

Corporate and Community Services Department

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Date: 15 November 2019

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TO: Councillors Stewart Miller (Chair), Barbara Grant (Vice-Chair), Provost Jim Fletcher, and Councillors Charlie Gilbert, Annette Ireland, Jim McLean and Jim Swift.

AUDIT AND SCRUTINY COMMITTEE

A meeting of the Audit and Scrutiny Committee will be held in the Council Chamber, Council Headquarters, Eastwood Park, Giffnock, on **Thursday, 21 November 2019 at 2.00 pm.**

CAROLINE INNES

C INNES

DEPUTY CHIEF EXECUTIVE

AGENDA

1. Report apologies for absence.
2. Declarations of interest.
3. Chair's Report.
4. Interim Treasury Management Report 2019/20 – Report by Head of Accountancy (Chief Financial Officer)(copy attached, pages 3 - 14).
5. Internal Audit Plan 2019/20 – Implementation Progress – July to September 2019 – Report by Chief Auditor (copy attached, pages 15 - 28).
6. Schools Admission Policy and Education Appeals System – Joint Presentation by Education Admissions and Development Manager; and Customer Service Manager.
7. Investigation on Income Generation and Commercialisation – Final Draft Report - Report by Chief Executive (copy attached, pages 29 - 52).

8. **Investigation on Climate Change – Report by Chief Executive (copy attached, pages 53 - 56).**

9. **East Renfrewshire Culture and Leisure Trust – Best Value Type Review – Report by Chief Executive (copy attached, pages 57 - 60).**

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EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE21 November 2019Report by Head of Accountancy (Chief Financial Officer)INTERIM TREASURY MANAGEMENT REPORT FOR 2019/20**PURPOSE OF REPORT**

1. To advise the Audit and Scrutiny Committee on the treasury management activities for the first 6 months of 2019/20.

RECOMMENDATIONS

2. It is recommended that Members:-

- a) Note the interim Treasury Management Report 2019/20;
- b) Recommend to the Council that the attached organisations for investment of surplus funds be approved (see Appendix II); and
- c) Note the unexpected increase in the cost of borrowing from the PWLB.

BACKGROUND

3. The treasury management policy statement requires the Chief Financial Officer to report every 6 months on the activities of the Treasury Management operation and on the exercise of the powers delegated to her.

4. In addition, in line with the CIPFA Code of Practice on Treasury Management 2017, the Audit & Scrutiny Committee is responsible for ensuring the effective inspection of treasury management activities.

5. The attached Interim Treasury Management Report for the financial year 2019/20 is submitted in accordance with these requirements.

TREASURY MANAGEMENT ACTIVITIES IN 2019/20

6. The interim report for period 1 April 2019 to 30 September 2019 is attached as Appendix I.

RECOMMENDATIONS

7. It is recommended that Members:-

- a) Note the interim Treasury Management Report 2019/20;
- b) Recommend to the Council that the attached organisations for investment of surplus funds be approved (see appendix II); and
- c) Note the unexpected increase in the cost of borrowing from the PWLB.

Report Author

Further information is available from Barbara Clark, Chief Accountant, 577 3068

Key Words

Treasury Management, Interest Rates, Prudential Indicators, investment.

EAST RENFREWSHIRE**INTERIM TREASURY MANAGEMENT REPORT 2019/20**

Table 1

1. Actual External Debt

	Borrowing 01/04/19 £m	Average Interest %	Borrowing 30/09/19 £m	Average Interest %	Change in Year £m
<u>Long Term Borrowing</u>					
Public Works Loan Board	74.71	4.22	93.89	3.70	19.18
LOBO (Lender Option Borrower Option)	14.40	4.60	14.40	4.60	0.00
PFI / PPP Finance Lease	90.48	7.19	90.48	7.19	0.00
SALIX Energy Efficiency Loan	0.04	0.00	0.03	0.00	(0.01)
Total borrowing	179.63	5.74	198.80	5.35	19.17
<u>Short Term Lending</u>					
Temporary Investments	(67.14)	0.97	(72.29)	0.86	(5.15)

2. During the period new borrowing of £20 million was undertaken from the Public Works Loan Board and loans totalling £0.82 million matured.

3. The opening cash surplus of £ 67.14 million has increased to £72.29 million due to both revenue and capital cash flows.

4. At 30 September 2019 the Council had 7.24% of its total borrowing outstanding in variable rate loans. During the period 01/04/19 to 30/09/19 the total borrowing outstanding in variable rate loans peaked at 8.02%. For the Council to gain a high level of stability in overall borrowing costs the Council's Treasury Policy Statement requires the exposure to variable rate loans to be less than 30% of the total borrowing outstanding.

5. The attached tables chart the following:

Table 2 The Council's debt maturity profile – which is in line with the Council's Treasury Policy Statement

Table 3 Bank base rate movements

Table 4a and 4b The Council's activity in the temporary market

Table 5 Interest rate movements in the temporary market

6. Prudential Indicators

In line with the agreed monitoring arrangements for the Prudential Indicators, listed below there is a table showing prudential indicators comparing the approved indicator, as reported to the Council on 28 February 2019 along with the projected outturn figures for the year end, demonstrating that the Council is operating well within the limits set.

Prudential Indicator	Approved indicator	Projected Outturn for the year end	COMMENT

1. Capital Expenditure	£58,986,000	£58,644,000	Projected Capital Expenditure is less than planned expenditure, reflecting the revised work schedule particularly within the Housing Capital Programme.
2. Capital Financing Requirement	£216,633,000	£211,070,000	Overall CFR is lower than the approved position due to reduced capital expenditure from that planned in the previous year, resulting in a lower opening balance.
3. Operational Boundary for External Debt	£229,626,000	£222,740,000	Movement is due to the projected in year net debt repayment of £6.9m being made
4. Authorised Limit For External Debt	£250,498,000	£222,740,000	Approved indicator included an allowance to cover any unusual temporary movements, it is anticipated that this will not be required during the year. The projected outturn figure also includes the projected net debt repayments of £6.9m
5. Gross Debt	£222,740,000	£222,740,000	There is no movement in year as there is no reduction in planned borrowing anticipated.
6. Code of Practice For Treasury Management	The Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes	All of the approved activities within the Council Treasury Management Policy Statement have been complied with.	

7. Approved Organisations for Investment

In line with normal practice the status of all Banks & Building Societies approved on the 15 August 2019 has been reviewed and the HSBC Bank has now been added to the current list of organisations for investment, in line with advice from our Treasury Advisers, LINK Asset Services (see Appendix II). In addition, the deposit limits have been increased with Lloyds Banking Group, Santander Group as well as the overall total of permitted investments with the Money Market Funds, this is to accommodate the new borrowing. All lending is in line with the permitted methods of investment which were approved by Council on 28 February 2019 as part of the Treasury Management Strategy report.

As a result of the banking crisis and in line with prudent financial management, investment has been restricted to UK organisations with high credit ratings. Also, the maximum period of investment was restricted to 6 months, with the exception of loans to the Bank of Scotland, in line with advice from our Treasury Advisers. These measures have been taken as a part of a risk managed process designed to protect the principal of the sums invested.

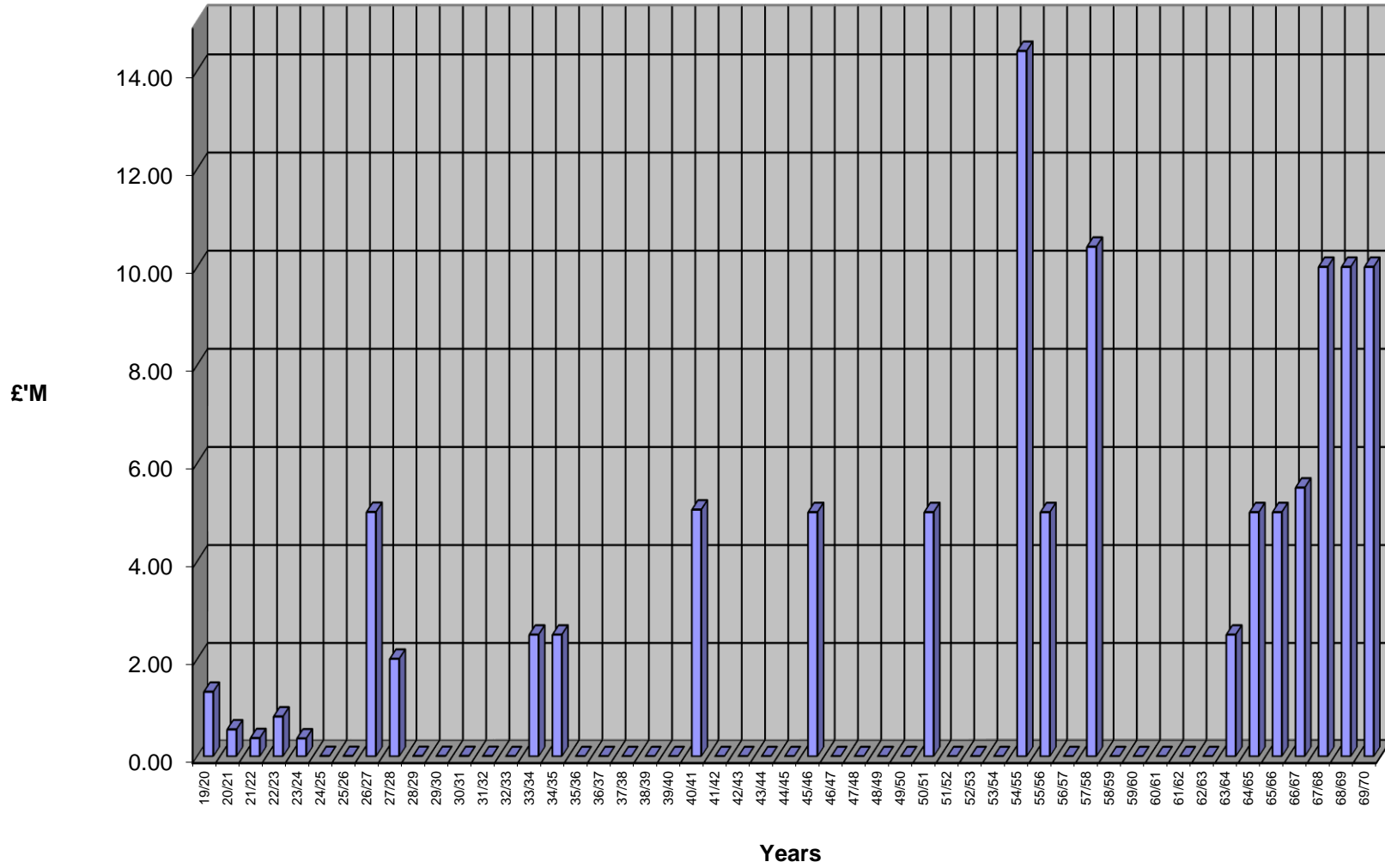
Credit ratings of organisations on the counter-party list are subject to continuous monitoring and review to ensure that subject to available professional advice, approved organisations remain sound for investment purposes.

