Governance, Risk and Best Value Committee

10.00am, Thursday, 9 October 2014

Corporate and Operational Governance: Update

Item number	7.5
Report number	
Executive/routine	Executive
Wards	All

Executive summary

This report updates on progress and outlines the planned approach to continue to strengthen corporate and operational governance.

Links

Coalition pledges	P41
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Single Outcome Agreement	

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Report

Corporate and Operational Governance: Update

Recommendations

1.1 To consider progress and actions outlined in the report.

1.2 To refer the report to the Corporate Policy and Strategy Committee for consideration.

Background

2.1 Following engagement with the Chief Executive and Corporate Management Team ('CMT'), a review of all aspects of governance, corporate oversight and internal controls was undertaken. The operational, strategic and programme objectives of the review were to ensure the Council had the infrastructure in place to embed critical change, to deliver efficient and effective services, improve performance, achieve savings and to secure best value.

2.2 A range of internal and external review work was undertaken which highlighted significant legacy issues that required to be addressed to support the Council and its services going forward. The key elements of the programme have been corporately driven, during the past year, on a themed and cross cutting basis; supporting and developing critical service delivery and strengthening assurance activity.

2.3 This report updates on progress and outlines the planned approach to continue to strengthen corporate and operational governance.

Main report

3.1 **Corporate oversight**

3.2 The Council's strategic plan for 2013-2017 sets out five outcomes needed to fulfil our vision that Edinburgh is a thriving, successful and sustainable capital city as follows:

> 3.2.1 Edinburgh's children and young people enjoy their childhood and fulfil their potential;
> 3.2.2 Edinburgh's economy delivers increased investment, jobs and opportunities for all;
> 3.2.3 Edinburgh is an excellent place in which to live, study, visit and invest;
> 3.2.4 Health and wellbeing are improved in Edinburgh and there is a high quality of care and protection in place for those who need it; and
> 3.2.5 The Council is an efficient and effective organisation and a great place to work.

3.3 Corporate governance leads specifically on ensuring 'the Council is an effective and efficient organisation and a great place to work.'

3.4 The directorate plan for corporate governance was agreed by the Council in December 2013 to progress eight high level objectives of: reputation; risk management; customer experience; total budget; high performing workforce; ICT transformation; welfare reform and culture and sport.

3.5 This report outlines progress across some of these elements corporate and operational governance via the following themed areas (the others have been extensively reported elsewhere.)

    3.5.1 Total budget:
        3.5.1.1 Commercial Excellence.

    3.5.2 ICT transformation:

    3.5.3 High performing workforce:
        3.5.3.1 Strategic workforce planning;
        3.5.3.2 Process re-design and internal controls; and
        3.5.3.3 Embedding policy.

    3.5.4 Reputation:
        3.5.4.1 Strategic planning and performance;
        3.5.4.2 Complaints management;
        3.5.4.3 Information Governance; and
        3.5.4.4 Service re-design: property conservation.

    3.5.5 Risk:
        3.5.5.1 Programme governance;
        3.5.5.2 Internal control framework;
        3.5.5.3 Risk management;
        3.5.5.4 Audit.

3.6 **Total Budget: Commercial Excellence**

3.7 It is critical, to secure maximum value, that procurement is as effective as possible. The annual procurement capability assessment ('PCA'), by the Scottish Government, is designed to assist organisations to improve their structure, capability, processes and performance by obtaining the best standards that are appropriate to the scale and complexity of business. The Council's PCA score has increased by 49% since 2012. The recent assessment gave the City of Edinburgh Council a score of 76% and Edinburgh is now one of only two local authorities in Scotland, rated in the '**superior performance'** category. This has only recently been awarded, representing a significant improvement in performance and positions the Council well for future development.

3.8   As reflected in the PCA score, significant progress has been made with the Commercial Excellence Programme including:

3.8.1   re-shaping and strengthening of the Council's Commercial and Procurement Service ('CPS'). The Council has continued to work in partnership with EY, on a gain-share basis, to deliver the Commercial Excellence Programme, which aims to:

3.8.1.1 generate significant savings through improved commercial and procurement activity;

3.8.1.2 improve the quality and control of purchasing and commercial activity across the Council; and

3.8.1.3 continue to develop and improve the capacity, capability and sustainability of CPS.

