinton Primary School, Pentland Primary School, Lorne Primary School and Currie High School

Officers from a variety of Council services have been working with these schools to put in place mitigation measures which allowed them to remain operational for the beginning of term. Solutions have been developed for each school which can be contained within the existing school sites and will not require any additional accommodation to be provided.

Surveys will continue to be progressed across the operational estate following the process outlined in the Department of Education Guidance. There are limited surveys still to be carried out in the learning estate and, once finalised, surveys will be progressed across the remainder of the operational estate.

Due to the continuing nature of investigations, precise quantification of costs is not yet possible. Based on the level of expenditure incurred thus far and the expectation that costs relating to ceiling replacements will be of a revenue nature, however, a £1m provision has been included at this time, with a further update to be included in the month five report. In-year costs exclude any replacement of ceilings.

	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)	86,228	27,301	27,071	(230)	85,816	(412)	(0.5)
Children, Education and Justice Services	449,460	108,396	111,207	2,811	454,960	5,500	1.2
Health and Social Care	294,504	73,846	77,437	3,591	311,204	16,700	5.7
Place	253,191	60,982	62,179	1,197	255,141	1,950	0.8
Lothian Valuation Joint Board	3,774	944	944	0	3,774	0	0.0
Directorate / Division total	1,087,158	271,468	278,837	7,369	1,110,896	23,738	2.2
Non-service specific areas							
Loan Charges / interest and investment income	79,992				73,992	(6,000)	(7.5)
Other non-service specific costs less sums to be disaggregated:	38,225				38,225	0	0.0
- Non-Domestic Rates (poundage uplift/impact of revaluation)	3,213				3,213	0	0.0
- Energy (additional provision relative to approved 2022/23 budget)	16,700				16,700	0	0.0
- Discretionary Rates	720				720	0	0.0
Additional Investment to disaggregate	1,187	0	0	0	1,187	0	0.0
Tram Shares	8,500	0	0	0	8,500	0	0.0
Council Tax Reduction Scheme	28,647	n/a	n/a	n/a	28,647	0	0.0
Non Domestic Rates Relief (pending formalisation of any changes to current policy)	14,979	n/a	n/a	n/a	14,979	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
Brunstane Primary School - exploratory survey and decant costs	0	n/a	n/a	n/a	1,000	1,000	n/a
Reinforced Autoclaved Aerated Concrete (RAAC) Panels	0	n/a	n/a	n/a	1,000	1,000	n/a
Non-service specific areas total	194,536	0	0	0	190,536	(4,000)	(2.1)
Movements in reserves							
Net contribution to / (from) earmarked funds	(39,679)	0	0	0	(43,559)	(3,880)	9.8
Movements in reserves total	(39,679)	0	0	0	(43,559)	(3,880)	9.8
Sources of funding							
General Revenue Funding	(519,403)	(129,851)	(129,851)	0	(519,403)	0	0.0
Non-Domestic Rates	(377,317)	(94,329)	(94,329)	0	(377,317)	0	0.0
Council Tax	(345,295)	(86,324)	(86,324)	0	(347,895)	(2,600)	(0.8)
Sources of funding total	(1,242,015)	(310,504)	(310,504)	0	(1,244,615)	(2,600)	(0.2)
In-year (surplus) / deficit	0	(39,035)	(31,666)	7,369	13,258	13,258	1.1

Proposal description/area	2023/24 Approved Saving	Saving BRAG assessment				Confirmed or planned mitigating actions where full or partial shortfall in delivery identified
		Green	Amber	Red	Black	
		£'000	£'000	£'000	£'000	
Children, Education and Justice Services						
Multi-system Therapy Services	500	500	0	0	0	
Wellington School Former monies	340	340	0	0	0	
Review of contract spend with partners, remove duplication	904	400	0	504	0	Achievement of full saving to be reviewed with service managers
Education Welfare Officers	400	150	0	250	0	Reflects a delay in scheduled implementation from August 2023 to January 2024
Fees and charges (total)	199	199	0	0	0	
Corporate Services						
Customer - promotion of online services	165	165	0	0	0	
Staffing savings - vacancy and turnover management	1,173	1,173	0	0	0	
Management savings	223	223	0	0	0	
Salary Sacrifice savings	225	225	0	0	0	
Scottish Water agency collection fee	90	90	0	0	0	
Fees and charges (total)	20	20	0	0	0	
Place						
Road Construction Consent Inspections	400	335	65	0	0	
Strategic Review of Parking	2,000	1,000	1,000	0	0	Although initial projections are consistent with business case assumptions, implementation remains at a relatively early stage and further evidence is required before greater assurance can be obtained.
Homelessness - No recourse to public funds	3,000	3,000	0	0	0	
Non-core cultural grants	250	0	250	0	0	Further discussion on detailed means of achievement of saving is required.
Homelessness - supply-side initiatives	2,325	0	2,325	0	0	Realisation of this saving is linked to 500 Housing Revenue Account (HRA) void properties coming into use during 2023/24. This process has been delayed, with the properties now expected to become available between October 2023 and March 2024, 70% of which will be allocated to homeless households. Given the level of saving predicated on this assumption, the position will be kept under active review.
Income recovery in Regulatory and Planning and Building Standards	500	0	500	0	0	Income received in the year to date is lower than in 2022/23; delivery of the saving will therefore be kept under close review.
Organisational Reviews	530	170	160	200	0	Saving associated with Transport and Environment Organisational Review currently assessed as amber pending final staff matching and associated savings confirmation. Timescales for Public Safety and Resilience Organisational Review have slipped, resulting in majority of in-year savings being assumed not to be delivered.

Proposal description/area	2023/24 Approved Saving	Saving BRAG assessment				Confirmed or planned mitigating actions where full or partial shortfall in delivery identified
Fees and charges	2,935	1,499	1,436	0	0	Majority of amber-assessed element relates to parking-related uplifts pending further months' evidence of actual income received following 20% overall increase in parking charges implemented in early June. Impact of 11% increase in most cultural fees and charges being assessed.
Estate rationalisation and property savings	500	320	180	0	0	Level of anticipated additional rental income to be confirmed.
Garden waste income consolidation	400	400	0	0	0	
Bus lane camera income consolidation	600	500	100	0	0	Bus lane cameras were offline for three weeks, resulting in income shortfall.
Glass collection and recycling - one-off contract saving	550	550	0	0	0	
Penalty Charge Notices	2,400	1,200	1,200	0	0	Following implementation of increase in early June, monitoring of income and behavioural impacts remains at a comparatively early stage and a further update will therefore be provided as part of the month five report.
Millerhill Income	3,450	3,450	0	0	0	
Best value reviews	500	500	0	0	0	As reported to the Transport and Environment Committee on 20 April 2023, £0.5m of the additional funding for street cleansing approved as part of the 2023/24 revenue budget has been set aside in recognition both of the lead-in times for implementation of the planned service improvements and that the best value service review is unlikely to be able to deliver the full saving in 2023/24.
Savings in prudential borrowing costs	918	626	292	0	0	Further work is required to review fleet review programme to understand better its overall affordability.
Smart City Phase 1 assumed savings	500	258	242	0	0	This represents cessation of £0.500m annual budget allocation for the two preceding financial years. The £0.258m green element relates to budget ringfenced to service the prudential borrowing requirement re Smart Cities Phase 1. Assessment of delivery of the remaining element is on-going.
Council-wide						
Redeployment	600	600	0	0	0	Following approval of the report on revised redeployment arrangements by the Policy and Sustainability Committee on 22 August 2023, this saving will be managed in the context of services' overall employee budgets and established structures whilst still securing the level of saving approved by members. While assessed to be achievable given current employee turnover and vacancy levels, an update on implementation will be included in the month five report and to Executive Committees as appropriate.
	26,597	17,893	7,750	954	0	
		67.3%	29.1%	3.6%	0.0%	

Application for Spend to Save funding – Edinburgh Visitor Levy

Background

The Visitor Levy (VL) is a fiscal devolution project that would maximise opportunities to raise local income to provide additional resources for the Council's strategic priorities. The levy would contribute, in particular, to the Business Plan objective "Edinburgh has a stronger, greener, fairer economy and remains a world-leading cultural capital".

The VL has a strong legislative, political and Edinburgh-specific strategic foundation. The [Visitor Levy \(Scotland\) Bill](#) was formally introduced into the Scottish Parliament in May 2023. If passed, this will give local authorities the power to introduce a visitor levy, which Edinburgh has been lobbying and leading in Scotland for many years.

Scheme revenue generation

The expected revenue that could be generated from an Edinburgh Visitor Levy varies from £11 million to £28 million from a 2% to 5% of room cost charge if applied to all hotels, self-catering apartments, B&B / Guest house, short-term lets and hostels in Edinburgh. The proceeds raised from a visitor levy are expected to be spent on delivering objectives that support, develop or sustain the visitor economy.

Use of revenue generated to support associated administrative costs

While the revenue raised will be limited to spend on certain specified areas, the scheme features an ability to cover administration costs from income generated.

Spend to Save proposal

Early implementation of the schemes would be assisted by the project support that is the subject of this application. It is therefore proposed to use the Spend to Save fund to recruit one Project Management Officer (Grade 8) over a 2.5-year period, starting within the last quarter of 2023. The associated cost of this investment is £0.150m, with full planned repayment in 2026/27 once the scheme is operational.

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Governance, Risk and Best Value Committee

10.00am, Tuesday, 31 October 2023

Revenue Monitoring – 2022/23 – Outturn Report – 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 which set out the 2022/23 revenue outturn position for the Council based on the audited annual accounts, indicating an overall in-year underspend of £13.675m to the Governance Risk and Best Value Committee as part of its workplan.

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

Revenue Monitoring – 2022/23 – Outturn Report – referral from the Finance and Resources Committee

2. Terms of Referral

- 2.1 On 21 September 2023, the Finance and Resources Committee considered a report which set out the 2022/23 revenue outturn position for the Council based on the audited annual accounts, indicating an overall in-year underspend of £13.675m.
- 2.3 The Finance and Resources Committee agreed:
- 2.3.1 to note that the audited revenue outturn position for 2022/23 showed an overall underspend of £13.675m and that this sum had been set aside in reserves pending members' decision on its allocation;
 - 2.3.2 to note the contributions to and from the General Fund in 2022/23 as detailed in the report by the Executive Director of #corporate Services;
 - 2.3.3 to note that the Housing Revenue Account was balanced after making a contribution of £2.972m towards in-year and future capital investment; and
 - 2.3.4 to refer the report to the Governance, Risk and Best Value Committee as part of its workplan.

3. Background Reading/ External References

- 3.1 Finance and Resources Committee – 21 September 2023 - [Webcast](#)
- 3.2 Minute of the Finance and Resources Committee – 21 September 2023

4. Appendices

Appendix 1 – Report by the Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Thursday, 21 September 2023

Revenue Monitoring 2022/23 – outturn report

Executive/routine
Wards

1. Recommendations

- 1.1 Members of the Finance and Resources Committee are asked to:
 - 1.1.1 note that the audited revenue outturn position for 2022/23 shows an overall underspend of £13.675m and that this sum has been set aside in reserves pending members' decision on its allocation;
 - 1.1.2 note the contributions to and from the General Fund in 2022/23 as detailed in the report;
 - 1.1.3 note that the Housing Revenue Account was balanced after making a contribution of £2.972m towards in-year and future capital investment; and
 - 1.1.4 refer this report to the Governance, Risk and Best Value Committee as part of its workplan.

Dr Deborah Smart

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

Revenue Monitoring 2022/23 – outturn report

2. Executive Summary

- 2.1 The report sets out the 2022/23 revenue outturn position for the Council based on the audited annual accounts, indicating an overall in-year underspend of £13.675m.

3. Background

- 3.1 The Council's statement of accounts for 2022/23 was passed to the external auditor by the statutory deadline of 30 June.
- 3.2 The unaudited annual accounts required to be published on the Council's website by 30 June 2023 and thereafter made available for public inspection for a period of 15 working days. These requirements were met, with the inspection period running from Monday 3 July to Friday 21 July 2023 inclusive.
- 3.3 Correspondence was received from one individual on two separate matters during this period, with responses provided by officers. No objections were received in respect of the Council's financial statements.
- 3.4 In contrast to the previous two financial years, no extension to the statutory timescales for completion of the audit process was approved for 2022/23. As such, the audited annual accounts are included for approval elsewhere on today's agenda.

4. Main report

- 4.1 The audited outturn position for 2022/23 shows an overall underspend of £13.675m, equating to 1.1% of the Council's total net expenditure. Table 1 below summarises the outturn, with further details provided in Appendix 1. Members should note, however, that £0.038m of this total relates to unrealised IFRS 9-related gains and is thus not available to fund additional investment in services.

Table 1 – Summarised Audited Outturn Statement, 2022/23

	Revised Budget	Outturn	Outturn variance (favourable)/ unfavourable
	£000	£000	£000
Directorate-specific budgets	1,098,324	1,106,279	7,955
Non-directorate specific budgets	139,665	120,759	(18,906)
Transfers to / (from) reserves	(36,591)	(29,474)	7,117
Sources of funding	(1,201,398)	(1,211,239)	(9,841)
In-year (surplus) / deficit		(13,675)	(13,675)

4.2 The month eight revenue monitoring update considered by the Finance and Resources Committee on 26 January 2023 pointed to a projected balanced position and, as such, the actual outturn represents a favourable movement equal to the amount of the overall underspend. This is principally due to additional Council Tax income (for both 2022/23 and prior years) and net savings in loans charges, interest and investment income relative to in-year projections, with additional details provided later in this report.

4.3 The outturn position reflects an underspend of £6.310m against the £25.300m set aside in 2022/23 to address the in-year income and expenditure impacts of the pandemic. This lower requirement was offset by a corresponding reduction in sums drawn down from reserves for this purpose, however, and as such does not affect the net outturn noted in the table above.

Directorate variances

4.4 As noted in Table 1, the Council’s main Directorates showed an overall overspend of £7.955m (0.7%) during the year, although when Homelessness Services pressures of £11.2m are excluded, the three main service areas all recorded slight underspends. Commentaries on the main factors comprising these variances are included in Appendix 2, with additional detail to be reported as appropriate to relevant Executive Committees.

4.5 Members should note that these variances relate to core activities and approved member investment, with full provision incorporated within revised Directorate budgets for COVID-related impacts.

Impact of COVID-19

4.6 While the financial effects of the pandemic lessened relative to the two previous years, these impacts remained significant in 2022/23. The net cost to the Council during the year, including exposure through its Arm’s-Length External Organisations (ALEOs), was some £18.990m, the composition of which is shown in Appendix 3.

Edinburgh Integration Joint Board (EIJB)

- 4.7 The EIJB's financial performance against its in-year delegated budgets resulted in a break-even overall position in both health and social care services. This was achieved following an additional one-off allocation of £4m from NHS Lothian to support the position with set-aside services. Overall costs of £923m were incurred during the year, £13m of which were attributable to the pandemic.

Other non-service areas

- 4.8 Given the extent of projected pressures within, in particular, Homelessness Services, projected savings in non-service budgets had been identified during the year as part of ensuring overall financial balance. The main elements of these favourable corporate variances totalling £25.9m are detailed in Appendix 4.

Approved savings delivery

- 4.9 In total, the approved budget included some £19.2m of savings, the majority of which were in corporate budgets. 98% of these by value were delivered, continuing the improving trend apparent in recent years.

Spend to Save Fund

- 4.10 No new projects were presented for consideration during 2022/23, although £0.195m was drawn down to support the previously approved Leith 3G pitch project. This drawdown was offset by repayments from other benefiting projects of £0.357m, increasing the Fund's year-end balance to £3.430m. A £2m allocation to support development of the Council's Medium-Term Financial Strategy was approved in April 2023 and a further application is included elsewhere on today's agenda.

Housing Revenue Account (HRA)

- 4.11 The approved HRA budget for 2022/23 was derived from the longer-term strategy approved by Council in February 2020. The budget assumed revenue income of £103.651m and costs of £97.521m, enabling a planned contribution of £6.130m to the Strategic Housing Investment Fund (SHIF) in accordance with the finance strategy for the capital investment programme.
- 4.12 The audited outturn shows a reduced contribution of £2.972m to the SHIF. The £3.158m adverse variance can largely be attributed to unbudgeted COVID-19 related costs for additional cleaning on repairs jobs, increased repairs and maintenance costs (primarily relating to post COVID-19 demand and bringing void properties back into use), increased environmental maintenance costs across HRA estates and additional support cost allocations.

Reserves

- 4.13 An analysis of changes in the Council's level of allocated and unallocated reserves is included in Appendix 5.

5. Next Steps

- 5.1 Following initial consideration by the Governance, Risk And Best Value Committee on 19 September 2023, the audited accounts are presented elsewhere on today's agenda for approval.

6. Financial impact

- 6.1 The report identifies an audited surplus for the year of £13.675m. Members should note, however, that £0.038m of this total relates to unrealised IFRS 9-related gains and is thus not available to fund additional investment in services.
- 6.2 This net surplus has been set aside in reserves pending members' decision on its allocation.

7. Equality and Poverty Impact

- 7.1 There are no direct relevant impacts arising from the report's contents.

8. Climate and Nature Emergency Implications

- 8.1 There are no direct relevant impacts arising from the report's contents.

9. Risk, policy, compliance, governance and community impact

- 9.1 There is no direct relevance of the report's contents, although the Council's wider approach to community engagement and empowerment will be specifically considered as part of the wider scope aspects of this year's external audit process.

10. Background reading/external references

- 10.1 [Revenue Monitoring 2022/23 – month eight position](#), Finance and Resources Committee, 26 January 2023
- 10.2 [Revenue Monitoring 2022/23 – month five position](#), Finance and Resources Committee, 10 November 2022
- 10.3 [Revenue Monitoring 2022/23 – month three position](#), Finance and Resources Committee, 8 September 2022
- 10.4 [Revenue Budget 2022/27 Framework: progress update](#), Finance and Resources Committee, 16 June 2022
- 10.5 [Revenue Budget Update 2022/23 – Update](#), Finance and Resources Committee, 3 March 2022

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

11. Appendices

- 11.1 Appendix 1 – Audited revenue budget outturn statement, 2022/23
- 11.2 Appendix 2 - Service outturn commentaries, 2022/23
- 11.3 Appendix 3 - COVID-related expenditure and income impacts, 2022/23
- 11.4 Appendix 4 - Variances in non-service budgets, 2022/23
- 11.5 Appendix 5 - Reserve balances, 31 March 2023

Audited revenue budget outturn statement, 2022/23

	Revised Budget	Outturn	Outturn Variance (favourable)/ unfavourable
	£000	£000	£000
Directorates (Note 1)			
Corporate Services (including Chief Executive's Office)	90,524	89,684	(840)
Education, Children and Justice Services	451,595	450,842	(753)
Health and Social Care	286,571	286,571	-
Place	265,817	275,365	9,548
Lothian Valuation Joint Board	3,817	3,817	-
Directorate totals	1,098,324	1,106,279	7,955
Non-directorate specific areas			
Loan Charges	82,526	85,066	2,540
Other non-service specific costs	29,807	18,027	(11,780)
Council Tax Reduction Scheme (Note 2)	28,800	25,993	(2,807)
Net Cost of Benefits	(127)	(117)	10
Interest and investment income	(1,341)	(8,210)	(6,869)
Non-directorate specific areas total	139,665	120,759	(18,906)
Movements in reserves			
Net contribution to / (from) earmarked funds	(27,832)	(20,715)	7,117
Contribution to / (from) Capital Fund	(8,759)	(8,759)	-
Movements to/ (from) reserves total	(36,591)	(29,474)	7,117
Sources of funding			
General Revenue Grant	(627,905)	(627,905)	-
Non-Domestic Rates	(249,861)	(249,861)	-
Council Tax	(323,632)	(333,473)	(9,841)
Sources of funding total	(1,201,398)	(1,211,239)	(9,841)
In-year (surplus) / deficit	-	(13,675)	(13,675)

Note 1 – Directorate budgets have been adjusted to reflect, where applicable, the net residual impact of the pandemic on their expenditure and income, meaning that the outturn variance shown relates to “core” activities but includes variances against member-approved investment. All figures shown are subject to rounding differences.

Note 2 – uncommitted funds linked to the in-year underspend in respect of the Council Tax Reduction Scheme of £2.807m were transferred to an earmarked reserve and are included in the balance shown within the “Movements in reserves” section.

Directorate/service outturn commentaries

Education and Children's Services (£0.753m underspend, representing 0.2% of net service budget)

As of month eight, an overall overspend of £2.2m had been projected, reflecting underlying net pressures in:

- **home-to-school transport**, totalling £1.7m, of which £1.1m related to children with additional support needs;
- **demographic-related expenditure**, in turn linked to increases in overall school rolls in excess of budget framework provision, of £0.8m; and
- **out-of-area residential placements**, offset by underspends within family-based care, of £2.1m.

These pressures were assumed to be offset by £0.8m of strike-related savings and vacancy management across the service, resulting in a net pressure of £2.2m. This level of vacancy management is not assessed to be sustainable going forward.

Following the conclusion of industrial action, the actual level of strike savings made was £3.2m i.e. £2.4m more than in-year forecasts. Minor net changes across the remainder of the service resulted in an overall in-year underspend of £0.753m.

Place (£9.548m overspend, representing 3.6% of net budget)

Homelessness

The Homelessness service revised budget was £53.3m with a negative variance to budget of £11.2m. The main reasons for the variance related primarily to:

- lower-than-budgeted Housing Benefit collection and tenant recoveries of £4.1m;
- unbudgeted inflation costs for spot purchase temporary accommodation of £2.8m; and
- additional nights of temporary accommodation including provision of the Welcome Centre of £1m.

In addition, following a review of housing benefit eligibility criteria, a provision of £3.4m was required for estimated adjustments to gross income collected.

Other areas

The returned underspend in respect of non-Homelessness activity (once adjusted for COVID-19 impacts) was attributable in the main to strong performance across Business Development Services including planning and building warrant application income and maximisation of grant income received. This favourable variance was supplemented by timing-related employee cost savings. Both the income and employee-related upsides are not expected to recur in 2023/24.

In addition to these upsides, some areas of the Place Directorate were under financial pressure in 2022/23 and returned overspends. In the main, these services were concentrated within the

Culture and Wellbeing Division, with the Libraries service continuing to be under financial pressure and overspending by £0.346m after delivery of management action undertaken during the year with net income pressures arising across Museums and Galleries, Cultural Venues and Winter Festivals.

Corporate Services (£0.840m underspend, representing 0.9% of net budget)

The overall service outturn for Corporate Services was consistent with in-year reporting, where a £0.707m underspend had been forecast as of month eight. This primarily reflected employee cost underspends across the Directorate, most of which has subsequently been incorporated within the approved 2023/24 budget.

COVID-related expenditure and income impacts, 2022/23

	£m
Lothian Buses - loss of dividend	6.000
Parking - loss of charges, permit and fine income	3.906
Edinburgh Leisure - additional Council support	3.000
Homelessness - additional expenditure (temporary accommodation costs)	3.000
Museums and galleries - loss of income	0.437
Waste services - additional costs/loss of income	0.370
Community Access to Schools - loss of income	0.359
Outdoor centres - loss of income	0.355
Facilities Management - additional costs and loss of rental income	0.307
Adult education - loss of income	0.260
Regulatory Services - loss of income	0.228
Bus station - loss of income	0.195
Others (various)	0.573
Total in-year impacts	18.990

Variances in non-service budgets, 2022/23

Area	In-year overspend/(underspend)	Comments
	£m	
Council Tax income	(9.8)	Represented the net effect of (i) additional growth in the overall tax base, (ii) an improved in-year collection rate and (iii) a consequent £6.8m reduction in required bad debt provision for 2022/23 and previous years relative to budget assumptions.
Other corporate savings	(6.8)	The overall variance reflects the net impact of energy-related pressures and offsetting savings in corporate expenditure budgets. A 63% year-on-year increase in energy costs across operational buildings was apparent in 2022/23, with electricity prices increasing by some 15% and gas by around 175%, alongside similar levels of increase in electricity costs for infrastructure lighting, giving rise to an overall pressure of £5.7m. These were offset by savings in (i) employer's National Insurance costs following the in-year reversal of the increase implemented in April 2023, (ii) NDR costs following a below-inflation increase in the national poundage, (iii) reduced pensions past service costs and (iv) application of the budget framework risk contingency. Taken together, these resulted in an overall in-year saving of £6.8m.
Millerhill Recycling and Energy Recovery Centre	(5.0)	Council's share of net revenue from electricity generation as part of heat offtake agreement
Loans charges, interest and investment income	(4.3)	Primarily reflected impact of additional income earned on available cash balances due to increased interest rates
	(25.9)	

Reserve balances, 31 March 2023

As of 31 March 2023, the General Fund reserves had increased to £266.307m, an increase of £9.102m from the preceding year. This increase reflects a complex series of movements, the most material of which were the application of £48.9m of service-specific and general COVID-related funding, offset by the receipt of £33.4m of upfront Ukraine-related funding earmarked to meet future liabilities (included in "Balances set aside for specific investment" below) and the £13.7m in-year underspend. Remaining net increases totalling £11m accounted for the remaining movement.

	Balance at 31-Mar-22 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31-Mar-23 £000
Balances set aside for (i) specific investment and (ii) to manage financial risks which are likely to arise in the medium-term future.				
Balances set aside for specific investment	59,685	(13,866)	69,528	115,347
Workforce management	10,858	0	2,285	13,143
Council Priorities Fund	2,628	(2,629)	13,639	13,638
IFRS9 Gains	416	0	38	454
Dilapidations fund	3,957	0	300	4,257
Insurance funds	22,258	(4,862)	5,330	22,726
Covid contingency (non-specific)	71,178	(38,165)	304	33,317
	<u>170,980</u>	<u>(59,522)</u>	<u>91,424</u>	<u>202,882</u>
Balances set aside due to timing differences between the receipt of the income and the planned expenditure thereof				
Licensing and Registration income	5,712	(523)	314	5,503
Pre-paid PPP monies	3,998	0	641	4,639
Unspent grants	8,387	(5,645)	5,293	8,035
Council Tax Discount Fund	11,305	(9,674)	3,619	5,250
Other minor funds	175	0	4	179
City Strategic Investment Fund	1,055	(118)	145	1,082
Covid Fund (service-specific)	15,159	(10,778)	0	4,381
	<u>45,791</u>	<u>(26,738)</u>	<u>10,016</u>	<u>29,069</u>
Balances set aside for investment in specific projects which will generate future savings				
Energy efficiency	334	(72)	7	269
Salix / CEEF	605	(85)	283	803
Spend to Save	3,268	(195)	357	3,430
	<u>4,207</u>	<u>(352)</u>	<u>647</u>	<u>4,502</u>
Balances set aside under Devolved School Management (DSM) scheme and Pupil Equity Fund (PEF)				
DSM/PEF	<u>7,246</u>	<u>(7,246)</u>	<u>4,023</u>	<u>4,023</u>
Unallocated General Reserve	<u>28,981</u>	<u>(3,150)</u>	<u>0</u>	<u>25,831</u>
Total General Reserve	<u>257,205</u>	<u>(97,008)</u>	<u>106,110</u>	<u>266,307</u>

Governance, Risk and Best Value Committee

10.00am, Tuesday, 31 October 2023

Treasury Management: Annual 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 Annual Report 2022/23 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: Annual Report 2022/23 – referral from the Finance and Resources Committee

2. Terms of Referral

- 2.1 On 21 September 2023, the Finance and Resources Committee considered the Treasury Management: Annual Report 2022/23. The report provided updates on Treasury Management activity in 2022/23..
- 2.3 The Finance and Resources Committee agreed:
 - 2.3.1 To note the Annual Report on Treasury Management for 2022/23.
 - 2.3.2 To remit the report by the Executive Director of Corporate Services to Council for approval.
 - 2.3.3 To refer the report to the Governance, Risk and Best Value Committee for their scrutiny.

3. Background Reading/ External References

- 3.1 Finance and Resources Committee – 21 September 2023 - [Webcast](#)
- 3.2 Minute of the Finance and Resources Committee – 21 September 2023

4. Appendices

Appendix 1 – Report by the Executive Director of Corporate Services

Finance and Resources Committee

10:00am, Thursday, 21st September 2023

Treasury Management: Annual Report 2022/23

Executive/routine
Wards

1. Recommendations

- 1.1 It is recommended that the Committee:
 - 1.1.1 Notes the Annual Report on Treasury Management for 2022/23;
 - 1.1.2 Remits the report to Council for approval; and
 - 1.1.3 Refers the report to the Governance, Risk and Best Value Committee for their scrutiny.

Dr Deborah Smart

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: Annual Report 2022/23

2. Executive Summary

- 2.1 The purpose of this report is to give an update on Treasury Management activity in 2022/23.

3. Background

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

4. Main report

- 4.1 The Treasury Management is undertaken with regard to the CIPFA Code of Practice for Treasury Management in the Public Services and CIPFA's Prudential Code. Appendix 1 contains Prudential Indicators showing the actual out-turn for 2022/23. The Council operated within both the Authorised Limit and the Operational Boundary at all times during the year and there were no breaches of the Council's Treasury Management Policy.
- 4.2 Appendix 2 gives a short economic review of the year, including a commentary from the Council's Treasury Advisors.
- 4.3 Appendix 3 gives an overview of the Council's borrowing for 2022/23. The Council only borrowed £11.1m term from the PWLB during the financial year.
- 4.4 Appendix 4 shows the Investment Out-turn for 2022/23.
- 4.5 A list of the Council's borrowing at 31 March 2023 is included in Appendix 5.
- 4.6 The Council's money is invested via the Treasury Cash Fund. The Cash Fund encompasses a number of organisations, including Lothian Pension Fund. Interest is accrued monthly, and performance is evaluated against a benchmark of 7-day compounded SONIA (sterling overnight index average) less 6.25 basis points.
- 4.7 UK Bank Rate was increased at every meeting of the Bank of England's Monetary Policy Committee during the year. The average interest rate on the fund for the year

was 2.10% against a benchmark of 2.13%. The cash fund rate at year end was 4.14% against a benchmark of 4.11%.

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 SONIA less 6.25 basis points and manage the Council's debt portfolio to minimise the cost to the Council while mitigating risk.

6. Financial impact

- 6.1 The Treasury Cash Fund has generated significant additional income for the Council:

7. Equality and Poverty Impact

- 7.1 N/A.

8. Climate and Nature Emergency Implications

- 8.1 The Council's Treasury Management Policy Statements specify a list of approved investment types, and this list does not include investment in equities (other than in Council companies) or Corporate Bonds (other than issued by financial institutions). As such the Council has no direct or indirect investments in fossil fuel companies.
- 8.2 However, the most recent version of the Treasury Management Code has placed a greater emphasis on ESG issues, suggesting in the Treasury Management Practices that:
- "The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level."*
- 8.3 As the code notes, ESG within Treasury portfolios is a developing area, and further work on this will be carried out in conjunction with the Council's advisors with the intention of including narrative on responsible investment in the 2024/25 Policy Statement.

9. Risk, policy, compliance, governance and community impact

- 9.1 To support Elected Members in discharging their duties in relation to the Council's Treasury Management activities, it is intended to make some structured training available in advance of the 2024/25 Strategy report.

10. Background reading/external references

- 10.1 N/A.

11. Appendices

- 11.1 Appendix 1: Prudential Indicators Out-turn
11.2 Appendix 2: Economic Review of 2022/23
11.3 Appendix 3: Borrowing Out-turn 2022/23
11.4 Appendix 4: Investment Out-turn 2022/23
11.5 Appendix 5: Outstanding Debt as at 31st March 2023

Appendix 1

Prudential Indicators

Prudential Indicator 1 - Estimate of Capital Expenditure

The actual capital expenditure that was incurred in 2022/23 and the estimates of capital expenditure to be incurred for the current and future years:

	Capital Expenditure - General Services					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual £000	Forecast £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
Rolled Forward Capital Investment Programme						
Learning Estate	46,465	60,102	136,132	133,883	52,237	10,233
Asset Management Works	10,497	9,875	35,677	41,635	26,071	16,000
Place - Transport and Infrastructure	65,393	57,536	42,600	31,680	25,633	25,043
Place - Other Projects	77,257	67,348	70,506	50,775	29,200	29,200
Corporate Services	2,304	1,427	7,446	669	678	615
Edinburgh Health and Social Care Partnership	1,297	0	279	0	0	0
Other Community (inc Libraries and Sports Centres)	3,691	3,061	2,528	165	165	165
Trams to Newhaven	53,419	12,281	0	0	0	0
Edinburgh Living LLPs	27,400	13,764	70,500	92,071	10,804	0
Contingency	0	0	324	5,000	5,000	5,000
General (slippage) / acceleration across the programme	0	-16,000	-30,998	5,775	14,880	11,601
Total General Services Capital Expenditure	287,722	209,395	334,996	361,651	164,668	97,857

Table A1.1 – Capital Expenditure 2022/23 – General Services

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 2023-2028 Capital Investment Programme includes slippage / acceleration brought forward based on projected capital expenditure reported at the month three stage.

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
Rolled Forward Capital Investment Programme						
Housing Revenue Account	121,335	124,798	238,504	202,249	232,711	220,729

Table A1.2 – Capital Expenditure 2022/23– Housing Revenue Account

Prudential 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 2022-23 are:

	Ratio of Financing Costs to Net Revenue Stream					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
	%	%	%	%	%	%
General Services	7.2%	7.6%	8.0%	8.2%	8.4%	8.4%
Housing Revenue Account (HRA)	33.9%	31.0%	32.2%	34.8%	36.2%	36.9%

Table A1.3 – Ratio of Financing Costs to Net Revenue Stream

Note: Figures for 2024/25 onwards are indicative at this stage as the Council has not set a General Services or HRA budget for these years.

Prudential Indicator 3 - Capital Financing Requirement (CFR)

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 2023 are:

	Capital Financing Requirement					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
General Services (including Finance Leases / Right of Use Assets)	1,596	1,575	1,681	1,788	1,798	1,752
Housing Revenue Account (HRA)	423	471	550	571	617	700
NHT LLPs	44	32	24	15	0	0
Edinburgh Living LLPs	59	72	142	232	240	237
Total Capital Financing Requirement	2,122	2,151	2,397	2,606	2,655	2,689

Table A1.4 – Capital Financing Requirement

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 consequence 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 five have now 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					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m	£m
Gross Debt	1,879	1,910	2,023	2,079	2,087	2,094
Capital Financing Requirements	2,122	2,151	2,397	2,606	2,655	2,689
(Over) / under limit by:	243	241	374	527	568	596

Table A1.5 – Gross Debt v. Capital Financing Requirement

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.

From 2022/2023, the Authority has applied IFRS 16 Leases as adopted by the Code of Accounting Practice. This will have an impact on the Capital Financing Requirement (CFR) as from the 2022/23 financial year. The capital financing requirement has been adjusted by £51m for 'Right of Use Assets' under IFRS16. This will similarly have an impact on the authorised limit and operational boundary for external debt.

Prudential 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. These limits separately identify borrowing under credit arrangements including finance leases and PFI assets. Council has delegated 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					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Borrowing	1,900	2,093	2,435	2,784	2,912	2,964
Credit Arrangements (including leases and Right of Use assets)	423	405	394	384	377	372
Authorised Limit for External Debt	2,323	2,498	2,828	3,168	3,289	3,336

Table A1.6 – Authorised Limit for External Debt

These authorised limits are consistent with the authority's current commitments, existing plans and the proposals in this budget for capital expenditure and financing, and with its approved treasury management policy statement and practices. They are based on the estimate of most likely (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.

Prudential Indicator 5 – Operational Boundary for External Debt

The 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					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Borrowing	1,850	2,043	2,385	2,734	2,862	2,914
Credit Arrangements (including leases)	423	405	394	384	377	372
Operational Boundary for External Debt	2,273	2,448	2,778	3,118	3,239	3,286

Table A1.7 – Operational Boundary for External Debt

The Council's actual external debt at 31 March 2023 was £1,870m (including sums repayable within 12 months).

Prudential Indicator 6

Loans Charges Associated with net Capital Investment expenditure plans

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 2023-24 and for future years will be considered as part of the longer- term financial frameworks.

	Loans Charges Liability					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000	Estimate £000
General Services (excluding On-Lending and Tram to Newhaven) - New Loans Fund Advances						
Loans Fund Advances in year	42,890	35,501	172,616	177,141	82,670	26,663
Year 1 - Interest Only	858	710	3,452	3,543	1,653	533
Year 2 - Interest and Principal Repayment	3,145	2,603	12,658	12,990	6,062	1,955
Housing Revenue Account (HRA) - New Loans Fund Advances						
Loans Fund Advances in year (excl. LLP programme *)	46,777	68,864	100,207	45,137	70,986	110,480
Year 1 - Interest Only	994	1,463	2,129	959	1,508	2,348
Year 2 - Interest and Principal Repayment	1,988	2,927	4,259	1,918	3,017	4,695

Table A1.8 – Loan Charges Liability

* 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 from 2023/24 as the line to Newhaven is 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.

Appendix 2

Economic Review of 2022/23

The Council's treasury advisor, Arlingclose, has provided the following economic review of the year:

The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.

Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.

Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.

The labour market remained tight albeit with some ongoing evidence of potential loosening at the end of the period. The unemployment rate 3mth/year eased from 3.8% April-June to 3.6% in the following quarter, before picking up again to 3.7% between October-December. The most recent information for the period December-February showed an unemployment rate of 3.7%.

The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at as 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.

Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period was revised upwards to

0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.

The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.

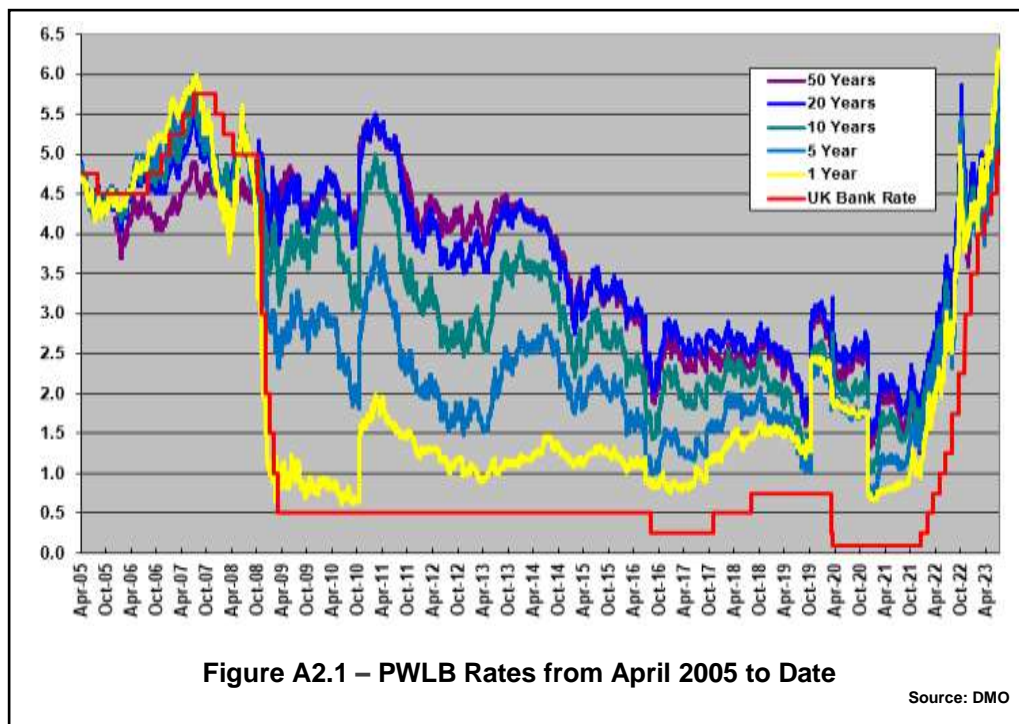
After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.

From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.

Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

Figure A2.1 below shows PWLB borrowing rates since 2005. This shows the sharp increase in borrowing rates due to the mini budget in October 2022 followed by the recovery then subsequent increases due to increases in UK Bank Rate and inflation concerns.



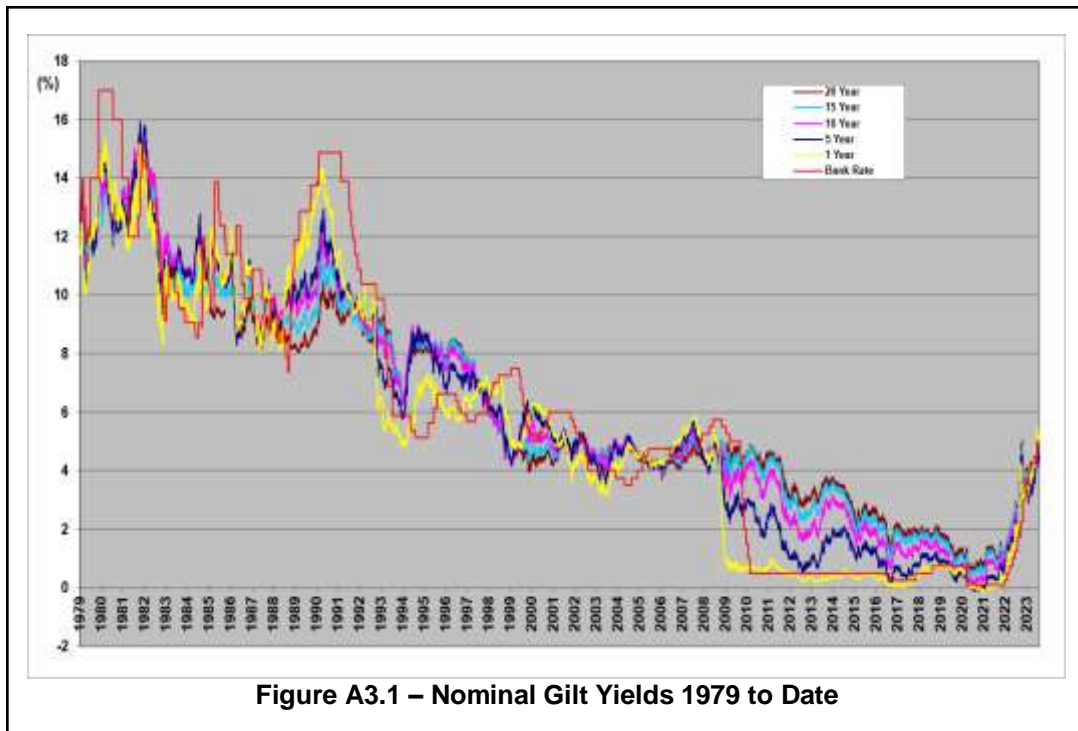
Appendix 3

Borrowing Out-turn 2022/23

2022/23 Borrowing

Figure A2.1 above shows the increase in PWLB borrowing rates over the last two years.

PWLB borrowing Rates are based on a margin over Gilt yields and Figure A3.1 below gives a longer- term perspective on these yields.



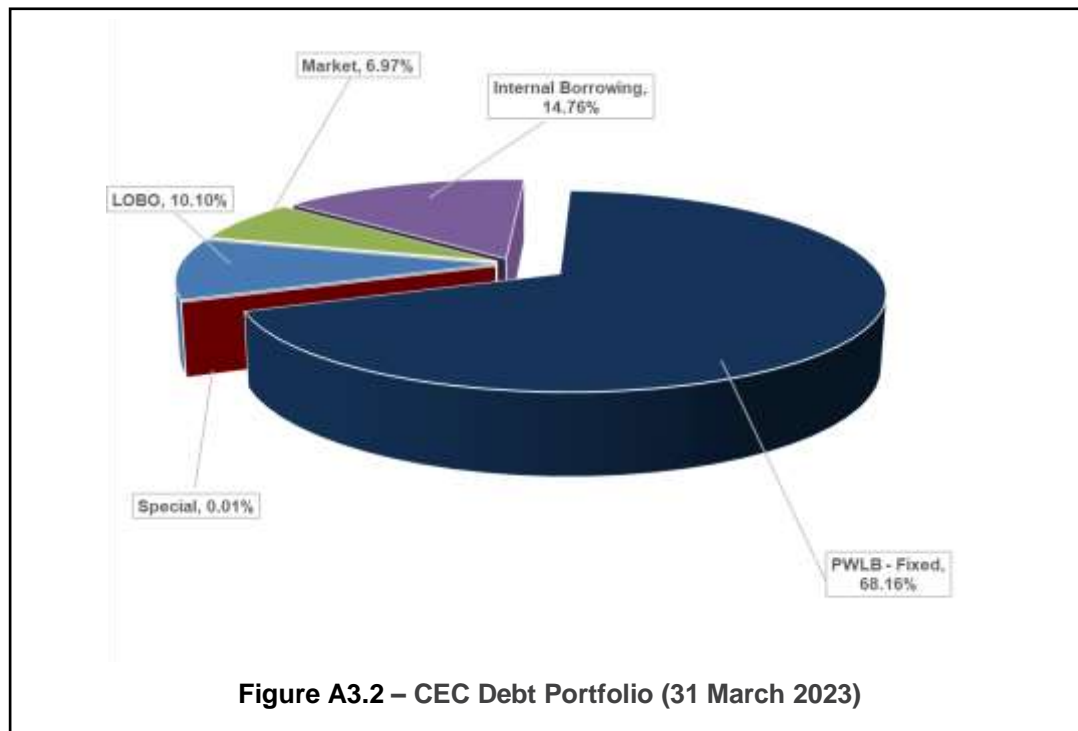
Yields are up to rates not seen since the Global Financial Crisis in 2008. Table A3.1 below summarises the movements in the Council’s borrowing during 2022/23.

Type of Loan	Balance	Borrowing	Borrowing	Balance
	01.04.2022	Raised	Repaid	31.03.2023
	£m	£m	£m	£m
PWLB - fixed	1,205.73	11.10	-53.11	1,163.72
Salix Finance Ltd	0.46		-0.24	0.22
Market	293.17		-1.77	291.40
	1,499.36	11.10	-55.12	1,455.34
Capital Advances	1,622.96			1,707.45
Under-borrowed	123.60	Under-borrowed		252.11

Table A3.1 – Outstanding Debt Portfolio 2022/23

The Council only borrowed £11.1m during 2022/23, all of which related to backing out the interest rate risk on lending to the Edinburgh Living Mid-Market Rent LLP. In the anticipation of increasing borrowing rates, in March 2022, the Council pre-borrowed sufficient loans from the PWLB to fund all loans to Edinburgh Living for all homes where building was on site. However, at the time, the external purchase of the Fruitmarket homes had not been approved by Elected Members, so £8m of the 2022/23 borrowing related to that purchase of affordable homes.

Figure A3.2 below shows the sources of borrowing at 31 March 2023.



The PWLB and market loans are fixed rate so there is no interest rate risk on 75% of the loans portfolio. The 10% of the portfolio in LOBO loans is fixed rate but as interest rates rise, there is an increased possibility that an increase in the rate on the loan might be requested. There is therefore a level of interest rate risk on these loans.

Figure A3.3 below shows the Council's Loans Fund Capital Advances, the level of actual external debt, and the interest cost of that debt. As explained below, that cost includes not just external interest paid on loans, but also the internal cost of foregoing external interest on deposits while they are used to temporarily fund capital expenditure in lieu of external borrowing.

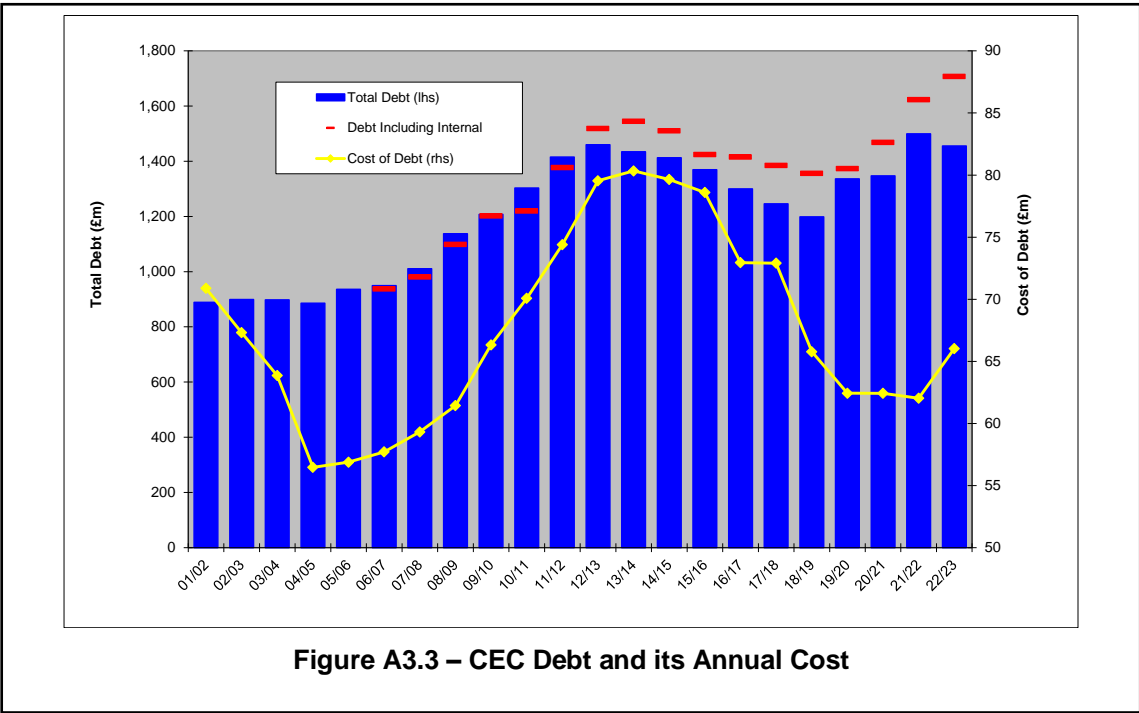


Figure A3.3 – CEC Debt and its Annual Cost

As previously reported, in the three financial years to 31 March 2022, the Council borrowed just short of £500m. Between March 2019 and March 2022, the Council’s debt increased from £1.198bn to £1.499bn, while the interest cost of that debt reduced from £65.7m to £62.0m. This was as the larger value of debt at historically low rates replaced higher interest rate debt designed to mature in these years locking out the interest rate risk which had been created.

The cost of debt increased from £62.0 in 2021/22 to £66.1m in 2022/23. The external interest cost reduced from £62.0m to £61.7m, however due to increasing interest rate, the Capital Financing Charge (effectively the internal lost interest on investments due to using the cash to temporarily fund capital expenditure) went from £0 in 2020/21 to £81k in 2021/22 to £4.46m in 2022/23.

Figure A3.4 below shows how much the Gilt Yield curve has changed from the 2011 normal curve where short rates are lower than longer rate to the current inverted curve where short rate are higher.

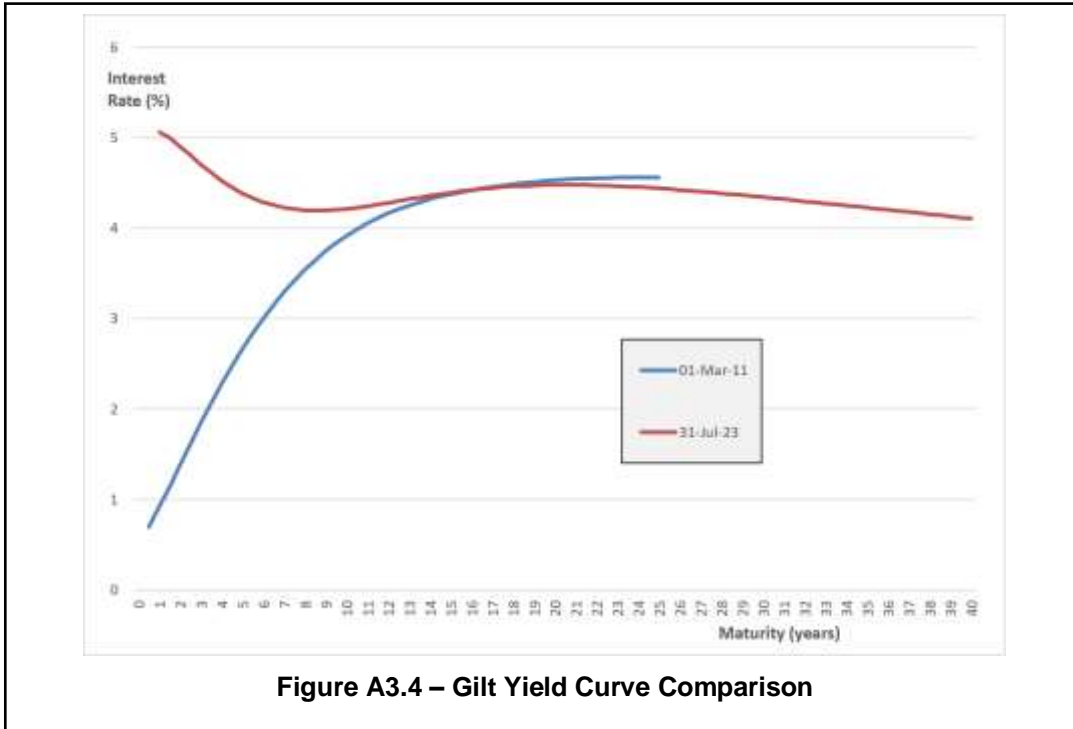


Figure A3.4 – Gilt Yield Curve Comparison

Given that the certainty rates at which the Council can borrow from the PWLB are 80bps higher than Gilt yields, no part of the curve was attractive for strategic borrowing in 2022/23.

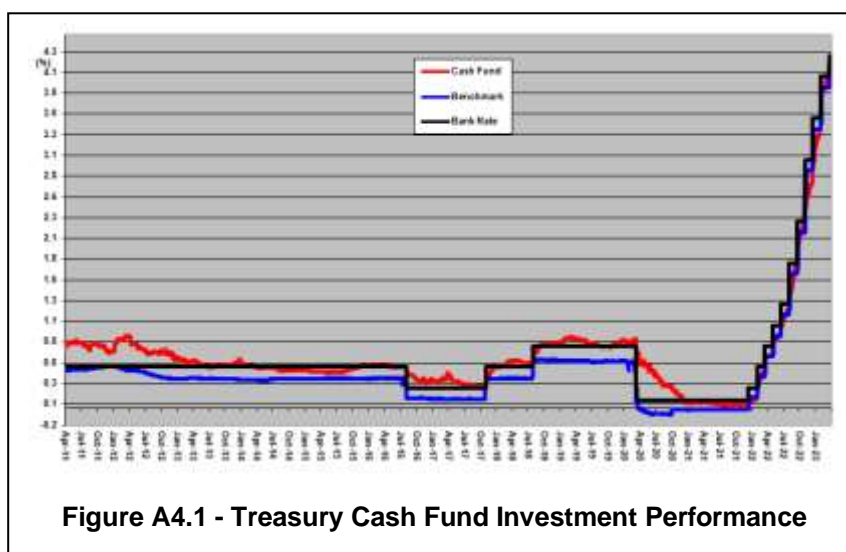
Appendix 4

Investment Out-turn 2022/23

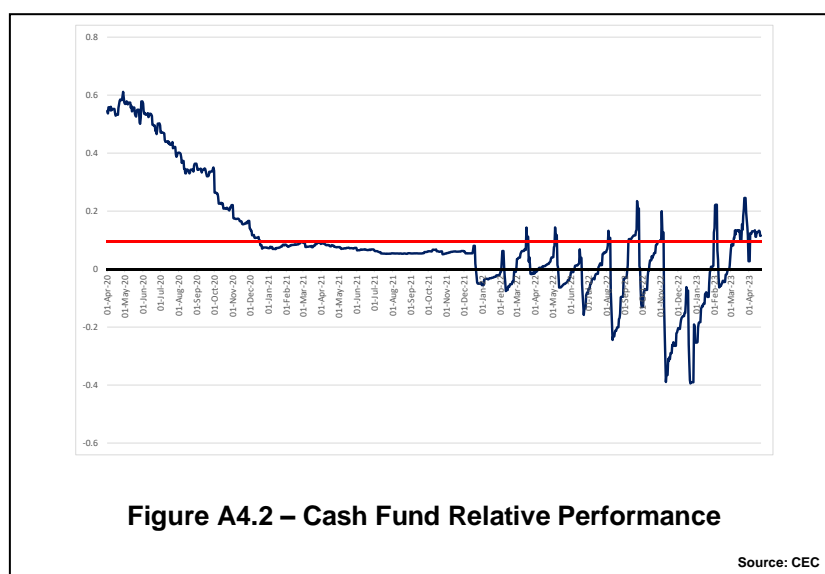
The Council's money is invested via the Treasury Cash Fund. The Cash Fund encompasses a number of organisations, including Lothian Pension Fund. Interest is accrued monthly, and performance is evaluated against a benchmark, which is 7-day compounded SONIA less 6.25 basis points.

The major issues for the economy are higher inflation, higher interest rates and associated impact on household budgets. The Bank of England's Monetary Policy Committee (MPC) has increased UK Bank Rate at 14 consecutive meetings, at the time of drafting this report. After the 0.25% increase in August, the UK Bank Rate is currently 5.25%.

Figure A4.1 below shows investment performance since April 2011.



The consecutive interest rate rises created a difficult environment in which to match the fund's benchmark. The average interest rate on the Cash Fund for the year was 2.10%, against a benchmark of 2.13%. Figure A4.2 below shows the cash fund's performance relative to its benchmark and the 10bp outperformance target set by Lothian Pension Fund.



While 2022/23 has been challenging, the fund was still above the 10bps outperformance target on a rolling 3-year basis due to the strong 2020/21 performance.

The fund generated income of £6.2m during 2022/23 to CEC.

The cash fund rate at 31 March 2023 was 4.14% against a benchmark of 4.11%. Figure A4.3 is produced by the Council’s Treasury Advisors and shows the Cash fund performance relative to their other clients.

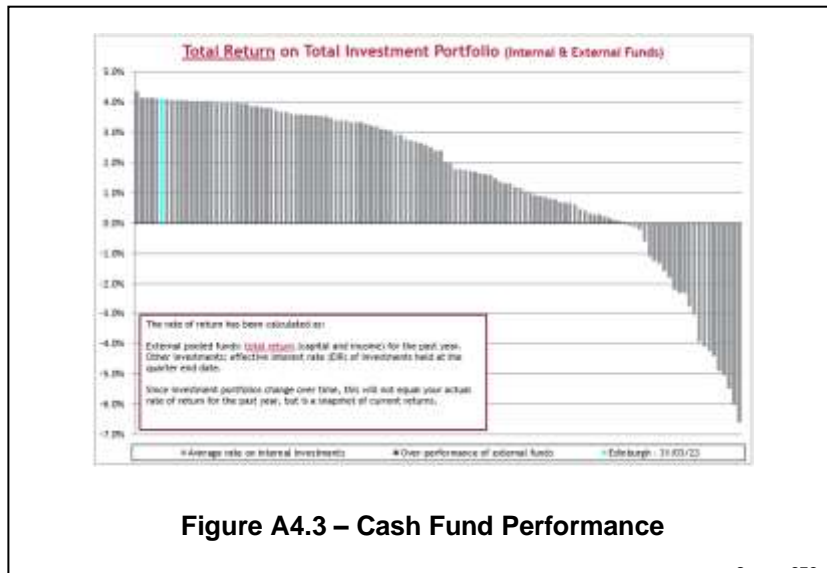
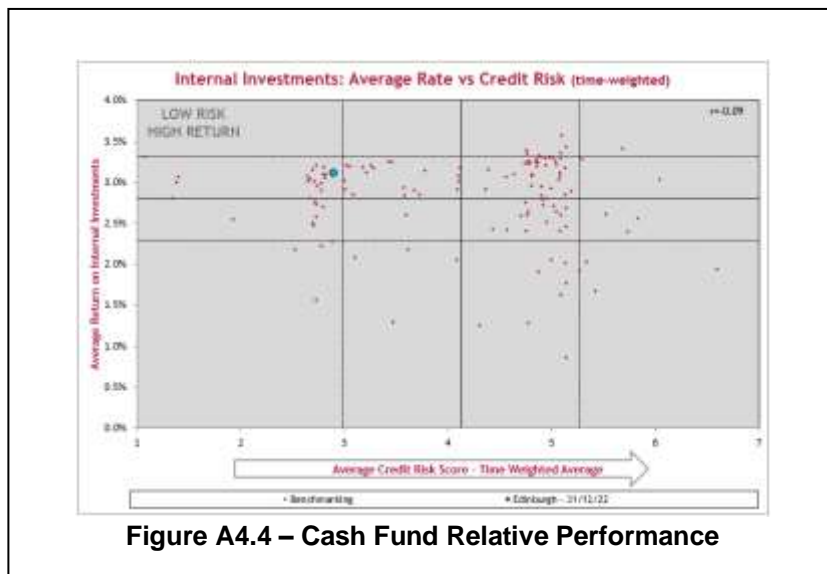


Figure A4.4 is also produced by the Council’s Treasury Advisors and is a snapshot of the risk / return on the cash fund investments at 31 December 2022. This shows that at that point, the cash fund had above average return with over one standard deviation less risk.



The emphasis remained on security during the financial year with the return of the principal sum being the main concern. With the Strategy being around the security of the

investments. Cash Fund money has been invested with banking institutions which was held on instant access call and a 31-day notice account with a highly credit rated institution, money market funds, supranational commercial paper, UK gilts, UK treasury bills, DMADF and other Local Authorities on 31 and 35 day notice linked to UK Bank Rate and short term fixed deposits. Figure A4.5 below shows the distribution of the Cash Fund investments since April 2007.

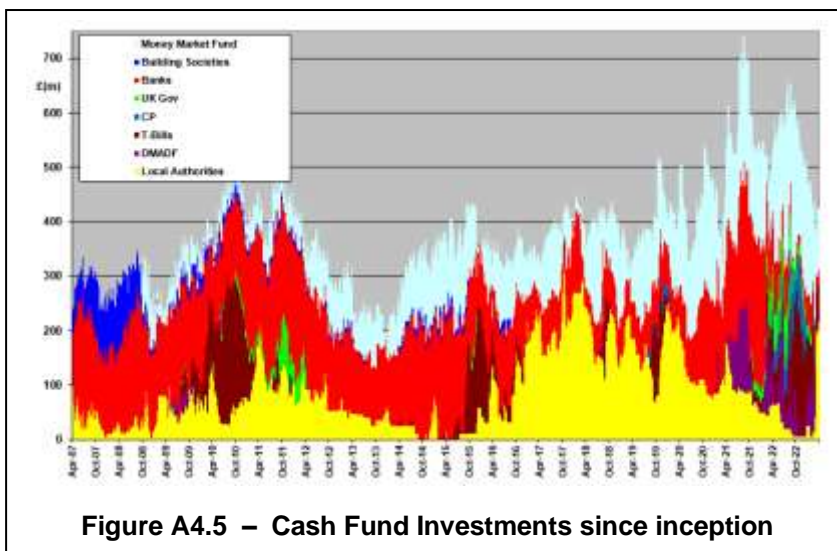


Figure A4.5 – Cash Fund Investments since inception

The strategy remains to seek trades which add value relative to MMF/Bank rates and make a positive contribution towards out-performance while maintaining the security of funds.

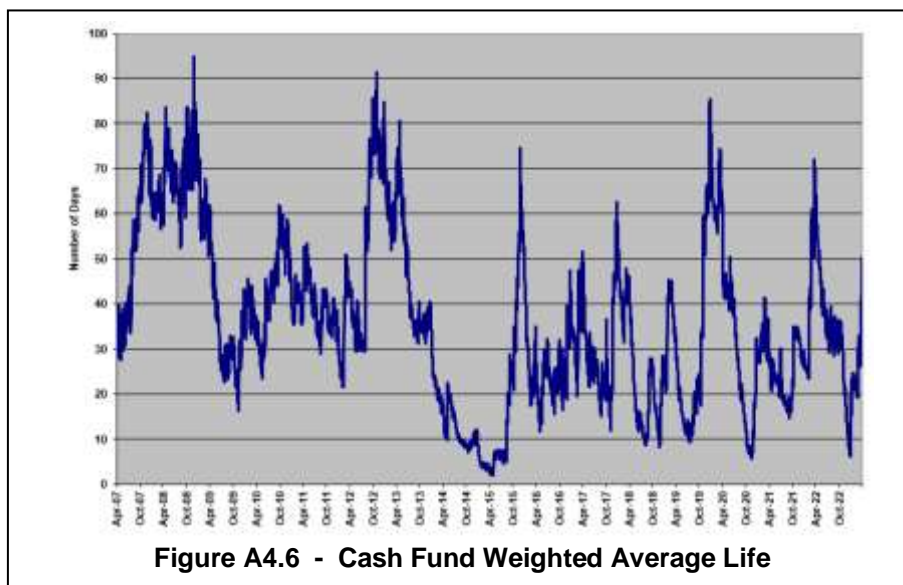


Figure A4.6 - Cash Fund Weighted Average Life

Figure A4.6 shows the weighted average life of the fund and the short duration of the fund over the last two years as high liquidity was kept in the anticipation of rising interest rates.

Appendix 5

Outstanding Debt as at 31st March 2023

PWLB PROFILE	START DATE	MATURITY DATE	PRINCIPAL OUTSTANDING £	INTEREST RATE %	ANNUAL INTEREST £
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	1,667,538.64	3.66	82,768.94
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	3,508,514.75	3.64	157,491.50
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	1,769.21	3	58.76
M	14/07/2011	14/07/2030	10,000,000.00	4.93	493,000.00
E	15/06/1951	15/05/2031	1,991.93	3	65.03
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	13,808,653.73	1.64	224,786.70
A	26/03/2020	26/03/2050	4,594,128.66	1.49	69,988.78
A	26/03/2021	26/03/2051	9,483,514.34	1.75	169,385.43
A	12/07/2021	12/07/2051	38,464,432.97	1.78	680,030.06
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	103,658,231.86	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	48,292,867.50	1.98	973,210.38
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	2,571,791.87	2.65	68,994.96
A	11/06/2019	11/06/2059	1,211,725.69	2.23	27,378.69
A	01/10/2019	01/10/2059	1,271,857.56	1.74	22,448.09
A	02/10/2019	02/10/2059	37,891,649.30	1.8	691,722.20
A	05/11/2019	05/11/2059	6,849,318.72	2.96	204,984.94
A	28/11/2019	28/11/2059	1,253,416.90	3.03	38,392.70
A	02/12/2019	02/12/2059	2,698,410.45	3.03	82,653.48
A	20/01/2020	20/01/2060	1,893,927.30	1.77	34,000.88
A	20/01/2020	20/01/2060	439,496.99	2.97	13,197.29
M	04/10/2019	04/04/2060	40,000,000.00	1.69	676,000.00
A	07/12/2021	07/12/2060	18,758,205.61	1.8	336,090.50
M	02/12/2011	02/12/2061	5,000,000.00	3.98	199,000.00
A	07/12/2021	07/12/2061	4,092,431.64	1.79	72,927.92
A	19/05/2022	19/05/2062	3,075,123.56	2.86	87,644.76
A	02/11/2022	02/11/2062	8,000,000.00	4.61	71,867.21
A	24/03/2022	24/03/2063	17,752,852.77	2.65	468,780.64
M	26/03/2020	26/03/2070	10,000,000.00	1.29	129,000.00
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
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1,163,723,009.21

Non-LOBO Profile	Start Date	Maturity Date	Principal Outstanding £	Interest Rate %	Annual Interest £
M	08/10/2020	08/10/2045	56,500,257.49	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

119,000,257.49

LOBO Profile	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

SPECIAL FIXED/ VAR	START DATE	MATURITY DATE	PRINCIPAL OUTSTANDING £	INTEREST RATE %	ANNUAL INTEREST £
F	31/03/2015	01/04/2023	90,144.87	0	0.00
F	22/09/2015	01/10/2023	43,959.94	0	0.00
F	29/03/2019	01/04/2029	90,986.09	0	0.00
			225,090.90		

Governance, Risk and Best Value Committee

10.00am, Tuesday, 31 October 2023

2022-23 Capital Outturn, Month 3 Capital Monitoring and Revised 2023-33 Capital Budget Strategy – 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 2022-23 Capital Outturn, Month 3 Capital Monitoring and Revised 2023-33 Capital Budget Strategy to the Governance, Risk and Best Value Committee as part of its Work Programme.

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

2022-23 Capital Outturn, Month 3 Capital Monitoring and Revised 2023-33 Capital Budget Strategy – referral from the Finance and Resources Committee

2. Terms of Referral

- 2.1 On 21 September 2023, the Finance and Resources Committee considered the capital expenditure and funding outturns for 2022-23, providing explanations for key variances, together with the revised capital budget strategy for 2023-33 after factoring in slippage from 2022-23, additional funding and updated cash flow projections from month 3 monitoring.
- 2.2 The Finance and Resources Committee agreed:
- 2.2.1 To note the 2022-23 capital outturn for the Council's General Fund and Housing Revenue Account (HRA), set out in Appendices 1 and 2 to the report by the Executive Director of Corporate Services.
 - 2.2.2 To note the Revised Capital Budget for the financial year 2023-33, as set out in Appendices 3 and 4 to the report, for the General Fund and the HRA respectively.
 - 2.2.3 To note the Council's Prudential Indicators for the Revised Budget 2023-24, as set out in Appendix 5 to the report.
 - 2.2.4 To refer the report to Full Council for approval of the Revised Capital Budget Strategy.
 - 2.2.5 To refer the report to the Governance Risk and Best Value Committee as part of its work programme.

3. Background Reading/ External References

- 3.1 Finance and Resources Committee – 21 September 2023 - [Webcast](#)
- 3.2 Minute of the Finance and Resources Committee – 21 September 2023

4. Appendices

Appendix 1 – Report by the Executive Director of Corporate Services

Finance and Resources Committee

10.00am, Thursday, 21st September 2023

2022-23 Capital Outturn, Month 3 Capital Monitoring and Revised 2023-33 Capital Budget Strategy

Executive/routine
Wards

Executive
All

1. Recommendations

- 1.1 To note the 2022-23 capital outturn for the Council's General Fund and Housing Revenue Account (HRA), set out in Appendices 1 and 2;
- 1.2 To note the Revised Capital Budget for the financial year 2023-33, as set out in Appendices 3 and 4 for the General Fund and the HRA respectively;
- 1.3 To note the Council's Prudential Indicators for the Revised Budget 2023-24, as set out in Appendix 5.
- 1.4 To refer the report to Full Council for approval of the Revised Capital Budget Strategy
- 1.5 To refer the report to the Governance Risk and Best Value Committee as part of its work programme.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Matt Jones, Senior Accountant

E-mail: Matt.Jones@edinburgh.gov.uk | Tel: 0131 529 3147

2022-23 Capital Outturn, Month 3 Capital Monitoring and Revised 2023-24 Capital Budget Strategy

2. Executive Summary

- 2.1 The report provides capital expenditure and funding outturns for 2022-23, providing explanations for key variances. It also provides the revised capital budget strategy for 2023-33 after factoring in slippage from 2022-23, additional funding and updated cash flow projections from month 3 monitoring.

3. Background

- 3.1 In February 2022, the council set out priorities for its 10-year [Sustainable Capital Budget Strategy 2022-2032](#) totalling £1,459.874m of expenditure for general services and £2,934.365m for the [Housing Revenue Account \(HRA\) Budget Strategy \(2022-32\)](#). This budget was then revised on 8th September 2022 with realignments between financial years to take account of slippage from the previous financial year and reflect the most up to date cash flow position available. The Outturn provided in this report is measured against the revised budget.
- 3.2 In February 2023, the council approved the [Sustainable Capital Budget Strategy 2023-33](#) which prioritised £1,474.517m of capital expenditure for general services. In setting the budget, the Council looked to address the pressures arising from the current financial climate, to ensure delivery of priority and in-progress projects. It is this capital investment programme that has been revised in this report to account for slippage from 2022-23, additional funding and latest cash flow projections from the month 3 position.
- 3.3 In March 2023, the council approved the [HRA Budget Strategy 2023-33](#) setting out plans for investment of £1,714.493m over the next 10 years. The strategy was updated to reflect the current financial climate and changes in assumptions regarding rental increases and the cost of borrowing.

4. Main report

2022-23 Capital Outturn

General Fund

- 4.1 The General Fund outturn shows expenditure of £287.722m against the revised budget of £284.097m, a net acceleration of £3.625m (1.28%). A breakdown is provided in Appendix 1 with the drivers being;
- 4.1.1 The Fleet Programme (£4.672m) which is facing long lead times on vehicles, with additional funding also having been received;
 - 4.1.2 The Depot Review (£4.205m) suffering from construction delays;
 - 4.1.3 Asset Management Works (£8.105m) having seen delays, with the Retrofit programme starting in 2023-24 and the work on Portobello Swimming Pool on hold pending a funding solution for an increase in anticipated costs; and
 - 4.1.4 Other Community Projects (£3.360m) such as Pennywell Hub (£1.244m), Hunters Hall Cycle Hub (£0.868m) and Properties for House Share (£0.891m) suffering programme delays and redesign requirements;
 - 4.1.5 Acceleration in North Bridge Refurbishment (-£3.540m) which has seen an increase in costs. The project remains within its revised budget.
 - 4.1.6 Roads infrastructure, including Carriageways and Footways acceleration (-£2.869m), where the delivery of the programme was better than anticipated at the P3 budget revision when £4.791m was slipped into future years.
- 4.2 General Fund income totalled £173.013m, resulting in Loans Fund Advances of £114.709m. This was £0.062m (0.05%) more than the revised budget.

Housing Revenue Account

- 4.3 HRA outturn shows expenditure of £121.335m against revised budget of £118.755m, acceleration of £2.580m (2.2%). A breakdown is provided in Appendix 2.
- 4.3.1 Small slippages totalling £4.982m across the house building programme were offset by the purchase of 23 completed homes at Dreghorn for £6.002m. Further acceleration related to Land purchases was also required for a contribution to Granton Station before it transferred to the General Fund and to cover the increase in cost of the Liberton Hospital land purchase.
 - 4.3.2 The improvements to existing homes programme saw slippage of £7.367m (11.9%) offset by the Acquisitions programme acceleration of £6.161m.
- 4.4 HRA Income totalled £74.558m, which was £38.133m more than budget, primarily due to the timing of the receipt of Scottish Government Grants. This resulted in a net requirement of £46.777m in Loans Fund Advances, £35.552m less than budget.

Revised Sustainable Capital Budget Strategy 2023-2033

- 4.5 The [Sustainable Capital Budget Strategy 2023-33](#) for the General Fund was approved by Council on 23rd February 2023 and was based on an interim budget estimating slippage and acceleration. This sets out a fully funded investment programme of £1,474.517m, in line with the Council Business Plan.

- 4.6 The Revised Sustainable Capital Budget Strategy 2023-2033 has been adjusted to reflect actual levels of slippage and acceleration and is shown in Appendix 3. It has also been realigned and re-phased to ensure that individual project cash flows reflect the most up to date projections, taking into account the current challenging economic climate.
- 4.7 Members should note that where funding has not been approved or where the amount or timing is still to be confirmed, projects or associated expenditure are not included in the revised Sustainable Capital Budget Strategy. This includes projects funded by capital receipts, grants or contributions yet to be secured.
- 4.8 A further update on the Sustainable Capital Budget Strategy will be brought to Finance and Resources Committee in November 2023. This report will look ahead to 2024-25 Budget Setting, with a focus on addressing emerging pressures and priorities against a backdrop of continuing funding constraint.
- 4.9 The [Housing Revenue Account \(HRA\) Budget Strategy \(2023-33\)](#) was agreed by the Housing, Homelessness and Fari Work Committee on 9th March 2023. This sets out £1,714.493m of investment in new affordable housing and improvements to existing homes over the 10 year period.
- 4.10 The HRA budget has been revised to incorporate the most up to date cash flow projections and is shown in appendix 4.
- 4.11 Three New Homes developments due on site in 2023/24 are being reviewed in response to higher-than-expected tender returns. Any alteration to design work will be monitored closely to ensure that the expected quality is achieved while bringing costs with Business Plan assumptions. This focus on cost management is expected to result in significant slippage in the programme.
- 4.12 Slippage in the Improvements to Council Homes and Estates budget is due to a delay in procurement for the windows and doors programme which has now completed, the expansion of scope for the retrofit programme for multi-storey blocks, and some significant contractor underperformance leading to suspension. Planning is underway to incorporate this slippage into the 24/25 programme.

2023-24 Capital Monitoring – Month 3

- 4.13 Capital monitoring for the first quarter of 2023-24 for the General Fund and HRA is set out in Appendices 6 and 7 respectively. As this report revises budgets to take account of latest expenditure and income forecasts, no variances are currently projected.

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 Further reports will be presented to Finance and Resource Committee at month five, month seven and month 12 showing the position against the revised 2023-24 capital budget.
- 5.4 A further report on the 2024-25 to 2033-34 Sustainable Capital Budget will be brought to Finance and Resources Committee on 21st November 2023.

6. Financial impact

- 6.1 The estimated loans charges associated with 2022-23 outturn, 2023-24 budget and 2023-24 forecast set out in this report are detailed in the table below:

	Loans Fund Advance	Interest and Charges	Total Cost	Average Annual Cost (30 years)
	£m	£m	£m	£m
Outturn 2022-23				
General Fund	114.709	85.816	200.525	6.684
HRA	46.777	35.802	82.579	2.753
Revised Budget Forecast 2023-24				
General Fund	51.546	38.562	90.108	3.004
HRA	68.864	52.706	121.571	4.052

- 6.2 Borrowing required is carried out in line with the Council's approved Treasury Management Strategy.
- 6.3 The loan charge costs outlined above will be met from the general fund and HRA revenue budgets for loan charges.
- 6.4 The Council's Prudential Indicators for the Revised Budget 2023-24 are set out in Appendix 5.

7. Equality and Poverty Impact

- 7.1 The equality and poverty impact of individual projects within the Council's capital programme is considered as part of the business cases for those projects.

8. Climate and Nature Emergency Implications

- 8.1 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 (ICE) has been trialled to better understand the climate impacts of the Council's capital budget strategy.
- 8.2 Key findings show that, for the expected expenditure for 2023-33
- 59 % 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

9. Risk, policy, compliance, governance and community impact

- 9.1 The budget is monitored by officers on an ongoing basis with due consideration given to existing and emerging risks, and recommendations to address them given to members where and when required.
- 9.2 The Capital Budget Strategy is approved and monitored against the underlying Prudential Code, which ensures the Council carries out its duties under Part 7 of the Local Government in Scotland Act 2003
- 9.3 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.