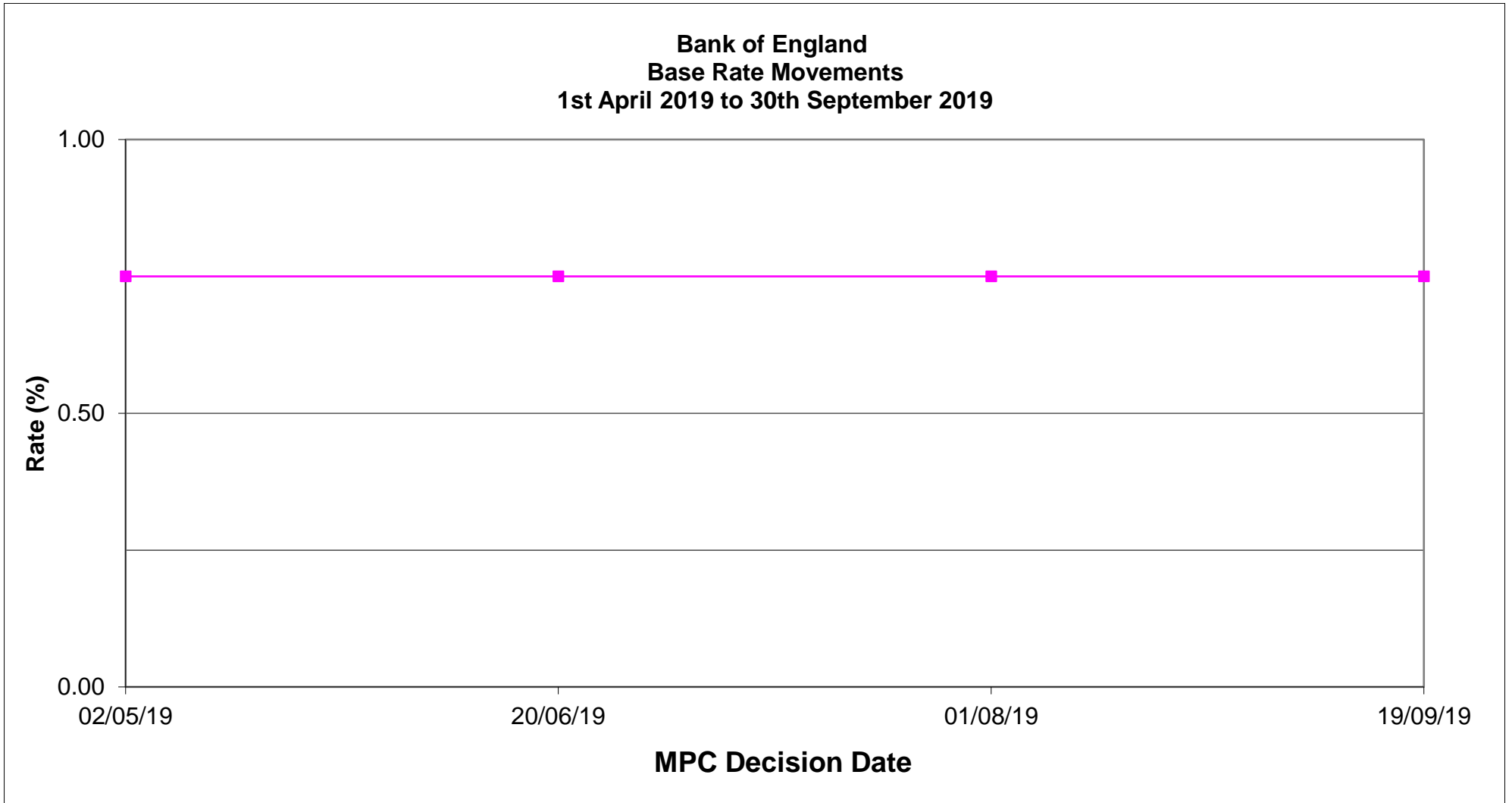
8. Increase in the cost of borrowing from the PWLB

On 9 October 2019 the Treasury and PWLB announced an unexpected immediate increase in the PWLB rates of 1%. Fortunately the Council had already secured £20 million of planned borrowing at the lower rates, however like all other local authorities we must now reassess our longer term borrowing and capital investment plans to recognise this change.

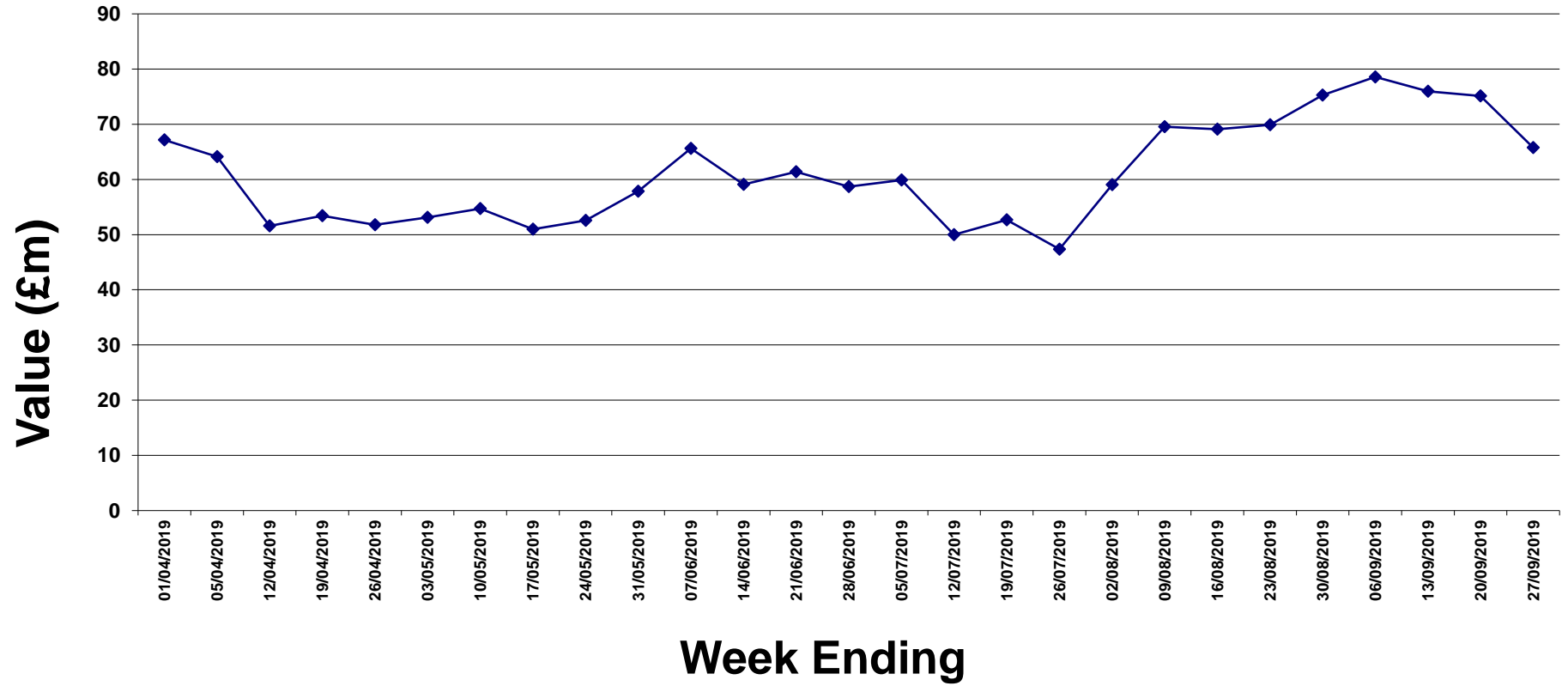
COSLA are making representation to HM Treasury on the potential impact of this increase and the Council will also take advice from our Treasury Advisers on any alternative cheaper sources of borrowing. Members will be updated as this area evolves.

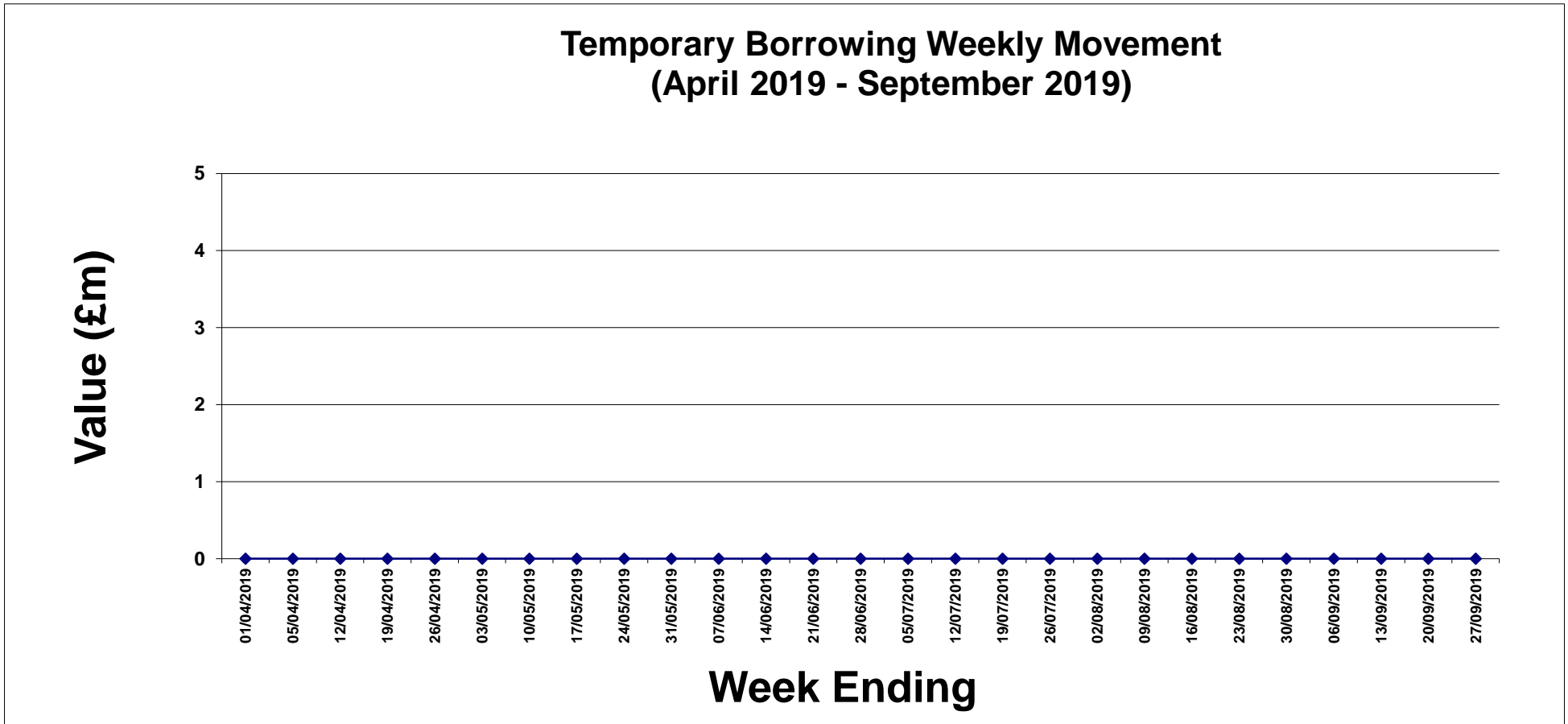
Long Term Debt Maturity Profile as at 30/09/19