3.8.2   Enhanced commercial activities across the Council have realised savings and cost reductions of over £22 million in 2013/14. Further savings of £14m are forecast in 2014/15, with a pipeline rising to a potential £140m in total by 2018/19.

3.8.3   A revised organisational structure is now embedded in CPS with a new senior management team in place. The service is also supported by a new training and development programme for staff both within CPS and Council-wide. Positive cultural change has been evidenced by significant improvements in the results of the 2014 Employee Survey.

3.8.4   A new Procurement Strategy was approved by the Corporate Policy and Strategy Committee in August 2014, setting out how the Council will direct its external expenditure over the next three years. This includes a renewed focus on building capacity, skills and sustainability across the Council.

3.8.5   Revised Contract Standing Orders will be presented for approval by the Council later this year. A new five stage process for all procurement projects has been implemented, idea through delivery to benefit measurement, and the Council's Contract Register contains fully updated information.

3.8.6   In April 2014, CPS released a new Procurement Handbook, which embeds Scottish Government best practice. This is designed to ensure a consistently high standard is achieved in every procurement process.

3.8.7   The introduction of management information dashboards has also allowed service areas to better understand their external spend and provided CMT with current data and appropriate business analysis.

3.9 The Purchase to Payment (P2P) Project is a key element of the Commercial Excellence Programme with the objective of improving control, efficiency and management information in P2P processes. A "mandatory purchase order" rule was introduced in April 2014. Since implementation of the rule and related processes there has been a significant increase in the value of orders raised in Oracle, and the value of invoices with an accompanying PO at the correct time has steadily increased (from 25% in April 2014 to 62% in August 2014). Other improvements achieved through the P2P project include comprehensive process mapping, extensive refresh of the Oracle catalogues, and the introduction of more customer-friendly intranet guidance. CPS staff are now working with suppliers and Payment Services to further improve present compliance levels.

3.10 The following challenges to the continuing successful delivery of the Commercial Excellence Programme are being actively reviewed:

3.10.1 Effective planning for service requirements: proactive planning of upcoming service requirements will be improved through better engagement and management information, lessening the requirement for ad hoc arrangements and the use of waivers; and

3.10.2 Contract management: contract management across the Council is a key concern, as many of the anticipated benefits derived through carrying out procurement and commercial negotiations may be lost if not managed throughout the contract's lifetime.

3.11 The next planned phase of the Commercial Excellence Programme is focussed on addressing further challenges while maintaining close, supportive working with all service areas, to identify and realise further opportunities for delivering significant savings.

3.12 **ICT Transformation**

3.13 A range of scoping and engagement work was undertaken in 2012 to assess the existing ICT strategy and capabilities. This was designed to respond to and address evidence that there was no clear vision for how the use of technology would support the Council to achieve its outcomes and future objectives. This was combined with a range of reported internal control weaknesses where ICT systems did not adequately enable and support critical business or financial processes.

3.14 In December 2012, the Council approved a report confirming that existing ICT arrangements were largely out of date and did not reflect the Council's current policies, objectives and evolving needs. This assessment concluded that to support effective service delivery and the attainment of best value it was critical to progress transformation in this area to ensure a customer centric, easy to use, solutions focused approach that could evolve with the development of customer needs and behaviours, enabling all key Council services.

3.15 In early 2013, an ICT and Digital transformation programme ('ICT&D') was established to deliver this change in approach. The Council, on 7 February 2013, agreed investment for ICT&D of £6.75m over a 5-year period.
In addition, the customer services improvement programme included a £3.1m investment for ICT improvements.

3.16   The investment rationale was centred on the vision for ICT&D to ensure that future ICT provision in the council is transformed to be a comprehensive, responsive, cost effective and high quality service that is both Council business and customer driven. The most recent update on ICT&D was considered by the Finance and Resources Committee on 7 May 2014. Detailed information on deliverables achieved under the new arrangements set out was confirming that ICT&D was both on schedule and ahead of budget in delivering this significant transformational change.