10. Background reading/external references

- 10.1 [Sustainable Capital Budget Strategy 2022-2032](#). Referral from Finance and Resources Committee, 24 February 2022
- 10.2 [Housing Revenue Account \(HRA\) Budget Strategy \(2022-32\)](#). Referral from Finance and Resources Committee, 24 February 2022
- 10.3 [Sustainable Capital Budget Strategy 2023-2033](#). Finance and Resources Committee, 10 November 2022
- 10.4 [Housing Revenue Account \(HRA\) Budget Strategy \(2023-33\)](#). Referral from Finance and Resources Committee, 23 February 2023
- 10.5 [Approved Sustainable Capital Budget Strategy 2023-33](#). Referral from Finance and Resources Committee, 14 March 2023
- 10.6 [Capital Strategy 2023-33 – Annual Report](#). Referral from Finance and Resources Committee, 16 March 2023

11. Appendices

- 11.1 Appendix 1 – 2022-23 Capital Monitoring Month 12 Outturn – General Fund
- 11.2 Appendix 2 – 2022-23 Capital Monitoring Month 12 Outturn – HRA
- 11.3 Appendix 3 – 2023-33 Revised Sustainable Capital Budget Strategy
- 11.4 Appendix 4 – 2023-33 Revised HRA Capital Budget Strategy
- 11.5 Appendix 5 – 2023-24 Revised Budget Prudential Indicators
- 11.6 Appendix 6 – 2023-24 Capital Monitoring Month Three – General Fund
- 11.7 Appendix 7 – 2023-24 Capital Monitoring Month Three – HRA

Appendix 1 - 2022-23 Capital Monitoring

General Fund Summary

Month 12

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
Learning Estate	31.645	13.680	45.325	46.465	1.140	2.51%
Edinburgh Living LLPs	16.972	12.057	29.029	27.400	-1.629	-5.61%
Trams to Newhaven	39.503	15.197	54.700	53.419	-1.281	-2.34%
Asset Management Works	29.425	-10.823	18.602	10.497	-8.105	-43.57%
Transport & Infrastructure	48.436	14.617	63.053	65.393	2.340	3.71%
Place - Other	56.547	27.897	84.444	77.257	-7.187	-8.51%
Corporate Services	0.807	0.881	1.688	2.304	0.615	36.46%
Edinburgh Health and Social Care Partnership	0.000	1.576	1.576	1.297	-0.279	-17.68%
Other Community	1.395	5.656	7.051	3.691	-3.360	-47.65%
Contingency	0.000	0.324	0.324	0.000	-0.324	-100.00%
Slippage Assumption	-21.694	0.000	-21.694	0.000	21.694	-100.00%
Total Gross Expenditure	203.036	81.061	284.097	287.722	3.625	1.28%

Funding	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
<i>Capital Receipts</i>						
General Asset Sales	3.000	1.037	4.037	9.117	5.080	125.85%
Other Capital Contributions (Edinburgh Living)	0.000	9.000	9.000	9.000	0.000	0.00%
Developers Contributions Applied	0.000	2.193	2.193	2.193	0.000	0.00%
Capital from Current Revenue	0.000	2.678	2.678	2.767	0.089	3.32%
<i>Total Capital Receipts from Asset Sales and Revenue</i>	3.000	14.909	17.909	23.078	5.169	28.87%
<i>Drawdown from/ (to) Capital Fund</i>	0.000	0.000	0.000	0.000	0.000	0.00%
Total Capital Receipts and Contributions	3.000	14.909	17.909	23.078	5.169	28.87%
<i>Grants</i>						
General Capital Grant	40.221	12.250	52.471	52.471	0.000	0.00%
Less: Contribution to Capital Fund (Pay Award)	0.000	-9.700	-9.700	-9.700	0.000	0.00%
Capital Grants Unapplied Account	0.000	17.905	17.905	17.905	0.000	0.00%
Specific Capital Grants - TMDF	45.182	10.000	55.182	55.182	0.000	0.00%
Specific Capital Grants - CWSS	2.310	0.195	2.505	2.505	0.000	0.00%
Specific Capital Grants - Place Based Investment Programm	1.735	0.006	1.741	1.741	0.000	0.00%
Specific Grants - Other	0.000	31.436	31.436	29.831	-1.606	-5.11%
Total Grants	89.448	62.092	151.540	149.935	-1.606	-1.06%
Total Funding	92.448	77.001	169.449	173.013	3.564	2.10%
<i>Borrowing</i>						
New Prudential Borrowing in Year	9.340	10.791	20.131	10.539	-9.592	-47.65%
New On-Lending in Year	16.972	3.057	20.029	18.400	-1.629	-8.13%
New Capital Advance - Trams to Newhaven	39.503	15.197	54.700	53.419	-1.281	-2.34%
New Capital Advance - General Fund	44.773	-24.985	19.788	32.351	12.564	63.49%
Balance to be funded through Loans Fund Advance	110.588	4.060	114.648	114.709	0.062	0.05%

Appendix 2 - 2022-23 Capital Monitoring

Housing Revenue Account

Month 12

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
Council Housebuilding Programme	43.332	-5.608	37.724	38.745	1.021	2.7%
Council Housebuilding Programme - Land Improvement to Council Homes and Estates	16.800	-2.456	14.344	17.109	2.766	19.3%
	66.687	0.000	66.687	65.481	-1.206	-1.8%
Total Gross Expenditure	126.819	-8.064	118.755	121.335	2.580	2.2%

Income	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
Capital Funded From Revenue	23.300	-2.456	20.844	21.742	0.898	4.3%
Energy (HEEP:ABS) grant funding	5.000	0.000	5.000	3.993	-1.007	-20.1%
Developer contribution/market sales	0.000	0.000	0.000	5.490	5.490	N/A
Receipts from LLPs	6.444	0.000	6.444	9.646	3.202	49.7%
Scottish Government Subsidy (Social and Acquisition)	4.137	0.000	4.137	33.687	29.550	714.3%
Total Income	38.881	-2.456	36.425	74.558	38.133	104.7%

Balance to be funded through Loans Fund Advance	87.938	-5.608	82.330	46.777	-35.552	-43.18%
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Appendix 3 - 2023-33 Revised Sustainable Capital Budget (Incorporating Period 12 out-turn slippage from 2022-23)

SUMMARY

	Re-profile															
	Approved Budget	Actual Slippage	to/from Later Years	Additional Funding	Internal Virements	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
	2023-24	2022-23	2023-24	£m	£m	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2023-2033
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Learning Estate	90.403	-1.132	-43.251	12.312	1.770	60.102	136.132	133.883	52.237	10.233	26.498	12.944	0.740	0.000	0.000	432.768
Edinburgh Living LLPs	62.413	1.629	-50.278	0.000	0.000	13.764	70.500	92.071	10.804	0.000	0.000	0.000	0.000	0.000	0.000	187.139
Trams to Newhaven	3.507	1.281	0.000	7.493	0.000	12.281	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	12.281
Asset Management Works	1.689	8.186	0.000	0.000	0.000	9.875	35.677	41.635	26.071	16.000	16.000	14.000	14.000	15.350	14.000	202.608
Transport & Infrastructure	69.438	-2.340	-9.986	0.400	0.024	57.536	42.600	31.680	25.633	25.043	20.324	19.832	19.375	20.888	20.096	283.006
Place - Other	49.392	7.187	-6.595	17.389	-0.024	67.348	70.506	50.775	29.200	29.200	29.200	29.200	29.200	29.150	392.979	
Corporate Services	4.091	-0.704	-5.849	5.660	-1.770	1.427	7.446	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000	12.066
Edinburgh Health and Social Care Partnership	0.000	0.279	-0.279	0.000	0.000	0.000	0.279	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.279
Other Community	2.065	3.360	-2.363	0.000	0.000	3.061	2.528	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	6.910
Contingency	0.000	0.324	-0.324	0.000	0.000	0.000	0.324	5.000	5.000	5.000	5.000	5.000	5.000	5.011	7.953	43.996
Slippage Assumption	-31.233	0.000	15.233	0.000	0.000	-16.000	-30.998	5.775	14.880	11.601	1.185	0.638	2.006	0.580	-0.170	-10.502
Total Expenditure	251.764	18.069	-103.692	43.254	0.000	209.395	334.996	361.651	164.668	97.857	98.987	82.394	71.194	71.194	71.194	1,563.529

Funding	Re-profile															
	Approved Budget	Actual Slippage	to/from Later Years	Additional Funding	Internal Virements	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
	2023-24	2022-23	2023-24	£m	£m	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2023-2033
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital receipts																
General Asset Sales	7.000	0.000	0.000	0.000	0.000	7.000	4.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	35.000
Capital from Current Revenue	0.000	-0.089	0.000	0.867	0.000	0.778	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.778
Other Capital Contributions (Edinburgh Living)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Developers Contributions Applied	6.369	0.000	0.000	0.000	10.000	16.369	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	16.369
Capital Fund drawdown	27.650	0.000	0.000	0.000	0.000	27.650	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	27.650
Total Receipts	41.019	-0.089	0.000	0.867	10.000	51.797	4.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	79.797
Capital Grants																
General Capital Grant	53.382	0.000	0.000	0.000	0.000	53.382	39.161	39.972	37.945	37.945	37.945	37.945	37.945	37.945	37.945	398.130
Less: Contribution to Capital Fund (Pay Award)	-9.709	0.000	0.000	0.000	0.000	-9.709	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-9.709
Capital Grants Unapplied Account	0.000	0.000	0.000	12.312	0.000	12.312	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	12.312
Specific Capital Grants - TMDF	27.950	0.000	0.000	17.103	0.000	45.053	45.211	45.960	27.950	27.950	27.950	27.950	27.950	27.950	27.950	331.874
Specific Capital Grants - CWSS	2.299	0.000	0.000	0.000	0.000	2.299	2.299	2.299	2.299	2.299	2.299	2.299	2.299	2.299	2.299	22.990
Specific Capital Grants - Place Based Investment Programme	1.209	0.000	0.000	0.000	0.000	1.209	1.209	1.209	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.627
Specific Grants - Other	0.000	0.000	0.000	1.506	0.000	1.506	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.506
Total Grants	75.131	0.000	0.000	30.921	0.000	106.052	87.880	89.440	68.194	68.194	68.194	68.194	68.194	68.194	68.194	760.730
New borrowing in year - Prudential (including GAM)	13.012	9.592	-6.806	0.000	-0.095	15.703	17.719	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000	36.615
New borrowing in year - On-lending	62.413	1.629	-50.278	0.000	0.000	13.764	70.500	92.071	10.804	0.000	0.000	0.000	0.000	0.000	0.000	187.139
New borrowing in year - Trams to Newhaven	3.507	1.281	0.000	7.493	-10.000	2.281	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2.281
Revenue Budget Framework - Enerphit	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	10.000	0.000	0.000	0.000	0.000	0.000	0.000	10.000
New borrowing in year - General	56.682	5.656	-46.608	3.973	0.095	19.798	154.896	176.472	71.992	26.048	27.178	10.585	0.000	0.000	0.000	486.968
Total Borrowing	135.614	18.158	-103.692	11.466	-10.000	51.546	243.116	269.211	93.474	26.663	27.793	11.200	0.000	0.000	0.000	723.002
Total Funding	251.764	18.069	-103.692	43.254	0.000	209.395	334.996	361.651	164.668	97.857	98.987	82.394	71.194	71.194	71.194	1,563.529
Funding Deficit/(Surplus)	-	-	-	-	0	-	-	-	-	-	-	-	-	-	-	-

Appendix 4 : 2023-33 Revised HRA Capital Budget

HRA Five Year Capital Investment Programme and Ten-Year Investment Strategy

Programme Heading	1	1	1	2	3	4	5	5 Year	6 to 10	10 Year
	Approved Budget 2023/24	Re-profile to/from Later Years 2023-24	Revised Budget 2023/24	2024/25	2025/26	2026/27	2027/28	Total	2028/29 to 2032/33	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
New Homes Development	99.027	-41.276	57.751	150.475	127.123	149.064	137.969	622.382	317.983	940.365
New Home Land Costs	2.064	0.840	2.904	2.160	0.000	4.875	4.875	14.814	5.000	19.814
Tenant's Homes & Services (20-yr borrowing)	12.567	-1.413	11.153	14.082	12.885	14.621	14.399	67.139	68.110	135.250
External Fabric and Estates (30-yr borrowing)	59.704	-6.714	52.990	71.786	62.241	64.151	63.487	314.655	304.410	619.065
Total Expenditure	173.361	-48.563	124.798	238.504	202.249	232.711	220.729	1,018.990	695.503	1,714.493
Prudential Borrowing	61.681	7.183	68.864	100.207	45.137	70.986	110.480	395.675	309.737	705.412
Capital Funded From Revenue	23.300	0.000	23.300	18.300	18.300	18.300	18.300	96.500	106.300	202.800
Capital Receipts and Contributions	14.520	-6.820	7.700	29.967	23.862	45.096	41.697	148.322	167.521	315.844
Receipts from LLPs	45.809	-31.059	14.750	54.600	87.948	60.838	33.026	251.163	26.175	277.338
Scottish Government Subsidy (Social)	26.131	-16.907	9.224	33.510	26.042	36.530	16.265	121.570	80.970	202.540
Scottish Government Subsidy (Acquisition)	1.920	-0.960	0.960	1.920	0.960	0.960	0.960	5.760	4.800	10.560
Total Funding	173.361	-48.563	124.798	238.504	202.249	232.711	220.729	1,018.990	695.503	1,714.493

Appendix 5 - 2023/24 Budget Prudential Indicators

Indicator 1 - Estimate of Capital Expenditure

The actual capital expenditure that was incurred in 2022-23 and the estimates of capital expenditure to be incurred for the current and future years:

	Capital Expenditure - General Services					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£000	£000	£000	£000	£000	£000
Rolled Forward Capital Investment Programme						
Learning Estate	46,465	60,102	136,132	133,883	52,237	10,233
Asset Management Works	10,497	9,875	35,677	41,635	26,071	16,000
Transport and Infrastructure	65,393	57,536	42,600	31,680	25,633	25,043
Place - Other Projects	77,257	67,348	70,506	50,775	29,200	29,200
Corporate Services	2,304	1,427	7,446	669	678	615
Edinburgh Health and Social Care Partnership	1,297	0	279	0	0	0
Other Community (inc Libraries and Sports Centres)	3,691	3,061	2,528	165	165	165
Trams to Newhaven	53,419	12,281	0	0	0	0
Edinburgh Living LLPs	27,400	13,764	70,500	92,071	10,804	0
Contingency	0	0	324	5,000	5,000	5,000
General (slippage) / acceleration across the programme	0	-16,000	-30,998	5,775	14,880	11,601
Total General Services Capital Expenditure	287,722	209,395	334,996	361,651	164,668	97,857

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 2023-2028 Capital Investment Programme includes slippage / acceleration brought forward based on projected capital expenditure reported at the month three stage.

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£000	£000	£000	£000	£000	£000
Rolled Forward Capital Investment Programme						
Housing Revenue Account	121,335	124,798	238,504	202,249	232,711	220,729

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 2022-23 are:

	Ratio of Financing Costs to Net Revenue Stream					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	%	%	%	%	%	%
General Services	7.2%	7.6%	8.0%	8.2%	8.4%	8.4%
Housing Revenue Account (HRA)	33.9%	31.0%	32.2%	34.8%	36.2%	36.9%

Note: Figures for 2024/25 onwards are indicative at this stage as the Council has not set a General Services or HRA budget for these years.

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 2023 are:

	Capital Financing Requirement					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£m	£m	£m	£m	£m	£m
General Services (including Finance Leases / Right of Use Assets)	1,596	1,575	1,681	1,788	1,798	1,752
Housing Revenue Account (HRA)	423	471	550	571	617	700
NHT LLPs	44	32	24	15	0	0
Edinburgh Living LLPs	59	72	142	232	240	237
Total Capital Financing Requirement	2,122	2,151	2,397	2,606	2,655	2,689

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

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 five have now 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					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£m	£m	£m	£m	£m	£m
Gross Debt	1,879	1,910	2,023	2,079	2,087	2,094
Capital Financing Requirements	2,122	2,151	2,397	2,606	2,655	2,689
(Over) / under limit by:	243	241	374	527	568	596

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.

From 2022/2023, the Authority has applied 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. The capital financing requirement has been adjusted by £51m for 'Right of Use Assets' under IFRS16. 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. These limits separately identify borrowing under credit arrangements including finance leases and PFI assets. Council has delegated 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					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Borrowing	1,900	2,093	2,435	2,784	2,912	2,964
Credit Arrangements (including leases and Right of Use assets)	423	405	394	384	377	372
Authorised Limit for External Debt	2,323	2,498	2,828	3,168	3,289	3,336

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 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					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Borrowing	1,850	2,043	2,385	2,734	2,862	2,914
Credit Arrangements (including leases)	423	405	394	384	377	372
Operational Boundary for External Debt	2,273	2,448	2,778	3,118	3,239	3,286

The Council's actual external debt at 31 March 2023 was £1,870m (including sums repayable within 12 months).

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

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 2023-24 and for future years will be considered as part of the longer term financial frameworks.

	Loans Charges Liability					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
General Services (excluding On-Lending and Tram to Newhaven) - New Loans Fund Advances						
Loans Fund Advances in year	42,890	35,501	172,616	177,141	82,670	26,663
Year 1 - Interest Only	858	710	3,452	3,543	1,653	533
Year 2 - Interest and Principal Repayment	3,145	2,603	12,658	12,990	6,062	1,955
Housing Revenue Account (HRA) - New Loans Fund Advances						
Loans Fund Advances in year (excl. LLP programme *)	46,777	68,864	100,207	45,137	70,986	110,480
Year 1 - Interest Only	994	1,463	2,129	959	1,508	2,348
Year 2 - Interest and Principal Repayment	1,988	2,927	4,259	1,918	3,017	4,695

* 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 from 2023/24 as the line to Newhaven is 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.

Appendix 6 - 2023-24 Capital Monitoring

General Fund Summary

Period 3

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
Learning Estate	90.403	-30.301	60.102	13.424	60.102	0.000	0.00%
Edinburgh Living LLPs	62.413	-48.649	13.764	2.511	13.764	0.000	0.00%
Trams to Newhaven	3.507	8.774	12.281	8.816	12.281	0.000	0.00%
Asset Management Works	1.689	8.186	9.875	0.900	9.875	0.000	0.00%
Transport & Infrastructure	69.438	-11.902	57.536	17.231	57.536	0.000	0.00%
Place - Other	49.392	17.957	67.348	6.750	67.348	0.000	0.00%
Corporate Services	4.091	-2.664	1.427	0.367	1.427	0.000	0.00%
Edinburgh Health and Social Care Partnership	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Other Community	2.065	0.996	3.061	0.938	3.061	0.000	0.00%
Contingency	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Slippage Assumption	-31.233	15.233	-16.000	0.000	-16.000	0.000	0.00%
Total Gross Expenditure	251.764	-42.369	209.395	50.938	209.395	0.000	0.00%

Funding	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
<i>Capital Receipts</i>							
General Asset Sales	7.000	0.000	7.000	1.080	7.000	0.000	0.00%
Capital from Current Revenue	0.000	0.778	0.778	0.000	0.778	0.000	0.00%
Other Capital Contributions (Edinburgh Living)	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Developers Contributions Applied	6.369	10.000	16.369	0.012	16.369	0.000	0.00%
<i>Total Capital Receipts from Asset Sales</i>	13.369	10.778	24.147	1.092	24.147	0.000	0.00%
<i>Drawdown from/ (to) Capital Fund</i>	27.650	0.000	27.650	0.000	27.650	0.000	0.00%
Total Capital Receipts and Contributions	41.019	10.778	51.797	1.092	51.797	0.000	0.00%
<i>Grants</i>							
General Capital Grant	53.382	0.000	53.382	12.149	53.382	0.000	0.00%
Less: Contribution to Capital Fund (Pay Award)	-9.709	0.000	-9.709	0.000	-9.709	0.000	0.00%
Capital Grants Unapplied Account	0.000	12.312	12.312	0.000	12.312	0.000	0.00%
Specific Capital Grants - TMDF	27.950	17.103	45.053	0.000	45.053	0.000	0.00%
Specific Capital Grants - CWSS	2.299	0.000	2.299	-1.563	2.299	0.000	0.00%
Specific Capital Grants - Place Based Investment Programme	1.209	0.000	1.209	0.000	1.209	0.000	0.00%
Specific Grants - Other	0.000	1.506	1.506	-3.371	1.506	0.000	0.00%
Total Grants	75.131	30.921	106.052	7.215	106.052	0.000	0.00%
Total Funding	116.150	41.699	157.849	8.307	157.849	0.000	0.00%
<i>Borrowing</i>							
New Prudential Borrowing in Year	13.012	2.691	15.703	0.000	15.703	0.000	0.00%
New On-Lending in Year	62.413	-48.649	13.764	2.511	13.764	0.000	0.00%
New Capital Advance - Trams to Newhaven	3.507	-1.226	2.281	8.816	2.281	0.000	0.00%
New Capital Advance - General Fund	56.682	-36.884	19.798	31.304	19.798	0.000	0.00%
Balance to be funded through Loans Fund Advance	135.614	-84.068	51.546	42.631	51.546	0.000	0.00%

Appendix 7 - 2023-24 Capital Monitoring

Housing Revenue Account

Period 3

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
New Homes Development	99.027	-41.276	57.751	11.787	57.751	0.000	0.0%
New Homes Land Costs	2.064	0.840	2.904	0.046	2.904	0.000	0.0%
Improvement to Council Homes and Estates	72.271	-8.127	64.143	6.458	64.143	0.000	0.0%
Total Gross Expenditure	173.361	-48.563	124.798	18.292	124.798	0.000	0.0%
Income	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
Capital Funded From Revenue	23.300	0.000	23.300	0.000	23.300	0.000	0.0%
Energy (HEEP:ABS) grant funding	0.000	0.000	0.000	0.000	0.000	0.000	0.0%
Developer contribution/market sales	14.520	-6.820	7.700	0.051	7.700	0.000	0.0%
Receipts from LLPs*	45.809	-31.059	14.750	4.750	14.750	0.000	0.0%
Scottish Government Subsidy (Social and Acquisition)	28.051	-17.867	10.184	0.000	10.184	0.000	0.0%
Total Income	111.680	-55.746	55.934	4.801	55.934	0.000	0.0%
Balance to be funded through Loans Fund Advance	61.681	7.183	68.864	13.491	68.864	0.000	0%

Appendix 1 - 2022-23 Capital Monitoring

General Fund Summary

Month 12

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
Learning Estate	31.645	13.680	45.325	46.465	1.140	2.51%
Edinburgh Living LLPs	16.972	12.057	29.029	27.400	-1.629	-5.61%
Trams to Newhaven	39.503	15.197	54.700	53.419	-1.281	-2.34%
Asset Management Works	29.425	-10.823	18.602	10.497	-8.105	-43.57%
Transport & Infrastructure	48.436	14.617	63.053	65.393	2.340	3.71%
Place - Other	56.547	27.897	84.444	77.257	-7.187	-8.51%
Corporate Services	0.807	0.881	1.688	2.304	0.615	36.46%
Edinburgh Health and Social Care Partnership	0.000	1.576	1.576	1.297	-0.279	-17.68%
Other Community	1.395	5.656	7.051	3.691	-3.360	-47.65%
Contingency	0.000	0.324	0.324	0.000	-0.324	-100.00%
Slippage Assumption	-21.694	0.000	-21.694	0.000	21.694	-100.00%
Total Gross Expenditure	203.036	81.061	284.097	287.722	3.625	1.28%

Funding	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
<i>Capital Receipts</i>						
General Asset Sales	3.000	1.037	4.037	9.117	5.080	125.85%
Other Capital Contributions (Edinburgh Living)	0.000	9.000	9.000	9.000	0.000	0.00%
Developers Contributions Applied	0.000	2.193	2.193	2.193	0.000	0.00%
Capital from Current Revenue	0.000	2.678	2.678	2.767	0.089	3.32%
Total Capital Receipts from Asset Sales and Revenue	3.000	14.909	17.909	23.078	5.169	28.87%
<i>Drawdown from/ (to) Capital Fund</i>						
	0.000	0.000	0.000	0.000	0.000	0.00%
Total Capital Receipts and Contributions	3.000	14.909	17.909	23.078	5.169	28.87%
<i>Grants</i>						
General Capital Grant	40.221	12.250	52.471	52.471	0.000	0.00%
Less: Contribution to Capital Fund (Pay Award)	0.000	-9.700	-9.700	-9.700	0.000	0.00%
Capital Grants Unapplied Account	0.000	17.905	17.905	17.905	0.000	0.00%
Specific Capital Grants - TMDF	45.182	10.000	55.182	55.182	0.000	0.00%
Specific Capital Grants - CWSS	2.310	0.195	2.505	2.505	0.000	0.00%
Specific Capital Grants - Place Based Investment Programm	1.735	0.006	1.741	1.741	0.000	0.00%
Specific Grants - Other	0.000	31.436	31.436	29.831	-1.606	-5.11%
Total Grants	89.448	62.092	151.540	149.935	-1.606	-1.06%
Total Funding	92.448	77.001	169.449	173.013	3.564	2.10%
<i>Borrowing</i>						
New Prudential Borrowing in Year	9.340	10.791	20.131	10.539	-9.592	-47.65%
New On-Lending in Year	16.972	3.057	20.029	18.400	-1.629	-8.13%
New Capital Advance - Trams to Newhaven	39.503	15.197	54.700	53.419	-1.281	-2.34%
New Capital Advance - General Fund	44.773	-24.985	19.788	32.351	12.564	63.49%
Balance to be funded through Loans Fund Advance	110.588	4.060	114.648	114.709	0.062	0.05%

Appendix 2 - 2022-23 Capital Monitoring

Housing Revenue Account

Month 12

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
Council Housebuilding Programme	43.332	-5.608	37.724	38.745	1.021	2.7%
Council Housebuilding Programme - Land Improvement to Council Homes and Estates	16.800	-2.456	14.344	17.109	2.766	19.3%
	66.687	0.000	66.687	65.481	-1.206	-1.8%
Total Gross Expenditure	126.819	-8.064	118.755	121.335	2.580	2.2%

Income	Approved Budget	Adjustments	Revised Budget	Actual Outturn	Outturn Variance	
	£m	£m	£m	£m	£m	%
Capital Funded From Revenue	23.300	-2.456	20.844	21.742	0.898	4.3%
Energy (HEEP:ABS) grant funding	5.000	0.000	5.000	3.993	-1.007	-20.1%
Developer contribution/market sales	0.000	0.000	0.000	5.490	5.490	N/A
Receipts from LLPs	6.444	0.000	6.444	9.646	3.202	49.7%
Scottish Government Subsidy (Social and Acquisition)	4.137	0.000	4.137	33.687	29.550	714.3%
Total Income	38.881	-2.456	36.425	74.558	38.133	104.7%

Balance to be funded through Loans Fund Advance	87.938	-5.608	82.330	46.777	-35.552	-43.18%
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Appendix 3 - 2023-33 Revised Sustainable Capital Budget (Incorporating Period 12 out-turn slippage from 2022-23)

SUMMARY	Approved Budget	Actual Slippage	Re-profile		Additional Funding	Internal Virements	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget
			to/from	Later Years													
			2023-24	2022-23													
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Learning Estate	90.403	-1.132	-43.251		12.312	1.770	60.102	136.132	133.883	52.237	10.233	26.498	12.944	0.740	0.000	0.000	432.768
Edinburgh Living LLPs	62.413	1.629	-50.278		0.000	0.000	13.764	70.500	92.071	10.804	0.000	0.000	0.000	0.000	0.000	0.000	187.139
Trams to Newhaven	3.507	1.281	0.000		7.493	0.000	12.281	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	12.281
Asset Management Works	1.689	8.186	0.000		0.000	0.000	9.875	35.677	41.635	26.071	16.000	16.000	14.000	14.000	15.350	14.000	202.608
Transport & Infrastructure	69.438	-2.340	-9.986		0.400	0.024	57.536	42.600	31.680	25.633	25.043	20.324	19.832	19.375	20.888	20.096	283.006
Place - Other	49.392	7.187	-6.595		17.389	-0.024	67.348	70.506	50.775	29.200	29.200	29.200	29.200	29.200	29.150	392.979	
Corporate Services	4.091	-0.704	-5.849		5.660	-1.770	1.427	7.446	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000	12.066
Edinburgh Health and Social Care Partnership	0.000	0.279	-0.279		0.000	0.000	0.000	0.279	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.279
Other Community	2.065	3.360	-2.363		0.000	0.000	3.061	2.528	0.165	0.165	0.165	0.165	0.165	0.165	0.165	0.165	6.910
Contingency	0.000	0.324	-0.324		0.000	0.000	0.000	0.324	5.000	5.000	5.000	5.000	5.000	5.708	5.011	7.953	43.996
Slippage Assumption	-31.233	0.000	15.233		0.000	0.000	-16.000	-30.998	5.775	14.880	11.601	1.185	0.638	2.006	0.580	-0.170	-10.502
Total Expenditure	251.764	18.069	-103.692		43.254	0.000	209.395	334.996	361.651	164.668	97.857	98.987	82.394	71.194	71.194	71.194	1,563.529

Funding	Approved Budget	Actual Slippage	Re-profile		Additional Funding	Internal Virements	Revised Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Indicative Budget	Total Budget	
			to/from	Later Years													
			2023-24	2022-23													2023-24
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Capital receipts																	
General Asset Sales	7.000	0.000	0.000		0.000	0.000	7.000	4.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	35.000
Capital from Current Revenue	0.000	-0.089	0.000		0.867	0.000	0.778	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.778
Other Capital Contributions (Edinburgh Living)	0.000	0.000	0.000		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Developers Contributions Applied	6.369	0.000	0.000		0.000	10.000	16.369	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	16.369
Capital Fund drawdown	27.650	0.000	0.000		0.000	0.000	27.650	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	27.650
Total Receipts	41.019	-0.089	0.000		0.867	10.000	51.797	4.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	3.000	79.797
Capital Grants																	
General Capital Grant	53.382	0.000	0.000		0.000	0.000	53.382	39.161	39.972	37.945	37.945	37.945	37.945	37.945	37.945	37.945	398.130
Less: Contribution to Capital Fund (Pay Award)	-9.709	0.000	0.000		0.000	0.000	-9.709	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-9.709
Capital Grants Unapplied Account	0.000	0.000	0.000		12.312	0.000	12.312	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	12.312
Specific Capital Grants - TMDF	27.950	0.000	0.000		17.103	0.000	45.053	45.211	45.960	27.950	27.950	27.950	27.950	27.950	27.950	27.950	331.874
Specific Capital Grants - CWSS	2.299	0.000	0.000		0.000	0.000	2.299	2.299	2.299	2.299	2.299	2.299	2.299	2.299	2.299	2.299	22.990
Specific Capital Grants - Place Based Investment Programme	1.209	0.000	0.000		0.000	0.000	1.209	1.209	1.209	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.627
Specific Grants - Other	0.000	0.000	0.000		1.506	0.000	1.506	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.506
Total Grants	75.131	0.000	0.000		30.921	0.000	106.052	87.880	89.440	68.194	68.194	68.194	68.194	68.194	68.194	68.194	760.730
New borrowing in year - Prudential (including GAM)	13.012	9.592	-6.806		0.000	-0.095	15.703	17.719	0.669	0.678	0.615	0.615	0.615	0.000	0.000	0.000	36.615
New borrowing in year - On-lending	62.413	1.629	-50.278		0.000	0.000	13.764	70.500	92.071	10.804	0.000	0.000	0.000	0.000	0.000	0.000	187.139
New borrowing in year - Trams to Newhaven	3.507	1.281	0.000		7.493	-10.000	2.281	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2.281
Revenue Budget Framework - Enerphit	0.000	0.000	0.000		0.000	0.000	0.000	0.000	0.000	10.000	0.000	0.000	0.000	0.000	0.000	0.000	10.000
New borrowing in year - General	56.682	5.656	-46.608		3.973	0.095	19.798	154.896	176.472	71.992	26.048	27.178	10.585	0.000	0.000	0.000	486.968
Total Borrowing	135.614	18.158	-103.692		11.466	-10.000	51.546	243.116	269.211	93.474	26.663	27.793	11.200	0.000	0.000	0.000	723.002
Total Funding	251.764	18.069	-103.692		43.254	0.000	209.395	334.996	361.651	164.668	97.857	98.987	82.394	71.194	71.194	71.194	1,563.529
Funding Deficit/(Surplus)	-	-	-		-	0	-	-	-	-	-	-	-	-	-	-	-

Appendix 4 : 2023-33 Revised HRA Capital Budget

HRA Five Year Capital Investment Programme and Ten-Year Investment Strategy

Programme Heading	1	1	1	2	3	4	5	5 Year	6 to 10	10 Year
	Approved Budget 2023/24	Re-profile to/from Later Years 2023-24	Revised Budget 2023/24	2024/25	2025/26	2026/27	2027/28	Total	2028/29 to 2032/33	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
New Homes Development	99.027	-41.276	57.751	150.475	127.123	149.064	137.969	622.382	317.983	940.365
New Home Land Costs	2.064	0.840	2.904	2.160	0.000	4.875	4.875	14.814	5.000	19.814
Tenant's Homes & Services (20-yr borrowing)	12.567	-1.413	11.153	14.082	12.885	14.621	14.399	67.139	68.110	135.250
External Fabric and Estates (30-yr borrowing)	59.704	-6.714	52.990	71.786	62.241	64.151	63.487	314.655	304.410	619.065
Total Expenditure	173.361	-48.563	124.798	238.504	202.249	232.711	220.729	1,018.990	695.503	1,714.493
Prudential Borrowing	61.681	7.183	68.864	100.207	45.137	70.986	110.480	395.675	309.737	705.412
Capital Funded From Revenue	23.300	0.000	23.300	18.300	18.300	18.300	18.300	96.500	106.300	202.800
Capital Receipts and Contributions	14.520	-6.820	7.700	29.967	23.862	45.096	41.697	148.322	167.521	315.844
Receipts from LLPs	45.809	-31.059	14.750	54.600	87.948	60.838	33.026	251.163	26.175	277.338
Scottish Government Subsidy (Social)	26.131	-16.907	9.224	33.510	26.042	36.530	16.265	121.570	80.970	202.540
Scottish Government Subsidy (Acquisition)	1.920	-0.960	0.960	1.920	0.960	0.960	0.960	5.760	4.800	10.560
Total Funding	173.361	-48.563	124.798	238.504	202.249	232.711	220.729	1,018.990	695.503	1,714.493

Appendix 5 - 2023/24 Budget Prudential Indicators

Indicator 1 - Estimate of Capital Expenditure

The actual capital expenditure that was incurred in 2022-23 and the estimates of capital expenditure to be incurred for the current and future years:

	Capital Expenditure - General Services					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£000	£000	£000	£000	£000	£000
Rolled Forward Capital Investment Programme						
Learning Estate	46,465	60,102	136,132	133,883	52,237	10,233
Asset Management Works	10,497	9,875	35,677	41,635	26,071	16,000
Transport and Infrastructure	65,393	57,536	42,600	31,680	25,633	25,043
Place - Other Projects	77,257	67,348	70,506	50,775	29,200	29,200
Corporate Services	2,304	1,427	7,446	669	678	615
Edinburgh Health and Social Care Partnership	1,297	0	279	0	0	0
Other Community (inc Libraries and Sports Centres)	3,691	3,061	2,528	165	165	165
Trams to Newhaven	53,419	12,281	0	0	0	0
Edinburgh Living LLPs	27,400	13,764	70,500	92,071	10,804	0
Contingency	0	0	324	5,000	5,000	5,000
General (slippage) / acceleration across the programme	0	-16,000	-30,998	5,775	14,880	11,601
Total General Services Capital Expenditure	287,722	209,395	334,996	361,651	164,668	97,857

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 2023-2028 Capital Investment Programme includes slippage / acceleration brought forward based on projected capital expenditure reported at the month three stage.

	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£000	£000	£000	£000	£000	£000
Rolled Forward Capital Investment Programme						
Housing Revenue Account	121,335	124,798	238,504	202,249	232,711	220,729

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 2022-23 are:

	Ratio of Financing Costs to Net Revenue Stream					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	%	%	%	%	%	%
General Services	7.2%	7.6%	8.0%	8.2%	8.4%	8.4%
Housing Revenue Account (HRA)	33.9%	31.0%	32.2%	34.8%	36.2%	36.9%

Note: Figures for 2024/25 onwards are indicative at this stage as the Council has not set a General Services or HRA budget for these years.

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 2023 are:

	Capital Financing Requirement					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£m	£m	£m	£m	£m	£m
General Services (including Finance Leases / Right of Use Assets)	1,596	1,575	1,681	1,788	1,798	1,752
Housing Revenue Account (HRA)	423	471	550	571	617	700
NHT LLPs	44	32	24	15	0	0
Edinburgh Living LLPs	59	72	142	232	240	237
Total Capital Financing Requirement	2,122	2,151	2,397	2,606	2,655	2,689

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 consequence 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

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 five have now 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					
	2022/23 Actual	2023/24 Forecast	2024/25 Estimate	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate
	£m	£m	£m	£m	£m	£m
Gross Debt	1,879	1,910	2,023	2,079	2,087	2,094
Capital Financing Requirements	2,122	2,151	2,397	2,606	2,655	2,689
(Over) / under limit by:	243	241	374	527	568	596

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.

From 2022/2023, the Authority has applied 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. The capital financing requirement has been adjusted by £51m for 'Right of Use Assets' under IFRS16. 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. These limits separately identify borrowing under credit arrangements including finance leases and PFI assets. Council has delegated 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					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Borrowing	1,900	2,093	2,435	2,784	2,912	2,964
Credit Arrangements (including leases and Right of Use assets)	423	405	394	384	377	372
Authorised Limit for External Debt	2,323	2,498	2,828	3,168	3,289	3,336

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 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					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m	£m
Borrowing	1,850	2,043	2,385	2,734	2,862	2,914
Credit Arrangements (including leases)	423	405	394	384	377	372
Operational Boundary for External Debt	2,273	2,448	2,778	3,118	3,239	3,286

The Council's actual external debt at 31 March 2023 was £1,870m (including sums repayable within 12 months).

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

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 2023-24 and for future years will be considered as part of the longer term financial frameworks.

	Loans Charges Liability					
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
	£000	£000	£000	£000	£000	£000
General Services (excluding On-Lending and Tram to Newhaven) - New Loans Fund Advances						
Loans Fund Advances in year	42,890	35,501	172,616	177,141	82,670	26,663
Year 1 - Interest Only	858	710	3,452	3,543	1,653	533
Year 2 - Interest and Principal Repayment	3,145	2,603	12,658	12,990	6,062	1,955
Housing Revenue Account (HRA) - New Loans Fund Advances						
Loans Fund Advances in year (excl. LLP programme *)	46,777	68,864	100,207	45,137	70,986	110,480
Year 1 - Interest Only	994	1,463	2,129	959	1,508	2,348
Year 2 - Interest and Principal Repayment	1,988	2,927	4,259	1,918	3,017	4,695

* 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 from 2023/24 as the line to Newhaven is 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.

