

Committee Minutes

Resource Management and Audit Scrutiny Panel

Edinburgh, 15 January 2004

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

Also Present:- Councillors Child, Dixon and Russell.

1 Apologies

Apologies for absence were received from Councillors Gilchrist, Milligan and Wheeler.

2 Minute

Decision

The minute of the Resource Management and Audit Scrutiny Panel of 4 December 2003 was approved as a correct record.

3 Matters Arising from Minute of 4 December 2003

3.1 External Audit Reports Received (item 6)

Decision

To note that the Executive of the Council on 16 December 2003 had approved the Panel's recommendation that, in order to enhance partnership working, COSLA be asked to initiate discussions amongst all Scottish Local Authorities on the development of a strategy and systems to enable the sharing of management information between Social Work Departments and other relevant agencies.

(Reference – Executive of the Council 16 December 2003 (item 17).)

4 Called In Decision – Dynamic Earth - Funding

The decision of the Executive of the Council to approve the continuation of the Council's guarantee of £400,000 against Dynamic Earth's overdraft for one year had been called-in to this Scrutiny Panel.

Councillor Dixon (Lead Signatory to the call-in) explained that he had called this item in to examine the financial risk to the Council. He indicated that while the current report by the Chief Executive provided information on the various stages since the establishment of the Dynamic Earth visitor attraction it did not contain sufficient financial information to accurately assess the financial risk to the Council. He expressed concern that the bank had withdrawn its overdraft facility to Dynamic Earth and sought clarification on how the Council's overdraft guarantee would be treated in the Council's accounts.

Mr John Simpson (Chief Executive, Dynamic Earth) and Sarah Millet (Finance Manager, Dynamic Earth) welcomed the opportunity to address the meeting. Mr Simpson specifically drew the Panel's attention to the following issues:

- 2003 had proved a difficult trading year for Dynamic Earth and without the Council's support the visitor attraction may not have continued to operate in its current form.
- Dynamic Earth expected approximately 200,000 visitors in a normal year, however, the closure of Horse Wynd, traditionally a popular route to visit Holyrood Park, had considerably reduced the number of visitors in 2003 and had resulted in Tour Buses being prevented from stopping outside the attraction.
- The Scottish Executive had agreed to provide a grant of £500,000 to Dynamic Earth. This would be used to meet the budgeted shortfall in the current financial year and the financial year 2004/05.
- The attraction had two main streams of revenue income, approximately two-thirds of revenue income, amounting to approximately £2 million, comes from the visitor attraction and approximately one-third of revenue income amounting to approximately £1 million is derived from corporate events.
- A condition imposed on Dynamic Earth's Late Night Liquor Licence in June 2002 to the effect that no live or recorded music can be played in the stratosphere or amphitheatre after 11 pm had reduced Dynamic Earth's income from corporate events by approximately £350,000.
- Construction work on the O-zone, the acoustic shell which should prevent noise leakage from the stratosphere and allow consideration to be given to the removal of the liquor licence restriction, commenced on 5 January 2004. It was anticipated the work would be finalised by April/May 2004.

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- A Senior Officer from the Council's Environmental and Consumer Services Department, who would be required to report to the Licensing Board on the effectiveness of the acoustic shell, had visited the construction work yesterday and Dynamic Earth would continue to liaise closely with Council officials during the construction period.
- Following completion of the acoustic shell the new facility will require to be actively re-marketed during 2004 and it was anticipated that corporate income should steadily increase. However, only £50,000 of corporate income had been projected for 2004.
- The re-marketing of the facility for corporate events will commence in March 2004 and will be a gradual process taking approximately 12 to 18 months.
- In relation to the decision by the Bank to withdraw Dynamic Earth's overdraft facility, the bank were looking for hard evidence of Dynamic Earth's ability to deliver an increase in revenues before considering the long-term financial position.
- Following the opening of the Scottish Parliament building later this year, it is anticipated that substantially greater numbers of visitors will be attracted to the area and Dynamic Earth hoped to benefit from this by increased patronage on their café and car parking facilities.
- The Chief Executive of the City of Edinburgh Council had previously contacted Lothian Buses regarding the possibility of re-routing certain services during the closure of Horse Wynd, however, Lothian Buses had concluded that such an arrangement would be too disruptive to their services.

Ronnie Hinds (Head of Corporate Finance) addressed the Panel and indicated that:-

- The Dynamic Earth project had a long history with the Council and the ability to generate sufficient visitor numbers had always been the facility's long-term test.
- The two factors identified by John Simpson, namely the closure of Horse Wynd and the loss of corporate income as a result of the condition imposed by the Council's Licensing Board on the late night liquor licence, had an adverse effect on the implementation of Dynamic Earth's Business Plan.
- The Council's decision to provide a guarantee of £400,000 against Dynamic Earth's overdraft had been taken prior to the Scottish Executive agreeing to provide a grant of £500,000 to Dynamic Earth.