3.17   One workstream of ICT&D defined a new corporate ICT and Digital strategy for the Council. This has been informed and developed by the extensive consultation work in 2012, with further refinement in 2013, to engage with the Council's customers to agree the ICT and digital vision as 'Empowered Edinburgh: a city empowered by ICT and digital.' The strategy, and associated first wave implementation plan were launched in December 2013 following consideration by the Corporate Policy and Strategy Committee.

3.18   The majority of the work set out in the first phase of the ICT&D transformation programme is now complete. This includes: renewed governance arrangements; a re-structured ICT Solutions service to better meet the needs of customers; and the majority of the ambitious 150 strong projects to transform our ICT services, including putting our top Council transactions onto a new citizen-designed and tested website. The strategy and transformation plan have attracted significant attention from public sector bodies due to the focus on engagement and outcomes rather than technology, as well as the pace of delivery.

3.19   The Council, working with the Improvement Service, has successfully implemented the Scottish Governments MyAccount service to authenticate citizens and customers who interact digitally. The City of Edinburgh Council is the first local authority to achieve this and it represents a significant step towards achieving the overarching vision of joined up public services. Within the first few months of the service over 10,000 Edinburgh citizens have joined the national service.

3.20   Substantial progress has also been made to move towards a single view of Council citizens and customers by implementing technology and processes to match records across all systems. This gives the Council a holistic view of its customers. To date, over 90,000 customer records have been matched. A continued focus on the quality of the data in the systems is, however, required. This priority has been highlighted and supported by the recently agreed data quality policy.

3.21   The use of technology to deliver innovative solutions to business challenges is evident throughout the Council. Pilots of innovative and creative approaches to improving services and reducing costs include the use of drones for building inspections and apps to encourage children's use of sports facilities. The benefits for such initiatives will be measured, monitored and reported over the next year.

3.22   In 2014/15 the Council's transformation workstream will utilise ICT services to enable greater channel shift. This will be informed by management information reporting and citizen insight.

3.23 **High Performing Workforce**

3.24 <u>Strategic workforce planning</u>

3.25 The Council's Best Value and Community Planning Audit, published by the Accounts Commission in May 2013, confirmed the need to improve workforce planning and that the Council had, at that stage, made limited progress. The report also confirmed that the Council was taking a range of steps to address this.

3.26 In addition, Audit Scotland made a range of recommendations in November 2013 regarding Scotland's public sector workforce advising Council's to:

   3.26.1 forecast expected staff numbers, skills requirements and costs on a rolling three year basis;

   3.26.2 make better use of existing mechanisms, such as community planning partnerships to identify opportunities to share resources; and

   3.26.3 monitor the age of staff to prepare for peaks in departures resulting from retirements.

3.27 The challenges for the Council have been recognised and implementation of the appropriate project plans underway for some time across the Council as a key element of the BOLD transformation programme, sponsored by the Chief Executive. The following highlights describe progress to date and key elements of project implementation in the coming months.

3.28 Detailed analysis of the present workforce.

   3.28.1 Abaseline of the organisation has been finalised to support future service design. The 'as is' organisational structures are now available with key statistics on the nature of the workforce including:

       3.28.1.1 number of people employed by each service;
       3.28.1.2 permanent versus temporary staff;
       3.28.1.3 average length of service;
       3.28.1.4 number of staff on acting up and secondment;
       3.28.1.5 age profiling; and
       3.28.1.6 financial baseline.

3.29 This took longer than anticipated due to the upgrade of the existing HR system 'iTrent', data quality concerns and the greater than anticipated element of manual input required. The organisational structures are being maintained and the intention is that the process will be automated.

3.30 Detailed 'funded establishment' information for each Service area is being finalised to ensure that cost of payroll becomes a key performance indicator. This will support initiatives to manage payroll and headcount to efficiently and effectively support delivery of outcomes with appropriate agility to enhance Council business and services.

3.31   Future state analysis and key factors for service provision.

3.32   The Council and its workforce have undergone significant changes in the past few years with more opportunities and challenges expected to arise in future. Given these changes, it is critical that the structure of the Council and its business model is sufficiently robust and flexible to respond.

3.33   In order to develop this understanding, a PESTLE approach has been adopted to guide consideration of issues which impact on the Council and its services. This approach is a business tool to support identification and analysis of the political, economic, social, technological, legal and environmental factors that can impact on an organisation. This analysis has been completed and used to support the development of a revised structure for the Council. This will be considered by Council on 23 October 2014.