Appendix 6 - 2023-24 Capital Monitoring

General Fund Summary

Period 3

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
Learning Estate	90.403	-30.301	60.102	13.424	60.102	0.000	0.00%
Edinburgh Living LLPs	62.413	-48.649	13.764	2.511	13.764	0.000	0.00%
Trams to Newhaven	3.507	8.774	12.281	8.816	12.281	0.000	0.00%
Asset Management Works	1.689	8.186	9.875	0.900	9.875	0.000	0.00%
Transport & Infrastructure	69.438	-11.902	57.536	17.231	57.536	0.000	0.00%
Place - Other	49.392	17.957	67.348	6.750	67.348	0.000	0.00%
Corporate Services	4.091	-2.664	1.427	0.367	1.427	0.000	0.00%
Edinburgh Health and Social Care Partnership	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Other Community	2.065	0.996	3.061	0.938	3.061	0.000	0.00%
Contingency	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Slippage Assumption	-31.233	15.233	-16.000	0.000	-16.000	0.000	0.00%
Total Gross Expenditure	251.764	-42.369	209.395	50.938	209.395	0.000	0.00%

Funding	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
<i>Capital Receipts</i>							
General Asset Sales	7.000	0.000	7.000	1.080	7.000	0.000	0.00%
Capital from Current Revenue	0.000	0.778	0.778	0.000	0.778	0.000	0.00%
Other Capital Contributions (Edinburgh Living)	0.000	0.000	0.000	0.000	0.000	0.000	0.00%
Developers Contributions Applied	6.369	10.000	16.369	0.012	16.369	0.000	0.00%
<i>Total Capital Receipts from Asset Sales</i>	13.369	10.778	24.147	1.092	24.147	0.000	0.00%
<i>Drawdown from/ (to) Capital Fund</i>	27.650	0.000	27.650	0.000	27.650	0.000	0.00%
Total Capital Receipts and Contributions	41.019	10.778	51.797	1.092	51.797	0.000	0.00%
<i>Grants</i>							
General Capital Grant	53.382	0.000	53.382	12.149	53.382	0.000	0.00%
Less: Contribution to Capital Fund (Pay Award)	-9.709	0.000	-9.709	0.000	-9.709	0.000	0.00%
Capital Grants Unapplied Account	0.000	12.312	12.312	0.000	12.312	0.000	0.00%
Specific Capital Grants - TMDF	27.950	17.103	45.053	0.000	45.053	0.000	0.00%
Specific Capital Grants - CWSS	2.299	0.000	2.299	-1.563	2.299	0.000	0.00%
Specific Capital Grants - Place Based Investment Programme	1.209	0.000	1.209	0.000	1.209	0.000	0.00%
Specific Grants - Other	0.000	1.506	1.506	-3.371	1.506	0.000	0.00%
Total Grants	75.131	30.921	106.052	7.215	106.052	0.000	0.00%
Total Funding	116.150	41.699	157.849	8.307	157.849	0.000	0.00%
<i>Borrowing</i>							
New Prudential Borrowing in Year	13.012	2.691	15.703	0.000	15.703	0.000	0.00%
New On-Lending in Year	62.413	-48.649	13.764	2.511	13.764	0.000	0.00%
New Capital Advance - Trams to Newhaven	3.507	-1.226	2.281	8.816	2.281	0.000	0.00%
New Capital Advance - General Fund	56.682	-36.884	19.798	31.304	19.798	0.000	0.00%
Balance to be funded through Loans Fund Advance	135.614	-84.068	51.546	42.631	51.546	0.000	0.00%

Appendix 7 - 2023-24 Capital Monitoring

Housing Revenue Account

Period 3

Expenditure	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
New Homes Development	99.027	-41.276	57.751	11.787	57.751	0.000	0.0%
New Homes Land Costs	2.064	0.840	2.904	0.046	2.904	0.000	0.0%
Improvement to Council Homes and Estates	72.271	-8.127	64.143	6.458	64.143	0.000	0.0%
Total Gross Expenditure	173.361	-48.563	124.798	18.292	124.798	0.000	0.0%
Income	Approved Budget	Adjustments	Revised Budget	Actual to Date	Projected Outturn	Projected Outturn Variance	
	£m	£m	£m	£m	£m	£m	%
Capital Funded From Revenue	23.300	0.000	23.300	0.000	23.300	0.000	0.0%
Energy (HEEP:ABS) grant funding	0.000	0.000	0.000	0.000	0.000	0.000	0.0%
Developer contribution/market sales	14.520	-6.820	7.700	0.051	7.700	0.000	0.0%
Receipts from LLPs*	45.809	-31.059	14.750	4.750	14.750	0.000	0.0%
Scottish Government Subsidy (Social and Acquisition)	28.051	-17.867	10.184	0.000	10.184	0.000	0.0%
Total Income	111.680	-55.746	55.934	4.801	55.934	0.000	0.0%
Balance to be funded through Loans Fund Advance	61.681	7.183	68.864	13.491	68.864	0.000	0%

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Governance, Risk and Best Value Committee

10.00am, Tuesday, 31 October 2023

Accounts Commission: Local Government in Scotland Overview 2023 – referral from the Policy and Sustainability Committee

Executive/routine
Wards

1. For Decision/Action

- 1.1 The Policy and Sustainability Committee has referred a report on the Accounts Commission's recently published Local Government in Scotland Overview 2023 to the Governance, Risk and Best Value Committee for consideration as part of its workplan.

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Jamie Macrae, Assistant Committee Officer
Legal and Assurance Division, Corporate Services Directorate
E-mail: jamie.macrae@edinburgh.gov.uk | Tel: 0131 529 4264

Referral Report

Accounts Commission: Local Government in Scotland Overview 2023 – referral from the Policy and Sustainability Committee

2. Terms of Referral

2.1 On 24 October 2023, the Policy and Sustainability Committee considered a report by the Executive Director of Corporate Services on the Accounts Commission's recently published Local Government in Scotland Overview 2023 which focused specifically on the impact of the COVID-19 pandemic on councils' performance in 2021/22, future challenges facing local government and how well-placed councils are to address these.

2.2 Decision

- 1) To note the report by the Executive Director of Corporate Services.
- 2) To note that the recommendations in the report would be considered in an Edinburgh-specific context as part of the Council's Best Value Thematic and Annual Audit Reports to be presented to members on 31 October 2023.
- 3) To refer the report to the Governance, Risk and Best Value Committee as part of its workplan.

3. Background Reading/ External References

[Policy and Sustainability Committee of 24 October 2023 - webcast](#)

4. Appendices

Appendix 1 – Report by the Executive Director of Corporate Services

Policy and Sustainability Committee

10am, Tuesday, 24 October 2023

Accounts Commission: Local Government in Scotland Overview 2023

Executive/routine
Wards

1. Recommendations

Members of the Policy and Sustainability Committee are asked:

- 1.1 to note the contents of the report;
- 1.2 to note that the recommendations in the report will be considered in an Edinburgh-specific context as part of the Council's Best Value Thematic and Annual Audit Reports to be presented to members on 31 October 2023; and
- 1.3 to refer the report to the Governance, Risk and Best Value Committee as part of its workplan.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Richard Lloyd-Bithell, Service Director: Finance and Procurement

E-mail: richard.lloyd-bithell@edinburgh.gov.uk

Accounts Commission: Local Government in Scotland Overview 2023

2. Executive Summary

- 2.1 The report presents the Accounts Commission's recently published Local Government in Scotland Overview 2023 which focuses specifically on the impact of the COVID-19 pandemic on councils' performance in 2021/22, future challenges facing local government and how well-placed councils are to address these.

3. Background

- 3.1 In August 2020, the Accounts Commission agreed a strategic medium-term approach to reporting on the impact of the COVID-19 pandemic. This approach committed to producing a series of annual overview reports over a three-year period.
- 3.2 The 2023 overview report is the third and final overview report in the series and builds on the previous reports in the series and examines:
- How has the pandemic affected councils and their performance?
 - What are the current and future challenges facing local government?
 - How well placed are councils to deal with the current and future challenges?
- 3.3 The report draws on findings from the [2021/22 Financial Bulletin](#), considering these in the context of the wider overview. The findings of the report are in turn drawn from 2021/22 annual audits, performance and best value audit work carried out during 2022 and from specific research and analysis of available data and intelligence.
- 3.4 The report is complemented by a collection of [case studies](#), including one on the planned transient visitor levy in Edinburgh, and, as in previous years, a [checklist of questions for elected members](#) to consider in their scrutiny and decision-making roles.
- 3.5 By its nature, the report's key findings and recommendations are couched in a Scotland-wide context rather than being specific or particular to Edinburgh, albeit

many of these are nonetheless equally applicable to the Council's own challenges. The recommendations in the report will be considered in an Edinburgh-specific context as part of the Council's Best Value Thematic and Annual Audit Reports to be presented to members on 31 October 2023.

4. Main report

Overview of report's contents

- 4.1 The initial part of the report considers the impact of the pandemic on councils' performance, concluding that in many cases it has exacerbated pre-existing strains resulting from sustained real-terms reductions in core funding and wider underlying pressures. Exhibit 1 on page 9 of the report contrasts significant real-terms increases in expenditure on education, adult social care and looked-after children, mainly linked to national policies and directives, with offsetting reductions in "unprotected" areas. Given the Scotland-wide nature of these directives, this is consistent with the equivalent position in Edinburgh.
- 4.2 Pages 10 to 13 provide an overview of council performance as captured within the Local Government Benchmarking Framework (LGBF) for 2021/22. Across Scotland as a whole, while the picture was mixed, there were signs of an overall decline in performance, with some service backlogs and system capacity issues. [An overview of the 2021/22 LGBF as it relates to Edinburgh](#) was reported to the Policy and Sustainability Committee on 23 May 2023. Somewhat in contrast to the national position, this analysis showed absolute improvement in performance relative to pre-pandemic levels in the majority of indicators, albeit with an overall decline in adult and social care, housing and culture and leisure services, these mirroring the national position.
- 4.3 Pages 14 to 26 provide an overview of the main challenges facing councils, categorising these across the themes of financial, local needs, (delivery of) national policies, workforce and leadership. While, in common with other elements of the report, the contents are generic and not specific to Edinburgh, the themes nonetheless resonate with the Council's own experience. A number of the financial themes as they relate to Edinburgh's own context were considered by the Finance and Resources Committee on 7 February 2023 in the report on the [Accounts Commission's Financial Bulletin 2021/22](#). The [Annual Performance Report](#) considered by the Policy and Sustainability Committee on 22 August 2023 provided a comprehensive overview of the Council's performance in 2022/23, grouped around the Business Plan's key three themes which complement national priorities on tackling child and wider poverty and inequality (particularly against the backdrop of current challenging economic conditions), attaining net-zero and an increased focus upon core services.
- 4.4 Consistent with the national picture outlined on page 24, overall staff absence increased significantly in 2021/22, with this trend then continuing in 2022/23,

particularly due to increases in anxiety and mental health-related problems as well as musculoskeletal issues. In response to these trends the Council has adapted and tailored its wellbeing support. An inability to recruit is also affecting an increasing range of services, particularly in frontline social care roles but also across support functions such as accountancy, legal services and procurement.

4.5 The final section of the report sets out a series of recommendations based on the need to challenge old ways of doing things and taking urgent action to reform, emphasising that the scale of the challenge that lies ahead is greater than anything local government leaders (elected members and senior officers) will have ever experienced before. Councils must work on three planning horizons: continue to deliver services here and now, identify and make improvements in the short term and plan for the longer-term radical change. With councils' future funding position forecast to reduce in real terms, radical change is necessary so that councils can continue to serve their communities, respond to needs, meet demand and improve outcomes for people in the future.

4.6 The report includes the following specific recommendations for local authorities:

(i) **Finances and resources**

Councils need to set out medium- to long-term financial plans that detail:

- how they will make recurring savings and reduce reliance on reserves to fill budget gaps; and
- how council resources are targeted to achieve their long-term policy and performance priorities.

(ii) **Community needs and inequalities**

Councils should

- be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need; and
- have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data and learning from those with lived experience.

(iii) **Collaboration**

Councils need to maximise the potential of collaboration by demonstrating they are:

- working with other councils, the wider public sector and the third sector to redesign and provide services; and
- involving service users and local communities in the redesign of services.

(iv) **Leadership**

Councils' leaders need to invest time and capacity in thinking radically about their future operating model and:

- be open and clear with communities and staff about the need for change, what that means for future service delivery and involve communities in making difficult decisions;
- set out a clear vision for their long-term policy and performance priorities, and how it will be delivered and monitored; and
- work with the Scottish Government to rebuild an effective relationship.

(v) **Workforce**

Councils need to improve workforce planning to develop effectively and deploy their existing workforce. This includes:

- building the capacity, skills, strategic thinking and comprehensive workforce data needed for effective workforce planning; and
- updating workforce plans to reflect new models of service delivery and ways of working, including how they are:
 - identifying and addressing skills gaps, at operational and leadership levels;
 - making best use of their existing workforce by collaborating with partners to overcome recruitment challenges; and
 - planning for the skills needed to deliver future services, focusing on collaborative and flexible working, including working with the higher education sector to plan and develop skills for the roles needed.

5. Next Steps

- 5.1 Following consideration by the Policy and Sustainability Committee, the report will be referred to the Governance, Risk and Best Value Committee for scrutiny as part of its workplan.
- 5.2 The recommendations in the Accounts Commission report will be considered in an Edinburgh-specific context as part of the Council's Best Value Thematic and Annual Audit Reports to be presented to members on 31 October 2023.

6. Financial impact

- 6.1 While there are no direct additional financial implications arising from the report's contents, the report re-emphasises the importance of medium- and longer-term

financial planning and a consequent need for difficult decisions to target resources to achieve councils' long-term policy and performance priorities.

7. Equality and Poverty Impact

- 7.1 While there are no direct implications arising from the report's contents, its recommendations highlight the importance of councils being more transparent with the public about the scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need.
- 7.2 In addition, councils should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources, includes equalities data and learning from those with lived experience.

8. Climate and Nature Emergency Implications

- 8.1 While there are no direct additional impacts arising from the report's contents, it emphasises councils' critical role in achieving Scotland's national climate change goals and contributing towards the national target of net zero by 2045, both directly in managing their own activities and in demonstrating leadership across their local areas.

9. Risk, policy, compliance, governance and community impact

- 9.1 The report recommends that Councils' leaders need to invest time and capacity in thinking radically about their future operating model and be open and clear with communities and staff about the need for change, what that means for future service delivery and involve communities in making difficult decisions.

10. Background reading/external references

- 10.1 [Accounts Commission: Local Government in Scotland – Financial Bulletin 2021/22](#), Finance and Resources Committee, 7 February 2023
- 10.2 [Local Government Benchmarking Framework 2021/22 – Edinburgh Overview](#), Policy and Sustainability Committee, 23 May 2023
- 10.3 [Annual Performance Report, 2022/23](#), Policy and Sustainability Committee, 22 August 2023

11. Appendices

Appendix 1 - Accounts Commission: Local Government in Scotland – Overview 2023
Policy and Sustainability Committee – 24 October 2023

Page 6 of 6

Local government in Scotland

Overview 2023



Who we are

The Accounts Commission

The Accounts Commission is the public spending watchdog for local government. We hold councils in Scotland to account and help them improve. We operate impartially and independently of councils and of the Scottish Government, and we meet and report in public.

We expect councils to achieve the highest standards of governance and financial stewardship, and value for money in how they use their resources and provide their services.

Our work includes:

- securing and acting upon the external audit of Scotland's councils and various joint boards and committees
- assessing the performance of councils in relation to Best Value and community planning
- carrying out national performance audits to help councils improve their services
- requiring councils to publish information to help the public assess their performance.

You can find out more about the work of the Accounts Commission on our website:

www.audit-scotland.gov.uk/about-us/accounts-commission

Contents

Key messages and recommendations	4
Background	7
The impact of the pandemic on councils' performance	8
What are the current challenges facing local government?	14
How are councils responding?	27

Key messages and recommendations

Councils have never faced such a challenging situation, with demand and workforce pressures deepening after the Covid-19 pandemic and funding forecast to reduce in real terms. Radical change, achieved through greater collaboration, is urgently needed if councils are to maintain services.

1 Finances and resources

Budget constraints and increasing cost pressures are putting councils' finances under severe strain. An increasing proportion of funding is ringfenced or directed for national policy initiatives. While this is important to help deliver national priorities, it prevents councils from making decisions about how funds can be used at a local level, to meet local need. Councils have had to make significant savings to balance their budgets. Increasingly difficult choices about spending priorities and service provision are having to be made.

Recommendations:

The **Scottish Government and COSLA** need to take urgent action to finalise the New Deal for local government ([paragraphs 71–73](#)) and agree:

- a new partnership agreement with councils that supports collaboration
- a fiscal framework for local government that supports sustainable funding and greater financial flexibility and transparency.

The **Scottish Government** needs to provide more detailed financial information (eg, breakdown of type of funding and individual council allocations) to support councils longer-term financial planning.

Councils need to set out medium- to long-term financial plans that detail:

- how they will make recurring savings and reduce reliance on reserves to fill budget gaps
- how council resources are targeted to achieve their long-term policy and performance priorities.

2 Community needs and inequalities

The pandemic has affected performance across all service areas. There are signs of growing backlogs and declining performance in some service areas. Councils have a clear focus on tackling inequalities but the extent and impact of needs not being met is unclear. Some communities are facing crisis, with persistently high levels of poverty and increasing financial hardship putting additional pressure on services, at a time when councils have less capacity to support them.

Recommendations:

- **Councils** should be more transparent with the public about scale of service demand, the extent of backlogs and changes to eligibility criteria necessary to ration access to services and any impact this has on unmet need.
- **Councils** should have a clear plan for strengthening their use of data to understand needs, make decisions and direct resources. This includes equalities data, and learning from those with lived experience.

3 Collaboration

The scale of the challenges ahead means that radical change is needed. It is only by working more collaboratively that councils and their local partners, communities and the third sector will be able to provide sustainable local services and deliver a significant programme of national reform to tackle issues such as climate change, child poverty and inequalities.

The pandemic demonstrated the benefits of partnership working and shared local goals. This needs to continue. Few councils provide services jointly or share professional support services. Many councils engage well with communities and local partners to better understand local priorities and needs. Now councils must better involve service users and communities, including those with lived experience, as they redesign services.

Recommendations:

Councils need to maximise the potential of collaboration by demonstrating they are:

- working with other councils, the wider public sector and the third sector to redesign and provide services
- involving service users and local communities in the redesign of services.

4 Leadership

Leaders must think radically and make fundamental changes to how councils operate in future, building on the collaborative and innovative ways of working many demonstrated during the pandemic. Leaders need to be open with their staff, communities and local partners about the difficult decisions ahead and be clear about how change will be achieved. The level of volatility, uncertainty (such as plans for a national care service) and immediate financial pressures make planning and delivering sustainable change more difficult. Ineffective leadership and high turnover identified at several councils, alongside tensions with central government present risks to their ability to make fundamental changes at the pace needed.

Recommendations:

Councils' leaders need to invest time and capacity in thinking radically about their future operating model, and:

- be open and clear with communities and staff about the need for change, what that means for future service delivery and involve communities in making difficult decisions
- set out a clear vision for their long-term policy and performance priorities, and how it will be delivered and monitored
- work with the Scottish Government to rebuild an effective relationship.

5 Workforce

Increasing workforce challenges, including a competitive labour market and high sickness absence levels, are putting councils under continued pressure. Councils need to innovate by developing the skills and building on the agility, flexibility and joint working demonstrated during the pandemic to make best use of their existing workforce. Wellbeing initiatives must continue and councils should monitor the impact of new ways of working such as hybrid working on both performance levels and staff wellbeing.

Recommendations:

Councils need to improve workforce planning to effectively develop and deploy their existing workforce. This includes:

- building the capacity, skills, strategic thinking and comprehensive workforce data needed for effective workforce planning
- updating workforce plans to reflect new models of service delivery and ways of working, including how they are:
 - identifying and addressing skills gaps, at operational and leadership levels
 - making best use of their existing workforce by collaborating with partners to overcome recruitment challenges
 - planning for the skills needed to deliver future services, focusing on collaborative and flexible working, including working with the higher education sector to plan and develop skills for the roles needed.

Background

About this report

In August 2020, the Accounts Commission agreed a strategic medium-term approach to reporting on the impact of the Covid-19 pandemic. This approach committed to producing a series of annual overview reports over a three-year period.

This report:

- is the third and final overview report in the series
- builds on the previous reports in the series and examines:
 - how has the pandemic affected councils and their performance?
 - what are the current and future challenges facing local government?
 - how well placed are councils to deal with the current and future challenges?
- draws on findings from the financial bulletin, considering these in the context of the wider overview.

The findings of this report are drawn from 2021/22 annual audits, performance and best value audit work carried out during 2022 and from specific research and analysis of available data and intelligence.

Web resources



To support improvement, we have developed a set of resources for councils which are available on our [website](#). These resources include two supplements:

- a collection of [case studies](#) to illustrate issues and practice across councils
- a checklist with [questions for elected members](#), to help in their scrutiny and decision-making roles and in their work with council executives.



Previous reports

This report follows the first two reports in the series:

- [Local government in Scotland: Overview 2021](#) considered councils' response to and management of the initial phase of the Covid-19 pandemic.
- [Local government in Scotland: Overview 2022](#) considered the ongoing impact of the pandemic and councils' progress towards recovery and renewal.

Each year we publish a financial overview. The most recent one, [Local government financial bulletin 2021/22](#), was published in January 2023.

The impact of the pandemic on councils' performance

Service performance was beginning to stall before the pandemic as a result of long-term reductions in funding and wider pressures. The pandemic has affected performance across all service areas. Some services are showing signs of recovery, but there are also signs of growing backlogs, declining performance in some areas and services at capacity. The extent and impact of needs not being met is not clear.

The pandemic has adversely impacted performance across all service areas and there are signs of growing backlogs, declining performance in some areas and services at capacity

1. In our [Local government in Scotland: Overview 2020](#), we reported that service improvement had begun to stall or even decline as councils dealt with increasingly challenging pressures and long-term reductions in funding. For example:

- performance in many areas of adult social care including delayed discharge, satisfaction and service quality had all slowed or started to decline
- some educational attainment and early years indicators had declined

- improvements to recycling levels had stalled and satisfaction with street cleaning and waste collection had reduced
- costs for culture and leisure services had reduced and the number of attendances had increased, but satisfaction had declined across all service areas.¹

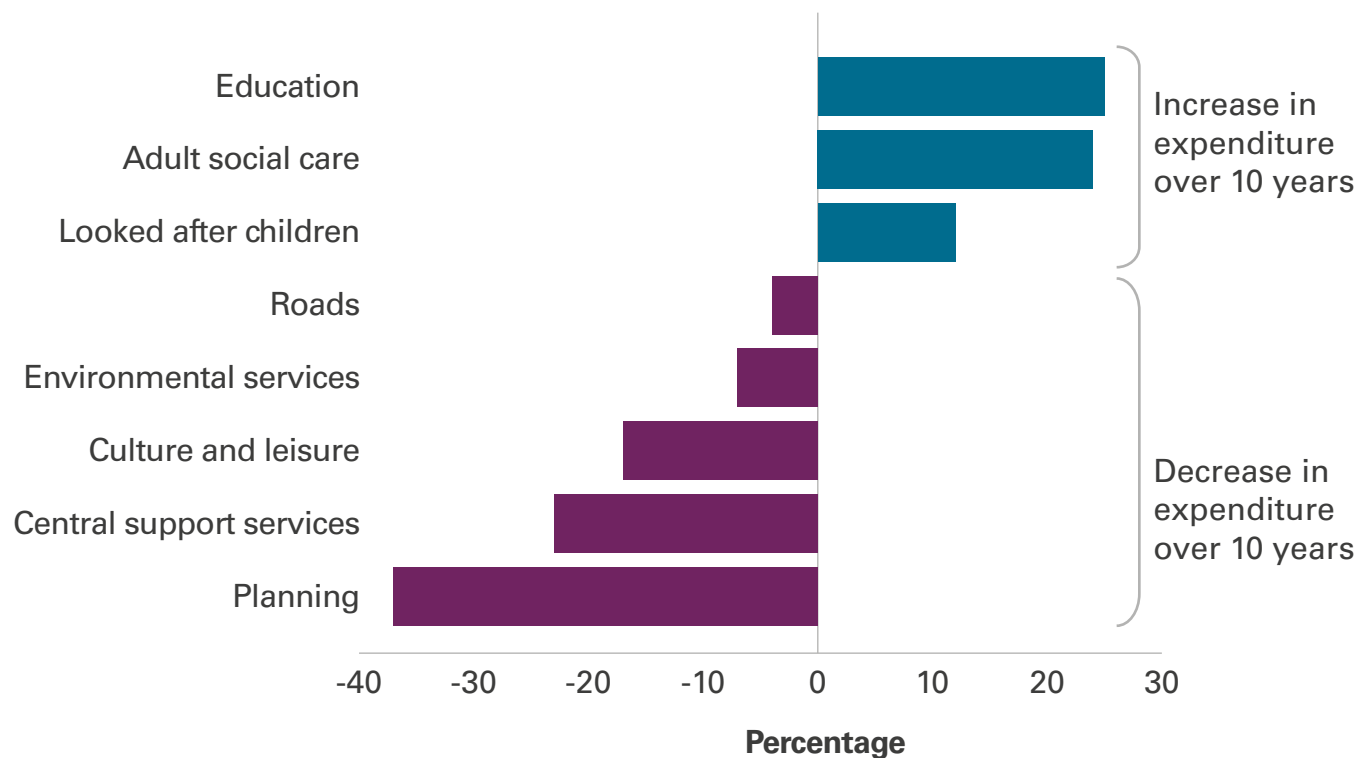
2. Over the last decade, there is a clear divergent pattern of spend. Spending on children's services (education and looked after children) and adult social care has been protected and increased because of national policy directives. This means that the remaining 'unprotected' services have borne a disproportionate level of spending reductions ([Exhibit 1, page 9](#)) and some services entered the pandemic already under pressure.

¹ Local Government Benchmarking Framework 2018/19

Exhibit 1.

Percentage change in expenditure (in real terms) over ten years from 2012/13 to 2021/22

Page 289



Note: Economic development and Tourism services have seen a 43 per cent increase over the period. We have excluded this from the chart as year-to-year expenditure is volatile and there is not a consistent trend in spending over this period.

Source: Local Government Benchmarking Framework, 2021/22

- 3.** Since March 2020, the context councils have been operating in has been unprecedented. While staff worked hard and adapted to maintain the delivery of key services during the Covid-19 pandemic, performance across all services areas was adversely impacted.
- 4.** During the pandemic, councils gave priority to providing essential front-line services to support the most vulnerable. Other services such as culture and leisure were closed for extended periods in line with Scottish Government guidance. Although councils report that all services have restarted, some are not available to the same extent as before the pandemic, and backlogs remain.
- 5.** Councils state that they have a clear understanding of where increased demand and backlogs exist and report on these publicly through committees. We found some good approaches to managing service level demands and backlogs, such as including them in strategic planning and budgeting as well as joint working with local partners.
- 6.** A lack of publicly available data means that we do not know the scale of service demand, backlogs and, in particular, unmet need – and nor does the public. Councils need to be more transparent with the public about the impact of the pandemic, and pressures more widely, on service performance, the extent of backlogs and changes to eligibility criteria necessary to ration access to services.

7. [Exhibit 2 \(page 11\)](#) shows Local Government Benchmarking Framework performance indicators two years on from the start of the pandemic but before the recent cost-of-living crisis and inflationary cost pressures. Nationally, performance in some services is showing signs of recovery, eg education, but it is concerning that there are signs of backlogs, declining performance, and systems at capacity in some of the services that will be most in demand during the cost-of-living crisis, eg housing, homelessness and social care.

8. Councils can make different policy choices about their service and performance priorities. Councils also operate in different environments and these different local factors such as levels of deprivation, population distribution, size of council area and geography affect service demand and performance. An ageing population increases demand for social care services, rurality can make it more difficult to deliver services cost-effectively, and deprivation and poverty have wide-ranging impacts which can affect council services.

Exhibit 2.

Service performance during the covid-19 pandemic against selected Local Government Benchmarking Framework indicators up to 2021/22

Performance at risk or declining



Adult social care

There are signs that the sector is in crisis, with growing backlogs, declining satisfaction and no clear picture of demand or unmet need. Spending increased during the pandemic, continuing the longer-term trend. Homecare hours dropped slightly in 2020/21 before increasing to the highest levels ever recorded in 2021/22. Satisfaction continued to decline, and 2021/22 saw a drop of eight per cent in care services graded 'good' or 'better'.¹ Concerns have been raised about day centres not fully reopening. Delayed discharges, an indicator of capacity in the system, dropped at the start of the pandemic but are now at their highest levels since the current guidance came into place in 2016 (delays due to the non-availability of home care are also at their highest).



Housing and homelessness²

Housing performance indicators fell during the pandemic as a result of increasing financial hardship and Covid-19 restrictions limiting access to properties. Loss of income increased from rising rent arrears and voids. Maintenance performance fell. There was a large drop in housing quality in 2021/22 but overall energy efficiency continues to improve. This reflects Covid-19 related delays in carrying out electrical safety inspections, installing smoke and heat detectors, and upgrading work to improve energy efficiency.³

During the first year of the pandemic homelessness fell as a result of emergency extra protections but it is rising again. Some councils are not meeting their statutory duties in terms of homelessness. Performance in providing temporary accommodation is worsening, with record levels of children living in temporary accommodation. Social housing supply is insufficient to meet demand.



Environmental services

Performance declined during the pandemic. Recycling rates fell during 2020/21 and have not recovered. Cleanliness levels continued their long-term decline, especially in councils with the highest levels of deprivation. Against the long-term trend, parks expenditure increased in 2021/22 largely due to reinstatement of works, following reduced expenditure/income in 2020/21 during lockdowns.



Culture and leisure

Services were severely affected by the pandemic and future risks are significant. The impact on these services was severe in 2020/21 and into 2021/22 as many facilities closed in accordance with Scottish Government guidelines. This impact can be seen in lower attendances and increased costs per visit: leisure services and museums saw a partial recovery in 2021/22 but library services saw little rebound. With little resilience in these services owing to long-term funding reductions, future challenges are significant. A recent survey of leisure trusts suggests a high risk of closures as a result of inflationary cost pressures.⁴

Cont.

Performance mixed or recovering



Children's services

Performance during the pandemic was mixed, attainment and progress towards closing the poverty-related attainment gap stalled but has shown some recovery. Spending increased during the pandemic, continuing the longer-term trend. This was driven by the expansion of early learning provision. Primary schoolchildren's attainment improved in 2021/22 compared with 2020/21 but has not yet recovered to its pre-pandemic level. A similar trend is seen in the poverty-related attainment gap, which narrowed in 2021/22 compared with 2020/21 but remains larger than pre-pandemic. S3 pupils' attainment fell in 2021/22 compared with pre-pandemic, and the attainment gap widened. The improvement in senior secondary school pupils' attainment seen during the pandemic was sustained in 2021/22 when exams resumed, most strongly in councils with high levels of deprivation. It is concerning that the quality ratings of early learning provision continued to decline and developmental concerns for pre-school children have risen.



Economic development and tourism

Performance declined during the first year of the pandemic, as activity was refocused on Covid-19 financial support, but shows signs of recovery. Investment in economic development dropped during 2020/21 before rebounding to its highest level in 2021/22. That period also saw a huge increase in those helped into work by council employability programmes, reversing the previous trend. Councils' support for business start-ups, a measure of investment in wider economic development, fell early in the pandemic but has shown some recovery. Performance is likely to reflect the impact of councils redeploying staff from traditional employability and business support to focus on the distribution of Covid-19 support grants as well as wider uncertainty in the economy, labour shortages and disrupted supply chains.

Performance maintained



Corporate services

Performance dipped slightly but activity significantly increased, as corporate support services had a critical role in delivering Covid-19 grants, supporting financial hardship and facilitating homeworking for councils' workforce. Spending on the Scottish Welfare Fund and Discretionary Housing Payment rose significantly in 2020/21 and again in 2021/22. Councils processed £72.8 million in self-isolation support grants, mainly in 2021/22.

Notes:

Indicators capture national performance before the recent cost-of-living crisis and inflationary cost pressures. The Improvement Service advises that the methodology for measuring satisfaction indicators through the Scottish Household Survey has changed, so we do not have trends available for comparison.

1. Care service quality figures should be interpreted with caution, as the Care Inspectorate states that this may be due to a focus during the pandemic on higher-risk or failing services.

2. Homelessness statistics are not part of the LGBF. Source is Scottish Government homelessness statistics publication.

3. The decrease in performance against housing quality should be interpreted with caution as higher Scottish Housing Quality Standards were introduced in this time period.

4. [Current Landscape for Leisure and Culture Charities in Scotland](#), Community Leisure UK (Scotland), November 2022.

Source: Improvement Service's Local Government Benchmarking Framework 2021/22 and Scottish Government homelessness statistics

9. The impact of the Covid-19 pandemic on performance at a local level varied as these local factors affected the levels of need and demand, and councils' responses and solutions. Councils should use the Local Government Benchmarking Framework (LGBF) alongside local data and intelligence to compare their performance with neighbouring or similar councils to assess the effectiveness of new ways of working and to help inform them where improvements and better outcomes for communities can be achieved ([Case study 1](#)).

10. Given the service demand and cost pressures facing councils it is unlikely that they will be able to maintain performance across all of the services they currently provide without radical change.

Councils will need to make difficult choices about what their service and performance priorities are. Strengthening the use of data and consulting and involving communities, especially the experience of service users, will be critical to informing these decisions.

Case study 1.

Use of LGBF data to inform improvement

South Lanarkshire Council worked collaboratively with the Improvement Service to achieve the most value from the LGBF indicators in a way that helps drive its improvement based on its strategic priorities.

In December 2021, the Improvement Service provided a bespoke analysis of LGBF indicators for the council, structured around the council's new Connect Plan. Each of the council's services considered which LGBF indicators added value for inclusion in a subset of indicators for future reporting. Of the 95 LGBF indicators available, 33 were identified as aligning with the outcomes of the council's new Connect Plan. These were embedded within the Connect Plan's reporting and used to focus attention on how well the council is performing in achieving its strategic outcomes. The bespoke approach aims to provide greater opportunities for elected members to scrutinise the LGBF within a council specific context and should allow for more meaningful use when making strategic decisions.

Source: [South Lanarkshire Council's annual audit report 2021/22](#)

In March 2023, the Improvement Service launched a newly developed [dashboard](#) that allows councils to explore and analyse all the LGBF performance indicators in an interactive data tool. This is intended to help councils better assess and benchmark their performance.



What are the current challenges facing local government?

Councils are operating in an increasingly volatile and uncertain landscape, as pressures increase after Covid-19 and funding is forecast to be reduced in real terms. Some communities are facing crisis, with increasing poverty and financial hardship putting additional pressure on services at a time when councils have less capacity to support them.



Financial

Budget constraints and increasing cost pressures are putting councils' finances under severe strain.



Local needs

Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected.



National policies

Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty.



Workforce

Increasing workforce challenges such as difficulty recruiting and high sickness absence levels are putting councils under continued pressure.



Leadership

While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high turnover identified at several councils present a risk.



Budget constraints and increasing cost pressures are putting councils' finances under severe strain

Councils' funding has been constrained for many years

- 11.** Councils receive the majority (over 70 per cent) of their funding from the Scottish Government.
- 12.** [Exhibit 3 \(page 16\)](#) shows funding from the Scottish Government over the last decade. Over this period (comparing 2023/24 to 2013/14), revenue funding to local government has increased by 2.6 per cent in real terms.
- 13.** In 2021/22 (excluding Covid-19 funding elements which are non-recurring) revenue funding from the Scottish Government to councils increased by 5.2 per cent in real terms compared to 2020/21. This increase brought funding back to a level similar to what it was in 2015/16.
- 14.** Total revenue funding saw small real terms increases in both 2022/23 and 2023/24 when non-recurring elements of the settlement are removed.
- 15.** Despite additional Covid-19 funding amounting to £1.8 billion during the first two years of the pandemic, councils continued to face significant financial challenges, requiring substantial savings to deliver balanced budgets and increasingly difficult choices to be made about spending priorities.
- 16.** An additional pressure is that the funding of local government has not kept pace with other parts of the Scottish budget for many years.
- 17.** Our [Local Government in Scotland: Financial Bulletin 2021/22](#) provides further detail on councils' financial position.

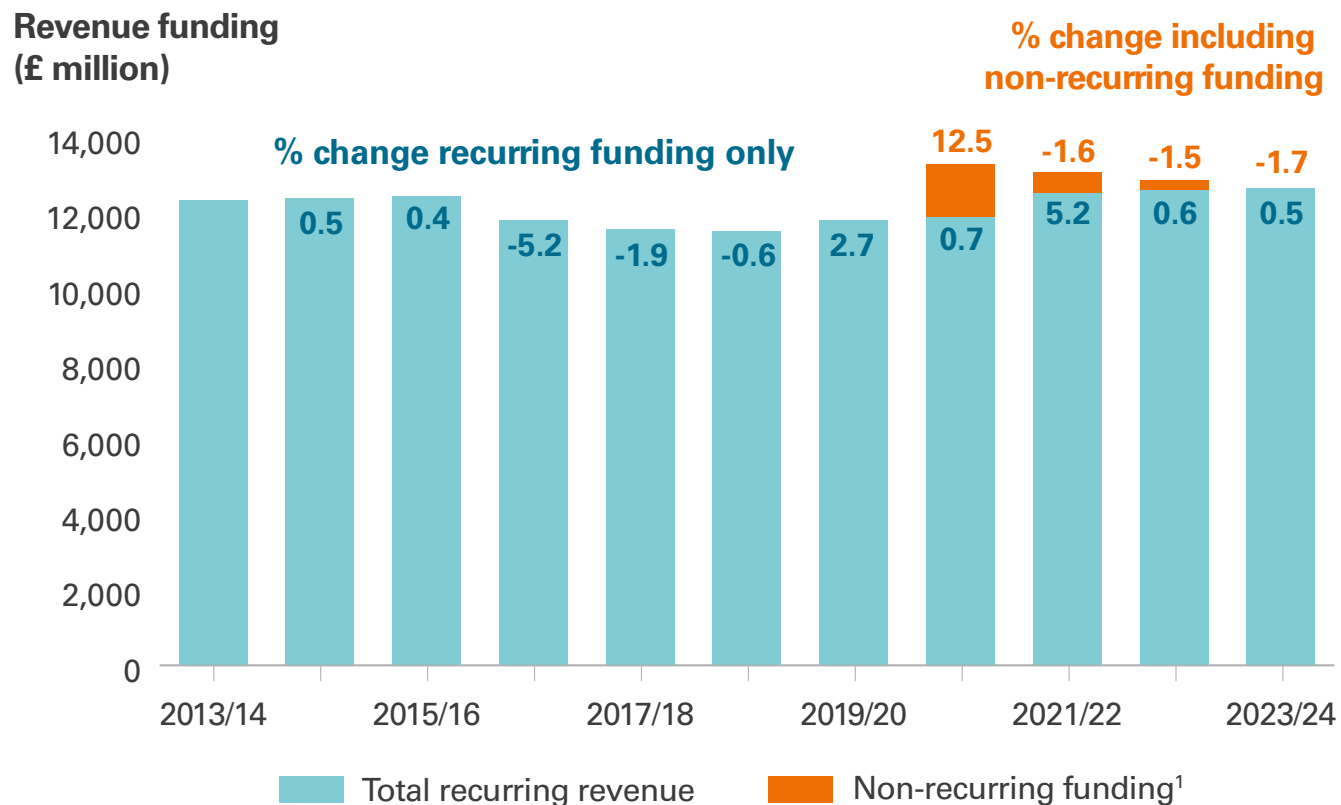
Funding is forecast to reduce in real terms

- 18.** In May 2022, the Scottish Government published its Resource Spending Review 2022. This is the first multi-year spending plan in Scotland since 2013. It set out high level spending plans up to the end of this parliament in 2026/27, which show that 'core' funding is set to reduce in real terms ([Exhibit 4, page 17](#)).
- 19.** The recent 2023/24 Scottish Budget allocated £10,933 million 'core' funding to local government for 2023/24 which is higher than what was forecast in May 2022. There was no update on whether future years will also see similar uplifts.
-
- We expect an updated funding outlook for 2024/25 and subsequent years to be published as part of the Scottish Government's medium-term financial strategy in May 2023.*
-
- 20.** While a multi-year spending plan is welcome, the financial information within the plan is not sufficiently detailed (nor is it broken down to individual council allocation) to fully support long-term planning purposes.

Exhibit 3.

Scottish Government revenue funding to local government (in real terms) and year-on-year percentage change, 2013/14 to 2023/24

Page 296



Notes:

1. Non-recurring funding refers to Covid-19 related funding in 2020/21 and 2021/22 and cost-of-living support for council tax bills in 2022/23.

2. We use the finance circulars to compare the funding position year-on-year as we believe this is the most accurate comparison. These figures include funding for national policy initiatives and transfers from other portfolios. Figures calculated at 2023/24 prices.

Source: Scottish Local Government Finance Circulars

Exhibit 4.

Resource Spending Review financial outlook to 2026/27

The plan projected real-term reductions to 'core' funding for local government.

(£000s)	2023/24	2024/25	2025/26	2026/27	2027/28
Cash terms	10,616 ¹	10,616	10,616	10,616	10,716
Real terms	10,616 ¹	10,452	10,352	10,230	10,158
Percentage change cash		0.0%	0.0%	0.0%	0.9%
Percentage change real		-1.5%	-1.0%	-1.2%	-0.7%

Notes:

1. Since publication of the Resource Spending Review the 2023/24 Budget has been agreed which saw local government's allocation increased to £10,933 million for that year.