- The funding package from the Scottish Executive was conditional on the Council continuing its overdraft guarantee of £400,000 and also on Dynamic Earth obtaining funding from Scottish Enterprise Edinburgh and Lothians (SEE&L) and the Millennium Commission for the O-Zone acoustic shell.
- The guarantee provided by the Council would receive appropriate accounting treatment in the Council's accounts for 2003/2004.

Councillor Child (Executive Member for Sustainability and Finance) indicated that in March 1997 the Council approved the allocation of up to £5.8m as a capital grant towards the establishment of Dynamic Earth. However, the capital grant had been awarded subject to a number of terms and conditions, including that the Council would not consider providing revenue support to the project. Dynamic Earth has performed well in extremely difficult circumstances and hopefully the guarantee provided by the Council against Dynamic Earth's overdraft had assisted. She remained confident that the Council's financial position was satisfactorily protected.

Decision

- 1) To let the following decision of the Executive of the Council of 2 December 2003 be implemented:-
 - (a) To approve the continuation of the Council's guarantee of £400,000 against Dynamic Earth's overdraft for one year.
 - (b) To instruct the Chief Executive to advise Dynamic Earth Enterprises Limited formally of the Council's expectation that a commercial loan would be in place to replace the overdraft guarantee in one year's time.
- 2) To note that the appropriate accounting treatment of the Council's overdraft guarantee to Dynamic Earth would be addressed in the Council's accounts for the financial year 2003/2004.

(References – Executive of the Council 12 August 2003 (item 25) and 2 December 2003 (item 35); report no E/340/03-04/CE by the Chief Executive, submitted.)

5 ICT Partnership – Six Monthly Performance Report

The Scrutiny Panel had previously considered aspects of the ICT Partnership between the Council and BT.

In December 2003 the Executive of the Council had considered a report by the Director of Corporate Services on the performance of the ICT Partnership for the period April to September 2003.

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The Executive had agreed, amongst other things, to refer the Director's report to the Resource Management and Audit Scrutiny Panel. The Panel considered the report by the Director of Corporate Services and heard from Councillor Child (Executive Member for Sustainability and Finance), Andrew Unsworth (Head of e-Government, Corporate Services Department) and Scott McBain (BT Syntegra).

Andrew Unsworth (Head of e-Government, Corporate Services Department) gave a brief overview and summarised the main elements of the Director of Corporate Services report. In particular, he drew the Panel's attention to the following areas:

- Service performance levels were meeting agreed standards and reliability and performance of the e-mail and intranet applications had improved following significant redesign and development work by BT.
- BT had created an internal Service Improvement Board and had invited representation from the Council's Client Team.
- The number of change requests for enhancements to existing services maintained an upward trend.
- live operational running is under way in the migration projects for Housing, Revenues and Benefits and Payroll. Difficulties were being encountered with the third party payroll software and re-planning was being undertaken of further migrations in order to complete the project.
- The Revenue and Benefits system had gone live on 19 July 2003. A number of operational difficulties had occurred as the system bedded in, with the main concerns relating to the printed outputs for the system.
- The Planning and Building Control project was progressing. Slippage had, however, occurred which was impacting on the realisation of benefits planned in the business case.
- Audit Scotland had issued a positive report on the partnership management arrangements which had been considered by the Scrutiny Panel on 4 December 2003.
- In August 2003, BT undertook a significant and urgent programme of work to minimise the impact of the MS Blaster virus which had infected many desktop machines in the Council's network.
- There was proposals to report in the very near future to the ICT Sounding Board on an ICT security system. Currently existing filters identify up to 80 separate viruses attempting to enter the Council's ICT System in a single day.

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- The Metropolitan Area Network (MAN) project was currently being rolled out to over 300 sites in the city.
- A Working Group recently established with Headteachers to discuss ICT arrangements in Education establishments met for the first time earlier this week.
- The Council's Contact Centre had gone live with CLARENCE calls being answered on 28 July 2003. This was followed up by Repairs Direct on 18 August. The Environmental and Consumer Services Call Centre activities were due to transfer into the Contact Centre however there had been a slight delay in this project due to building refurbishment work in Chesser House.
- The Council Papers On Line project had been due to go live during the first week in January. However difficulties with the quality control process had resulted in a decision being taken to delay the launch in order to ensure the appropriate quality control checks were in place. It was hoped the project could be launched by the end of March.
- The Smart Card project was progressing and cards had been successfully launched in St Thomas of Acquin's School for cashless catering during school half term.

Mr Scott McBain (BT Syntegra) endorsed the Director's report and confirmed that significant progress was being made. He specifically drew the Panel's attention to the following issues:

- the partnership between the Council and BT was complex, challenging and ambitious and there was no complacency within BT.
- initiatives such as the Smart Card project would put Edinburgh to the fore in Europe.
- BT were committed to the partnership and the relationship between the partners was sound.
- similar ICT Partnership arrangements between other UK local authorities and BT Syntegra did not overstretch BT Syntegra's resources.

