

Finance and Resources Committee

10.00am Thursday 27 November 2014

Riddle's Court and 4-6 Victoria Terrace – Internal Audit Update - referral from the Governance Risk and Best Value Committee

Item number	7.8
Report number	
Wards	All

[Executive summary](#)

The Governance Risk and Best Value Committee on 13 November 2014 agreed to refer the attached report which presents a summary outcome of work undertaken to assess the process issues that arose from the lease of Riddles Court to the Scottish Historic Buildings Trust. Areas which could be improved to help prevent a recurrence of these issues in future situations were also identified.

[Links](#)

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	Appendix 1 – Report by the Chief Internal Audit and Risk Officer

Terms of Referral

Riddle's Court and 4-6 Victoria Terrace – Internal Audit Update

Terms of referral

- 1.1 On 13 November 2014 the Governance Risk and Best Value Committee considered a report providing a summary of work carried out by Internal Audit to assess process issues which arose from the lease of Riddle's Court to the Scottish Historic Buildings Trust (SHBT). Internal Audit had been asked to consider the issues to ensure that they were avoided in future situations where the Council was dealing with multiple parties. As part of its review, Internal Audit:-
 - 1.1.1 Considered the adequacy of the controls in place to manage the process of dealing with multiple parties, and
 - 1.1.2 Assessed whether conflicting advice/assurances were given to SHBT and the sitting tenants of the basement of the building, 6VT, who were contracted to the Council to provide a Youth Cafe (deemed an essential service provision).
- 1.2 The report concluded that there were no Critical or High rated findings in connection with the review. Medium and Low rated findings had been identified and an agreed management action plan was implemented.
- 1.3 The Governance Risk and Best Value Committee agreed:
 - 1.3.1 To note the conclusions on the processes surrounding the Riddles Court Lease contained in the report; and
 - 1.3.2 To refer the report to both the Education, Children and Families, and Finance and Resources Committees for information.

For Decision/Action

- 2.1 The Finance and Resources Committee is asked to note the attached report.

Background reading / external references

[Governance, Risk and Best Value Committee 13 November 2014](#)

[City of Edinburgh Council 1 May 2014 - Minute](#)

[City of Edinburgh Council 1 May 2014 – Item 8.7 – Riddle’s Court and 4-6 Victoria Terrace](#)

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Links

Coalition pledges	See attached report
Council outcomes	See attached report
Single Outcome Agreement	See attached report
Appendices	See attached report

Governance, Risk and Best Value Committee

10.00am, Thursday 13 November 2014

Internal Audit Update on Riddles Court & 4-6 Victoria Terrace

Item number
Report number
Executive/routine
Wards

Executive summary

Council requested that consideration be given to the process issues arising from the lease of Riddles Court to the Scottish Historic Buildings Trust (SHBT) to ensure that they were avoided in future situations where the Council are dealing with multiple parties. Internal Audit was requested to prepare a report in relation to this.

This report presents a summary outcome of the work performed to assess the process issues that arose and identify any areas of improvement that could help prevent a recurrence in future situations.

Internal Audit did not identify any high or critical risks in relation to this review.

Links

Coalition pledges
Council outcomes
Single Outcome Agreement

Recommendations

- 1.1 It is recommended that the Committee note the conclusions provided on the processes surrounding the Riddles Court Lease contained within this report.

