

Committee Minutes

Resource Management and Audit Scrutiny Panel

Edinburgh, 13 February 2004

Present:- Councillors Jackson (Convener), Aldridge, Gilchrist, Maginnis, Milligan, Munro, Shiels (substitute for Councillor O'Donnell) and Scobbie.

Also Present:- Councillors Child, Kingsley Thomas and Whyte.

1 Apologies

Apologies for absence were received from Councillor Wheeler and Councillor Wilson (Executive Member for Modernising Government).

2 Minute

Decision

The minute of the Resource Management and Audit Scrutiny Panel of 15 January 2004 was approved as a correct record.

3 Matters Arising from Minute of 15 January 2004

3.1 ICT Partnership – Six Monthly Performance Report (Item 5)

Decision

To note that the Executive of the Council on 10 February 2004 had approved the Panel's recommendation that, in order to fully assess the performance of the Council's ICT Partnership arrangements, the Director of Corporate Services report to the Executive and the Resource Management and Audit Scrutiny Panel on benchmarking with other UK local authorities, including those who have entered into similar ICT Partnership Arrangements.

(Reference – Executive of the Council 10 February 2004 (item 13)).

4 Called-in Decision – An Approach to Neighbourhood Management

The decision of the Executive of the Council on proposals for the introduction of a neighbourhood management approach within the City of Edinburgh Council had been called-in to this Scrutiny Panel.

Councillor Whyte (lead signatory to the call-in) explained that he had called this item in to review the suitability of the pilot areas chosen and to investigate the scope for future reporting to the Executive of the Council on localised community planning areas. While he did not question the principles of neighbourhood management he did have concerns over how it was to be managed. The pilot areas chosen were mainly in areas of multiple deprivation and he supported the addition of a suburban pilot area which would allow the Council to evaluate different service delivery issues to those of a deprived or former SIP area. He also sought clarification as to the reasons for the decision of the Executive of the Council to delete all references to governance issues in the Chief Executive's report as he was not sure how the pilot projects could progress if those aspects were removed.

David Jack (Head of Strategic Support Services, Corporate Services Department) summarised the main elements of the Chief Executive's report and drew the Panel's attention to the following areas:

- the main driver in the Council's agenda for change and review was the need to improve service delivery to Edinburgh's communities. There was a perception that local government was remote from the communities it served and new approaches to service delivery and better links with local communities were needed.
- it would be necessary to plan for a range of neighbourhood management models to meet the varied requirements throughout the city. It was proposed to carry out an evaluation and assessment of various neighbourhood management pilot initiatives and report further to the Executive of the Council.
- the Chief Executive's report had not specifically addressed the issue of a suburban pilot area, however, it was felt there were effective linkages through the Local Development Committee network and it was proposed to look further at this issue in due course.
- academic research, carried out as part of the evaluation of the DEMOS Projects, suggested that the best means of providing neighbourhood management may lie outwith the formal Committee structure, however, this would be the subject of further detailed analysis and reports.

Councillor Kingsley Thomas (Executive Member for Health and Social Work) addressed the Panel as a substitute for Councillor Wilson (Executive Member for Modernising Government). He advised that the key to improving Council

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services was to get local structures right. While neighbourhood management had its origins in deprived areas the Council was not yet in a position to introduce a model that would work across the city. Accordingly, the first step was to evaluate a range of pilot models for the city and assess their respective merits. It was important to plan for a sequential and phased introduction to ensure that effort was concentrated on the most pressing areas in the first instance. The Council was keen to get the pilot schemes up and running as quickly as possible so that it could evaluate and determine how best to involve local communities and Councillors. He was sympathetic to including a suburban pilot area as suggested by Councillor Whyte but was not sure if this could be included without disrupting the already tight timescales for evaluation and implementation.

In response to Councillor Whyte's question on why the Executive of the Council had decided to remove all references to governance issues from the Chief Executive's report, Councillor Thomas explained that the Executive did not wish to pre-judge the outcome of the evaluation process and, accordingly, these issues would be re-visited at a later date.

Mark Turley (Director of Housing) addressed the Panel on behalf of the Council's Management Team and explained that the Council was fully committed to delivering better local services right across the city. It would be necessary to plan for a range of neighbourhood management models to meet the various requirements throughout the city and he accepted that more work required to be done on a suburban model. The first step was to evaluate a range of neighbourhood management models which could then be customised for other parts of the city.