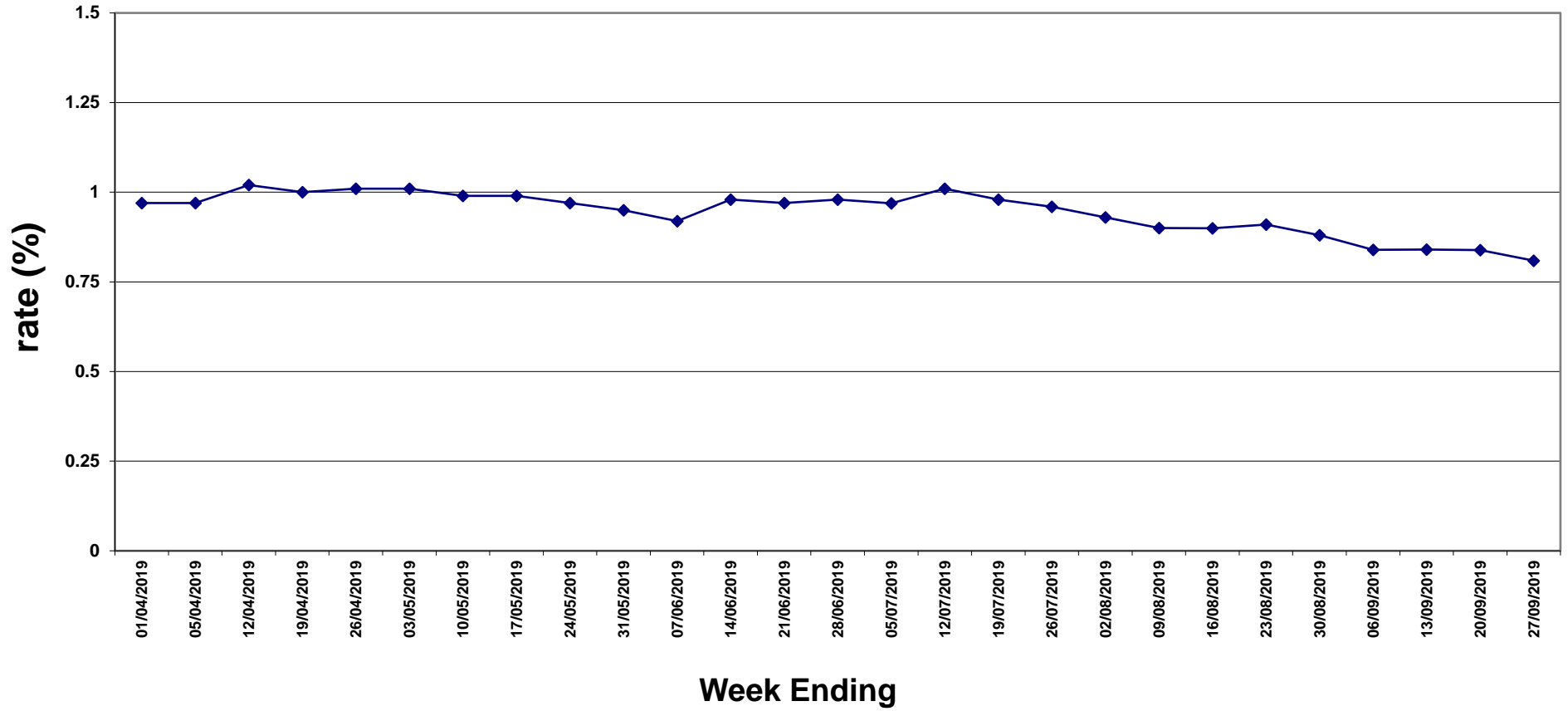


Temporary Deposits Weekly Movement (April 2019 - September 2019)





Temporary Deposit Interest Rate Movements (April 2019 - September 2019)



ORGANISATIONS APPROVED FOR THE INVESTMENT OF SURPLUS FUNDS

Banking Group	Individual Counterparty	Limits	
		Deposit	Transaction
Bank of England	Debt Management Office	£5m	£5m
	UK Treasury Bills	£5m	£5m
Barclays Banking Group	Barclays Bank	£5m	£5m
Goldman Sachs International Bank		£5m	£5m
HSBC		£5m	£5m
Lloyds Banking Group:	Bank of Scotland	£12.5m	£12.5m
Royal Bank of Scotland Group:	Royal Bank of Scotland	£5m	£5m
	National Westminster Bank PLC		
Santander Group	Santander UK PLC	£7.5m	£7.5m
Standard Chartered Bank		£5m	£5m
Clydesdale Bank		£0m	£0m
Building Societies			
Nationwide		£5m	£5m
Local Authorities			
All Local Authorities including Police & Fire		£5m	£5m
Money Market Funds			
Maximum limit of £5m per fund, with the exception of Federated which has a maximum of £10m		£40m	£5m

Credit Ratings

	Fitch		Moody's		S&P	
	LT	ST	LT	ST	LT	ST
Minimum Criteria (Unless Government backed)	A-	F1	A3	P-1/P-2	A	A-1/A-2

(please note credit ratings are not the sole method of selecting counterparty)

Limit

Investment of surplus funds is permitted in each of the above organisations, limits can only be exceeded or another organisation approved with the written permission of the Chief Financial Officer.

Deposit Periods

The maximum period for any deposit is based on the LINK Suggested Duration matrix with a maximum of 6 months. The exception to this is deposits with the Bank of Scotland which is set at 365 days. These limits can only be exceeded with the written permission of the Chief Financial Officer.

Hub scheme deposit periods are dependent on the lifetime of the associated scheme.

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EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE21 NOVEMBER 2019Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2019/20 QUARTER 2**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2019/20.

BACKGROUND

2. The work performed by Internal Audit is based on a rolling 5-year strategic plan, which is revised annually to take into account changes in circumstances. This report is provided to allow members to monitor the activities of Internal Audit and to oversee actions taken by management in response to audit recommendations.

AUDIT PLAN 2019/20 - PROGRESS REPORT QUARTER 2

3. A copy of the annual audit plan for 2019/20 is shown in appendix 1. A total of 9 audit reports relating to planned 2019/20 audit work have been issued in quarter 2 as shown in appendices 2 and 3. A management response has yet to be received for one of them. Details of one report issued in 2018/19 is also now provided in appendix 3 as the management response had not been received at the time of the previous progress report. Responses are deemed to be satisfactory if all recommendations are accepted for implementation by management and where any recommendation is not accepted, a satisfactory reason is given. The quarterly performance indicators for the section are shown in appendix 4.

4. Four new requests for assistance were dealt with using contingency time during the quarter. Two of these related to theft of council assets from council premises, and both were reported to the police. Review of data migration from the old financial system to the new one was also carried out using contingency time.

5. It is proposed that the planned audit of council tax recovery and enforcement is deleted from the annual plan as this would cover the same control objectives of corporate debt recovery which is also included in the plan and is currently in progress. Additionally it is proposed to delete NFI from the plan as previously this time was to assist in checking some of the matches resulting from the NFI exercise. All matches have been allocated to the relevant service to check this year therefore Audit is not required to assist.

RECOMMENDATION

6. The Committee is asked to:

- (a) note Internal Audit's progress report for audits completed in quarter 2 of 2019/20.

(b) confirm whether they wish any of the reports detailed in appendix 3 to be circulated to audit and scrutiny committee members or submitted to a future meeting for more detailed consideration.

(c) Approve deletion of council tax recovery and enforcement audit and NFI from the annual plan.

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.

EAST RENFREWSHIRE COUNCIL
Internal Audit Section
ANNUAL AUDIT PLAN FOR 2019/20 PROGRESS REPORT

Department	Title	Audit Number	No. of days	Status
Chief Executives	Ordering and Certification	1	20	
Corporate & Community	GDPR	2	15	Complete
	Barrhead and Eastwood Payment Centres	3	16	
	Corporate Debt Recovery	4	20	In progress
	Council Tax – Recovery and Enforcement	5	18	Propose to delete
	Creditor Payments	6	10	In progress
	Debtors control	7	10	
	Housing Benefit/ Universal Credit	8	30	
	Licensing income	9	15	
	Scottish Welfare Fund	10	15	Complete
	Travelling and subsistence	11	12	
	Education	Building cleaning	12	15
Schools Cluster		13	32	
Operation of Trust		14	15	deleted
Environment	Contract – Implementation of Cole Report	15	15	In progress
	City Deal	16	15	In progress
	Grant Certification	17	15	
	Grounds maintenance	18	15	In progress
	Highways maintenance	19	20	In progress
	Parks and other outdoor income	20	8	In progress
	Stores	21	20	Complete
	Trade Refuse Income and special uplifts	22	12	
	Climate Change Report	23	5	
	Year end Stocktake	24	5	
Housing	Housing Rent Accounting	25	20	In progress
	Housing – voids, garage allocations etc	26	14	
HSCP	Bonnyton House	27	10	In progress
	Payments to care providers	28	25	
	Carers Legislation	29	15	In progress
	IJB	30	20	
Trust	Community and Leisure Limited Trust	31	20	In progress
Other	NFI	32	12	Propose to delete
Various	Environmental Controls - general	33	10	In progress
	Contract 2	34	25	
	Fraud Contingency	35	66	
	General Contingency	36	30	In progress
	LG Benchmarking Framework	37	10	Complete
	Follow up	38	50	In progress
	Previous year audits	39	20	Complete
	Total			720

Note – Audit reports issued in the quarter are shown in bold

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SUMMARY OF 2019/20 REPORTS ISSUED IN QUARTER ENDED 30 SEPTEMBER 2019 AND 2018/19 AUDITS NOT INCLUDED IN PREVIOUS PROGRESS REPORTS

1. MB1093NS PAYMENT OF INVOICES PERFORMANCE INDICATOR

The objectives of the audit were to ensure that the reported performance indicator which measures the percentage of invoices paid within 30 days was materially correct.