3.34   Following agreement in principle of the proposed structure and future business model for the Council, early completion and implementation of the following workforce planning approach will be in place including:

3.34.1   identification of gaps, skill changes and plans to respond;

3.34.2   consideration of the Council's overall requirements to ensure capability and capacity to support transformation and future requirements; and

3.34.3   implementation of the Council's strategic workforce plan with regular monitoring and updating from January 2015.

3.35   Workforce: process re-design and internal controls

3.36   A project is underway, aligned to the Council's BOLD transformation programme, to improve the controls, procedures and processes in relation to workforce.

3.37   The key objectives are to create:

3.37.1   streamlined procedures and processes, supporting current policy, within an enhanced control framework;

3.37.2   increased awareness and application of management controls;

3.37.3   re-design and process mapping of management, HR service centre and payroll processes; and

3.37.4   effective oversight and monitoring of both processes and management compliance.

3.38   The scope of the project includes: overtime; working time payments; acting up and secondment arrangements; salary placement; flexitime; use of agency staff and recruitment controls.

3.39 The outputs of the project will support the maintenance of the proposed new Council structure and related strategic workforce plan. By January 2015 the following will be in place:

3.39.1 iTrent data cleansing;

3.39.2 review and implementation of revised service centre processes and internal controls;

3.39.3 review and implementation of revised suite of authorisation forms and levels;

3.39.4 communication and engagement with managers on key changes; and

3.39.5 implementation of a business intelligence dashboard of management information to enhance senior management scrutiny.

3.40 Embedding Policy

3.41 An assessment of all HR regulatory policies has been undertaken with a significant number re-drafted and agreed in the last year. These are now reviewed annually in accordance with the Council's policy framework.

3.42 Improvements in both induction and training process are now in place and the first mandatory key policy awareness exercise for staff council-wide has been undertaken. All HR systems have been updated by managers to confirm all staff have read and confirmed understanding of key regulatory HR policies, including the Employee Code of Conduct and anti-fraud and bribery policies.

3.43 Further upcoming mandatory key policy awareness exercises are planned. The next phase will take place from November 2014 and will focus on information governance.

3.44 **Reputation**

3.43 Strategic planning and performance monitoring

3.44 The Council adopted its first performance framework in 2005 and this was periodically updated largely to reflect organisational and governance changes.

3.45 A fully revised performance framework was agreed by the Council in October 2012, following extensive consultation and engagement with elected members and service areas during the governance review. The revised framework sets out a clear line of sight and connectivity between Capital Coalition Pledges, the Edinburgh Partnership's Single Outcome Agreement and the operational outcomes towards which all Council services are directed. This strategic framework, and the performance measures and targets which underpin it, is updated on an annual basis to ensure continuing close alignment with Council priorities and to reflect changes in service structures. The latest update to the framework was provided to the Corporate Policy and Strategy Committee on 10 June 2014 and included updates to:

3.45.1   the Council Strategic Plan for 2012-17;

3.45.2   service plans for each Council Service area; and

3.45.3   strategy maps, key performance indicators and targets aligned to each Council outcome.

3.46   In line with the recommendations of the Audit Scotland report 'Managing performance: are you getting it right?', the Council is focused on developing a strong performance management culture which aims to increase transparency, scrutiny and support effective corporate risk management. Towards this, performance management is led by CMT with reports covering all Council outcomes considered and challenged on a monthly basis. All directorates are required to demonstrate that they have effective and systematic performance management and review arrangements to track performance and improvement actions against the pledges, outcomes and priorities within the strategic plan.

3.47   New reporting arrangements for performance information were agreed by the Council on 24 October 2013. Alongside monthly CMT reporting, it was agreed by Council that performance monitoring, review and scrutiny be led by the Executive Committees on a bi-annual basis with oversight by the Corporate Policy and Strategy Committee which supports further peer review and challenge.