Background

- 2.1 Riddle's Court is a Grade A listed 16th-century building owned by the City of Edinburgh Council (CEC) on the Royal Mile. In 2009 the building (which was in poor condition) was deemed to be surplus to operational requirements.
- 2.2 The Scottish Historic Buildings Trust (SHBT) approached CEC and proposed the redevelopment of Riddle's Court into the Patrick Geddes Learning Centre. It was made clear to SHBT that the basement, within which 6VT were sitting tenants, was outwith the scope of the lease. 6VT are contracted to the Council to provide a Youth Café, which is considered to be an essential service provision.
- 2.3 A five year lease was approved by the Education, Children and Families Committee on 15 March 2011 to allow SHBT to bid for grant funding for a £5 million restoration project. There was a provision in this lease stating that a 99 year lease would be granted if full funding was secured.
- 2.4 A formal offer received from the Heritage Lottery Fund on 11 February 2014 required SHBT to confirm that they had secured a lease on the whole of Riddle's Court, including the basement, by 11 March 2014. The project could not proceed without this assurance. The timing and implication of this grant offer left the Council with a difficult decision to make as SHBT were intimating that they would abandon the project unless the entire building was made available for redevelopment.
- 2.5 The Council Leader formed a Delivery group to broker an outcome suitable to all parties. CEC confirmed on 4 April 2014 that they had obtained conditional agreement from 6VT to move from the basement into new premises, and SHBT were in a position to meet the grant conditions.

Main report

- 3.1 In order to assess the process issues that arose, Internal Audit as part of its review;
- a. Considered the adequacy of the controls in place to manage the process of dealing with multiple parties; and
 - b. Assessed whether conflicting advice/assurances were given to SHBT and 6VT.

This review was undertaken by means of corroborative enquiry with key stakeholders including members of staff and by reviewing relevant documents and correspondence.

A summary of the findings is provided under each of these headings below.

Adequacy of controls in place

- 3.2 The Committee and Governance structure in place at CEC is clear and was understood by the owners of the process. The complexity of the transaction required approval at multiple Committees and appropriate approval was sought.
- 3.3 There were early indicators that SHBT had aspirations for acquiring the basement level of the building. As there was no intention to change CEC's position these were not escalated beyond regular discussion by Officers of C&F with the Convener of EC&F and reinforcement to SHBT that 6VT would not be required to relocate against their wishes.
- 3.4 It would be beneficial to re-enforce that, when dealing with commercial transactions, any indication of significant movement from previously agreed parameters which could have financial or reputational impact should be reported to the relevant Committee for consideration.

Conflicting advice/assurances

- 3.5 CEC's formal position remained clear through-out the process; 6VT's lease of the basement would be secure whilst they wished to remain.
- 3.6 Children & Families (C&F) engaged with SHBT and 6VT to explore options for 6VT should they wish to take advantage of an opportunity to move and obtain enhanced facilities. This engagement by Council Officers may have been misconstrued by SHBT.
- 3.7 C&F intervened in February 2013 when it was identified that SHBT were not openly engaging with 6VT. The Convenor restated CEC's formal position on 18/03/2013 that 6VT would not be required to relocate.

Conclusion

- 3.8 Communication of CEC's position that 6VT would not be required to relocate against their wishes was clear from the outset and the process was managed in an appropriate manner by suitably experienced officers from C&F and Corporate Property.
- 3.9 Early warning signs that SHBT's intentions in connection with the basement were different from CEC's position could have been reported to Committee, which would have allowed for greater strategic direction and support.
- 3.10 There were no Critical or High rated findings as part of this review. Medium and Low rated findings were identified and an agreed management action plan implemented.

Measures of success

- 4.1 The prevention of a recurrence of the process issues experienced in the Riddles Court transaction.

Financial impact

- 5.1 No direct impact.

Risk, policy, compliance and governance impact

- 6.1 Refer to main report at section 3.

Equalities impact

- 7.1 No direct impact.

Sustainability impact

- 8.1 No direct impact.

Consultation and engagement

- 9.1 None

Background reading/external references

None

Richard Bailes

Chief Internal Audit and Risk Officer

Links

Coalition pledges	P30 - Continue to maintain a sound financial position including long-term financial planning
Council outcomes	CO25 - The Council has efficient and effective services that deliver on objectives
Single Outcome Agreement	SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all SO2 - Edinburgh's citizens experience improved health and wellbeing, with reduced inequalities in health SO3 - Edinburgh's children and young people enjoy their childhood and fulfil their potential SO4 - Edinburgh's communities are safer and have improved physical and social fabric
Appendices	None