2. These figures represent funding before transfers from other portfolios. Real terms figures calculated at 2023/24 prices.

Source: Audit Scotland using the Resource Spending Review, May 2022 and the Scottish Budget 2023/24

Increasing cost pressures jeopardise the sustainability of local services

21. At a time when councils and their communities are still feeling the impact of the Covid-19 pandemic, councils are now also having to manage increasing cost pressures including:

- inflationary pressures, including rising energy costs, which are having a significant impact on the cost of providing services
- managing the ongoing recovery from Covid-19 and its longer-term impact, now that one-off Covid-19 funding has ended
- meeting the cost of new pay awards and Real Living Wage
- increasing demand for services from a population that is ageing, less healthy and facing increasing financial hardship
- higher costs of capital programmes as a result of inflation, slippage due to the pandemic and shortages in construction materials. These increased costs may affect councils' ability to deliver on capital transformation programmes, which are a necessary component of modernising services to deliver improved outcomes for local communities. We report further on capital pressures in our [Local Government in Scotland: Financial Bulletin 2021/22](#).

22. These significant cost pressures alongside forecasted reductions to funding are leading some chief executives to be concerned about the sustainability of councils. This could lead to cuts to services and job losses, particularly in the absence of a radical reform of services.

23. A UK-wide survey by the Society of Local Authority Chief Executives (SOLACE) found that 78 per cent of council chief executives and senior managers responding to the survey stated that they were facing a large or very large budget gap in 2023/24.¹ Those services they identified as at risk of cuts included:

- Environmental service (identified by 75 per cent of respondents)
- Libraries, leisure and tourism (67 per cent)
- Regeneration (50 per cent)
- Adult social care (44 per cent)
- Transport (38 per cent)
- Children’s services (37 per cent)
- Housing (33 per cent).

24. While there is no doubt that cost pressures and budget constraints are putting pressure on services, there is no clear picture yet of the scale and impact of service cuts or reductions.

Councils are relying on reserves to bridge budget gaps

25. In 2022/23 councils’ total budget gap stood at £0.4 billion. COSLA estimates that the budget gap for 2023/24 will be £1 billion. There is a large gap between what COSLA states councils need and the Scottish Government’s funding allocation and it warns this could mean fewer jobs and cuts to services.

26. Two-thirds of councils intended to use reserves to bridge the 2022/23 budget gap and target recovery activity. While this is understandable as some of this was Covid-19 funding carried forwards via reserves to spend in the following year, these funds were one-off payments. It is not sustainable to keep using reserves to meet financial pressures.

27. It is important that councils maintain overall reserve levels in line with local strategies to ensure longer-term resilience and sustainability. Having robust medium- and longer-term financial plans in place will continue to be key to maintaining financial sustainability. Councils will also need to make difficult choices about spending priorities.

Increasingly ring-fenced and directed budgets reduce financial flexibility

28. 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.

29. In our [Local Government in Scotland: Financial Bulletin 2021/22](#), we calculated this to be 23 per cent of total revenue funding in 2021/22 compared to 18 per cent in the previous year. Ring-fenced and directed funding helps support the delivery of key Scottish Government policies but limits local discretion and flexibility over how these funds can be used locally by councils.

30. [Exhibit 5 \(page 19\)](#) details how we calculated ring-fenced and directed funding and how the Scottish Government and COSLA interpretations differ.

¹ SOLACE [Autumn statement survey](#), November 2022.

Exhibit 5.

Views on ring-fenced or directed elements of the Scottish Government's revenue funding to local government



Scottish Government's view

Only the specific revenue grant is formally ring-fenced to fund identified policies. Other funding commitments are directed for national policy commitments but are not formally ringfenced.

In 2021/22, the specific revenue grant was £776 million, representing seven per cent of total revenue funding for local government. This included funding for early learning and childcare expansion, Pupil Equity Fund and criminal justice social work.



COSLA's view

Includes the specific revenue grant plus obligations created by current and past Scottish Government policy initiatives and fixed obligations such as loan charges.

In 2021/22, COSLA estimated that these represented 65 per cent of local government revenue funding. As part of their estimate COSLA include all school teaching staff costs (due to the national commitment to maintain teacher numbers), all adult social work costs devolved to IJBs alongside other policies such as universal Free School Meal provision for P1–5.



Our calculation

We include the specific revenue grant and funding outlined in local government finance circulars and Scottish Government budget documents as being directed for national policy initiatives.

For 2021/22, we estimated that ring-fenced and directed funding totalled £2.7 billion, representing 23 per cent of total revenue funding for local government. A large amount of this was to support elements of education and social care service provision.

Source: [Local government in Scotland: Financial overview 2018/19](#), [Local government in Scotland: financial bulletin 2021/22](#) and information from COSLA including their [submission](#) to the Scottish Parliament's Finance and Public Administration Committee work on The Impact of the Cost of Living and Public Service Reform, August 2022



Changing demographics, the pandemic and the cost-of-living crisis increase pressure on council services and people already experiencing inequality are most affected

31. While the local impact of national demographic trends varies, for many years we have been reporting how changes in the structure of the population affect the need for and demands on many council services. These changes include:

- a declining population that is also ageing, with the proportion aged over 65 projected to increase by a third by mid-2045²
- falling life expectancy and falling healthy life expectancy. The gap in healthy life expectancy between the top and bottom socio-economic groups is about 25 years.^{3 4}

32. The legacy of the Covid-19 pandemic and now the cost-of-living crisis have brought new pressures or exacerbated existing ones ([Exhibit 6, page 21](#)). The situation faced by some is stark, with increasing financial hardship and a decline in levels of mental wellbeing. Low-income households and people already experiencing inequalities are most affected.

33. Child poverty remains persistently high. In 2019–22, 24 per cent of children were living in relative poverty, the same level as five years ago.⁵ Two issues should be taken into consideration when considering this year's child poverty statistics:

- As noted in our [Tackling child poverty](#) briefing paper the main indicator – relative poverty – is based primarily on income rather than outgoings and so does not fully capture the impact of the cost-of-living crisis on children and families.
- Two key policies that may have a positive impact on child poverty figures – the rollout and increase in value of the Scottish Child Payment and the expansion of funded early learning and childcare to 1,140 hours – are not yet fully captured in the data.

34. Councils have a key role in tackling these issues and providing support. These growing pressures affect:

- the demand for services, including social care, education, financial support such as Scottish Welfare Fund grants and discretionary housing payments, housing and homelessness, and employability
- council income in terms of rent and council tax arrears.

35. At a time when councils are under severe financial strain, finding the capacity and resources to respond to these pressures in the short and longer term will be a challenge.

² [Projected Population of Scotland \(2020-based\)](#), National Records of Scotland.

³ [Life Expectancy in Scotland, 2019–2021](#), National Records of Scotland.

⁴ [Healthy Life Expectancy 2019–2021](#), National Records of Scotland.

⁵ [Poverty and Income Inequality in Scotland 2019–22](#), March 2023.

Exhibit 6. Examples of growing pressures



Persistently high levels of child poverty

In 2019–22, 24 per cent of children were living in poverty, affecting every aspect of their wellbeing and life chances. This is at the same level as five years ago, and the ongoing increases in the cost-of-living crisis risk more children experiencing poverty.

Increasing financial hardship for people living with a disability

Sixty-four per cent of respondents to a small survey by Inclusion Scotland in September 2022 said that they are cutting down on or going without items or services used directly to manage their impairment or health condition.

Increasingly stark situation for low-income families

Almost one in five low-income families are unable to afford food or heating. Eighteen per cent of low-income households have skipped or reduced the size of meals and not heated their home due to the cost-of-living crisis (Poverty in Scotland 2022, Joseph Rowntree Foundation).

Increasing food insecurity

In 2021, nine per cent of adults were worried about running out of food, six per cent were eating less, and three per cent were running out of food (The Scottish Health Survey, 2021). 45 per cent of children living in poverty live in households that lack food security (2019–22 Child Poverty Statistics).



Increasing rent arrears

Over 110,000 council tenants were in arrears as of March 2022 (an increase of 6.6 per cent since March 2021).

Ethnic minority households more likely to experience deeper levels of poverty

Ethnic minority households are likely to spend a greater proportion of their income on essentials that are subject to inflation. The proportion of children in relative poverty after housing costs in minority ethnic households is 39 per cent (2019–22 Child Poverty Statistics).

Increasing financial hardship for single parent families

Three in five single parents find it extremely difficult or are no longer able to afford utility payments, and two out of five say the same about food (One Parent Families Scotland research, March 2022).

Declining average levels of mental wellbeing

Levels were lower in 2021 than in 2019, following a decade in which levels had remained fairly constant. Women's average mental wellbeing fell by more than men's during the pandemic, and those people living in more deprived areas continue to report lower wellbeing. The lowest mental wellbeing scores were reported for young adults in the most deprived areas (Scottish health survey, 2021).



Councils are managing an increasing programme of national reform, including plans for a national care service, which comes with substantial funding implications and increased uncertainty

36. Councils have a unique role in shaping local communities. They provide many of the key local services that individuals and communities rely on. They also have a key local and, in many cases, regional role working with partners to set local priorities and improve long-term outcomes for their communities.

37. Alongside local priorities, councils play a leading role in delivering many national policies. Current areas of national policy or reform affect nearly every aspect of local government, such as education, early learning provision, tackling child poverty, adult social care and achieving net zero targets.

38. These policy initiatives will see fundamental changes in how council services are provided, come with substantial funding implications, and increased uncertainty. National policy initiatives also take up an increasing amount of council budgets which brings challenges in delivering local priorities and sustaining other service areas. This context makes longer-term financial planning challenging yet vital to ensure financial and service sustainability.

Plans for the new National Care Service are uncertain and divide opinion

39. The social care sector is under severe pressure from high demand and persistent workforce challenges, and a lack of action now presents serious risks to the delivery of care services for individuals. The [Independent Review of Adult Social Care](#) (IRASC), published in February 2021, sometimes referred to as the Feeley Report, proposed the formation of a National Care Service stating that the potential of social care support

in Scotland cannot be achieved without a new delivery system and that a National Care Service is needed to achieve consistency, drive national improvements, ensure strategic integration with the National Health Service, set national standards and terms and conditions, and bring national oversight and accountability by bringing together everyone with a role to play in planning and providing social care support.

40. The National Care Service Bill is at stage 1 but has been postponed until at least September 2023 because of concerns about the adequacy of parliamentary scrutiny based on only a framework Bill. There are still many unknowns. Details of the arrangements have yet to be determined and the scale of the costs involved in the financial memorandum are estimates with many caveats. The affordability of the vision set out is not certain given the actual scale of the costs are not yet clear. It is difficult for councils to plan current services with such uncertainty.

41. While there is consensus that fundamental reform is essential for long-term sustainability, there is not agreement about what that reform looks like and how it will be implemented.

Although local government agrees that reform is necessary, it disagrees that centralising services and structural reform will achieve the improvements needed. While the Scottish Government wants consistency of service across the country, stakeholders have raised concerns about the scale of reform and the time it will take to implement it.

42. Immediate concerns in the sector are that current issues (such as workforce and financial sustainability) in social care are in a critical state and these need addressed now.

43. We highlighted in our [Social Care](#) briefing (January 2022) that lessons need to be learned from past restructuring and public service reform, for example health and social care integration, police and fire reform, college sector regionalisation, and the development of social security responsibilities in Scotland.

44. Our reports in these sectors have found that reform is challenging, and public bodies have experienced difficulties implementing elements of reform – expected benefits are not always clearly defined and, even if they are, reform does not always deliver the expected benefits, particularly in the short term. Any difficulties in implementing social care reform could have a significant negative impact on vulnerable people who rely on care and support.

Councils have a critical role in meeting national climate change goals

45. Councils have a critical role in achieving Scotland’s national climate change goals and contributing towards the national target of net zero by 2045. This includes councils:

- managing their own activities, estates, and assets to reduce their greenhouse gas emissions and achieve net zero – councils’ corporate emissions are the largest element of all public sector emissions in Scotland
- demonstrating leadership to tackle climate change across their local area, supporting behaviour change by helping their communities to adopt low carbon lifestyles and working with local partners to help communities adapt to the impacts of climate change.

46. In September 2022 we published [Scotland’s councils’ approach to addressing climate change](#) which set out that there are big differences in the targets that councils have set and their timescales for reaching net zero. We also found that councils need to be more transparent about their targets, their plans to meet them and the challenge ahead. Successfully addressing climate change is a huge challenge and will only be achieved with collaboration across all parts of government and society.

47. Financial constraints and a lack of specialist skills risk net zero ambitions not being realised. Failure to act early enough, however, will increase costs in future years. It could also make existing health and social inequalities worse, because the impacts of climate change, such as extreme weather events, can have a disproportionate effect on vulnerable groups and those living in poverty.



Our recent reports on other national policy areas:

Child poverty: in September 2022 the Accounts Commission and Auditor General for Scotland produced a briefing [Tackling child poverty](#).

Education: in March 2023, we published a blog [Encouraging progress on education data but still a long way to go](#).

Early learning and childcare: in June 2023 we will publish our third performance audit on the expansion of early learning and childcare.



Increasing workforce challenges such as recruitment difficulties and high sickness absence levels are putting councils under continued pressure

48. Staff worked under unprecedented strain during the pandemic to adapt and maintain services and support communities. That same workforce is still under pressure.

49. Despite a focus on wellbeing, overall absence levels for non-teaching staff in 2021/22 were the highest on record ([Exhibit 7](#)). The Improvement Service highlight stress and burn-out as contributing to high absence levels.⁶

50. Recruitment and retention continue to be a challenge in both senior and front-line roles across Scotland as the employment market remains highly competitive ([info box, page 25](#)).

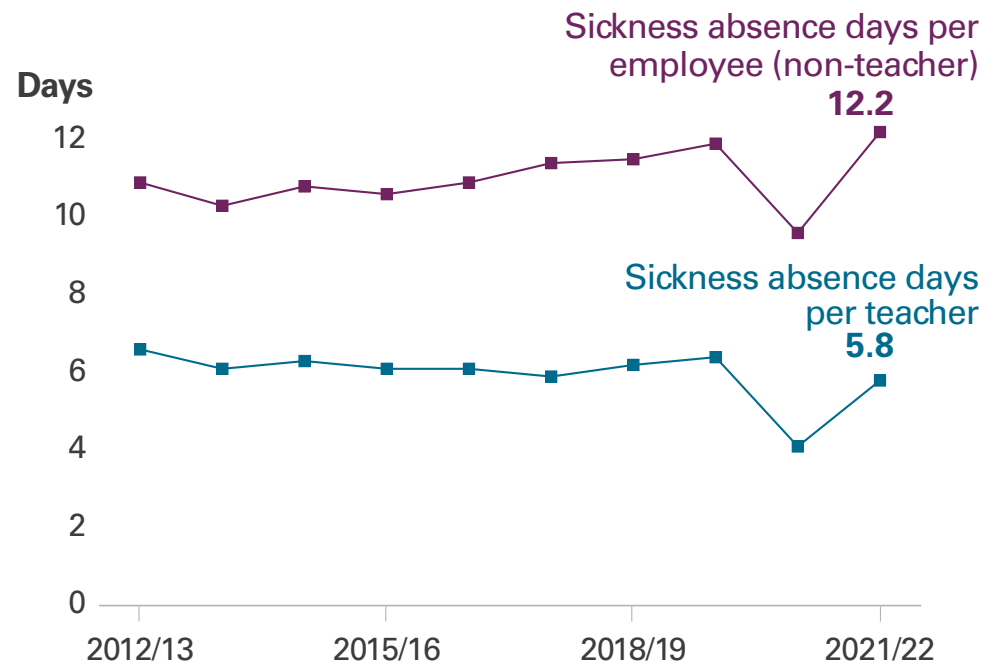
51. In our 2022 [Social care briefing](#), we reported that the sector faced ongoing recruitment and retention challenges, with high vacancy rates. This situation has worsened since, with 47 per cent of services reporting vacancies in 2021 compared with 36 per cent the previous year and 11 per cent across all sectors in Scotland. The whole-time equivalent vacancy rate in 2021 was 8.1 per cent, up from 5.1 per cent the previous year. In comparison, the vacancy rate across all sectors in Scotland was 1.9 per cent.⁷ Our briefing highlighted issues such as poor terms and conditions and staff not feeling valued as contributing to these recruitment difficulties.

⁶ [National Benchmarking Framework Overview Report 2021–22](#), Improvement Service, March 2023.

⁷ Care Inspectorate and Scottish Social Services Council (SSSC), Staff vacancies in care services 2021 report, Scottish Government’s Employer Skills Survey 2020.

Exhibit 7. Sickness absence levels over ten years from 2012/13 to 2021/22

Staff absence levels (excluding teachers) were the highest ever recorded in 2021/22. Teacher absence levels also increased in 2021/22 but remain lower than pre-pandemic levels.



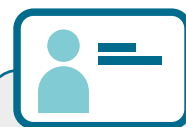
Note: Covid-19 absences are recorded separately and do not contribute to the trends.

Source: Local Government Benchmarking Framework 2021/22

52. The Society of Personnel and Development Scotland (SPDS) and the Improvement Service state that councils are also reporting emerging recruitment problems in new areas such as accountancy and corporate services, which may present risks to financial management.

53. The cost-of-living crisis, driven by inflationary cost pressures, led to industrial action by refuse workers and teachers over pay. While pay claims increase the pressure on budgets, prolonged negotiations adversely affect staff morale and service delivery.

54. Councils showed considerable flexibility in redeploying staff and adopting remote or hybrid working during the pandemic. However, it is still unclear exactly what impact hybrid working has on productivity or future models of service delivery. Recent research undertaken by the Scottish Government on this presents mixed findings.⁸ Our recent report [Resourcing the benefit service: A thematic study](#) found that remote working may present a risk to claims processing performance and recommended that councils regularly review flexible location working arrangements to determine the impact on service delivery and performance.



Reasons for recruitment and retention issues

Hybrid working has changed the way people work: they can now work remotely for an organisation in England or further afield. Private sector firms are offering hybrid working and looking to offer further improvements in quality of life.

Senior roles: bottom loading pay deals have narrowed the gap between junior and senior roles and made the latter less desirable. Public sector pay at senior levels has not kept pace with other sectors, so staff are leaving for better paid positions.

Retirement: the workforce is ageing and people are retiring, but now councils are seeing people retiring earlier.

Source: Audit Scotland using information from the Improvement Service, SPDS and Local Government Information Unit (LGIU)

⁸ [Working from home during the COVID-19 pandemic: benefits, challenges and considerations for future ways of working](#), Scottish Government, October 2022



While many councils demonstrated strong collaborative leadership during the pandemic, ineffective leadership and high levels of change in senior officers identified at several councils present a risk

55. During the Covid-19 pandemic, many councils demonstrated strong collaborative leadership, working at pace with communities, the third sector and partners to provide the response needed. Councils' response was quicker where good partnership arrangements were already in place.⁹ Leaders used their local knowledge and set out clear priorities for working towards a common purpose.

56. Despite this, the following leadership risks have been identified in recent audit work:

- **Ineffective strategic leadership:** of the four Best Value Assurance Reports (BVARs) completed last year, in three (Moray, Shetland and Eilean Siar) we found that elected members were not demonstrating effective strategic leadership alongside senior management. This included leaders needing to better coordinate and drive forward plans, to have a stronger focus on strategic issues and elected members needing to work better together to deliver priorities.
- **Ineffective governance or scrutiny:** our 2021/22 annual audit work identified leadership risks relating to ineffective leadership in nine councils, often linked to ineffective governance, scrutiny, or both.
- **High levels of turnover:** most councils reported changes in senior leadership during 2021/22. Six chief executive or depute positions saw changes. Recent BVARs highlight that some councils are experiencing persistent difficulties in recruiting to key leadership posts.

57. The growing scale of the challenges facing local government requires leaders to make decisive and fundamental changes to how councils will operate in future. The leadership and strategic vision of elected members and senior officers will be crucial. Ineffective leadership and high turnover put at risk councils' leadership capacity to bring about fundamental change at the pace needed.

The pandemic and cost-of-living crisis have exacerbated tensions in central and local government relations

58. Effective partnership working between the Scottish Government and local government, built on a foundation of mutual trust, is essential for councils to be able to perform their key role in leading and shaping communities.

59. The pandemic and cost-of-living crisis has exacerbated tensions in central and local government relations. While local government demonstrated the positives of localism during the pandemic, and the Scottish Government is committed to local self-governance and community empowerment, local government feels that it should be involved in policymaking as well as implementing those policies at a local level.

60. There is appetite to rebuild an effective relationship between local and central government so that the strengths and capacity of both can be maximised to meet the challenges. Meaningful steps to realising these potential benefits would include Scottish Government and COSLA agreeing the New Deal ([paragraphs 71–73](#)).

⁹ [Community empowerment: Covid-19 update](#), Audit Scotland, October 2021

How are councils responding?

Councils must focus urgently on solutions that will deliver a sustainable future for local government.

Councils need to challenge old ways of doing things and take urgent action to reform

61. The scale of the challenge that lies ahead is greater than anything local government leaders (elected members and senior officers) will have ever experienced. Councils must work on three planning horizons: continue to deliver services here and now, identify and make improvements in the short term and plan for the longer-term radical change. This is an incredibly hard thing to do with an exhausted workforce but with councils' future funding position forecast to reduce in real terms, radical change is necessary so that councils can continue to serve their communities, respond to needs, meet demand and improve outcomes for people in the future.

62. Delivering services differently should be focused on improving performance and outcomes in ways that are innovative, affordable, and sustainable. A decade on, the four pillars in the Christie Commission report – people, prevention, performance, and partnership – are just as important and councils should embed them into their long-term visions and priorities.¹

63. The Commission recognises the challenges, complexities, and uncertainties that local government faces. In our [Local Government in Scotland 2019](#) report, we emphasised the need for councils to urgently consider making fundamental changes in how they provide

services. No one could have predicted the years that were to follow, nor the pressures that councils would face, yet evidence that councils are delivering radical sustainable reform is limited.

64. In this section, we set out how councils are placed to respond to the challenges they face and to move towards adopting a sustainable future model of local government. We consider the following themes:



Finances and resources



Leadership



Collaboration



Workforce



Community needs and inequalities






65. To achieve radical change, leaders need to build on the innovative ways of working demonstrated during the pandemic. [Exhibit 8 \(page 28\)](#) draws on lessons learned from the pandemic response based around the five themes above as well as outlining where we judge that more still needs to be done.

¹ [Christie Commission on the future delivery of public services, June 2011](#)

Exhibit 8.

Lessons learned from the pandemic and what more needs to be done

Page 308

	The pandemic demonstrated what can be achieved when councils:	To deliver radical change councils need to build on the innovative ways of working seen during the pandemic and take further action to:
 <p>Flexible finances and resources</p>	<ul style="list-style-type: none"> • are given local flexibility • incorporate digital technology in service redesign • reconfigure or repurpose their estate 	<ul style="list-style-type: none"> • finalise New Deal for local government • set out medium to long term financial plans
 <p>Driven Leadership</p>	<ul style="list-style-type: none"> • show strong collaborative leadership with clear priorities • use data to understand needs, make decisions and direct resources • are agile and work at pace to provide the response needed 	<ul style="list-style-type: none"> • think radically, set a clear vision and make difficult decisions • improve relations with the Scottish Government • be open with communities and staff about challenges and changes ahead
 <p>Greater Collaboration</p>	<ul style="list-style-type: none"> • work with partners, third sector and communities to reshape services and respond to need • work towards common goals • adopt place-based approaches 	<ul style="list-style-type: none"> • work with other councils and partners to provide joint services • better involve communities in service redesign
 <p>Resilient workforce</p>	<ul style="list-style-type: none"> • adopt new ways of working, including flexibility redeploying staff • focus on physical and mental wellbeing • promote shared values and a caring culture 	<ul style="list-style-type: none"> • make best use of their existing workforce • continue to monitor wellbeing • update workforce plans to reflect future models of service delivery
 <p>A focus on community needs and inequalities</p>	<ul style="list-style-type: none"> • focus on areas of greatest priority and demand • identify and support the most vulnerable • take a 'whole systems' approach 	<ul style="list-style-type: none"> • strengthen the use of data and involve those with lived experience



Councils need to balance immediate financial pressures with planning for and delivering long-term sustainable services

66. As the whole public sector faces the most difficult financial outlook seen for many years, councils need to make increasingly difficult choices about their spending priorities and balance short-term pressures with planning fundamental reform to provide long-term financial sustainability.

67. In the short term, councils have focused on immediate budget pressures. In our [Local Government in Scotland: Financial bulletin 2021/22](#) we reported that for 2022/23 the majority of the estimated budget gap (that is the gap between anticipated expenditure and revenue) was planned to be bridged by:

- **Increasing income through fees and charges:** the scope for increasing income and the scale that can be achieved is currently limited but options being explored include councils introducing charges for garden waste, a transient visitor levy ('tourist tax') and tariffs for public electric vehicle charging.

68. The achievement of recurring savings and a movement away from the reliance and use of non-recurring savings and reserves will be important to ensuring longer-term financial sustainability.

69. Councils also need to focus on making increasingly difficult choices about their spending priorities and medium- to long-term financial planning must mature as councils look to make more fundamental change.

70. In May 2022, the Scottish Government published the first multi-year resource spending review in Scotland since 2011, outlining its resource spending plans up to the end of this Parliament in 2026/27.

While welcome, the financial information was not sufficiently detailed for planning purposes, with spending plans expressed at 'level 2' for the four years of the spending review period without individual council allocations indicated.

- **Recurring savings:** these savings were expected to meet about 37 per cent of the budget gap. For 2021/22 (the most recent year of accounts), councils' savings performance continued to improve but some chief executives and COSLA are concerned that forecasted reductions to funding will mean reductions or cuts in services and job losses.
- **Use of reserves:** two-thirds of councils intended to use reserves to help bridge the gap. This reliance on non-recurring reserves is not sustainable in the medium to long term.
- **Increasing council tax rates:** the Scottish Government lifted the freeze on council tax in December 2021. For 2022/23, the majority of councils increased council tax rates by three percent (in 2023/24, the majority increased rates by five per cent).
- **Use of financial flexibilities:** about four per cent of the gap was expected to be met by councils reprofiling their loans funds repayments by extending the repayment period. This generates one-off savings and is not sustainable in the long term.

Agreeing the New Deal will be an important step forward

71. The May 2022 Resource Spending Review also set out plans to agree a New Deal for local government. The Scottish Government, COSLA and SOLACE are working together to advance this, building on the work of the paused local governance review (which was launched in 2017).

72. In its Programme for Government 2022/23 (published in September 2022), the Scottish Government reinforced its commitment to agreeing a New Deal including a fiscal framework for local government. The New Deal was expected to be agreed by April 2023.² However, the Cabinet Secretary for Social Justice, Housing and Local Government indicated in January 2023 that it was likely to be delayed by several months.³ Since then there has been a new First Minister and changes to senior posts in the Scottish Government and COSLA.

While it is important to get the New Deal right, action is now urgently needed to agree this. Further delays present considerable risks to the wider urgent action that councils need to take.

73. The New Deal is an important step in developing a partnership agreement that supports collaboration and trust, as well as developing a new fiscal framework that supports more certainty of funding, greater transparency and more flexibilities for local government. This should enable councils to better plan their long-term priorities and future service delivery models, and to manage council resources more effectively to deliver them.

² [Investing in Scotland's Future: Resource Spending Review](#), Scottish Government, May 2022.

³ [17 January 2023 Local Government, Housing and Planning Committee](#).



The New Deal is anticipated to include three elements:

- a partnership agreement with councils
- a fiscal framework to support greater transparency and accountability
- a working group to explore different options for the funding of local government in the future.

The aims of the New Deal include:

- balancing greater financial flexibility with accountability for delivering national priorities
- increased flexibility in and scope for revenue raising powers, such as the 'tourist tax' and workplace parking levy
- exploring how best to transform the digital administration of the non-domestic rates system
- increasing the flexibility available to councils for existing service concession arrangements, such as PFI- or NPD-funded projects
- a comprehensive capital accounting review.

Source: Audit Scotland using information from the [Scottish Government's Resource Spending Review](#), May 2022 and updates from [Letter from the Cabinet Secretary](#) to the Social Justice, Housing and Local Government, July 2022 and [Committee report](#), Net Zero, Energy and Transport Committee, January 2023.



Leaders need to invest time and capacity into thinking radically about their councils' future operating model, how it will be achieved and be open with communities and staff

74. Leaders (elected members and senior officers) must respond to the immediate pressures while also providing a long-term vision for their local areas and how services will be delivered differently in future. Leaders are vocal about the challenges ahead, and there is an increasingly clear appetite for change. However, the level of uncertainty and volatility faced by councils makes planning for the future more difficult.

75. In our Best Value reports on individual councils, we have seen that the quality of leadership and the pace and appetite for change varies. The current challenges may reinforce this gap with the risk that some councils will be left behind. The experience of leading through the pandemic and building on the lessons learned; reducing bureaucracy, working with partners and communities, focusing on the vulnerable, pivoting to digital and using the workforce in flexible ways must be consolidated and built upon.

76. In our [2022 report](#), we outlined important leadership principles that enabled councils' response to the pandemic – communication, collaboration, emotional intelligence, data-driven, agile and flexible, culture-focused, and enabling community empowerment. Leaders should draw on these to overcome the challenges now faced.

77. The challenging context needs leaders to invest time and capacity into thinking about radical changes to their council's future operating model. It is important that leaders are clear about their long-term policy and performance priorities, are managing council resources effectively to deliver them and are open with communities about what range and levels of services they can expect to receive in future.

78. It is important that councils with identified leadership risks develop the leadership skills needed to respond to this complex and uncertain

environment. It is positive that most councils have undertaken an assessment of senior leadership skills and developed action plans to address any skills gaps. High turnover at leadership level presents a risk to delivering change, and councils will need to continue to assess how best to recruit, pay and keep the talent needed.

79. Councils have structured induction programmes for new elected members and many also have further training programmes or development opportunities. Several councils have personal development plans to provide bespoke training for elected members ([Case study 2, page 32](#)). Elected members have a crucial role in engaging with their communities to explain future priorities and what that means for services and the local area, and to manage expectations. Many councils have been working on this through participatory budgeting and consultations on spending and service priorities ([Case study 3, page 32](#)).

80. Leaders recognise the need to engage with staff and trade unions on the implications of fundamental reforms for the workforce. They also recognise the need to involve them in developing solutions, innovating, and committing to a clear vision and aims for the council, its services, and the way it works with partners, the third sector and communities to make the most of scarce resources in their places. It is recognised, however, that this is particularly challenging in an environment of potential job losses.

Leadership is the focus of the Commission's annual Best Value thematic work this year and will be covered in all council annual audit reports published in Autumn 2023.

Case study 2. Elected member training and induction

West Lothian Council has an elected member development programme, which includes an online structured induction programme. Key topics include climate change, emergency planning and quality assurance procedures. Members are also supported to complete a personal development plan to enable them to identify and discuss specific and individual needs. Members are encouraged to review their role and consider what will help them to improve their performance and develop their knowledge, skills and abilities. This could be through training events, coaching, working with an experienced colleague or project work.

An evaluation of the induction programme was undertaken in July 2022 and positive feedback was received from elected members.

Source: Audit Scotland auditor data return and information from West Lothian Council

Case study 3. Community budget consultations

Perth and Kinross Council asked residents for their views on the council's 2023/24 budget and priorities for the next five years via an online survey accessed through the council's consultation hub. The council also held several in-person and online budget and corporate plan engagement events where communities could voice their views on the proposed new vision for Perth and Kinross. Residents were presented with the council's seven draft priorities and asked whether they agreed that these are the key issues that the council should focus on.

A summary of the responses from the survey and the engagement sessions was included in the report considered by the council when agreeing the corporate plan and budget.

Source: Audit Scotland using information from Perth and Kinross Council



Councils need to collaborate with communities, other councils and the wider public sector to tackle the challenges

Collaboration with communities

81. Our [2022 overview](#) report outlined how communities were a vital asset in the response phase of the pandemic but that more needed to be done to involve communities and service users in the recovery and the redesign of services. As councils take steps to fundamentally change how they provide services, the involvement of service users and communities will be critical to redesigning services that meet community needs and tackle long-term issues such as climate change and inequalities while also being sustainable.

82. Councils regularly consult with their communities to inform decision-making, including on setting annual budgets, redesigning services, and priorities for strategic plans. Reflecting the exceptionally challenging funding context this year, we have seen examples of councils engaging with their communities to explain the gaps in their budget and how they intend to bridge them ([Case study 3, page 32](#)).

83. We found good approaches to consulting communities to better understand the impact of the pandemic and inform decision-making on emerging challenges such as community impact assessments, research focused on the impact of the pandemic and establishing lived experience panels for the cost-of-living crisis ([Case study 4](#)).

84. Councils could still do more to empower communities and work more with them on the redesign of services. Our [Community empowerment: Covid-19 update](#) report brings together the learning points from the community response to the pandemic to help public bodies develop their longer-term approaches to supporting and empowering communities.

Case study 4.

Community engagement to better understand community needs and inform decision-making

East Renfrewshire Council uses a wide range of consultation and engagement approaches to understand community needs and issues and uses this intelligence to identify local priorities and inform strategic plans and service redesign. For example, it recently commissioned research on the impact of the pandemic to inform strategic decision-making and the redesign of services.

Source: Audit Scotland using information from East Renfrewshire Council

Collaboration with local partners

85. Councils have a good history of working with local partners and a statutory duty to do so through community planning partnerships.

86. The Covid-19 pandemic showed what can be achieved by working closely with local partners, including the third sector. Councils led a 'place-based approach' ([info box, page 35](#)) that worked across organisational and functional boundaries with aligned objectives and outcomes. This should now be consolidated into service delivery but there is concern that the momentum could be lost. Many organisations are facing their own funding and demand pressures that could threaten their ability to provide services and limit their capacity to explore new partnership working.

87. A recent report exploring barriers to effective collaboration between the third and public sectors identified four main themes: funding, meaningful collaboration, procurement and the cross-cutting issue of lack of trust.¹ All partners need to work with each other to overcome these barriers if councils are going to meet the challenge to deliver sustainable public services going forward.

88. Despite the barriers there are many positive examples of collaborative, place-based approaches and existing partnerships for councils to build on ([Case study 5](#)). The scale of the challenges mean that it is only by working together that councils and their local partners (including their communities and the third sector) will be able to provide sustainable public services and tackle long-term complex issues such as climate change, child poverty and inequalities.

¹ [Supporting collaboration between the third and public sectors: evidence review](#), Scottish Government, COSLA, SCVO and TSI Scotland Network, October 2022.

Case study 5. Local partnership working

Clackmannanshire Council works with local public sector partners and relevant third sector partners to deliver the STRIVE (Safeguarding through Rapid Intervention) programme.

Sharing crucial pieces of information at the earliest opportunity between trusted partners means practitioners are better able to 'join the dots' to understand the overall vulnerability of cases and share knowledge of existing support and interventions underway: this better informs the most appropriate action, reduces the likelihood and impact of people experiencing crisis and reduces the intensive resource required by services. An evaluation of STRIVE was undertaken in March 2021 and identified many benefits including preventing homelessness, improving financial security, providing rapid and direct access to mental health support, keeping families together and reducing alcohol and drug use. Building on the success to date, an early intervention approach has been added to other Family Wellbeing Partnership work in the area.

Source: Audit Scotland using information from COSLA and Clackmannanshire Council

Collaboration with other councils

89. Councils need to radically rethink how they work with other councils to move towards a more sustainable model of service delivery. Shared services and shared professionals offer efficiencies and can help to manage recruitment pressures and skills shortages.

90. Councils have made limited progress in this area. Few councils are sharing services. Only six out of 26 councils reported sharing services and four of these were sharing internal auditors ([Case study 6](#)).



A place-based approach is about understanding the issues, interconnections and relationships in a place and coordinating action and investment to improve the quality of life for that community. The Scottish Government and COSLA have adopted a Place Principle. This promotes the need for communities, public organisations and businesses to work collaboratively with the assets and services in a place to achieve better outcomes.

Case study 6. Working with other councils

Scottish Borders Council and Dumfries and Galloway Council are working with other regional partners to develop and deliver a south of Scotland regional economic strategy. Through a Regional Economic Partnership, the councils have developed a long-term vision to guide and coordinate efforts to recover from the impacts of the Covid-19 pandemic, adjust to the UK's withdrawal from the EU, address the climate crisis and capitalise on new opportunities.

Source: Audit Scotland using information from Dumfries and Galloway Council and the South of Scotland Regional Economic Partnership



Workforce planning must improve so that councils have the staff, skills and leaders needed to bring about change and create a resilient workforce for the future

91. Councils and their leaders need to respond to the direct pressures facing their workforce in terms of wellbeing and recruitment while managing the impact of pay demands and balancing the budget. Councils must invest in workforce planning to ensure a resilient workforce in the future.

92. Staff wellbeing was a priority during the pandemic and councils continue to take measures to promote staff health and wellbeing. With rising absence levels and persistent recruitment issues, some councils are looking at making roles more attractive by improving work-life balance through new ways of working ([Case study 7](#)).

93. Lessons learned from the pivot to remote working and then hybrid working during the pandemic indicate there are many potential benefits. For example, the flexibility to work remotely attracts more people and from a wider geographic spread, potentially bringing in more skills, it can support increased wellbeing and work life balance for existing staff, as well as reducing the carbon footprint through less travel to work. However, councils should continue to monitor the impact of new ways of working on employees' wellbeing and on service users' experience, productivity, and the local economy.

94. In future, councils' workforces may look and work quite differently as a result of job losses (fewer staff), increased digital processes, changing population demographics (an ageing workforce) and new service delivery models. Councils should embed the approaches they took during the Covid-19 pandemic which saw them adapt to working flexibly and being agile in how they deployed staff and working more closely with partners and communities.

Case study 7. Wellbeing initiatives

Angus Council runs a resilience programme to promote staff wellbeing and a programme for leaders is in development.

Dumfries and Galloway Council has created a robust wellbeing framework that includes cross-council and cross-sector collaboration.

North Lanarkshire Council updated its wellbeing communications to reflect new working practices and is also working closely with partners and providers to make sure the council's wellbeing offering meets staff needs.

South Lanarkshire Council has developed a 'New Deal for Employees' which encourages and supports employees to prioritise their own health and wellbeing. South Lanarkshire Council is the first in Scotland to ensure employees have the 'right to disconnect' outside of working hours.

[More information](#) is available on our website.

Source: Audit Scotland using information from the Improvement Service

95. The severe financial situation facing councils inhibits their ability to recruit and brings the risk of job losses. To meet rising demand and to deliver new Scottish Government policies, councils need to innovate to make the best use they can of their existing workforce to continue to provide sustainable services.

96. Effective workforce planning will be essential to:

- address current workforce challenges in recruitment, retention and skills shortages
- look ahead at longer-term capacity and skills requirements as councils fundamentally change how they deliver services
- ensure that councils reduce their workforce in an informed way so that skills and knowledge are not lost.

This requires sufficient capacity and skills, strategic thinking and comprehensive workforce data. See Audit Scotland’s workforce planning maturity matrix ([Exhibit 9](#)).

97. For several years we have reported that workforce planning needs to improve. Our auditors have told us that 16 out of 26 councils have updated their workforce plans since the Covid-19 pandemic and a further three have plans in development. Some councils have also been working to include succession planning in their workforce plans to develop future leaders or specific skills required across their workforce. Some are also now working with a three-year, rather than five-year, workforce planning cycle reflecting the more uncertain context.

98. However, councils continue to report that they lack the resources to support workforce planning, and that they are looking at ways to try and address this. Councils have been collaborating with one another, the Improvement Service and SPDS to share practice and to make improvements. The SPDS has suggested that COSLA have a role in engaging with the Scottish Government to develop a more holistic approach.