3.48   Further to this change and the updates noted above, additional improvements were agreed by CMT and have been implemented since November 2013 include:

3.48.1   additional analysis and insight provided in performance reports, with exception reporting to highlight areas of good or poor performance and highlighting trend and benchmarking information where available;

3.48.2   reports provided on improvement actions underway in areas where performance has been noted as falling below target;

3.48.3   the shortening of performance reports provided to Executive Committees, with each committee scrutinising only those indicators and outcomes of direct relevance to its business.
This process being complemented by bi-annual wider scrutiny of the whole framework by the Corporate Policy and Strategy Committee;

3.48.4   specific annual reporting on Council performance on complaints management and on Council performance against the measures included in the Local Government Benchmarking Framework; and

3.48.5   implementation of the Cognos performance information dashboard on iPads for all elected members and staff in November 2014.

3.49   In line with the established annual update cycle, further improvement and development work is now underway, to revise and refresh the Council Strategic Plan to more effectively support a corporate, approach focused on business and outcome delivery planning across 3 strategic themes. Performance reporting will also be enhanced with additional focus on poorly performing areas and areas where improvement actions may not be achieving the anticipated impact.

3.50   Complaints management

3.51   CMT established the Council complaints management group earlier this year to transform the manner in which complaints are managed and reported across all areas of the Council. The group is working with service areas to implement key improvements and recommendations from the Scottish Public Service Ombudsman (SPSO) as follows:

   3.51.1   staff training and awareness campaign on the Council's complaints handling procedures. The group is working in partnership with the SPSO to improve customer experience and de-escalate problems. This includes supporting guidance for staff on how to handle difficult situations, standardising record keeping, enhancing training and signposting existing resources.

   3.51.2   external campaign on the Council's complaints procedure and commitment to putting customers first. This includes information on how services are being reviewed and improved as a result of customer feedback.

   3.51.3   working together across service areas to tackle common issues, share good practice and minimise complaints to SPSO. Learning from complaints is a continuous, important process that helps us to resolve common complaints and improve the services we provide. This work has so far led to improved processes; policy reviews; improved quality of advice services; customer service training and joining up services council-wide.

   3.51.4   embedding uniform customer satisfaction monitoring with complaints handling in all service areas; and

   3.51.5   publication of a complaints and feedback annual report including performance, service improvements and lessons learned from complaints. Performance and root cause analysis of common complaints is now reported to CMT on a quarterly basis. This information is being used effectively to learn from complaints and improve services. The Council's annual report in June 2014 included

details of Council service improvements which was commended by the SPSO.

3.52 The group continues to work in partnership with the SPSO and internal stakeholders to implement the unacceptable actions policy approved by Corporate Policy and Strategy Committee in August 2014. Guidance is being developed for staff and managers on the use of the policy along with a decision-making map. The use of the policy will be monitored by the Council complaints management group to ensure that its use is proportionate and does not discriminate against any group or individual.

3.53 Work is also being varied out to ensure that the management of the 'No Personal Contact List' includes adequate safeguards in relation to Data Protection legislation and the Council's records management policies. The policy has been updated to provide clearer guidance for detecting unreasonable behaviour, gives staff better understanding of why a customer might be angry or distressed and encourages staff to respond in a more constructive way.

3.54 **Information Governance**

3.55 The establishment of an Information Governance Unit and a corporate approach to records and information compliance has led to significant efficiencies and improvements in the way the Council preserves, manages and accesses information. To drive further improvement, an information governance strategy has been developed to support the delivery of services, and to ensure that the Council is managing its information effectively, including maximising the value of information for the Council and its stakeholders, and managing related risks.

3.56 The strategy provides an approach that brings together all the legislative and regulatory requirements, standards and best practice in relation to data quality, information compliance (including data protection and freedom of information), information security, information sharing and records management. Overall, it ensures that the Council is creating, managing, using, sharing and disposing of information efficiently, appropriately and lawfully.

3.57 A key element of the Information Governance Strategy is the establishment of an Information Council ('IC') to provide the necessary ownership and advocacy function to support, co-ordinate, promote, monitor and assure the development and delivery of effective information governance.

3.58 The IC is currently leading the development of an information governance framework for the Council. This consists of a suite of policies agreed by the Corporate Policy and Strategy Committee in September 2014, standards, guidance and tools, including details about how they will be implemented, measured and assured. The framework will provide the Council with a coherent

structure to ensure that legal and best practice standards are met and continuously assessed, and that information risks are identified and mitigated.