The original figure submitted for audit for 2018/19 of 81.4% was deemed to be materially accurate.

Three recommendations were made, all were classified as low risk. All recommendations made were accepted by management.

2. MB1094NS EASTWOOD SCHOOL CLUSTER

The objectives of the audit were to ensure that:

- school/toy funds are operated in accordance with education guidance standard circular 23
- petty cash is operated in accordance with council procedures
- purchases are procured in accordance with council procedures
- the Home Economics Account (Eastwood High only) is properly operated
- access to system, virements and budgetary control are operated in accordance with Devolved Schools Management (DSM) procedures
- risk registers are in place and have been updated recently
- school admission checks are carried out in accordance with Council policy

There are six establishments within this school cluster. Whilst 16 recommendations were made in total, (no high risks, 7 medium risks and 9 low risks) there is some repetition with the same recommendation being made at multiple locations. All recommendations were accepted by management.

Most objectives were being met and records held at the establishments visited were found to be up to date and maintained in an appropriate format to allow samples to be easily traced to the supporting records. No recommendations are made for two of the establishments visited. In the remaining four there is scope for improvement in the management of funds, format of cash book could be improved and descriptions of expenditure could be more accurate. Almost all of the recommendations within the report related to the school funds held at the establishments. The format of home economics records held at Eastwood High could be greatly improved and the current format did not allow for a full reconciliation of income to be carried out.

3. MB1095NS TRUST

This was an audit carried out on behalf of the East Renfrewshire Culture and Leisure Trust, therefore details are not provided here.

4. MB1096NS CORPORATE AND COMMUNITY FOLLOW UP AUDIT

A full copy of this report and the responses will be circulated to Audit and Scrutiny Committee Members once all responses are received.

5. MB1098NS BARRHEAD AND EASTWOOD PAYMENT CENTRES

The objectives of the audit covered:

- Policies and procedures
- Cash counts and general security
- Cash up differences and reversal transactions
- Postal payments
- Reconciliations.

The records held at both locations were generally well maintained and were up to date at the time of the audit visit. There were minor anomalies in relation to processing postal cheque payments and recording of cash up differences.

The paperwork held to show that reversal transactions were being reviewed did not cover all machines at both locations for which it is possible for the cashiers to process reversals on and there was one monthly review that had been completed by a cashier who had carried out reversal transactions during the month.

The sample of daily income reviewed during the audit included payments that had been made via card. Audit was unable to verify that all card income was being received in the bank account as the reconciliation had not yet been completed for 2018/19 at the time of the audit.

Seven recommendations were made, three were classified as medium and four classified as low risk. All recommendations were accepted by management.

The medium risk recommendations are reproduced below with the management response.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.2.1	The daily reports generated to monitor reversals should be amended to ensure that they cover all machines from which reversals can be processed at both payment centres.	Medium	Yes	Request with ICT to amend report production to cover all workstations. Supervisor to check and generate any additional reports meantime. This change will be sent via e-mail and verified as 'read and understood' until investigated by ICT.	Alan MacDonald	30/12/19
4.2.2	The review of the reports should be completed by a supervisor who is not responsible for processing payments.	Medium	Yes	Monthly checks will be allocated to a Grade 9 Team Leader or Senior Registrar (who will never process payments). Procedure will be updated to reflect this, confirmed to staff via e-mail and verified as 'read and understood'.	Alan MacDonald	30/10/19
4.4.1	Evidence of card payments received at the payment centres being reconciled to the bank and ledger should be provided to audit to evidence that they are being carried out and all income can be accounted for.	Medium	Yes	The 2018/19 reconciliation is completed as part of the year end processes. This identifies timing differences - being the total balance on the two accounts – along with amounts to be transferred between trust and council. This journal was completed (both as an interim at Period 12 and as a final year	Mark Waugh	1/11/2019

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
				<p>end transfer).</p> <p>A further reconciliation should be completed as part of the first 2019/20 reconciliation which identifies the amounts that make up the timing differences as being received in 2019/20. This was not yet completed at the time of the audit however over 90% of the difference had been matched.</p> <p>The reason for the differences identified at 4.4 remain under investigation and may affect other dates including some around year end. Resolving this will ease the reconciliation process and allow the remaining timing differences to be reconciled.</p>		

6. **MB1099FM EDUCATION FOLLOW UP AUDIT**

A full copy of this report and the response has been circulated to Audit and Scrutiny Committee Members.

A total of 14 accepted recommendations were made in the reports being followed up. Follow-up checks carried out during the audit showed that good progress has been made in implementing recommendations previously made.

Three recommendations were made, all were classified as low risks. All recommendations were accepted by management.

7. **MB1100RM TRUST**

This was an audit carried out on behalf of the East Renfrewshire Culture and Leisure Trust, therefore details are not provided here.

8. **MB1101FM SICKNESS ABSENCE PERFORMANCE INDICATOR**

The objectives of the audit were to ensure that the reported performance indicator which measures sickness absence was materially correct.

The original figure submitted for audit for 2018/19 of 6.1 days lost per employee for teachers and 12.2 days per employee for all other Local Government employees were deemed to be materially accurate.

Two recommendations were made, both were classified as low risk and were accepted by management.

9. MB1106NS SCOTTISH WELFARE FUND

The objectives of the audit were to ensure that:

- Guidance from Scottish Government is available and followed
- Council guidance and procedures notes are available and implemented
- All community care and crisis grants are supported by a completed application form
- Community care and crisis grants are processed timeously
- Appropriate checks and monitoring are carried out in processing and awarding community care and crisis grants
- Grants are only approved in accordance with Scottish Government criteria and appropriate records are held in evidence of refusal
- Adequate controls are in place over the use of Allpay cards
- Data returns to the Scottish Government are accurate and timeous.

The sample of grants taken showed that generally the target timescales are being met and there is an appropriate audit trail in place to support the amounts awarded.

Minor weaknesses were noted in relation to the documentation held to support decisions to refuse the award of a grant and also to document reasons for delays in processing the applications.

A review of the Scottish Welfare system showed that the name of a former employee is showing as having been involved in the decision making process despite them having been removed from the system.

Six recommendations were made, one of which was medium, the remaining ones being classified as low.

The medium risk recommendation and the one not accepted by management are reproduced below with the management responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.3.1	The software supplier should be contacted and requested to ensure that the system shows up to date information in relation to officers accessing the system and what they have done.	Medium	Yes	An action request has been raise with SWF system supplier Northgate on 19/09/2019 (call: 602005). The call was reviewed 11/10/2019 and is still pending. If no response is received by 30/11/2019 the call will be progressed though the Northgate escalation process.	Senior Revenues Officer	31/03/2020
4.6.1	A review process should be in place to ensure that any potential misuse of funds awarded are identified and considered when future grant applications are received. There should also be an audit trail to ensure that applicants have been asked to explain the circumstances where appropriate.	Low	No	Every application to the Scottish Welfare Fund has to be considered based on its own merits. The Scottish Government statutory guidance for decision makers (4.9) states that (point 1) the decision maker must treat applicants with respect and preserve their dignity and (point 8) must make a reasonable and fair decision, based on all the facts of the case, in keeping with the laws of natural justice.		

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
				Once an award has been made, there is no way of determining if the claimant has made changes in their personal circumstances which would allow for the funds to be used for a purpose not included in their initial application. The decision maker must not be judgemental in their approach to customers who are already experiencing very difficult circumstances. It could discourage further approaches for assistance from our residents and therefore we cannot accept this recommendation.		

10. MB1110RM IJB FOLLOW UP AUDIT

This was an audit carried out on behalf of the East Renfrewshire Integration Joint Board therefore details are not provided here.

2018/19 AUDITS NOT INCLUDED IN PREVIOUS PROGRESS REPORT

11. MB/1086/RM PROJECT MANAGEMENT OF CAPITAL PROJECTS

The objectives of the audit were to ensure that:

- Risk control measures are in place and can be evidenced as noted in the Council's strategic risk register to mitigate increased construction inflation costs negatively impacting on the planned capital plan
- Building Cost Information Service (BCIS) indices are monitored and used to inflate projects to mid construction point
- Estimated costs can be demonstrated from the source and any assumptions are justifiable and consistent
- Contract specifies the type of increased costs which will be allowed and any such costs have been authorised by Council's project manager

There are several initiatives being taken to improve capital monitoring and the process of establishing enhanced scrutiny and quality of information provided at the outset of the project. Specifically, the Capital Project Appraisal (CPA) process is being reviewed, the CMT now have sight of progress reports on an individual project basis and approval is to be sought for a project management system to be procured. In addition, quarterly monitoring meetings between key managers involved in capital projects has been increased to monthly, there is an identifiable project manager now more overtly specified for each project, and capital monitoring reports have been expanded. Red/Amber/Green (RAG) status reports are also now being provided to the Director of Environment. More detailed narrative explanations have been added to capital monitoring reports submitted to Cabinet.

BCIS indices used to uplift contracts are not being formally documented. This is a proposed control measure in the Council's strategic risk register but does not have a date of completion noted. While an extended Capital Investment Strategy has been approved, there is no current process underpinning this.

Eight recommendations were made, all of which were classified as low risk. All recommendations were accepted by management.