Decision

- 1) To let the following decision of the Executive of the Council of 13 January 2004 be implemented:-
 - (a) To note and give support to the rationale for a localised approach to service delivery within the Council.
 - (b) To agree to the main principles for the establishment of new patterns of service delivery and organisation and note that a more detailed report would be submitted within approximately two months.
 - (c) To note the timetable for evaluation and implementation on an incremental basis through 2004-2005.
 - (d) To add an additional bullet point to paragraph 4.2 of the Chief Executive's report as follows:

"Gorgie Area. This new management pilot will be established for the Gorgie area – definition of boundaries and included Wards to be determined at a later date. The pilot will link with the work already advanced by the DEMOS pilot but will also demonstrate the

advantages offered by wide-ranging service co-ordination in an inner city area. Given that this was a new proposal, departmental co-ordination and lead management arrangements remain to be determined.”

- (e) To delete paragraphs 6.2 to 6.5 of the Chief Executive’s report and all references to governance issues in the report.
 - (f) That the South Edinburgh Pilot Project be extended to June to coincide with the introduction of new area based proposals for neighbourhood management.
 - (g) That the Executive receives further reports on:-
 - i) a framework for the future of the LDCs, and more localised community planning areas within it; and
 - ii) an update of the Chief Executive’s report on neighbourhood management taking into account the changes consequent upon this decision.
 - (h) To amend the start of the sentence in paragraph 4.3 of the Chief Executive’s report from “It is further proposed ...” to begin “It is further proposed that a Manager having responsibility ...”.
- 2) To recommend to the Executive of the Council that, in addition to the pilot areas selected by the Executive on 13 January 2004, consideration be given to identifying a suitable suburban area, perhaps with an existing Community Council structure, which could form a model for a suburban pilot study.

(References – Executive of the Council 13 January 2004 (item 8); report no E/379/03-04/CE by the Chief Executive, submitted.)

5 Comparative Analysis of Council Performance 2002/2003

The Executive of the Council had previously approved a recommendation by the Resource Management and Audit Scrutiny Panel that reports comparing Edinburgh’s performance with other Scottish Councils be referred to this Panel for detailed consideration.

The Executive of the Council on 13 January 2004 had considered a report by the Director of Corporate Services which:

- (1) examined the Council’s performance for 2002/2003 against the cities of Aberdeen, Dundee and Glasgow and a group of nine peer Councils; and
- (2) detailed the year on year performance within the Council and reviewed performance on a service by service basis.

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The Executive had agreed, amongst other things, to refer the Director of Corporate Services report to the Resource Management and Audit Scrutiny Panel for consideration.

Steven Di Ponio (Senior Officer, Information, Corporate Services Department) summarised the main elements of the Director of Corporate Services report and drew the Panel's attention to the following areas:

- the Accounts Commission had directed all Scottish Councils to publish 62 performance indicators for the financial year 2002/2003. A total of 51 of these indicators could be considered to give an unambiguous measure of performance.
- there were some limitations to using the performance indicators to compare performance between local authorities. The varied character of areas, local policy and service priority differences meant that some aspects of performance were not completely within the control of the local authority. However, the indicators remained one of the few audited and consistent sets of performance information in Scotland.
- the comparative analysis for 2002/2003 suggested that in a ranking of urban Councils, Edinburgh's performance places it in the middle of the Group rather than as a top performer. When all indicators are considered, there is evidence of improvement over the reporting years.

Ronnie Hinds (Head of Corporate Finance) advised that while the Council had a statutory duty to publish performance indicators it was important to recognise the limitations of the information and the need for the indicators to be interpreted sensibly.

In response to a question from Councillor Gilchrist on details of the representation of disabled people, equalities groups and minority ethnic groups in the Council's employment, David Jack (Head of Strategic Support Services) advised that the Council was required to report annually to the Commission for Racial Equality (CRE) and that a report on Mainstreaming Employment within the City of Edinburgh Council had been reported to the Executive of the Council on 10 February 2004.

Decision

- 1) To note the following decision of the Executive of the Council of 13 January 2004:
 - (a) To note that Edinburgh's Performance was broadly comparable to that of other urban Scottish Councils.
 - (b) To note the improvements in performance which had occurred since last year.

- (c) To reaffirm the commitment for the City of Edinburgh Council to become one of Scotland's top performing Councils. In support of that objective to direct the Chief Executive to identify the twenty most relevant and important of the Accounts Commission's performance indicators. The Chief Executive to report back to the Executive within two cycles with clear targets for improving the Council's performance against each of these twenty indicators, and other performance indicators taking into account the concerns of residents as identified in the Scottish Household Survey, Edinburgh Household Survey and any other relevant tests of public opinion.
- 2) To recommend to the Executive of the Council that the report requested by the Executive from the Chief Executive on the twenty most relevant and important of the Accounts Commission's performance indicators, include information aimed at ensuring that the level of Council investment in services is clearly matched to published targets and improvements to services on a year by year basis.