3.59 The Scottish Information Commissioner ('SIC') has recognised the significant improvements in the Council's approach and performance in relation to freedom of information in her report laid before Parliament in August 2014. In addition, the Council's open, transparent approach to publication of reports considered to be in the public interest, such as projects power and solar and the outcome of the Mortonhall investigation, have been commended and recognised as best practice in the SIC annual report 2013/2014.

3.60 The Information Commissioner's Office ('ICO') has been invited to undertake a voluntary audit of the Council's arrangements for complying with the statutory requirements of the Data Protection Act 1998 and best practice guidance issued by the ICO, in March 2015. This will involve a comprehensive review of the Council's protection policies, procedures and processes, including how these are followed and quality assurance within the Council. The strategy and developing framework described above will help to drive and demonstrate improvement in this area.

3.61 Service re-design: statutory repairs

3.62 Work is ongoing to close the legacy Property Conservation service through the financial recovery of all legitimate outstanding statutory notice costs and the resolution of all outstanding complaints.

3.63 A robust and rigorous case review process in collaboration with Deloitte LLP has been ongoing since March 2013. As a result of the case review and complaint resolution process, approval was granted by the Property Sub-Committee in October 2013 for a pilot billing process to initiate financial recovery. A new billing team was established, with input from Finance and Accounts Receivable and a member of staff was appointed to systematically review all suspended debt accounts. The billing process started in late December 2013 with the first invoices issued in early January 2014.

3.64 A requirement for a range of technical support was identified and in January 2014, the decision to award a contract for the management of all remaining projects from the former Property Conservation Service was approved. Thomson Bethune, a leading Edinburgh surveying consultancy, were appointed from the Building Surveying Services Framework and were specifically selected because they had no prior involvement with Property Conservation work and continue at present to provide technical support to the project.

3.65 Programme Momentum

3.66 On 5 June 2014, the Finance and Resources Committee approved a step change to accelerate progress in resolving outstanding complaints and to recover sums due to the Council for statutory repair works. This focused on the requirement to develop a single, holistic approach to complaints resolution, billing of projects and recovery of outstanding debt. As a result all Property Conservation work, including both legacy and new service development, was grouped under a new corporate programme – 'programme momentum.' The Director of Corporate Governance was appointed as senior responsible officer with a specialist programme director to oversee the programme.

3.67 The programme is implementing robust end-to-end processes across all workstreams relating to legacy Statutory Notice issues. This includes the development of the blueprint for the new enforcement service. A dedicated programme board with the sponsorship of the Chief Executive has been created with cross-council representation from property conservation, finance, legal, communications, CPO and Deloitte, as external advisers.

3.68 A programme office has been created to direct both legacy and new service work. The existing service has been co-located, with external expertise and advice from Deloitte, and with increased resource bringing together the right balance of technical, customer focused and administrative staff.

3.69 Programme Momentum key progress to date includes:

3.69.1 review of existing legacy processes and structures in relation to customer services and finance workstreams;

3.69.2 establishment of a new case review workstream which now includes all legacy and deferred case reviews, all of which have been appropriately re-prioritised;

3.69.3 new policies and procedures have been implemented to ensure a consistent, robust and objective approach is taken to the resolution of outstanding issues;

3.69.4 a new suite of management information has been developed using consistent data-sets for each workstream, including detailed financial information, and is being provided to the Finance and Resources Committee on a monthly basis;

3.69.5 commitment to the recruitment of new posts, including surveying expertise and customer service staff. The intention is for the new posts to work closely alongside Thomson Bethune and Deloitte LLP in the closure of the legacy programme and to ensure knowledge-share and skills transfer into the new enforcement service; and

3.69.6   a costed design document has been produced for the new service and the blueprint is on schedule to be considered by the Finance and Resources Committee in November 2014.

3.70   Progress, programme developments and implementation will continue to be considered and scrutinised on a monthly basis by the Finance and Resources Committee.

3.71   **Risk**

3.72   Programme governance

3.73   The Corporate Programmes Office (CPO) was established in spring 2012 to lead, promote and support corporate working on programme and project management. Since then the CPO has successfully brought together oversight and assurance of all major Council capital, transformation and internal improvement programmes.