Risk Ratings for Recommendations	
High	<ul style="list-style-type: none"> • Key controls absent, not being operated as designed or could be improved and could impact on the organisation as a whole. • Corrective action must be taken and should start immediately.
Medium	<ul style="list-style-type: none"> • There are areas of control weakness which may be individually significant controls but unlikely to affect the organisation as a whole. • Corrective action should be taken within a reasonable timescale.
Low	<ul style="list-style-type: none"> • Area is generally well controlled or minor control improvements needed. • Lower level controls absent, not being operated as designed or could be improved
Efficiency	<ul style="list-style-type: none"> • These recommendations are made for the purposes of improving efficiency, digitalisation or reducing duplication of effort to separately identify them from recommendations which are more compliance based or good practice.

EAST RENFREWSHIRE COUNCIL
Internal Audit Section

QUARTERLY PERFORMANCE INDICATORS

<u>Internal Audit Indicators reported Quarterly</u>	Target (where applicable)	Quarter 2 Actual	Cumulative 2019/20
2. Audit Coverage.			
2.2 Actual direct audit days as a percentage of total days available	75%	78%	74%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	4	8
2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence)	<100%	18%	24%
5. Issue of Reports.			
5.1 Number of audit reports issued per quarter.	-	9	12
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	13.2 weeks	12.1 weeks
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	11.9 working days	10.6 working days

Notes

1. Average weeks calculated as working days divided by 5.
2. Working days excludes weekends, public holidays, annual leave and sickness absence.

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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

21 November 2019

Report by Chief Executive

INVESTIGATION ON INCOME GENERATION AND COMMERCIALISATION
FINAL DRAFT REPORT

PURPOSE OF REPORT

1. To submit the Audit and Scrutiny Committee's final draft report on its investigation into income generation and commercialisation opportunities within East Renfrewshire Council.

RECOMMENDATIONS

2. It is recommended that the Audit and Scrutiny Committee:-
- (a) approves the final draft of its report on its investigation into income generation and commercialisation opportunities within East Renfrewshire Council, including related recommendations, for submission to the Cabinet (Appendix 1 refers); and
 - (b) agrees that a progress report on the implementation of the recommendations on income generation and commercialisation that are accepted by the Cabinet is requested, and submitted to the Audit and Scrutiny Committee at a future date.

BACKGROUND

3. The Audit and Scrutiny Committee agreed on 20 June 2019 to investigate income generation and commercialisation opportunities within the Council. It was also agreed that the review had potential to generate new income streams; could contribute to the Council achieving future savings targets; and help it meet the strategic priority areas of the Community Plan, and to deliver the Council's corporate plan 'Vision for the Future'. The review was also considered to have potential to:

- demonstrate financial responsibility to the East Renfrewshire community;
- help to deliver Best Value;
- sustain or improve service levels for local citizens and customers;
- develop stronger links with businesses and organisations;
- form collaborative links with other councils; and
- install a sense of self-awareness of where the Council is positioned, in terms of benchmarking information.

4. The investigation was conducted between July and October, with interim progress reports provided to the committee on 15 August and 26 September. It was agreed that the committee's final report on its investigation should be submitted to the committee on 21 November 2019. A copy of the final draft report is attached for consideration (Appendix 1 refers).

PROGRESS TO DATE

5. Members of the committee were actively involved in gathering information and taking evidence, and all were given the opportunity to submit comments throughout the course of the investigation.

6. As reflected in the attached draft report, work on the investigation included convening a series of informal meetings between representatives of the committee and departments during August and September 2019 at which current and planned approaches to income generation and commercialisation were discussed. To assist the committee, both in advance of those meetings and subsequently when members of the committee were considering which issues they wished to refer to in their final report, briefing notes were prepared and issued by the Scrutiny and Evaluation Officer on 19 August and 4 October. These contained guidance on commercialisation available from national organisations; examples of income generation activities of other councils, both in Scotland and England; and comments on the proposals discussed with council departments.

7. Common themes discussed at the meetings in August and September 2019 referred to above included:-

- how annual savings targets are being met each year;
- ways in which external income is currently being generated;
- how a culture of commercialisation is being introduced within departments;
- how the interests of East Renfrewshire citizens and the Council's reputation could be protected;
- examples of savings or other benefits gained by, for example, working with other councils, partners, or the business community; and
- which new commercialisation opportunities departments or services intended to introduce.

FINAL REPORT AND CONCLUSION

8. A final informal meeting of the committee took place on 8 October 2019, to further consider issues that had been discussed and determine what the committee wished to comment and make recommendations on in its final report. The final report, summarising the work of the investigation is attached (Appendix 1 refers).

9. The recommendations made by the committee are itemised in Appendix 1 to the committee's report. One of the key recommendations is that an East Renfrewshire Council policy on income generation and commercialisation should be developed, supported by a cross-departmental team (with commercialisation skills and experience), to implement the key recommendations of the policy and an associated action plan. Such an approach, which is already in operation within the Council's Environment Department and commonly used by other councils, places increased focus on income generation and a culture of commercialisation.

10. Several areas of good financial practice, although not necessarily income generators in their own right, were also discussed during the meetings with departments. Comments on these have been included in the final report where considered appropriate.

RECOMMENDATIONS

11. It is recommended that the Audit and Scrutiny Committee:-
- (a) approves the final draft of its report on its investigation into income generation and commercialisation opportunities within East Renfrewshire Council, including related recommendations, for submission to the Cabinet (Appendix 1 refers); and
 - (b) agrees that a progress report on the implementation of the recommendations on income generation and commercialisation that are accepted by the Cabinet is requested and submitted to the Audit and Scrutiny Committee at a future date.

Chief Executive
4 November 2019

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Background Papers

Report by Chief Executive to Audit and Scrutiny Committee, 20 June 2019: Proposed Guide to Scrutiny and Review

Report by Chief Executive to Audit and Scrutiny Committee, 15 August 2019: Investigation on Income Generation and Commercialisation – Update on Progress

Report by Chief Executive to Audit and Scrutiny Committee, 26 September 2019: Investigation on Income Generation and Commercialisation – Update on Progress

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EAST RENFREWSHIRE COUNCIL

INCOME GENERATION AND COMMERCIALISATION

INVESTIGATION BY THE AUDIT AND SCRUTINY COMMITTEE

FINAL DRAFT

Date: 31 October 2019

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FOREWORD

The principal purpose which underpinned the drive from the members of the Audit and Scrutiny Committee to undertake a review of income generation and commercialisation, was how the committee could help East Renfrewshire Council meet the serious financial challenges it faces now and in the future, and how these could be mitigated.

Successful outcomes from this investigation will help the Council to deliver on the strategic priority areas of the Community Plan and the Council's corporate plan 'Vision for the Future'. Clearly, there are other benefits which can be derived from the investigation under the Council's general approach to delivering Best Value, and these are described in more detail in the following sections.

During the discussions which we undertook with the Council's departments and services, some common themes were evident. It was clear that a culture of commercial awareness was emerging, and that departments were starting to collaborate more with each other on generating income. Closer working was also taking place with other organisations which, for example, could provide advice or training on commercialisation, such as the Association of Public Sector Excellence (APSE). All of the departments were planning ahead to extend their reach on income generation activities, and recovery of costs.

A word of caution however. This is only the start of the process for East Renfrewshire Council and the good work already put in place should be continued and developed. We feel that the culture of commercialisation should be expanded more widely across all departments, and the skills and knowledge of existing employees with experience in commercialisation should be used for the benefit of the Council. This base of commercial expertise should be enhanced through the Council's recruitment process by including commercialisation requirements for certain key posts. The committee were pleased to note that this process had already commenced in some areas for example in relation to property asset management.

One of the key recommendations from the investigation is that the Council considers developing a policy on income generation and commercialisation to better coordinate activities, and to maximise opportunities for success.

In the course of the investigation, the committee were very impressed with the level of commitment which the departments showed, and we thank the teams which we met, and their management too, for contributing to the committee's work. My gratitude is also extended to the members of the committee for their support throughout this process.

Finally, on behalf of the committee members, I commend this report and its recommendations to you.

Councillor Stewart Miller
Chair of Audit and Scrutiny Committee
31 October 2019

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EXECUTIVE SUMMARY

1. The Audit and Scrutiny Committee has undertaken its first full investigation since 2016, in compliance with a recommendation from the Best Value Assurance Report of East Renfrewshire Council by Audit Scotland in November 2017.
2. Positive measures are underway across the Council's departments to develop a culture of commercialisation, building upon current income generation activities, and planning of new areas for implementation. These approaches are commended and should be continued as part of planned actions.
3. Cross-departmental working on income generation initiatives is evident, for example in the staging of major events, and liaison with external bodies for advice and training purposes regarding commercialisation. These initiatives should be supported and encouraged.
4. Further work is required to develop commercialisation skills and experience 'in-house'. This should include various measures, including targeted recruitment practices, evidence of which is already underway for example in property asset management.
5. Strong leadership from senior management in encouraging income generation and commercialisation initiatives is welcomed, and should be continued.
6. The recommendations for actions on discrete areas of income generation and financial management are listed in the Appendix 1 to this report, and are wide-ranging. The over-arching recommendation is to establish a new policy for East Renfrewshire Council on income generation and commercialisation, which would involve:
 - creating action plans, and setting of income/savings targets;
 - developing the existing culture of commercialisation within the Council, including training for employees and Elected Members;
 - formation of a cross-departmental team with commercial expertise;
 - including commercialisation skills and experience in the person specification for specific posts which are advertised;
 - continuing participation in commercialisation workshops e.g. through the Association of Public Sector Excellence (APSE);
 - structured information sharing between departments, and greater collaboration with other councils; and
 - including a requirement for all departments of the Council to discuss their commercialisation plans with Legal Services for advice, prior to entering into discussions with third parties.

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1. INTRODUCTION

1. On 20 June 2019, the Audit and Scrutiny Committee decided that a detailed review should be progressed on income generation and commercialisation opportunities within East Renfrewshire Council. The investigation was carried out from July to October 2019. The decision to select this topic area originated from a suggestion made by the Chair, and was discussed initially at an informal meeting of the committee held on 31 May 2019, along with a draft *Guide to Scrutiny and Review*, and a range of potential areas for scrutiny and review investigations.

2. This review area has the potential to generate new income streams and develop innovative solutions to address the Council's financial challenges. This may assist the Council in contributing towards its savings targets. Additional potential benefits include: financial planning now and for the future; demonstrating financial responsibility to the East Renfrewshire community; delivering Best Value; sustaining or improving service levels for local citizens and customers; developing stronger links with businesses and organisations; developing collaborative links with other Councils; and self-awareness of where the Council is positioned, in terms of benchmarking information.