99. Workforce planning is the focus of the Commission’s annual Best Value thematic work next year and will be covered in all council annual audit reports published in Autumn 2024, followed by a national thematic report.

Exhibit 9. Workforce planning maturity matrix

Basic	Developing	Mature
<ul style="list-style-type: none"> • Short-term operational focus • Limited workforce data and analytics • Workforce plan not linked to priorities and delivery of strategic plans 	<ul style="list-style-type: none"> • Medium-term focus • Aligned to delivering priorities • Workforce and recruitment plans • Some workforce analysis • Annual review 	<ul style="list-style-type: none"> • Long-term focus on strategic priorities • Workforce and market analysis • Recruitment, development, retention and succession included in workforce planning • Workforce plans reflect new ways of working and scenario planning of future models service delivery and demands • Real time monitoring including of performance levels and staff wellbeing

Source: Audit Scotland



Councils have a clear focus on tackling inequalities and strengthening the use of data will help them to better understand community needs and focus fundamental change on improving long-term outcomes

100. Councils have a clear focus on tackling inequalities. We found evidence of data-driven approaches, partnership working, and community engagement being used to understand community needs and to develop plans and programmes to target inequalities and poverty. Positive findings include councils:

- setting up specific committees focusing on tackling poverty and inequalities ([Case study 8, page 39](#))
- working with partners, especially community planning partnerships, to understand need and develop place-based plans to tackle inequalities
- involving people with lived experience to better understand needs and demand.

101. Using lessons learned from the pandemic, councils have moved quickly to offer support to people in their communities most affected by the cost-of-living crisis. Many councils are working closely with third sector partners to help distribute crisis grants and provide support and funding to third sector partners directly to increase their support work. Some exceptional data-driven approaches are being used to identify and offer support to those most in need ([Case studies 9 and 10, page 39](#)).

102. Data can help councils to understand need, inform decision-making and service redesign, and drive improvement. Making better use of local data is still challenging especially the availability of equalities data and data sharing. Councils should supplement national datasets with local data and insight. Information from Scotland's Census 2022 is expected later in 2023 and should provide a valuable source of intelligence.

103. While we are seeing the emergence of some positive approaches to involving people with lived experience to better understand their needs, councils can do more ([Case study 4, page 33](#)). As councils take steps to radically change how they deliver services, the needs of the most vulnerable or people living in poverty must be at the centre. A key objective from the Christie Commission is that reform should 'prioritise prevention, reduce inequalities and promote equality'. While the pressures facing councils are immediate, they must not lose the focus on prevention and improving outcomes in the long term. A loss of preventative services will increase demand in the long term.

'Children growing up in poverty are at risk of poorer outcomes in the short and longer term'

[Tackling child poverty](#)

Accounts Commission and Auditor General for Scotland

Digital exclusion

104. The Covid-19 pandemic accelerated the shift to online services. While essential during the pandemic to allow the continued delivery of some services, the shift has increased the risk of digital exclusion. Councils have a variety of initiatives to reduce digital exclusion, such as working alongside the third sector to develop place-based approaches to reducing digital exclusion via library services or providing devices with internet access.

105. Digital technology will be a central component of future service delivery. Councils need to understand the needs of people experiencing digital exclusion and develop strategies to ensure that no one is left behind. We are currently undertaking a performance audit on digital exclusion. Our findings will be published later this year.

Case study 8. An approach to tackling inequalities

Aberdeen City Council has set up an anti-poverty and inequality committee to determine steps the city can take and to help key groups such as children, disabled people, women, people from black and ethnic minority communities, and those of pensionable age. The committee will also seek the views of those with lived experience and consider in-work poverty, youth employability, community food provision and energy costs. Several external advisers have been appointed to the committee. The expected benefits of the new committee include centralising all poverty and inequalities information which should allow elected members to thoroughly scrutinise reports, question council managers and directors and engage with the external advisers.

Source: Audit Scotland using information from Aberdeen City Council

Case studies 9 and 10. Supporting vulnerable communities

Inverclyde Council's Warm Hand of Friendship initiative was set up to help ensure that spaces, resources, advice and support are available throughout the council area for those who need them. Working with its partners and voluntary organisations, the council offers warm spaces or hubs and have delivered more than 400 activity sessions for adults and children such as book clubs and classes on IT skills. This has resulted in over 3,500 people being provided with a warm space, food and social interaction. Two thousand 'Warm Boxes' packed with useful items such as tea bags and blankets to help the most vulnerable keep comfortable throughout the winter were also distributed free to people receiving homecare support in Inverclyde.

Source: Audit Scotland using information from Inverclyde Council

Glasgow City Council: last year we reported on the council's innovative approach of using administrative data to identify and target resources at the most vulnerable communities during the pandemic. The council has continued this approach to target resources at those most affected by the cost-of-living crisis. The council distributed gift cards worth £105 to 85,000 to households who receive council tax reductions. They have also used data to identify people potentially eligible for Attendance Allowance and other benefits and used this provide an income maximisation service to clients over the age of eighty. Over the last year, 571 clients have been contacted by the service and over £1 million of financial gains have been secured on behalf of clients.

Source: Audit Scotland using information from Glasgow City Council

See our [website](#) for more examples of councils' approaches to reducing inequalities and better understanding the impact cuts have on people experiencing inequality.

Local government in Scotland

Overview 2023

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

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Governance, Risk and Best Value Committee

10.00am, Tuesday 31 October 2023

Capital City Partnership: Progress Update – referral from the Housing, Homelessness and Fair Work Committee

Executive/routine

Routine

Wards

1. For Decision/Action

- 1.1 The Housing, Homelessness and Fair Work Committee has referred the Capital City Partnership: Progress Update to the Governance, Risk and Best Value Committee for noting.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Jamie Macrae, Committee Officer

Legal and Assurance Division, Corporate Services Directorate

Email: jamie.macrae@edinburgh.gov.uk | Tel: 0131 529 4264

Referral Report

Capital City Partnership: Progress Update – referral from the Housing, Homelessness and Fair Work Committee

Terms of Referral

2.1 On 3 October 2023, the Housing, Homelessness and Fair Work Committee considered a report which set out the progress that had been made against the objectives and targets detailed within the Service Level Agreement (SLA) between the Council and Capital City Partnership (CCP).

2.2 The Housing, Homelessness and Fair Work Committee agreed:

Motion

- 1) To note the progress made by Capital City Partnership (CCP) against their Service Level Agreement (SLA) objectives and targets.
 - 2) To note that COVID-19 had a major impact on the employment landscape as a whole, with corresponding changes in the strategic and operational landscape at national and local level, impacting employability delivery across the city.
 - 3) To note that, as the current SLA was in its final year, a review was currently being undertaken and a new SLA would be presented to Housing, Homelessness and Fair Work Committee for approval in January 2024.
 - 4) To refer the report by the Executive Director of Place to the Governance, Risk and Best Value Committee for noting.
- moved by Councillor Meagher, seconded by Councillor Watt

Amendment

- 1) To note the progress made by Capital City Partnership (CCP) against their Service Level Agreement (SLA) objectives and targets.
- 2) To note that COVID-19 had a major impact on the employment landscape as a whole, with corresponding changes in the strategic and operational landscape at national and local level, impacting employability delivery across the city.

- 3) To note that, as the current SLA was in its final year, a review was currently being undertaken and a new SLA would be presented to Housing, Homelessness and Fair Work Committee for approval in January 2024.
- 4) To refer the report by the Executive Director of Place to the Governance, Risk and Best Value Committee for noting.
- 5) To request that the updated SLA includes an increased and renewed focus on green skills and the green economy so that the work of CCP complements the Council's climate strategy and helps to answer the workforce needs / skill gaps identified in that strategy.
- 6) Additionally to request that consideration is given for how CCP could include a workstream / programme focused on retraining workers in carbon intensive industries to transition into green jobs, in line with a just transition approach, and as a preventative action against unemployment.
- 7) To request that these points are captured in the new SLA objectives and that officers engage with groups in the development of these ahead of the report to committee in January 2024.

- moved by Councillor Parker, seconded by Councillor Rae

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

Decision

To approve the following adjusted motion by Councillor Meagher:

- 1) To note the progress made by Capital City Partnership (CCP) against their Service Level Agreement (SLA) objectives and targets.
- 2) To note that COVID-19 had a major impact on the employment landscape as a whole, with corresponding changes in the strategic and operational landscape at national and local level, impacting employability delivery across the city.
- 3) To note that, as the current SLA was in its final year, a review was currently being undertaken and a new SLA would be presented to Housing, Homelessness and Fair Work Committee for approval in January 2024.
- 4) To refer the report by the Executive Director of Place to the Governance, Risk and Best Value Committee for noting.
- 5) To request that the updated SLA included an increased and renewed focus on green skills and the green economy so that the work of CCP complemented the Council's climate strategy and helped to answer the workforce needs / skill gaps identified in that strategy.
- 6) Additionally, to request that consideration be given for how CCP could include a workstream / programme focused on retraining workers in carbon

intensive industries to transition into green jobs, in line with a just transition approach, and as a preventative action against unemployment.

- 7) To request that these points be captured in the new SLA objectives and that officers engage with groups in the development of these ahead of the report to committee in January 2024.

2. Background Reading/ External References

- 3.1 [Webcast of the Housing, Homelessness and Fair Work Committee of 3 October 2023](#)

3. Appendices

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

Housing, Homelessness and Fair Work Committee

10.00am, Tuesday, 3 October 2023

Capital City Partnership: Progress Update

Executive/routine
Wards

Routine
All

1. Recommendations

- 1.1 It is recommended that Housing, Homelessness and Fair Work Committee note:
 - 1.1.1 The progress being made by Capital City Partnership (CCP) against their Service Level Agreement (SLA) objectives and targets;
 - 1.1.2 That COVID-19 had a major impact on the employment landscape as a whole, with corresponding changes in the strategic and operational landscape at national and local level, impacting employability delivery across the city;
 - 1.1.3 That, as the current SLA is in its final year, a review is currently being undertaken and a new SLA will be presented to Housing, Homelessness and Fair Work Committee for approval in January 2024; and
- 1.2 Committee is also asked to refer this report to Governance, Risk and Best Value Committee for noting.

Paul Lawrence

Executive Director of Place

Contact: Elin Williamson, Head of Business Growth and Inclusion

E-mail: elin.williamson@edinburgh.gov.uk | Tel: 0751 348 4817

Capital City Partnership: Progress Update

2. Executive Summary

- 2.1 This report sets out the progress that has been made against the objectives and targets detailed within the Service Level Agreement (SLA) between the Council and Capital City Partnership (CCP).

3. Background

- 3.1 CCP is an Arm's Length External Organisation (ALEO), with charitable limited liability company status, wholly owned by the City of Edinburgh Council.
- 3.2 Its activities are governed by its Memorandum and Articles of Association which enable it to:
- 3.2.1 Relieve poverty by the introduction of measures designed to alleviate unemployment and give access to employment;
 - 3.2.2 Advance education by the provision of training and educational opportunities and assist the participants to find work;
 - 3.2.3 Advance mental and physical health;
 - 3.2.4 Provide recreational facilities and organise recreational activities available to members of the public improving their conditions of life;
 - 3.2.5 Relieve those in need by reason of age, ill-health, disability, financial hardship or other disadvantages;
 - 3.2.6 Advance environmental protection and improvement and provide public amenities;
 - 3.2.7 Advance citizenship and community development; and
 - 3.2.8 Promote, establish, operate and/or support other similar schemes and projects which further charitable purposes.
- 3.3 The specific services which are funded by the Council are detailed in an SLA, which was reviewed, updated and approved by Housing and Economy Committee on [18 January 2018](#) (extract included in Appendix 1).

Governance of ALEOs

- 3.4 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:
- 3.4.1 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
- 3.4.2 Governance, Risk and Best Value Committee – should scrutinise the ALEO's financial performance and any risks impacting the Council and/or ALEO.
- 3.5 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 CCP focuses on supporting the development of a more inclusive labour market, working in collaboration with the Council and other partners to maximise the impact of its activities on the city.
- 4.2 The SLA that governs the relationship between the Council and CCP requires the provision of services to the Council in three areas:
- 4.2.1 Effective Partnerships, Relationships and Leverage;
- 4.2.2 Performance Management; and
- 4.2.3 Quality Assurance.
- 4.3 To date, progress against the SLA commitments and the agreed Key Performance Indicators (KPIs) (detailed in Appendix 1) have been good.
- 4.4 Appendix 2 contains a Red/ Amber/Green rating (where Red means target not met, Amber target partially met and Green target fully met) of the KPIs. The full report can be found in Appendix 3, and the key messages are outlined below.

Effective Partnerships, Relationships and Leverage

- 4.5 Following the decision to merge the Job Strategy Group and the Local Employability Partnership (LEP), CCP has acted as the chair and has provided secretariat support for the various underlying partnerships structures, including the providers' forum and allied working groups with the aim to support collaboration and continuous improvement. As part of this, they have also been developing the refreshed Edinburgh Partnership Survey to give wider insights including needs for employability services.
- 4.6 During 2022/23, CCP led on the co-ordination of employability services to Ukrainian refugees, as part of the wider Edinburgh Conflict Oversight Group and, thanks to Housing, Homelessness and Fair Work Committee – 3 October 2023

the efforts of this sub-group, 75% of displaced Ukrainians were supported into employment.

- 4.7 CCP has continued to successfully attract external funding to add value to the Council core investment and complement its own external income raising activity. The target, to raise £2,000,000 annual cumulative over three years, has been achieved with significant margin, with the current total projected leverage over three years at £6,436,714 (equivalent to £2,145,571 per annum).
- 4.8 The company has been particularly successful in attracting funding from Edinburgh and South East Scotland (ESES) City Region Deal Partners, plus backing from several other public and private sources, clearly demonstrating a diversified leverage on the Council's investment from Employability services.

Performance Management

- 4.9 CCP performs a contract management service, ensuring all outsourced Council employability contracts and grants deliver good value. It has maintained regular oversight of managed contracts, undertaking regular audit and compliance visits and provides quarterly reports to the Council.
- 4.10 Contracted services underwent significant recommissioning, including coproduction exercises, in 2021, to ensure they were fit for purpose.
- 4.11 The Annual Report provides a high-level overview of the individual services and breakdown of their performance. Notably, across all services, there had been 3,148 new client engagements in the year, a bit below the target of 4,095. With regards to outcomes, while some services had significantly exceeded their targets, at least two reported less than 2/3 of their target. CCP will be working with underperforming providers and initiate performance improvement plans.
- 4.12 The SLA targets 60% of clients to sustain in employment for six months or more, and CCP reports that the current level is 74% which is a very good outcome considering the current job market.
- 4.13 The SLA also includes targets for 60% of clients to be earning a Real Living Wage (RLW) six months after employment (without subsidy) where this was a KPI in the contract with the service provider. Contracts are currently achieving 82% RLW jobs as standard, which is an excellent achievement however, due to the current inflationary environment, there is a real risk that this number will slip back below target and so CCP has undertaken additional measures to ensure that clients are moving into fair, well-paid work.

Quality Assurance

- 4.14 CCP have systems in place to verify the collective impact and quality of services to inform targeting and future development. To ensure quality, CCP audits all funded organisations. All providers input data to the information management information system, Helix, which ensures accountability of public funds and ability to understand where services meet needs and where there are gaps.

5. Next Steps

- 5.1 There has been steady progress against the objectives and targets set in the SLA and work is ongoing to maintain this and identify areas for improvement.
- 5.2 The impact of the COVID-19 pandemic and Brexit has changed the employment landscape in Edinburgh and, given the context of the current cost of living crisis the full impact is not yet known. Work will continue with CCP and service providers to ensure a swift and efficient response.
- 5.3 As the current SLA is in its final year, a review of its content and KPIs is underway and a new SLA will be presented to Committee for approval in early 2024.

6. Financial impact

- 6.1 The SLA commits the Council to revenue support per year to cover the core staffing and accommodation cost of the organisation, plus a further contribution to the running costs of the directly delivered projects and partnership support structures.
- 6.2 The financial commitments detailed in the SLA were agreed for 2018/19 and indicative for the remaining years. The SLA and financial contribution of the Council is therefore subject to review annually, as a result of the Council's budget process.
- 6.3 In 2020/21 and onwards, the Council's core funding to CCP was reduced by £150,000 (from £647,000 to £497,000).
- 6.4 Other revenue funding provided is to cover the cost of contracts procured by the Council and passed to CCP to performance manage.
- 6.5 This report is for noting only and no financial implications arise directly from it.

7. Equality and Poverty Impact

- 7.1 As noted in 3.2, relieving poverty by introducing measures designed to alleviate unemployment and give access to employment is part of CCP's Memorandum and Articles of Association and as such is a fundamental part of all the work that CCP do.
- 7.2 Equality is integral to CCP's work and they have signed up to the Scottish Business Pledge and is a Real Living Wage accredited employer and has also recently acquired Living Hours Accreditation. In addition, they are Disability Confident 'Leader', Digital Participation signatory, accredited SCQF Recruiter and supporters of the Armed Forces Covenant.

8. Climate and Nature Emergency Implications

- 8.1 As noted in 3.2, advancing environmental protection and improvement and provide public amenities is part of CCP's Memorandum and Articles of Association and as such is a fundamental part of all the work that CCP do.
- 8.2 The importance of green skills is widely recognised, to ensure the success of a just transition to a greener and more sustainable world where all people benefit equally. Green skills include technical knowledge, expertise and abilities that enable the effective use of green technologies and processes in professional settings. They draw on a range of knowledge, values, and attitudes to facilitate environmentally sustainable decision-making at work and in life.
- 8.3 Through the work that CCP do, the Council is not only able to work with individuals to develop the relevant green skills, but is also able to engage with businesses to understand what green skills look like in their sector and support businesses in transitioning to net zero.

9. Risk, policy, compliance, governance and community impact

- 9.1 The requirements within the SLA have been updated to reflect agreed practice associated with Council arms-length companies and new obligations on the Council under recent legislative changes e.g. General Data Protection Regulation (GDPR).
- 9.2 Quarterly meetings are held with the CCP Chief Executive Officer to discuss SLA progress and ensure alignment with work directly undertaken by the Council.
- 9.3 Partnership working is at the heart of CCP's work, both with Council departments and other partners and, as hosts of the LEP, they bring together partners to share information about their organisations and to discuss future changes and initiatives. This ensures a strategic approach to planning, implementation and delivery, and identifies opportunities for joint working and helps tackle inequality and poverty and improve job outcomes and increase skills.
- 9.4 The LEP in turn oversees the Joined Up for Jobs, Joined Up for Business, Joined Up for Young People, and Joined Up for Families elements, all providing support, training and collaboration opportunities for communities, third sector partners and businesses in the city to work together to help more people into employment, improve skills and reduce poverty through our Strategic Skills Pipeline

10. Background reading/external references

- 10.1 [Capital City Partnership Service Level Agreement](#) - Housing and Economy Committee on 18 January 2018.
- 10.2 [Joined up for Jobs website](#)

11. Appendices

- 11.1 Appendix 1 – Extract of Services and KPIs from CEC/CCP SLA 2018/2021.
- 11.2 Appendix 2 – KPI RAG.
- 11.3 Appendix 3 – Progress Report by Capital City Partnership.

Appendix 1 – Extract of Services and KPIs from CEC/CCP SLA

The Services

The Services comprise the following:

1 Effective Partnerships, Relationships, and Leverage

- 1.1 The development of the “Joined up for Jobs” (JUFJ) jobs and progression partnership to supports the implementation of the City Vision, Economic Strategy, and the Strategic Skills Pipeline. This includes the provision of a partnership secretariat.
- 1.2 The provision of information, analysis and support to partners to encourage them adapt individual or joint delivery arrangements to better match city need and opportunity.
- 1.3 Working jointly with Economic Development on evidence-led policy, strategic and operational development including pulling together responses to policy consultations where appropriate.
- 1.4 Identify and secure financial or in-kind contributions that add value to the Funders investment or enable financial savings to be realised with minimal loss in impact.

2 Performance Management Service

- 2.1 Where required, the negotiation, commissioning, sign off, and adaptation of projects and services on behalf of the Funder. This includes creating consortia, multi-agency funding packages, undertaking due diligence, target setting, and agreeing financial payment arrangements.
- 2.2 Putting in place a performance management service to oversee projects or services passed to the Recipient by the Funder (or co-funding partners) that drives good progress against targets and delivers excellent value for money
- 2.3 Monitoring, auditing, and evaluating projects or services managed on behalf of the Funder to ensure good quality and well targeted services, compliance with any rules and regulations to mitigate any financial risks or reputational damage, and where applicable the recovery of any overpayments.
- 2.4 Managing and developing the city’s Employer Engagement Hubs (currently the Airport RC, Fort Kinnaird Recruitment Skills Centre and St. James) to; build better relationships with key industries, create effective public/private delivery structures, maximise the community benefits realised from developments, and unlock good job opportunities for citizens.

3 Quality Assurance and Communications

- 3.1 Putting in place processes and systems to track and verify the impact and quality of services (including feedback from beneficiaries, employers, providers, and other stakeholders) and making this data and any analysis readily available to the Funder.
- 3.2 Providing a cross-cutting client management system (“Caselink” or any successor system) to support effective performance management and improved joint working across services. Working with Economic Development to ensuring that data scope and analytical functionality is fit for purpose, there is high level of data accuracy, and measures are put in place to comply with any legal obligations (e.g. GDPR).
- 3.3 Developing and implementing, in conjunction with Economic Development, joint communication, marketing, and quality assurance tools including common branding, Funder acknowledgement boilerplates, the JUFJ website, service directory and noticeboard, and JUFJ customer charter schemes.

Key Performance Indicators

The performance of the Services shall be in accordance with the following Key Performance Indicators (“KPI”s)

INDICATOR	Target	Timeframe	Source
KPI 1: Delivering effective operational partnerships & relationship			
a) Stakeholder and client satisfaction with services provided and effectiveness of the partnership.	90% Very satisfied	to be conducted in 2022/23	Internal evaluation across networks External commissioned evaluations
b) Facilitate four Job Strategy Groups, four JUFJ forums, and four Joined up for Business meetings per year. Deliver and source training and information products according to needs.	Average 75% participation by partners and/or funded organisations	Annual	Attendance monitoring / Webinar data
c) External leverage (cash and in-kind) secured by the Recipient to add value to the Funders Investment or help deliver on savings targets. d) Support capacity of Third Sector to leverage match from CEC funds, including identifying opportunities	£2,000,000 £500,000 (10% match target)	Cumulative over 3 years Cumulative over 3 years	Progress and performance reports Financial Reports and Audited Accounts Progress and performance reports
e) Engagement with employers across Edinburgh to support with recruitment, training, and funding opportunities to enable business growth.	25 employers	Annual	Progress and performance reports
f) Linking Vocational Training Framework opportunities to priority groups and making recruitment more accessible.	Programme of training opportunities sourced and made available under new VTF with 50% achieving an employment outcome	Annual	Caselink (and new IKS system) and Job Portals

g) Deliver business insight sessions to employability advisors and employers supporting a more diverse and inclusive workforce and reflecting Fair Work practices	4 sessions	Annual	Progress and performance reports
KPI 2: An effective employability performance management service			
a) Service are well targeted at agreed priority groups	90% of active clients are from priority groups	Annual	Verified client records and audit trails
b) Cumulative engagement, progression, and outcome targets are achieved. Underperformance is managed and mitigation reported.	Over 90% of agreed volumes delivered	Annual	Progress and performance reports
c) Client supported into work sustain employment for at least 6 months	60% sustain employment for 6 months or over (where this is a contracted KPI)	Annual	Progress and performance reports
d) Providers have insight into local Labour Market Information (LMI), sectoral intelligence	12 Monthly claimant count reports; quarterly LMI digests	Annual	Insight reports
e) Providers adhere to the principles of Fair Work	Monitor fair work indicators (living wage, living hours, community benefit) 60% of clients supported into work earning living wage 6 months after employment (without subsidy) where this is a KPI. Annual report on fair work measures and monitoring via Customer Charter Support JUFJ providers to become Living Wage accredited	Annual	Progress and performance reports
f) Projects and services comply with the associated terms, conditions, rules, and regulations.	100% compliance demonstrated	Annual	Progress and performance reports

KPI 3: Quality Assurance & Communications			
a) Employer satisfaction with scope and quality of service received and the positive impact made.	90% Very satisfied	Annually	Customer and Stakeholder feedback survey.
b) High level of data completeness and accuracy maintained on client and other project records	95% of records are accurate and contain all the data required to satisfy funding and operational commitments	Ongoing	Sample checks and audits of client records Contractual Regulations
c) Employability contracts and grants holders are awarded the Joined up for Job Customer Charter within 6 months of programme start	90% hold charter mark status within 6 months of project start	Annual	Progress and performance reports
d) Support and maintain JUFJ website and directory. Deliver consistent communication and marketing to network of providers	Comprehensive and up-to-date directory held. 48 weekly bulletins sent to network	Annual	Progress and performance reports

Progress and performance reports to be provided quarterly with Ad hoc reports on red-rated provision

Appendix 2: KPI RAG

Indicator	RAG
Stakeholder satisfaction with services provided and effectiveness of the partnership (90% Very satisfied).	
Facilitate four Job Strategy Groups, Joined up for Jobs (JUFJ) forums, and Joined up for Business meetings per year with 75% participation by partners and/or funded organisations	
External leverage (cash and in-kind) secured by the Recipient to add value to the Funders Investment or help deliver on savings targets (£2,000,000 over 3 years)	
Support capacity of Third Sector to leverage match from CEC funds, including identifying opportunities (£500,000 over 3 years)	
Engagement with min. 25 employers across Edinburgh to support with recruitment, training, and funding opportunities to enable business growth.	
Deliver four business insight sessions to employability advisors and employers supporting a more diverse and inclusive workforce and reflecting Fair Work practices	
Linking Vocational Training Framework opportunities to priority groups and making recruitment more accessible.	
Services are well targeted at agreed priority groups (90% of active clients from priority group)	
Cumulative engagement, progression, and outcome targets are achieved (Over 90% of agreed volumes delivered, underperformance is managed, and mitigation reported).	
Client supported into work sustain employment for at least 6 months (60% where this is a contracted KPI)	
Providers have insight into local Labour Market Information (LMI), sectoral intelligence (12 Monthly claimant count reports; quarterly LMI digests)	
Providers adhere to the principles of Fair Work (Monitor fair work indicators, 60% of clients supported into work earning living wage 6 months after employment (without subsidy) where this is a KPI. Annual report on fair work measures and monitoring via Customer Charter)	
Projects and services comply with the associated terms, conditions, rules, and regulations.	
Employer satisfaction with scope and quality of service received and the positive impact made. (90% Very satisfied)	
High level of data completeness and accuracy maintained on client and other project records (95% of records are accurate and contain all the data required to satisfy funding and operational commitments)	
Employability contracts and grants holders are awarded the Joined up for Job Customer Charter within six months of programme start (90% within six 6 months of project start)	

Indicator	RAG
Support and maintain JUFJ website and directory. Deliver consistent communication and marketing to network of providers (Comprehensive and up-to-date directory held. 48 weekly bulletins sent to network)	Green

Appendix 3 - Progress Report by Capital City Partnership

Progress against Capital City Partnership SLA Targets

KPI 1: Delivering effective operational partnerships and relationship

a) *Stakeholder satisfaction with services provided and effectiveness of the partnership. Stakeholder feedback survey 90% Very satisfied*

CCP has completed its annual feedback survey for 2022/23 from stakeholders and funded providers. We can report that:

- 100% were at least very satisfied with overall partnership with CCP, exceeding the target set.
- One Local Employability Partner said: *“We very much appreciate our contract manager and his support. We feel we have a good relationship with CCP senior managers and respect each other’s strategic direction.”*

CCP on behalf of the Local Employability Partnership is also developing the refreshed Edinburgh Partnership Survey to give wider insights including needs for employability services. This will be launched in September 2023 to engage with 4000 Edinburgh citizens. This will help give more insight into the citizen view around employability and poverty interventions and services.

(b) *Facilitate four Job Strategy Groups, four JUFJ forums, and four Joined up for Business meetings per year. Deliver and source training and information products according to needs.*

CCP successfully co-ordinated the Local Employability Partnership for Edinburgh on behalf of The City of Edinburgh Council, bringing together key stakeholders for joint working, collaborations and to align strategically where possible and avoid duplication of effort and resources. The Local Employability Partnership group also represents the Edinburgh Partnership Local Outcome Improvement Plan Priority 2 Access to Work, Learning and Training opportunities.

The Local Employability Partnership met quarterly, with membership comprising of Skills Development Scotland, Department of Work and Pensions, NHS Lothian, Edinburgh College, Edinburgh Universities, Chamber of Commerce, The City of Edinburgh Council,

EVOC (Third Sector Interface), and representation from the Joined up for Jobs third sector provider network forum.

There are sub-groups under the Local Employability Partnership for specific area focus and responses. In this year a focus was on establishing the Ukrainian Employability Support Group which reports into the Edinburgh Conflict Oversight Group. CCP co-ordinated weekly and then monthly meetings with the focus on job and education support, linking back to the Edinburgh Conflict Oversight Group. From the Local Employability Partnership, we ran bi-monthly drop-in employability sessions at the Edinburgh Association Ukrainian Great Britain (AUGB) and through our external fundraising provided emergency support to the Welcome Hub including provision of travel tickets, children's clothing, bedding, and pushchairs. We also established a new employer offer with NatWest to support 50 Ukrainian women and girls into Software Engineering roles and ran a construction academy with Balfour Beatty. From the collective support from partners and through the co-ordination of offers, we supported 75% of Ukrainians into employment.

Joined Up for Jobs (JUFJ) brings together the commissioned frontline service providers for a cohesive programme within the Strategic Skills Pipeline; including running quarterly provider forums, a weekly bulletin of live job vacancies, insight reports, latest news and strategic development and funding opportunities; a monthly bulletin on unemployment figures and analysis; and production of the JUFJ website as a resource for all frontline workers. We co-ordinated a quarterly forum with over 220 attendees from over 50 different providers in attendance. Guest speakers invited included Social Security Scotland, Edinburgh Health and Social Care Partnership, CEMVO, Disclosure Scotland, Department of Work and Pensions, Living Wage Scotland, Citizen's Advice Edinburgh, as well as many of our funded providers.

Joined Up for Business is a partnership approach to employer facing activity to support business to meet skills and employment demands and to encourage and facilitate employment of our more vulnerable groups. We co-ordinated four business meetings in this year, including an Employer Insight forum and networking event to build connections and knowledge of employment opportunities between employability partners and the business community. We also held an Employer seminar centred on the theme of 'The Great Resignation', with guest speaker, Russell Beck, and included a panel discussion to further highlight labour market trends and promote fair work practices as a means of increasing employee engagement and retention.

Housing, Homelessness and Fair Work Committee – 3 October 2023 Page 15 of 28

Joined up for Young People CCP co-ordinates the Joined up for Young People forum and the Youth Employability Partnership, bringing stakeholders and providers together to ensure there is enough positive destination provision across the city and capturing this in the Youth Employability Action Plan shared with the Scottish Government. We ran four forum sessions in this year.

Joined up for Families

This is a new area that brings together the range of council funded provision and other partners for a cohesive approach. This area reports into the Child Poverty Action Plan and has embedded recommendations from the Edinburgh Poverty Commission. CCP has supported The City of Edinburgh Council with strategic commissioning of a new grants programme for 2023, utilising Best Start Bright Futures: tackling child poverty delivery plan funding from Scottish Government. CCP continued to develop the minority ethnic focused Whole Family Equality project in response to the Edinburgh Partnership call for a new approach, securing £300,000 from The Robertson Trust and additional funding from the National Lottery Young Start project for a joined-up offer to 120 BAME families.

Joined up for Advice

This is a new emerging area under the Edinburgh Partnership as a response to a review of Welfare and Debt Advice Services with the aim to bring services together for a more unified and single-entry point, building on our established No Wrong Door Approach.

c) External leverage (cash and in-kind) secured by the Recipient to add value to the Funders Investment or help deliver on savings targets. Target £2,000,000 Annual Cumulative over 3 years.

CCP continues to attract significant additional funding through a range of funding bodies and opportunities, exceeding the target substantially. We are projecting a leverage of £6,436,714 over a three-year period against a target of £2,000,000. Average per annum leverage is currently standing at £2,145,571. We have worked to diversify the funding sources, accessing funds and support from both private and public sectors. Most of the funding goes to additional frontline services with a minimum (under 8%) for overheads.

Funds from this other funding profile supplement the core Service Level Agreement activity costs, bringing additional staff and resources and saving efficiencies to the council.

Housing, Homelessness and Fair Work Committee – 3 October 2023 Page 16 of 28

Additional Funding Table 2022-2025

Funder and Project	Purpose	Year(s)	Leverage
ESESCRD Intensive Family Support Service	ESESCRD Poverty and Social Inclusion match funding for family regions wide	2022/25	£1,843,000
ESESCRD Integrated Knowledge Systems	ESESCRD support for integrating knowledge systems and talent bank and data analysis	2022/25	£605,000
ESESCRD Integrated Employer Engagement	ESESCRD support for integrating employer engagement services and community benefits	2022/25	£1,503,000
ESESCRD Connector Funding	ESESCRD support for PMO function	2022/25	£195,000
Young Person Guarantee NOLB Funding	To provide small staff team to tackle youth unemployment	2022/23	£200,000
Helix System	Support from Borders, Mid and East Lothian for Helix CRM inc. UKSPF	2022/25	£100,000
H&SC Partnership Funding	To run rolling local recruitment programme	2022/24	£250,000
British Land FORT project	Provision of employment skills to enter retail	2022/25	£150,000
British Land FORTY (youth) project for Retail Recruitment	Provision of employment skills to young people to enter retail	2022/23	£30,000
Poverty Commission funding	Funding for school based Maximise! project	2022/23	£300,000
The Robertson Trust Partners in Change	Partners in Change fund to extend Maximise! to Communities of Colour	2022/25	£300,000
L&W New Future pilot	Covid transferable skills/careers advice for those impacted by C19	2022/23	£250,000
Barclays 100 x 100 Fund	Direct cost relief to clients	2022/23	£100,000
Early Years' Service expansion for families	To extend good practice under IFSS funding to South-West area	2022/24	£320,000
Regional Recovery Fund Community Wealthbuilding	To provide a regional wealthbuilding project	2022/23	£81,000
City Centre Recovery Fund	To support FUSE/BID job support	2022/23	£36,000
Scottish Government Investing in Communities Fund	Choices for Change: Participatory Budgeting Vulnerable Families	2022/23	£60,714
Community Fund Young Start Grant (BAME project)	To support 80 disadvantaged young people from BAME community	2022/24	£98,000
Edinburgh Partnership Citizen Panel	To recompense citizens on BAME panel	2022/23	£5,000
Contributions to reviews, evaluations, and events etc	Funding contributions for small project work from the network	2022/25	£10,000
	TOTAL SECURED LEVERAGE 3 YEAR AVERAGE		£6,436,714
	per annum		£2,145,571

- d) **Support capacity of Third Sector to leverage match from CEC funds, including identifying opportunities** We have supported grant funded external third-party projects to capacity build and use The City of Edinburgh Council investment as match funding. We can report an extra investment by third parties of £735,021 has been secured for Edinburgh.

e) Engagement with employers across Edinburgh to support with recruitment, training, and funding opportunities to enable business growth.

As part of our Joined up for Business offer, CCP co-ordinates three Skill Centres which are clustered around large scale employment opportunities: Fort Kinnaird Recruitment Skills Centre is funded solely by private investment secured by CCP from British Land and supported by the Integrated Employer Engagement team under the City Region Deal; FUSE as part of the GAM agreement for St James Quarter with additional support from the Business Improvement District lead, plus we successfully secured funding for a new MacMillan Skills Hub to respond to opportunities within the Waterfront Development and as an early support in North Edinburgh to the emerging Green Freeport Leith offer. We are also funded by the Edinburgh Health & Social Care Partnership (EHSCP) to support recruitment activity to drive an increase of applicants to entry level roles within The City of Edinburgh Council and NHS. Our approach focuses on local community engagement, supported through bi-monthly neighbourhood recruitment fairs to highlight the quality vacancies and benefits on offer as well as additional employability guidance and advice tailored to the roles within the partnership to increase candidate confidence and outcomes.

f) Linking Vocational Training Framework opportunities to priority groups and making recruitment more accessible.

Under employer engagement, we have the Vocational Training Framework to offer accredited qualification-based training shaped by recruiting employers with guaranteed interviews for those who complete the short courses. The framework holds 12 third sector delivery partners within nine areas of sector provision which are Hospitality, Health & Social Care, Early Learning & Childcare, Warehouse, Manufacturing & Logistics, Construction, Digital & Creative, Business & Finance, Retail and a Miscellaneous lot which allows for flexibility and adaptation to employer requirements and market changes. Employers supported in 2022/23 include NatWest, Bank of Scotland, The University of Edinburgh, Virgin Hotels, the Edinburgh Health & Social Care Partnership, SMILE Childcare, Wheatley, Lothian Buses and Edinburgh Leisure. We have also run client specific academies for more prioritised groups, including Young People and Ukrainian Refugees, who were supported to complete a Construction course to convert to UK qualifications, access to work placements and guaranteed interviews with several contractors such as Balfour Beatty and CCG.

KPI 2: An effective employability performance management service

Capital City Partnership performance manages nine contracts and 51 grants (detailed below) on behalf of the Council for a managed investment portfolio of £5,880,426.91.

Contract management includes chairing or facilitation of steering groups for all contracted provision (usually monthly) and twice-yearly contract management meetings for grant-managed provision. Providers submit quarterly narrative reports and financial claims. Each organisation undergoes a stringent audit, with follow up action if any concerns are raised or underperformance is an issue.

- **Blended Employability Service: Targeted Employability Service (Next Step):** A city-wide integrated employability service operating from all localities and community outreach bases. Focus on short-term unemployed clients.
- **Blended Employability Service: Supported Employment Service (All in Edinburgh):** A pan-disability service open to all job-seeking disabled people or those with long term health conditions who wish to engage with employment support.
- **Blended Employability Service: Complex Needs Employability Service (EnCompass):** Advice and support to those typically in recovery from or living with issues which create barriers to employment, including people who have experience with substance misuse; homelessness; or have an offending background.
- **Blended Employability Service: In-work Employment Support Service (Advance):** An in-work employment support service targeting people who are either experiencing in-work poverty; at risk of losing their job; or looking for a career change.
- **Subsidised Childcare for Working Parents (delivered by Kidzcare, North Edinburgh Childcare, Smile Childcare and Childcare Connections):** Subsidised places are available for families who have income below 75% of the Scottish Median Income level at the four childcare providers. This is currently under review.
- **Network of Employability Support and Training (NEST):** A grant-funded projects programme aimed at more niche client groups with a focus on reducing poverty and increasing access to the labour market.

- **No-one Left Behind (NOLB) Activity Agreements:** Youth-focussed delivery in six locality hubs for vulnerable young people to be supported on their employment journey.
- **Parental Employment Support Fund (PESF) and Disabled Parental Employment Support Fund (DPESF):** provides employability and family support for parents both in and out of work, helping to tackle in-work poverty, with a focus on parents with a disability.
- **Young Person Guarantee (YPG) Funds:** Support to young people across Edinburgh to access training, further education, employment, and volunteering. All projects have a focus on engaging young people with barriers and protected characteristics, residing in Scottish Index of Multiple Deprivation areas 1 and 2 of the city.
- **Vocational Training Framework (VTF):** contract consisting of nine sector-specific lots, focusing on vocational training linked to guaranteed interviews.

a) Services are well targeted at agreed priority groups.

The new Helix client management systems enables better co-ordination of services for clients who often require a triage of support to move out of poverty and into sustainable employment. 40,000 Edinburgh residents are registered on the Helix system with an average of 5,000 actively engaged with a funded service at any one point.