3.74   The following key areas are in place and have been delivered to support corporate monitoring and oversight of programmes and projects:

3.74.1   the assurance review process for major projects is well established and demonstrating added value, with almost 30 reviews undertaken including initiation reviews, health checks and close reviews;

3.74.2   a framework contract is in place from which external resource can be brought in to supplement or lead Assurance Reviews, particularly with a construction or capital infrastructure focus;

3.74.3   external expertise was secured to supplement the internally led programme of Assurance Reviews of the ICT Procurement;

3.74.4   effective and regular reporting is now in place for all major projects and further improvement is underway to actively manage closer strategic alignment, risks and dependencies across the entirety of the portfolio;

3.74.5   the BOLD Programme has been planned and initiated under the lead of the CPO and is co-ordinating the delivery of the Council transformation and improvement;

3.74.6   CPO staff provide both ad hoc and formal advice and support to major projects and change initiatives including:

3.74.6.1   Property Conservation;
3.74.6.2   Health & Safety Review;
3.74.6.3   Health & Social Care: Integration & Unscheduled Care;

3.74.6.4   Commercial Excellence and P2P processes; and

3.74.6.5   ICT procurement.

3.74.7   a core toolkit of project management templates is available on the Orb and a knowledge area for projects and programmes is being developed to share information and good practice; and

3.74.8   the programme, project and change management community (PPCM) meets quarterly to share knowledge, experience and lessons learned around particular themes related to project, programme and change delivery in the Council.

3.75   Internal control framework

3.76   A series of external assessments in 2012 confirmed the need for significant improvement across a number of key Council systems and a prioritised action plan was developed. This action plan set out a programme of required actions alongside responsible officers and associated timescales.

3.77   Subsequent progress has been regularly reported to the Governance, Risk and Best Value Committee ('GRBV'). An update was considered by the Committee on 14 August 2014 and confirmed that the majority of areas with the potential to expose the Council to significant risk had been addressed in full.   The remaining required improvements will be fully implemented by the end of the calendar year. The extent of progress achieved was also independently verified by PwC in early 2014.

3.78   While the Council's risk exposure has been significantly mitigated, internal audit and other risk assessments continue to identify areas for improvement and arrangements are therefore in place to monitor implementation of the resulting actions concerned, apply lessons learned more widely across the Council and assess maturity.

3.79   Risk Management

3.80   PwC continues to lead the project to re-design the Council's risk management arrangements to ensure these are fit for purpose, fully integrated into Council business activities and that risk is integral to decision making going forwards. Since November 2013, significant progress has been made against the original project plan and objectives as follows:

3.80.1   the Risk Management Framework for the Council was finalised in December 2013. Following this CMT defined and agreed the Risk Universe and Risk Appetite Statement;

3.80.2   in September 2014, CMT agreed a formal structure and reporting framework for risk management activities in the Council. A formal CMT Risk Committee will be held each quarter, which is supported by Service Area Risk Committees. This will help to ensure there is a clear governance structure that supports the framework, reflects clear reporting lines and promotes the visibility of risks across the Council; and

3.80.3   service area risk registers have been assessed to ensure there is a link back to the Service Area objectives that support the Council's overall outcomes. To date this process has worked well. Covalent is being used as the central risk management system across the Council and will be expanded to include risk information.

3.81   Significant work is also ongoing to further embed a risk culture throughout the Council through risk workshops run by service area risk officers supported by the corporate risk team. In order to embed the principles of risk management and ensure a consistent approach across service areas, a Risk Management Steering Group ('RMSG') has been established. This consists of senior representatives from the service areas and is chaired by the chief risk officer. The RMSG has been meeting monthly since January 2014.

3.82   Internal Audit

3.83   PwC remains the co-source partner in the delivery of internal audit and risk services. The contract is now in its second year and is building on the increased capability and efficiency of the Internal Audit team, ensuring ongoing improvement in quality.

3.84   Training of the in-house team has continued, both through giving Council staff the opportunity to work alongside PwC staff on internal audit reviews in order to share knowledge, and more formal training sessions held at PwC offices. More recent training sessions have covered a variety of topics including report writing, understanding and documenting processes, assessing design effectiveness of controls and a refresher course on how to prepare and utilise risk and control matrices.