3. Further informal meetings between the committee and the Council's departments took place during August and September to discuss plans for income generation and commercialisation. This allowed the committee to ask questions, and take a considerable amount of evidence. A final informal meeting was held on 8 October to allow provisional views to be formed on the options, and to allow the committee to decide the recommendations it wished to make. Fuller details of these meetings are provided in the following sections.

4. Progress reports on the investigation were submitted to the scheduled meetings of the committee held on 15 August and 26 September, with the final draft of the report on the investigation considered on 21 November 2019. The final report includes terms of reference, methods used, findings, and recommendations for further consideration by the Cabinet. An open dialogue was maintained with members of the committee which allowed them to contribute their views, ask questions, and participate actively throughout the investigation.

5. It is worthwhile noting some contextual background to the investigation. The Best Value Assurance Report for East Renfrewshire Council (Audit Scotland: November 2017), included a recommendation that Elected Members should take a more transparent and active role in scrutiny. Following the appointment of a Scrutiny and Evaluation Officer in April 2019, to assist the Audit and Scrutiny Committee, a *Guide to Scrutiny and Review* in East Renfrewshire Council was considered by the committee on 20 June 2019, and subsequently approved by the Council on 26 June 2019.

6. The new *Guide* includes advice on scrutiny, review and evaluation which is now available to all committees and Elected Members for their use. Future reviews will be assessed using selection and rejection criteria, and prioritised using the ratings for reviews which were agreed by the committee on 15 August:

Priority 1: High (A review is required: work to be scheduled to commence following completion of latest review on list);

Priority 2: Medium (A review is required: timing of commencement of work to be considered to achieve optimum outcomes); and

Priority 3: Low (Area suitable for a review, although not in the immediate future: however, area to remain under observation).

2. SCOPE OF INVESTIGATION

7. The Audit and Scrutiny Committee on 20 June 2019, agreed that a detailed review be progressed on income generation and commercialisation, in relation to which the following objectives would be pursued:-

- (i) gathering background information on current practices within other local authorities in Scotland and England, including lessons learned;
- (ii) reviewing benchmarking information available, to identify service charges in other local authority areas not currently in place in East Renfrewshire Council;
- (iii) considering ethical, risk, reputation management and legal issues associated with selling advertising space;
- (iv) exploring potential to pursue commercialisation opportunities in East Renfrewshire including identifying any potential restrictions and barriers; and
- (v) reviewing audit reports available on the area of review.

8. The questions posed by the committee, when they met the Council's departments, centred on common themes which had been discussed with departments on a preliminary basis in advance, and included:

- how annual savings targets were being met each year;
- the ways in which external income was currently being generated;
- how a culture of commercialisation was being introduced within departments;
- protecting the interests of East Renfrewshire citizens, and the Council's reputation;
- examples of savings, or other benefits gained, for example by working with other - councils, partners, or the business community; and
- which new commercialisation opportunities departments or services intended to introduce.

3. METHODOLOGY

9. The committee decided that a mixed-methods approach should be adopted to undertaking the investigation, to realise the potential for achieving maximum benefits. Arguably the more information sources which were used and reviewed the better equipped members of the committee would be to form a more rounded picture of the issue under scrutiny. This involved the following approaches:

1. Gathering information from other local authorities regarding their income generation activities, both in Scotland and England. This was carried out through meetings, telephone conversations, email correspondence and website searches;
2. Collecting evidence from national organisations of guidance which was available on income generation and commercialisation;
3. Accepting an invitation from Audit Scotland to hold an informal discussion between their representatives and the Chair and Vice Chair of the committee, and the Scrutiny and Evaluation Officer, on 2 July 2019. This involved the sharing of experiences on commercialisation opportunities undertaken by other audited bodies, primarily in England, which was of value to the investigation;

4. Asking the Scrutiny and Evaluation Officer to liaise with East Renfrewshire Council's departments to hold initial discussions on their current income generation activities; to hear about plans which they may have to create new commercial opportunities; and to pass on information gathered from other local authorities about their initiatives and experiences;
5. Arranging for the committee to meet each of the Council's departments to ask questions, and to take evidence; and
6. Inviting the committee membership to contribute suggestions at each stage of the review, and keeping them informed through the issuing of briefing notes and guidance from national organisations.

The following section provides details of the work undertaken, and findings.

4. FINDINGS

Liaison with External Bodies and Background Material

10. One of the first actions undertaken involved the Chair and Vice Chair of the committee and the Scrutiny and Evaluation Officer meeting representatives of Audit Scotland on 2 July 2019 to discuss commercialisation experiences of other audited bodies, primarily in England. Due to pressures arising from the different arrangements for central government funding of councils in England, there had been a greater tendency for some English councils to be less risk-averse than their Scottish counterparts. Examples of commercialisation activities by some English councils included: creating public energy companies; establishing a solar wind farm; and purchasing property such as hotels, shopping centres, supermarkets, and land for mixed-use housing. Reflecting the substantially increased use of the Public Works Loans Board (PWLB) by local authorities in recent months, as the cost of borrowing had fallen to record low levels, HM Treasury on 9 October 2019 increased the cost of borrowing by 1%. This increase will apply to new loans, and has various implications for local authorities, including commercialisation plans which involve borrowing from PWLB to invest in property, in order to provide new income streams. We did not consider all such approaches viable or appropriate for East Renfrewshire Council in any case due to the level of risk involved.

11. Discussions have been taking place for some time between senior officers of East Renfrewshire Council, and a range of bodies such as: the Society of local authority chief executives and senior managers (Solace), which provides advice on commercialisation opportunities; APSE which organises commercialisation workshops which the council participates in, and has published a generic business case framework for establishing fees and charges for the Environment Department; the Chartered Institute of Public Finance and Accountancy (CIPFA) which organises workshops on commercialisation with a particular focus on property and asset management; and Price Waterhouse Coopers (PwC) which produced a benchmarking report on charges for services in 2017 which included East Renfrewshire Council. Audit Scotland through its 'how councils works' series, has also produced helpful advice on charging for services. This was all useful information in the context of the review.

12. In May 2018, Audit Scotland produced a report on Arms-length External Organisations (ALEOs), which has particular relevance given that many councils have used this mechanism to run commercial enterprises such as facilities and property management, as the Council did when it established the Culture and Leisure Trust. It reflects that financial advantages which could have been realised previously from using an ALEO, in relation to

Non-Domestic Rates (NDR) have changed. For example, NDR relief on leisure trust properties is still available, but it has been capped at the current level. A web-link was provided for the committee giving access to an Improvement Service publication on 'Income Generation Research' which provided examples of where councils had taken action beyond raising fees and charges, and instead, had taken a commercial approach to delivering services, maximising their assets, or entering into partnerships with other providers.

13. All of the above provided useful background to the investigation.

Briefings

14. Members of the committee were provided with a briefing note from the Scrutiny and Evaluation Officer on 19 August in advance of meeting the Council departments. This included links to advice which was available from national organisations on commercialisation, and examples of potential areas for further investigation, which had been obtained from other councils through meetings; email exchanges, telephone conversations and Internet searches. This provided useful background material for the committee.

15. A second briefing note was issued to the committee on 4 October which summarised the discussions with departments, and provided options for consideration, which assisted the committee with the formulation of recommendations.

Meetings with Council Departments

16. The committee discussed income generation and commercialisation opportunities with the Council departments during August and September, to enable evidence to be taken and the gathering of information:

Informal Meetings of Audit and Scrutiny Committee	Date
Corporate and Community Services	23 August 2019
Chief Executive's Office	26 August 2019
Education Department	9 September 2019
Environment Department	13 September 2019

17. Discussions between representatives of the committee and the departments on existing initiatives, and potential future ones, informed our thoughts, and have been summarised below:

Corporate and Community Services

18. The committee noted the good work which the department was carrying out on the transformation of services; and in reclaiming monies due to the Council from people who were not entitled to single person's council tax discount. The following areas were also discussed and considered in more detail:

- staging of future major events, such as the Playground Festival at Rouken Glen Park in August, which involved collaborative working with other departments;
- the need to consider a new public car parking policy due to pressure points across East Renfrewshire;
- digital telecare system, and the potential to provide care services on behalf of other local authorities or organisations, and to market the associated business development skills around this area;

- the need to recruit employees who have the requisite commercial experience and skills;
- the importance of further participation in external commercialisation groups involving a mix of representatives from other local authorities and organisations; and
- workforce planning in the context of what the committee was looking at.

Chief Executive's Office

19. The committee noted that the Legal Services team provides valuable legal advice and assistance on new commercial opportunities. A council-wide procurement service is also provided under the management of the Chief Officer – Legal and Procurement which is focused on achieving Best Value, with decisions being reached after an options appraisal exercise is carried out. The following areas were discussed and considered in more detail:

- taking a more commercial approach to procurement, to achieve efficiencies/maximise income potential from collaborative framework arrangements, e.g. with Scotland Excel;
- to stimulate the East Renfrewshire local economy by using local suppliers in relation to Council procurement and purchasing activities;
- establishing a requirement for all departments of the Council to discuss their commercialisation plans with Legal Services, for advice, prior to entering into discussions with third parties. It was felt that this requirement could be included in a Council-wide policy on income generation and commercialisation (see Recommendation 1); and
- due to the obligation of Legal Services to look after the Council's interests as its primary client, there were restrictions on the type of income-generating work which can be carried out on behalf of third parties. Options would continue to be looked at for recharging work which is carried out, e.g. on licensing.

Education Department

20. The committee noted that one of the principal objectives of Education Services was to raise attainment levels for all pupils, and introducing charges for services or raising prices could have a detrimental effect on the successful work being carried out. Additional funding which Education receives is often ring-fenced, and is reinvested in schools, such as the Pupil Equity Fund, which gives Headteachers responsibility for choosing how the funding is spent. The following areas were discussed and considered in more detail:

- exploring opportunities from links between schools and the business community and other partners, in relation to training; assistance with technology, and other benefits for young persons;
- the expected financial impact of reduced levels of income from the Wraparound care service, during and following the transition to the provision of 1140 hours of free early years provision;
- the option to generate income from selling spare capacity on the school transport privilege place scheme which would not be explored further, due to the potential financial risks involved in supplying larger capacity buses; and
- the option to extend the supported study service, in addition to provisions which are already in place such as Easter Schools which would not be explored further, due to potential for widening the attainment gap between pupils from disadvantaged areas and those from more affluent ones on the basis of ability to pay.