Helix is used to record clients' 'barriers to work' and collect evidence that we are focusing on the prioritised groups identified in all contracts and grants. A committee paper was produced for the Housing, Homelessness and Fair Work committee in May 2023 to comprehensively explain the process. This included a breakdown of all characteristics and inequalities, and data gathering.

From our data analysis for 2022/23, we know that 98% of clients had at least one barrier whilst 86.5% of the clients supported had three or more barriers to finding employment. Continual analysis of this data allows CCP to flex provision to ensure that it meets the needs of citizens as circumstances change or economic impacts emerge.

An annual refreshed audit of the service provision across the city was undertaken by CCP to ensure we had equity of service (see diagram below) and that all client groups had access to a service to meet their needs from the wider Local Employability Partnership.

CCP has also commissioned Rocket Science from external funds on behalf of the Local Employability Partnership to undertake a deeper analysis of the employability landscape and cross reference with the wider membership provision to ensure the commissioned profile is fit for purpose and to agree overarching priorities moving forward.

Below is the diagram of service offers across the Local Employability Partnership and client group focus. This is reviewed annually and updated accordingly.



Funding source is listed in brackets. These include SDS – Skills Development Scotland, CEC – The City of Edinburgh Council, NOLB – No One Left Behind, SSS – Scottish Security Scotland, DWP – Department of Work and Pensions, DYW – Developing Young Workforce, IRES – Integrated Regional Employability and Skills (City Region Deal), NHS – Housing, Homelessness and Fair Work Committee – 3 October 2023 Page 21 of 28

National Health Service. Please note that more provision will be added in 2023/24 reporting with the arrival of UK Shared Prosperity Funding allocations.

b) Cumulative engagement, progression and outcome targets are achieved.

Commissioning of third-party services are focused mainly on use of the Scottish Government No One Left Behind funding across a 5 stage Strategic Skills Pipeline (below). Funds come with certain restrictions and client group priorities with a focus on the hardest to help groups. This has resulted in a commissioning portfolio that is more weighted to the early stages of the pipeline.

Stage One	Stage Two	Stage Three	Stage Four	Stage Five
Referral and engagement	Needs assessment, barrier removal	Vocational activity, upskilling, qualifications, work placements	Employer engagement and job matching	In-work support and after-care

Full Edinburgh provision is shown below, with Council funded services in pink.

At this moment, most of the Scottish Government funding around Stage Four and Stage Five sits with other providers in the Local Employability Partnership under Fair Work commissioning. This is due to change in 2024 when funding will move to local authorities.

New engagements for 2022-23 reached 93%, with 3,148 new engagements achieved and 4,632 individuals received support and progress across the pipeline. This provides a total of 3,423 outcomes against a target of 4,095 for all funded provision, which is **83.59% of target, slightly below the overall target of 90%**.

Contracted Providers					
Service	Pipeline Stage and Type of Provision and Client Group	Funding	Outcomes Targets	Outcome Achieved	% Achieved
Next Step	Stage 2-4 targeting clients in areas of deprivation who are short term unemployed.	£360,000.00	330	192	58.18%
All in Edinburgh	Stage 2-5 targeting clients with a disability or long-term health condition.	£1,360,000.00	174	174	100.00%
Encompass	Stage 2-5 targeting clients with addiction, homelessness and criminal justice issues.	£250,000.00	100	113	113.00%
Advance	Stage 5 targeting people experiencing in-work poverty; at risk of losing their job; or career changers	£179,034.00	150	160	106.67%

Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
REFERRAL, ENGAGEMENT AND ASSESSMENT	NEEDS ASSESSMENT AND BARRIER REMOVAL	VOCATIONAL ACTIVITY	EMPLOYER ENGAGEMENT AND JOB MATCHING	IN-WORK SUPPORT AND AFTERCARE
NEST Third Party Grants (Stage 1-5) Third sector led support for people requiring specific barrier removal or from area of multiple deprivation 600 places				
Young Person's Guarantee (Stage 1-5) Providing young people with individual support to increase progression along pathway to a positive destination 565 places				
NOLB Activity Agreements (Stage 1) Support for school leavers 180 places	Next Step (Stage 2-4) Employability service, including specialist support for BAME and LGBT communities 360 places		Advance (Stage 5) In-work employment support with income maximisation 180 places	
Intensive Family Support (NE/NW) (Stage 1-2) Poverty & social inclusion support for families in early years centres 55 families			Subsidised Childcare for Working Parents (Stage 4-5) Provides subsidised places based on eligibility criteria with focus on regeneration areas communities 286 families	
Intensive Family Support (SE/SW) (Stage 1-2) Poverty & social inclusion support for families in early years centres 27 families			Start Scotland (Stage 3-5) Employment service with in-work support built in 2400 places	
EnCompass (Stage 1-5) Support for people with a history of substance misuse, criminal justice, and homelessness 240 places				
Maximise (Stage 1-4) Targeted poverty and social inclusion support for low-income families in schools 120 places				
Parental Employment Support Fund (Stage 1-5) Providing intensive employability support to employed and unemployed parents from priority groups 125 places				
Whole Family Equality Project (Stage 1-5) Project for ethnic minority communities in aiming to address poverty and inequality within these communities 120 places				
All in Edinburgh (Stage 2-5) Supported Employment service for people with a disability or long-term health condition 425 places				
			Integrated Employer Engagement (Stage 4-5) To maximise the benefits of employer engagement initiatives 200 places	
New Futures Training (Stage 3-5) Sector-based training with guaranteed interview 250 places				
New Futures Advice (Stage 3-5) Career advice for those impacted by Covid employment 150 places				
IRE Skills Gateway (Stage 3-5) Higher skills gateway routes into construction (HCI) and data careers (DDI) across schools, further and higher education, and work HCI 2120 places, DDI 3262 places				



CEC Funded Provision: 3358 places

Externally Funded Provision: 2670 places

ESES City Region Deal Activity: 5637 places

Childcare Hubs	Stage 5 support for low-income families who otherwise would not be able to access affordable childcare.	£872,572.00	526	284	53.99%
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Grant-funded Providers					
Service	Pipeline Stage and Type of Provision and Client Group	Funding	Outcomes Targets	Outcome Achieved	% Achieved
NEST Grants	Stage 1-5 targeting people requiring specific barrier removal or from area of multiple deprivation	£901,152.78	1030	918	89.13%
NOLB AA	Stage 1 targeting young people leaving school not moving in to employment, education or training.	£200,000.00	210	155	73.81%
NOLB PESF/ DPESF	Stage 1-5 providing employability support to employed/unemployed parents from priority groups.	£442,250.00	280	397	141.78%
NOLB YPG	Stage 1-5 providing young people with individual support to increase progression to a positive destination.	£1,065,418.13	1295	747	57.68%
Vocational Training Framework	Stage 3-5 providing employability and sector-based vocational training linked to guaranteed interviews.	£250,000.00	N/A	283	N/A

The outcomes breakdown as 636 jobs, 381 in work progressions and 2,406 other progressions (outcomes in education and training). This reflects the on-going challenges with long-term unemployed and hardest to reach clients. Providers with underperformance with funding in 2023-24 will be put through performance improvement procedures.

We are finding that engagement figures are high as people seek support but there is an apprehension around cost of living and housing cost increases. Citizens do not see moving into low end employment as an initial route out of poverty and often equate it to losing passport benefits with a net loss to household income.

To help this address this, we have started a rolling programme of community job fairs using the 20-minute neighbourhood to bring quality employers closer to local jobseekers, and invited money and advice agencies to be present to counteract any concerns.

We have also worked closely with advice services for additional income calculations and support, working to develop the Joined up for Advice offer with links to employability.

c) Client supported into work sustain employment for at least six months.

Helix shows that 74% of contracted jobs recorded in 2022/23 were sustained at six months, in excess of the target of 60% sustainment. This is in part due to the work of linking more closely with employers through the Joined up for Business efforts.

d) Providers have insight into local labour market information (LMI), and sectoral intelligence.

We produce monthly insight data on NOMIS and unemployment rates and economic activity which also breaks down trends and demographics by wards and demographic profile. We also produce more detailed insights to inform strategic direction, including reports on ethnic minority engagement as part of the Edinburgh Partnership.

e) Providers adhere to the principles of Fair Work

To date we have achieved a rate of 82% of contracted job outcomes secured paying the Real Living Wage for the financial year against a target of 60%. We continue to see increased trends of instability of contracts in employment and reduction in secure contracted hours.

Living Wage is not mandatory, so it relies on other factors to lever in those service standards. We have worked with the Local Employability Partnership under the Edinburgh Partnership remit to support the Edinburgh Living Wage City Action with a target of 100 new employer accreditations per annum with 500 by 2026 and 39,500 new living wage employees by 2026. Mid-point figures are 633 accredited employers, and 202,000 workers, exceeding target.

CCP was a finalist in the Living Wage Foundation Awards for our work in this area.

CCP surveyed all Joined Up for Jobs providers on Fair Work, with 79% of organisations indicating that they are Living Wage accredited, with 86% paying the Living Wage. 100% of organisations provide channels for staff to have an effective voice in the workplace with regards to Fair Work.

f) Projects and services comply with the associated terms, conditions, rules, and regulations.

All contracted providers and grant holders are audited for compliance (see KPI3b, below) regularly and CCP also logs information regarding, insurance, OSCR status, disclosure and safeguarding of all providers.

Every user of the Management Information system (Helix) is required to register with the data commissioner. CCP underwent a rigorous GDPR compliance procedure with The City of Edinburgh Council as part of the maintenance of Helix and every organisation who uses Helix has signed an Information Sharing Agreement.

CCP also produces monthly data intelligence reports on employability and poverty which is disseminated to the Local Employability Partnership and wider stakeholders to keep parties up to date with latest trends and developments. Spot focus reports are also produced for strategic consideration of approach.

KPI 3: Quality Assurance & Communications

a) Employer satisfaction with scope and quality of service received and the positive impact made.

The annual Employer Survey also took place, with feedback showing 90% respondents were highly satisfied with the service received, employers commenting that, ‘*Candidates that applied to us were of good calibre...having received the additional tailored vocational support,*’ and ‘*It [is] an additional avenue to advertise our roles and recruit staff in a less traditional job board advertising.*’

b) High level of data completeness and accuracy maintained on client and other project records.

CCP monitors all grants and contracts quarterly through our reporting systems. We ensure that reported figures match data on our management information system, Helix.

In addition, each funded organisation receives an annual compliance and audit visit. This is to ensure that providers hold evidence of client support and outcomes.

Our contract management and compliance function audit the following:

- Correctly recording and retaining data
- Maintaining correct legal documentation to satisfy GDPR
- Securely retaining data
- Updating and accurately reporting data
- Retaining adequate and appropriate evidence in support of declared outcomes
- Recording accurate and appropriate information to support the level of service provision reported to CCP

A mandatory awareness raising/training session is delivered annually to address common issues which were highlighted during the audit process. This is supplemented by individual support for new contractors if necessary.

We view this area of contract management as an exemplar for accountability of public funds and use it across all areas of funding management. We were asked to be the first area to undergo an audit for the Edinburgh and South-East Scotland City Region Deal Integrated Regional Employability and Skills programme for our regional project Integrated Employer Engagement. We achieved a clean audit and additional praise for its high level of compliance and accuracy.

c) *Employability and contracts and grants holders are awarded the Joined up for Jobs Customer Charter within 6 months of programme start.*

CCP has a Charter Award to verify service standards. The Charter promotes best practice for partnership working and integration across the network, developing the joined-up approach that ensures that barriers to employment are tackled collaboratively and employment opportunities for all are increased.

Fifteen organisations funded in 2022-23 were signed up to the Charter. However, a new refreshed Customer Charter for 2023-24 has recently been issued. CCP aims to widen out charter status all contract and grant holders in the first six months of the contracts, to embed good practice and service standards.

CCP follows the Scottish Government's [Approach to Service Design](#), ensuring services are client-led, holistic and co-designed by the people that use them.

Ongoing projects are required to develop feedback with clients in accordance with our JUFJ Customer Charter. Recent audits demonstrated very high satisfaction with services.

Some client feedback from those participating in funded serviced includes:

Next Step: "It's so good knowing that I can come back here, I am so thankful for having this support on my doorstep."

AIE: "Can I say a big thank you? I have finished my peer support mental health assessment. Wow, taken me a year. My growth has been amazing, and you are part of that journey so can I just say a big thank you!"

Space @ Broomhouse: "Debbie and her team have created a warm friendly comfortable environment to learn new skills for work and make new friends."

d) Support and maintain JUFJ website and directory. Deliver consistent communication and marketing to network providers.

CCP produces and maintains the Joined up for Jobs website, with a live noticeboard, and complete directory of organisations. This is maintained so all information is current. We also produce a weekly bulletin linked back to the website, with 450 active subscribers. CCP continues to use and develop the 'Joined up for' branding suite, using colour schemes and cog logos for distinctive areas and to ensure clear communication within the professional sector we co-ordinate. From additional funding secured, we have also produced a range of videos, including a Ukrainian webinar to welcome new arrivals. We are also developing a front end to the Helix portal to support better access to training and employer support services from external funding.

Governance, Risk and Best Value Committee

10:00am, Tuesday, 31 October 2023

Strategic Programme Board

Executive/routine
Wards

Executive
All

1. Recommendations

- 1.1 It is recommended that Governance, Risk and Best Value Committee:
- 1.1.1 Notes that this report replaces the Change Board update which previously came to Committee every six months.
 - 1.1.2 Notes the governance and risk management arrangements being used to oversee the development and delivery of the five-year Medium-Term Financial Plan.
 - 1.1.3 Notes that while this report details the governance and risk of the Medium-Term Financial Plan, oversight of delivery is the responsibility of the Finance and Resources Committee with policy direction being the responsibility of respective Executive Committee.
 - 1.1.4 Agrees that this governance and risk report should continue to come to GRBV every six months.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Gillie Severin, Head of Strategic Change & Delivery

E-mail: Gillie.Severin@edinburgh.gov.uk

Strategic Programme Board (Change Portfolio / MTFP)

2. Executive Summary

- 2.1 A Change Portfolio report was previously considered every six-months at GRVB. The report focused on governance and the level of risk being carried by the Councils portfolio of major delivery. Since Covid, this work has been reshaped into a Medium-Term Financial Plan (MTFP) with a targeted focus on delivering transformation against ambitious savings targets which were agreed at Finance and Resources on 20th June 2023.
- 2.2 The report sets out how the operational governance has evolved from the Change Portfolio to the MTFP. It also accesses the overall risk being carried by the programme and the impact this could have on the Council's wider savings programme.

3. Background

- 3.1 The Change Portfolio reported to GRBV every 6-months and brought together an assessment of risk for major delivery projects in the Council. This included both projects and programmes of major capital spend and transformation. A scoring matrix was used to identify work which should join the Change Portfolio. The Change Portfolio was considered each month by the Corporate Leadership Team.
- 3.2 During Covid, this work was stood down and resource was reallocated to delivery of the Adaptation and Renewal Programme. This represented an opportunity for a stocktake and review of our approach to portfolio management. It was agreed by the Corporate Leadership Team to split out the delivery of revenue and transformation from the delivery of capital programmes.
- 3.3 Upon creation of the Medium-Term Financial Plan, a Strategic Programme Board was stood up to oversee and govern delivery of both non-capital projects and transformation work. To oversee and govern delivery of capital projects, a Capital Investment Board will be established in place of Change Board. This will lead on delivery of the Capital Budget Strategy which is approved annually at Finance and Resources committee and Council as part of the budget setting process. With the new Finance Director now in post, officers are reviewing these governance arrangements.

- 3.4 The Strategic Programme Board (SPB) is chaired by the Executive Director of Corporate Services. The portfolio presented in the appendix has been considered by the SPB prior to GRBV.

4. Main report

- 4.1 Currently, there are 22 projects or programmes that report to the Strategic Programme Board. This is a mixture of newly identified projects which seek to deliver transformational change to release savings and a number of projects which previously reported to the Change Portfolio and still warrant cross-Council governance to oversee them. Appendix one sets out an overview of these projects and programmes for GRBVs consideration.
- 4.2 The Strategic Programme Board agreed year one priority projects which received resource from a £2m invest to save budget. As part of the process to set next year's budget, a pipeline of projects for business case development is being created. The SPB is the vehicle through which their delivery will be governed. The intention is to build a programme of work over four years which delivers transformation across the Council.
- 4.3 At each Strategic Programme Board, projects and programmes which have been reported as red are reviewed, and mitigating actions agreed where relevant. The appendix includes a rag rating for the delivery of each of the year-one projects or programmes.
- 4.4 The rag status of projects is reported by the Project Manager and signed off by the Senior Responsible Officer and finance lead for the project prior to submitting to the Strategic Programme Board. The rag status covers the delivery of overall project which includes outputs and benefits.
- 4.5 The Strategic Programme Board manages portfolio risk, and a workshop has been scheduled for late October to review the current risks that have been identified, score them against impact and likelihood and record controls to be put in place using the councils agreed risk register.

5. Next Steps

- 5.1 The SPB will continue to report on delivery of the MTFP to the Finance and Resources Committee with decisions on policy changes being considered at Executive Committees. The next MTFP report to GRBV will be on 19 March 2024.

6. Financial impact

- 6.1 There are no specific financial impacts of this report, other than those contained in the detail of individual projects which are considered at both the Finances and Resources Committee and Executive Committees.

7. Equality and Poverty Impact

- 7.1 Consultation and engagement activities, either internally or externally, are carried out within individual projects.

8. Climate and Nature Emergency Implications

- 8.1 This report does not itself contain any direct environmental or climate related implications. Elements of the MTFP which have climate impacts are subject to integrated impact assessments with details scrutinised through relevant executive committees. In doing so, this report and the governance framework it describes is in line with the Council Business Plan, and the Council's statutory duties relating to climate emissions and biodiversity.

9. Risk, policy, compliance, governance and community impact

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

10. Background reading/external references

- 10.1 [Change Portfolio Update](#) report to Governance, Risk and Best Value Committee, 14 March 2023

11. Appendices

- 11.1 Appendix 1 - Strategic Programme Board Update



Green

- On target to succeed.
 - Face only minor obstacles, if any
 - High confidence in ability to implement plans
 - No issues are threatening the outcomes or benefits
- 0 to 1 projects / workstreams are AMBER
No projects / workstreams are RED
No risks or issues are RED



Amber

- A problem exists , but action is being taken to resolve this , or
- The programme / project has a potential problem that has been identified and no action may be taken at this time, but it is being carefully monitored
- Outcomes/ benefits likely to be achieved but action must be taken quickly
- 1 - 3 projects / workstreams are AMBER
- 0 to 2 projects / workstreams are AMBER
- 2 or more risks or issues are RED



Red

- Requires immediate remedial action to achieve objectives
- The timeline/cost/objectives are at risk
- Significant obstacles or issues prevent workstreams and consequently the programme from meeting plans
- Even with corrective action, expected action may be insufficient to ensure outcomes/ benefits are met
- 2 or more projects / workstreams are RED
- 2 or more risks or issues are red

Page 357

Key:
Close = project will close current phase. **NR** = Nil return (report not submitted this month), **Pipeline** = Project due to start
Scoping = submitting scoping document detailing project outline to SPB

Individual Programme / Project Statuses (Strategic Programme Board Projects) September 2023*

Strategic Programme Board projects	July	Aug	Sept
<p>Inclusion Services Project - Redefine how inclusion is delivered in schools (SRO – Lorna French)</p> <p>Following a Collaborative Improvement Review (ADES and Education Scotland) and in light of the national Additional Support for Learning Action Plan, policy and staffing models are being reviewed to strengthen the culture, ethos and practice of inclusion in the city’s schools. This builds on the aims of Edinburgh Learns for Life and fully underscores the 20-Minute Neighbourhood philosophy where services are delivered locally by highly skilled staff working across Learning Communities. It is fully coherent with national practice in which personalised support is delivered on a continuum, and staff are fully trained and supported.</p> <p>There are three workstreams: * Support Colleague Review * Review of the support colleagues model aligned to improving attendance * Review of ASL and Psychological Services</p>	Green	Green	Green
<p>Social Care Operating Model - New replacement system for SWIFT (SRO Nicola Harvey)</p> <p>Programme to replace the current operating system (SWIFT). The updated solution will provide enhanced functionality to drive the quality of input/outputs, removing duplication and driving efficient work practice. The current system known as SWIFT/AIS is at end of life and is no longer fit for purpose.</p>		Green	Green
<p>Secure Services - repurposing of Howdenhall (SRO Steve Harte)</p> <p>Brax House, the secure unit at Howdenhall was the only remaining Local authority secure service provision in Scotland. All other local authorities have either never had secure provision or have stopped it. This project was to close and repurpose Howdenhall. Re-purposing is underway and future savings could potentially be achieved through sending out of authority placements while enhancing services to children. SPB to review close report.</p>	Green	Closed	Closed
<p>Edinburgh Leisure (SRO tbc)</p> <p>Scoping phase. Project still being defined.</p>			Scoping
<p>HR /Pay Project - Upgrade to Oracle (SRO Steven Wright)</p> <p>Project to replace the Councils current human resources system. Deliver a service that is engaging and inclusive, promotes employee and line manager self-service, removes duplication and manual transactions, reduces risk, simplifies processes, allows data driven insight by ensuring our processes are right first time all the time, and supports Council strategies and initiatives. Oracle HCM meets the needs of our complex organisation safely, efficiently, and effectively.</p>	Green	Amber	Amber
<p>Asset/Corporate Property Strategy - development and delivery of Strategy (SRO Peter Watton)</p> <p>The Corporate Property Strategy is a high-level framework which sets out the strategic themes that will be followed when implementing changes to the Council’s operational property estate. It will provide the strategic basis on which property related decisions will be taken to facilitate the delivery of the priorities and outcomes in the Council Business Plan and the Medium -Term Financial Plan (MTFP).</p> <p>The Corporate Property Strategy has 3 strategic themes which are: Live Well Locally - property solutions to support 20-minute neighbourhoods; Our Future Work - new ways of working that have emerged following the COVID-19 pandemic; Net Zero Properties - delivering and maintaining a sustainable zero carbon corporate property estate.</p>	Green	Red	Red
<p>Community Transport - New Demand Responsive Travel Management System (SRO Frank Henderson)</p> <p>The aim of this project is to establish a world-class travel service for the council, focusing on realizing cost savings and improving travel provisions for the Council, users, and service providers. The project intends to leverage the potential brought by Scottish government policies, such as The National Bus Travel Concession Scheme for Young Persons (Scotland), in order to drive changes in local transport policies, transport infrastructure, service offers, and eligibility criteria. The remit of the project includes Implementation of Flexiroute system, Implementation of the Travel Policy and Reduction in vehicle maintenance costs The implementation of the new system is designed to assist in managing down the existing pressures on home to school transport, H&SC transport and achieving revenue savings requirements within Fleet Services.</p> <p>* Progress on each project or programme is reported to the Finance and Resources Committee and respective Executive Committee</p>	Amber	Amber	Amber

Strategic Programme Board projects	July	Aug	Sept
<p>Small Change Matters - reduce spend across the council (SRO Richard Lloyd-Bithell)</p> <p>This project aims to identify opportunities to reduce outgoing spend across the Council. It will do this in two ways – first by targeting areas of spend that initial analysis indicates significant opportunity to reduce, for example discretionary staff costs, 3rd party contracts and contract management. And secondly, by promoting more awareness, rigour and challenge around spending habits, and by encouraging all colleagues to seek opportunities to reduce cost, ultimately embedding a more cost-conscious culture.</p>		Amber	Amber
<p>Waste and Cleansing -Best value review (SRO Gareth Barwell)</p> <p>The aim of this project is to consider the potential savings that may arise through a thorough investigation into service efficiency and best value while safeguarding the quality of this important service for Edinburgh’s residents. All 600-700 staff, supervisors and managers were invited to engagement sessions in May/June 2023 and their feedback was collated and used to inform recommendations. We are now in the process of prioritising these opportunities, gathering the relevant data and quantifying projected spend/savings.</p>	Green	Green	Green
<p>Front Door - redesign of the integrated front door (SRO Amanda Hatton)</p> <p>The integrated front door is a collective approach of main stakeholders and partner agencies including voluntary organisations. The business benefits for this approach are also articulated and are essentially, safe practice, reduction in high level demand and outcome-based commissioning which reduces cost and duplication of resource. To do this, we need to ensure citizens receive the right support in the right place and at the right time which builds resilience and prevents the escalation of need. Working in this way will reduce the need for expensive high-level services and reduce duplication of resources therefore delivery cost savings. The outline plan is in phases :</p> <ul style="list-style-type: none"> 1 Ensuring safety 2 Early support and prevention 3 Single point of contact 		Green	Green
<p>Libraries Review - transform library services (SRO Paul Lawrence)</p> <p>The aim of this project is to transform the existing Libraries estate by reviewing how we do business across all of our services. The project will realise efficiencies by improving the service and closing the unmet budget pressure gap. The strategic vision will be informed by engagement with staff, residents and key stakeholders and this will be used to develop proposals for change, which will be taken to committee for approval. All aspects of the service are in the scope of this review. It will be organised into 3 Workstreams. Workstream 1 will look to optimise improvements by exploring options to reduce operating hours, review income, and deliver an operational staffing review. Workstream 2 will investigate opportunities for IT investment to improve the service and realise efficiencies. Workstream 3 will seek to deliver services through fewer buildings, aligned with the Corporate Property Strategy and the 20-minute Neighbourhood Strategy.</p>			Pipeline

* Progress on each project or programme is reported to the Finance and Resources Committee and respective Executive Committee.

Individual Project Statuses (Strategic Programme Board Oversight Projects) September 2023*

Strategic Programme Board Oversight projects	July	Aug	Sept
Communal Bin review (SRO Andy Williams) This review will Implement an enhanced communal bin service that meets with Waste (Scotland) Regulations 2012 and complies with contract terms for the disposal of waste at the new treatment facility at Millerhill.	Amber	Amber	Amber
ERP (SRO Nicola Harvey) This project will deploy, refine and deliver Oracle Apex – This is a new Debt Management solution and currently in Test Phase.	Green	Amber	Amber
Our Future Work (SRO Deborah Smart) This project will facilitate the move to blended ways of working to improve flexibility, trust and empowerment for colleagues as detailed in the Our Future Work Strategy – It will agree principles and develop the space in hybrid buildings.	Amber	Amber	Amber
Early Years Programme (SRO Donna Murray) This project increased the hours of Early Years provision to allow the Council to offer the statutory requirement of 1140 hours of childcare to all 3–5-year-olds. Phase 2 of this project is being scoped currently.	Amber	Amber	Amber
Care Experienced (formerly LAAC) File Review (SRO Amanda Hatton) This project will review all records and merge paper records with adult records, as per current guidance and procedures. Project was previously reporting as Red due to work being stood down while resources were seconded to work on covid response and Ukrainian refugee project. Resource now back in place and work continuing.	Red	Red	Green
Cultural Services Review (SRO Karl Chapman) Project is re-scoping - still to be defined.	Amber	Amber	Re-Scoping
20-minute Neighbourhood (SRO Daisy Narayanan) This programme will deliver the 20-minute Neighbourhood Strategy. It will build on models of shared service delivery with public, private and voluntary sector partners. Using our resources more sustainably and effectively, whilst designing green and people focussed, thriving communities.	Green	Green	Green
Housing Services Improvement (SRO Sarah Burns) This improvement plan identified a number of operational and financial pressures, including performance flatlining and a decline in customer satisfaction and a financial deficit. This 4-year plan will develop more effective and responsive services and reduce costs.	Amber	Amber	Amber

* Progress on each project or programme is reported to the Finance and Resources Committee and respective Executive Committee.

Status Changes this month and Projects reporting red

Project	Status	Previous Status	Updates/Actions
Care Experienced (formerly LAAC) File Review	Green	Red	Project has now been resourced and is therefore live.

Project	Date First reported red	SRO	Description	Mitigating Actions
Page 361 Asset Mgt	August 23	Peter Watton	<p>The Corporate Property strategy was approved by Policy and on 22 August 2023. The focus is now on management of the estate and realisation of savings in line with the three principles of the strategy.</p> <p>There are a number of dependencies, which require to be implemented before the corporate property strategy will be able to realise the savings attributed to it.</p> <ul style="list-style-type: none"> - Centralised online booking system - Centralise of equipment budget - Income generation of leasing - FM Operational management structures, ie: Duty Holder responsibilities for buildings to address inconsistency across the estate - Finalisation of key services reviews - Net zero, uncostered and new technologies - Restack of Waverley Court and Our Future Work 	<p>All dependencies to be considered through the Governance Structure established for the Corp Property strategy Board, with the first Corp Property Strategy Board taking place on 15 November 2023.</p> <p>Path to Amber and Green to be shared with SPB in October.</p>

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Governance, Risk and Best Value Committee

10.00am, Tuesday, 31 October 2023

Governance and Assurance Framework

Executive/routine
Wards

Routine
All

1. Recommendations

- 1.1 To note the update on the development of a Governance & Assurance Framework for the Council.

Dr Deborah Smart

Executive Director of Corporate Services

Contact: Gavin King, Head of Democracy, Governance and Resilience

E-mail: gavin.king@edinburgh.gov.uk | Tel: 0131 529 4329

Governance and Assurance Framework

2. Executive Summary

- 2.1 This report provides an update on the phased implementation of the Governance & Assurance Framework (G&AF) for the Council and sets out an action plan for implementing the structure and guidance designed to support and strengthen the framework and in particular the work undertaken to embed improvements in governance.

3. Background

- 3.1 The Chief Executive's First Line Governance and Assurance Model report to the Governance, Risk and Best Value Committee (GRBV) noted the Chief Internal Auditor's 2020/21 annual opinion. This had identified that there was "a lack of capacity and skills to support effective governance; risk management; control; and assurance activities" within the Council.
- 3.2 The Chief Executive responded by increasing the resource available in both directorates and the Corporate Governance Team to strengthen the Council's capacity to deliver governance and assurance processes.
- 3.3 Progress updates were provided in each GRBV Committee Business Bulletin from November 2021 onwards. A progress update on the G&AF was also considered by the GRBV Committee on 1 August 2023. The update set out the key objectives, themes and components of the G&AF, and explained how their connectivity will strengthen the governance and assurance processes within the Council.

4. Main report

Objectives

- 4.1 The three main objectives of the G&AF are to:
- 4.1.1 Provide Council employees, elected members, and ultimately the citizens of Edinburgh with an understanding of the scope and operation of governance and assurance processes within the Council.

- 4.1.2 Develop oversight and scrutiny mechanisms to identify gaps in governance/assurance processes and practice in order to fill those gaps and deliver solutions that can be consistently applied across the Council.
- 4.1.3 Provide support to Council Officers in their delivery and fulfilment of governance and assurance policies and procedures within their functional roles and services.
- 4.2 The G&AF seeks to be the holistic combination of legislation, policies, procedures, themes, staffing structure and components detailed in this report, that are required to ensure the successful operation of governance and assurance across the Council. It is essential to recognise that the framework will not be a static concept, but rather is an iterative process designed to consistently develop and improve delivery through better, consistent and more regular scrutiny and oversight of the Council's activities. This will assist in identifying issues before they arise and allow them to be dealt with through effective risk management.

Engagement

- 4.3 Collective engagement with the new framework between the Corporate Governance Team and directorate colleagues is key in developing the G&AF, with directorates putting in resource to support and strengthen the Council's existing governance and assurance procedures.
- 4.4 The G&AF has been designed to support a smooth transition into embedding fundamental change in the way in which Governance and Assurance (G&A) functions and activities are completed, monitored, and reported.
- 4.5 Ultimately, it seeks to build a culture of continuous improvement, self-review and resilience through supporting people and processes to be accountable. This will be achieved through well-structured, planned and rigorous G&A practises, driven by a collective responsibility to seeing G&A activities through to completion.
- 4.6 The need to ensure that improvements to governance and assurance are embedded into the organisation are highlighted, for example, by the Policy Register. This was a successful piece of work that identified and reviewed policies across the Council, updating them and making them publicly available in a register on the website. Directorates put resource into the register and had a lead officer identified for their policies. However, over the years the support both corporately and in directorates was reduced and an attempt was made to mainstream the work into business as usual. Unfortunately the good work was not maintained and the register became out of date. The Head of Internal Audit has recently highlighted the state of policies in the Council as a key risk. The approach highlighted in this report will, for example, specifically target the policy register, work closely with directorates to improve the register and policies throughout the Council and work with them with regular meetings to ensure that the solutions identified are embedded into the Council.

Governance – Directorate Business Partnering

- 4.7 A key component of the framework will be to support directorates and governance officers will perform a 'business partnering' role with directorates that will provide support and guidance with first line assurance activities, and ongoing second line assurance for directorate governance and risk management activities. Further details of the new Business Partnering Model are provided at Appendix 1.
- 4.8 The Governance Business Partners will also provide advice and guidance to stakeholders in developing effective G&A practices throughout first line roles, in partnership with directorates. Governance Business Partners will also be the first point of contact for directorate colleagues on governance related matters.
- 4.9 As part of the implementation of the Business Partnering Model, Business Partners will engage with directorates through quarterly meetings to:
- 4.9.1 Identify G&A Best Practice - Focusing on upcoming governance tasks (e.g., Service Level Agreement Review and Proper Officer/Scheme of Delegation Review). And addressing questions on new information/processes (e.g., the new Subsidy Control Regime implemented on 1 January 2023).
 - 4.9.2 Monitor progress in relation to the Assurance Tasks Register - Which was developed to provide a comprehensive list of first line G&A and risk management activity, outline assurance tasks at corporate and directorate level and ensure owners are identified for actions. This register documents tasks that flow from the Council's legislative or other statutory responsibilities that are common to all directorates, so that they can be readily identified, actioned, and reported on as part of existing processes.
 - 4.9.3 Develop bespoke versions of the tasks spreadsheet - to address the requirements of sector and/or service specific legislative and statutory responsibilities, which ensures their assurance receives similar attention.
 - 4.9.4 Support a year-round incremental approach to completion of the Annual Assurance Exercise – To ensure that the collation and review of evidence and improvement actions is an ongoing process rather than an onerous full year review at financial year end.
 - 4.9.5 Meet regularly with the Head of Internal Audit to discuss and review the work being carried out by the Corporate Governance Team and directorates within the Assurance Task Register.
 - 4.9.6 Helps ensure a circular flow from issues being identified (via eg Internal Audit, whistleblowing or Health and Safety) and then being added to risk registers (and mitigations added) or dealt with as issues.

Governance Structure

- 4.10 The Governance Structure for Oversight of Framework (Appendix 2) shows where responsibility sits in the three lines assurance model. The three lines assurance model can be applied to support the effective delivery of both corporate governance and assurance. Key components of the structure include:

4.10.1 A Governance Board - Which will be established with the aim to build a culture of G&A best practice throughout directorates through the issues being discussed and resolved. The Service Director – Legal & Assurance, will Chair the board and the membership will be comprised of subject matter experts on governance and assurance from across the Council. The Governance Board will provide oversight, scrutiny, and support in relation to governance and assurance across the Council.

4.10.2 The Governance Board will also help scrutinise and peer-review the Council's second-line corporate governance functions in the following areas:

4.10.2.1 Committee decision making processes (including committee reporting and legislative requirements).

4.10.2.2 Policy management.

4.10.2.3 Corporate complaints, FOIs and P2P compliance.

4.10.2.4 Outstanding assurance actions.

4.10.2.5 Insurance.

4.10.2.6 Integrated Impacts Assessments.

4.11 The Governance Board will report any issues to the Corporate Leadership Team ("CLT") and/or GRBV Committee and/or Council, where appropriate.

Annual Cycle

4.12 The Annual Cycle (Appendix 3) provides a comprehensive (but not exhaustive) overview of the requirements for reporting and monitoring, and G&A related activity with senior management including CLT and relevant Council executive committees as appropriate. The cycle ensures there is a consistent approach to managing and completing tasks throughout any given year, and continuously improves continuity in key G&A activities each year to build-in 'natural' resilience against issues, such as key person dependencies.

5. Next Steps

5.1 Work will continue to refine and implement the G&AF to ensure continuous improvement and self-review.

5.2 Progress work as detailed in the Governance and Assurance Framework Timeline/Action Plan (Appendix 4)

5.3 A further report will be provided in 6 months outlining further progress and bringing all elements of the framework into one report.

6. Financial impact

6.1 Revenue budget for the Governance and Assurance Framework support is contained within existing budget allocations.

7. Equality and Poverty Impact

7.1 There are no direct equality and poverty impacts as a result of this report.

8. Climate and Nature Emergency Implications

8.1 There are no direct climate and nature emergency implications as a result of this report.

9. Risk, policy, compliance, governance and community impact

9.1 The proposals will support and strengthen the Council's governance and assurance framework.

9.2 Improved assurance outcomes from third line assurance teams (for example, internal audit, external audit and external regulators) should result.

10. Background reading/external references

10.1 [Governance, Risk and Best Value Committee, 10 August 2021, First Line Governance and Assurance Model](#)

10.2 [Governance, Risk and Best Value Committee, 1 August 2023, Governance and Assurance Framework – Progress Update](#)

11. Appendices

11.1 Appendix 1 – Business Partnering

11.2 Appendix 2 – Governance Structure for Oversight of Framework.

11.3 Appendix 3 – Annual Cycle

11.4 Appendix 4 - Governance and Assurance Framework Timeline/Action Plan

Governance Team – Business Partnering

A guide to the Business Partnering arrangements in the Councils
Governance Team

Version 1.1
07 September 2023

Objective of Business Partnering

The Governance business partners will provide advice and guidance in developing effective Governance & Assurance in partnership with directorates.

Directorate colleagues will be able to get guidance and advise on the following areas:

- **Council's Decision Making Framework 2023**
e.g. Procedural Standing Orders for Council and Committee Meetings, Committee Terms of Reference and Delegated Functions and Scheme of Delegation to Officers. Additional support is provided through the Member-Officer Protocol, Financial Regulations, Corporate Debt Policy and Contract Standing Orders
- Self-assessment processes set out in the **Annual Assurance Exercise and Corporate Governance Code**
- Scrutiny processes that are provided by the **Annual Governance Statement, Internal Audit and GRBV**
- **Policy framework**
- **Decision Making Framework:** Scheme of Delegation / Member Officer Protocol
- **Subsidy control regime**
- **ALEOs**
- **Governance and Assurance Framework**
- **Community Councils**
- **Whistleblowing:** Case Management, Liaison between Directorates, Safecall and GRBV, Management actions.
- **Council Registers:** Service Level Agreement, Proper Officer, Urgent Decisions



The aim of introducing business partners as a key component of the Governance and Assurance Framework is to provide ongoing second line assurance on directorate governance and risk management activities where this is not currently provided by established second line teams (for example; Corporate Health and Safety; Corporate Risk Management; and Corporate Resilience).