3.85   Internal Audit has continued to refresh the audit methodology to remain in line with best practice and to meet new requirements set out in the Public Sector Internal Audit Standards (PSIAS). The following updates to methodology are planned for implementation by December 2014:

3.85.1   remit letters will be replaced with more detailed terms of reference, which will define specific objectives for the area of review and target dates for each stage of the audit process. Once implemented, the

target dates will be tracked and included in final versions of all internal audit reports to be used as KPI measures;

3.85.2   an extended risk and control matrix template will be rolled out to further support the planning and management of audits;

3.85.3   the internal audit charter will be revised in order to meet PSIAS, and presented for approval to CMT and GRBV before being communicated more widely within the Council; and

3.85.4   the continuing work on risk management will be used to inform the internal audit planning process for 2015/16, helping to improve the linkage and alignment between the Council's risk profile and the annual internal audit plan.

3.86   Additionally, Internal Audit are focused on enhancing the value they add by getting involved in process and control reviews within cost efficiency programs identified through the BOLD initiative. This will be an important step to improve the profile of the function in the organisation.

3.87   Internal Audit has continued its quarterly reporting to CMT and GRBV on high risk findings and on findings where no follow-up actions have been taken by management. Update reports have been provided regularly to GRBV on the transformation of the internal audit function.

Future Developments

3.88   The Council recently considered and agreed advice from the Chief Executive and CMT to prioritise the following framework for transformational change across key services to deliver across 3 strategic themes: improving quality of life, ensuring economic vitality and building excellent places:

3.88.1   Neighbourhoods;
3.88.2   Channel shift;
3.88.3   People and Culture;
3.88.4   Property; and
3.88.5   Partnership.

3.89   The significant progress made across a range of functions are a key component of a strong corporate centre to support delivery of efficient, effective council services at present and in future. Development of the functions highlighted in this report will continue to be prioritised and monitored, to support the Council's agreed outcomes and strategic themes, business model, future structures and transformation programme.

Measures of success

4.1   Improvements across all of the themed areas set out in this report.

Financial impact

5.1   There are no direct financial impacts as a result of this report.

Risk, policy, compliance and governance impact

6.1   Good governance is maintained by annual review and consistent improvements to the Council's corporate and operational governance.

Equalities impact

7.1   There are no equalities impacts as a result of this report.

Sustainability impact

8.1   There are no direct sustainability impacts as a result of this report.

Consultation and engagement

9.1   Appropriate consultation and engagement will continue to be undertaken as the Corporate Governance service plan continues to be implemented.

Background reading/external references

Report to City of Edinburgh Council 13 December 2012, Item 8.5 – ICT Update

Report to City of Edinburgh Council 25 October 2012, Item 8.4 b(i) Strategic Governance – Council Performance Framework

Report to City of Edinburgh Council dates 24 October 2013, Item 8.5 Economic Development – Senior Management Structure – Re-Designation of Post

Report to City of Edinburgh Council 24 October 2013 , Item 8.3 Review of Political Management Arrangements

Report to Finance and Resources Committee 5 June 2014, Item 7.2 Property Conservation – Complaints Resolution

Report to Corporate Policy and Strategy Committee 10 June 2014 Corporate Performance Framework – Annual Update 2014

Report to Corporate Policy and Strategy Committee 5 August 2014, Item 7.6 Commercial and Procurement Strategy

Report to Corporate Policy and Strategy Committee 5 August 2014, Item No 7.7 - Complaints - Unacceptable Actions Policy – Reports, 897.47 KB

Report to Governance, Risk and Best Value 14 August 2014, Item 7.1 Audit Scotland: Internal Controls and Governance Report 2013/14

Report to Governance, Risk and Best Value 14 August 2014, tem 7.2 Internal Control Framework - Progress Update

Alastair D Maclean

Director of Corporate Governance

Contact: Kirsty-Louise Campbell, Governance Manager

E-mail: kirstylouise.campbell@edinburgh.gov.uk | Tel: 0131 529 3654

Links

Coalition pledges	P41 – take firm action to resolve issues surrounding the Council's property services.
Council outcomes	CO25 – The Council has efficient, effective services that deliver on objectives.
	CO27 – The Council supports, invests and develops our people.
Single Outcome Agreement	
Appendices	