Environment Department

21. In the same way that the committee welcomed the way in which other departments were willing to consider income generation and commercialisation initiatives, the approach which the Environment Department was undertaking at a strategic level on income generation was also supported. This included: the encouragement of cultural change; engagement with the APSE commercialisation working group in Scotland; the establishment of an income generation/commercialisation internal group; and the creation of a commercialisation action plan with income targets. The following areas were discussed and considered in more detail:

- commercial awareness training, to be open to Elected Members and officers;
- cross-departmental working, e.g. staging of major events;
- advertising opportunities;
- renewable energy options, including biogas;
- options for trade waste; waste transfer station; fleet services; grounds maintenance in new housing developments; burials; grazing lets; rental of storage units; purchase of new commercial units;
- potential introduction of a new public car parking policy to address pressure points across East Renfrewshire;
- asset management, including the appointment of a Corporate Landlord Manager which has a commercial focus; and
- garden waste collection options.

5. CONCLUSION

22. This review area has the potential to generate new income streams, which may assist the Council in its savings targets. New income streams will help the council to meet its community plan objectives, and deliver the Council strategy 'Vision for the Future'.

23. An informal meeting of the committee was held on 8 October 2019, at which the information gathered and evidence taken from the meetings with departments was discussed, allowing the committee to form provisional views on various options. All members of the committee were given the opportunity to submit their comments either in advance or at the meeting.

24. One of the committee's key proposals is to develop an East Renfrewshire Council policy on income generation and commercialisation. Such a policy could be supported by a cross-departmental team (with commercialisation skills and experience), to implement the key recommendations of the policy, and any associated action plan with income targets. This approach is already in operation successfully within the Environment Department, and is commonly used effectively by other councils often as part of a transformation policy, which gives increased focus to the whole activity of income generation and commercialisation (see Recommendations 1 & 2).

25. The committee supports plans for developing a programme of staging major events, following the commercial success of the Playground Festival at Rouken Glen Park in August 2019 (see Recommendation 3). The proposed new digital telecare system offers income generation opportunities through joint working with other councils and care providers (see Recommendation 4.). Regarding procurement, the committee would like to see further efficiencies (such as through better value for money and greater financial returns) being realised from framework contracts. Members of the committee were keen to stimulate the local East Renfrewshire economy. In keeping with this it was their view that procurement and

purchasing should involve local companies as much as possible, within the provisions of the Council's contract standing orders, to help the economy of East Renfrewshire (see Recommendations 5 & 6).

26. Partnership working is taking place between schools, the business community and further/higher education sector to provide training opportunities and work experience for young persons, and should be developed further (see Recommendation 7). The committee heard that the associated benefits tended to be in kind, rather than income being generated, but we considered that beneficial none the less.

27. The Council receives a significant amount of income from its Wraparound care service at present. The financial implications of reduced levels of income from that service should be monitored closely, during and following the introduction of 1140 hours free early learning and childcare by August 2020 (see Recommendation 8).

28. Income generation opportunities at roundabouts, Council vehicles etc. should be kept under review (see Recommendation 9) as it is not as financially attractive to pursue this as it might appear, principally because there are overheads (e.g. staff costs) associated with pursuing this. However, the Environment Department is working on a range of current and proposed commercialisation ventures, which offer real potential to generate new income. The committee supports this approach and looks forward to monitoring progress on these (see Recommendation 10). On one specific issue, the committee was aware of car parking pressure points at various locations in East Renfrewshire, and have called for a report from the departments involved, to propose a way forward to better regulate activities (see Recommendation 11).

29. As a matter of good practice and information sharing between partner organisations, it is proposed that the Chair of the committee extends an invitation to meet the Chair of the Performance and Audit Committee of the Health and Social Care Partnership to discuss the results of the investigation (see Recommendation 12).

30. During the course of the investigation, a high degree of cooperation was experienced with external organisations, other councils, and internally too across East Renfrewshire Council. The committee welcomed this.

31. It was agreed that a final report would be prepared for the committee to consider at the meeting to be held on 21 November. This summarises the work of the investigation, and provides recommendations based upon the views of members, one of which will be that the recommendations are considered at a future meeting of the Cabinet. It is also proposed that an update report be considered at a future meeting of the Audit and Scrutiny Committee on the implementation of those recommendations approved by the Cabinet.

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RECOMMENDATIONS

It is recommended that the Cabinet considers the following recommendations:

1. That the Council establish a new policy on commercialisation, to include:
 - creating action plans, and setting of income/savings targets;
 - developing the existing culture of commercialisation within the council, including training for employees and Elected Members;
 - formation of a cross-departmental team with commercial expertise;
 - including commercialisation skills and experience in the person specification for specific posts which are advertised;
 - continued participation in commercialisation workshops e.g. through the Association of Public Sector Excellence (APSE);
 - structured information sharing between departments, and greater collaboration with other councils; and
 - requiring all departments of the council to discuss their commercialisation plans with Legal Services for advice, prior to entering into discussions with third parties.
2. To invite representatives of other councils, with successfully developed approaches to commercialisation, to address a joint grouping of East Renfrewshire Council Members and officers;
3. That the Council develop further a programme of staging major events to be held at various venues in East Renfrewshire, building on the commercial success of the Playground Festival held in Rouken Glen Park in August 2019. (Advance planning of future events should focus strongly on community consultation, reinstatement of facilities, liaison with other agencies, and lessons learned from previous events);
4. To agree, in principle, to investigate options for income generation which might be available from the proposed new digital telecare system, through provision of care services on behalf of other local authorities or organisations, and to market the associated business development skills;
5. To support taking a more commercial approach to procurement, to achieve efficiencies and maximise income potential from the council's collaborative framework arrangements, e.g. with Scotland Excel;
6. To maximise the use of local companies through procurement and purchasing activities to help stimulate the economy of East Renfrewshire, in accordance with the existing provisions which enable this through the Council's contract standing orders;
7. To further develop links between schools, the business community and other partners, to create further opportunities for young persons in relation to training; assistance with technology; and other benefits;
8. To monitor closely, and to receive regular reports, on the financial implications arising from the expected reduction in levels of income from the Wraparound care service. (This will occur during and after the transition from the provision of 600 hours to 1140 hours of free early learning and childcare by August 2020).

9. To keep under review, options to develop income generation opportunities at roundabouts, bus shelters, council vehicles and other locations;
10. To support the ongoing development of proposals (subject to submission of further reports where appropriate) by the Environment Department, to generate new income, or maximise potential from existing arrangements, through some or all of the following:
 - Trade waste and refuse collection;
 - Fleet Services;
 - Undertaking landscaping and grounds maintenance in new housing developments;
 - Leasing of storage units;
 - Potential purchase of new commercial units;
 - Grazing lets;
 - Asset Management and taking a more commercial approach to managing vacant buildings;
 - Renewable energy, including options for developing council-owned or shared partnership arrangements, e.g. creation of a biogas facility;
 - Burial and Related Services; and
 - Annual garden waste collection arrangements.
11. That the departments involved submit a report on the option to introduce a public car parking policy, to regulate activities better at key pressure points in East Renfrewshire; and
12. That the Chair of the Audit and Scrutiny Committee extends an invitation to meet the Chair of the Performance and Audit Committee of the Health and Social Care Partnership, to share information and discuss good practices arising from the review;

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EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE21 November 2019Report by Chief ExecutiveINVESTIGATION ON CLIMATE CHANGE**PURPOSE OF REPORT**

1. To provide the Audit and Scrutiny Committee with the proposed scope and timeline of the investigation on climate change.

RECOMMENDATION

2. It is recommended that the Audit and Scrutiny Committee agrees the proposed scope and timeline of the investigation on climate change, which will be carried out in support of the refreshed Environmental Sustainability Strategy and Action Plan.

BACKGROUND

3. The Audit and Scrutiny Committee agreed on 26 September 2019 to investigate climate change as the next high priority issue to be the subject of a scrutiny and evaluation review, subject to further discussions, including with the Environment Department. The current policy of East Renfrewshire Council on climate change is contained within the Environmental Sustainability Strategy and Action Plan 2015-18, which is now due to be refreshed.

4. Climate change meets the selection criteria for investigations which was included in the new Guide to Scrutiny and Review, and approved by East Renfrewshire Council on 26 June 2019. The current investigation by the Audit and Scrutiny Committee on income generation and commercialisation opportunities is approaching completion, and it is appropriate that work on the new review area commences shortly thereafter. The new investigation will provide proposals for East Renfrewshire Council to consider, in support of the work which is already being carried out to reduce carbon emissions, and in the implementation of a range of policies to address climate change.

CLIMATE CHANGE AND CARBON NEUTRALITY

5. Climate change has the potential to be a very broad subject area for the committee to investigate, and it is proposed instead that the committee provides advice on specific areas which would be appropriate for the Council to consider. This work will feed-in directly to activity which is already underway within the Environment Department to refresh the Council's Environmental Sustainability Strategy and Action Plan 2015-18.

6. The Environment Department is participating with Glasgow City Region partners through the Climate Ready Clyde consortium to prepare for climate change and its impacts. Activities include joint working to establish a city-region level Climate Adaptation strategy and Action Plan; helping partners to assess their climate risks and opportunities; and

exchanging information, experience and good practice with other organisations and cities with similar aims.

7. There has been increased publicity in the media recently on climate change, including: the declaration of a national climate emergency (First Minister of Scotland, 28 April 2019), and the setting of a target of 2045 for Scotland to have net zero carbon emissions (Scottish Government, Climate Change Bill 2019). The amendments to the Bill also raised the ambition to reduce the emissions targets for 2030 and 2040 to 70% and 90% respectively.

8. Glasgow City Council declared on 26 September 2019 that Glasgow would be carbon neutral by 2030. The declaration followed a public debate and consultation, and took into account the work which young persons and children had been carrying out too. In November 2018, Bristol City Council was the first local authority in the United Kingdom to declare a climate emergency, and pledged to make the city carbon neutral by 2030. It is understood that a large number of councils in the United Kingdom have now declared a climate emergency.

9. Wiltshire Council declared a climate emergency in 2019, and to be carbon neutral by 2030. The council invested £12m in 2018 to convert their ageing street lighting to low energy LED lighting, substantially reducing carbon emissions and saving approximately £1m per annum. Further investment has taken place in the services' infrastructure of their buildings.