How the business partnering model will operate

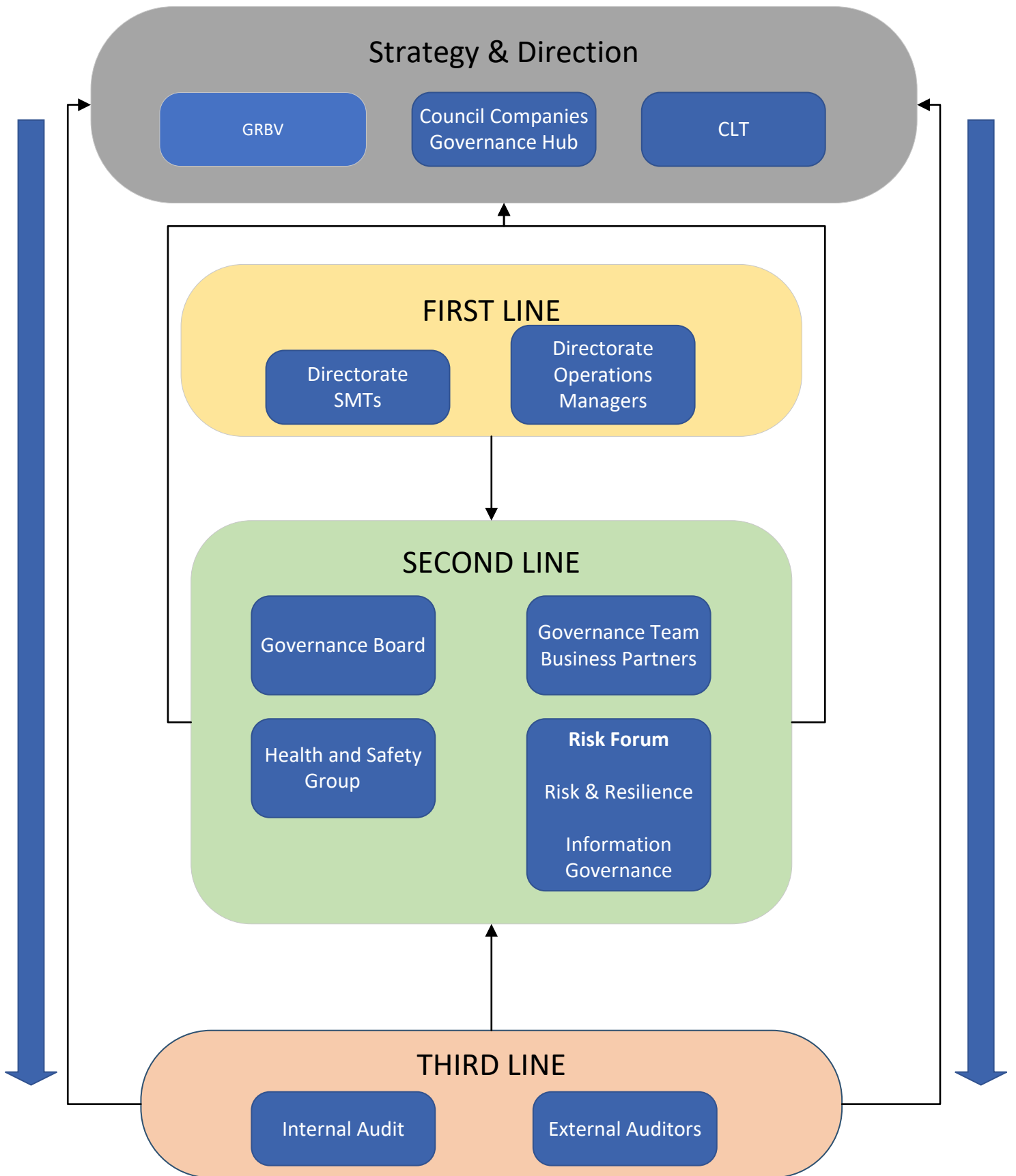
Governance business partners will work closely with Operations Managers in directorates and provide advice, guidance and support on all things Governance and Assurance.

The Governance Business Partners and the Directorates they are assigned to are:

	Corporate Services	Sarah Stirling
	Place	Marcos Martinez Martin Scott
	Children, Education and Justice Services	Louise Galloway Alexandra Waterson
	Health and Social Care	Chris Peggie Richard Thrall

Business partners will be happy to attend directorate management meetings on a regular basis or as and when required. They will also be the link between directorate SMTS, and the new Governance Board and the Risk and Assurance Forum.

Governance Structure for Oversight of Framework



Annual Cycle

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
GRBV 6 Week Cycle	GRBV		GRBV		GRBV			GRBV	GRBV	GRBV	GRBV	
Governance Board	Governance Board - Monthly Meetings											
Business Partners	BP meeting - AAR		BP meeting - AAR			BP meeting - AAR				BP meeting - AAR		
AAE	Annual Assurance Exercise											
AA Schedule	CEJS		Corp Svs Place					H&SC				
Best Value Assurance												
Assurance Task Register	BP meeting		BP meeting			BP meeting				BP meeting		
CGC	Corporate Governance Code											
Annual Governance Statement						Unaudited Accounts		AGS				
Internal Audit Quarterly Updates			Audit Plan						Annual Report			
AEO Register	Update											
Council Companies - Annual Reports	Capital Theatres				Edinburgh Leisure						Capital City Partnership	Update
	EICC				Transport ALEOs							
AEO Framework in development TBD												
Health & Safety H&S Group	Annual Report											
Risk & Assurance Forum	Risk & Assurance Forum - Monthly meeting											
Policy Register	Update			Update			Update			Update		
Policy Assurance Statements										Update Customer Svs/HR		Legal and Assurance
Scheme of Delegation	Update			Update			Update			Update		
Proper Officer Register	Update			Update			Update			Update		
SLA Register			Update						Update			
Corporate Risk Register		Review			Review			Review			Review	

Governance and Assurance Framework Timeline/Action Plan	Lead/Assist	2023				2024												2025											
		September	October	November	December	January	February	March	April	May	June	July	August	September	October	November	December	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Communication Information	Lead: All																												
Develop Info Pack on G&A Framework - To be used for all briefings on G&A Framework. Will be tweaked & adjusted for specific audiences over time.	All staff to input		09-Oct-23																										
Initial Engagement with Directorates	Lead:																												
Provide Directorates with a status update of the G&A Framework - At the next Risk Forum meeting			17-Oct-23																										
Initiation of Directorate Business Partnership	Lead:																												
Discuss business partnering model with Ops Managers of Directorates (purpose, functions, tasks, etc.) including immediate launch - At next Risk Forum meeting.			17-Oct-23																										
Initial trial roll-out of business partnership																													
Business Partnership - Ongoing	Lead: All																												
Group meetings of Ops Managers and Business Partners from Governance Team - This can be used to inform what is put on the agenda for the Governance Board																													
Linkage with Internal Audit	Lead:																												
Discuss issues/concerns of note from IA to inform focuses going forward. *IA will have a representative on the Governance Board			Initial meeting held 14/9/23																										
Linkage with Governance Board	Lead:																												
Highlight focus areas as per IA concerns and upcoming assurance events/activities (per lifecycle), noting support available from Ops team with this. Discuss the ALEOS Framework and Annual Assurance Schedule.																													
CT Engagement	Lead:																												
Discuss G&A Framework - Structure, Model, what we have done, what we will do next etc.			4th																										
Linkage with Senior Management Teams	Lead:																												
Discuss G&A Framework (Structure, Model, what we have done, what we will do next etc.). Meetings to be arranged in conjunction with Ops Managers.																													
Business partners to attend initial SMT meeting.																													
GRBV Engagement	Lead:																												
Update GRBV as to status of G&A Framework, Business Partnership etc.			31st																										
GRBV Workshop - To run through framework & associated tools/documentation																													
Future Activities	Lead:																												
Internal Audit Gap Analysis																													
Initial Focus																													
Further Development																													
Existing Processes																													
Tasks Spreadsheet (directorates tab)																													
	Lead:																												

Page 574

Governance, Risk and Best Value Committee

10.00am, Tuesday, 31 October 2023

Risk Management Policy – referral from the Policy and Sustainability Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

- 1.1 The Policy and Sustainability Committee has referred a report on the Council's Risk Management Policy to the Governance, Risk and Best Value Committee for information.

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Jamie Macrae, Assistant Committee Officer
Legal and Assurance Division, Corporate Services Directorate
E-mail: jamie.macrae@edinburgh.gov.uk | Tel: 0131 529 4264

Referral Report

Risk Management Policy – referral from the Policy and Sustainability Committee

2. Terms of Referral

2.1 On 24 October 2023, the Policy and Sustainability Committee considered a report by the Executive Director of Corporate Services which sought approval of the Council's refreshed Risk Management Policy. The Policy describes the Council's overarching risk management approach and is supported by a risk management framework that describes how the policy will be applied by all Council directorates and divisions..

2.2 Decision

- 1) To approve the Council's updated Risk Management Policy as set out in Appendix 1 of the report by the Executive Director of Corporate Services.
- 2) To refer the report to the Governance, Risk and Best Value Committee for information.

3. Background Reading/ External References

[Policy and Sustainability Committee of 24 October 2023 - webcast](#)

4. Appendices

Appendix 1 – Report by the Executive Director of Corporate Services

Policy and Sustainability Committee

10am, Tuesday, 24 October

Risk Management Policy

Executive/routine
Wards

1. Recommendations

- 1.1 It is recommended that the Committee reviews and approves the Council's updated Risk Management Policy as set out in Appendix 1 to this report.
- 1.2 It is recommended this paper be referred on to the Governance, Risk and Best Value Committee for their information.

Deborah Smart

Executive Director – Corporate Services

Contact: Chris Lawson, Head of Health, Safety and Risk

E-mail: chris.lawson@edinburgh.gov.uk | Tel: 0131 529 7476

Risk Management Policy

2. Executive Summary

- 2.1 The purpose of this paper is to present the Council's refreshed Risk Management Policy (the Policy) to the Committee for review and approval. This Policy supersedes the existing policy dated 30 November 2021. The Policy describes the Council's overarching risk management approach and is supported by a risk management framework that describes how the policy will be applied by all Council directorates and divisions.

3. Background

- 3.1 Risk management is a fundamental part of effective business management.
- 3.2 As risk management is not a statutory or legislative requirement, it is the Council's responsibility to determine its risk appetite and implement its own Risk Management Policy and supporting arrangements.
- 3.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) also notes that the discipline of risk management promotes innovation in support of strategic objectives and service delivery; opening the door to the possibility of taking risks to achieve positive outcomes.
- 3.4 Establishing a Risk Management Policy should also support identification and realisation of the improvements and benefits associated with both planned and unexpected opportunities, delivery of Council priorities, whilst protecting the citizens of Edinburgh, Council's employees and assets (where possible) from their potential negative impacts.
- 3.5 Consequently, good risk management should be an embedded component of both decision making and ongoing service delivery across the Council; should be viewed positively; and should not be performed as a separate standalone or retrospective activity.

4. Main report

- 4.1 The objective of the Risk Management Policy is to support achievement of the Council's priorities by establishing a structured and proportionate organisational risk management approach that:
 - 4.1.1 supports all Council areas in making and recording effective risk based strategic and operational decisions;
 - 4.1.2 ensures that all known current and future risks associated with ongoing service delivery are consistently and effectively identified; recorded; assessed; and appropriately mitigated and managed in line with the Council's risk appetite; and
 - 4.1.3 supports identification and realisation of the potential improvements associated with both planned and unexpected opportunities, delivery of Council priorities, whilst protecting the citizens of Edinburgh, the Council's employees and assets (where possible) from potential negative risk impacts.
- 4.2 The Policy sets out how risk management should be considered when making both strategic and operational decisions and delivering services; the Council's risk culture; the requirements for effective application of risk management across Council services; risk management structures and responsibilities.
- 4.3 The Policy also includes the requirement to consider project delivery risks, and any risks associated with partnership or contractual arrangements supporting delivery of Council priorities and service delivery that could potentially affect the Council.
- 4.4 The policy will be applied using the Three Lines Model. The Council has adopted the Institute of Internal Auditors Three Lines model to support the application of the Council's Enterprise Risk Management Policy and operation of its risk management framework:
 - 4.4.1 first line divisions and directorates are responsible for identifying; assessing; recording; addressing; and escalating risks (where required) associated with decision making and ongoing service delivery.
 - 4.4.2 the second line Corporate Risk Management team is responsible for maintaining the Policy; developing and maintaining the supporting operational risk management framework; providing ongoing oversight, challenge and assurance in a 'constructive critical friend' capacity; and promoting a positive risk culture through delivery of ongoing training and engagement across first line teams.
 - 4.4.3 independent assurance on the design and effective application of risk management policies and frameworks is provided by Internal Audit.
- 4.5 The policy will be implemented in line with the Council's agreed risk appetite which sets out the amount of risk that the Council has agreed that it is prepared to take.

5. Next Steps

- 5.1 The Policy will be shared and communicated across the Council, with the refreshed version published on the policy register maintained on the Council's website.
- 5.2 The application of the policy will be supported by management development and risk workshops as required across divisions and directorates.

6. Financial impact

- 6.1 There are no direct financial implications associated with the Policy, although there may be costs associated with implementing controls to mitigate risks and/or failing to mitigate risks.

7. Equality and Poverty Impact

- 7.1 This paper does not directly impact on equalities or poverty impact, although not suitably identifying and responding to these risks would cause an impact. This Policy and the approach to risk management more generally should support these important areas.

8. Climate and Nature Emergency Implications

- 8.1 This paper does not directly impact the climate or nature emergency, although not suitably identifying and responding to these risks would cause an impact. This Risk Management Policy and the approach to risk management more generally should support these important areas.

9. Risk, policy, compliance, governance and community impact

- 9.1 This report should help reduce risk for the City of Edinburgh Council, as it seeks to set out the risk management framework through the attached policy for the Council, to support effective risk management and risk aware decision making.

10. Background reading/external references

- 10.1 [ISO31000 Risk Management Guidelines](#)
- 10.2 [Institute of Risk Management](#)
- 10.3 [Management of Risk](#)
- 10.4 [CIPFA Risk Management](#)
- 10.5 [Scottish Government Public Finance Manual](#)

11. Appendices

11.1 Appendix 1 - Risk Management Policy

Risk Management Policy

Implementation date: 24 October 2023

Control schedule

Version control

Approved by	Policy and Sustainability Committee
Approval Date	24 October 2023
Senior Responsible Officer	Deborah Smart, Executive Director of Corporate Services, Nick Smith, Service Director, Legal and Assurance
Author	Chris Lawson, Head of Health, Safety and Risk
Scheduled for review	October 2025

Version control

Version	Date	Author	Comment
0.3	6 October 2020	Lesley Newdall, Senior Audit and Risk Manager	
0.4	30 November 2021	Lesley Newdall, Head of Audit and Risk	
0.5	24 October 2023	Chris Lawson, Head of Health, Safety and Risk	

Previous committee decisions affecting this policy

Date	Committee	Link to report	Link to minute
6 October 2020	Policy and Sustainability Committee	Report	Meeting Minute
30 November 2021	Policy and Sustainability Committee	Report	Meeting Minute

Risk Management Policy

Policy statement

- 1.1 The purpose of this Risk Management Policy (the Policy), along with the Risk Management Framework (the Framework), is to support the Council in achieving its objectives; through strengthening the ability to respond to challenges, ensuring conformity with rules and regulations, providing assurance that controls are in place, and supporting well-informed decision making.
- 1.2 The Policy also aims to support identification of opportunities for improvement and operational efficiencies.

Scope

- 2.1 This Policy applies to all Council employees and is intended to support embedding of effective risk management in all Council directorates, divisions and services.
- 2.2 The Chief Executive and Corporate Leadership Team (CLT) have overall responsibility for the design and application of the Council's Risk Management Framework.

Policy content

Risk Framework

- 3.1 The Policy forms part of the overall Risk Management Framework, which includes governance arrangements, procedures and guidance, templates, training materials and communications relating to risk management within the Council. For the Framework to be effective, the following principles should be applied:
 - 3.1.1 Risk management is an essential part of governance and leadership, and fundamental to how the organisation is directed, managed and controlled at all levels;

- 3.1.2 Risk management should be an integral part of all organisational activities to support decision making in achieving objectives;
 - 3.1.3 Risk management should be collaborative and informed by the best available information and expertise;
 - 3.1.4 Risk management processes should include risk identification and assessment to determine how the risks should be prioritised and managed;
 - 3.1.5 Timely, accurate and useful risk reporting should be used to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities; and
 - 3.1.6 Risk management processes should be continually improved through learning and experience.
- 3.2 The Corporate Risk Management Team is responsible for the ongoing maintenance of the Framework.

Alignment with Council Objectives

- 3.3. As the purpose of the Risk Management Framework is to support the Council in achieving its objectives, the Policy and approach should be aligned to those objectives, and applied proportionately to the level of risk the Council faces.
- 3.3.1 The Corporate Leadership Team should review the Framework periodically, and alongside the latest Business Plan and Council Policies to ensure alignment with the Council's strategic objectives;
 - 3.3.2 The Council faces a wide range of risks across its services given the broad and diverse nature of the Council's undertakings; however the level of action should be proportionate to the risk rating;
 - 3.3.3 Mitigations should be prioritised for those risks that have been rated as critical or high; and
 - 3.3.4 The Corporate Leadership Team should meet quarterly to review how management is responding to critical and high rated risks; however operational risks are also considered as part of the normal flow of management information in the business-as-usual environment.

Risk Appetite

- 3.4 Risk Appetite is the level of risk the Council is willing to accept in pursuit of its objectives.

- 3.4.1 The Council's risk appetite statement is established by the Corporate Leadership Team and approved by the Policy and Sustainability Committee. The application of this is set out within Directorate Risk Committees and Divisional Management Teams, to ensure risks are managed consistently within agreed tolerances and within the overall Council risk appetite.
- 3.4.2 Risk Appetite can change over time as economic circumstances and objectives change; and
- 3.4.3 The Council reviews its overall risk appetite annually, aligned with the latest Business Plan, to ensure delivery of the Council's strategic objectives.

Risk Management Processes

- 3.5 The Risk Management Framework provides a number of tools to support services in the identification, management and reporting of risks:
 - 3.5.1 Standardised Risk Register templates support a consistent approach to the articulation of risk causes and impacts, risk ratings, and the effectiveness of controls;
 - 3.5.2 Standardised Directorate reporting provides a consistent view of the escalation and aggregation of key risks across the Council, leading to well-informed decision making from the leadership team;
 - 3.5.3 Transparency and accessibility of risk information across all levels of the organisation supports effective governance and assurance of risk management by officers and elected members; and
 - 3.5.4 The identification of common issues across directorates presents opportunities for new mitigating controls and potential improvements.

Implementation and Review

- 4.1 Implementation of this Policy will be effective from the date of approval. This Policy supersedes the previous Enterprise Risk Management Policy approved on 30 November 2021.
- 4.2 This policy will be reviewed bi-annually by the Policy and Sustainability Committee.

Roles and Responsibilities

5.1 All Council colleagues are responsible for identifying risks, which can be found locally within services, or derive from economic, circumstantial or other events.

5.1.1 **Policy and Sustainability Committee** has responsibility for approving the Council's Risk Management Policy and setting the Council's Risk Appetite;

5.1.2 **Chief Executive and Corporate Leadership Team** has overall accountability for the Council's approach to Risk Management. Decisions on the approach and the treatment of escalated risks that are made within the Corporate Leadership Team Risk Committee.

The CLT risk committee is used for endorsement of risk treatment, to provide constructive challenge, and to make final decisions on risk response and where necessary risk acceptance. The output from CLT risk committee accompanies an overall Council risk profile, for scrutiny by the Governance Risk and Best Value Committee;

5.1.3 **Executive Directors and Service Directors** have responsibility for the oversight and management of risks within their directorates and divisions respectively, and escalation of relevant risks to the Corporate Leadership Team through directorate risk committees;

5.1.4 **Heads of Service** are responsible for identifying and managing risks within their service area. Escalations are agreed within local risk meetings and leadership meetings;

5.1.5 **Operations Managers** provide support in the implementation and embedding of the Risk Framework locally, and through shared discussion and insight within the council-wide Risk Forum;

5.1.6 **Corporate Risk Management Team** provides templates, training, advice and guidance on the implementation and embedding of the risk management policy and the Framework;

5.1.7 **The Risk Forum**

The Council Risk Management Forum provides an opportunity for Officers representing all Council Directorates to discuss emerging risk

and the Council response, the application of the risk management framework and the development of the risk management approach within the Council from an operational perspective.

5.1.8 The Governance Risk and Best Value Committee

This committee is delegated to monitor the effectiveness of the Council's risk management arrangements. The Committee's role relates to monitoring internal controls, corporate risk management and key operational governance areas. The Governance Risk and Best Value Committee fulfil this role through scrutiny of quarterly risk reports from the Corporate Leadership Team. Further details on GRBV Committee's role are set out within the Committee Terms of Reference and Delegated Functions.

Related documents

- 6.1 The following documents / further reading should be considered alongside this Policy:
 - 6.1.1 [Council Business Plan](#).
 - 6.1.2 [Risk Management Orb pages](#).
 - 6.1.3 [Committee Terms of Reference and Delegated Functions](#)

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Governance, Risk and Best Value Committee

10.00am, Tuesday, 31 October 2023

Council Risk Appetite – referral from the Policy and Sustainability Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

- 1.1 The Policy and Sustainability Committee has referred a report on the Council's Risk Appetite to the Governance, Risk and Best Value Committee for information.

Dr Deborah Smart
Executive Director of Corporate Services

Contact: Jamie Macrae, Assistant Committee Officer
Legal and Assurance Division, Corporate Services Directorate
E-mail: jamie.macrae@edinburgh.gov.uk | Tel: 0131 529 4264

Referral Report

Council Risk Appetite – referral from the Policy and Sustainability Committee

2. Terms of Referral

2.1 On 24 October 2023, the Policy and Sustainability Committee considered a report by the Executive Director of Corporate Services which sought approval of the Council's risk appetite statement. The risk appetite within the Council was framed around the 13 Enterprise risks used to group and escalate risks from Services through to Directorates and the Corporate Leadership Team as appropriate.

2.2 The Risk Appetite statement was submitted alongside the Council's Risk Management Policy.

2.3 Motion

1) To set the Council's risk appetite and to approve the methodology to manage Risk Appetite to support the management of risk within the City of Edinburgh Council as part of the Council's Risk Management Framework.

2) To refer the report by the Executive Director of Corporate Services to the Governance, Risk and Best Value Committee for information.

- moved by Councillor Day, seconded by Councillor Watt

Amendment

1) To agree to set the Council's risk appetite and to approve the methodology to manage Risk Appetite to support the management of risk within the City of Edinburgh Council as part of the Council's Risk Management Framework with the following amendments to the report:

Change the following risk appetite range ratings in the table:

R2 Financial and Budget Management Low to Low

R6 Supplier, Contractor, and Partnership Management Low to Moderate

R9 Service Delivery Low to Moderate

R11 Regulatory and Legislative Compliance Minimum Possible to Low

R12 Reputational Risk Low to High (to reflect the reality of recent events)

In addition, the approval of a range of Low to High for risk R3 Programme and Project Delivery is subject to any high-risk project being reported to an appropriate committee for approval with a detailed outline of the risks involved, the proposed mitigating actions and an assessment of the likely success of these actions to deliver the project outcomes on time and on budget.

- 2) To further agree to refer the report by the Executive Director of Corporate Services to the Governance, Risk and Best Value Committee for information.

- moved by Councillor Doggart, seconded by Councillor Whyte

In accordance with Standing Order 22(12), the Amendment was adjusted and accepted as an addendum to the motion.

Voting

The voting was as follows:

For the Motion (as adjusted)	-	15 votes
For the Amendment	-	2 votes

(For the Motion (as adjusted): Councillors Aston, Beal, Bennett, Biagi, Campbell, Day, Dijkstra-Downie, Macinnes, Meagher, Miller, Mumford, Nols-McVey, Parker, Thornley and Watt.

For the Amendment: Councillors Doggart and Whyte.)

Decision

To approve the following adjusted motion by Councillor Day:

- 1) To set the Council's risk appetite and to approve the methodology to manage Risk Appetite to support the management of risk within the City of Edinburgh Council as part of the Council's Risk Management Framework.
- 2) To agree that, in addition, the approval of a range of Low to High for risk R3 Programme and Project Delivery would be subject to any high-risk project being reported to an appropriate committee for approval with a detailed outline of the risks involved, the proposed mitigating actions and an assessment of the likely success of these actions to deliver the project outcomes on time and on budget.
- 2) To further agree to refer the report by the Executive Director of Corporate Services to the Governance, Risk and Best Value Committee for information.

3. Background Reading/ External References

[Policy and Sustainability Committee of 24 October 2023 - webcast](#)

4. Appendices

Appendix 1 – Report by the Executive Director of Corporate Services

Policy and Sustainability Committee

10:00am, Tuesday, 24 October 2023

Council Risk Appetite

Executive/routine
Wards

1. Recommendations

- 1.1 Committee is asked to set the Council's risk appetite and to approve the methodology to manage Risk Appetite to support the management of risk within the City of Edinburgh Council as part of the Council's Risk Management Framework.
- 1.2 To refer this report to the Governance, Risk and Best Value Committee.

Deborah Smart

Executive Director – Corporate Services

Contact: Chris Lawson, Head of Health, Safety and Risk

E-mail: chris.lawson@edinburgh.gov.uk | Tel: 0131 529 7476

Council Risk Appetite

2. Executive Summary

- 2.1 This report defines the Risk Appetite of the City of Edinburgh Council. The purpose of this paper is to set out the Council's risk appetite statement for approval by the Policy and Sustainability Committee. This document should be read together with the Council's Risk Management Policy which is also being submitted for approval to the Policy and Sustainability Committee.

3. Background

- 3.1 The concept of having and setting a Risk appetite is not new to the City of Edinburgh Council as it has done so for a number of years now. Most recently in November 2021 the Council revised its risk appetite in response to the changing context brought about as a result of the COVID-19 pandemic.
- 3.2 Now that the operating context has changed, since the threat from the pandemic has largely subsided, with the broad-ranging controls and restrictions put in place by the Government with the aim of protecting people having been removed.
- 3.3 The risk appetite within the Council is framed around the 13 Enterprise risks used to group and escalate risks from Services through to Directorates and the Corporate Leadership Team as appropriate.

4. Main report

- 4.1 Risk appetite is defined as the amount and type of planned risk that an organisation, or a part of it, is willing to take to deliver their strategic priorities and services. Risk appetite is underpinned by the policy approach of the organisation.
- 4.1.1 The Scottish Government notes in the risk management section of its Scottish Public Finance Manual that 'the concept of a "risk appetite" is key to achieving effective risk management and it is essential to consider it before moving on to consideration of how risks can be addressed. The concept may be looked at in different ways depending on whether the risk being considered is a threat or an opportunity:

- when considering threats the concept of risk appetite embraces the level of exposure which is considered tolerable and justifiable should it be realised. In this sense it is about comparing the cost (financial or otherwise) of constraining the risk with the cost of the exposure should the exposure become a reality and finding an acceptable balance;
 - when considering opportunities the concept embraces consideration of how much one is prepared to actively put at risk in order to obtain the benefits of the opportunity. In this sense it is about comparing the value (financial or otherwise) of potential benefits with the losses which might be incurred (some losses may be incurred with or without realising the benefits).
- 4.2 The Risk management policy includes a requirement for all parts of the Council to consider risk appetite in their strategic and operational decision making.
- 4.3 Once approved, risk appetite statements should be communicated throughout the organisation to ensure that risk appetite is consistently and effectively considered in decision making and ongoing management of operational risks.
- 4.4 The Council is responsible for designing and maintaining an appropriate risk management policy; setting its risk appetite; and implementing and maintaining an operational risk management framework.
- 4.5 Both the Council's risk appetite statement and risk management policy are reviewed by the Corporate Leadership Team (CLT) and approved by the Policy and Sustainability Committee.
- 4.6 The Council also has an established governance framework that is designed to support achievement of risk appetite through application of, and compliance with, schemes of delegation; governance structures (for example, Council executive and operational management committees); completion of annual governance statements by directorates and divisions; an extensive range of policies and operational frameworks (for example, health and safety; human resources; digital services; and fraud prevention) and supporting processes that are designed to manage and mitigate risk at levels that are appropriate and acceptable for the Council.
- 4.7 The focus of this report is on Risk Appetite and risk tolerance which are considered to be inextricably linked to performance over time. Risk appetite is concerned with the pursuit of risk whereas risk tolerance is about what level of risk the organisation is prepared to accept.
- 4.8 The Council, like all organisations, must be prepared to take some risk, otherwise the finite resources available will be utilised over-manning risk and in-turn reduce the capacity of the organisation to perform to the best of its ability.
- 4.9 Appendix 1 sets out the risk appetite scale for the Council across the 13 Enterprise Risks used to group and escalate risks within the Council. Given the complexity and diversity of the Council's operations and activities, the risk appetite for some categories has been set by way of range rather than a specific risk appetite level

across the entire category. Committee is asked to approve Appendix 1 as the Council's Risk Appetite.

- 4.10 Risk Appetite should be seen primarily as a decision-making tool owned by the Council Leadership Team. The organisation should only change risk appetite if required to in terms of a changing risk context and environment. Risk Appetite must be reviewed and agreed annually or if the operational risk context requires a change (for example the response to Covid-19).
- 4.11 By way of an example of applying Risk Appetite Having less available budget could impact compliance decision making in relation to eg property related requirements. A decision may be taken to delay or not carry out works. As this risk would fall into the regulatory compliance and health and safety category where the maximum risk appetite is "low" then this would mean that the decision not to carry out the work would not be possible as it would be outwith agreed risk appetite. Alternatively approval to sit outside risk appetite would need to be sought.
- 4.12 However it should be noted that it is the overall risk appetite which is of relevance, through risk aggregation. Again by way of example, a particular service may be able to justify sitting outside risk appetite for one or more risk categories where the Council's overall risk appetite remains within the relevant range, subject to approval as noted in the example above.

5. Next Steps

- 5.1 The Corporate Risk Management team and colleagues responsible for ensuring the Council's Risk Framework is operating and applied effectively will promote the risk appetite through the Senior Leadership Team and those Officers with key responsibility for the Management of Risk within their respective Council Services.
- 5.2 The Council's Risk Management Team will also ensure that as part of the wider leadership development programme, that risk management is built into the way the Council manages all aspect of its business.
- 5.3 The Council's Risk Framework will continue to be promote, educate and encourage the use of Risk Appetite and Risk Tolerance in decision making and the management of objectives.

6. Financial impact

- 6.1 There are no direct financial implications associated with the Policy, although there may be costs associated with implementing controls to mitigate risks and/or failing to mitigate risks.

7. Equality and Poverty Impact

- 7.1 This report does not directly impact equality and poverty, however, in setting a low risk appetite for regulatory compliance further underpins the need to ensure regulatory requirements and duties placed on the Council are adhered to.

8. Climate and Nature Emergency Implications

- 8.1 This paper does not directly impact the climate or nature emergency.

9. Risk, policy, compliance, governance and community impact

- 9.1 This report should help reduce risk for the City of Edinburgh Council, as it seeks to set out the risk management framework for the Council, to support effective risk management and risk aware decision making.

10. Background reading/external references

- 10.1 [Risk Appetite & Tolerance, Executive Summary \(2011\)](#)
- 10.2 [Scottish Public Finance Manual, Scottish Government, \(2023\)](#)
- 10.3 [Current risk appetite approved November 2021](#)

11. Appendices

- 11.1 **Appendix 1 Council Risk Appetite Categories**
- 11.2 **Appendix 2 Risk appetite ready reckoner**

Council Risk Appetite Categories

Appendix 1

Risk ID	Risk category	Risk Impact	Operational Risk Appetite Range		Commentary
			From	To	
R1	Strategic Delivery	Inability to design and / or implement a strategic plan for the Council.	Low	Moderate	<p>1.The Council has a low to moderate operational risk appetite in relation to strategic delivery risk, and aims to ensure effective delivery of the Council’s strategy and commitments in line with agreed timeframes.</p> <p>2. Strategic delivery is monitored through the ongoing performance reporting process and established Council governance processes.</p> <p>3. Executive Directors and Service Directors are expected to establish appropriate monitoring and oversight controls to ensure that their strategic and service delivery objectives are achieved in line with the overarching Council strategy.</p>
R2	Financial and Budget Management	Inability to perform financial planning; deliver an annual balanced budget; manage cash flows; and confirm ongoing adequacy of reserves	Low	Moderate	<p>1. The Council has a low to moderate operational risk appetite in relation to financial risk, and may be prepared to accept some risk subject to:</p> <ul style="list-style-type: none"> • setting and achieving an annual balanced revenue budget in line with legislative requirements • maintaining a General Fund unallocated reserves balance in line with legislative requirements. <p>2. The Council’s target financial risk is set out in various documents including the Scheme of Delegation to Officers; Contract Standing Orders; Committee Terms of Reference and Delegated Functions; and the Financial Regulations, and is also supported by the controls embedded in established financial technology systems.</p> <p>3. Executive Directors and Service Directors are expected to implement appropriate system based and manual controls to prevent financial errors and detect and resolve them when they occur.</p>
R3	Programme and Project Delivery	Inability to deliver major projects and programmes effectively, on time and within budget	Low	High	<p>1. The Council is prepared to initiate a range of low to high risk major change initiatives where these support strategic delivery; improved organisational capability and service delivery; or improvements to across the Council’s operational property and technology estates and infrastructures.</p> <p>2. The Corporate Leadership Team; Executive Directors; Service Directors; and Project Managers are expected to design; implement; and maintain appropriate programme and project management and governance controls to manage these risks.</p>
R4	Health and Safety (including public safety)	Employees and / or citizens (including those in the Council’s care)	Minimum possible	Low	<p>1. Recognising that accidents can occur as a result of unknown and / or unplanned events, the Council has an appetite to fully comply with all relevant health and safety requirements to minimise any health and safety risks that could potentially result in loss of life or injury to citizens or employees.</p>

Risk ID	Risk category	Risk Impact	Operational Risk Appetite Range		Commentary
			From	To	
		suffer unnecessary injury and / or harm			2. Executive Directors and Service Directors are expected to ensure that Health and Safety policies; frameworks; and guidance are consistently and effectively applied, with incidents identified, reported, and immediately addressed.
R5	Resilience	Inability to respond to a sudden high impact event or major incident	Low	Moderate	<p>1. Recognising that it is not always possible to effectively mitigate the risks associated with unplanned events, the Council has a low to moderate operational risk appetite in relation to resilience.</p> <p>2. The Council has an established resilience management framework that includes resilience and contingency plans for certain scenarios, and provides guidance to first line directorates and divisions in relation to identifying critical systems and services and establishing appropriate resilience plans.</p> <p>3. Executive Directors and Service Directors are responsible for ensuring that this framework is consistently maintained and routinely tested and can be effectively applied in the event of a resilience situation.</p>
R6	Supplier, Contractor, and Partnership Management	Inability to effectively manage the Council's most significant supplier and partnership relationships	Low	High	<p>1. The Council has a low to high operational risk appetite range in relation to ongoing supplier, contractor and partnership management. It should be noted that this appetite will vary depending on the criticality of the service provided or supported by third parties.</p> <p>2. The Council has an established procurement process that is aligned with Audit Scotland Best Value requirements and is supported by the Contract Standing Orders, and an established contract management framework.</p> <p>3. Executive Directors and Service Directors are expected to ensure that the procurement and contract management frameworks are consistently and effectively applied, with issues identified, reported, and immediately addressed. This will typically involve ongoing focus on high risk contracts supporting delivery of critical services or projects.</p>
R7	Technology and Information	Potential failure of cyber defences; network security; application security; and physical security and operational arrangements	Low	Moderate	<p>1. The Council has a low to moderate operational risk appetite in relation to technology and information risk and aims to ensure that this is achieved working together with CGI, the Council's technology partner and through direct contract management by service areas with any 'shadow IT' suppliers.</p> <p>2. This risk appetite applies to both the Council's technology networks; cloud based applications used to support delivery of services; and processes where manual documents are used and retained.</p> <p>3. This risk appetite will vary depending on the nature; significance; and criticality of systems used, and the services that they support.</p> <p>4. Technology risk is managed through ongoing use of inbuilt technology security controls such as user access; encryption; data loss prevention; firewalls; and ongoing vulnerability scanning and a range of technology security protocols and procedures.</p>

Risk ID	Risk category	Risk Impact	Operational Risk Appetite Range		Commentary
			From	To	
					<p>5. Executive Directors and Service Directors are responsible for ensuring ongoing compliance with technology security protocols and procedures, including the Council's protocol for externally hosted 'cloud' services.</p> <p>6. The Council is also progressing towards full alignment with the Scottish Government's Public Sector Cyber Action Plan and the UK Government National Cyber Security Centre guidance.</p>
R8	Governance and Decision Making	Inability of management and elected members to effectively manage and scrutinise performance, and take appropriate strategic and operational decisions	Minimum possible	Low	<p>1. The Council has a minimum possible to low risk operational appetite in relation to governance and decision making.</p> <p>2. The Council's target governance and decision making risk is detailed in its established Committee and corporate structures; schemes of delegation; levels of authority; and the member-officer protocol.</p> <p>3. No officer or elected member may knowingly take or recommend decisions or actions which breach legislation.</p>
R9	Service Delivery	Inability to deliver quality services that meet citizen needs effectively and in line with statutory requirements	Low	High	<p>1. The Council has a low to high operational risk appetite range in relation to the risks associated with ongoing service delivery that will vary depending on the nature and criticality of individual services.</p> <p>2. It is acknowledged that, despite best efforts, there may be occasional gaps in service delivery.</p> <p>3. Recognising the potential impact on service users the Council will always strive to return to optimal service delivery as soon as possible, and ensure effective ongoing engagement with service users where issues occur.</p> <p>4. Executive Directors and Service Directors are expected to implement appropriate controls to prevent service delivery gaps, and detect and resolve them when they occur.</p>
R10	Workforce	Insufficient resources to support delivery of quality services that meet citizen needs effectively and in line with statutory requirements	Low	Moderate	<p>1. The Council has a low to moderate operational risk appetite range in relation to the risks associated with workforce capacity and capability.</p> <p>2. It is acknowledged that, despite best efforts, there may be occasional gaps in workforce capacity and capability.</p> <p>3. Recognising the potential impact on service delivery, the Council will always strive to return to optimal service workforce capacity and capability as soon as possible, and ensure effective ongoing engagement with employees and trade unions when issues occur.</p> <p>4. Executive Directors and Service Directors are expected to maintain appropriate workforce plans that are aligned with the Council's People Strategy and Strategic Workforce Plan, and ensure sufficient capacity and capability to support service delivery. It is acknowledged that there is also a key dependency on both employment market and agency worker availability.</p>

Risk ID	Risk category	Risk Impact	Operational Risk Appetite Range		Commentary
			From	To	
R11	Regulatory and Legislative Compliance	Delivery of Council services and decisions are not aligned with applicable legal and regulatory requirements	Low	Low	<ol style="list-style-type: none"> 1. The Council aims to comply with applicable regulatory and legislative requirements to the fullest extent possible. 2. No officer or elected member may knowingly take or recommend decisions or actions which breach legislation. 3. Executive Directors and Service Directors are expected to implement appropriate controls to ensure ongoing compliance, and identify; report; and resolve breaches when they occur.
R12	Reputational Risk	Adverse publicity as a result of decisions taken and / or inappropriate provision of sensitive strategic, commercial and / or operational information to external parties	Low	Moderate	<ol style="list-style-type: none"> 1. The Council is prepared to tolerate a low to moderate level of occasional isolated reputational damage. 2. The Council recognises that, as a large organisation delivering a wide range of complex services to the public and directed by elected politicians, it is likely to suffer occasional reputational damage. 3. Executive Directors and Service Directors are expected to implement appropriate controls to prevent significant or systemic reputational damage, and identify and address issues when they occur.
R13	Fraud and Serious Organised Crime	Isolated or systemic instances of internal and / or external fraud and / or serious organised crime	Low	Moderate	<ol style="list-style-type: none"> 1. The Council is prepared to tolerate a low to moderate level of occasional isolated fraud and serious organised crime. 2. The Council recognises that, as a large organisation delivering a wide range of complex services to the public and directed by elected politicians, it is likely to suffer occasional fraud, and potentially be subject to targeted serious organised crime. 3. Executive Directors and Service Directors are expected to implement appropriate controls to prevent significant or systemic damage from fraud and / or serious organised crime, and identify and address issues when they occur.

Risk appetite ready reckoner

Risk category	Risk Appetite
Regulatory and Legislative Compliance	Low
Health and Safety (including public safety)	Low
Governance and Decision Making	Low
Workforce	Moderate
Financial and Budget Management	Moderate
Strategic Delivery	Moderate
Technology and Information	Moderate
Fraud and Serious Organised Crime	Moderate
Resilience	Moderate
Reputational Risk	Moderate
Service Delivery	High
Programme and Project Delivery	High
Supplier, Contractor, and Partnership Management	High

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