(References – Resource Management and Audit Scrutiny Panel 11 October 2001 (item 4); Executives of the Council 23 October 2001 (item 5) and 13 January 2004 (item 10); report no E/392/03-04/CS by the Director of Corporate Services, submitted.)

6 Significant Trading Operations – Performance Monitoring – April-November 2003 (Month 8)

As part of its monitoring role, the Resource Management and Audit Scrutiny Panel considers review reports on DSOs/DLO performance, including performance targets and financial issues.

The legislation governing Compulsory Competitive Tendering (CCT), which had led to the creation of DSOs/DLOs, had been repealed by the Local Government in Scotland Act 2003 and replaced with new requirements requiring Council's to monitor the performance of their Significant Trading Operations. Significant Trading Operations would continue to provide performance monitoring information to be considered by the Executive of the Council and the Resource Management Audit Scrutiny Panel on a quarterly basis.

The Executive of the Council on 10 February 2004 had considered a report by the Director of Corporate Services on financial and performance monitoring information for the Council's Significant Trading Operations (formerly DSOs/DLOs) for the period up to month 8 of the financial year 2003/04. The Executive had noted the information provided in the Director of Corporate Services report and had referred the report to the Resource Management and Audit Scrutiny Panel as part of its remit to review service performance.

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Greg Anderson (Consultant, Corporate Services Department) summarised the main elements of the Director of Corporate Services report and drew the Panel's attention to the following areas:

- it was projected that the Significant Trading Operations would make a combined contribution of £1.35m to the Council's General Fund, compared to a budgeted figure of £1.20m.
- in terms of service performance, the Significant Trading Operations, with very few exceptions, were generally predicting that they would meet their performance targets.

Decision

To note the decision of the Executive of the Council of 10 February 2004 and the report by the Director of Corporate Services.

(Reference – Executive of the Council 10 February 2004 (item 10); report no E/454/03-04/CS by the Director of Corporate Services, submitted.)

7 Trading Operations

The Executive of the Council on 10 February 2004 had considered a report by the Director of Finance on a review of Trading Operations arising from the introduction of "A Best Value Approach to Trading Operations" required by the Local Government in Scotland Act 2003. The Executive had agreed, amongst other things, to refer the Director of Finance's report to the Resource Management and Audit Scrutiny Panel as part of its work programme.

Ronnie Hinds (Head of Corporate Finance) summarised the main elements of the Director of Finance's report and drew the Panel's attention to the following areas:

- the legislation governing Compulsory Competitive Tendering (CCT), which had led to the creation of Direct Labour Organisations (DLOs) and Direct Service Organisations (DSOs), had been repealed by the Local Government in Scotland Act 2003.
- the requirements of CCT had been replaced in the Local Government in Scotland Act 2003 by new requirements extending beyond the narrow range of services affected by CCT to consideration of all services provided by the Council.
- the Local Government in Scotland Act 2003 set out a requirement for statutory trading accounts to be maintained for "Significant Trading Operations". The Council had carried out an initial review process to determine what signified a trading operation, based on guidance published

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by CIPFA and LASAAC, and a second review process was carried out to determine which trading operations were deemed "significant".

- the service areas detailed in Appendices 1 and 2 to the Director of Finance's report were considered to fall within the definition of "Significant Trading Operations" and would therefore require to comply with the legislation for Significant Trading Operations, namely to break even over a three year rolling period. In addition to all the former Council DLOs and DSOs this would also include Blindcraft and the Trade Waste function.
- where services were previously subject to CCT legislation, and they continued to be provided under existing CCT contracts, trading accounts should be maintained. All the previous DLO and DSOs were currently continuing to provide services under their existing contracts, and therefore required to maintain trading accounts. As contracts fall to be renewed, the former DLOs and DSOs may consider taking advantage of the opportunities offered under the Local Government in Scotland Act 2003 which includes an option not to maintain trading accounts provided Best Value can be demonstrated.
- when the Council had approved the introduction of a budget flexibility scheme in December 2002, the former DLOs and DSOs were not included and all trading surpluses and deficits were transferred in full to the Council's General Fund. As Trading Operations formed part of the General Fund, it was considered appropriate for the budget flexibility scheme to be extended to include the former DLOs and DSOs with effect from 1 April 2003. Blindcraft and Trade Waste were previously part of the scheme, under the auspices of the Social Work Department and the Environmental and Consumer Services Departments respectively. In extending the scheme to the former DLOs and DSOs, it was proposed that the rules of the approved scheme should apply, subject to the following amendments:
 - (i) the General Fund has the first call on trading surpluses up to the agreed contributions to the General Fund.
 - (ii) any surpluses over and above the budgeted contribution, or deficits in meeting the budgeted contributions, would be added to the appropriate departmental out-turn position in determining the surplus or deficit to be carried forward.
 - (iii) as with the existing scheme, ownership of the carry forward would rest with the department to ensure that accountability was maintained. It would be up to the department to decide how any underspend or overspend should be spread.