10. For East Renfrewshire Council to become carbon neutral, will involve policy initiatives, and coordination of activities across all aspects of the Council's work. A 'scorecard' can be used to assess whether or not the target of carbon neutrality is on course to be met. This would involve a list of the carbon emissions which the Council is producing, and a list of counter-measures which the Council is undertaking to reduce emissions, to enable a 'net' calculation to take place. Examples of activities which can reduce carbon emissions include:

- Citizen and business engagement in the climate change debate to stimulate greater participation
- All new Council policies to include climate change considerations
- Encouragement of Eco-schools and the reduction of carbon emissions
- New schools to be carbon neutral
- Maximising public participation in recycling activities, and reduction in landfill waste
- Planting of trees
- Creation of new areas of 'green' space, including protected areas of biodiversity, to replace depleted green space due to house building, extensions, monoblocing etc.
- Policy to reduce the use of plastics, and to re-use plastics where possible
- Environmental issues to be at the forefront of procurement/purchasing activities
- Car sharing policies for employees
- Reducing miles travelled on Council business
- Better energy management of Council buildings
- Reduction in the number of Council-owned buildings through asset management practices
- Consideration of renewable energy options for domestic use, and Council buildings
- Potential conversion of street lighting to low energy LED lighting
- Improved design standards of buildings, enabling greater energy efficiency
- Introduction of a 'greener' fleet of Council vehicles
- Introduction of lower speed limits
- Encouraging active travel (cycling and walking) and infrastructure improvements
- Encouraging use of electric vehicles, and installation of additional charging points (including associated infrastructure improvements)
- Improving air quality

11. Climate change is a cross-departmental issue, and while the Environment Department is taking a lead role on behalf of the Council, the subject matter impacts on all departments. Engagement and participation of citizens and businesses in the public debate on climate change will be critical to the success of the new strategy.

POTENTIAL SCOPE OF REVIEW

12. With a view to complementing the work that is already underway on how best to address climate change within the authority, it is proposed that the committee's investigation focuses on some specific issues as follows:-

- Assessing the level of awareness of the importance of addressing climate change within departments;
- If there is a need to review governance arrangements within the authority associated with addressing climate change issues to ensure this issue is pursued effectively (for example creating a specific body or board to oversee its implementation);
- The extent to which adequate targets have been set and are being considered and developed further within the authority to address climate change;
- Linked to the above, assessing the level of existing capacity and expertise within the authority, not only within the Environment Department but also other departments, to enable climate change issues and related targets to be pursued effectively;
- Considering the extent to which departmental budgets align with goals linked to addressing climate change, including capital projects and bids;
- The extent to which discussions on pursuing carbon neutrality take place when project proposals are being discussed and developed;
- The extent to which the importance of carbon neutrality is considered in relation to the procurement and purchasing of goods and services;
- From a benchmarking perspective, which approaches have been successfully adopted by other authorities on addressing climate change;
- The extent to which the Council is taking preventive measures and adapting practices to address climate change

The proposed timeline for undertaking the review is suggested as follows:

Activity	Date
Approval of scope and timeline by Audit and Scrutiny Committee.	21 November 2019
Research and collection of comparative information from other local authorities; and cross-departmental discussions within East Renfrewshire Council to establish baseline information and future plans.	November to December 2019

Final Draft Report on Investigation to Audit and Scrutiny Committee	12 March 2020
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FINANCIAL IMPLICATIONS

13. Due to the continuing and evolving nature of climate change, additional capital and revenue resources could be required to address climate change. These might include: ensuring that schools/offices are environmentally friendly or carbon neutral; purchasing of electric vehicles and installation of more charging points; infrastructure investment in new cycle/walking routes and LED street lighting; further investment in recycling facilities; consideration of renewable energy options; tree planting etc. Recruitment of employees who possess environmental qualifications and experience will also be necessary.

14. Financial implications arising from proposed climate change initiatives would be the subject of separate reports. Potentially, future capital programme bids should include a statement concerning a commitment to carbon neutrality, and ideally, future major spending plans should be aligned to implications for climate change.

CONCLUSION

15. Addressing climate change is a challenging, but pressing issue which councils, organisations, businesses and indeed families are engaging with to a greater or lesser extent. Many local authorities in addition to establishing climate change policies and action plans, have gone a stage further and declared a climate emergency and set a target, commonly by 2030, to become carbon neutral.

16. It is timely therefore, given the refresh of the East Renfrewshire Council's Environmental Sustainability Strategy and Action Plan, that the Audit and Scrutiny Committee contributes to this work by taking evidence and supplying information which is for the wider benefit of the Council. Information from this investigation will hopefully assist the Council in future deliberations and decision-making in relation to climate change and carbon neutrality.

RECOMMENDATION

17. It is recommended that the Audit and Scrutiny Committee agrees the proposed scope and timeline of the investigation on climate change, which will be carried out in support of the refreshed Environmental Sustainability Strategy and Action Plan.

Chief Executive
7 November 2019

Report author:
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Background Papers

Report by Chief Executive to Audit and Scrutiny Committee, 20 June 2019: Proposed Guide to Scrutiny and Review; and
Report by Chief Executive to Audit and Scrutiny Committee, 26 September 2019: Audit and Scrutiny Committee Work Plan

EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

21 November 2019

Report by Chief Executive

EAST RENFREWSHIRE CULTURE AND LEISURE TRUST
BEST VALUE-TYPE REVIEW

PURPOSE OF REPORT

1. To provide the Audit and Scrutiny Committee with the scope and timeline of the Best Value-type Review of East Renfrewshire Culture and Leisure Trust.

RECOMMENDATION

2. It is recommended that the Audit and Scrutiny Committee notes the scope and timeline of the Best Value-type Review of the East Renfrewshire Culture and Leisure Trust, as shown in the Appendix.

BACKGROUND

3. The Audit and Scrutiny Committee on 15 August 2019, approved the deletion of the audit of the operation of the East Renfrewshire Culture and Leisure Trust from the 2019/20 Internal Audit Plan. This was agreed on the basis proposed, in respect of which the Scrutiny and Evaluation Officer would progress a Best Value-type review of the Trust, the findings of which would be reported to the committee in due course.

SCOPE AND TIMELINE

4. Following normal audit procedures, the scope and timeline of the Best Value-type review of East Renfrewshire Culture and Leisure Trust were agreed in October 2019 by the Chief Executive and Director of Education of East Renfrewshire Council, and the Chief Executive of East Renfrewshire Culture and Leisure Trust.

5. The scope and timeline for the Best Value-type review is provided for the committee to note, as an appendix to this report. The review will commence in January and conclude in March 2020, with the findings to be reported to a future meeting of the committee.

CONCLUSION

6. The review will inform what has worked well since the formation of the Trust in 2015, and what could be improved going forward. This will include how culture and leisure services can best contribute to the Community Plan (including a Fairer East Renfrewshire). Through sharing of information and objectives, the review has the potential for East Renfrewshire Council, and East Renfrewshire Culture and Leisure Trust, to gain greater understanding and knowledge of their respective roles and responsibilities.

RECOMMENDATION

7. It is recommended that the Audit and Scrutiny Committee notes the scope and timeline of the Best Value-type Review of the East Renfrewshire Culture and Leisure Trust, as shown in the Appendix.

Chief Executive
4 November 2019

Report author:
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Background Papers

Report by Chief Executive to Audit and Scrutiny Committee, 15 August 2019: Potential Areas for Scrutiny and Review Investigations

Report by Chief Executive to Audit and Scrutiny Committee, 26 September 2019: Audit and Scrutiny Committee Work Plan

East Renfrewshire Culture and Leisure Trust: Best Value-type Review

Date: October 2019

Prepared by: Charles Leleux, Scrutiny and Evaluation Officer, Chief Executive's Office

Topic Area	Action
Scope of review	<p>The scope of the best value-type review has been agreed jointly between the Chief Executive and Director of Education of East Renfrewshire Council (ERC), and the Chief Executive of the East Renfrewshire Culture and Leisure Trust (ERCLT).</p> <p>The ERCLT was formed in 2015, with the aim of providing improved culture and leisure services to the residents of East Renfrewshire, and achieving financial benefits through the formation of a charity, with the potential for savings on Non-Domestic Rates and VAT. After three full years of operation, a best value-type review of ERCLT will be undertaken to determine what has worked well in the formation of the Trust, and what areas could be improved going forward.</p> <p>The review will take into account the planned leisure centre in Eastwood Park, and the closure of facilities for maintenance and improvement.</p> <p>A learning and partnership approach will be used to undertake the review, with the focus on how culture and leisure services can best contribute to the Community Plan (including a Fairer East Renfrewshire). This will involve at each stage: open discussions and sharing of information and objectives, to allow both ERC and ERCLT to gain greater understanding and knowledge of their respective roles and responsibilities.</p> <p>The review will be undertaken primarily by desktop, although the Scrutiny and Evaluation Officer will meet ERCLT coordinators for finance, performance, and marketing. Visits will take place to libraries, halls, sports centres and theatre/arts venues to talk with ERCLT employees about the services which they provide, and how the relationship is working with ERC, particularly in respect of the individual SLAs.</p>

Timescale for Review	Commence: January 2020 Conclude : March 2020 Report to Audit and Scrutiny Committee: To be agreed.
Performance Information	<p>Consider: baseline data from 2015 to 2019 of customer activity and visitor numbers across all areas; performance indicators from 2015, including benchmarking data, as evidence of continuous improvement, and customer satisfaction rates.</p> <p>Consider other evidence of continuous improvement and service re-design of Trust activities, involving customer engagement and participation, since 2015.</p> <p>Consider evidence of improvement in health and wellbeing across the East Renfrewshire community since 2015, and correlate with the involvement of ERCLT where possible. A general assessment will be based on outputs. However, if there is scope to develop more meaningful indicators as a natural progression of existing work at a later stage, then that could be the subject of further discussion.</p>
Governance	<p>Review the legal agreement between ERC and ERCLT having regard to:</p> <ul style="list-style-type: none"> - Suitability of the Trust model to deliver (1) efficiency savings in line with ERC annual targets, and (2) annual savings on Non-Domestic rates and VAT, in accordance with original objectives. - Evidence of the ongoing contribution of ERCLT to ERC goals and community planning objectives, including exploring the scope to make more explicit some of the wider contributions which ERCLT could be expected to make. - The agility of the Trust model to deliver transformational change across ERCLT facilities and services, and whether or not the Trust is best served by ERC support services in this regard, such as Property and Technical Services
Joint working between ERC and core activities of ERCLT	Consider opportunities for further collaboration between ERC, HSCP and ERCLT which have the potential to provide improved services and outcomes for the residents of East Renfrewshire, and which should be considered in more detail in the future.
Value for Money	Consider evidence of value for money being achieved by both ERC and ERCLT, including within the individual SLAs for delivery of core services.