Decision

- 1) To note the following decision of the Executive of the Council of 2 December 2003,
 - (a) To note the performance progress detailed in the Director of Corporate Services' report.

- (b) To note that the Director's report had been considered by the Smart City and ICT Partnership Sounding Board at its meeting on 18 November 2003.
 - (c) To note that the Audit Scotland report on the ICT Partnership Management Arrangements would be considered by the Resource Management and Audit Scrutiny Panel as part of its work programme; and
 - (d) To note that the Director of Corporate Services would follow-up the issues raised by Councillor Dawe specifically in relation to Craigmount High School and report further on any ICT problems generally within education establishments.
- 2) That, in order to fully assess the performance of the Council's ICT Partnership arrangements, to recommend to the Executive of the Council that 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.

(References – Executive of the Council 2 December 2003 (item 5); report no E/292/03-04/CS by the Director of Corporate Services, submitted.)

6 The Accounts Commission for Scotland Follow-Up Review of the Management of Early Retirement

The Scrutiny Panel on 4 December 2003 had considered a local report from the Council's External Auditor on the Follow-up of the Management of Early Retirement.

On 2 December 2003 the Executive of the Council considered a report by the Director of Corporate Services on the outcome of the Accounts Commission for Scotland follow-up Review of the Management of Early Retirement. Amongst other things, the Executive had agreed to refer the Director's report to the Resource Management and Audit Scrutiny Panel.

Councillor Russell (Executive Member for Human and Corporate Resources) and Ian Raven (Management Consultant, Department of Corporate Services) addressed the Panel on the Director's report.

Ian Raven indicated that:

- In 1997, the Accounts Commission for Scotland had published a report entitled "Bye Now, Pay Later, on the management of early retiral in Scottish Local Authorities, Police and Fire Services. The report found that early retirement was widespread and costly and there was considerable scope for tightening up management practice. A follow-up review was recently

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undertaken to consider how Scottish Councils had responded to the 1997 report recommendations and what further improvements could be made. This was published in June 2003.

- A local report prepared by Audit Scotland, and considered by the Panel in December 2003, confirmed that the Council had continued to manage early retirement in line with the recommendations made by the Accounts Commission in 1997 and 2003. However, there was still room for improvements.
- As teaching staff were covered by a separate pension arrangement they were excluded from this review and the previous study undertaken in 1997.
- Certain key actions were proposed including that, to ensure that costs and savings were calculated on a comparable basis, in future both would be determined over a period of up to a maximum of five years. Previously costs had been calculated over a period up to five years and savings over a period up to ten years. The revised arrangements will apply to all early retiral/severance cases submitted on or after 1 January 2004.
- The Director of Education will report to a future meeting of the Executive detailing trends of early retirement/severance relating to teaching staff.
- In terms of age profile, 4% of the total Council workforce were aged 61 years or over.
- In response to a particular point raised by Councillor Paisley, Ian Raven agreed to obtain figures for ill-health retirals in commercial companies.

Councillor Russell (Executive Member for Human and Corporate Resources) indicated that the management of early retirement in the Council had always been sound and this would continue to be a priority.

Decision

- 1) To note the following decision of the Executive of the Council of 2 December 2003:
 - (a) To note the Local Action Plan detailed at Appendix 2 to the report by the Director of Corporate Services.
 - (b) That the local "costs/savings" test be revised to require that a maximum period of up to 5 years is used for the calculation of savings, to be applied to all early retiral/severance cases submitted on or after 1 January 2004.

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- (c) To note the summary information on retiral activities at Appendices 3-4 to the Director's report and that information on early retirement activity would continue to be provided to elected members on an annual basis.
 - (d) To note that the Director of Finance would examine the feasibility of including information on the total net costs falling on the revenue budget in the year and consequential costs falling in future years in the Council's Annual Report.
 - (e) To note that applications for early retiral/severance would continue to be submitted to the Director of Corporate Services for approval under delegated authority and, in the case of early retirement decisions for Chief Officers, this would be done in consultation with the Executive Member for Human and Corporate Resources.
 - (f) To note that departments would be informed of the Accounts Commission's findings and that consideration would be given to the need to review relevant policies and procedures as a consequence of the recommendations made.
 - (g) To note that the Executive of the Council would be kept informed of further developments regarding the Government's proposals on retirement.
 - (h) To note that the Director of Education would report further detailing trends of early retirement/severance relating to teaching staff.
- 2) To note that the Director of Corporate Services had agreed to provide Panel Members with details of ill-health retirals by Departments.

(References – Executive of the Council 2 December 2003 (item 4); Resource Management and Audit Scrutiny Panel 4 December 2003 (item 6) and report no E/284/03-04/CS by the Director of Corporate Services, submitted.)