Councillor Child (Executive Member for Sustainability and Finance) welcomed the proposal to extend the budget flexibility scheme to the Significant Trading Operations.

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In response to a question from Councillor Gilchrist on whether former DLOs and DSOs should maintain trading accounts, Ronnie Hinds advised that it was his view that there should be a pre-disposition to the status quo, unless a good case could be made for no longer requiring a trading account and provided that Best Value could be demonstrated.

In response to a question from Councillor Maginnis on the Council's Risk Management Framework, Ronnie Hinds advised that the Council's Risk Management Framework was still at an early stage of implementation and, until embedded throughout the organisation, the Council was not yet in a position to review the extent to which internal controls are appropriately targeted to areas of established risk.

Decision

- 1) To note the following decision of the Executive of the Council of 10 February 2004:
 - (a) to note that the services shown in Appendices 1 and 2 to the Director of Finance's report met the criteria for significant trading operations, and would therefore require to comply with the legislation for trading operations.
 - (b) that the existing support provided by the Social Work Department to Blindcraft be formalised by means of an approved grant.
 - (c) to note that the Trade Waste function would be combined with that of the former Refuse Collection DSO.
 - (d) to note the provision afforded by the Local Government in Scotland Act 2003 not to maintain trading accounts on cessation of existing DLO and DSO contracts, provided Best Value can be demonstrated.
 - (e) to refer the Director of Finance's report to Council for approval to extend the budget flexibility scheme to the former DLOs and DSOs.
- 2) To recommend to the Executive of the Council that the Director of Finance report to the Executive and the Resource Management and Audit Scrutiny Panel on progress in developing a comprehensive risk management framework across the Council.

(References – Executive of the Council 10 February 2004 (item 9); report no E/473/03-04/F by the Director of Finance, submitted.)

8 Revenue and Capital Monitoring 2003-2004 – Nine Month Position

Standing Order 87(8) requires the Executive of the Council to refer monitoring reports on the Council's Revenue Budget and Capital Investment Programme to the Resource Management and Audit Scrutiny Panel at intervals to be determined by the Executive.

The Executive of the Council on 10 February 2004 had considered a report by the Director of Finance detailing:

- (i) the overall position of the Council's Revenue and Capital Budgets at the nine month stage (based on period 8 information) and the projected out-turn for the year; and
- (ii) progress made towards service improvements approved by the Council at their budget meeting in February 2003.

The Executive had approved the recommendations contained in the Director of Finance's report and had referred the report to the Resource Management and Audit Scrutiny Panel as part of its work programme.

Ronnie Hinds (Head of Corporate Finance) summarised the main elements of the Director of Finance's report and drew the Panel's attention to the following areas:

- the nine month position showed a projected deficit on the revenue budget of £0.256m, after previously agreed contributions of £3.338m from earmarked reserves and £1.204m from general reserves.
- there was a projected overspend of £2.079m on the City Development account. A number of factors had contributed to this position and the Director of City Development would require to undertake a review to identify options for containing the projected overspends within budget.
- the other significant overspend was within the Environmental and Consumer Services Department. The main factor contributing to this overspend was the closure of the Powderhall Waste Transfer Station. In addition, since the Director of Finance's report had been prepared, the department had also to contend with an additional £300,000 expenditure to buy out conditions of service of refuse collection staff.
- the Social Work Department was projecting a surplus of £2.063m which included £1.5m specifically set aside for the Social Work IT Client Index System. As funding would require to be set aside over a number of financial years to meet the costs of the IT Index system, it was recommended that an earmarked reserve be established, and monies be drawn down to meet the costs of the project as required.

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- income from prior years taxation, including Community Charge, was reducing year on year, although arrangements continued to be made through Sheriff Officers to collect monies. As previously reported to the Executive of the Council on 13 January 2004 it was anticipated that income would continue to be collected, but this would be achieved over a long period.
- there was a projected surplus of £1.881m from loan charges. The reduction in loan charges was largely due to the success of the Council's Treasury strategy over the last two years.
- proactive debt management using temporary and variable rate funding had shown significant savings. It was pointed out, however, that the savings were partly off-set by increased interest charges arising from delays in the realisation of capital receipts.
- there was a projected overspend of £3.268m on the capital budget which was in improvement from the half year position when an overspend of £9.731m was being forecast. The current overspend was within the permitted Section 94 consent rules. The delivery of the capital programme for the remainder of the year remained dependent on realisation of £4.730m from general and office accommodation asset sales. The timing of the realisation of these receipts was a key issue and would be monitored on a regular basis in conjunction with the Director of City Development. Service Directors would be required to ensure that any slippage identified to date continues to be deferred until the next financial year.

Councillor Child (Executive Member for Sustainability and Finance) advised that she was slightly concerned that departments were tending to rely on the favourable position arising from proactive debt management. She felt that greater emphasis should be given to managing budgets within departments and that risk management required to be more robust across all Council departments.

Andrew Holmes (Director of City Development) addressed the Panel in respect of the City Development overspend and advised as follows:-

- the overspend on Planning and Building Control had anticipated an £800,000 deficit to be recovered over a period of time under budget flexibility rules. In addition, the level of funding received from the modernising government fund was some £300,000 less than the amount budgeted for in the business case.
- The overspend on office accommodation and facilities management related mainly to telephone expenditure. The Council's telephone contract was being re-tendered however this would not impact until next year and accordingly savings would be required to be found elsewhere.

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- In respect of the overspend on the Lothian and Borders Safety Camera Partnership he was confident that the income generated next year would compensate for any loss this year.
- The City Development Department was currently in the process of defending a legal challenge to charge for building enquiry certificates, the outcome of which could have implications for future income generation for the Department. The issue was still being contested in Court, however the Council had lost one aspect of the case in respect of charging for outstanding statutory notices. With the exception of this element, the department was continuing to apply its charging policy, pending the outcome of the Court decision.
- The increasingly complex nature of realising capital receipts should be borne in mind in the budget process.

Peter Fitzpatrick (Head of Co-ordination Services, Environmental and Consumer Services Department) spoke on the financial position relating to the Environmental and Consumer Services Department. He explained that the main factor contributing to the department's overspend was the closure of the Powderhall Waste Transfer Station and without this unforeseen contingency the department would have shown a balanced position. However, since the Director of Finance's report had been prepared additional factors had impacted on the department including the buy out of the Refuse Collection Conditions of Service and a fire at Mortonhall Crematorium. This had resulted in a projected net overspend of £1.3m by the end of this financial year. The department had however put in place a plan to recover the overspend under budget flexibility rules and was confident that the overspend could be managed accordingly.

Decision

- 1 To note the following decision of the Executive of the Council of 10 February 2004:
 - (a) to note that the Council Management Team had been monitoring the Revenue and Capital Expenditure and that the Chief Executive had instructed all Service Directors to continue to exercise control over expenditure and bring expenditure into line with budget.
 - (b) to note the projected deficit on the General Fund of £0.256m.
 - (c) to instruct all Service Directors to continue to exercise control over expenditure and bring expenditure into line with budget.
 - (d) to note that the Directors of City Development and Environmental and Consumer Services would require to undertake further reviews to identify options for containing overspends within budget.
 - (e) to approve the establishment of an earmarked reserve for the Social Work IT Client Index Project.

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- (f) to note the progress on projects funded through the City's Review, as detailed in Appendix 3 to the Director of Finance's report.
 - (g) to note the progress on service improvements, as detailed in Appendix 4 to the Director of Finance's report.
 - (h) to note the progress on projects funded through Spend to Save, as detailed in Appendix 5 to the Director of Finance's report.
 - (i) to approve the withdrawal of the decorations and infrastructure project from the Spend to Save Fund.
 - (j) to note the balanced position on the HRA Revenue Budget.
 - (k) to note the projected shortfall of £3.268m in the Capital Budget and instruct the Director of City Development to maximise capital receipts for 2003/2004.
 - (l) to instruct all Directors to ensure that any slippage identified was maintained until the end of the financial year.
 - (m) to note the projected position on the HRA Capital Budget.
- 2) To note the report by the Director of Finance.

(References – Executive of the Council 10 February 2004 (item 11); report no E/463/03-04/F by the Director of Finance, submitted.)